IMPACT STUDY | In association with: Jersey Finance

FINTECH, ESG AND IFCS: EMBEDDING SUSTAINABLE BUSINESS MODELS

MAY 2021

Finextra | Jersey Finance

Delivering Insight • Driving Innovation

Contents

01 | Foreword

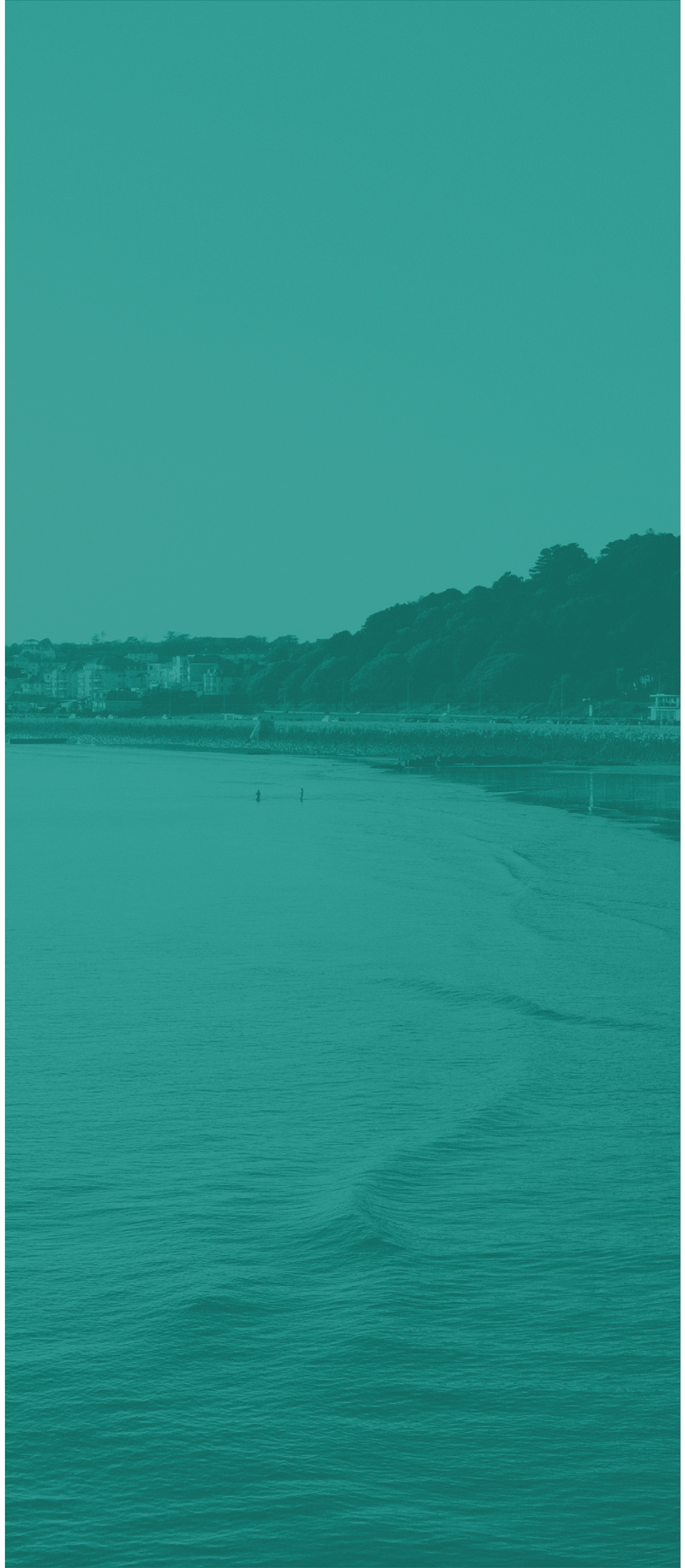
While the landscape for financial services is currently being re-shaped by the twin trends of digital technology and the rapid rise of sustainable finance, leading international finance centres (IFCs), always nimble and adaptable, are seizing on the opportunities.

Close analysis of these trends highlights an even more significant intersection at play with both these mega trends converging symbiotically, leading to fintech playing a part in the scaling up of sustainable finance, while the latter in turn accelerates innovation in fintech.

Adoption of AI is improving the ability of financial service providers in leading jurisdictions, such as Jersey, to meet compliance needs, while also driving down process costs that might act as a barrier to sustainable finance. Equally, the growth in sustainable finance leads to greater demands for fintech solutions, adapted to the specific needs of IFCs.

Evidence of these major trends and their impact on IFCs are included in the findings of this latest Finextra report, a study which Jersey Finance is pleased to support.

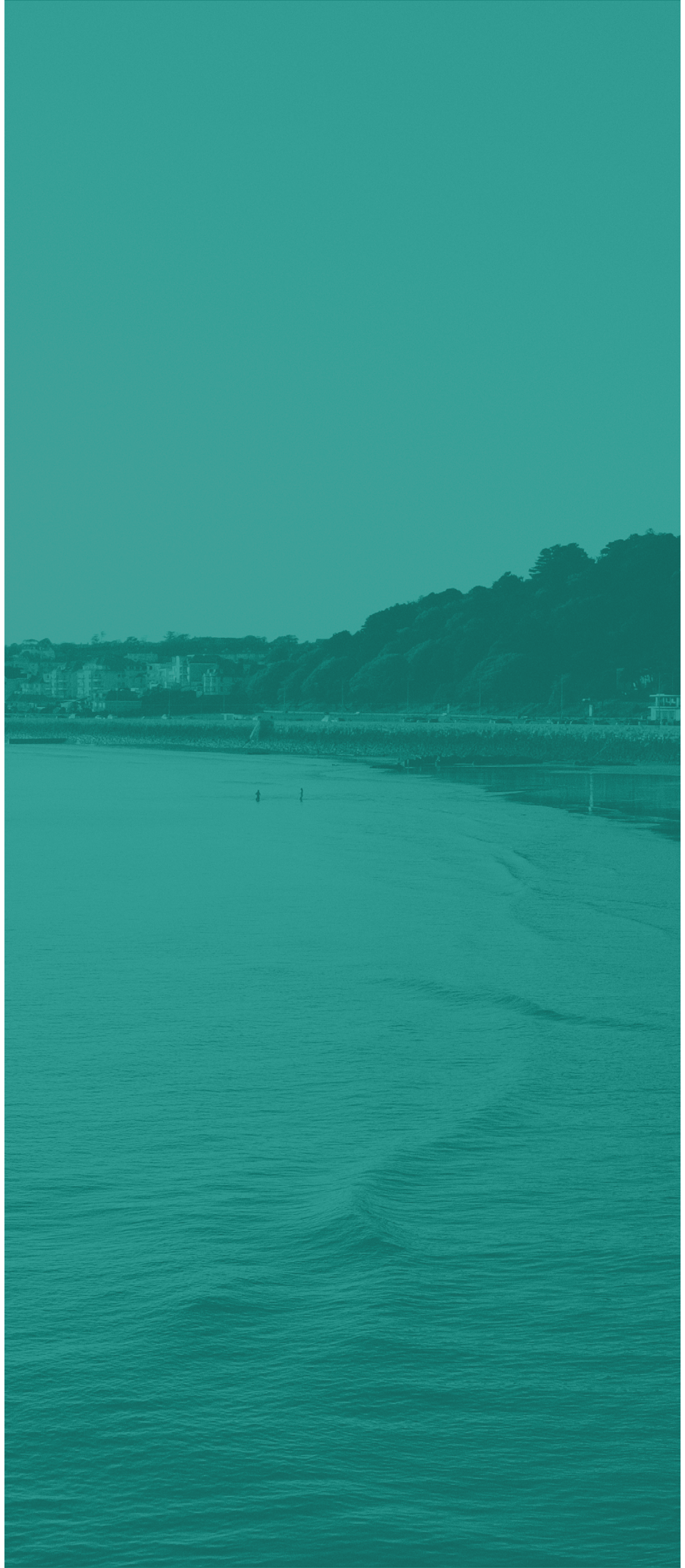
As an IFC facilitating cross-border investment through our expertise in areas such as fund governance, fiduciary and administration for private wealth, we are focussed on enhancing our capabilities in the digital space, while sustainability is already integrated into our core offering.



Furthermore, this symbiotic convergence is becoming a notable factor in firms' service delivery within Jersey's financial ecosystem. Firms such as Apex and IQEQ are tailoring their fund solutions to include new data-driven propositions, developing new tools that deploy the latest technologies to collect, evaluate and report ESG data. Sustainable finance solutions like this are seeing strong take-up by managers, keen to meet both the growing investor demands for transparency on the impact of their portfolios and to streamline their regulatory compliance under emerging frameworks, such as the EU's Sustainable Finance Disclosure Regulations (SFDR).

Harry Briggs, Associate Director at KPMG, notes that "Jersey's service providers are adopting regtech in order to stay ahead of the curve on sustainable finance as compliance and reporting requirements evolve. This trend is reflected in KPMG's Pulse of Fintech survey, with regtech investment reaching US$10.6bn in 2020 and ESG regtech a focus for 2021."

It's clear IFCs have a vital role to play during this global transition and leading jurisdictions such as Jersey, with long standing expertise in supporting cross-border capital flows and a flourishing fintech cluster, can call upon both these strengths as we gravitate to a more sustainable future.



02 | Introduction

Business as usual will not save our planet. However, considering the environmental, societal and governance (ESG) and fintech sectors as symbiotic and leveraging the resource that international finance centres (IFCs) offer, will create an ecosystem where these forces can flourish.

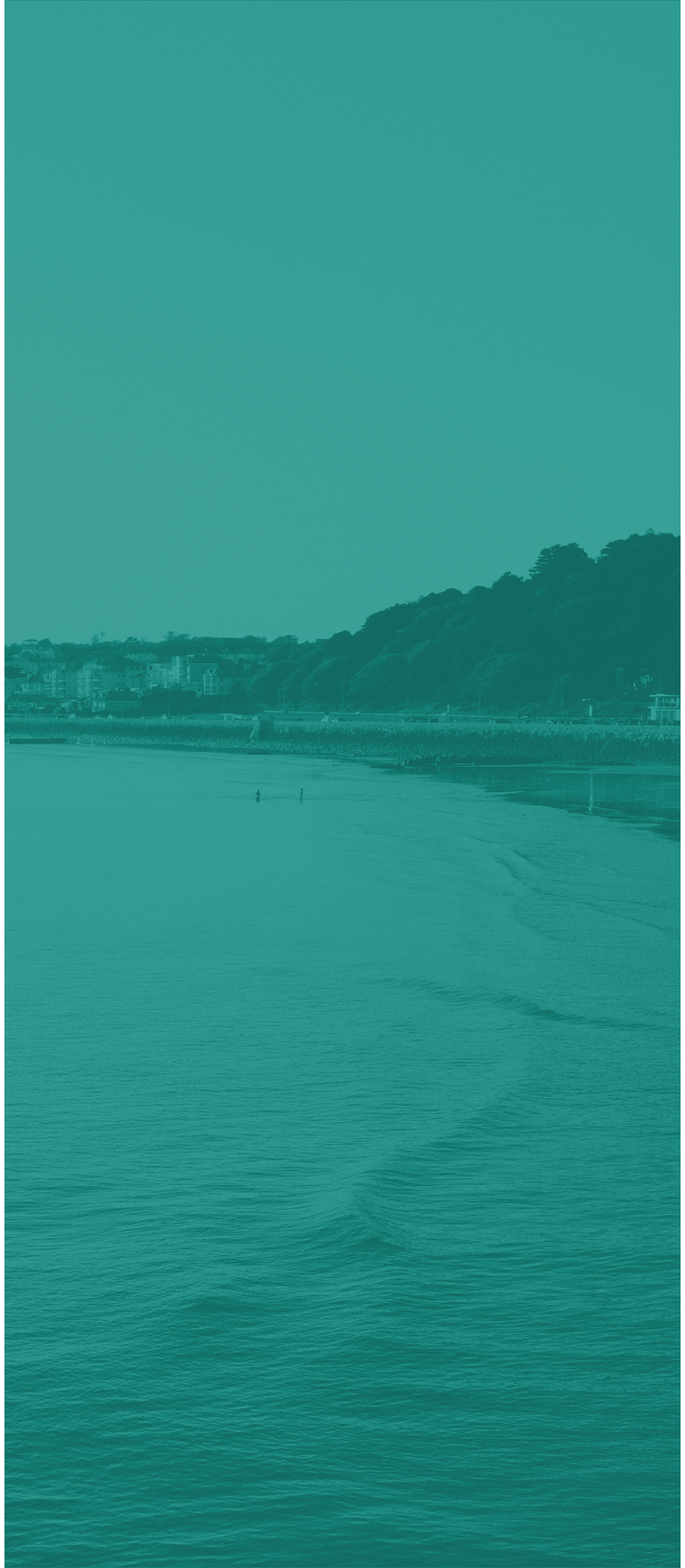
THE STATE OF PLAY

In 2015, the 193 Member States of the United Nations laid out 'Agenda 2030', a 15-year plan comprising 17 Sustainable Development Goals (SDGs), aimed at ending global challenges related to climate, water, food, poverty, conflict, and inequality.

Fulfilling these ambitions will require an extraordinary effort from all industries, yet it is evident that ESG challenges can be resolved through business innovation and collaboration with agile industries such as the booming fintech sector.

In 2017, the International Chamber of Commerce issued a **statement** that exemplified the importance of the SDGs and this opportunity for business: "The SDGs provide all businesses with a new lens through which to translate the world's needs and ambitions into business solutions. These solutions will enable companies to better manage their risks, anticipate consumer demand, build positions in growth markets, secure access to needed resources, and strengthen their supply chains, while moving the world towards a sustainable and inclusive development path."

While sustainability can support the creation of profit, the purpose of projects should be identified, considered and evidenced in the first instance, particularly in the financial services industry.

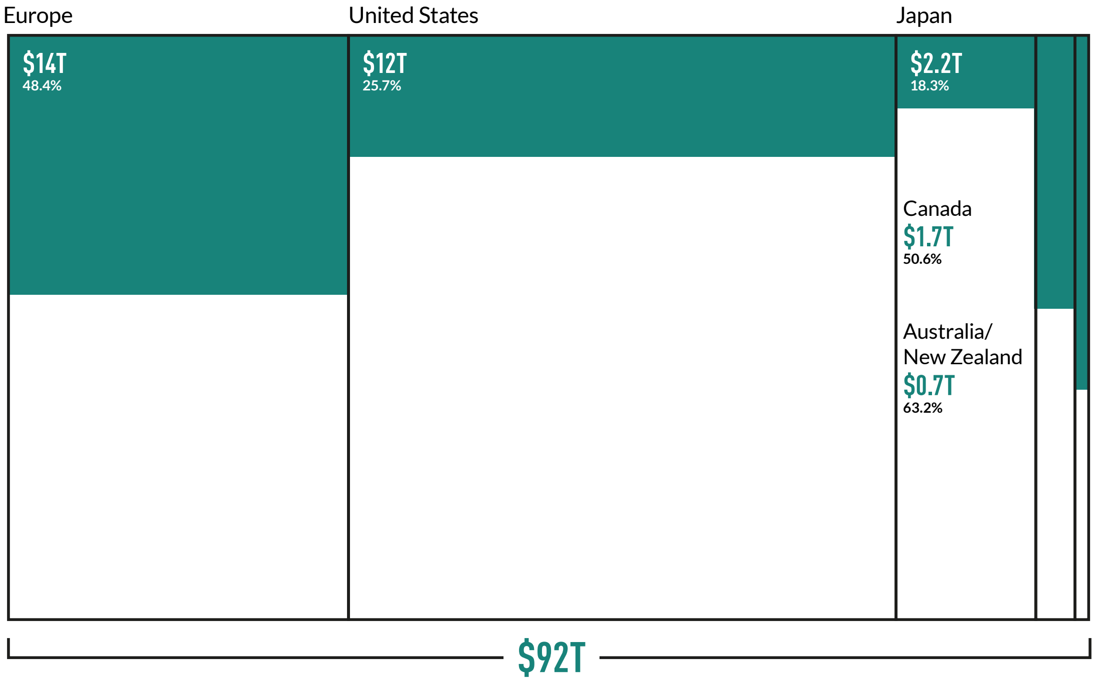


Bank of America Merrill Lynch revealed that firms with a better ESG record than their counterparts:

- produced higher three-year returns,
- were more likely to become high-quality stocks,
- were less likely to have large price declines, and
- were less likely to go bankrupt.

