How FinTech can build trust in ESG

A FinTech Alliance special report

By Matthew Yeomans

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Introduction

"There's gold in them thar hills!" That one sentence from Mark Twain's novel, The American Claimant, has come to encapsulate the great 19th century California gold rush where some made millions and many others panned their way into financial ruin. More than a century and a half later, today's investment community is embracing ESG – or Environmental, Social and Governance – in much the same way that those West Coast prospectors rushed to the Sierra Nevada mountains. The problem, however, is that navigating the confusing world of ESG data and new and rebranded funds can be just as difficult as striking gold.

That's not just a problem for investors. It puts all of our futures at risk.

At present, the lack of clarity and trust in ESG data threatens to undermine the credibility of sustainable finance at exactly the point where it needs to be embraced as mainstream. That's why FinTech is so important in shaping the future of sustainable finance. It has a crucial role to play in building trust in ESG and demonstrating how it can reward both investors and general society. In this report we explain why and highlight 20 FinTech companies hoping to lead the way towards transparent and truly sustainable business.

"The investment community isn't embracing sustainable finance because of some enlightened eco-philosophy. Rather, it realises there is a great deal of money to be made from aligning products around ESG – and a great deal to be lost if it fails to do so."

Making ESG the foundation of your business

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Environmental, social and governance (ESG) issues regularly make headlines and have drawn the attention of investors and employees. For a time, only oil companies, miners and heavy industry focused on ESG concerns. Now, given the link between growth, return and management of ESG issues, companies in all sectors view ESG as a value proposition. This is particularly true for the FinTech sector, where the digital revolution is improving, redefining and inverting traditional financial services roles and functions at a breathtaking pace.

At a time when cash burn rates are high and the commercial imperatives of customer acquisition and growth tend to take precedence, small FinTech companies often struggle to dedicate resources to compliance and ESG. But they must prepare for the brightening ESG spotlight, as their long term growth will be jeopardised if they don't take ESG seriously. Employees increasingly want to work for companies that are guided by purpose and an ESG conscience, and investors won't invest in companies without ESG due diligence and compliance checks.

As a result, ESG must be built into the foundations of a business. When it is, it will become an asset and growth driver over the longer term. Covid-19 has not changed this—if anything it has increased the focus on certain ESG components.

Now that ESG is often measured, FinTechs must make it a priority. But, given the opaque scoring systems used by the main ESG rating agencies, not all FinTechs have a deep understanding of how ESG is measured. Boards are often asked about the company's ESG initiatives, risks and rating.

A full understanding of a FinTech's ESG performance requires ESG to be broken into its component parts, as each part has a different risk profile, and is quantified differently.

While there are disclosure requirements, there is a lack of clarity on the content of that disclosure. This means FinTechs have a high degree of flexibility. Given the variety of ESG ratings agencies, it is important that a FinTech have a clearly expressed ESG strategy and narrative. It is no longer acceptable to disclose the bare minimum as a tick-the-box exercise and give the issue no further thought until the next year.

Regulators are helping to drive the change. Ongoing political discussions address the need for more sustainable and responsible economies and societies that make ESG integral to companies' long-term business strategies. One example relevant for FinTechs is the discussion about introducing laws on the use of artificial intelligence, with EU regulators stating, "legislative action is needed to ensure a well-functioning internal market for AI systems where both benefits and risks are adequately addressed." In addition, FinTechs are accelerating the UK's climate actions to advance towards net-zero carbon emissions targets.

There is no doubt the winds are blowing in the direction of change in the UK and elsewhere, requiring a more responsible and sustainable approach to doing business. FinTechs are in prime position to harness this change.

Stepping up to the ESG data challenge

Environmental, Social and Governance (ESG) factors are now mainstream in financial services. They represent the most radical transformation of capital markets since the creation of stock exchanges, fundamentally changing our assessment of risk and return, and challenging us to reallocate capital not simply to maximise profit, but to create a more sustainable future.

When considering profit and growth, the markets are not perfect, but they have been honed by accounting and audit standards developed for over a century. Key data points are agreed, assessed with rigour and distributed openly in company financial statements. However, this traditional data no longer tells the full story.

ESG data seeks to capture the wider impact and implications of company activity, and is already incorporated into risk models, investment management and banking products. It is however new, immature, incomplete, partially checked and provided by a range of analysts that rarely agree on definitions, methodologies or metrics.

For some time the spotlight has been on 'greenwashing', cherry picking data or misrepresenting products to make things seem better than they actually are. Firms remain at risk of mis-selling. More critically, the integrity of financial markets is at risk as ESG data increasingly drives pricing decisions.

The Pied Piper of doing and investing in the right thing

A small number of data agencies now have outsized influence on financial markets, with uncorrelated and incomplete views of corporate sustainability. Trillions of dollars of assets are switching to invest in companies that meet these new tests, with a significant risk of distorting valuations and creditworthiness. This is fuelled by an intoxicating invitation to achieve higher financial returns with ethical outcomes and lower risk.

To achieve transformation to a sustainable and responsible economy, look after customers, and ensure that companies are making the right strategic decisions, it is imperative that ESG data becomes far more robust, transparent and complete. We cannot continue to award low ESG ratings to mining companies and high ratings to the technology companies that use the same materials in their consumer products. We cannot ignore tons of carbon emissions in manufacturing and tell consumers about grams in usage of the final product. And we shouldn't penalise those organisations that are more robust in their measurement and more transparent with their ESG performance, because their ratings appear lower than those that are not.

