From vision to action: Seeding the ESG epoch of the financial sector

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Acknowledgments

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Foreword

The echo of the 2023 edition of the Singapore Fintech Festival will reverberate for a while.

From 15 to 17 November 2023, Singapore became once again the hub where thousands of finance professionals, technology experts, Fintech entrepreneurs, policymakers, regulators, academics, and inventors converged. The world's largest Fintech festival provided the now familiar platform for thought leaders, innovators, and visionaries to chart a transformative course, only bigger, better, and stronger this year.

ESG and Sustainable Finance took center stage as catalysts for change, and the narrative shifted from problem statements to the dynamic creation of initiatives that promise lasting impact. Through engaging conversations and interactive sessions, participants explored the potential of financial technology to mitigate risks and actively contribute to positive environmental, economic growth and social outcomes.

At the heart of this discourse was the unveiling of Gprnt.ai or "Greenprint" – a global partnership between organizations united by a shared conviction. Spearheaded by the Monetary Authority of Singapore (MAS), KPMG in Singapore, MUFG, Microsoft, HSBC, Temenos, and the Singapore Manufacturing Federation, this collaborative effort signifies a monumental step toward shaping a sustainable future. Beyond the foundational partners, the initiative promises swift expansion for MSMEs ESG data reporting, welcoming an array of Fintech innovators and influential organizations from around the globe.

The Singapore Fintech Festival 2023 stood as a testament to the collective commitment by the financial community to leveraging financial technology for the betterment of society and the planet. As conversations continue to evolve, the global Fintech community will increasingly align with the principles of ESG, sustainable finance, and the pursuit of a greener, more equitable future for all.

This publication is jointly produced by KPMG in Singapore and Elevandi. KPMG in Singapore is contributing to build and promote the Fintech ecosystem in Singapore and beyond and has collaborated with Elevandi on a series of publications and conferences.

The authors and their teams would like to thank all the participants, speakers, sponsors, and partners who contributed to the resounding success of the 2023 edition of the Singapore Fintech Festival. This publication ignites collaboration between Fintech and sustainability practitioners, empowering them to discover and implement Fintech solutions for today's sustainability challenges. Together, let's drive real change, uniting communities and transforming the financial sector to address the biggest challenge of our times.

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Chief Fintech Officer, Monetary Authority of Singapore
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Snapshots from **Singapore Fintech Festival 2023**

Accelerating momentum and growth in ESG Data

After years of Environmental, Social, and Governance (ESG) pledges, assurances, and constant top-down push for compliance, Singapore Fintech Festival 2023 heralded a transformative chapter. ESG took center stage at SFF2023, showcasing a surge of solutions aimed at upholding ESG commitments and empowering proactive actions in their pursuit. The event unveiled an impressive array of initiatives fostering renewed determination and engagement.

A Festival emphasizing the importance of ESG

The accelerating momentum and growth in ESG data and technology took center stage at the Singapore Fintech Festival 2023, with a vibrant dedicated ESG Zone, featuring 28 exhibitors from around the world, and reflecting the financial sector's increasing commitment to sustainable practices.

The dedication to advancing ESG was emphasized by esteemed speakers, including **Tharman Shanmugaratnam, President of the Republic of Singapore**, in his remarks, “We have to use everything in human ingenuity, technology, and global coordination to prevent the worst from happening.”

One of the highlights of the festival was the unveiling of Grpnt.ai or “Greenprint”, a digital platform that garnered particular attention. The platform empowers Financial Institutions (FIs) and Multinational Corporations (MNCs) to seamlessly report and utilize authenticated and verified ESG data for various purposes.

Ajay Banga, **President of the World Bank**, another prominent figure at the event, underscored the focus of his mandate on "enabling women and young people," aligning ESG goals with social empowerment.

The Singapore Fintech Festival 2023 showcased the global recognition of ESG as a critical business component and highlighted the transformative potential of technology in accelerating the adoption of sustainable practices within the financial sector.

“We have to use everything in human ingenuity, technology, and global coordination to prevent the worst from happening.”

- Tharman Shanmugaratnam, President of the Republic of Singapore

The integral role and challenge of data

Data must play an integral role in shaping and advancing sustainable business practices. At the heart of this paradigm shift lies the recognition that ESG data is not merely a tool for evaluation but a keystone for stakeholders to collectively assess efforts and initiatives. The global ESG landscape should rely heavily on this data, its current scarcity standing as a pervasive challenge (Exhibit 1). Acquiring data involves a complex web of internal and external stakeholders and deriving actionable insights from this diverse array is a fundamentally painful process.

Diana Guzman, Group Director ESG at Prudential plc (center of right picture), succinctly underscored the urgency of reliable data "Another thing we need is data – data that we can trust, we can compare, data that is viable. There are certain markets where there are no data."

ESG data facilitates measurement and assessment, allowing organizations to evaluate their ESG performance and quantify their impact. It serves as a compass guiding informed decision-making, providing a comprehensive perspective on sustainability, ethics, and risk management. In the realm of risk mitigation, ESG data also becomes a powerful tool for identifying and addressing potential risks, safeguarding reputations, and ensuring long-term resilience.

The role of ESG data also extends to transparency and reporting, fostering open communication with stakeholders. This transparency empowers companies to convey their ESG performance to investors, clients, employees, and regulatory bodies. High-quality ESG data not only attracts responsible investors but also enhances investor confidence, instilling trust in sustainable and ethical business practices.

As organizations navigate the intricate landscape of ESG, the pivotal role of data in shaping, measuring, and communicating sustainable practices becomes increasingly apparent, paving the way for a more responsible and resilient future.