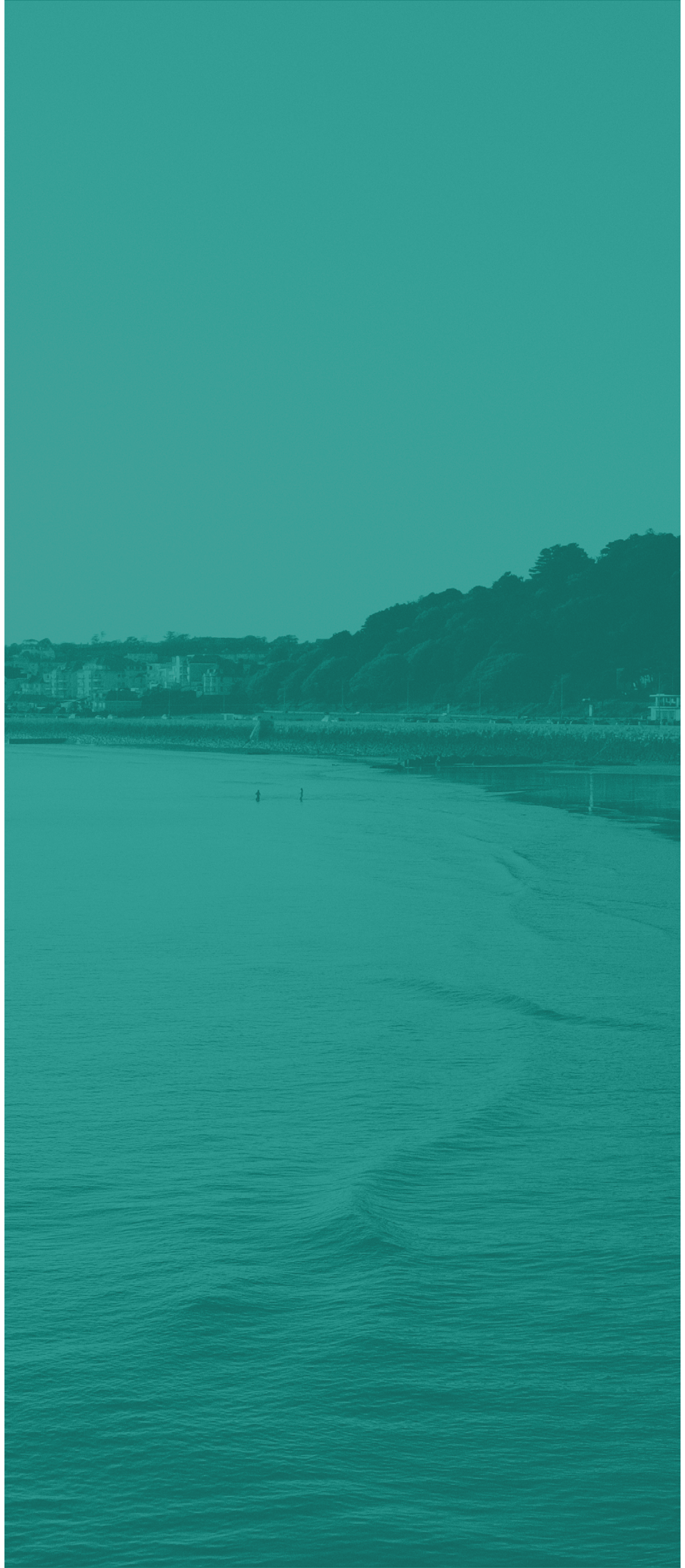
Sustainable Assets are a big deal

Share of total managed assets in 2018



Source: Bloomberg

Total assets under management



IFCS WILL LEAD THE SUSTAINABILITY AGENDA

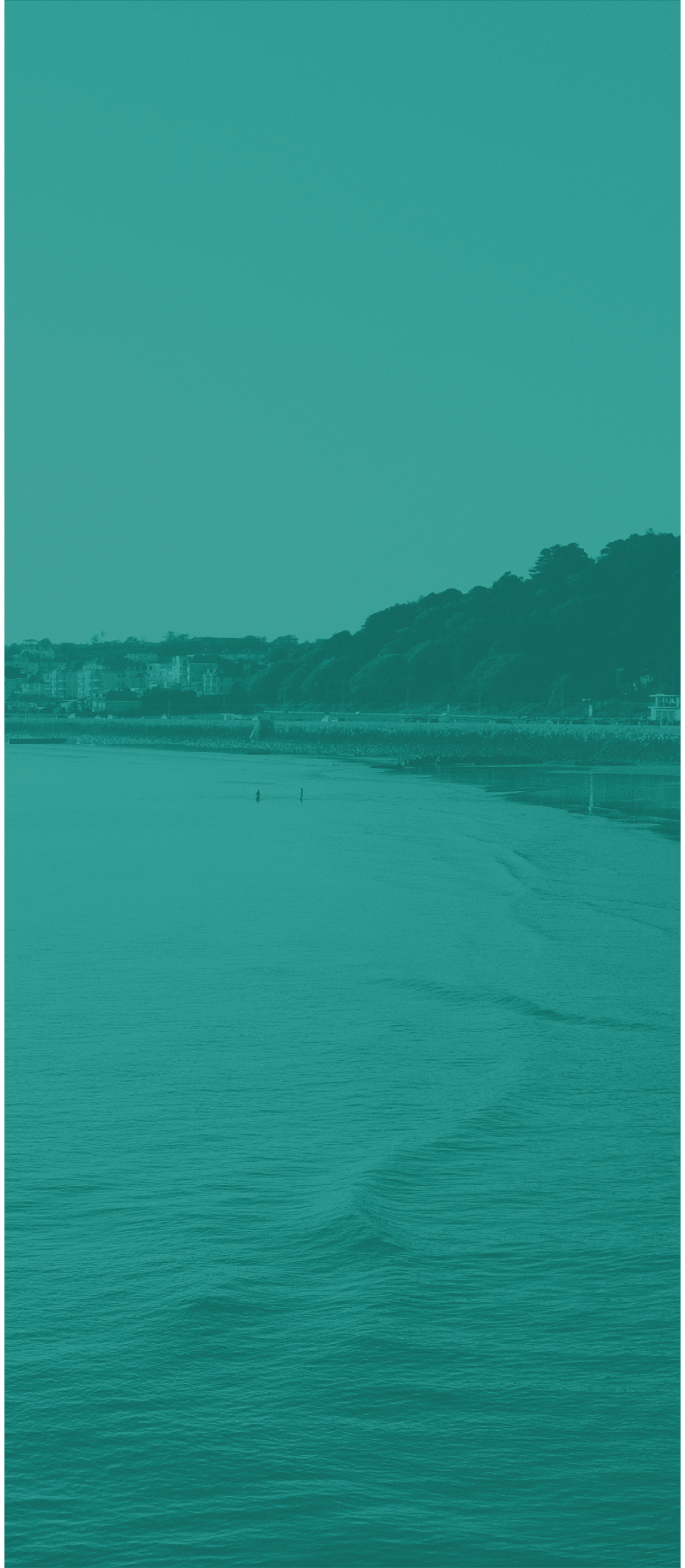
Dramatic events in 2020, including Covid-19, have brought ESG into sharper focus and accelerated its adoption, but to continue financing and supporting economic growth of our most profitable global regions, pressures on the environment must be reduced and social and governance aspects considered.

Leading IFCs, jurisdictions with a high concentration of participants in banking, asset management, insurance, or financial markets, have the foundations in place to play an increasing, yet effective role in the ESG arena.

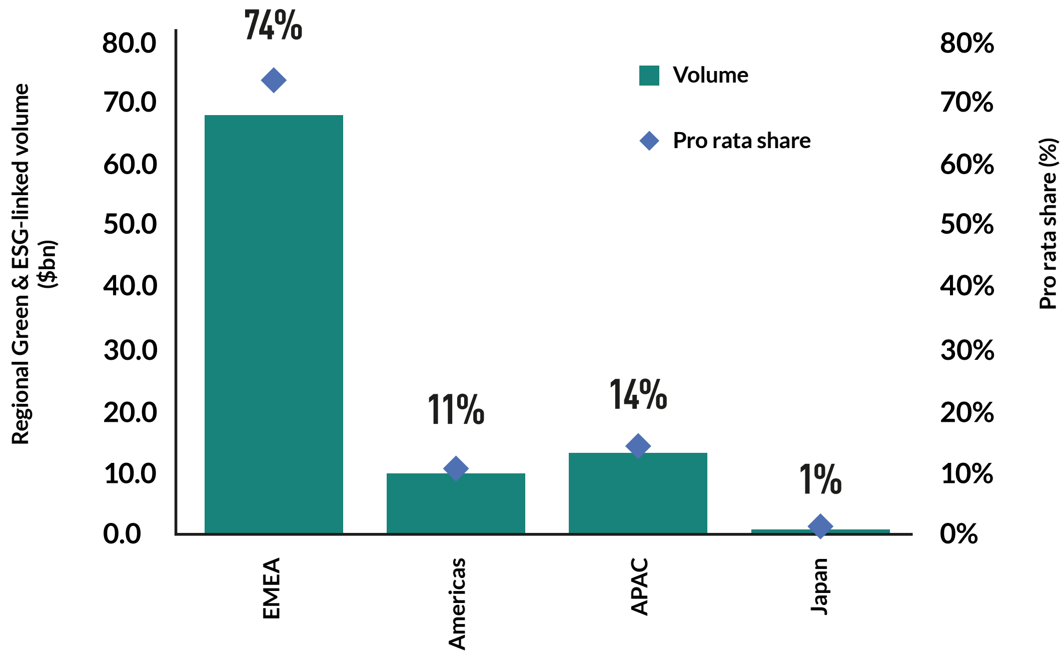
These major financial hubs such as Jersey, Luxembourg and Singapore have a responsibility to leverage their collective expertise and capital during this transition to an environmentally and socially sustainable global economy. Investors are no longer solely focused on returns; instead, there is a growing demand for portfolios to reflect purpose. However, a rewiring of our financial systems is needed to expedite solutions that ultimately benefit the planet.

While the advantages of undertaking ESG-driven activity are well understood, they remain clouded in uncertainty due to unknown risk and reward. In the same light, the fiduciary responsibility of asset managers to employ ESG as an investment factor is expected to increase as ESG savvy companies continue to outperform in the decades to come.

To mitigate risk, intelligent sustainable investment decisions must be based on actionable insights, derived from data. With 2.5 quintillion bytes of data **created** each day and investors **allocating** a record $89 billion into global green and sustainability-linked loans in 2019, sustainable investment will boom in the near future as a result of more accurate, data-driven forecasting.



Over $92bn in global green and ESG loan volume announced YTD 2019

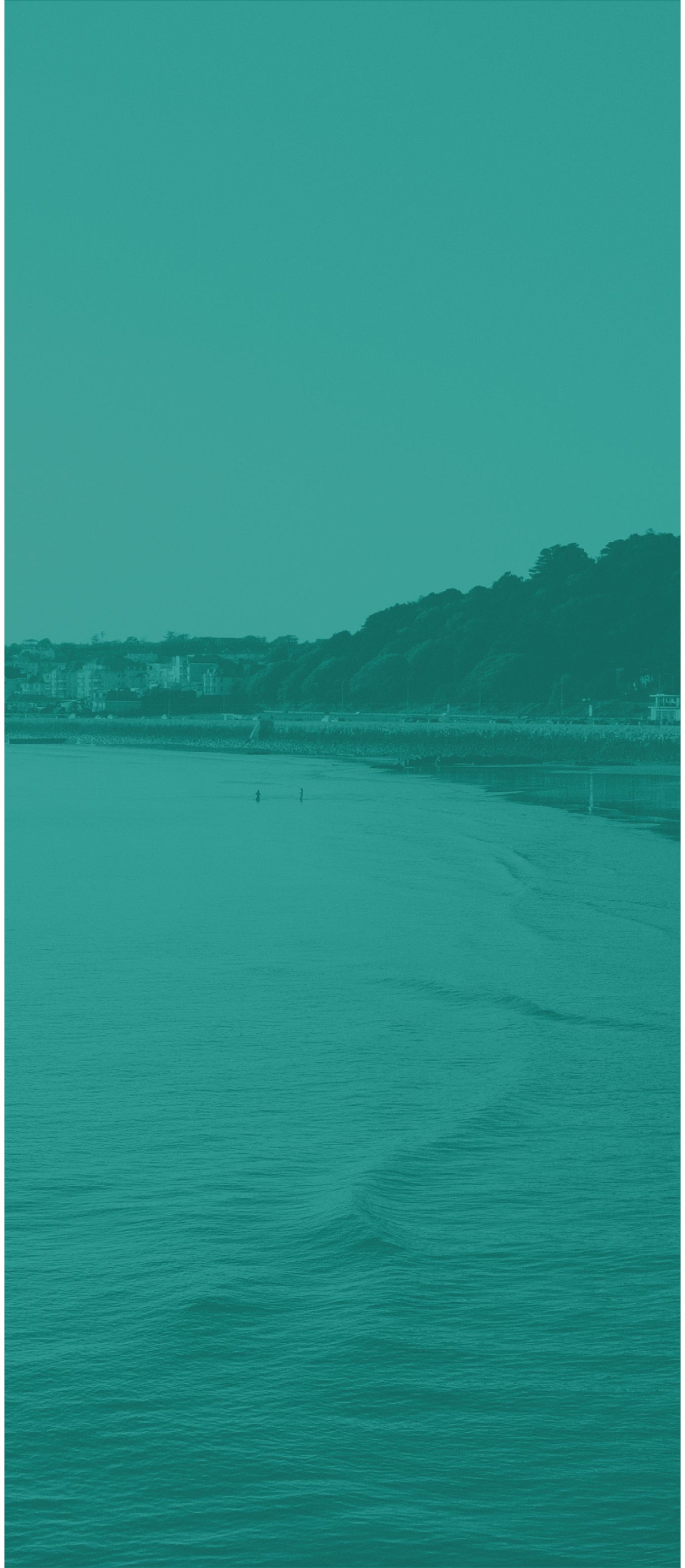


Source: Refinitiv LPC

IFCS, ESG AND FINTECH CAN COLLABORATE

Further, to aid this development, technologies such as artificial intelligence (AI) and distributed ledger technology (DLT) can be embedded into ESG solutions to extract insights from historical and alternative data, allowing institutional partners to verify the sustainability of business practices or supply chains.

With the increased access to capital, IFCs must establish practical initiatives with fintech firms that are accustomed to using these technologies and therefore enable this intersection of innovation and technology to harness the sustainability data already available within financial institutions.