The FinTech opportunity

The ESG landscape urgently requires disruption, in particular when it comes to data and ratings. Technology has a fundamental role to play in realising this, through surfacing, enhancing and equipping both organisations and individuals with trustworthy ESG data with which to make informed decisions.

FinTech's position on the boundary between financial services and technology positions FinTech organisations well to contribute to solving this industry challenge.

For B2B FinTechs, there is the opportunity to address the data aggregation challenge, using their strength in data analytics to gain insights from ESG data sources that enable their clients to make informed, trusted decisions about the investments they make and the firms they bank and partner with. More broadly, B2B FinTechs can empower financial services institutions to leverage their existing customer data to offer tailored ESG products and services based on previous buying decisions and behaviours. Flexibility in product development here will be key for FinTechs though, as standards emerge and evolve from the regulators.

For those innovators who sell direct to consumers, there are opportunities to lead with new ESG products. With younger generations – often a key market for FinTechs – more focused on impact investing and more demanding of their financial providers to offer digital-first solutions, FinTechs have an opportunity to develop sustainable, transparent and digital offerings. With greater agility than incumbent financial services players, speed to market is on FinTech's side, and regulatory changes such as ISO20022 open up further the opportunities to pass the required data around the financial system.

Finally, for the most established FinTech players – digital finance infrastructure providers like VISA and Mastercard – there are opportunities to leverage their size, resources and embedded nature across the industry to influence and deliver transformation on a larger scale e.g. considering the energy used to process transactions.

Regardless of their role, it is clear that FinTechs have a vital contribution to make to the future of sustainable financial services. At PwC we are working with our clients on the ESG agenda to explore all these opportunities to transform, to solve important problems, and to build trust across society.

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The birth of a sustainable finance system

The last few years have seen an explosion of interest in what was once considered a niche and, frankly, quite uncool area of finance – environmentally and socially responsible investments.

Just consider the figures. ESG-focused investing now totals more than $30trn each year globally. The Global Impact Investing Network – a US-based non-profit organisation – estimates the current market for impact investments (ones that focus on delivering positive sustainable change or development) to be worth $715bn. This could potentially rise to $26trn according to the International Finance Corporation. In Europe alone, assets in sustainable investment products are forecast to reach more than $9trn by 2025 according to a recent PwC report.

The investment community isn't embracing sustainable finance because of some enlightened eco-philosophy. Rather, it realises there is a great deal of money to made from aligning products around ESG – and a great deal to be lost if it fails to do so.

Why is that? A number of industry commenters have highlighted how the Covid-19 pandemic has exposed both the fragility of our global systems and the threat posed to public health by the destruction of tropical forests and animal habitats. Others have stressed that the pandemic is just a dress rehearsal for the type of global catastrophe climate change will bring. One recent projection from Schroders estimates climate risk alone could lead to global economic losses of up to $23trn per year.

In reality, our collective awakening to the risks caused by environmental, social and governance issues started before the pandemic hit. In the two years prior, millions of young people had taken to the streets all over the world protesting against social and economic inequality, political corruption and the failure to tackle climate change – spearheaded by Swedish teenager, Greta Thunberg. That mass movement coincided with a series of environmental disasters around the world, including devastating wildfires in California and Australia and increasingly violent hurricanes and storms developing in the Atlantic and Pacific oceans. And it took place as evidence grew of a catastrophic loss of biodiversity and species extinction – putting at risk our entire planetary ecosystem.

It wasn't just an environmental call to arms. Through the social media driven Black Lives Matter and #MeToo movements, millions of people all over the world protested racial and gender injustice and inequality while millions more took to the streets to fight for a living wage and to battle corruption.

Confronted with this awakening of public opinion, governments and politicians in most regions are starting to view ESG as an integral part of their policies, and critical for their own continued electability. They are setting ever stricter and ambitious "Net Zero" emissions targets and readying legislation and regulation to achieve them. The corporate world is watching closely and rushing to make its own Net Zero pledges. At the same time companies are developing more sustainable and inclusive products and policies to meet changing consumer opinion and preferences.

> **"Some 95% of millennial respondents to a 2019 Morgan Stanley survey said they would like to invest sustainably."**

This sustainability sensibility also is shaping the growing movement of democratised consumer investing. Some 85% of respondents to a 2019 Morgan Stanley survey said they would like to invest sustainably. That percentage rose to 95% among millennials.

The trust factor

The rush to meet growing investor and consumer expectations about sustainability has resulted in the massive growth of ESG investment options.

But while that growth might sound encouraging for helping the planet and society, the reality is that, in many cases, existing funds have simply been repackaged as ESG or slightly recalibrated to include some sustainably-focused companies. According to the UK sustainability consultancy 2degrees, 85% of funds labelled 'green' have 'misleading' marketing. Another recent piece of research found that only 6.7% of European funds labelled as 'sustainable' explicitly screen out or reduce exposure to fossil fuels.

> **In 2020, specific ESG funds grew to $51.1bn, more than double the amount in 2019, according to Morningstar.**

Earlier this year, Tariq Fancy, the ex-CIO of sustainable investing for BlackRock, openly criticised the investment community's newfound love of ESG as "greenwashing the economic system". Fancy noted that existing mutual funds are rebranding as green or ESG yet not changing the makeup of the fund or how it operates. In other instances, ESG funds include high carbon polluters such as fossil fuel companies or major agricultural conglomerates based on pledges, not action, to reduce emissions. In too many cases, ESG "boils down to marketing hype, PR spin and disingenuous promises," Fancy argued.

