

ATOME

Matter



A LIGHT ON DATA FOR SUSTAINABLE ECONOMY GOALS

How did we use a regulatory data platform to shed light on sustainability disclosure requirements

This is a summary of a pilot project aimed to demonstrate how regulators and financial sector participants can build evidence-based understanding of the progress towards green economy and climate-related risks, and be able to report, collect and analyse sustainability-related data.

In the last ten years, the regulatory community has had its eyes on repairing the financial system, identifying loopholes and gaps to prevent another international banking crisis from happening. Amidst this, another concern of a different nature emerged: the long-term challenge of ensuring that the financial sector progresses towards green and sustainable economy and that ESG risks are adequately monitored. This is a challenge that crosses the borders and calls for collaboration among regulators and building understanding of ESG data disclosure

requirements with the financial market participants. Taking “E” as a starting point, and recognising that environmental impact data and decisions on what is classified as “green” or “sustainable” can no longer be a black box, we decided to bring in a standard-driven approach to data design and tackle sustainability data management with our ATOME solution. The solution may be used regardless of jurisdiction and provides a platform for cross-border collaboration.

WHAT WAS OUR GOAL?

- ★ demonstrate how ATOME supports in building a common understanding of data requirements for sustainability disclosures
- ★ demonstrate how ATOME fosters effective data collection for regulator without inadequate reporting burden for market participants
- ★ promote collaboration and standardisation through exchange of models and data definition approaches across jurisdictions and sectors
- ★ explore how technology-aided data definition and design enables agile “green” analyses and monitoring of progress towards sustainable goals and green economy

WHAT DID WE DO?

- ✓ used a cloud-based collaborative platform for regulatory data design (ATOME: Matter)
- ✓ built a dictionary of concepts and classifications usable for sustainability reporting, based on international standards and regulatory guidelines
- ✓ created granular data reporting templates to collect and analyse sustainability-related data:
Examples:
Financial sector’s progress towards green financing: Loans and advances provided by banks to commercial entities, classifying them as “green” or “brown”, depending on the reported purpose, identifying alignment with sustainability criteria.
Transition risks: assessing the risk of the market transition to a greener economy
- ✓ developed sample analytical views based on data design and classifications in the sustainability data disclosure model
- ✓ explored how sustainability data frameworks could be managed hand in hand with financial disclosure requirements (in insurance, banking, investment management) for more aligned and standardised approaches, easier to adopt by the market

We also brainstormed sustainability reporting in the G20 TechSprint!



What guidelines and standards did we use?

We decided to use concepts belonging to: United Nations, European Commission, International Organisation for Standardisation, European Central Bank and Greenhouse Gas Protocol. We also applied guidelines from organisations like Network for Greening the Financial System (NFGS) or Basel Committee on Banking Supervision (BCBS).

You can access them here:

- [Agenda for Sustainable Development](#) – UN Sustainable Development Goals
- [EU Taxonomy Compass](#) – classification of economic activities on green and not-green
- [Greenhouse Gas Protocol](#) – approach to classifying emissions
- [Network for Greening the Financial System](#)
- [Basel Committee on Banking Supervision](#)
- [Regulation of the European Central Bank on the collection of granular credit and credit risk data](#)
- [Regulation of the European Parliament and of the Council establishing the statistical classification of economic activities NACE Revision 2](#)

