The state of carbon accounting in Finance

SWEEP

Decarbonization challenges and solutions

Industry Spotlight

Finance

Driving the transition to a low-carbon economy

LPs now demand rigorous measurement of carbon emissions from banks and asset managers, in line with regulatory mandates. Navigating this landscape means reporting to standards such as the GHG Protocol and SFDR. With extensive assets under management, financial organizations can be the true drivers of the transition to a low-carbon economy. They just need the right tools to make it happen.

Sustainability in Action

In September 2024, Sweep and Capgemini released a research report examining how hundreds of organizations across four major economies are leveraging data for sustainable transformation. According to the Sweep x Capgemini survey:

DATA DILEMMA

44% of financial services organizations have more than 10 different emissions sources

15% of them have more than 20

COMMON DECARBONIZATION CHALLENGES

49% of financial orgs say their emissions data isn't comprehensive enough to inform sustainability strategies

49% state that their biggest frustration is the complexity of sustainability data and the difficulty of analyzing it

REGULATORY READINESS

55% of finance organizations have conducted a double materiality assessment, required by major standards

DIGITAL FUTURE

45% of financial services organizations say that sustainability initiatives are already part of business culture

88% of them say that digitalization plays an important role in implementing a sustainability strategy

The portfolio decarbonization challenge

Some of the key challenges of decarbonizing your supply chain

1 Measuring financed emissions

Financed emissions are the indirect emissions that come from your company's assets and investments, falling under Scope 3 emissions. You're facing growing pressure to measure and report these emissions due to increasing investor demands for transparency on ESG factors.

2 Regulatory pressure

The amount of climate legislation is mounting, with many countries now requiring financial institutions to disclose their climate-related risks and report on their progress towards meeting climate targets.

The disclosure challenge

There are a number of voluntary and mandatory climate disclosures affecting finance companies. Here are the most important ones:

Sustainable Finance Disclosure Regulation (SFDR)

Find out more

- Scope
  Financial market participants and financial advisers operating within the EU, including asset managers, institutional investors, and insurance companies.
- Requirements
  1. Disclose information on sustainability risks and adverse sustainability impacts.

  2. Provide transparency on the integration of sustainability risks in investment decision-making processes.

  3. Disclose how remuneration policies are consistent with the integration of sustainability risks.

  4. Specific disclosures for products that promote environmental or social characteristics or have sustainable investment objectives.
- Standards
  SFDR framework, aligned with other EU regulations such as the Taxonomy Regulation and the Non-Financial Reporting Directive (NFRD).
- Timeline
  March, 2021: Level 1 disclosures were implemented.

  December, 2021: Deadline for firms to comply with the Principal Adverse Impacts (PAI) statement requirements.

  July, 2022: Level 2 Regulatory Technical Standards (RTS) come into effect.

  January, 2023: First annual reporting for Article 8 and Article 9 products.

  January, 2024: Further refinement and integration of disclosure standards as mandated by the European Supervisory Authorities (ESAs).

Corporate Sustainability Reporting Directive (CSRD)

Find out more

- Scope
  Large companies and all listed companies, including SMEs.
- Requirements
  Report on double materiality (impact on performance and the environment), detailed disclosures on climate change, social rights, governance, and more.
- Standards
  European Sustainability Reporting Standards (ESRS).
- Timeline
  2024: First reports for large public-interest entities.

  2025: First reports for other large companies.

  2026: First reports for listed SMEs, small credit institutions, and captive insurance.

International Sustainability Standards Board (ISSB)

Find out more

- Scope
  Recommended for all companies, increasingly mandated by governments and regulators.
- Requirements
  Disclose governance, strategy, risk management, and metrics & targets related to sustainability risks and opportunities.
- Standards
  ISSB framework.
- Timeline
  Varies by jurisdiction; many companies already voluntarily adopting.