One new piece of research would seem to back up Fancy's criticisms. Over the past few years, a large number of studies (more than 200 according to one New York University paper) have claimed that ESG-focused investment funds outperform traditional ones.

But this new study, "Honey I shrunk the ESG Alpha" by French-based Scientific Beta concludes that most claims of ESG outperformance are nothing more than a marketing ruse. The majority of funds it studied did well because the stocks included already had high profitability (tech companies often dominate ESG portfolios despite their questionable ESG credentials) and because of conservative investment strategies.

The study didn't criticise ESG investing in principle; it simply highlighted an issue many in the sustainability community have been flagging for years. Namely, if you're only investing in ESG for quick and superior financial returns then you are missing the whole point of why ESG matters for the long-term stability and health of the entire financial system. And if you don't understand that, you're not going to make the right ESG investment decisions in the long run.

It's not just a lack of education about the long-term ramifications of sustainable finance that is hamstringing meaningful ESG investments. The situation isn't helped by the confusing alphabet soup of ESG ratings systems that have taken hold over the past two decades. One recent MIT Sloan School of Management study of six top ESG ratings firms concluded that "ratings from different providers disagree substantially". As a result, "the information that decision-makers (in companies) receive from ESG rating agencies is relatively noisy."

Steps are being taken to address the issue. In 2020 five leading standard setters and measurement bodies – including GRI and the Sustainability Accounting Standards Board –have started working together to streamline and harmonise standards for ESG reporting. Also, the European Commission and the International Financial Reporting Standards Foundation are looking at ways to standardise reporting. Nevertheless, this is an area where FinTech can really make a difference.

Even when companies do have clear criteria to measure and report against, the ESG data is more often than not treated as "external" to the core financial performance of a business. That leaves investors to read the tea leaves of ESG as they evaluate which data is material to performance of a company. New accounting models are being developed that place a financial value on ESG issues such as climate risk, biodiversity, automation and inclusion but none at present have been widely adopted.

Why FinTech matters for ESG

FinTech will play a leading role in the shaping the future of sustainable finance and investing over the next decade because of two powerful factors.

First, FinTech has created, and will continue to innovate, the financial platforms and user experience that Millennials and Gen Z now take for granted. Those two demographics are set to inherit more than $30trn in wealth over the next two decades. How they choose to invest will influence all of global business and it's already clear they have much higher expectations of investments aligning with their ethical and environmental values than their parents. It already seems clear that this great wealth transfer will bring ethics-first "impact investing" into the mainstream.

Second, FinTech will play a critical role in making sure this new generation of investors trusts the companies, stocks and funds they invest in. The major technologies already driving the FinTech revolution – Artificial Intelligence (AI), Big Data Analytics, Distributed Ledger Technology (including Blockchain) and Natural Language Processing (NLP) – can deliver the transparency, the infrastructure, the much-needed data analysis and perspective, and the digital tools required to make ESG and sustainable finance work authentically, and at scale.

Here are 20 FinTechs who are using these technologies to do just that.

1. Aspiration

Aspiration

CEO: Andrei Cherny

Location: USA

Funding: $200mn

Website: aspiration.com

Twitter: twitter.com/Aspiration

Back in 2013, Andrei Cherny, a former speechwriter for President Bill Clinton had an idea for a new type of sustainable business focused FinTech. Fast forward six years and that company, suitably called Aspiration, is one of the leading players in the FinTech ESG sector.

Aspiration offers socially conscious and sustainable cash management services (including checking and savings accounts) and investment products to help its customers "make money while making the world a better place".

The Los Angeles based challenger bank positions itself as the antidote to the major financial services institutions that continue to pour billions of dollars into the oil and gas industry. It eschews any fossil fuel investments and allows customers to round up transactions to support reforestation projects (a service it calls Plant Your Change). So far 10 million trees have been planted.

Aspiration also partners with other socially conscious companies like Toms and Warby Parker, rewarding customers with cash back when they make purchases with them. The bank even offers an Impact Measurement Score – evaluating 75,000 data points to provide customers with insight into the sustainability of their shopping habits.

In 2020 Aspiration secured a $135mn Series C funding led by Alpha Edison. Existing investors include the Hollywood celebrities Orlando Bloom and Leonardo DiCaprio.

2. Tumelo

tumelo

Founders: Georgia Stewart (CEO), Benjamin King, William Goodwin

Location: UK

Total Funding: £1mn

Website: tumelo.com

Twitter: twitter.com/tumeloHQ

Do you know where your pension is being invested? That's a question employees increasingly are asking as they confront a future that will be shaped by climate change, loss of biodiversity and continuing social, racial and gender inequality.

Enter Tumelo, a Bristol-based FinTech that aims to bring transparency to pension fund holdings and other personal investments by offering white-labelled software that lets individual investors to see which companies are included in their pension portfolio.

It also provides a platform for investors to communicate with fund managers about the ESG issues they care deeply about, advocate for impact investments in companies they believe are leading on sustainable business, and flag companies that are failing to deliver on ESG commitments (a major problem in many ESG focused funds).

Tumelo was founded by Cambridge University graduates Georgia Stewart, Ben King and Will Goodwin. The idea stemmed from their experience being part of the successful campaign to steer the university's £6bn endowment fund towards sustainable investments.

So far, Tumelo has raised £1mn in seed funding (including an investment from musician Peter Gabriel). Recently the startup inked a partnership with Legal & General Investment Management (LGIM) to offer Tumelo's platform to its pension scheme clients.