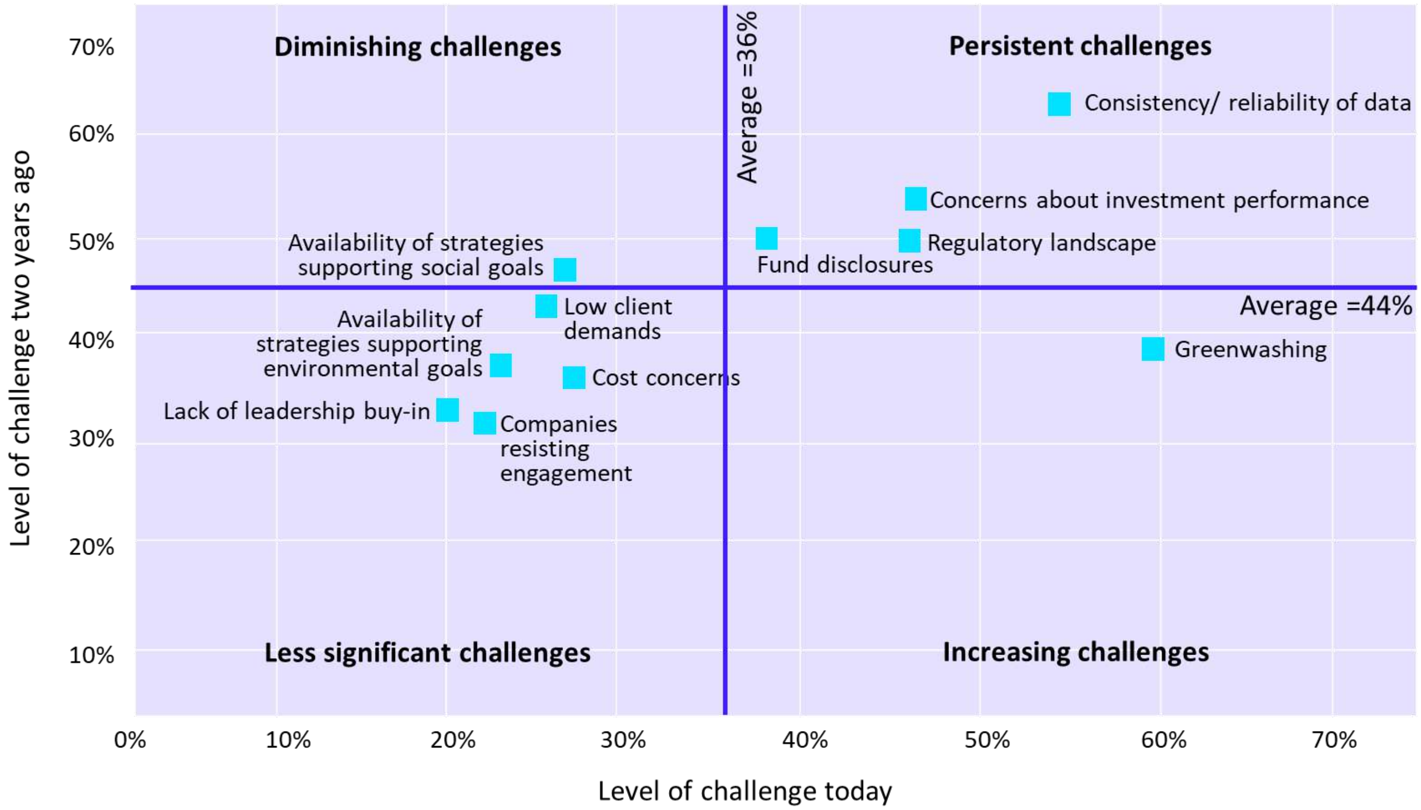
Bridging the gap with technology

Technology emerges as the key protagonist in bridging the data gap (Exhibit 2). Leveraging technological advancements not only promises refined data analytics but also holds the transformative power to drive meaningful, positive impacts, amplifying the efficacy and transparency of sustainable initiatives.

Helge Muenkel, Chief Sustainability Officer at DBS Bank, highlighted the urgency of the matter, stating, "We don't have much time; the sustainability challenges are quite daunting. We use technology literally across the whole value chain ultimately to power us to scale and speed up this progress."

The complexity of ESG data, existing in silos and being multidimensional poses a formidable challenge. The good news is that the necessary technology is becoming more readily available. To unlock the benefits of ESG data, embracing the latest technology, particularly cloud computing and artificial intelligence (AI), is a powerful enabler.

