

Sustainability TechSprint 2021: TechSprint Demos

Thursday, 21 October 2021

Rewired.earth

Presenter: Eóin Walshe, Antonio Piedra

Judges: Francesca Hopwood Road (Chair)

- Bruce Harrison; Managing Director, BlackRock
- Elena Strbac; Global Head, Data Innovation, Standard Chartered
- Emily Keaney; Director of Legislative Reform, Information Commissioner's Office
- Emily Pierce; Assistant Director, International Affairs, U.S. Securities and Exchange Commission
- Jayne Wickins; UK Banking Director, Microsoft
- Stephen Ingledew; FinTech Scotland Executive Chair
- Satoshi Ikeda; Chief Sustainable Finance Officer, Japan Financial Services Agency

Eóin Walshe

Good afternoon. My name is Eóin and we're team rewired.earth. We've been working on Use Case 4 "Creating a sustainable investment label." Next slide, please. We believe that all products and services, both financial and nonfinancial, should carry a sustainability label to meet the needs of our whole society. No universal standard exists today, to drive real world action and provide consumer clarity. We believe that the UN Sustainable Development Goals combined with the World Economic Forum Framework, enables this universal label to be created. Next slide, please. We do this by identifying four key company level metrics for each sustainable development goal, that companies can measure. This will enable companies to measure their products, services, activities, and supply chain, in a universal model - creating a stack of squares, that consolidate into a single company label. This ability to stack squares will enable financial services to stack the results in company labels, and to fund and portfolio level analyses without introducing additional complexity to the resulting consumer report. This will enable us to allocate capital towards sustainability goals, build consumer literacy, and challenge us to think beyond E, S and G to include nature and wider social goals. Next slide please. I'd now like to hand over to Antonio, who'll walk you through our development process.

Antonio Piedra

Thanks Eóin. As part of our prototype, we identified four key metrics for each of the SDGs to be able to build a sustainability label. Then we analysed data in the digital sandbox, and mapped the different available data points to each of these key metrics. Upon doing this, we faced a number of challenges, such as the lack of comparability in scores between the different data providers, missing documentation of definitions and sources, and most importantly, the limited coverage and granularity for the goals. We want to point out that the challenges we face with the data in the sandbox environment, reflect real-world issues. We don't have enough ESG data as of today, and this is something that we are wanting to change with this project. Next slide, please. In this screenshot that you see on the left, you can see the label generated by the algorithm we have developed, and it uses the data for a real company. As you can see, most of the goals are in red, meaning that they don't have data, or that the score is very low and therefore, it requires the company's attention. We then created the mock data that you

can see in the middle and we'll run it against our algorithm, to obtain the label which you see on the right. This one could better represent the targets labeled, if we were to increase the quality of the data. Next slide, please, and back to you Eóin.

Eóin Walshe

Thank you, Antonio. We brought the label to life in a fund fact sheet, enabling consumers to see both the current characteristics of the fund, and a forecast on what the fund will achieve within five years, based on company historical performance, against the metrics and their targets. This is crucial for financing the transition rather than only investing in companies that look good today. Next slide, please. We can also click on an individual square, to receive a more detailed view of the fund's performance against the individual Sustainable Development Goal. We would also be able to drill down to an individual company label, that sits underneath the fund label to enable consumers to navigate key topics with full transparency. Next slide, please. We have developed recommendations for government and regulators to support the development of this label, including the facilitation of a common data platform, and engaging all sectors of the economy. Next slide please. However, we'd like to close by talking about consumer demand. Today, the demand signal for ESG is weak. Across the sustainability landscape, we do not know which issues consumers and investors want companies to prioritize. We can use the same structure of this sustainability label to survey everyone on what they care about the most, to create individual demand views, and empower consumers to make clear choices. Individual demand can then be combined into the first macro view of demand, enabling sustainable capital pools to be generated for each goal, and clear allocation by financial products. Companies that respond to this will financially benefit. And this will enable markets to become the most protective force, for our planet and society. Thank you. And please, could you show up closing Teams slide.

Francesca Hopwood Road

Thank you very much indeed, team four - the whole of team four, looking at that slide. So, over to the judges, Emily Keaney, I know you have a question.

Emily Keaney

Yes, there's a lot of kind of consumer labeling schemes out there in the broader social and environmental space, and some evidence that consumers can find it confusing to understand what different labels mean. I was wondering how you would make this simple and accessible enough for consumers to engage with and understand.

Eóin Walshe

That's an excellent question. I think there's a key step there in that demand signal. So, by onboarding customers and explaining the Sustainable Development Goals, which we've created collectively around the world to be the key issues that we need to focus on, we have a fantastic opportunity to educate people around the different priorities. And for the first time with good (design) fidelity, captured their preferences. And this will be fantastic to avoid any risk of misselling or greenwashing. Once we've completed that demand side analysis, this will really make the supply side, if you will - the label that sits on individual funds and products - really resonate with consumers.

Francesca Hopwood Road

Wonderful, and I think we have time for one final question to team four, from Bruce.

Bruce Harrison

Thank you. So, perhaps related to the last question but, how will consumers actually interact with the labels? Will you have an app that's available to everyone so they can click into the individual square?

Eóin Walshe

Absolutely, so, having a web app experience is crucial here. So, there's a static implementation of the label on products and services. And we see that static label working also in consumer goods. Having an app experience that will enable people to scan the label, much like a QR code today, to understand in more detail what's happening and at a much higher level of fidelity, to each goal, to each priority that they have.

Francesca Hopwood Road

Okay. One final question in the last 10 seconds, Elena?

Elena Strbac

Thank you. And thanks for your presentation. And so, what is your time estimate for implementing the label?

Eóin Walshe

So, the implementation of the label, from a demand side can be done within weeks. So, we could prototype and deploy an experience to capture the demand view from consumers. To then amalgamate the information we need on the supply side, we can create a first version in 2-3 months using available market data today, at a high level of granularity than we had in the Sandbox. But then, there will be a longer term initiative to draw out on some goals where companies are not reporting today, an ability to see through supply chains, working with industry bodies, that will be a longer term transformation, building the fidelity of this analysis to a higher and higher standard.