Tumelo's FinTech approach to ESG pension transparency would seem to have arrived at just the right time. New UK government regulations now require pension fund trustees to actively account for ESG and, according to one recent study, 89% of European pension funds now factor ESG risks into their investment decisions.

3. Wombat Invest

Founder: Kane Harrison

Location: London

Funding: £4.7mn

Website: wombatinvest.com

Twitter: twitter.com/wombatinvest

With dedicated funds aimed at supporting gender equality (Women in Power), renewable energy (The Green Machine), the growth of green mobility (The Electric Car Revolution) and supporting companies with strong ESG credentials (The Goodies), Wombat Invest is putting itself at the forefront of consumer micro sustainable investing.

Founded in 2017 by Australian entrepreneur Kane Harrison, the UK's first fractional investment platform already has attracted 62,000 users. Wombat's simple approach to investing in shares based on lifestyle interests seeks to democratise retail investing – introducing a new generation of investors to the stock market whose strong opinions on sustainability look set to reshape the business landscape in the years to come.

Wombat recently closed a £2mn seed funding round led by Fuel Ventures. It intends to use the funding to further develop its platform to include instant deposits while working to offer new ways for people to save at a time when traditional bank savings products offer minimal returns.

4. Delio

Founders: Gareth Lewis, David Newman

Location: Cardiff, Wales

Funding: £4.4mn

Website: deliogroup.com

Twitter: twitter.com/DelioGroup

Founded in 2015, Delio's mission is to digitally transform the private markets landscape by helping a broad range of financial institutions connect their clients with private investment opportunities quickly, transparently and compliantly.

In 2020, Delio built on that expertise and partnered with Barclays to launch Impact Agora, a new platform designed to encourage financial firms to share impact investment opportunities with one another.

Impact Agora addresses a serious gap in the impact investing market – many of the companies that are dedicated to addressing ESG issues find themselves frustrated by the challenge of accessing investors.

Delio's platform opens the door for companies to find, and be found by, impact-focused investors. Just over one year after launch, Impact Agora already is proving its worth (and the growing market for impact investing) having facilitated US$1.3bn-worth of private markets deals.

The platform looks to enable investment opportunities that can support at least one of the 17 UN Sustainable Development Goals. It currently has more than 90 institutional members from across 12 countries including Triodos Bank, Zero Carbon Capital, Rathbones, and UKBAA.

> Impact investing is one of the fastest growing areas of private markets and Delio is proud that our technology is powering a number of financial institutions and marketplaces in the ESG space. Our digital tools are enabling investors to drive capital quickly and efficiently into organisations that are making a positive societal and environmental change.
>
> **Gareth Lewis,**
> **Co-Founder & CEO, Delio**

5. Newday Impact

CEO: Douglas Heske

Location: San Francisco

Funding: $4m

Website: newdayimpact.com

Twitter: twitter.com/newdayinvesting

For nearly five years, financial services companies have debated how best to fund the United Nations Sustainable Development Goals (SDG) – resulting in a great deal of talk but not nearly enough action.

San Francisco-based impact investment platform Newday might still be just a minor player in the ESG investment landscape but it offers a clear SDG product – its Global Sustainable Impact Portfolio invests in companies whose core business addresses and derives revenue from positively impacting at least one of the 17 SDGs.

Newday was founded in 2017 – backed by senior managers from firms like BlackRock and Stone & Youngberg –to meet Millennial demand for investing with purpose.

It offers investors a series of portfolios that are unashamedly shaped around sustainable business. Take the Fresh Water Portfolio, inspired by the UN's recognition that access to clean drinking water and sanitation are essential to the realisation of all human rights.

It invests in companies that take the lead in maximising water efficiency and are committed to combating pollution, as well as ensuring affordable and equitable access to water resources.

Similarly focused portfolios are available to meet the challenges of climate risk, ocean pollution, sustainable agriculture and animal welfare to name a few.

Investors use the Newday app to choose the portfolios that meet their own sense of purpose, the degree of sustainable impact they are hoping to achieve and the level of financial risk they are willing to undertake. Newday's algorithm evaluates all these criteria then creates a tailored portfolio.

Newday, a certified B Corp., also donates 5% of revenue from asset management fees to a number of NGO partners including The Georgie Badiel Foundation, which facilitates freshwater projects in Burkina Faso, and marine environmental organisation Earth Echo International.

6. Treecard

Founders: Jamie Cox, Gary Wu and James Dugan

Location: London

Funding: $5.1mn

Website: treecard.org

Twitter: twitter.com/TreeCardApp

Though still just a seedling in the forest of green finance, Treecard has big ambitions to help power the global reforestation movement.

Founded in 2020, Treecard is an online platform offering a Mastercard made out of wood. The FinTech connects the card to your regular bank accounts, and when you make purchases using Treecard it will donate 80% of its profits to planting new trees.

Treecard funds this reforestation through interchange fees generated in card transactions –admittedly a small margin in the UK, but there is far greater revenue generating potential in the US where fees tend to be higher.

While tree planting efforts abound in business, at this time many are open to criticism because all too often funds have been invested in monoculture tree plantations that can wreck biodiversity and, in some cases, cause the release of more CO_2 than they can absorb.

To counter any concerns, Treecard has partnered with sustainable search engine, Ecosia, which works with local NGOs to ensure the tree species planted are diverse, native to the region, and meet the needs to generate future products and income for the local communities that will look after them.