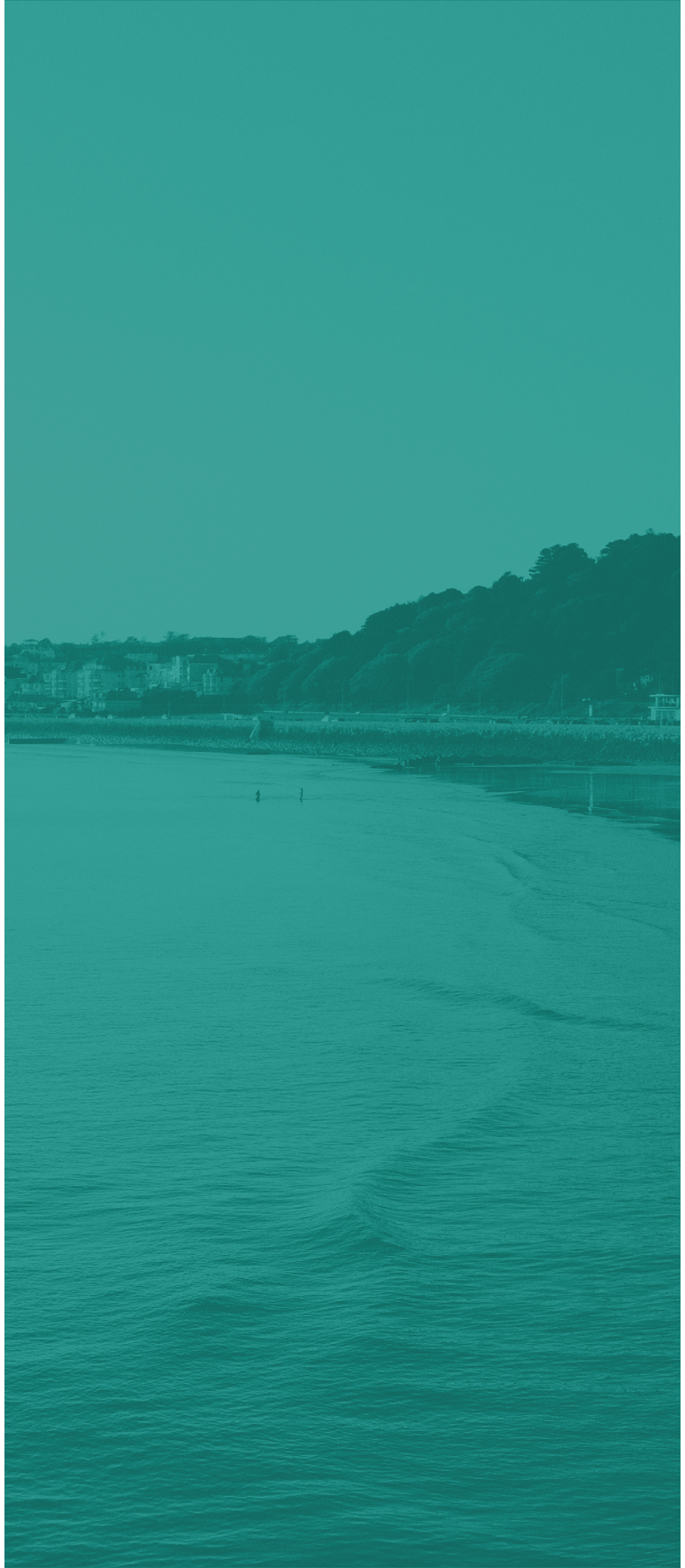


However, measuring the impact of investment, lending and credit is notoriously difficult to achieve and a lack of a universal standard for reporting ESG performance complicates matters.

The resolution? Collaboration across the finance sector to ensure protection, shared knowledge and insight and the innovative regulators that operate within financial centres or technology hubs.

With all these elements, IFCs must compete to be recognised by clients, partners, and key stakeholders worldwide as the leading jurisdictions for sustainable finance.

Alongside this, if these jurisdictions can support the sustainable propositions that their institutional partners offer, they will become attractive destinations for investment and other business activity in the years ahead.



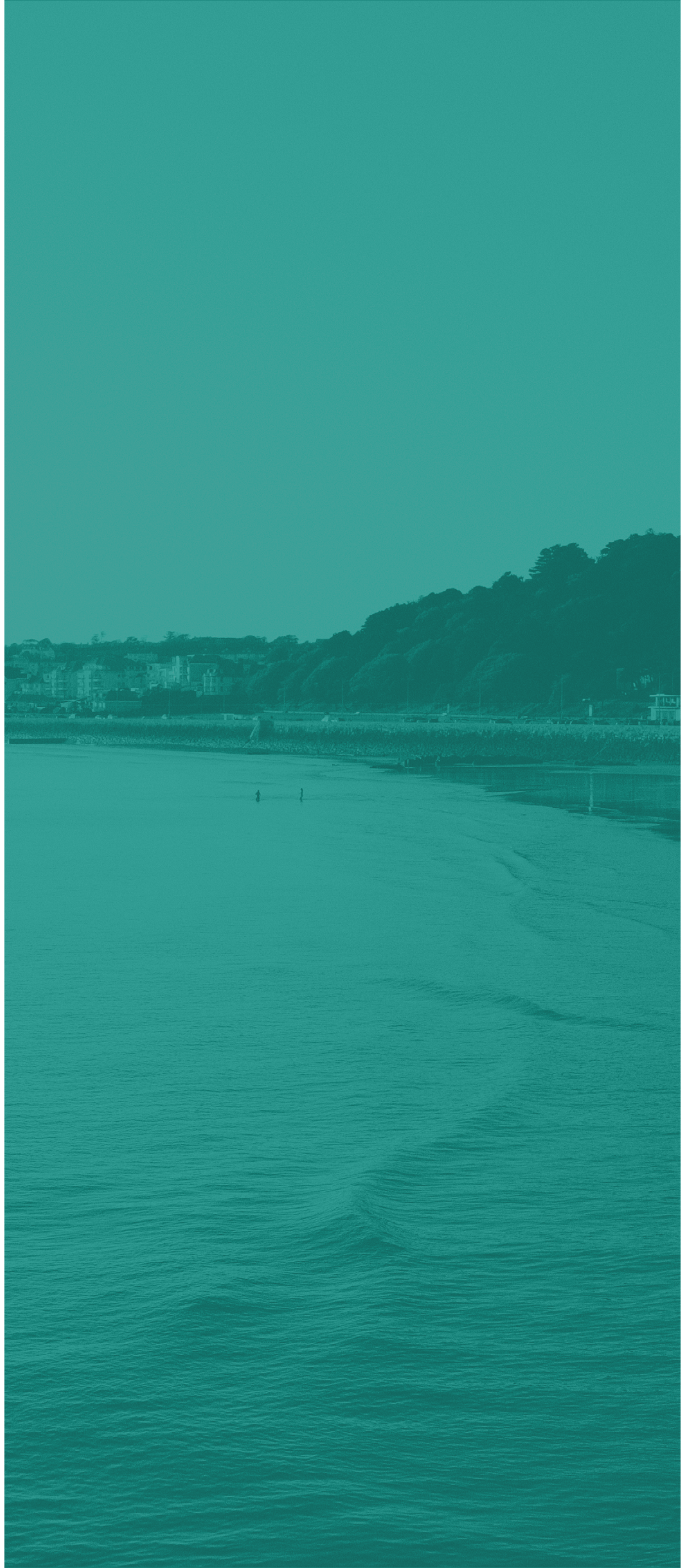
03 | Fintech and empowering sustainable propositions

Convergence is symbiotic. Fintech can play a part in the scaling up of sustainable finance, and in turn, sustainable finance can accelerate innovation in fintech.

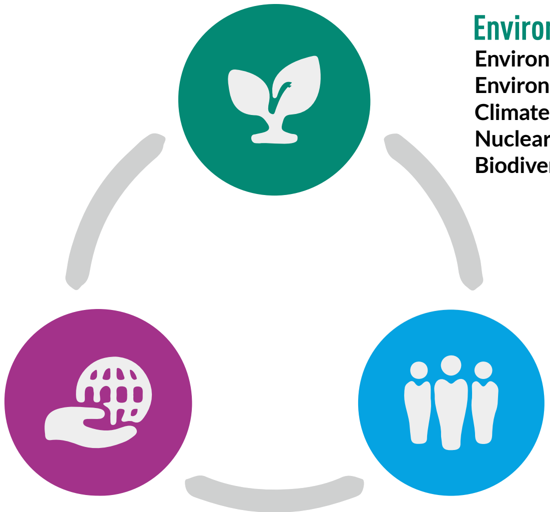
In IFCs, there is no question about demand from institutional partners for technology solutions that can empower sustainable propositions. While IFCs are continually striving for agility, this goes hand in hand with pressure from international organisations to offer greater transparency about ESG performance in financial services.

Financial technology companies, now better known as fintechs, can align themselves with ESG initiatives to support financial players if IFCs embed sustainability into their business models, harnessing the emergence of new data to improve the client offering and support their growth.

Whereas fund managers or private equity firms may hitherto have relied on company-reported information, ESG data solutions enable institutions to use independent sources and verify the sustainability of business practices.



HOW E, S, AND G WORK TOGETHER



Environment
Environmental policy
Environmental performance
Climate change
Nuclear energy
Biodiversity

Social
Human rights
Labour standards
Health and Safety
Employee development
Supply chain standards

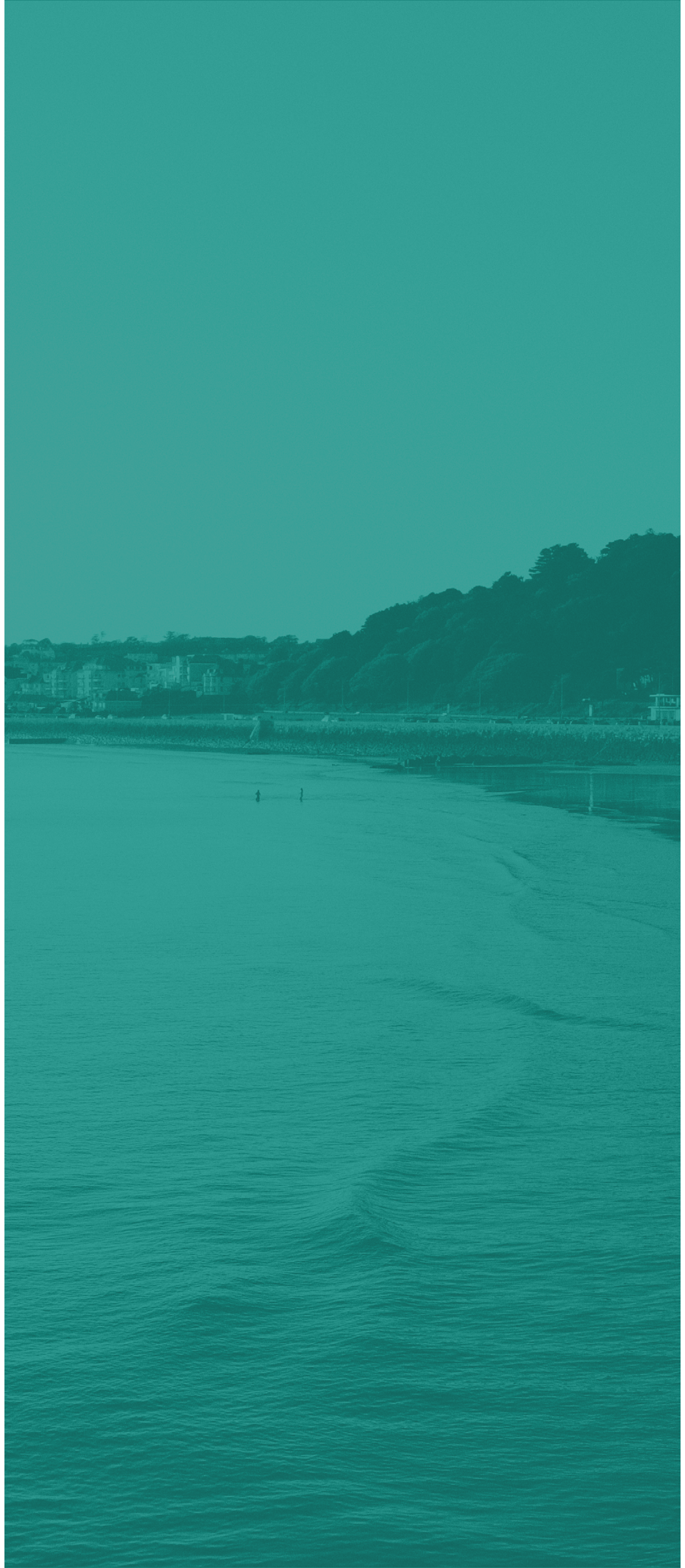
Governance
Corporate governance
Code of ethics
Bribery and corruption

Each of the three elements of ESG investing, environmental, social, and corporate governance, is comprised of subjective criteria that may be considered, either by socially responsible investors or by companies aiming to adopt a more objective, ESG-friendly operational stance.

Environment: A company's use of renewable energy sources, its waste management, operational air or water pollution problems, deforestation issues, raw material sourcing and attitudes towards climate change and biodiversity.

Social: A company's view towards fair pay, retirement plans, employee benefits, efficiency of customer service, donations to charity and public stances on human rights.

Governance: A company's management of care towards employees, shareholders and customers, transparency of financial reporting and good corporate governance.



CLIMATE FINTECH, THE FIRST STEP TOWARDS PROFITABLE PURPOSE

Climate Action – SDG 13 - receives the most mainstream attention. During 2020, several financial institutions publicly vowed to reduce their carbon footprint through monitoring their operations, supply chains and financing portfolio.

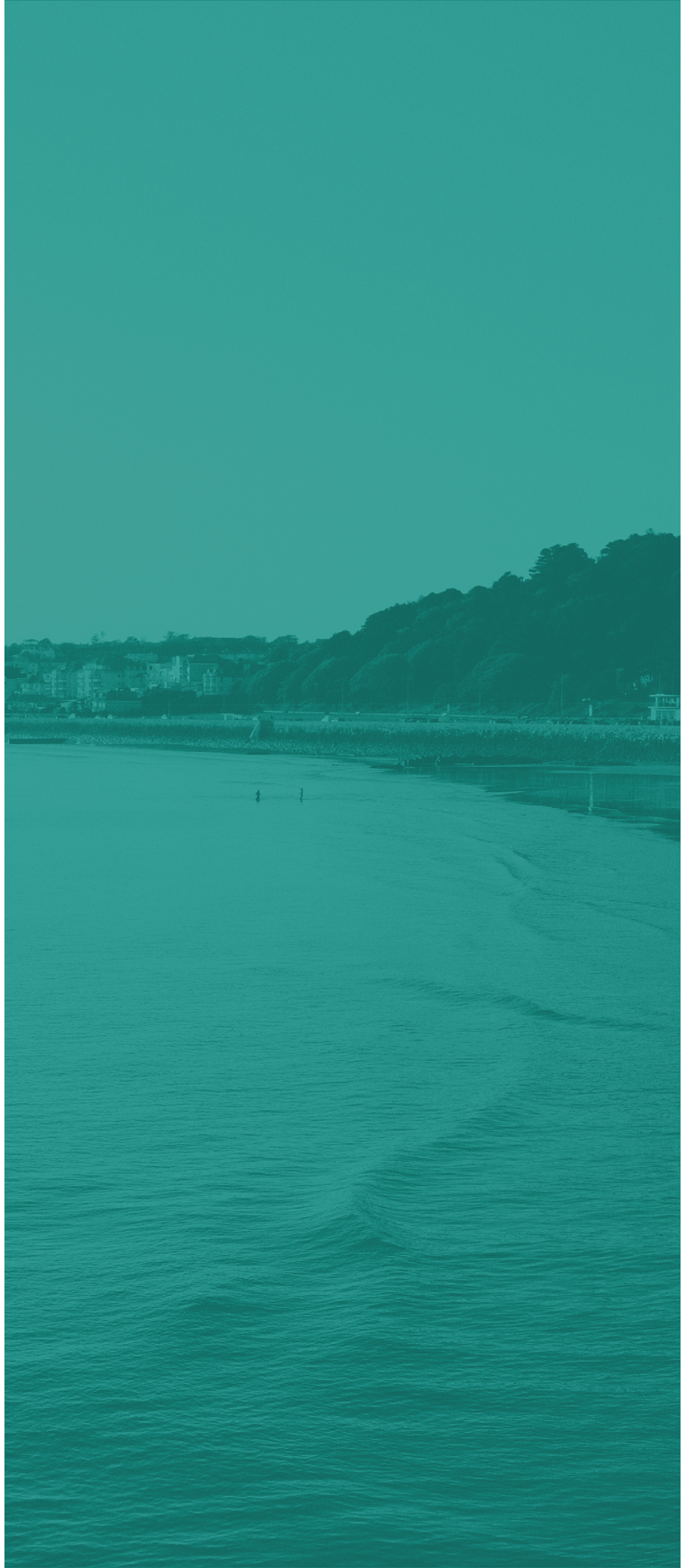
Banks announcing that they are no longer financing the fossil fuel industry, either through lending or investment, could also move the needle on other issues surrounding healthcare, education, sanitation and above all else, poverty.

Divestment from fossil fuels may therefore appear to address the impact of climate change, but does little else, quantifying the problematic nature of pricing risk of investment. Further, traditional financial institutions remain fixated on their primordial processes and products, seemingly interested in the short-term revenue that can be extracted from the fossil fuel industry.

