



**EU and US Climate Change Mitigation
Guest Presentation
on
ESG, greenwashing and an alternative**

Presentation – Charles Berckmann

30 March 2023

Agenda

1. ESG

1. What does it mean, beyond E, S & G?

2. Why is it important? For whom?

3. What are the issues?

2. Greenwashing

3. Accomplishing ESG without greenwashing - bettervest GmbH

ESG

- 1. What does it mean, beyond E, S & G?**
- 2. Why is it important? Is it important? For whom?**
 - 1. 1990 -LA Times**
 - 2. Now seen as a way to mitigate climate change**
- 3. What are the issues?**
 - 1. Reporting vs. taking action; scope vs. measurability**
 - 2. Too much emphasis risks greenwashing**

ESG began long ago...

Los Angeles Times

Business; PART-D; Financial Desk

Environmental, Social Issues Top List of Shareholder Concerns Investing: Many firms are feeling pressure on everything from pollution to divestment in South Africa.

RICK GLADSTONE

ASSOCIATED PRESS

1069 words

16 April 1990

Los Angeles Times



Accountancy Column: Green accounting and competitive advantage

By ANDREW JACK

1131 words

19 March 1992

Financial Times

FTFTA

English

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ESG - who is it for?

- **Investors**
- **Regulators**
- **Companies**
- **Individuals**
- **Financial institutions**

ESG Investing

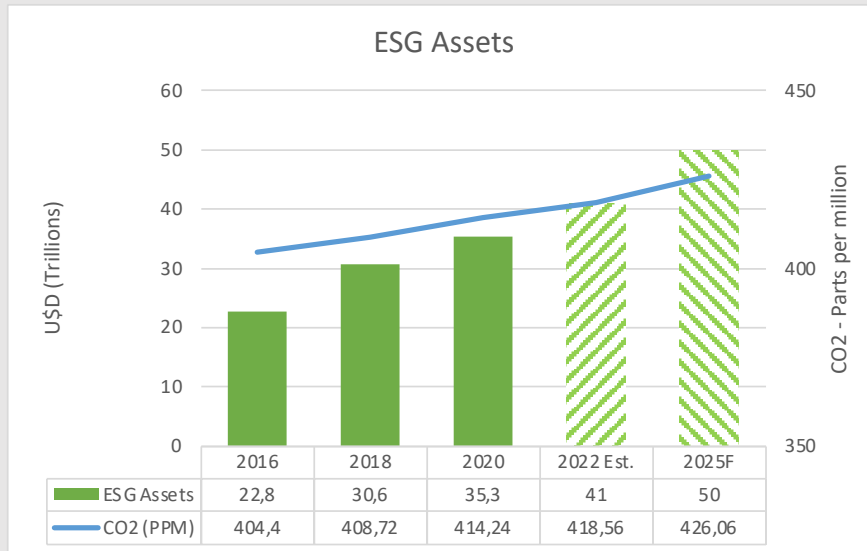
- 1. Assist investors in channeling capital flows in a (largely) environmentally constructive manner**
- 2. Help fund managers seek an investment edge**
- 3. Gives banks incentives not to lend to climate-exposed borrowers**

<https://www.gsi-alliance.org/> and The Economist 12 Feb 2022 "Green Investing: A dirty secret"

https://gml.noaa.gov/webdata/ccgg/trends/co2/co2_annmean_mlo.txt

ESG Investing

Lots of worthy/ethical investments, but CO2 continues to rise



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ESG's problems

Proliferation of ratings companies (160)?

Measure different things

scope, measurement and weighting

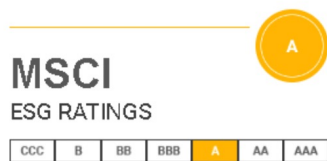
Value vs. Values

Inputs vs. Outputs

Greenwashing

ESG's problems- Tesla or Shell?