So far, Ecosia has planted over 100 million trees globally. The arrival of Treecard has the potential further help our world replace the three trillion trees that have been felled through history – and in a way that benefits the planet, not just the logging industry.

7. Yova

CEO: Dr. Tillmann Lang

Location: Switzerland

Funding: $4.45mn

Website: yova.ch/en/

Twitter: twitter.com/yova_investing

The Swiss banking sector is famous for many things but transparency hasn't always been one of them.

A new breed of Swiss FinTech is trying to change that perception by focusing on impact investing for positive social and environmental impact. Yova AG, a sustainable investing robo-advisor, is one of the most prominent of these new Swiss FinTechs for good.

Yova launched in 2020 out of a desire by the co-founders to make investments to promote clean energy and equal rights, without fuelling climate change or the weapons industry. By creating a sustainable investment platform, they want to help shape a financial system that doesn't just benefit the finance industry – but also people and their environment.

Users first select a series of "impact topics" that reflect their values or the ESG areas they want their money to work towards. These could be renewable energy, human rights, energy saving technology or advancing education, for example. Yova's algorithm assesses these choices and then builds a portfolio of ESG screened companies to invest in. If the user doesn't want a particular company, they can blacklist it or add others into the mix. They can then check the performance of their investments via the Yova app. Yova also offers a service to actively manage users' stocks – essentially acting as an online, sustainable asset manager.

Because Yova's customers directly own the shares in their portfolios (as opposed to investing in mutual funds), they are able to play an active role in the companies they invest in – sharing their voice and voting on strategic decisions at company annual meetings.

8. Clim8 Invest

CEO: Duncan Grierson

Location: UK

Funding: $8mn

Website: clim8invest.com

Twitter: twitter.com/clim8invest

Founded in 2019, Clim8 Invest is an online platform for people wanting to invest in companies and supply chains that are committed to tackling climate change.

Its goal is to bring greater transparency to climate solution investing. Unlike some traditional ESG funds that focus purely on screening out companies that are not viewed as socially responsible investments, Clim8's team of specialists puts a clear focus on impact investment – selecting companies that are committed to positive climate solutions.

> Impact investing is when you invest with the intention of your investment having a positive, measurable social and environmental impact on the world. Wombat have carefully chosen funds like the 'Green Machine' and 'Women in Power' to just do that.
>
> **Kane Harrison, CEO Wombat**

Clim8's goal is to change the investing landscape – helping move billions of pounds of investments into sustainable business.

The London-based startup raised £2.4m in 2020 through the crowdfunding platform, Crowdcube, having previously secured £2mn from 7pc Ventures (early backers of virtual reality pioneers, Oculus) and the British Business Bank Future Fund. Clim8 also boasts Mike Barry, former head of sustainability at Marks & Spencer, as an advisor, bringing serious corporate sustainability credibility to the venture.

In April 2021, Clim8 launched its app providing consumers with a targeted portfolio of publicly listed sustainable companies from sectors such as clean energy, clean tech, food, mobility, and recycling. Users of the platform can choose to invest in either stocks and shares ISAs or through a general investment account.

9. Tickr

Co-founders: Tom McGillycuddy and Matt Latham

Location: London

Funding: £3mn

Website: tickr.co.uk

Twitter: twitter.com/my_tickr

Tickr is one of the new generation of app-based platforms that are catering to the ESG concerns of Millennial and Gen Z investors. But while some platforms offer ESG funds as part of a larger portfolio, Tickr takes a sustainability first approach – indeed, its sole focus is investing for impact.

Founded in 2018 and launched a year later, the London-based startup already has over 100,000 users (90% of whom have never invested before) who put their money into either a general investing account, an ISA or a Junior ISA starting with as little as a £5 deposit.

The investment options are focused around three broad ESG baskets – climate change, disruptive technology and equality. Tickr then invests users' money in a range of exchange traded funds (ETFs) and green bonds that meet the criteria of those baskets and their subsets (be it clean energy, global water, gender equality or healthcare innovation within them).

Tickr's founders have a clear mission: to help the next generation of investors become carbon neutral. With that in mind, Tickr has also launched a personal carbon offsetting service that allows users to pledge a monthly fee to support projects that reduce and remove emissions. The selected offsetting projects all align with the UN's Sustainable Development Goals and are third-party verified.

In early 2021 Tickr secured a further £2.5mn in funding from VC fund Ada Ventures to expand its impact offering.

10. Ant Forest

CEO: Eric Jing (Ant Financial)

Location: China

Funding: Ant Forest is a scheme run by Ant Financial, a subsidiary of AliPay

Website: intl.alipay.com

Governments and business have long known that the key to wide-scale decarbonisation is changing consumer behaviour. And that's exactly the approach Alipay, China's largest digital payments platform with over a billion users, has employed with Ant Forest – a digital incentive scheme to reward greener lifestyles.

Using Alipay's Ant Forest app, consumers that voluntarily reduce their carbon footprint through activities such as walking or cycling to work, or paying bills online rather than receiving paper copies, receive "green energy" points. These points help grow a virtual tree on the user's app and those users can share their tree's progress via social network, and even water and nurture other users' trees with their own points. Once the virtual tree is grown Alipay plants a real tree in areas of China most in need of reforestation, such as the Gobi Desert.

Since the launch of this gamification vehicle in 2016, over 500 million users have used Ant Forest resulting in the planting of over 100 million trees and a reduction of an estimated eight million tons in carbon emissions.