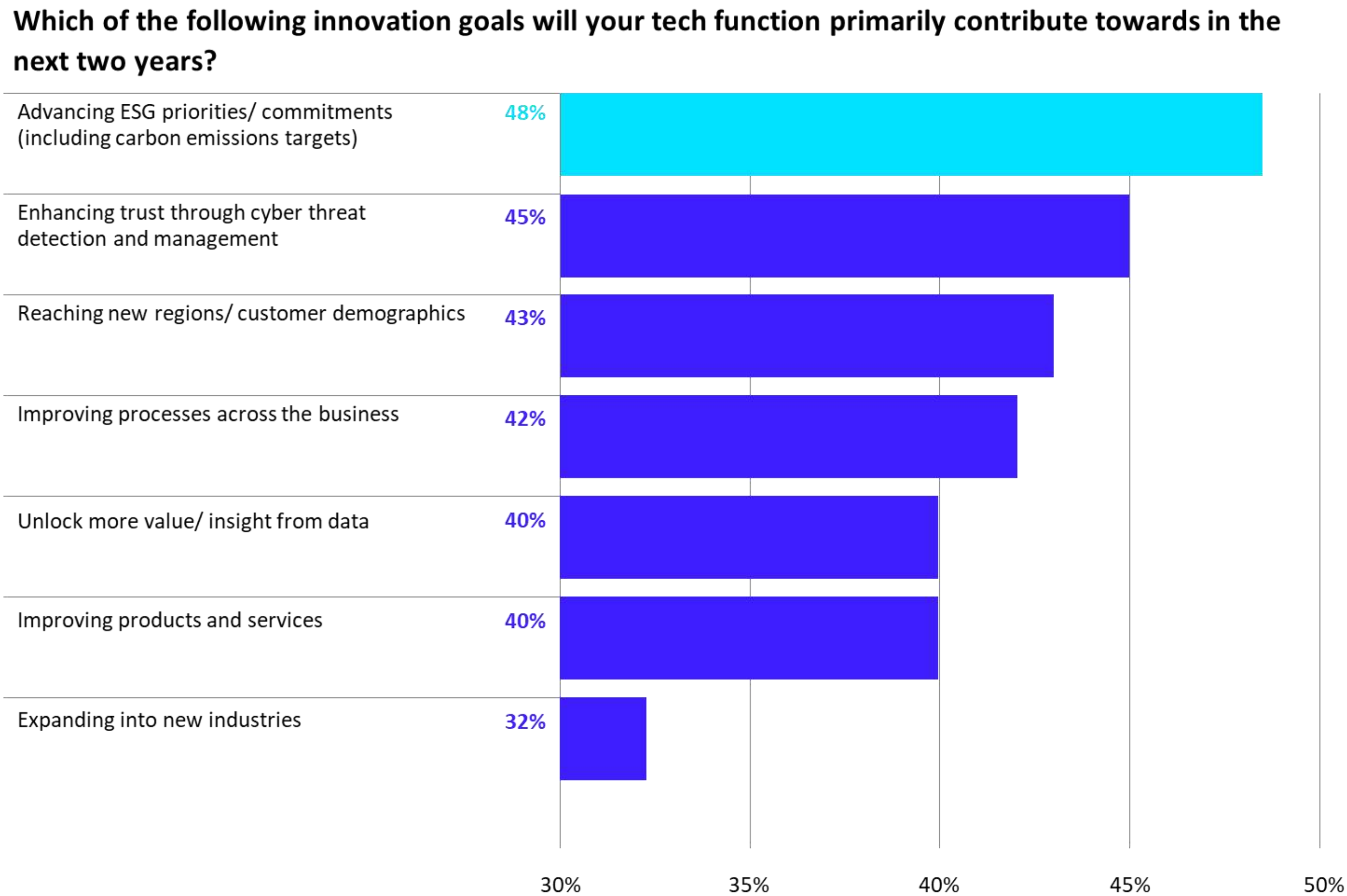
Exhibit 1: Comparative analysis of ESG adoption challenges 2 years ago and today (survey of 565 global institutional and wholesale investors across 25 countries)



To what extent were these issues a challenge for your organization's adoption of ESG two years ago and today?

Source: ESG Global Study 2023, Capital Group, 2023

Exhibit 2: Perspectives on Technology function's future focus (survey of 2,100 executives across 9 industries and 16 countries)



Source: KPMG Global Tech Report 2023, KPMG, 2023

Technology symphony: cloud, artificial intelligence (AI) to the rescue

As consumers, companies, financial institutions, and regulators accelerate their shift towards more sustainable practices, the untapped potential of existing technologies becomes a focal point for ESG transformation. Rather than reinventing the wheel, the emphasis is on optimizing and scaling up already available infrastructure such as cloud computing, while facilitating the integration of emerging technologies such as Artificial Intelligence (AI) to fill the remaining gaps.

Harnessing existing technology

Consumers, companies, financial institutions, and regulators are already aligning their goals with more sustainable practices. The intriguing aspect, however, lies in the plethora of existing technologies and mechanisms that are at our disposal, waiting to be fully harnessed.

The key mantra is simple: "Invest in the things that are already working on the ground." said **Diana Guzman, Group Director ESG at Prudential plc**. Numerous innovative solutions and technologies are making a tangible impact in the ESG landscape. The challenge is not the lack of tools; it's the underutilization of their full potential. The key to fostering growth in the usage of ESG data lies in scaling up these existing technologies and mechanisms to make them more impactful. The urgency is in embracing and expanding the reach of successful ESG Tech and Data initiatives. By doing so, we not only amplify their positive outcomes but also contribute significantly to the broader sustainability agenda.

The call to action is clear – instead of reinventing the wheel, let's focus on maximizing the efficiency of the wheels we already have in motion. By harnessing the power of existing technologies and scaling them up, we can create a ripple effect that propels the ESG movement to new heights, meeting the escalating demand for sustainable practices head-on.

"Sourcing, transforming, and sharing data resonates. It is fantastic to see the conversation turnaround to shaping solutions rather than problem statements"

- Anton Ruddenklau, Global Head of Fintech and Innovation, KPMG International and Head of Financial Services Advisory, KPMG in Singapore

Advancing ESG Analytics and Insights for MSMEs through unveiling Gprnt.ai

Among the stakeholders within the ESG ecosystem, Micro, Small and Medium-sized Enterprises (MSMEs) emerge as a vital group that exhibits a pronounced need and strong interest in accessing comprehensive analytics and insights. Given their constrained budgets and relatively limited knowledge of the ESG landscape, these enterprises should rely on cheap and easy-to-use tools to provide crucial data.

As **Antony Ruddenklau, Global Head of Fintech and Innovation, KPMG** observed "There is a lot of conviction around trying to ensure that SMEs, which are the ramp of our economy, who employ people globally, who look after our families, are provided for in this transition that we are going through."

It's in this context that was unveiled Gprnt.ai or "Greenprint" (launch event pictured below). The primary objective of the platform is to alleviate the challenges associated with ESG reporting and disclosure for MSMEs by enabling FIs and MNCs to seamlessly report and utilize authenticated and verified ESG data for multiple use cases.

Leveraging AI and ML to close the ESG Data Gaps

Acquiring high-quality ESG datasets is time-consuming, however the solution doesn't always hinge on attaining flawlessness; it lies in skillfully leveraging imperfect datasets. As efforts continue to improve existing datasets, integrating AI and ML is a formidable strategy to bridge current data gaps. These technologies are pivotal in refining and augmenting available datasets, aiding the quest for comprehensive and accurate ESG information.