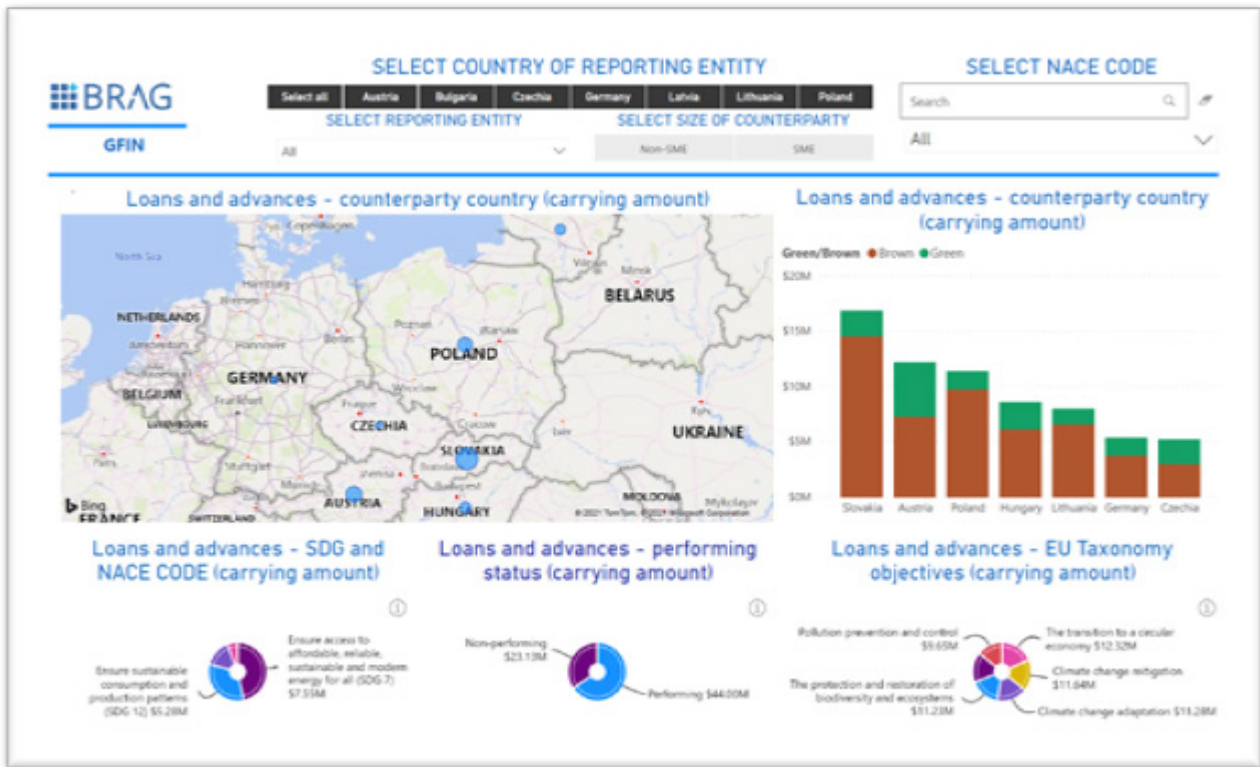
WHAT IS THE OUTCOME?

A small sample of data models as a starting point to progress towards standardised and structured sustainability data collection:

- a) on loans (interest rate, probability of default and maturity) and their sustainability context (connection to Greenhouse Gas Emissions rules, alignment of the purpose of the loan with the United Nations Sustainable Development Goals and green classifications as defined in the EU Taxonomy),
- b) on financial products - to verify their environmental impact and what social characteristics are promoted by these products,
- c) on insurance and reinsurance activities – to report underwritten climate related hazards and environmental objectives, as well as to verify to what extent concepts applied under Solvency II reporting could be applied to sustainability reporting.

The sample models demonstrate how by data design embed clarity and auditability into the future sustainability reports.

Based on the data design, and with sustainability classifications and criteria clearly defined and broken down, enabling regulators to slice and dice as needed for their analysis, we put on top of the model a business intelligence toolkit to provide analytical dashboards. These can be used by regulators in monitoring sustainability-related performance of the supervised sector as well as risks (transition or physical climate-related) to further inform their policies and forward-looking strategies.



POTENTIAL FOR REGULATORS AND MARKET PARTICIPANTS



Developing pilot frameworks, such as the sustainability reporting PoC developed during GFIN initiative for regulators. These frameworks can reuse existing data models available within the platform.



Publishing created frameworks in numerous technical formats for smoother introduction to supervised entities. Here is an example on how the European Banking Authority (EBA) publishes the CRD/CRR reporting framework: [Reporting framework 3.1 | European Banking Authority \(europa.eu\)](#)



Collaborating on the platform to explore other data requirements and challenges that can be tackled collaboratively. ATOME: Matter enables cooperation between different stakeholders on the same data models - it is possible to invite external experts, market participants, consulting companies or other organisations to work together in the same environment.

OUR NEXT STEPS

The PoC is focused on loans and advances for the banking sector, but our intention is to expand the concept to other areas of reporting on environmentally sustainable finance, with particular consideration of sustainability reporting in the area of insurance and reinsurance:

The number and type of ESG risks are growing, and the insurance and reinsurance markets are prominent examples of the impact these risks have on the market. To facilitate the transition of the insurance sector to a sustainable economy, already existing concepts, classifications and data models can be reused, such as EIOPA guidelines, European Commission draft reporting tables and classifications laid out by the EU Taxonomy, setting a high standard for sustainability reporting.

Basing the concept on EIOPA and the European Commission guidelines and draft regulations, the Solvency II model and applying sustainability criteria from the EU Taxonomy. The draft reporting tables can then also be exported in various formats, such as Excel, XBRL or JSON and made available to supervised entities, or validated against business rules using ATOME Particles.