Some critics have questioned the exact planting strategies employed by Ant Forest – noting that planting trees to stop desertification could put added pressure on dwindling water supplies. However, scientists working with Ant Forest say local conditions are taken into account and drought-resistant trees, such as "saxaul" are used.

11. Doconomy

Doconomy

CEO: Mathias Wikström

Location: Sweden

Funding: Undisclosed

Website: doconomy.com

Twitter: twitter.com/doconomy

Doconomy is a digital bank with a difference. It wants to inspire consumer behaviour change by educating its customers about climate change and giving them the digital tools to make a difference.

Founded in Stockholm in 2018 and launched a year later, Doconomy provides digital banking services through its DO platform and mobile app. It uses a Carbon Calculator to measure the climate impact of all transactions. The calculator is powered by the Åland Index, a cloud-based service created by the Finnish Bank of Åland (which holds a minority stake in the FinTech). It also offers its customers the ability to offset their carbon footprint through sustainable development projects certified by the United Nations.

> **"FinTech innovation like AI, DLT, Big Data and NLP will play a critical role in making sure a new generation of investors trusts the companies, stocks and funds they invest in."**

Recently, Doconomy partnered with Mastercard to create the Mastercard Carbon Calculator and launch the DO Black credit card. Unlike traditional credit cards that encourage consumption, the DO Black card's core purpose is to limit spending that will negatively impact the planet. It sets monthly CO2 limits for individual consumer spending and then puts a cap on new purchases once card holders have used up their allowance.

Other banks using the Doconomy's carbon calculator service include Bank of the West, a US subsidiary of BNP Paribas and Nordea, the largest bank in the Nordic countries.

Fellow Swedish FinTech, Klarna, has also started using the Doconomy service to provide carbon impact calculations on all transactions its customers conduct. Its goal is to educate all 90 million people who use its service (and particularly the 18 million monthly active app users) about climate impact information as a first step towards driving awareness around the climate crisis.

12. Arabesque S-Ray

arabesque s-ray®

CEO: Andreas Feiner, CEO

Location: Germany

Funding: $20m

Website: arabesque.com/s-ray

Twitter: twitter.com/arabesqueam

One of the veterans of the sustainable finance sector, Anglo-German FinTech Arabesque has been providing firms and ratings agencies with specialised ESG insights since 2013.

Established after a management buyout from Barclays Bank, Arabesque provides expert ESG insight using AI and Big Data in the form of its Arabesque S-Ray platform. It assesses the performance of over 8,000 companies worldwide, applying over 200 ESG metrics with news signals from over 30,000 sources across 170 countries.

Arabesque's ESG perspective is informed by a workforce drawn from the fields of finance, mathematics, data science and sustainability. Its executive board reads like a "who's who" of global sustainability, including Chairman George Kell who was the founding executive director of the UN Global Compact – the global organisation aimed at fast-tracking corporate sustainability.

In 2021 Arabesque entered into a partnership with consulting firm Accenture. Under the terms of the agreement Accenture will have full access to the S-Ray platform. The company has also partnered with German fund manager DWS to launch an ESG equity fund that will select stocks using Arabesque's artificial intelligence (AI).

13. Datamaran

Datamaran®

Co-Founder and CEO: Marjella Lecourt-Alma

Location: UK

Funding: $4.5mn

Website: datamaran.com

Twitter: twitter.com/DatamaranAI

Having ESG data that companies and investors can trust is becoming crucial in world where, increasingly, businesses will succeed or fail based on the risks posed by climate change and other external factors.

Founded in 2014, Datamaran provides Software as a Service (Saas) solutions for non-financial risk management.

It uses Natural Language Processing (NLP) and AI to identify and monitor over 400 external risks factors including ESG, innovation and technology, and geopolitical issues on an ongoing basis – by scanning the regulatory, media and corporate disclosure environments. This helps it quickly assess companies' positions and action on ESG topics.

One example of the breadth and depth of Datamaran's services is its analysis conducted on the UN Task Force on Climate-Related Financial Disclosure (TCFD). In 2018 the company compared financial services TCFD signatories to other (non-financial services) sector signatories and explored how they disclosed on climate change related risks in their annual financial reports. It found that twice as many non-financial services signatories reported on climate change related risks compared to those from financial services.

Increasingly, Datamaran is focusing on how NLP and AI can address and cut through the growing problem of greenwash in company reports and media communication. It recently updated and fine-tuned the lexicon of terms it scans to provide more rigorous analysis of corporate ESG statements.

Datamaran also invests in the next generation sustainable business leaders by partnering with global universities to provide free access to the full Datamaran platform for educational and training purposes.

14. Clarity AI

CLARITY AI

CEO: Rebeca Minguela

Location: Spain

Funding: $15mn

Website: clarity.ai

One of the biggest hurdles to achieving trustworthy ESG analysis is the pure volume of environmental and social impact data now produced by public companies. No wonder then that so many people in sustainable finance are putting their hopes in machine learning to help make sense of all the noise.

Spanish startup Clarity AI intends to do just that. It helps investors understand the ESG impact of their portfolios through a proprietary machine learning and Big Data platform that analyses the sustainability reporting of 30,000 companies, 198 countries, 187 local governments and over 200,000 funds.

Founded in 2017, Clarity AI says its purpose is to "measure the impact of companies on our society and planet". And it's not wasting any time acting on that purpose. Already, the FinTech startup boasts a client network that is responsible for over $3trn of assets and funding. Its AI approach to ESG transparency has won it plaudits from both the World Economic Forum and the Harvard Innovation Lab as well as funding from EU Horizon 2020.

