IRP 2 : Individual Research Project

Topic

Modelling green credit scores for a network of retail and business clients

Involvement

- IRP belongs to WP5 (Sustainable Finance)
- WP Leader: UNA (Naples)
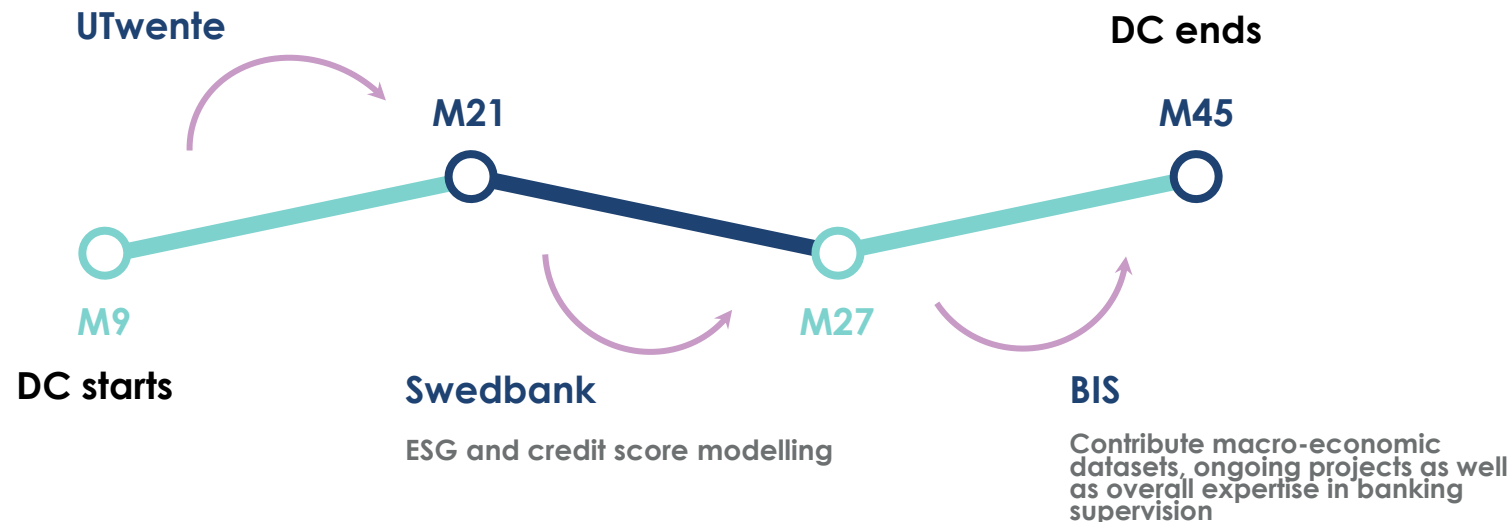- Two supervisors from secondments: SWE, and BIS

Objectives

Some markets use green credit scores to assess SME credit risk in sustainable and circular economies. Simultaneously, network customers' default likelihood has been studied. **This study develops and deploys green credit score models that account for customers' networks**. We show the impact and give financial institutions methods to **improve credit risk assessment and access.**

Deliverables

Green credit score models will be developed and implemented. These models **inform SMEs about their carbon footprint**, their **main risks in a low-carbon economy**, and how to **mitigate** them. SMEs leading on sustainability could gain easier access to capital by **demonstrating positive relationships between creditworthiness and sustainability, creating a fairer credit risk assessment** that explicitly factors in sustainability metrics and **encouraging low-carbon measures.**

TIMELINE

IRP 2

UTwente

DC ends

M21

M45

M9

DC starts

M27

Swedbank

ESG and credit score modelling

BIS

Contribute macro-economic datasets, ongoing projects as well as overall expertise in banking supervision

DIGITAL