

Digitalization and ESG Emerge as Key Differentiators Among European Trade Finance Providers

January 19, 2022

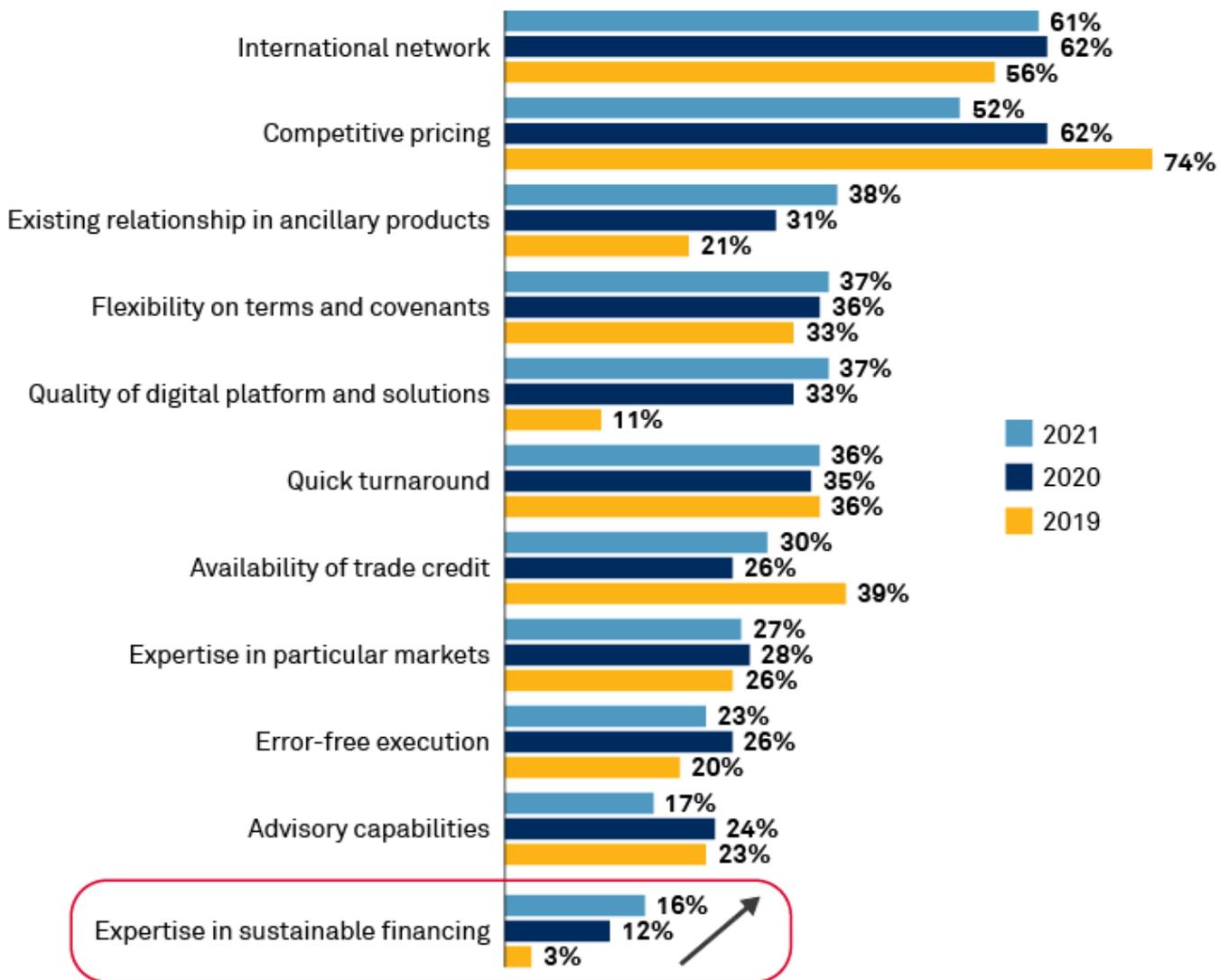
Trade finance may have been a latecomer to the digitalization party, but its growing adoption, along with companies' increased thrust on improving environmental, social and governance (ESG) compliance, presents a real opportunity for banks in Europe to reinvent their trade finance operations in sync with the changing demands of their largest customers.

