

ESG SERVICE PROVIDER OF THE YEAR WINNER: EUROPEAN DATAWAREHOUSE

European DataWarehouse (EDW) has won the Service Provider of the Year category in SCI’s inaugural ESG Securitisation Awards. The company has garnered industry acclaim for its involvement in a number of recent ESG initiatives, including the Green Auto Securitisation (GAS) and Engage for ESG Activation Investments (ENGAGE) projects.

Established by the market for the market in 2012, EDW was the first Securitisation Repository in Europe to facilitate the collection, validation and download of standardised loan-level data for ABS and private whole loan portfolios. At its core, the company’s mission is to increase transparency and restore confidence in the European securitisation market.

In fact, EDW views the converting of data into market trust as a social mission. By supporting the development of capital markets and promoting the circulation of safe credit, the company is contributing to economic growth and social value creation.

“EDW is a neutral platform for collecting data and making it available to the market. As such, the aggregation and dissemination of standardised information in the sustainability space is a natural extension of our role,” says Christian Thun, CEO, European DataWarehouse.

“THE AGGREGATION AND DISSEMINATION OF STANDARDISED INFORMATION IN THE SUSTAINABILITY SPACE IS A NATURAL EXTENSION OF OUR ROLE”

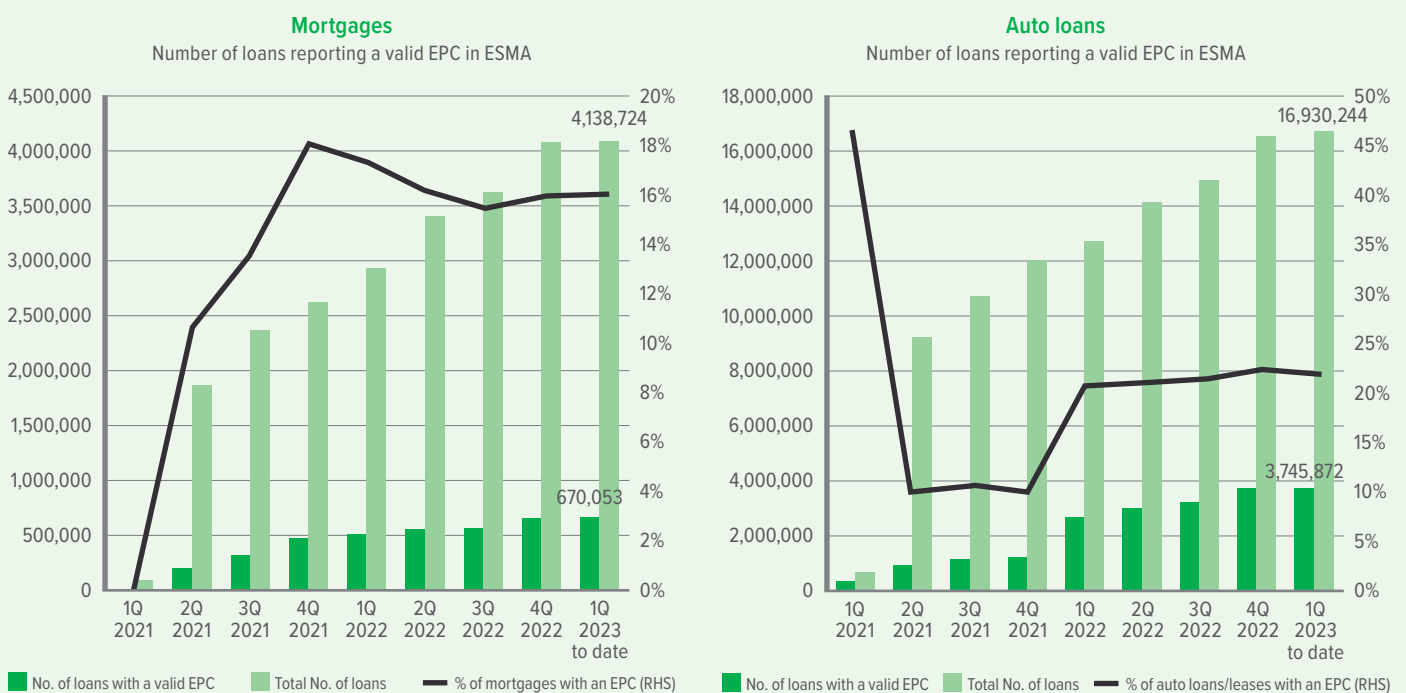
Thanks to the ESMA and FCA exposure templates, EDW’s sustainable finance dataset – including energy performance certificates (EPCs) – comprises more than 3.7 million records for auto loans and more than 670,000 records for mortgages, as of March 2023 (see Exhibit 1). However, the company goes a step further in this mission by also providing unique insights from analysing the information it collates, with the aim of highlighting opportunities for improvements and innovation within the ESG securitisation sector.

For example, in early 2022, EDW analysed over 500,000 real estate loans from five European countries for which an EPC was available to



Christian Thun, European DataWarehouse

Exhibit 1: Energy Performance Certificates – how much data is available?



Source: European DataWarehouse

observe the relationship between the EPC of the financed property and the income of the borrowers (see Exhibit 2). A clear pattern emerged: borrowers whose properties had the best energy efficiency (expressed as EPC) had the highest incomes.

