

Sustainability TechSprint 2021: Demo Day Highlights

Thursday, 21 October 2021

*Some parts of the text have been edited to make it understandable, and may not correspond with the spoken format.

Francesca Hopwood Road (Chair)

FCA TechSprints are a core tool in our innovation services. They are regulatory hackathons that bring together multidisciplinary teams - data scientists, engineers, domain experts, technologists to crack really challenging problems. We've run nine so far, and they've tackled problems like AML and financial crime, money and mental health, women's economic empowerment. And this ninth TechSprint on ESG data and disclosure is a really core next step for us. It's our first TechSprint with a SupTech focus, really geared towards developing innovative solutions and proof of concepts to some of the challenges faced by regulators in this area. And ESG data and disclosures is a corporate priority for the FCA. It is a key area of interest and concern for us. So over this TechSprint, ten teams have been focusing on four key use cases which you will be hearing a little bit more about, and those ten teams have been developing technology solutions to see how far we can address some of the challenges in these four use cases.

Team 2: DeCO (Decentralised Carbon Offset)

Awarded the Eureka Solution; People's Choice Award

Something must be done to add transparency and certitude to the carbon offset market. Next slide please. We strongly believe there is an opportunity here to change the future the better. Today, we want to present DeCO, a platform that provides independent verification for companies' carbon offsetting projects. In a nutshell, we audit companies carbon offset schemes to ensure that they are producing the environmental benefits that they are claiming and that they are paid for. We monitor carbon offset schemes using a variety of sensors such as satellite imagery, drones and Internet of Things devices. Next slide please. These sensors are automatically analysed using artificial intelligence and any unusual activities are flagged for regulators, financial institutions, and the public to see. The data will be openly available on a decentralised ledger, for example the blockchain, so that everyone can see the raw and the processed insights that we have gained. This way, our use case brings together trust and values for regulators, financial institutions, companies, and consumers using technology that is available right here, right now.

Team 5: HMRC-C

Awarded the Jump Solution

So recognising the value of this approach, our proposal is to introduce a mandatory carbon attribute to payments that carry the highest carbon intensity. This would make it much easier to report on carbon as these attributes would float through the system into disclosures, accountancy systems and even consumer bank statements. It would also allow regulators to verify a company's green status and bring much needed transparency to consumers.

Team 8: The Badgers

Highly Commended Award

We proposed a bronze, silver, gold badge approach for funds based on their impact score. The badge awards, year on year, the funds which use their influence in voting rights to drive change in investee companies. The badge can help to clearly identify the

fund's exhibiting direct impact, visible via the key changes in metrics. And those metrics might be ESG scores from a provider or they could be specific metrics captured within a disclosure regime like TCFD or SDR. So, you can have a front page that would allow you to look at what the impact badge is and the different levels of that impact badge. It also can have an education piece for the public around what ESG is and the initiatives that we're kind of going for. We also can share the methodology to give that trust back into the methodology of how we are carving this data and what we're doing with it in a secure way. And then as I mentioned, the full list of the accredited funds at what level. And we could also add another layer to find out their specific ESG progression and their current metrics. We have shared the QR code for this demo on our Showcase so feel free to take a look.

Team 10: SDGenius
Awarded the Fast Solution

As has been said many times that ESG data is largely unstructured from many different sources and that makes it very difficult to analyse. So, what we chose to do was to put that data into a format that we could read, and we chose the UN SDGs. We have taken the ESG and SASB reports for 24 different companies within the financial sector and used a combination of natural language processing (NLP) techniques to come up with a reference score to monitor how often within these documents each of the SDGs have been referenced. As you can see in the top left, we can add as many SDGs as we would like and scale up and down as we'd wish, to see them side by side. As we know this software is to be used by a regulator we've also added a functionality to show a lower limit which will show companies that might be lagging behind the rest of the pack, and an upper limit to show companies that will be excelling in the field.

Thank you.

For the full event on demand, visit: <https://webinars.fca.org.uk/sustainability-techsprint-demo-day>