Our views are based on data from the Coalition Greenwich 2021 European Large Corporate Trade Finance Study, which shows that 37% of large companies interviewed across Western Europe cited the quality of digital platforms and solutions as a key criterion for choosing banking partners for trade finance in 2021, as compared to just 11% in 2019.

This is one of the biggest changes that we've seen over the last three years in terms of the preference criteria for choosing trade finance partners.

Moreover, expertise in sustainable financing is five times more important for corporates selecting a trade finance provider today than it was in 2019.

Key Selection Criteria for Choosing Trade Finance Providers across Western Europe



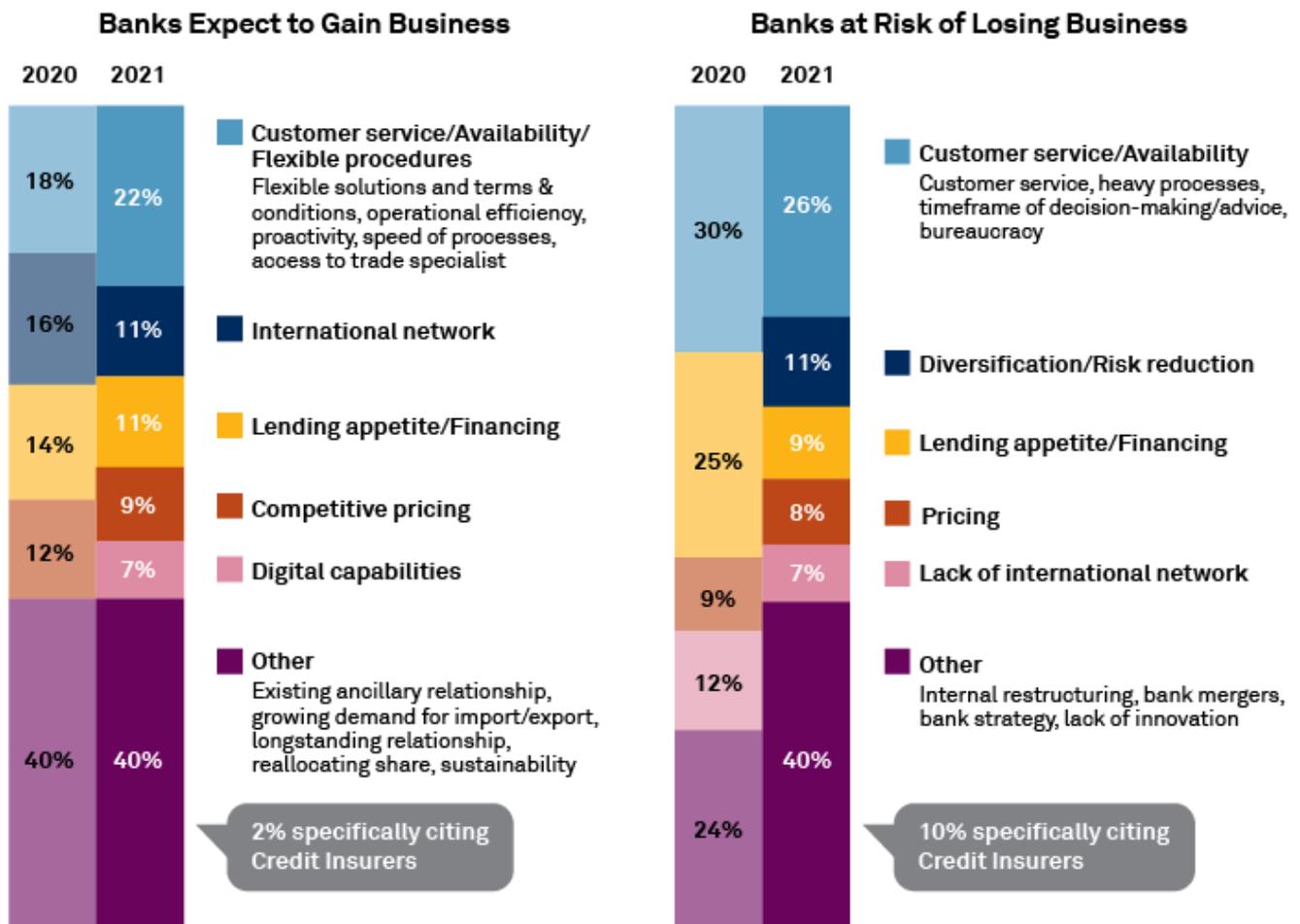
Note: Based on 231 respondents.