An example of such augmentation is Persefoni, a platform that accelerates carbon footprint calculations using embedded AI. Utilizing AI and machine learning models like KNN-based clustering and Large Language Models, it analyzes transactions, flags anomalies, and provides data recommendations swiftly. By leveraging AI-driven error detection and data mapping, it ensures accurate data, reducing time spent on data scrubbing and mitigating risks of errors in climate disclosures.

Another example is Karya, which pioneers ethical data practices while empowering rural Indian communities economically. Karya captures, labels, and annotates data with accuracy, creating essential supplementary income opportunities for individuals in rural areas. They seek to gather client data requirements, engage suitable workers from these communities, collect and validat data from them, and then culminate in high-quality AI/ML training datasets. As **Manu Chopra, Chief Executive Officer, Karya**, puts it: "The intent existed within the person, the capacity existed, the opportunity was missing, and AI provided the opportunity."

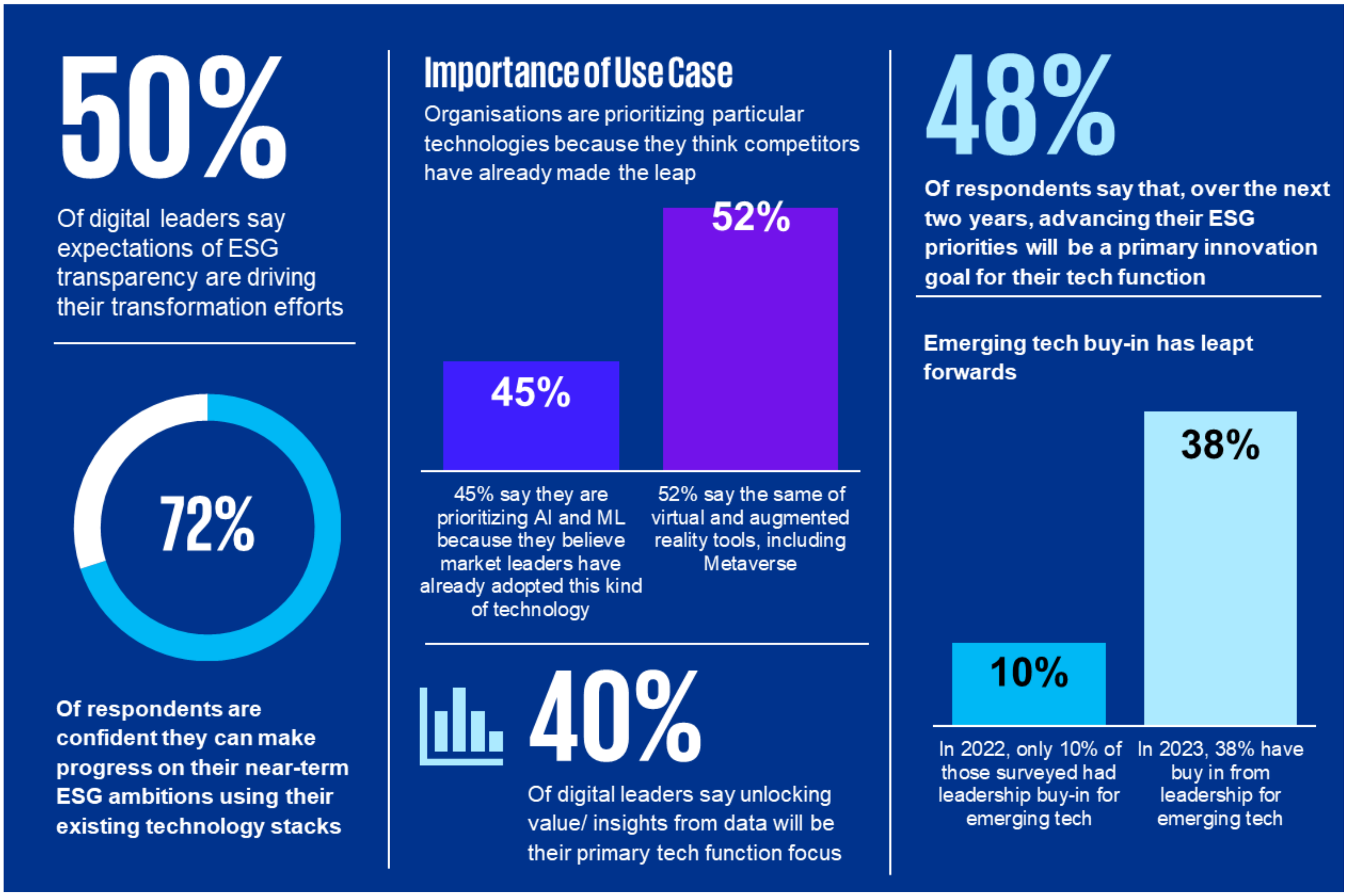
"When you think about how a tech stack does optimization, orchestration and reporting, these are tools that are available but just needs to be scaled."

- Eric Lim, Chief Sustainability Officer, United Overseas Bank Limited

"The intent existed within the person, the capacity existed, the opportunity was missing, and AI provided the opportunity."