In 2020 Clarity AI raised a further $15mn in a funding round led by Deutsche Börse and Mundi Ventures. This funding will help scale the startup's proprietary technology and AI as well as taking steps to integrate the technology with established financial service platforms. In early 2021 BlackRock announced it had taken a minority stake in Clarity AI to improve the ESG performance of Aladdin, its own flagship portfolio management platform.

15. CelsiusPro

CelsiusPro

CEO: Mark Rüegg

Location: Switzerland

Funding: N/A

Website: celsiuspro.com

In 2005, Hurricane Katrina swept through the United States' gulf coast causing 1,800 deaths and $125bn in damage. The devastation it brought was wake up call to the insurance industry about the growing extreme weather-related risks the world was facing.

At the time scientists couldn't say with certainty that Katrina had been caused by climate change. Today they are in no doubt that climate change is increasing extreme weather risks.

Swiss InsurTech firm, CelsiusPro, was founded in 2008, a few years after Katrina, to offer a technology solution for the insurance industry as it sought to mitigate the effects of adverse weather, climate change and natural catastrophes.

Today it is considered a global insurance industry leader in risk modelling, underwriting and the administration of index-based risk management products and consultancy in the context of weather risk and natural catastrophes.

Its cloud-based analysis and projection services increase resilience against natural disasters and extreme weather events as well as helping companies automate risk management.

CelsiusPro has been the recipient of a number of innovation awards and is part of Switzerland's Green FinTech Network.

16. Truvalue Labs

TruValue Labs

CEO: Hendrik Bartel

Location: USA

Funding: Acquired by FactSet in 2020

Website: truvaluelabs.com

Twitter: twitter.com/TruvalueLabs

Truvalue Labs is a San Francisco-based FinTech that has been pioneering the use of AI for better ESG insight since 2013.

The company's technology looks at more than 100,000 sources of unstructured data across 13 languages – including news, trade journals, and NGO and industry reports – to identify positive and negative ESG behaviour on the part of companies.

Its coverage spans over 19,000 public and private companies and generates short term, long term, and momentum scores that are weighted based on globally accredited frameworks such as the Sustainability Accounting Standards Board (SASB) standards and United Nations Sustainable Development Goals (SDGs).

In 2018, Truvalue Labs secured $13.6mn in Series A funding led by Katalyst Ventures. That same year, its AI services were integrated into Factset's Marketplace – an online platform of news feeds and APIs providing insight and analysis for financial services professionals. In 2020, Factset acquired Truvalue Labs for an undisclosed figure.

17. Util

Util

CEO: Patrick Wood Uribe

Location: UK

Funding: £2.7mn

Website: util.co

Twitter: twitter.com/util_co

Amid all the hype about ESG's ability to deliver better returns for investors, there is a real danger that the pursuit of profit will dilute the evaluation standards required for the type of trustworthy data impact investors require.

London-based Util aims to combat any sense of greenwashing with an AI-based analytics service that uses the UN SDGs as its main evaluation framework. The platform covers 50,000 listed companies spanning a broad range of company sizes, geographies and industries. Machine learning helps Util scour 120 million peer-reviewed academic journals to provide objective conclusions rather than relying on analyst reports.

The startup believes its AI approach can overcome some of the traditional investor scepticism towards ESG ratings because of the subjective nature of their research. It points out that understanding real-world impacts of multiple businesses is a difficult and time-consuming process – one that AI can add real value to.

Util believes its SDG focused platform will keep investors informed of the true impact of their investments at a time when demand for sustainable funds is surging yet the effectiveness in terms of real-world impact of ESG-themed products remains inconsistent.

18. Nossa Data

NOSSA DATA

CEO: Julianne Sloane

Location: UK

Funding: £300,000

Website: nossadata.com

Twitter: twitter.com/Nossa_Data

Founded in June 2020 by Julianne Sloane (formerly head of growth at bill-splitting FinTech acasa) and Irina Dumitrescu (a former Google software engineer), Nossa Data aims to simplify ESG reporting, data management and analytics for corporates.

In the wake of the Covid-19 pandemic, the Black Lives Matter and #MeToo movements, and the ever-growing climate and biodiversity crisis, investors are demanding that companies report and disclose their ESG risk. At the same time companies must navigate many different forms of ESG evaluation and ratings agencies, which is time consuming and confusing.

Nossa Data aims to streamline and simplify the ESG reporting process through a SaaS platform and data dashboard. It brings together qualitative and quantitative ESG information into a single place, helps companies report the information in line with required ESG reporting standards and provide peer benchmarking and analytics so companies understand how they are doing compared to their closest peers and to their industry.

The development team trialled the platform by working with investor relations teams at two large publicly listed companies.

So far, Nossa Data has raised £300K pre-seed funding from SFC Capital, the Barclays Accelerator, powered by Techstars program and angel investors.

> The pandemic has seen a huge increase in focus on ESG issues, and more engagement with the finer points of their disclosures - an indication that companies hold ESG as important for business strategy. Companies are realising that they need to be disclosing more about their policies, practice and operation to be attractive to investors and improve their brand reputation.
>
> **Julianne Sloane,**
> **Co-founder, Nossa Data**

19. OpenInvest

CEO: Conor Murray

Location: San Francisco

Funding: $23.8mn

Website: openinvest.com/about

Twitter: twitter.com/openinvestco

While many new ESG investment platforms look to empower micro investors, OpenInvest puts its focus on giving Financial Advisors the knowledge and the tools to help their clients maximise social and environmental impact.

