

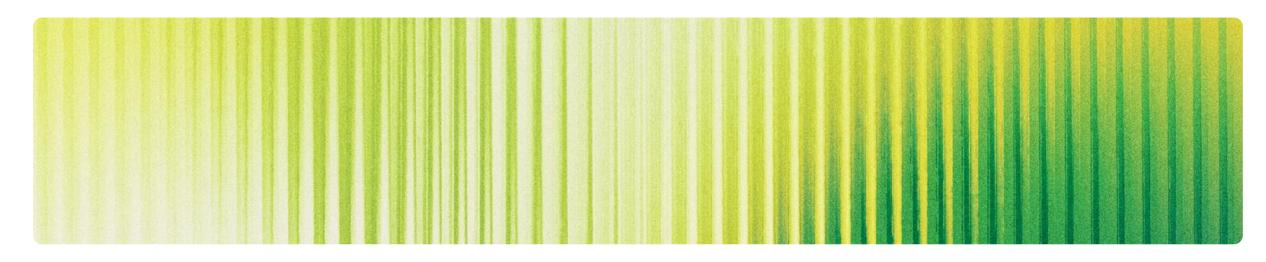




tilt road-tests Feedback Briefing Note



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tilt

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1.Briefing Note

Based on tilt road-tests in Q1 and Q2 2023

Briefing Note





This Briefing Note serves to provide an overview of the key take-aways from the road-test of *tilt* version 1 that we conducted during Q1 and Q2 2023. We are planning to address and resolve these issues as part of our work on version 2 of the *tilt* database which is planned for release by the end of 2023.



Road-test

In Q1 and Q2 2023, we road-tested version 1 of the *tilt* SME database with several European business banks and in a research project with central banks.



Phase 1

Phase 1 of the road test required banks to match the companies in the *tilt* database to the companies in their test loan books to assess the coverage of companies and financial exposure.



Phase 2

Phase 2 of the road test required banks to assess the *tilt* indicators to the previously matched output with regards to their usefulness, meaningfulness, practicability, and quality.



Objective

Our intention behind testing the first version of *tilt* with user group banks was to get user-oriented feedback at an early stage of the project to then develop the project further in a direction that is useful and meaningful for potential users. After we have now collected, reviewed and consolidated banks' feedback, we have started working on version 2.





2. Banks' Feedback

User group banks

Banks' Feedback

In general, user group banks articulated great interest in climate- and nature-related SME data and found most of the currently available indicators useful, they also support the open-source and transparent approach that tilt adheres to. However, they raised a number of concerns, listed here below, which we are planning to tackle as part of our work on tilt version 2 to improve the tilt database.

Data

Additional Data Points

Most banks value the product-level information, including the sector per product. It was raised that additional data points such as a main sector per company and revenue information would be useful.

As part of the version 2 development, we are looking into ways to provide this data.

Data Quality

The data quality requires improvements, such as by using source data of better quality and improving the NLP-based product matching process.

This will be tackled as part of our research on additional data sources (see above) and the revision of the product matching process (see below).

Matching

Company Name Matching

The company name matching process (based on string similarity estimation) via the <u>tilt.company.match</u> package is too time intensive and not effective enough. Unique company IDs are required to apply the tilt data more efficiently.

As part of our research on additional data sources (see feedback about coverage), we are looking into ways to obtain unique company IDs for version 2.

Product Matching Process

The NLP-based product matching process does not deliver matches of sufficient quality yet and therefore requires improvements.

For version 2, we are revisiting the whole matching pipeline and will take the latest developments in the NLP field into consideration.



Banks' Feedback

Output

Coverage

The current 288,000 companies across the five European countries Spain, France, Germany, Netherlands, and Austria is not sufficient for banks in the long-term. Also, banks articulated interest in additional countries from various regions, ranging from South America to Central and Eastern Europe.

We are currently reviewing alternative data sources to increase the coverage in the five focus countries for version 2. Once this has been completed, we will look into expanding our database to additional countries and regions.

Communication

Documentation

Good and clear communication around the use of the tilt database as well as its methodology is key.

Therefore, for version 2, we are working on a revision of the current methodology documentation to allow users to understand our model in greater detail.

Indicators

Most banks suggested that the priority for the coming months should be to improve the quality of current indicators before developing additional indicators. Most concerns about the quality of the current indicators relate to the product matching process and coverage (see above). After these issues are resolved, there is common interest in additional indicators such as the EU Taxonomy Indicator, the Physical Risk Indicator, the Flexibility Indicator and the Emissions Indicator.

These additional indicators have been conceptually developed in the past and already reviewed by the user group of banks. But technical implementation still requires time. We are planning to provide at least two of these additional indicators in version 2.