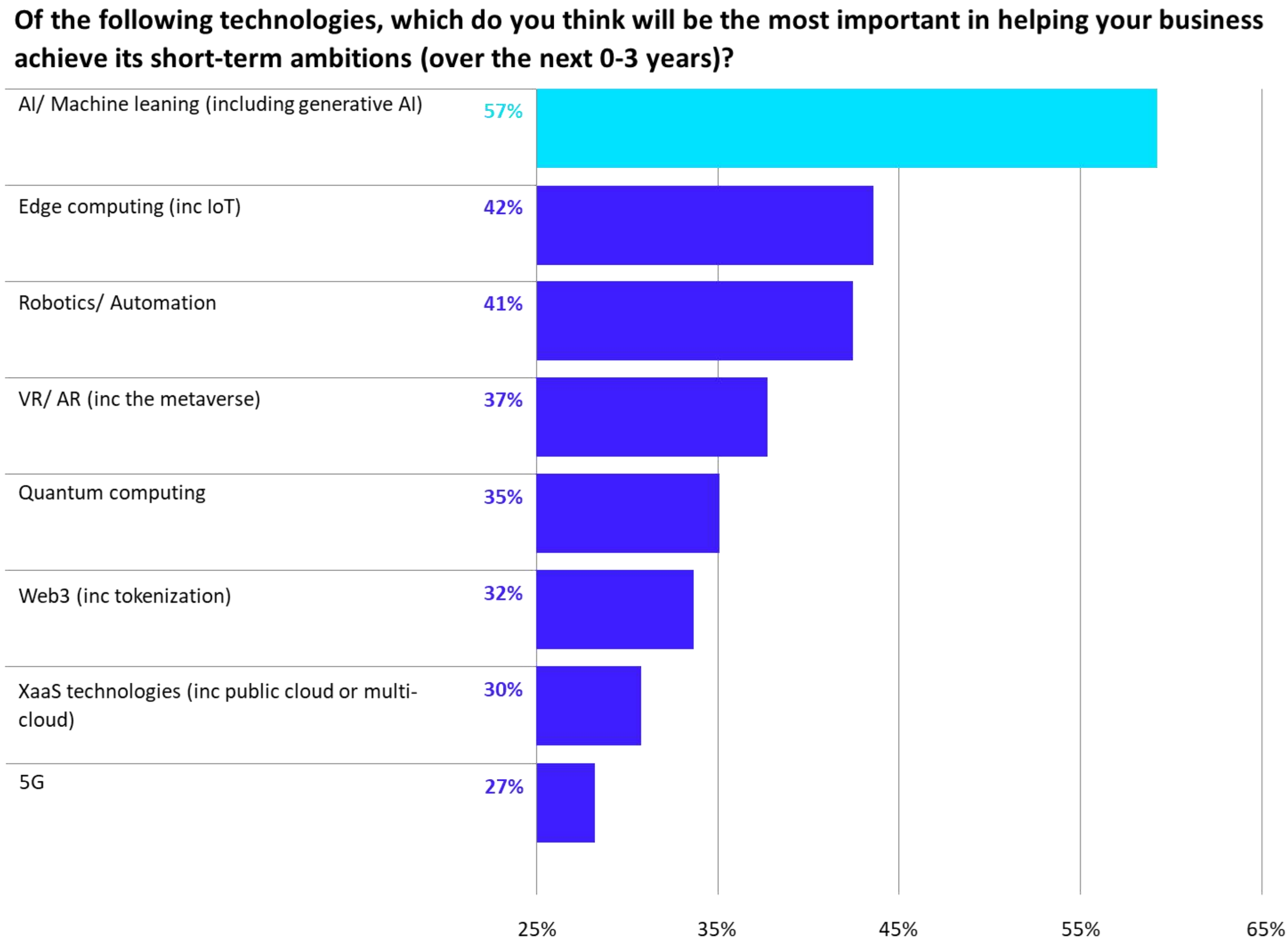
- Manu Chopra, Chief Executive Officer, Karya

Exhibit 3: Executives' perspective on various aspects of technology and ESG (survey of 2,100 executives across 9 industries and 16 countries)



Source: KPMG Global Tech Report 2023, KPMG, 2023

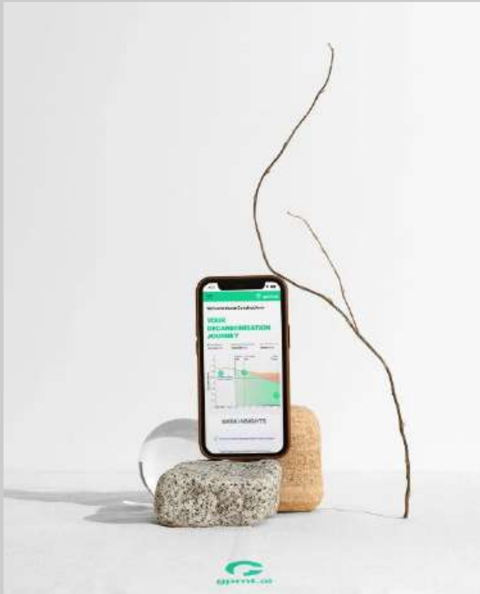
Exhibit 4: Key technologies driving short-term ambitions in the next 0-3 years (survey of 2,100 executives across 9 industries and 16 countries)



Source: KPMG Global Tech Report 2023, KPMG, 2023

Spotlight: Gprnt.ai

A multi-geographical open-data digital solution powering origination, access, and orchestration of verified ESG data and marketplace



Greenprint is:

- A global multi-sided platform
- Developed for scale
- To provide transparency on ESG data
- And support ESG-related use-cases

Sourcing and Transforming SME Data at scale

Privately held businesses, which contribute significantly to worldwide GDP and make the bulk of employment are not yet covered for ESG Data.

Greenprint will **source, calculate, and transform ESG data at scale, through aggregators of SME data.** These will be Greenprint's customers including Banks, other FIs, and MNC supply chain owners.

Greenprint's Value Proposition

- Increase in efficiency, with 90% of tasks automated (e.g., reduction of manual work and time taken for tasks etc.)
- Reduction of disclosure and compliance costs (i.e., reduction in OPEX)
- Better management of portfolio or investment risks
- Increase in 'sustainability loan book' through better business decisions

Spotlight: Gprnt.ai

A multi-geographical open-data digital solution powering origination, access, and orchestration of verified ESG data and marketplace

Challenges around ESG data

Significant ESG data gaps in public & private companies	Poor ESG data quality and credibility	Hard to find and apply ESG data and solutions to business needs	Lack of common standards and frameworks

ESG data needs

Unlisted company data

Need ESG data from unlisted companies. Want regulatory push to incentivize unlisted company ESG disclosures.