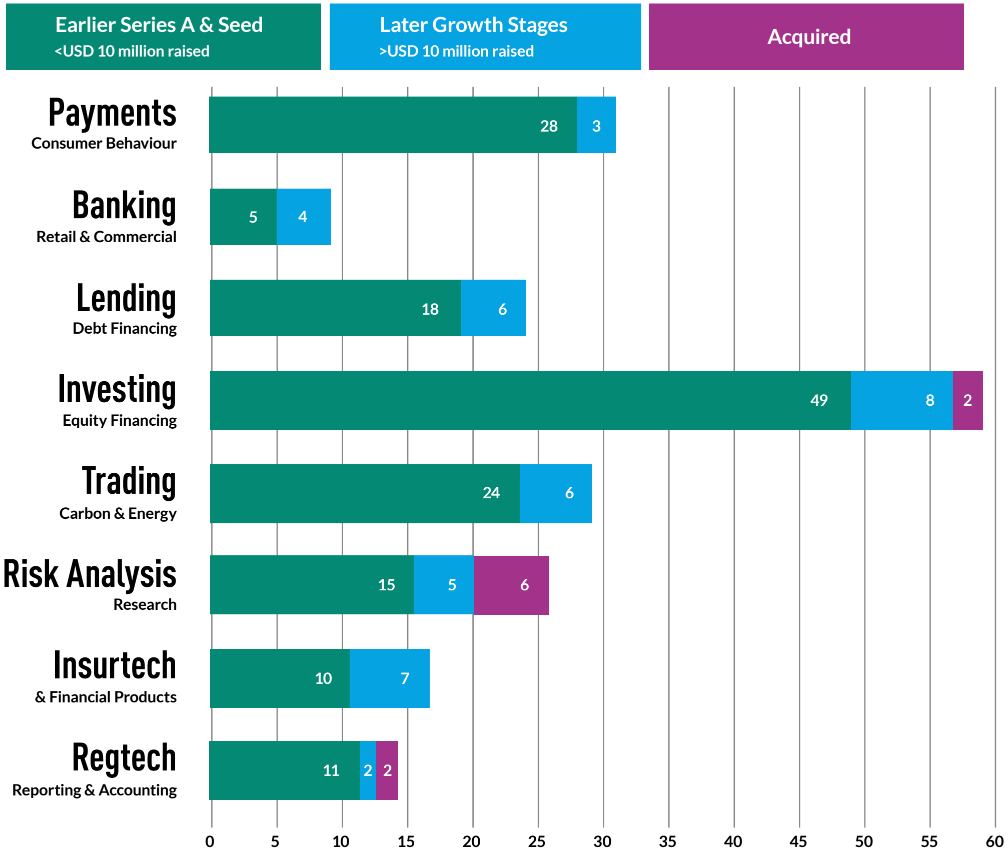
How can this attitude be changed? IFCs must work with fintech disruptors – fast-moving startups focused on innovative technology – that have started to occupy gaps in the traditional financial market. While pouncing on some of the more profitable elements of the financial services value chain, fintech firms have a customer-first mindset and place purpose on a pedestal.

Therefore, in the same way that fintech firms use emerging technology to modernise and finesse financial infrastructures through exponentially increasing data availability and transparency, by collaborating with climate fintechs, IFCs can advocate for the same techniques and work with ESG-savvy financial companies to lead the decarbonisation of the planet.

Although the downstream benefits of climate fintech are clear, the upstream advantages are diverse, ranging from the opportunity to transform large-scale financing decisions, investing behaviour or risk analysis modeling.



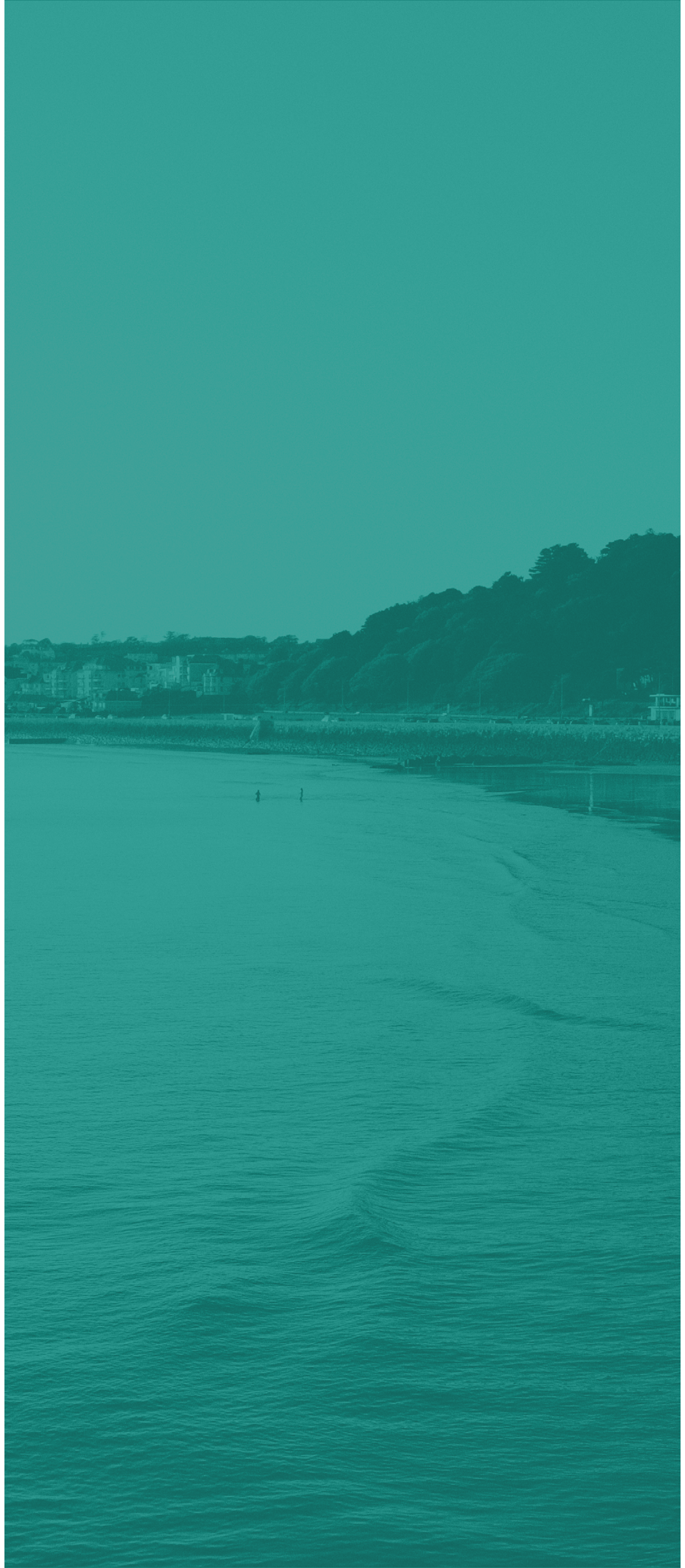
As identified in New Energy Nexus's 'Climate Fintech: Mapping an Emerging Ecosystem of Climate Capital Catalysts' report, 75% of climate fintech companies are early stage, having received $10 million in corporate capital or less.



Source: New Energy Nexus, 'Climate Fintech: Mapping an Emerging Ecosystem of Climate Capital Catalysts'.

Ripe for investment, the report explores how the movement of capital in this direction has been facilitated by fintech applications and platform marketplaces, driving increased access to sustainable investments for the average citizen. With increased capital at hand, IFCs must leverage this opportunity today.

In addition to this, with larger institutional investors using big data algorithms and advanced AI, informed capital allocation and decision-based carbon accounting can be conducted.



04 | Using new data to improve offerings

Fintech can play a part in the scaling up of sustainable finance by providing new, and better data to meet shifting investor demands for transparency and for comparability of disclosures.

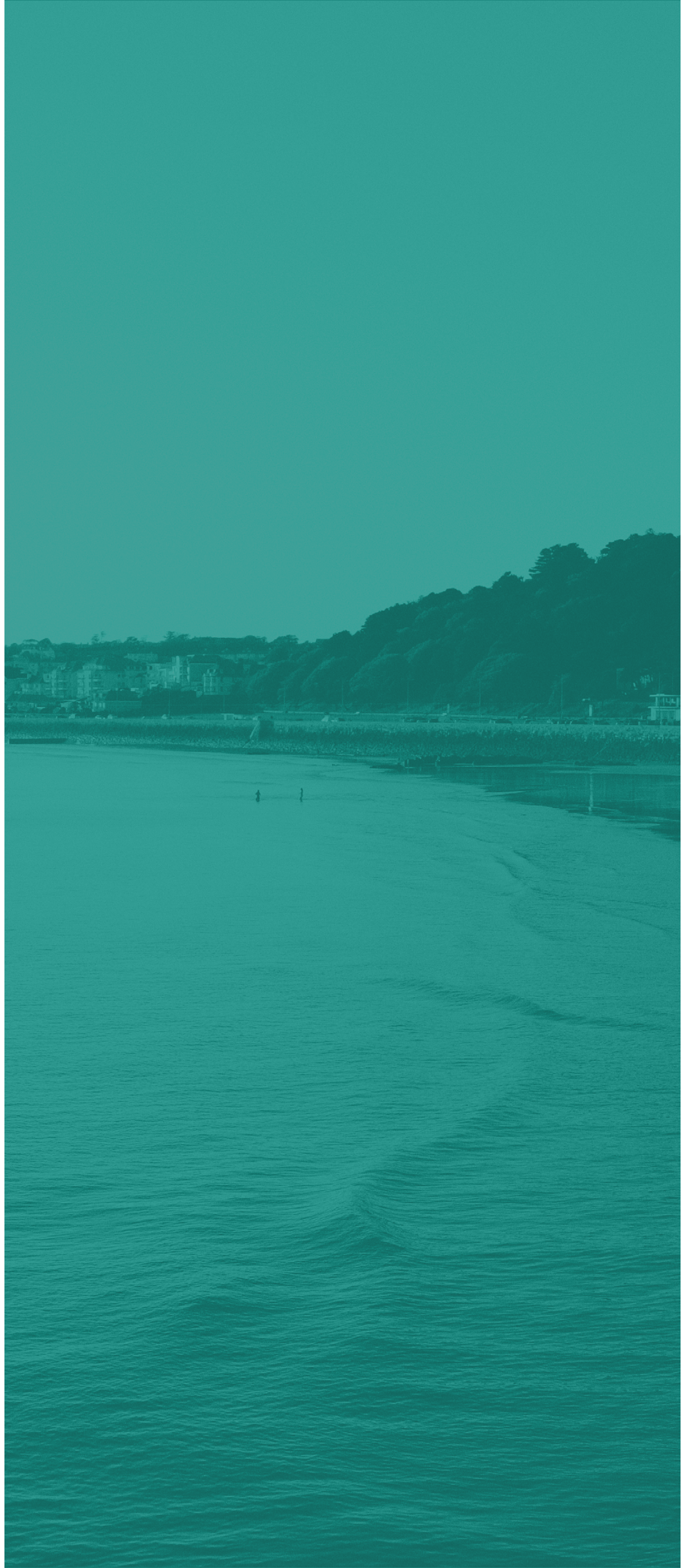
The private market may be able to utilise historical data to inform ESG-related decisions, but with continuously evolving threats to the planet, new or alternative data must also be used to predict ESG-related trends and adequately prepare for them.

BOLSTERING THE FINTECH AND IFC CONNECTION

Continually augmenting datasets empowers institutions to refine analysis of current and future ESG developments, ensure compliance with regulatory and disclosure requirements and identify potential risks.

NGO activism has also been regarded as a good indicator for incoming ESG trends. As they operate on the ground, implementing changes where environmental, societal or governance issues need to be resolved, NGOs could influence corporate behaviour.

NGOs also have strong communication channels to disseminate information about how ESG trends could impact institutional partners such as banks, private equity firms or fund managers, for example.



By collaborating with fintech firms, IFCs can ensure that these financial partners maintain a productive relationship with NGOs and similar organisations across civil society and the private sector to reap the business benefits of sustainability.

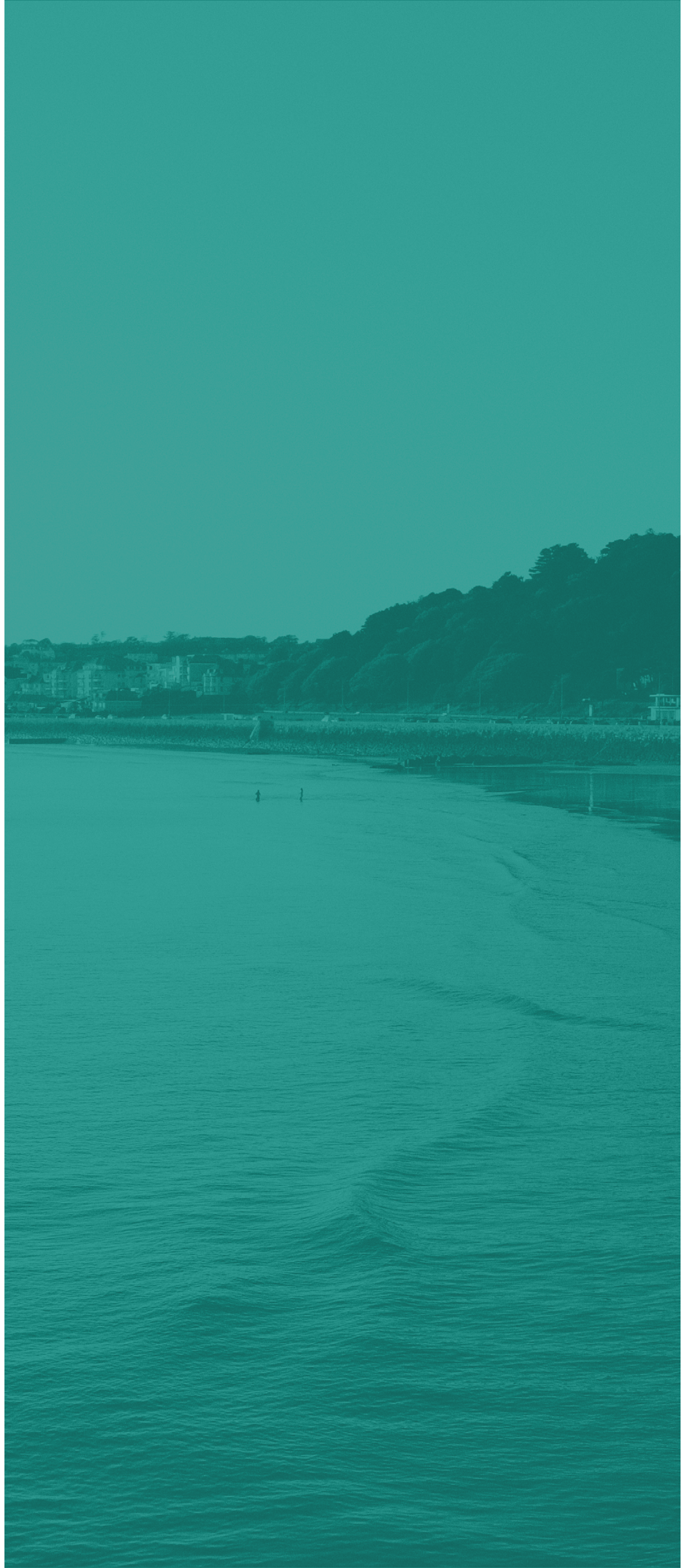
Further to this, sustainable finance can accelerate innovation in fintech. The growth of sustainable finance can lead to greater demand for a fintech ecosystem that supports and develops solutions that are adapted to the needs of IFCs. In addition, this will generate financing opportunities for fintech firms that help to meet sustainable outcomes.

A SUCCESSFUL EXAMPLE: CULTIVO

One such successful example is Cultivo, which plans to deploy $1 billion into restoring at least 3.5 million hectares of land within the next five years and requests that investors consider protecting biodiversity and capturing CO2 emissions. This climate fintech has identified that nature-based solutions can help achieve, at the very least, 30% of the CO2 mitigation goals by 2030. Presently, these solutions only receive 3% of the funding allocated to carbon capture.

By iterating the importance of natural restoration, carbon sequestration and biodiversity protection, the fintech firm desires to fill this financing gap. Using a mechanism that connects financial institutions to NGOs and landowners, investment and, in turn, opportunities can be unlocked to restore nature, protect livelihoods and of course, deliver returns to investors.