Source: Coalition Greenwich 2021 European Large Corporate Trade Finance Study

Digitalization to Help Enhance Customer Service and Flexibility of Solutions

Among corporates in the study, 22% said that customer service in terms of operational efficiencies and timeliness, availability of flexible trade finance solutions and procedures, and access to trade specialists are the key reasons for increasing their business with banks. Seven percent of corporates added digital capabilities to this list.

Companies Expecting to Increase or Decrease Business with their Banks—Top 5 Reasons



Note: Based on 523 respondents.
Source: Coalition Greenwich 2021 European Large Corporate Trade Finance Study

We would argue that digital capabilities can really help provide and make those customer service experiences stronger, enhance advisory capabilities and make procedures more flexible, reducing the heavy processes that are currently one of the main factors that might lead clients to move away from certain banks.

For now, digitalization of trade finance in Western Europe is still at an early stage, with corporate banks' digital trade-finance capabilities varying widely and only 18% of them offering best-in-breed functionalities, according to the Coalition Greenwich 2021 Digital Benchmarking Program report.

Banking leaders that are innovating continuously, however, are going beyond merely automating manual processes to making them smarter. This can help free up client-service professionals to provide more value-added services that will, in turn, help banks capture a higher share of wallet.

Also, since two-thirds of the companies in the study use the same bank for trade finance and foreign exchange, digitally integrating the two can also trigger a cross-selling opportunity for banks.

Trade Finance Providers Can Help Corporates Meet ESG Targets

The growing thrust on ESG is evident from the fact that 75% of corporates interviewed have already set ESG targets in the current year.

When asked about the immediate- to long-term challenges to their business, 17% expressed a need to reassess their supply-chain management in light of raw material shortages, rising prices and supply delays, post-COVID. And 10% called out the growing pressure to implement ESG all-round, from employees and consumers to investors and regulators.

However, while one-fifth of the corporates in the study don't yet see trade finance as a solution that will help them meet ESG targets, a quarter of them are looking to banks to provide green financing.

Moreover, over a third of corporates expect banks to proactively support them with appropriate products, advice and information through their ESG journey. They're seeking intelligent information on how sustainable finance can help their business, such as better pricing on funding, relevant updates on the fast-changing regulatory environment, and also help in establishing key indicators of ESG performance, among other things.

Beyond ESG Financing, Banks are Expected to Advise and Proactively Approach Corporates

What can your banking providers do to help you achieve those ESG objectives?



ESG is a very important issue for us as a global corporate. However, we see the issue more related to our funding and not for trade finance.

We are working on the ESG subject to improve/refine our ESG targets. We notice that the subject gets increasingly important with the banks, but we are not yet sufficiently concrete for it.

We have discussed an ESG scoring system of our suppliers that would award suppliers with a good ESG approach/scoring a better credit pricing for our supply chain financing.

Identifying and proposing interesting ESG solutions.

Support our entire supply chain financially to achieve our ESG requirements.

Helping us achieve our ESG objectives, in particular to developing contents for our social chapter.

Proposing help for financing the construction of ecological 'green' ships.

Note: Based on 193 respondents.
Source: Coalition Greenwich 2021 European Large Corporate Trade Finance Study

We're seeing some opportunities for banks to deepen their relationships by proactively educating and helping corporates understand how ESG can be applied to trade finance.

Similarly, companies want banks to roll out ESG standards and policies throughout the supply chain. Banks can help them reassess their supply-chain management from an ESG angle. They now have a role to make sure that Tier 2 and even Tier 3 vendors are ESG compliant.

Methodology

Between April and July 2021, Coalition Greenwich conducted 523 interviews with corporates with annual revenues of €500 million or more across Austria, Belgium, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Nordic countries, Portugal, Spain, and the United Kingdom. Interview topics included product demand, quality of coverage and capabilities specific to trade finance. Due to the COVID-19 pandemic, most personal interviews were conducted over the telephone.

www.greenwich.com | ContactUs@greenwich.com

Coalition Greenwich, a division of CRISIL, an S&P Global Company, is a leading global provider of strategic benchmarking, analytics and insights to the financial services industry.