Regional reach

Need regional data to complement existing portfolios.

Data verification

Need ESG data to be accurate and verified such as from trusted government sources, to improve data quality for use-cases.

Use-case needs

ESG reporting

Need trusted, standardised and comparable data to support ESG reporting and supply chain emissions.

Need automation.

Need better data quality and credibility through a regulatory push for common standards and frameworks, disclosures and computation.

ESG portfolio and risk management

Need data to support climate risk management and controversy screening.

Certification and screening

Need customers/suppliers ESG certifications for compliance and reducing exposure to poor performers.

Financing and Investing

Need data to support financing and investing decisions.

Supply chain management

Need suppliers' ESG data for regulatory compliance and demonstrating compliance with sustainable practices.

ESG Fintech investment resilience amid a challenging macroeconomic environment

KPMG in Singapore opened the ESG Zone at the 2023 Singapore Fintech Festival by unveiling insights into global and regional ESG Fintech investment trends as part of a research conducted in collaboration with the Monetary Authority of Singapore (MAS). The report highlights that ESG Fintech investment defied macroeconomic challenges in 2023. Despite a slowdown in external deals, a 35.2% surge in in-house spending reflects a strategic shift toward sustainable finance by the Financial and Tech sector.

ESG Fintech investment resilient in a challenging environment

The ESG (Environmental, Social, and Governance) Financial technology sector demonstrates remarkable resilience in the face of challenging macroeconomic conditions, with global investments expected to reach $28.8 billion in 2023, slightly below the 2022 figure of $29.4 billion[1]. This stability underscores the dynamic nature of the emerging Fintech segment, which continues to thrive amidst economic headwinds, propelled by the urgency of addressing ESG concerns.

Despite a slowdown in external deal activity, there's a significant uptick in in-house spending among financial sector players and tech giants. Globally, budgets allocated to developing and launching ESG financial products have surged by an estimated 35.2% in 2023 compared to 2022, reaching $14.36 billion[1]. Banks, insurance providers, and asset managers lead this strategic shift towards integrating sustainable and green finance products across multiple channels.

"The 2023 slowdown in ESG Fintech external deal activity is being offset by a surge in in-house spending by the Tech and Financial Sector"

- Aymeric Salley, Director Financial Services Advisory, KPMG in Singapore

[1] Accelerating Transformation Amidst Economic Slowdown: The Resilient ESG Fintech Sector, KPMG, 2023

KPMG in Singapore forecasts further acceleration in ESG Fintech investments, particularly from 2025 onwards, projecting global investments to reach $123.7 billion by 2026. This surge will be fueled by sustained in-house spending from the Financial Services and Tech sectors as ESG products become standard[2]. Additionally, updates in standards and regulations and a resurgence in external deal activity will bolster this acceleration as markets adapt to evolving interest rate scenarios.

Regional and segment disparities

The Americas emerges as a beacon of growth, particularly in the United States, where large financial institutions actively invest substantial development capital for late-stage ESG Fintech start-ups. Meanwhile, Europe maintains its dynamism, with deal volume matching 2022 levels, albeit dominated by early-stage funding due to mature start-ups' funding challenges. In the Middle East and Africa, ESG Fintech deal activity remains modest, with a projected decline to approximately $100 million in 2023. The Asia Pacific experienced a notable slowdown largely due to deal scarcity that characterized the preceding year.

Within the ESG Fintech landscape, Carbon Services takes the lead among verticals, poised for growth with numerous deals, especially in the Americas and Europe. In contrast, RegTech experiences a decline in 2023, securing an estimated $1.6 billion in funding, down from an impressive $3.16 billion in 2022. InsurTech and Payment/Transactions face a funding drought, recording few deals globally after strong performances in 2022, attracting $1.42 billion and $2.04 billion, respectively[2]. These disparities showcase the nuanced and ever-shifting dynamics of ESG Fintech investments on both regional and segment levels.

Emergence of ESG Fintech hubs

California and New York lead the charge in the Americas, benefitting from dynamic ecosystems and a commitment to sustainable practices. New York City, a vibrant hub, combines a tech-driven green economy with support from global financial powerhouses and a rich talent pool. Meanwhile, San Francisco's 2021 Climate Action Plan positions it as a global sustainability leader, fostering a robust ESG Fintech sector.

London spearheads ESG Fintech in Europe, mandated by TCFD-aligned disclosures and innovative initiatives like the voluntary carbon market. Paris follows suit, buoyed by progressive policies like the EU's SFDR and a thriving innovation ecosystem.

The Asia Pacific sees Sydney and Singapore shine as ESG Fintech hubs, with Singapore's comprehensive frameworks and initiatives, including Regulatory Sandboxes and Innovation Grants. Shenzhen in China and Sydney and Melbourne in Australia are prominent players, each showcasing unique strengths. Shenzhen's green finance ecosystem and collaboration initiatives, Sydney's strategic Indo-Pacific location, and Melbourne's sophisticated financial services sector exemplify the global rise of ESG Fintech, transforming financial landscapes with sustainable innovation.