Data-driven proprietary algorithms and remote sensor technologies source high quality projects, forecast the natural capital returns, pool investment products, and provide institutional partners with the latitude to invest in sustainable projects, such as planting trees or regenerative grazing.



This method generates carbon credits and other offsets that can be sold, financially benefitting investors, landowners, and communities. For instance, working with agricultural technology company TerViva, the cultivation of a tree crop that has been used for thousands of years in Asia, pongamia, can be financed.

The benefits of cultivating the pongamia:

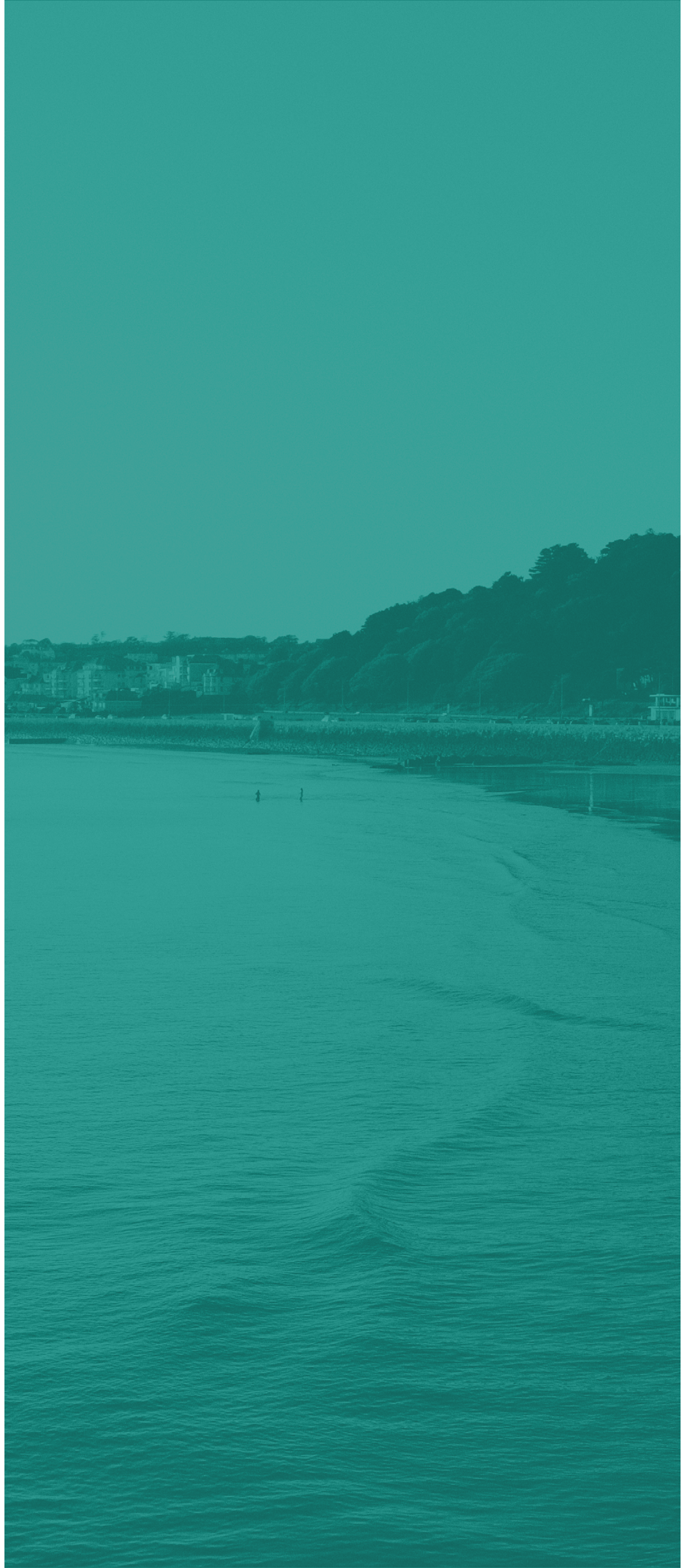
- produces oilseeds that have similar properties to soy,
- requires fewer chemical inputs,
- fixes nitrogen to regenerate soils,
- sequesters carbon in the form of woody biomass,
- the benefits of pongamia can be translated into carbon credits, and
- creates a revenue stream for farmers.

THE IFCS' CORPORATE RESPONSIBILITY

Why has this not been replicated elsewhere, at scale? Institutional partners find it difficult to pinpoint high quality projects that effectively consider the impact on a distressed asset like a degraded forest, grassland or wetland, the tonnes of CO_2 captured, or even the number of species protected.

Data is key. Fintech startups like Cultivo work with NGOs to connect institutional partners and landowners to understand how land can be restored using data. As jurisdictions now have a corporate responsibility to fight climate change in line with the Paris Agreement, there is no excuse for financial players within those IFCs to not utilise sustainable data.

After all, there is an abundance of granular data available.



05 | Increasing data availability and transparency

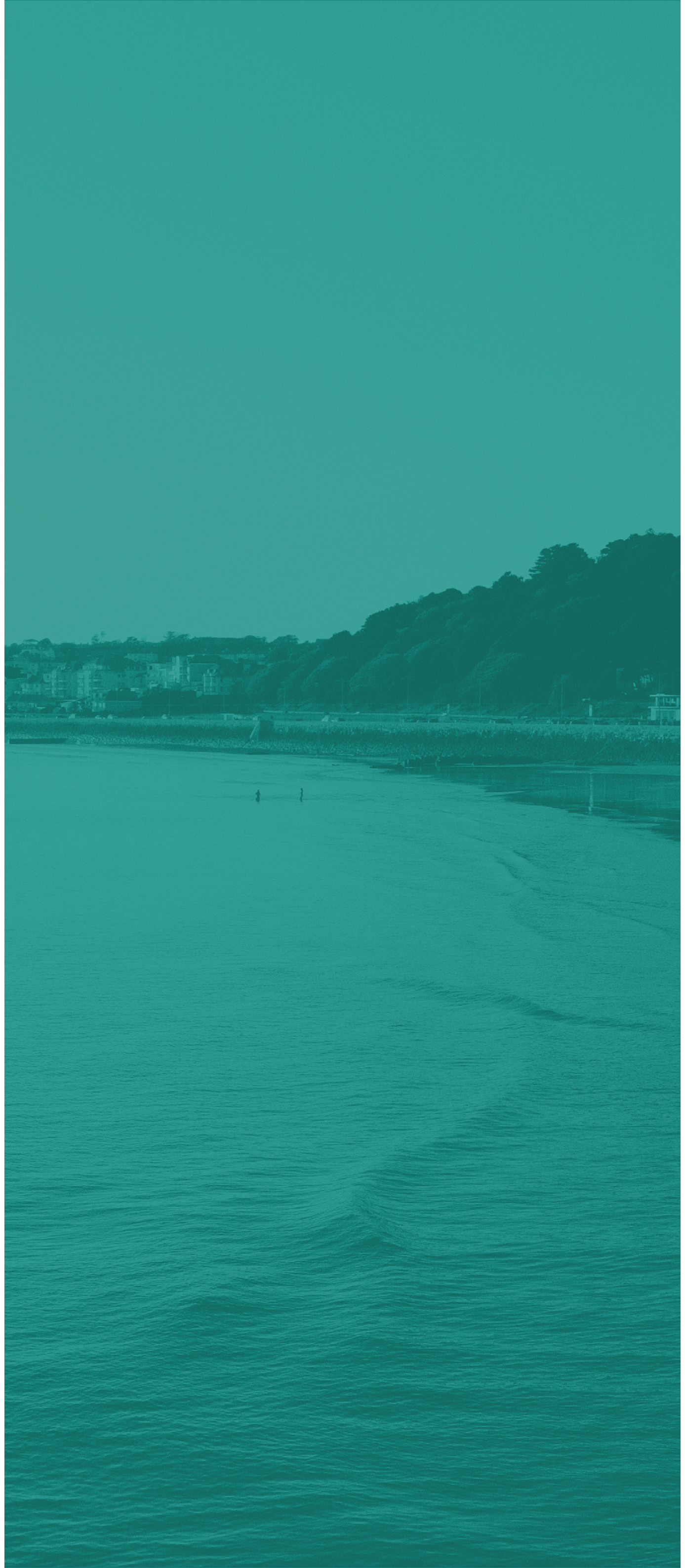
ESG data has proven its ability to stimulate the fast-paced sustainable investment arena and has already guided the designation of trillions of dollars of what we will refer to as 'ESG-mindful' investment capital.

While more is expected as this alternative, or new data, infiltrates other areas of the financial market, it is also pertinent to address the current limitations of ESG data, particularly if there are barriers to entry for IFCs.

HOW IFCS WORKING WITH FINTECHS SUPPORTS STANDARDISED REPORTING

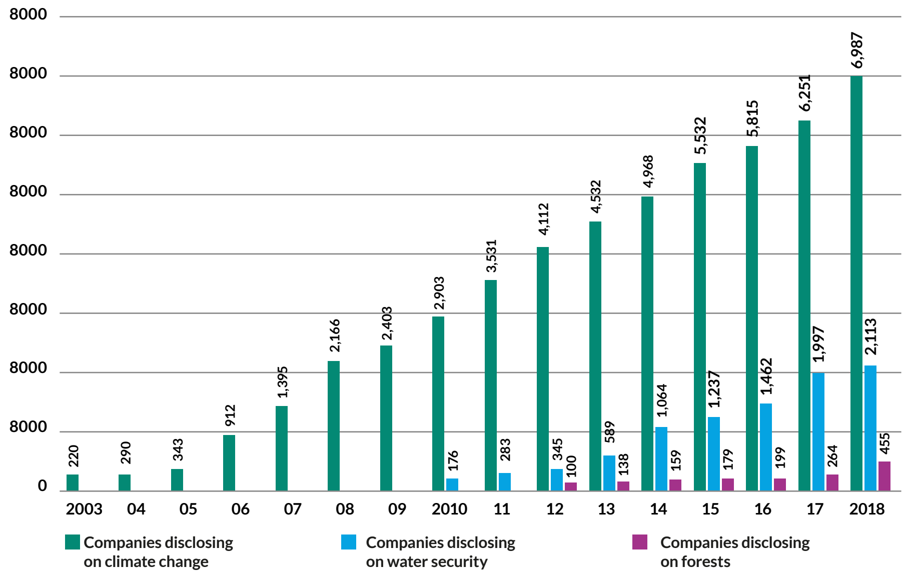
As the **Generation Foundation** explores, a gap must be bridged between truly valuing the richness of information and the requirement of inserting figures into a spreadsheet. Rather than deriving actionable insights from snapshots of satellite or spatial data, for instance, the benefits of time-series data or forward-looking disclosure must be reaped.

In 2004, only 300 companies reported annual greenhouse gas data to non-for-profit charity CDP. By 2019, that figure had increased to 7,000 companies around the world.



COMPANIES DISCLOSING TO CDP SINCE 2003

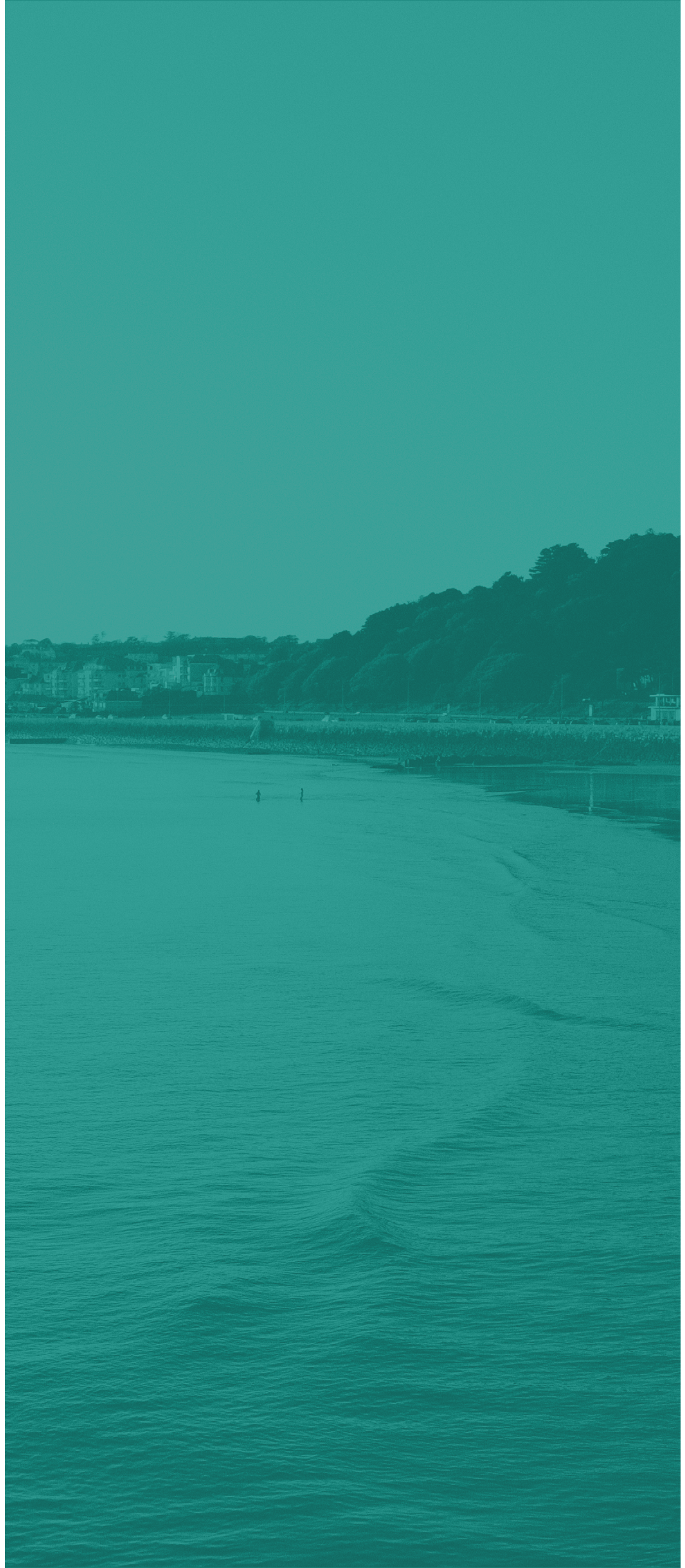
Disclosure of climate-related data to CDP has improved in recent years.



Source: CDP4

While this shows that the data available is increasing and in turn, the quality of data on governance indicators will improve, the reality is that the data is inconsistent, perhaps only available for certain metrics, for certain firms, in certain IFCs. It is also of paramount importance to highlight here that available data is being analysed, rather than the most relevant or applicable.

Data is being used to influence decision makers at companies to ensure they consider the impact of ESG-related factors and alter operations as a result. IFCs could prioritise implementing initiatives to make these alterations easier and partner with fintechs, as discussed earlier.



The problem? Data providers have provided sophisticated combinations of metrics to assess sustainability but are not in agreement about which factors are the most important. Scoring ESG risk, instead of making allowance for raw data, creates false promises and assurances for investors, who perhaps do not have a full understanding of the numbers.

Fintech can also play a part in the scaling up of sustainable finance by improving the management of ESG risk, for example in underlying private equity or private wealth portfolios.