We specialize in providing unique, high-value and actionable information to help our clients improve their business performance.

Our suite of analytics and insights encompass all key performance metrics and drivers: market share, revenue performance, client relationship share and quality, operational excellence, return on equity, behavioral drivers, and industry evolution.

About CRISIL

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better. It is majority owned by S&P Global Inc., a leading provider of transparent and independent ratings, benchmarks, analytics, and data to the capital and commodity markets worldwide.

CRISIL is India's foremost provider of ratings, data, research, analytics, and solutions with a strong record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights and efficient solutions to over 100,000 customers through businesses that operate from India, the U.S., the U.K., Argentina, Poland, China, Hong Kong, and Singapore.

For more information, visit www.crisil.com

Disclaimer and Copyright

This Document is prepared by Crisil Coalition Greenwich, which is a part of Crisil Ltd, a company of S&P Global. All rights reserved. This Document may contain analysis of commercial data relating to revenues, productivity and headcount of financial services organisations (together with any other commercial information set out in the Document). The Document may also include statements, estimates and projections with respect to the anticipated future performance of certain companies and as to the market for those companies' products and services.

The Document does not constitute (or purport to constitute) an accurate or complete representation of past or future activities of the businesses or companies considered in it but rather is designed to only highlight the trends. This Document is not (and does not purport to be) a comprehensive Document on the financial state of any business or company. The Document represents the views of Crisil Coalition Greenwich as on the date of the Document and Crisil Coalition Greenwich has no obligation to update or change it in the light of new or additional information or changed circumstances after submission of the Document.

This Document is not (and does not purport to be) a credit assessment or investment advice and should not form basis of any lending, investment or credit decision. This Document does not constitute nor form part of an offer or invitation to subscribe for, underwrite or purchase securities in any company. Nor should this

Document, or any part of it, form the basis to be relied upon in any way in connection with any contract relating to any securities. The Document is not an investment analysis or research and is not subject to regulatory or legal obligations on the production of, or content of, investment analysis or research.

The data contained in the Document is based upon a particular bank's scope, which reflects a bank's data submission, business structure, and sales revenue Reporting methodology. As a result, any data contained in the Document may not be directly comparable to data presented to another bank. For franchise benchmarking, Crisil Coalition Greenwich has implemented equal ranking logic on aggregate results i.e., when sales revenues are within 5% of at least one competitor ahead, a tie is shown and designated by = (where actual ranks are shown). Entity level data has no equal ranking logic implemented and therefore, on occasion, the differences between rank bands can be very close mathematically.

The data in this Document may reflect the views reported to Crisil Coalition Greenwich by the research participants. Interviewees may be asked about their use of and demand for financial products and services and about investment practices in relevant financial markets. Crisil Coalition Greenwich compiles the data received, conducts statistical analysis and reviews for presentation purposes to produce the final results.

THE DOCUMENT IS COMPILED FROM SOURCES CRISIL COALITION GREENWICH BELIEVES TO BE RELIABLE. CRISIL COALITION GREENWICH DISCLAIMS ALL REPRESENTATIONS OR WARRANTIES, EXPRESSED OR IMPLIED, WITH RESPECT TO THIS DOCUMENT, INCLUDING AS TO THE VALIDITY, ACCURACY, REASONABLENESS OR COMPLETENESS OF THE INFORMATION, STATEMENTS, ASSESSMENTS, ESTIMATES AND PROJECTIONS, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE ARISING OUT OF THE USE OF ALL OR ANY OF THIS DOCUMENT. CRISIL COALITION GREENWICH ACCEPTS NO LIABILITY WHATSOEVER FOR ANY DIRECT, INDIRECT OR CONSEQUENTIAL LOSS OR DAMAGE OF ANY KIND ARISING OUT OF THE USE OF ALL OR ANY OF THIS DOCUMENT.

Crisil Coalition Greenwich is a part of Crisil Ltd., an S&P Global company. ©2026 Crisil Ltd. All rights reserved.