MV Credit provides clear carbon reporting to its investors with Sweep

COMPANY
An independently managed European private credit specialist

SIZE
70 employees, c. €5bn portfolio

INDUSTRY
Financial Services

HEADQUARTERS
London

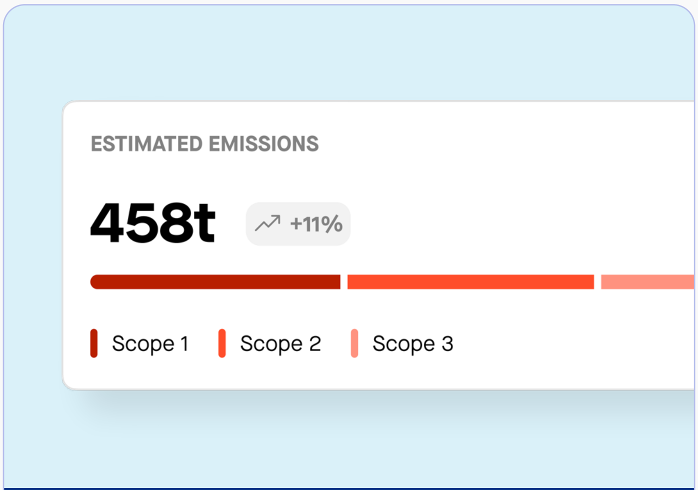
WEBSITE
mvcredit.com

- MV Credit needed to measure complex financed emissions effectively, in order to align with sustainability goals but existing methods were time-consuming and cumbersome.
- MV Credit tried other carbon management platforms, but found they lacked Sweep's user-friendly features, data management capabilities, transparency and tailored support.
- Sweep's customizable surveys, comprehensive dashboards and other features, proved pivotal in defining emission boundaries, engaging portfolio companies, and meeting reporting requirements.
- Sweep's intuitive interface and responsive team assistance empowered MV Credit to transition from manual processes to automated, data-driven carbon management.
- MV Credit uses the Sweep School training centre to navigate regulatory frameworks and stay informed about evolving regulations, setting a benchmark for ESG excellence in private credit.

> **'Sweep's emission monitoring dashboards make it easy for asset managers to communicate and answer questions from our investors about financed emissions, carbon intensity, and data quality.'**

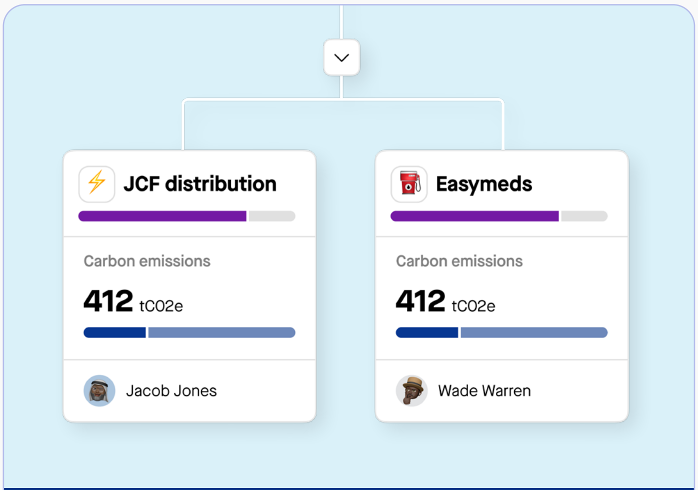
Emilie Huyghues Despointes
ESG Officer at MV Credit

A finance organization's journey with Sweep



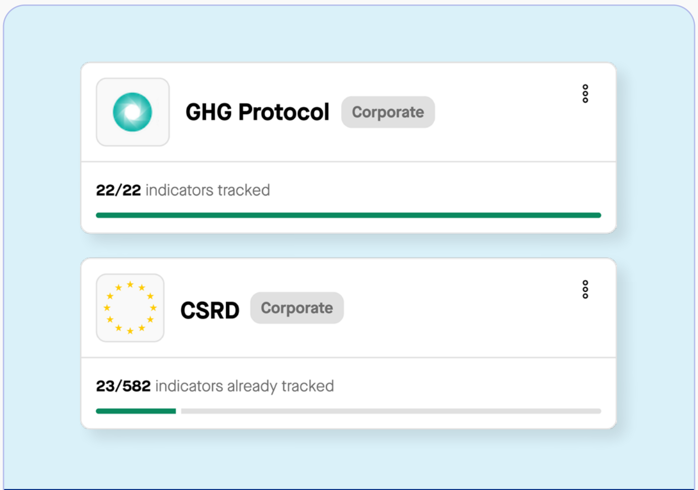
Step 1 Track your carbon and ESG data

Start by managing your direct emissions. Sweep leverages AI to streamline and automate Scope 1 and 2 emissions data collection, reducing manual workload and ensuring precise tracking.



Step 2 Map your Scope 3 emissions

Our platform is designed to handle different levels of data sophistication, enabling you to model your financed emissions using benchmark data. Additionally, you can engage with portfolio companies through customizable climate surveys.



Step 3 Ensure compliance

Navigating the complexities of ESG reporting is vital. Sweep helps you monitor and report against sustainability data, consolidating all extra-financial data in one place to meet the latest ESG reporting requirements seamlessly.

Step 4 Take action on your carbon footprint

With comprehensive data at your fingertips, it's time to take meaningful action. Sweep empowers you to implement data-driven strategies to achieve your sustainability goals and celebrate your success with your portfolio and key stakeholders.

The Sweep advantage for financial organizations

Join the journey

By guiding you through each step of the decarbonization journey, Sweep provides a comprehensive and tailored approach to sustainability.

From automating emissions data collection to engaging your portfolio and taking action, Sweep ensures that your organization not only meets regulatory requirements but also sets a new standard for environmental responsibility.

Trusted by

Balderton.

BlackRock.

malakoff humanis

bpifrance

Île de France

MUBADALA CAPITAL