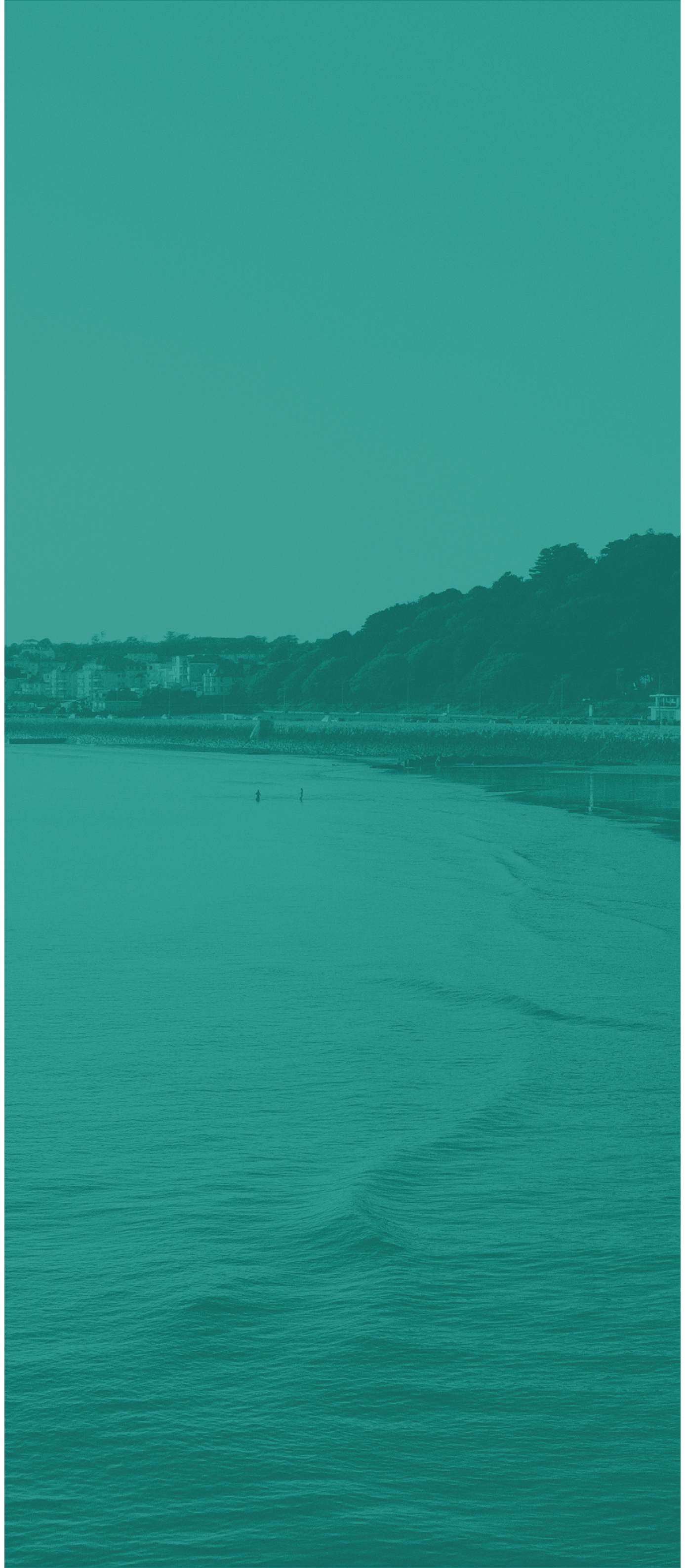
Data Providers

Specialist suppliers of ESG data	Index providers	Ratings agencies
In some cases these provide just a few metrics for a particular area of ESG. A few companies, such as Sustainalytics, CDP and Trucost now provide multiple metrics. These data tend to come from company reporting (either via a questionnaire or taken from company reports), but modelled estimates are also provided to address missing data points.	There are the index providers such as MSCI, Bloomberg and FTSE Russell. These aggregate and process data, allowing ESG data to be used at scale in a variety of financial instruments. These providers source their data either from niche providers described above, or directly from company reports. For these companies, ESG data is starting to become a crucial differentiator.	Ratings agencies, such as Moody's and S&P Global. These companies have seen an opportunity to provide ESG data alongside traditional assessments of creditworthiness. S&P acquired Trucost in 2016 as well as the ESG ratings of RobecoSAM in November 2019. Earlier this year Moody's took a majority stake in Vigeo Eiris, a specialist provider of ESG data, and a minority stake in SynTao, a leading provider of ESG data in China. Similarly, the proxy advisor ISS is expanding its data and advisory s ervices into a growing range of ESG issues.

Source: Generation Foundation

THE NEED FOR STANDARDISATION

As many institutional partners would agree, expressing that a standardised ESG data platform is needed would be an understatement. However, not many understand that fintech firms could provide such a platform.

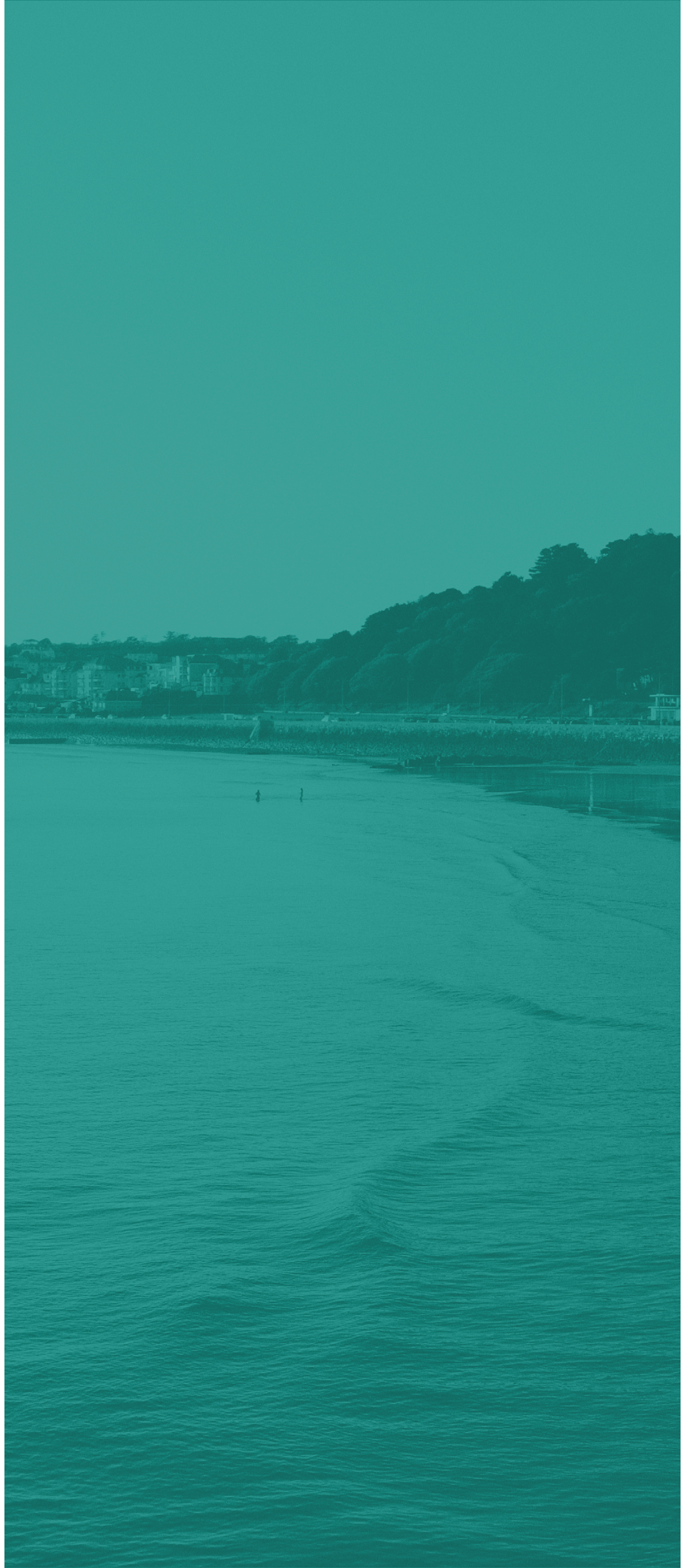


Although Bloomberg and Morgan Stanley Capital International (MSCI) offer metrics and scores over APIs, these are used by equity funds, fixed income managers, insurance companies and more, and the data is showing signs of maturity; standardisation continues to be the missing piece of the puzzle.

In addition to this, whilst frameworks have been published by the Sustainable Accounting Standard Board (SASB) and the Taskforce for Climate-related Financial Disclosures (TCFD) exists, the methods can often be time consuming and lack acknowledgment of how data that can influence investing decisions.

By partnering with fintech companies that are accustomed to managing vast amounts of data and working with innovative regulators, IFCs could utilise their jurisdictional advantage to standardise data usage, analysis and reporting, leading and setting the standard for other regions around the world.

Furthermore, fintech can support the scaling up of sustainable finance by powering this better financial decision making, for example, by investment managers.



06 | Verifying sustainability of business practices

In conversation with Innovest Advisory, an impact advisor to the private funds industry supporting fund managers to drive more disciplined measurement and active creation of impact, legal counsel Michelle McMahon explores the need to go beyond ESG.

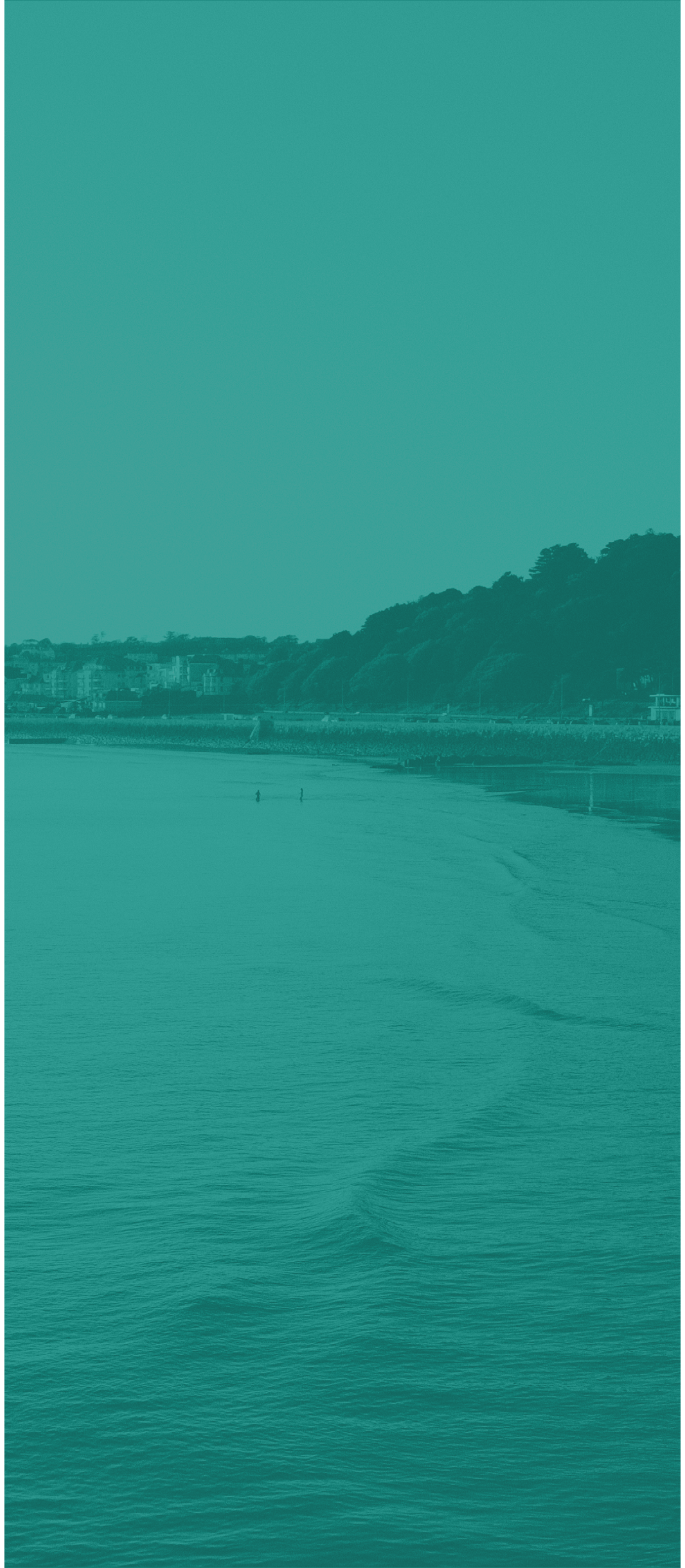
"For decades, humanitarian organisations, aid organisations and bilateral organisations have used processes that start with measuring social impact. Our starting point is to go beyond ESG and consider more specific impact measurement.

"Although ESG is a gating issue to almost everything that we do, we move beyond to more specific social or environmental impact that are potentially targeted by investment, applying intentionality to the social and environmental outcomes, as well as the financial outcomes of investment."

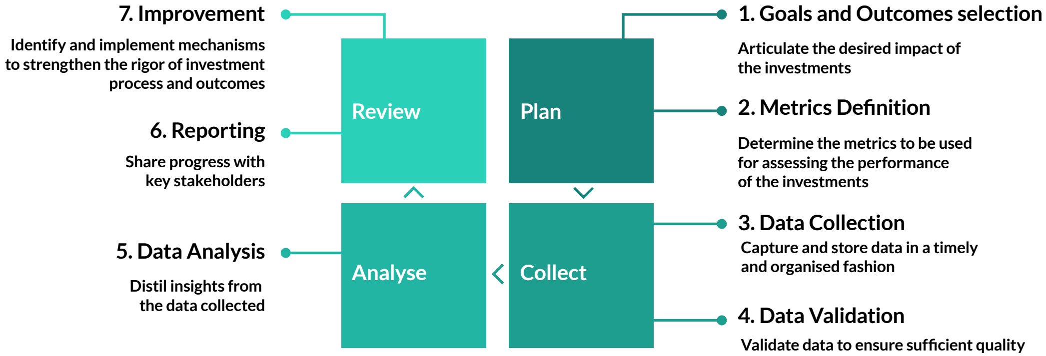
THE BENEFITS OF IMPACT MEASUREMENT

McMahon goes on to explain that effective impact measurement allows institutional partners to:

- better understand whether impact demonstrates progress toward goals,
- proactively report impact to key stakeholders,
- improve impact performance,
- capture business value from impact data,
- communicate impact for marketing and/or fundraising purposes,
- address client demand for this information,
- manage and mitigate risk, and
- adhere to government regulations to measure and report impact.



Stages of impact measurement



Source: Innovest Advisory

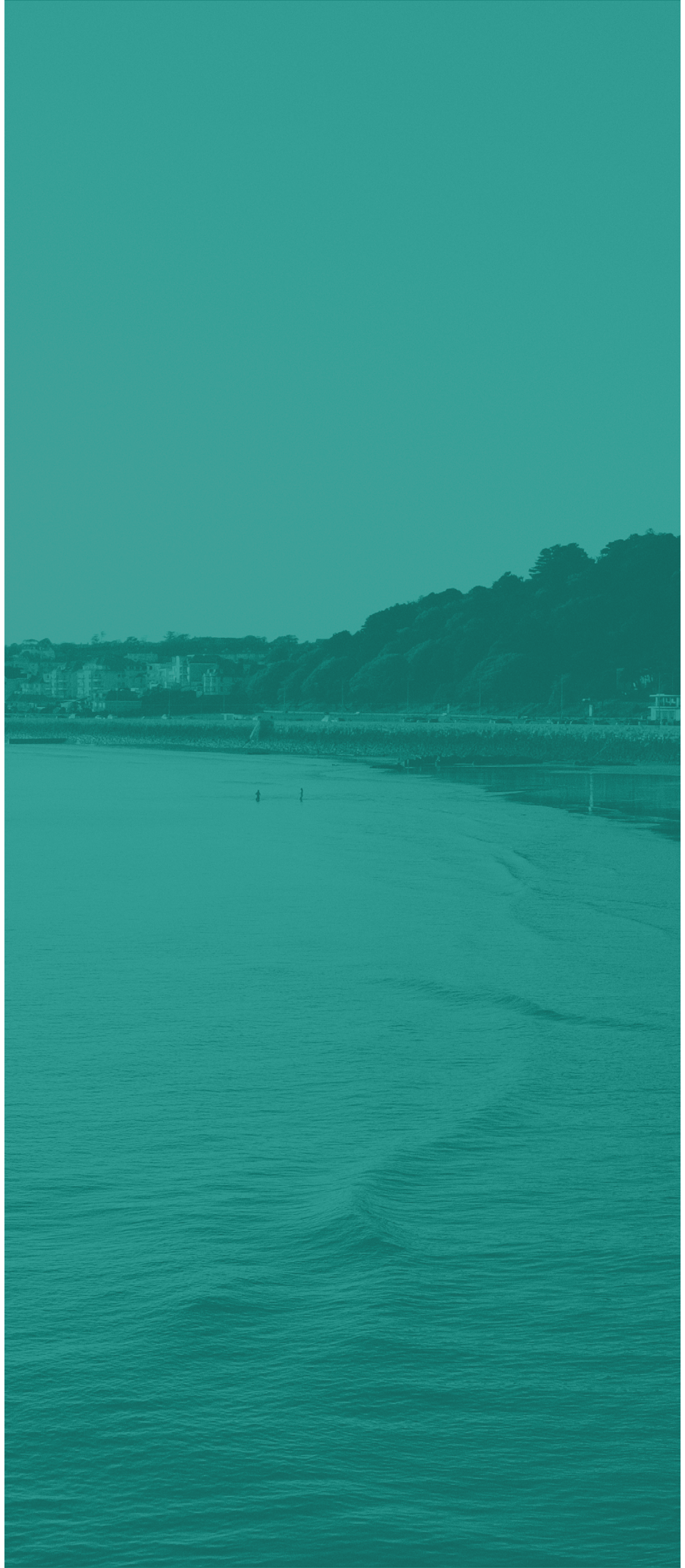
Explaining the diagram, McMahon adds that first, financial players must design their target, establish KPIs, gather data, leverage technology, analyse data and report the actionable insights.

