

Transformation succeeds with transparency and responsibility

– A Guide for Sustainable Customer Dialogue –

Climate neutrality of loan portfolios by 2050 - that is the goal of the Net Zero Banking Alliance Germany (NZBAG). The member banks of the initiative came together in 2021 against the backdrop of the German financial industry's voluntary climate commitment and have since been working in several strands to implement the goal they have set themselves. On 23 March 2023, the NZBAG will publish a milestone in the joint work with the guideline for a sustainable customer dialogue. The interlinking of the financial and real economy, which is necessary for the transformation to a sustainable economic system, is based on transparency, trust and responsibility. This is where the guideline makes a contribution and creates benefits. Now all credit institutions have the opportunity to test the guidelines and make suggestions for their further development within the next five weeks.

1. Objectives of the Guide

Strengthening the dovetailing of the financial sector and the real economy

The guideline supports the targeted exchange between banks and corporate clients on the topics of climate and sustainability. The resulting transparency promotes effective interlinking of the financing and financing-seeking sides, which can support a rapid transformation of the economy. On the basis of this mutual understanding, transformation paths can be agreed along concrete interim goals. This ensures certainty of expectations and planning for all parties involved. It should be noted that the guideline is to be understood as part of an ongoing transformation implementation process that will evolve over the coming years in terms of the scope of information on key sustainability issues in the value chains and the level of ambition of the targets.

Systematisation and harmonisation of the sustainability dialogue between the financial sector and companies in the real economy

The sustainability transformation can be accelerated through efficient and effective processes. This also includes an efficient and effective exchange between banks and the real economy. However, although some banks have already started to systematise the customer dialogue, there is still a lack of a consistent approach. The guideline helps to change this by pursuing the goal of standardising the sustainability dialogue between banks and companies in the real economy. In this way, additional effort and frictional losses are to be reduced both on the side of the reporting companies and on the side of the querying banks.

2. Structure and content of the guide

The guide is presented in an Excel file. This should enable as many banks as possible to work with the guide – regardless of any IT restrictions and separate data protection requirements.

The guide is divided into six workbooks:



Within the workbooks, users are guided through the sustainability dialogue along a question path. Questions that do not apply are greyed out and do not need to be answered.

In order to ensure broad connectivity, a methodologically open approach is followed that takes into account content from various frameworks, regulations and initiatives. For the **climate, environment, social** and **governance** sections, the sources from which the questions were derived are listed. In some cases, questions have been borrowed, summarised or reformulated from different sources. In the focus area of climate transformation, the tool is closely based on the work results of the [Pathways to Paris](#) project. So far, two industries from the Pathways to Paris work have been integrated into the tool: Buildings and Energy / Utilities. Further sustainability aspects are presented in the tool in order to provide corporate client advisors with a holistic perspective on sustainability in client discussions.

The guide offers different variants of the dialogue, depending on the size of the company, the industry and how well the customer service representatives know the topic. The **Basic Dialogue** variant is intended to provide a low-threshold introduction, while the **Extended Dialogue** variant provides a more extensive and detailed catalogue of questions.

3. Evaluation system

In the **Sustainability Overview** workbook, all relevant data and benchmarking proposals for the client are brought together. The answers from the four previous workbooks are automatically consolidated and processed here. For a better overview, these are divided into the three sections **Warnings**, **Score Overview** and **Company Analysis**.

- **Warnings** indicate missing entries and / or answers and are an element of quality assurance. Data gaps should be filled as far as possible and missing answers completed in order to increase the informative value of the following sections.
- The **score overview** provides an insight into sustainability transparency and performance in the thematic fields of climate, environment, social and governance. The sustainability transparency results from the completeness of the answers given in the individual topic areas and helps to classify the results of the sustainability performance. For the automated evaluation, the individual questions are weighted equally. They were each assigned a threshold for full score (100%) or no answers (0%). The evaluation of the performance is based on a linear extrapolation between the upper and the lower threshold. In principle, however, more complex scores and individual weightings are also possible.
- On the one hand, the **company analysis** section gives an overview of the identified strengths and weaknesses of a company. Threshold values have been set for each question. If an answer exceeds or falls below the respective

threshold value, a predefined strengths or weaknesses info text is provided. On the other hand, there is a graphical presentation of the decarbonisation path. This depends on the sector selected in the **Company Information** worksheet. It illustrates the decarbonisation path of the company before a 1.5°C path and the sector-specific requirements.

4. Your opinion is important to us

The aim of the NZBAG is to make the tool as user-friendly and comprehensive as possible: You can support us in this:

We would appreciate your feedback on the following questions by 30 April 2023:

- Is the objective of the guideline correctly chosen and does it correspond to the existing needs of the banks and real economy companies? If not, what other needs should the objectives address?
- Does the guide cover all sustainability topics that are relevant in your eyes? If not, which should be added and / or deleted?
- Which sectors should also be considered for further development?
- Is the structure user-friendly? If yes, what do you particularly like? If no, do you have any suggestions for improvement?

Any feedback that relates to the content, structure and / or function of the guide is welcome.

About the Net Zero Banking Alliance Germany

Since 2021, the nine member banks have been working on the development and implementation of climate protection measures in their institutions. The NZBAG is developing methods for portfolio management as well as minimum requirements and guidelines at the strategic and technical levels. The project focus is on market-related activities, as these can promote climate transformation in the real economy and offer significant business opportunities for banks.

The [climate protection commitment](#) of the German financial sector provides the basis for the work of the NZBAG. The NZBAG goal is to enable comparable measurement and management of credit portfolios in line with the Paris climate goals. To this end, the fundamental basics and further impulses are being developed in various areas.

Contact

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