[2] Accelerating Transformation Amidst Economic Slowdown: The Resilient ESG Fintech Sector, KPMG, 2023

Exhibit 5: Total Anticipated Global Investment in ESG Fintech (USD)

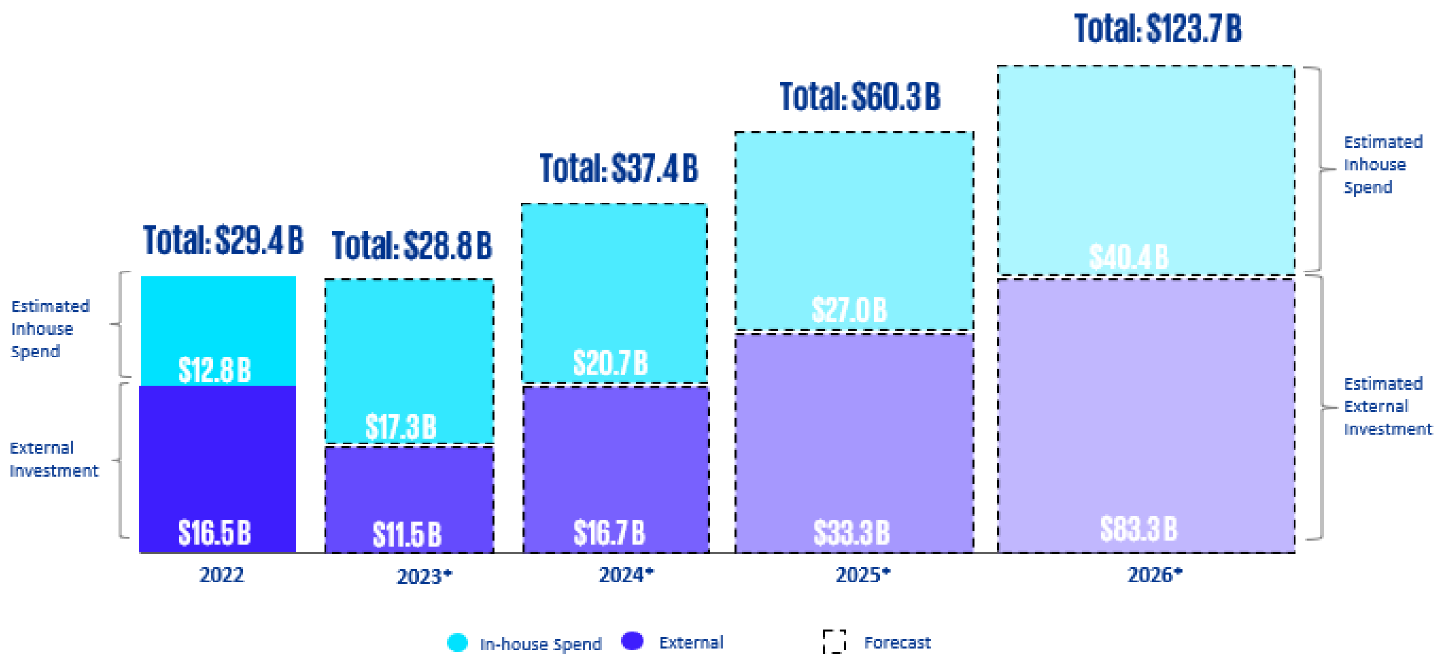
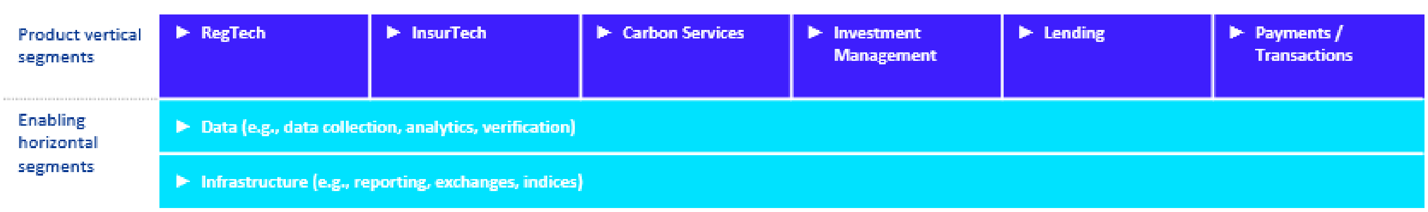
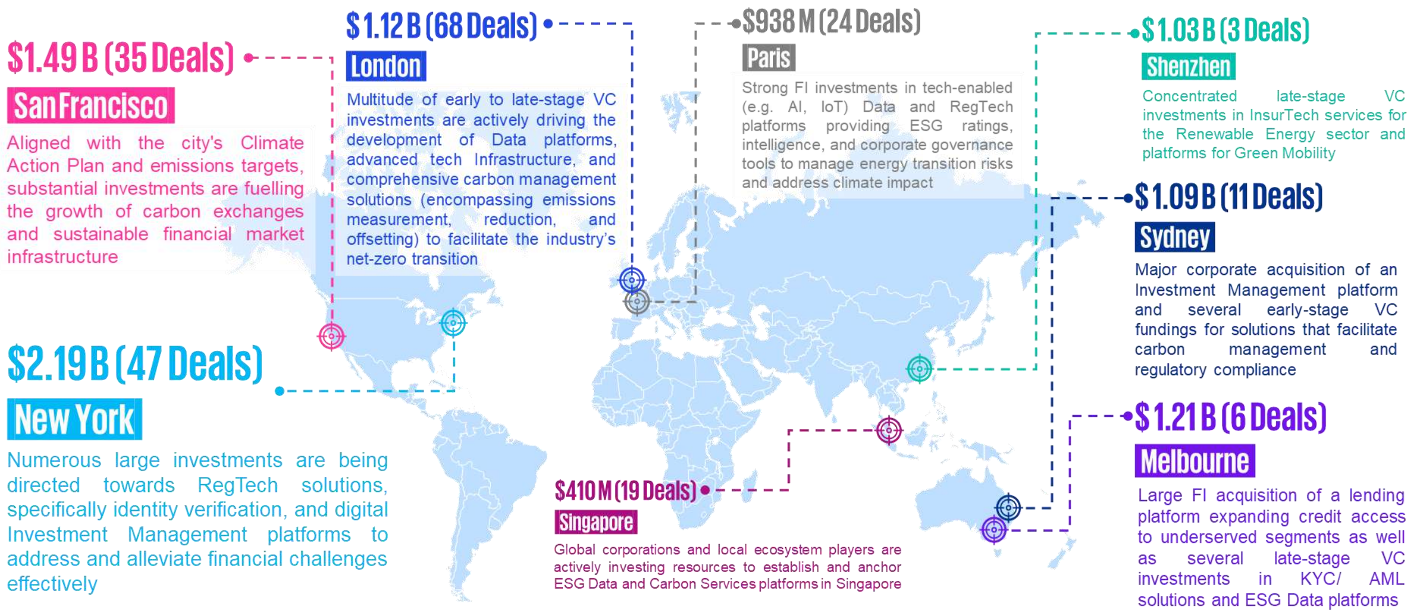