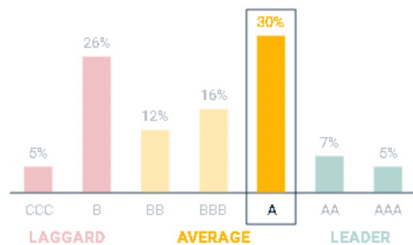
MSCI'S TESLA ESG RATING



Tesla is **average** among 43 companies in the **automobiles industry**.

ESG Rating distribution in relation to industry peers

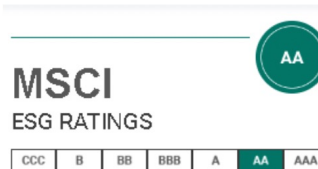
Universe: MSCI ACWI Index constituents automobiles, (43 companies)



Tesla's rating remains unchanged since April, 2020.

Source: MSCI.com

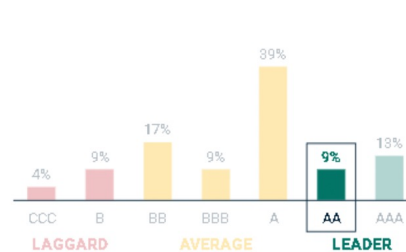
MSCI'S SHELL ESG RATING



Shell is a **leader** among 23 companies in the **integrated oil & gas industry**.

ESG Rating distribution in relation to industry peers

Universe: MSCI ACWI Index constituents integrated oil & gas, (23 companies)



Shell's rating remains unchanged since September, 2021.

Source: MSCI.com

Greenwashing

- Communicating unsubstantiated or exaggerated claims in relation to the sustainability of products and services
- Driven by
 - Increased demand for sustainable products; marketing!
 - A lack of regulation, standardised definitions, disclosures, and metrics for sustainability
 - Poor availability and quality of data (stale, many providers, not verifiable)



bettervest
your money, **your impact**

How crowdlending can alter the investment landscape

03/2023

bettervest GmbH | Falkstraße 5 | 60487 Frankfurt
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BETTERVEST

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your money, your impact





Financial sector in transition- how crowdfunding facilitates sustainable investing

- Terminology
- Our business model
- Sustainable Investing:
 - Project selection and project example
 - How our platform works
 - Our achievements and impact



KEY TERMINOLOGY

Forms of crowdfunding:

-  **Lending-based crowdfunding, or crowdlending**
-  **Equity crowdfunding (equity-based crowdfunding)**
-  **Donation-based**
-  **Reward-based**

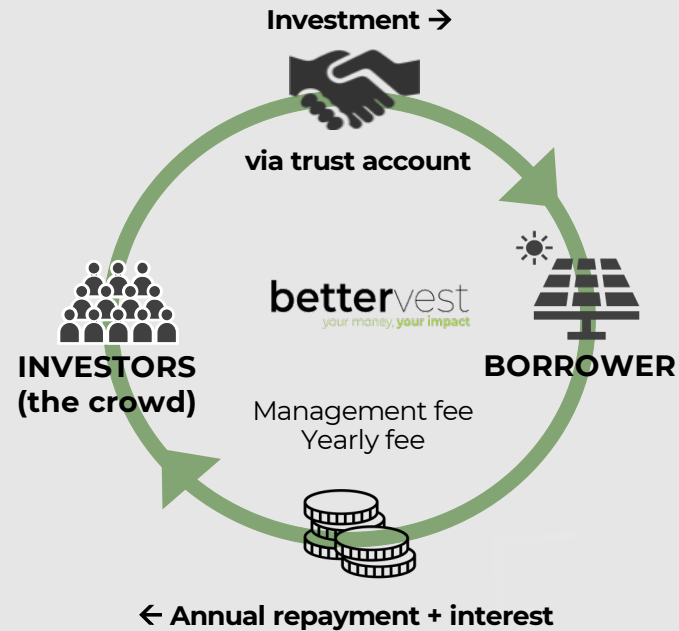


OUR BUSINESS MODEL

We match providers and borrowers of capital in underserved markets while generating a positive return on investment with **ecological, social and economic impact**.