Barney Jackson, a technical consultant at Griscore working with Innovest Advisory, further outlines the effect this process has on data. "You are able to capture more data, better data and less laboriously than with manual processes. And the more data you get in terms of measurement, the better your analysis is going to be. The other aspect is the ability to share that data and share the analysis with a wider set of people, connecting it back to the funds."

A SUCCESSFUL CASE STUDY: DEVELOPING WORLD MARKETS

One such successful case study is Innovest Advisory's work with Developing World Markets (DWM) a New York based, emerging markets impact fund manager. As of 2021, DWM had invested in 78 emerging market economies and has an AUM of over $500 million.

Their mission is to make return-first impact investments that seek risk-appropriate returns for investors and measurable environmental or social benefits for the developing world through the impact themes of financial inclusion, renewable energy, and climate action.



Together, DWM and Innovest Advisory are pursuing a displacement focused investing strategy in refugee and migrant inclusive businesses worldwide, with Innovest Advisory having designed an impact measurement framework to carry out ongoing impact measurement and reporting.

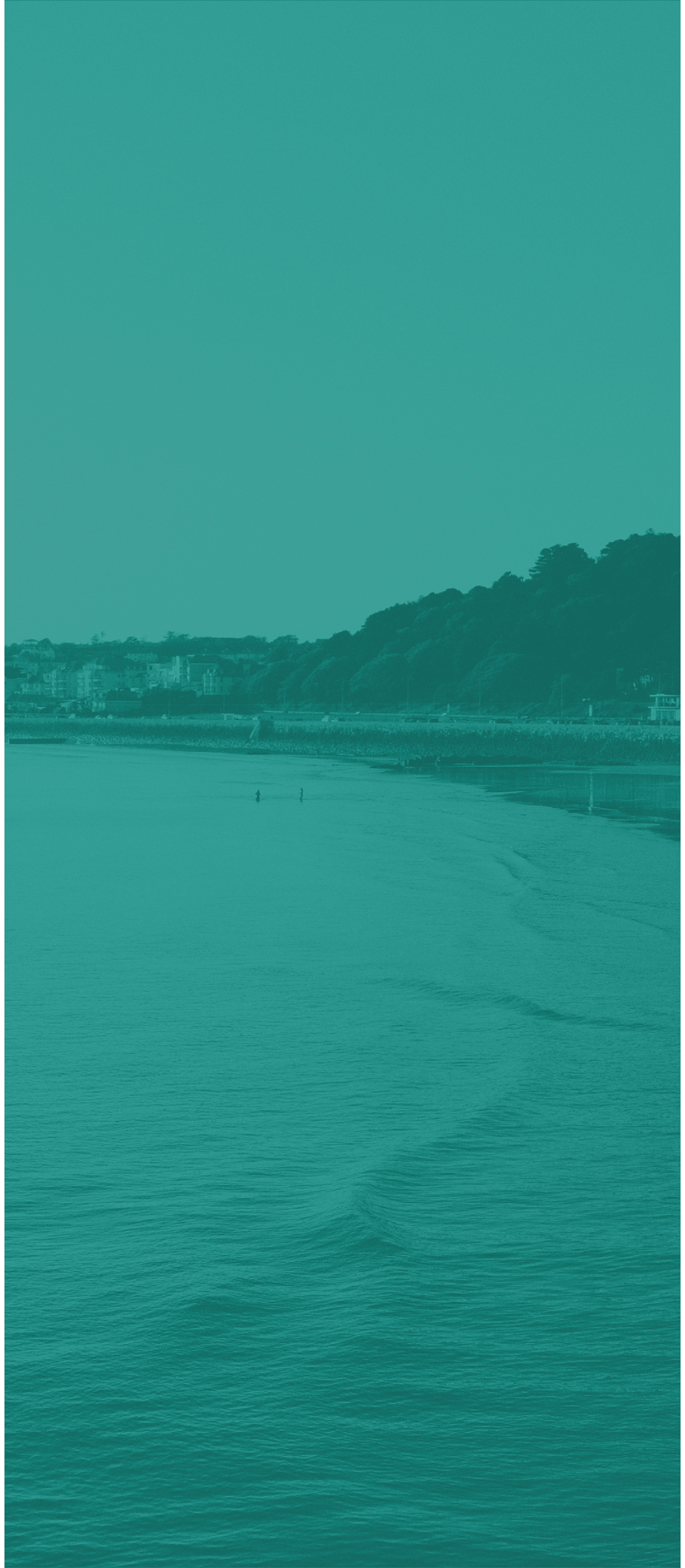
This will enable the fund to prove that its investments are having a significant, measurable impact on displaced and host populations around the world. Impact evidence will serve as proof of the efficacy of this investment model and stimulate replication by others.

Alexandra Simmons, project manager at Innovest Advisory also explores how collecting data from the individuals directly experiencing the impact can be challenging due to hurdles such as lack of wi-fi, low connectivity and low levels of literacy.

"This is an exciting and challenging opportunity to gather rich and valuable data, for the first time for the client that we're working with. And we're seeing this opportunity to do two things. One is to be able to report and demonstrate the fantastic impact that the client is delivering and demonstrate how investments are the driving impact. But then a second layer, which is equally as valuable for the company, is to understand how effective their interventions are, and use that data to adjust operations and logistics."

Providing a technical perspective, Jackson adds: "It translates to more flexibility around the ways actual tools are used for data capture. Technology is needed to tie it all together and pull the data into one place. Another element that we're seeing growing in value for the industry at large is if more organisations are starting to use an approach to data gathering, instead of just qualitative, you're going to be able to start gathering more rich, comparable data, and develop baselines.

"Previously, a lot of the work has been done around anecdotal stories, which is incredibly valuable and brings the quantitative data to life. But if you can combine the two, you're going to get a richer and deeper understanding of the impact that's being driven and where the opportunities for growth and improvements are."



07 | Building an agile digital ecosystem

IFCs have traditionally been at the forefront of providing innovative vehicles for enabling capital to be put to work efficiently and have moved fast to put in place specific frameworks to support sustainable investment.

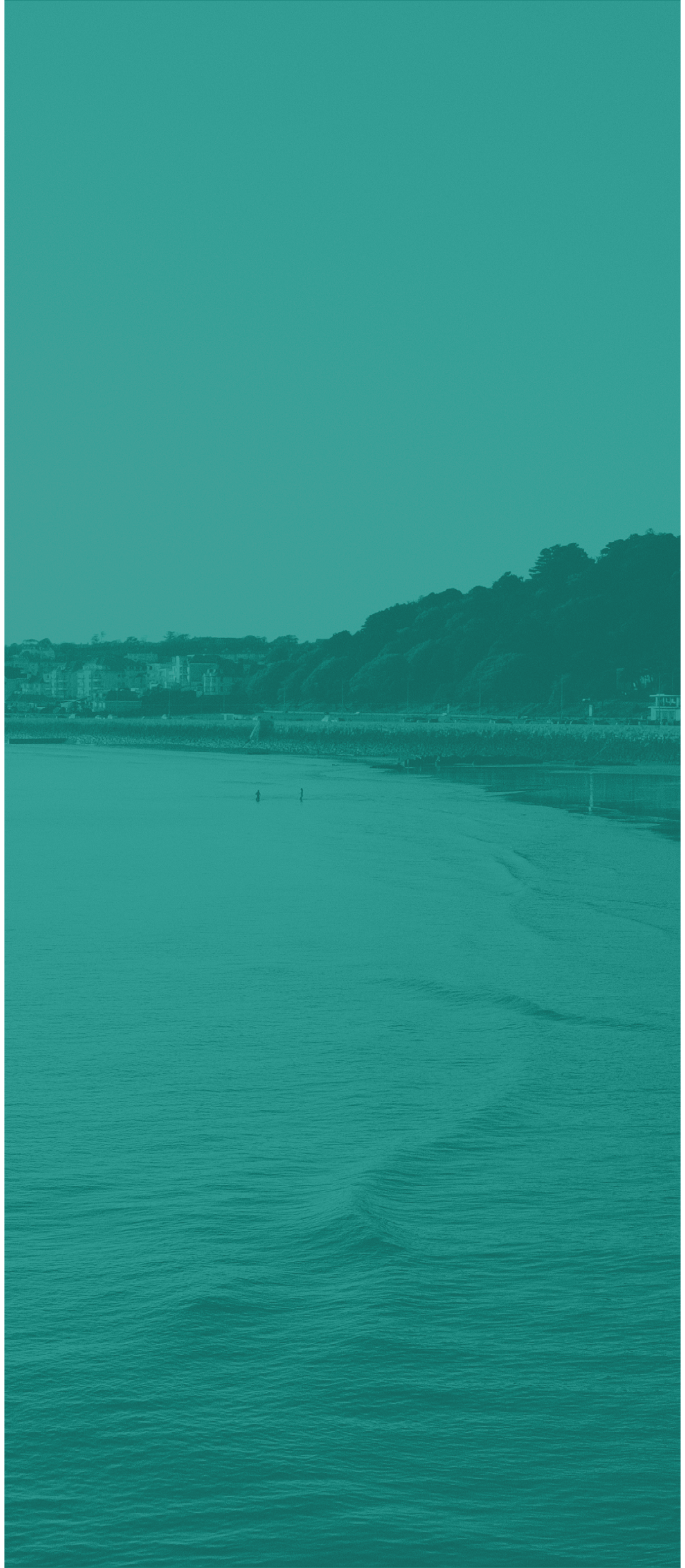
These jurisdictions should continue to focus on building an innovation-driven culture and an environment in which ESG fintech can flourish. In doing so, IFCs can support financial institutions and embed sustainable business models into processes, products, and services and by leveraging technology such as AI and DLT, offered by fintech firms.

EMPOWERMENT OF IFCS THROUGH TECHNOLOGY, VIA FINTECH

AI can empower ESG scoring through analysing frameworks, standards, rankings and alternative data to identify and determine practical metrics, through the use of natural language processing (NLP) and knowledge graph technologies.

However, the parameters that are used must be constantly refined by providing ongoing feedback and retraining the model. Knowledge graphs can help uncover the deep connections among corporations, sentiment and trends embedded in the data, which would help in identifying practical metrics in a single institution and across industries.

Through increased automation, sustainable finance offerings can be empowered through the provenance of goods and services and offering full transparency of supply chains and payments.



As relevant data is not being collected or it is of poor quality, organisations themselves may struggle to accurately measure impact, yet, affluent jurisdictions have the resource to invest in various tracking devices.

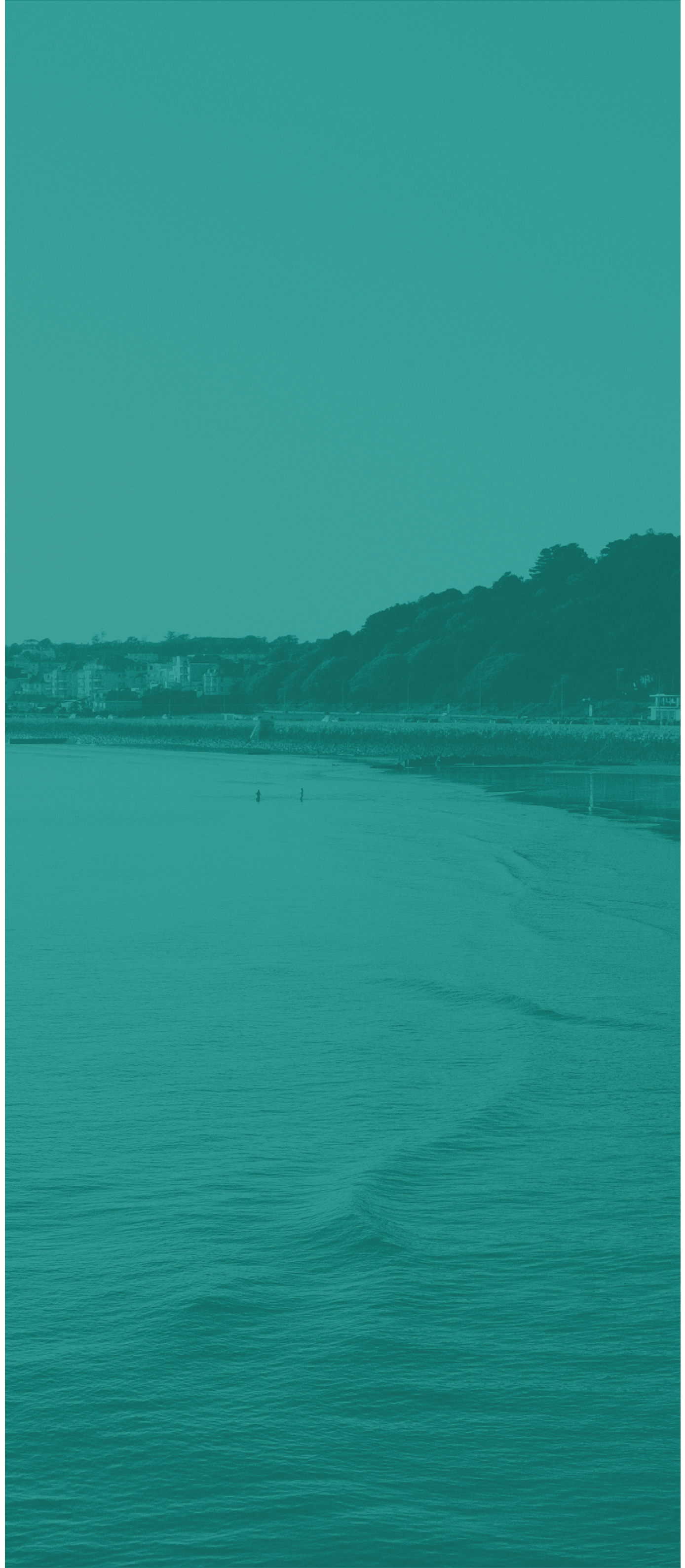
Big data analytics offered by fintech firms can also help bridge this gap, and science-based data will come to the fore to provide a more holistic picture of sustainable finance opportunities. Using robust analytical approaches to filter through vast volumes of data, data scientists can implement predictive models to improve decision making.

With a combination of historical and new, alternative, science-based data, technology can ensure transparency of supply chains, keep costs down and allow institutional partners to leverage data-driven third-party services, like those also offered by fintech firms – automating and driving down process costs that act as a barrier to sustainable finance.

Further, DLT is seen as a natural fit for sustainable finance in the way it creates a single version of truth for any data, enhancing its reliability and transparency, thus increasing the confidence and conviction with which decisions can be made. Bond issuance, for example, could be simplified and made more transparent by using DLT, allowing investors and institutions to observe the process end-to-end.

Harnessing DLT could also allow data to be aggregated for a bond and its sustainability demonstrated, offering investors the transparency that they demand, while removing many of the overheads that could eat into returns and deter further investment.

Fintech also supports the scaling of sustainable finance innovations with the use of blockchain and virtual assets.



THE REGULATORY BENEFITS ATTACHED TO IFCS

Fintech can play a part in the scaling up of sustainable finance by improving the ability of financial service providers in IFCs to meet compliance needs.

For example, disclosures that meet requirements under emerging regulatory regimes such as the aforementioned Task Force on Climate-related Financial Disclosures (TCFD) and the EU's Sustainable Finance Disclosure Regulation (SFDR). As leaders in developing and adhering to the highest standards of good governance, IFCs are accustomed to complying more readily to international regulatory initiatives than many larger countries.