According to the analysis, borrowers in Spain with an EPC 'A' property earned an average of €35,188 per annum, while borrowers with an EPC 'F' property earned an average of €24,089. In France, the income difference between EPC 'A' and EPC 'F' householders was more than €13,300. In contrast, in Italy, the difference was €2,350.

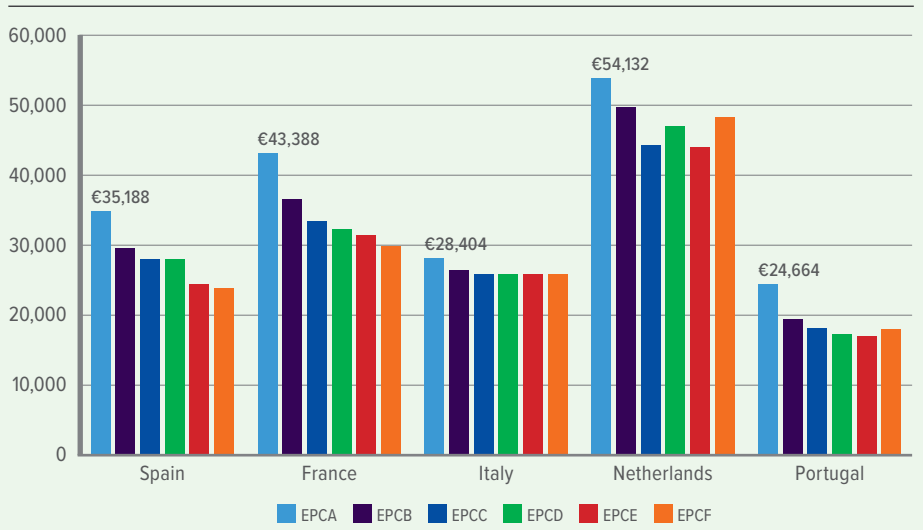
“The findings suggest that older houses need more heating, but they are often occupied by poorer households that can't afford high heating bills. In such cases, the 'E' in ESG bleeds into the 'S,’” notes Thun.

He argues that robust data helps to identify shortcomings and provides the foundation for evidence-based discussion and proper decision-making, rather than the conversation being driven by emotional responses. “The data proves that it is important that lower-income segments of the population are also able to afford energy-efficient real estate – or vehicles. Securitisation can be harnessed to create a lending environment that is conducive to this process. At the moment, society is leaving many behind on its ESG journey; if they continue to be left behind, the journey is unlikely to be completed.”

Last October, the German Federal Ministry for Education and Research awarded a grant for the GAS project to EDW, in collaboration with the Leibniz Institute for Financial Research SAFE. The three-year project seeks to create meaningful incentives for the automotive industry to establish a framework for a green finance mechanism that supports the financing of low-emission vehicles (LEVs) through bank lending. The resulting database would enable the reporting of ESG-related information at a single exposure level and the enrichment of loan- and lease-level data with manufacturers' ESG ratings and details on car emissions and characteristics such as fuel type.

Meanwhile, the ENGAGE consortium – comprising Dexai-Etica Artificiale, Unión de Créditos Inmobiliarios (UCI), EDW, Hypoport, Università Ca' Foscari Venezia and Woonnu – received a grant in November 2022 from the European Climate, Infrastructure and Environment Executive Agency (CINEA) under the EU's LIFE programme. The three-year project aims to create a future-proof data and innovative funding framework for energy efficient mortgage and renovation financing,

Exhibit 2: Borrower income by country vs EPC of mortgaged property



Source: European DataWarehouse

as well as a standardised energy efficiency data disclosure template, which will be operationalised through the Green Investment Portal. The framework will provide for the application of the relevant sections of the EU Taxonomy Regulation into the Dutch and Spanish national building and mortgage-lending practices that will ultimately contribute to the standardisation of innovative and decarbonisation-targeted capital markets financing transactions.

“Investor appetite is growing for information about how ‘green’ a portfolio is and, at the same time, the ESG regulatory burden is growing. So, there is a need to create solutions that help end-users to comply with these demands – especially in relation to the EU Taxonomy Regulation,” observes Marco Angheben, head of business development and regulatory affairs at European DataWarehouse.



Marco Angheben, European DataWarehouse

He continues: “The big challenge is that the necessary data, such as the EPCs, isn't generally available – especially in the housing sector – due to data protection rules. A further challenge is that databases in different jurisdictions have varying degrees of accessibility and information quality.”

Angheben suggests that a shift is needed from the current ‘one-to-one’ regulation aimed at a property buyer or tenant to the kind of open access to information that EDW espouses. “This begins with helping lenders collect, aggregate and digitise sustainable information. Loan-level data should comprise ESG documentation at the macro level, plus detailed information at the micro level. The GAS and ENGAGE initiatives are trying to drive progress not only in terms of green loans, but also in terms of helping the green transition.”

EDW's values as a company also speak to its commitment to advancing initiatives across all ESG areas. From an environmental perspective, its goal is to be carbon-neutral across its entire business by adapting, innovating and investing to combat climate change through green practices. For example, EDW plants a tree for each ABS transaction that is created on its platform.

From a social perspective, EDW endeavours to create an inclusive and diverse work environment and to respect the fundamental human rights of its employees and clients. Finally, the company's corporate governance framework promotes principled actions, informed and effective decision-making and appropriate monitoring of compliance and performance. ▶