Our Innovation

- ✓ Mitigate project risk through structuring / collateral
- ✓ Enable Co-Funding



INVESTORS

- ✓ Min investment: 50 EUR
- ✓ Interest rate: 3,5%-8% p.a.
- ✓ Duration: 1-8 years (avg: 5 years)
- ✓ Instrument(s): subordinated loans, participation rights (quasi equity), bonds
- ✓ No fees



BORROWERS

- ✓ Impact projects up to 8 Mio. EUR (min. 200.000 €)
- ✓ Invest in SME or an SPV
- ✓ Geography: East Africa, Ghana, India, Germany



Project Selection

Impact-Criteria

UN SDGs play a central roll:

Focus on:

- ✓ Environmental impact
- ✓ Access to electricity
- ✓ Reliable and clean energy
- ✓ Social impact
- ✓ Poverty alleviation
- ✓ Equal rights
- ✓ Job creation
- ✓ Improved health and livelihood
- ✓ Financial Impact
- ✓ Close financing gap for SMEs in emerging markets

Financial Criteria

Solid financial metrics are a pre-requisite:

Detailed analysis on:

- ✓ Business model
- ✓ Management quality
- ✓ Risks: credit, market, business, legal and country
- ✓ Financial data
- ✓ Business plan und cash flow projections
- ✓ Equity
- ✓ Asset security, parent guarantees or credit guarantee



OUR MISSION, OUR GOAL

Our **mission** is to close the gaps in our core market, with **goal** of being profitable on a sustainable basis

How?

- ✓ Finance companies and projects with a focus on renewable and energy efficiency
- ✓ Enable small private investors to invest directly in impact

thereby:

- ✓ reducing CO2 emissions
- ✓ contributing to UN SDGs

Three gaps in our core market



Energy sector

840mm **USD 45bn.**

Persons without access to energy

Annual investment need for off-grid electricity projects



Investment market

85% **95%**

of surveyed group 2019

of millennials 2019

Inquired about sustainable investments

Small private investors have limited access to investment opportunities

Investors want to know where their money is going



SME-Market

EUR 150k-1mm

Ticket size

Difficult access to finance for SMEs

Difficulty meeting loan requirements (from local banks)



Recent Projects

Micro-Hydro Project Kenya – Hydrobox



Project country: Kenya

Technology Small hydro

Funding goal: 835.750 EUR

Maturity: 8 years

Interest p.a.: 6 %

Early-Bird-Bonus p.a.: 1 %

Pre-interest p.a.: 1 %

Product: subordinated loan

Problem

- ✓ Rural population lack of access to clean, reliable and affordable electricity
- ✓ Increased costs to companies due to power cuts
- ✓ Deforestation due to use of alternative wood harvesting for fuel when desperate.

Project scope

- ✓ Establish of run-of-river hydro through a 533 kW containerised hydro plant
- ✓ Customers: two agricultural enterprises; two telecoms companies; 10 schools; 2 hospitals and 1,000 end users,
- ✓ Project on-line in Nov 2022.

Company

- ✓ **Hydrobox NV:** Belgian-based Holding-company founded in 2018
- ✓ Producer of container hydro facilities
- ✓ **Citugu Power Station Limited:** Project company in Kenya,
- ✓ Loan recipient and operator of the facility



Recent Projects

Micro-Hydro Project Kenya – Hydrobox



Environmental and Social Impact

- ✓ Clean, renewable energy as alternative to grid power supply
- ✓ Facilitates economic growth
- ✓ Smart operating system that reduces costs, extends asset life
- ✓ Reduces CO₂-emissions by reducing reliance on coal-fired generation from national utility