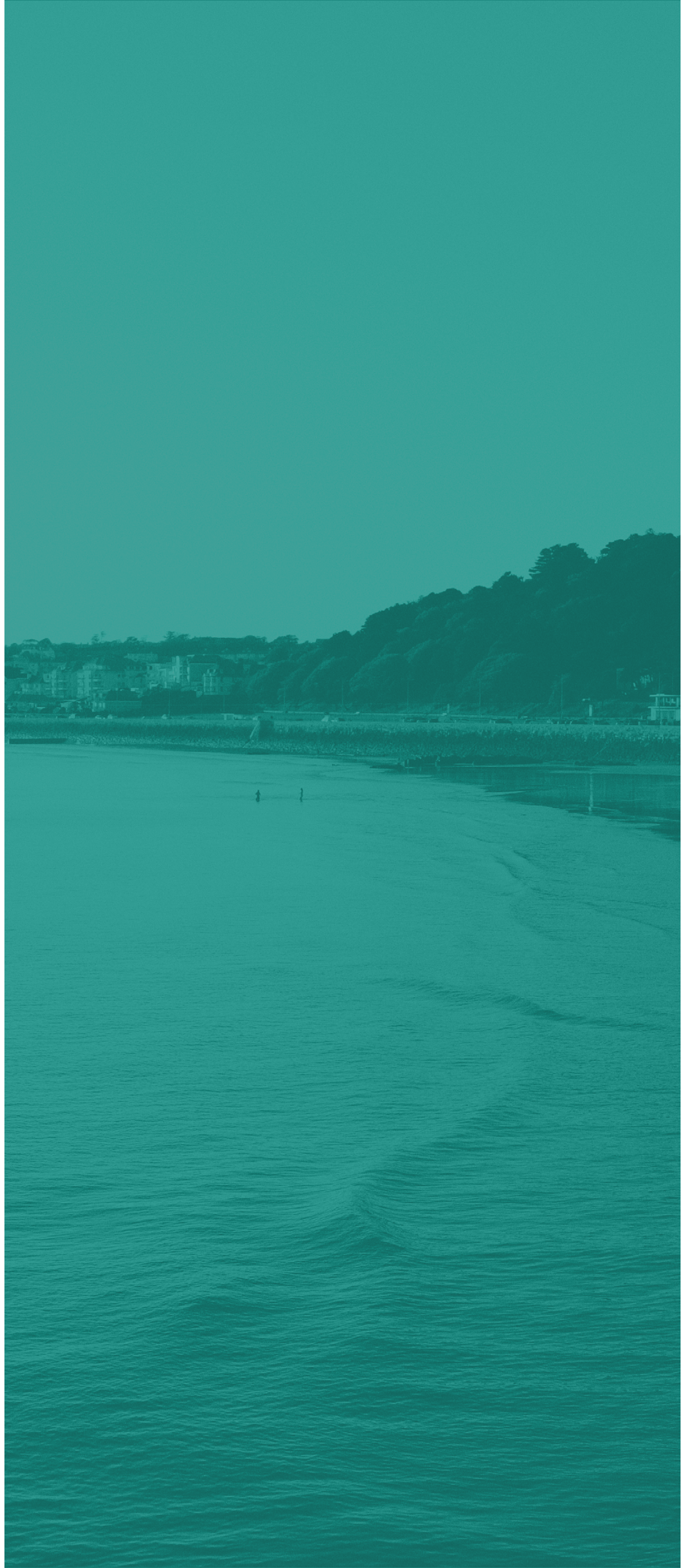
However, smaller jurisdictions are not immune to global regulation or global events and must ensure they are measuring progress with standards, communicate with strategy, greater awareness, and training.

Given the importance of a regulatory environment that can foster such innovation, regtech development would also be integral to make compliance reporting more efficient and productive, digitising onboarding processes and providing enhanced analytics in tasks such as client screening.

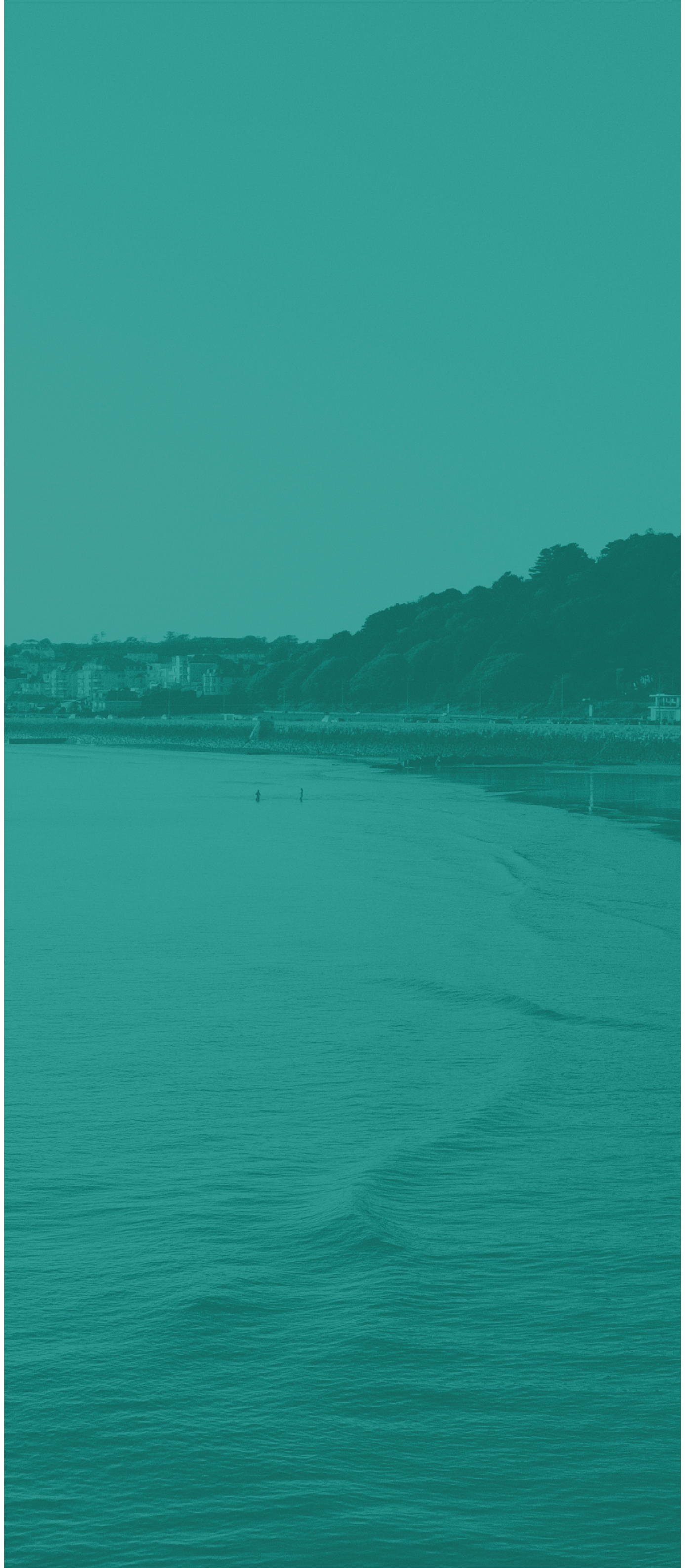
Forward-looking regulators are increasingly supportive of innovative firms that are looking to bring services to market that will aid a transition to a sustainable economy and support the growing ESG ecosystem.

While sandbox environments where live testing of financial products and direct support for product development can be provided, there is an expectation that data and information is handled as responsibly as the ESG itself.

Yet, despite attempts to introduce regulatory requirements, a lack of standardisation in reporting obligations is proving a significant challenge towards achieving meaningful progress.



This requires collaboration across the finance sector to ensure protection and shared knowledge and insight to help build more secure environments, as well as clear and defined reporting.



08 | Conclusion

The landscape for financial services is currently being reshaped globally by two central trends: the fourth industrial revolution, and the rise of sustainable finance. It is evident that fintech and ESG can and will work together.

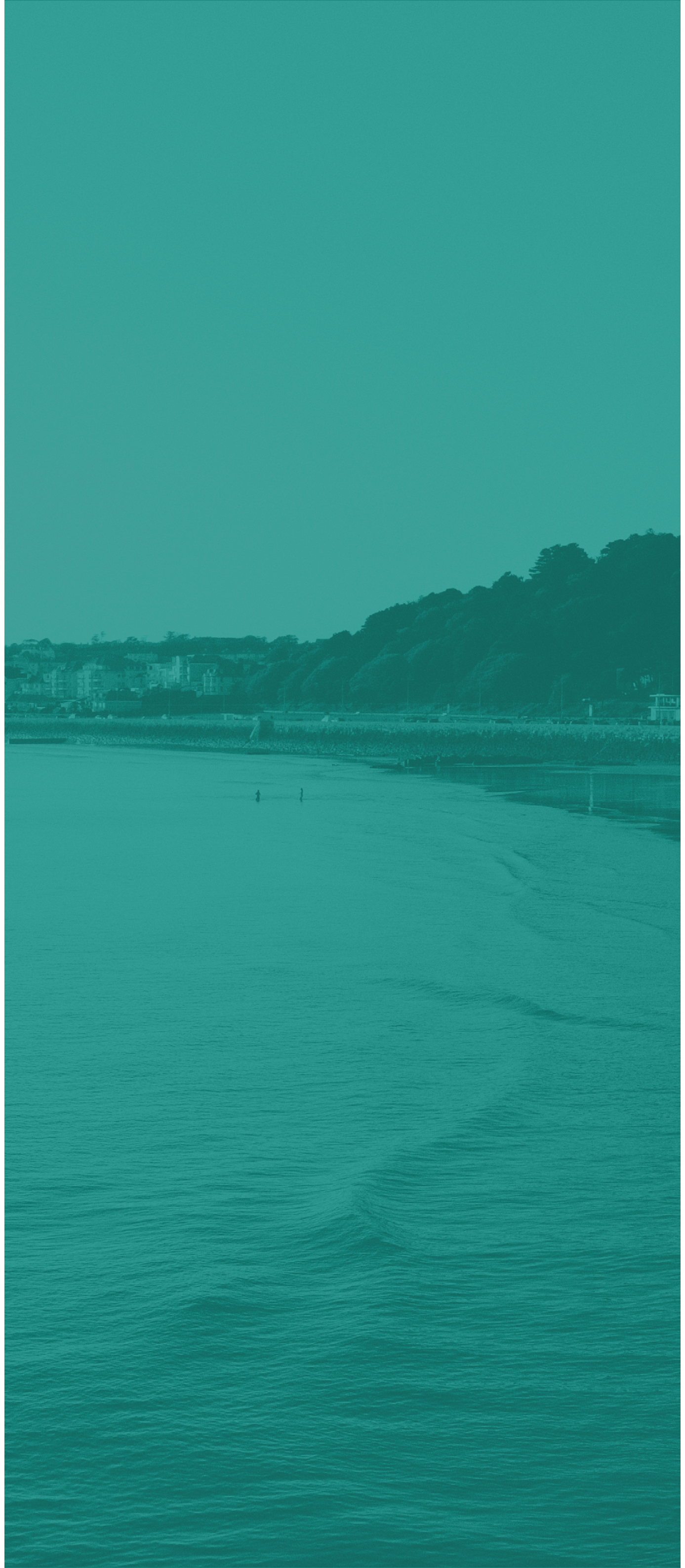
Boasting an exponential growth rate, the fintech industry will continue to disrupt the established market of financial services and occupy gaps, transforming profitable elements into purposeful operations. In the future, true purpose will always win, and the true profit will no longer be funding the extinction of the planet.

These two trends come together in IFCs, which are both seeking to enhance their capabilities in areas such fintech and emerging technology and ensure that they integrate sustainability into the core of their offering.

Successful IFCs are based on an ecosystem, which needs to be fully adapted to meet the type of investor and assets they service. Alongside this, the most successful IFCs are nimble, future focused and evolve their offering to meet shifting trends, capture new opportunities and respond to shifting investor demands.

IFCs have a vital role to play in the global transition to a world where fintech and sustainable finance go hand in hand and evolve together.

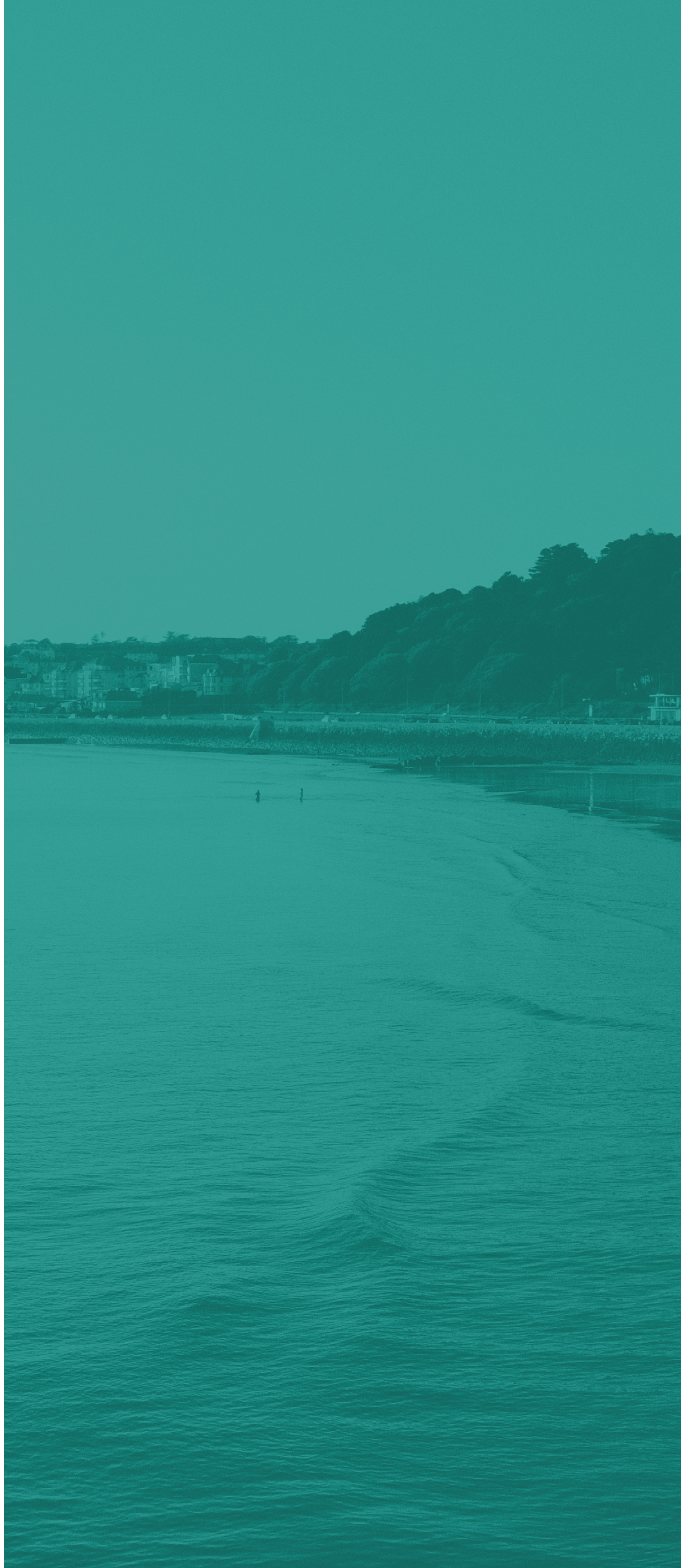
IFCs that can support the fintech industry will be able to empower their sustainable propositions with new data to improve offerings, increase data availability and transparency, verify sustainability of business practices, and build an agile digital ecosystem. Fintech can also support the reach of sustainable finance into new areas, such as social inclusion.



Collaborating with ESG fintech partners is key to success. This will allow IFCs to:

- respond to the speed of change,
- position themselves as an integral part of the journey ahead,
- establish short- and long-term sustainability plans,
- prepare for the future by aligning with ESG initiatives, and
- become attractive destinations for investment.

As this impact study has dictated, the ESG and fintech sectors are symbiotic and leveraging the resource that IFCs offer, will create an ecosystem where these forces can flourish.



09 | About

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