FinTech Scotland

University of Strathclyde Glasgow

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ESG Innovation Call Challenge Statements

13 June 2024

ESG Regulatory Requirements Scoping
Challenge Statement:

How could Financial Services firms* utilise technology to accelerate the identification of applicable regulations and ensure the assessment can be updated in a sustainable manner in light of new requirements or changes in business model?

** an example firm could be a UK Financial Services entity with listed debt and/or equity on an EU regulated exchange.*

Background:

Firms are exposed to a myriad of ESG laws and proposed regulations implemented by regulatory bodies around the world. Adherence to this global network of regulations requires effective risk management and robust internal controls to fulfil the requirements effectively and efficiently.
Firms need to summarise their ESG requirements for key operations and plan the remediate gaps in reporting compliance and be able to derive strategic values from data. Firms need a systematic approach to identifying applicable regulations (both mandatory and voluntary) for given business models, geographical footprints and legal entity structures.

We are interested in:

Technology enabled solutions and innovative ideas to accelerate the identification and assessment of applicable regulations and horizon scanning.

ESG Data and Analytics
Challenge Statement:

How could Financial Services firms utilise emerging Data and Analytics capabilities to design an optimised data solution to address external reporting obligations. For example, financed or facilitated emissions disclosures for a given sector such as Oil & Gas, Power & Utilities or Agriculture?

Background:

Financial Services firms often have disparate data sets. ESG regulations are requiring firms to source an increasing volume and complexity of data from multiple sources including new customer data and data from third-party vendors.

We are interested in:

- Propositions designed to consider data quality scores, interoperability between regulations, assessment of common data points across the reporting landscape that are leveraged to derive value for stakeholders to support decision making.
- Propositions that are scalable in a sustainable manner in light of new requirements or changes to business model.

Keeping up to speed with climate science
Challenge Statement:

How might we use technology to help us understand and track evolving climate science, so Banks can be confident that statements regarding the sustainability benefits of their strategies and products are never out of date ?

Background:

Regulators are driving financial institutions to demonstrate that claims regarding the sustainability benefits of a product or strategy are aligned to the latest Climate science. Climate science by its nature is evolving and developing, so we know that our current understanding of best practice may not be accurate in the future. As with any evolving field, there is ongoing debate amongst experts and sometimes no clear scientific consensus.

We want to work with fintechs to explore how we can stay up to date with the latest climate science and have access to reliable information regarding the current scientific consensus. This will allow us to offer meaningfully beneficial services to our customers, without having to recruit climate scientists.

We would welcome propositions that use multiple ESG related data points to provide a more robust understanding of Climate science relevant to our business. Potential use cases include: i) decarbonising the Housing Stock and ii) assessing environmental impacts of companies when building sustainable Investment Funds.

We are interested in:

Technology and tools that give Banks a simple way of ingesting the broad range of views from the scientific community in a manner that then informs internal controls and management within product and bank-wide governance.

Digital Sustainability Challenge Statement:

How might we use Emerging Technology to optimise digital operations of our client's technology estate, with measurable data and insights on sustainability improvements?

Background:

Digital sustainability is an increasing issue across the UK and beyond. According to institutions such as the World Bank and The Royal Society, the carbon footprint of the Digital Technology sector varies from around 1.5% to 6.0% of annual global greenhouse gas (GHG) emissions, with a clear upward trend under a business-as-usual scenario. Digital sustainability is a mechanism to decarbonise technology. Sopra Steria is a consultancy practice that wants to support clients who have an ageing technology estate to help modernise their technology estates whilst mitigating their environmental impact.

We want to work with fintechs in the FRIL ESG Innovation call to explore how AI and emerging technologies can optimise technology estates through predictive modelling baseline and data-driven visualisation.

We are interested in:

- **Automated tools:** generating the KPIs and scope of clients' operational deficiencies of digital sustainability frameworks.
- **Visual monitoring tools:** to measure the transformation progress towards pre-defined KPIs and reduction of operational costs, where applicable.
- **Optimisation data-driven solutions:** capable of predicting critical path to accomplishing environmental sustainability goals, as well as driving decision making.

Support from Sopra Steria may include prototypical consultancy framework and validation of scope suitability.

Enhancing Decision-Making through Advanced Information Acquisition Challenge Statement:

How might we use innovative solutions to efficiently gather and analyse information regarding both existing company operations and any plans for new operations or investment into existing operations in geographical areas of concern?

Background:

As ESG reporting matures, reliance upon high quality, granular company information increases significantly. Current methods for obtaining such data often lead to fragmented, delayed, incomplete or inaccurate information, which can impede informed decision-making, Stewardship initiatives and impactful voting strategy, and restrict or prevent high quality reporting in areas such as Human Rights and Nature.

We hope that through this challenge, we will gain actionable insights that can inform investment decisions and significantly enhance our analysis and reporting capability.

We are interested in:

- **Data Acquisition:** Methods or technologies to detect, collect, and consolidate relevant information from diverse sources, including but not limited to regulatory filings, company reports and press releases, environmental impact assessments, other ESG datasets, and local community reports. Relevant information may include the location of operations, the specific activity or activities undertaken, and a measure of the revenue generated by or investment into that operation.
- **Analysis and Reporting:** Advanced analytical tools that can process the information collected to identify trends, opportunities, and provide alerts about potential concerns in real-time.
- **Usability:** Solutions that are both user-friendly with clear visualisation of data and easy-to-understand reports that can be readily utilised by decision-makers and allow granular data to be consumed directly for analysis and integration into existing systems.
- **Compliance and Sensitivity:** Solutions that adhere to privacy, legal, and ethical considerations, particularly concerning operations in sensitive or protected areas.

EQUIFAX

Enhancing Transparency and Accessibility of Business Information
Challenge Statement:

How might we use Emerging Technologies to identify, and create datasets that can support insight into Environment, Social and Governance performance all the way from SME to Commercial / Corporate entities?

Background:

Standardised ESG data collection and verification promotes corporate responsibility, drives sustainable practices, and allows comparable data across different jurisdictions to allow more informed decision making to support responsible implementation of ESG.

We are seeking ways to establish a UK and Global ESG database that help enhance transparency, accountability, and accessibility of business information, aligning with Equifax's commitment to promoting sustainable and responsible business practices.

We are interested in:

Technology that enables the collection of business data from all sources and geographies , including company registration details, financial information, ownership structure, and other relevant information. Plus, solutions that employ advance data cleaning and standardisation to ensure consistency and accuracy across different datasets.

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Improving quality assurance and anomaly detection to lower the risk of Greenwashing

Challenge Statement:

How could we leverage GenAI, other Emerging Technologies or statistical methods to better deal with ESG data?

Background:

It is widely acknowledged that the monitoring and reporting of sustainable investment processes poses significant challenges, in particular where data is sparse, less reliable or subject to frequent changes in methodology. Traditional methods for checking data quality and detecting anomalies are regularly employed but they rely on pre-established, deterministic rules set by humans. Such methods may fail to detect the full spectrum of potential weaknesses, underlying assumptions, and limitations.

The recent developments in generative AI have led to new ways to conduct conversational data analysis. Those methods are more user-friendly and importantly can enable to generate analytical insights and prompts that have not been pre-programmed into the system by users.

We are interested in:

Discovering and enhancing our understanding in available methodologies in this field. This would benefit better decision making, enhanced independent challenge and ultimately lower the risks associated with Greenwashing.

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