SDGs





Recent Projects

BURN Manufacturing



Country: Kenya

Technology: cookstove

Funding goal: 2.266.300 EUR

Maturity: 5 years

Interest p.a.: 6 %

Early-Bird-Bonus p.a.: 1 %

Pre-interest p.a.: 1 %

Produkt: Subordinated loan

Problem

- ✓ Inefficient firepits for cooking
- ✓ Smoke inhalation from locally produced smoke increases pre-mature deaths
- ✓ Increases CO2 emissions.
- ✓ Exhausts local wood resources
- ✓ Inefficient use of time, underemployment of women who mostly carry out wood gathering

Project scope

- ✓ Finance expansion into 7 new african countries.
- ✓ Expand production capacity
- ✓ Further improve the lives of Africans

Company

- ✓ **BURN Manufacturing Company:** founded in 2011 in the US
- ✓ Produces stoves through local Kenyan-branch since 2013
- ✓ Designs, produces and sells efficient cookstoves
- ✓ Facilitates generation and sale of CO2-certificates (VERS) for sale on voluntary markets
- ✓ Over 1,6 million cookstoves sold
- ✓ Over 1.000 employees



Recent Projects

BURN Manufacturing



Environmental and Social Impact

- ✓ Reduces fuel consumption by around 39% and thereby CO2 emissions
- ✓ Mitigates deforestation
- ✓ Cuts respiratory illnesses and indoor health hazards
- ✓ Fosters increased labor participation by women and economic empowerment
- ✓ Reduces CO2-emissions by reducing reliance on coal-fired generation from national utility

SDGs



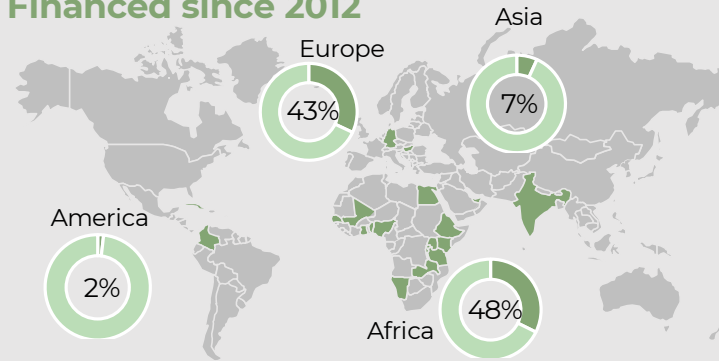


ACHIEVEMENTS

Financed projects

- ✓ financed 110 SMEs and Projects
- ✓ in over 20 markets
- ✓ with total volume > 20 Mio. EUR

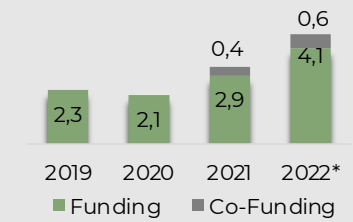
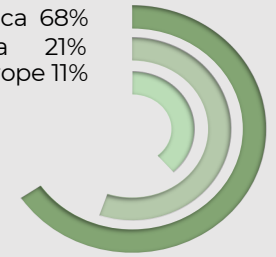
Financed since 2012



> 900.000 tons reduced

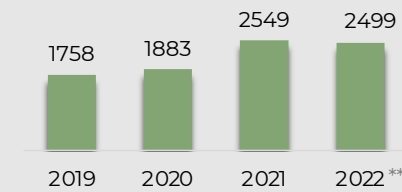
Financed since 2019

Africa 68%
Asia 21%
Europe 11%

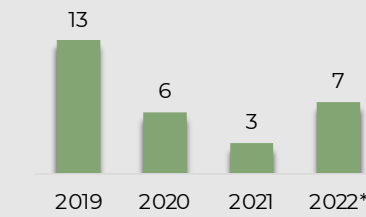


Financed volumes (in EUR m)

Investor base in total : 12.554



Ø Investment sum per active investor



Number of projects online

* 2022 estimated for full year **as of August 2022

OTHER PROJECTS