Founded in 2015, the San Francisco based company is a registered Public Benefit Corporation – a for-profit company that also pledges to have positive impact on society, workers, the community and the environment. It aims to use technology to make values-based investing mainstream and help advisors unlock the true impact of their clients' investments.

OpenInvest provides a series of 16 indexing tools around specific environmental and social impact issues. For example, its Racial Justice Cause tool allows investors and asset managers to customise their portfolios to prioritise companies with a positive track record on issues like workforce diversity.

In 2020 OpenInvest launched a new "Racial Justice Cause" indexing tool—one of 16 such 'causes' that focus on an array of ESG values.

The firm also offers a Portfolio Diagnosis through which investors can learn the tangible impact of their investments – whether it be the number of trees planted, the amount of carbon not emitted into the atmosphere or the hours of lives saved from not supporting tobacco or firearms companies.

OpenInvest positions itself as providing an infrastructural layer for what it calls the "coming post-fund paradigm". Traditional investors seem to agree. The firm is backed by heavy hitter VCs such as Andreessen Horowitz, QED and ABN Amro Ventures.

20. Acin

CEO: Paul Ford

Location: London

Funding: $12mn

Website: acin.com

Twitter: twitter.com/Acintweets

The global, long-term threat of climate change is already well-known, but all firms, including financial firms, will need to take specific actions very shortly in order to demonstrate their exposure to and management of their climate risk.

London-based FinTech, Acin, has spent the last few years establishing itself as an expert in helping the financial services sector identify and manage operational risks. Now, it's applying that expertise to climate change, and has devised a comprehensive inventory of climate risks, controls and metrics mapped against key emerging climate change regulation advised by the Bank of England and TCFD.

The service is delivered to members of the Acin Platform - a highly secure, cloud-based SaaS solution that ensures Non-Financial Risks and controls are complete, appropriate, and calibrated to the market. The company is using data-driven scenario analysis to enable its members to navigate regulatory changes and highlight where they should be focusing their attention.

Crucially, through digitisation and standardisation, this provides firms with a quantitative (not subjective) and auditable approach to managing and reporting climate change risk.

> "Board understanding of climate risk is very early stage, but deadlines for regulated disclosures are fast approaching. Acin enables firms to look at climate risk in a holistic way, from Board governance all the way through to data and metrics, and to collaborate across the industry to conduct peer analysis, which is a positive and important step in tackling this huge challenge."
>
> **Tracy Clarke,**
> **Non-Executive Director and strategic consultant at Acin**

About the Author

Matthew Yeomans is editorial director of FinTech Alliance and leads its ESG consultancy and content arm. Matthew is the author of Trust Inc. and has 20 years' experience advising global companies on sustainability and ESG.

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About FinTech Alliance

FinTech Alliance is the digital community and marketplace for the entire UK FinTech sector. Supported by the UK government it offers companies a funding platform, access to executive education, a mentoring hub, diversity hub and jobs board. It also makes companies smarter through its news and opinion, a comprehensive knowledge bank of white papers and research articles, the latest insights on government policy and listings of FinTech events.

FinTech Alliance provides companies of all sizes with a platform to tell their own stories and highlight their innovation and achievements. With more than 200 companies already part of the community FinTech Alliance has already established itself as the one-stop shop for all companies looking to excel in FinTech, in the UK and across the world.

"As a global FinTech community we are coming together to help level the playing field for all citizens. This alliance is ultimately about connecting commerce."

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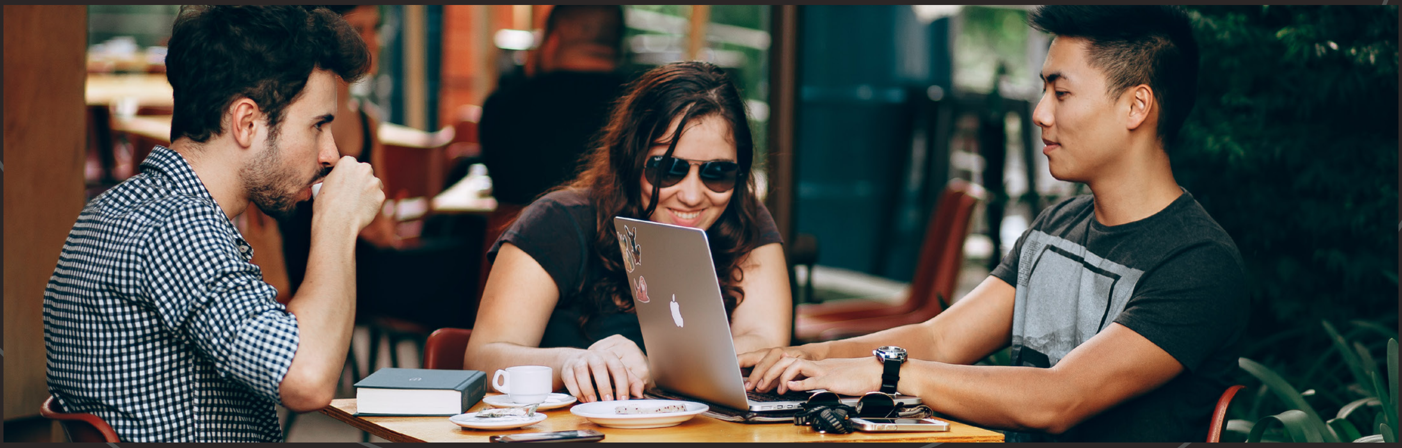

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