Exhibit 6: ESG Fintech Taxonomy



Source: Accelerating Transformation Amidst Economic Slowdown: The Resilient ESG Fintech Sector, KPMG, 2023

Exhibit 7: ESG Fintech Hotspots – Americas, Europe and APAC cities lead in deal activity (2022 - H1'23)



Source: Accelerating Transformation Amidst Economic Slowdown: The Resilient ESG Fintech Sector, KPMG, 2023

The Green Handshake: Redefining Sustainability through Public-Private Collaboration

Governments and regulators play a critical role in helping the course of ESG within their jurisdictions. In any successful partnership, each participant contributes their unique strengths and skills, and governments should take responsibility for establishing the regulatory and policy frameworks that enable sustainable solutions to strive. Businesses, on the other hand, excel at driving innovation and delivering value, leading to the emergence of practical and competitive solutions.

Public-private collaboration is key

Bridging the chasm to a sustainable future demands a critical alliance: the public and private sectors. While the public sector lays the visionary roadmap and enacts regulations, the private sector injects ingenuity, streamlines processes, and fuels progress. This potent synergy unlocks the required funding for transformative solutions such as clean energy grids and eco-friendly infrastructure.

By joining hands and sharing risks, they foster trust through transparent project execution and hold each other accountable, propelling us forward in green energy, sustainable infrastructure, and efficient resource management.

Making meaningful progress on ESG concerns requires bridging the knowledge gap that exists between private innovation and public policy expertise. More effective frameworks and rules must be developed with the input from the public sector, which has access to scientists, policy experts and regulatory bodies.

"We need governments to drive policy at a national level, but we need to implement through local governments at a local level"

\- Vaida Cesnuleviciute – Markeviciene, Vice Minister Finance, Republic of Lithuania

According to **Vaida Česnulevičiūtė-Markevičienė, Vice Minister Finance, Republic of Lithuania**, "We need governments to drive policy at a national level, but we need to implement through local governments at a local level. We need to innovate, we need engineers, we need tech people, and we also need capital. Whether the capital comes from multinational banks or development banks, we need the broader capital to drive this transformation to a low carbon economy."

The escalating climate crisis demands a united front, and public-private collaboration unlocks a tidal wave of resources to fuel progress on critical ESG goals. Governments, wielding vast financial power and setting the rules of the game, channel investments towards clean energy infrastructure and sustainable development initiatives. Private companies, inject a mixture of capital, innovation, and efficiency to develop, and implement cutting-edge technologies. This potent synergy can turbocharge progress, paving the way for a sustainable future for all.

Sustainable finance is the fuel that will power our journey to a net-zero world, unlocking the potential of the Paris Agreement and the SDGs for generations to come. This shift demands a collaborative approach, with governments paving the way through policy and infrastructure, and the private sector driving the financial engine of change.

Better standards and regulations, fears of greenwashing

Climate change is shaking the financial world, prompting a global outcry for standardized reporting. The gap between what companies disclose and what investors need is widening, leading to confusion, and missed opportunities. Enter the Task Force on Climate-Related Financial Disclosures (TCFD). This voluntary framework provides a set of standardized climate risk disclosures for companies, aiming to bridge the information gap and empower investors. By equipping investors with critical information to assess climate-related risks and make informed investment decisions, TCFD has the potential to unlock significant capital for climate solutions. As the climate crisis intensifies, widespread adoption of new standards such as TCFD is no longer optional, it's essential for building a sustainable and resilient financial future. Several countries are leading the charge in climate-related financial disclosures, with mandatory TCFD adoption rapidly gaining traction.

Jaleh Daie, Managing Partner at Aurora Equity, was candid about the state of ESG. She said, "It is true that the ESG is currently in a struggling situation…part of it is the hypocrisy of greenwashing. Greenwashing is getting the way of innovation. So, we want to focus on innovation and move things forward."

While many corporations promote ESG and sustainability, a gap exists between rhetoric and reality. Some organizations engage in "greenwashing," employing marketing tactics to exaggerate their environmental consciousness or impact, leading to growing skepticism due to lack of tangible results (Exhibit 8).

Recognizing this issue, EU and North American regulators are tightening the greenwashing grip. They are clarifying regulatory frameworks and raising the bar, as seen in the exhibit. This is crucial, particularly for companies in Europe, Asia, and North America, where climate is a critical concern.

To combat the rising tide of greenwashing in investments, financial watchdogs are sharpening their regulatory teeth. This crackdown aims to protect investors and uphold market integrity by ensuring capital is deployed based on genuine sustainability practices, not misleading claims.

The path to achieving ESG goals is not a solo journey; it is a shared limb requiring teamwork between the public and private sectors. While public regulations and private innovation may seem like separate forces, their synergy is the fuel that will propel effective ESG solutions. Achieving ESG goals demands a shift from competition to collaboration. Public-private partnerships, build on trust, shared goals, and a commitment to continuous improvement, are the key to unlocking a sustainable future. By leveraging their unique strengths and working together, they can create a world where ESG is not just a box to tick, but a collective journey towards a better tomorrow.

Exhibit 8: Greenwashing risks accelerate in Europe and North America

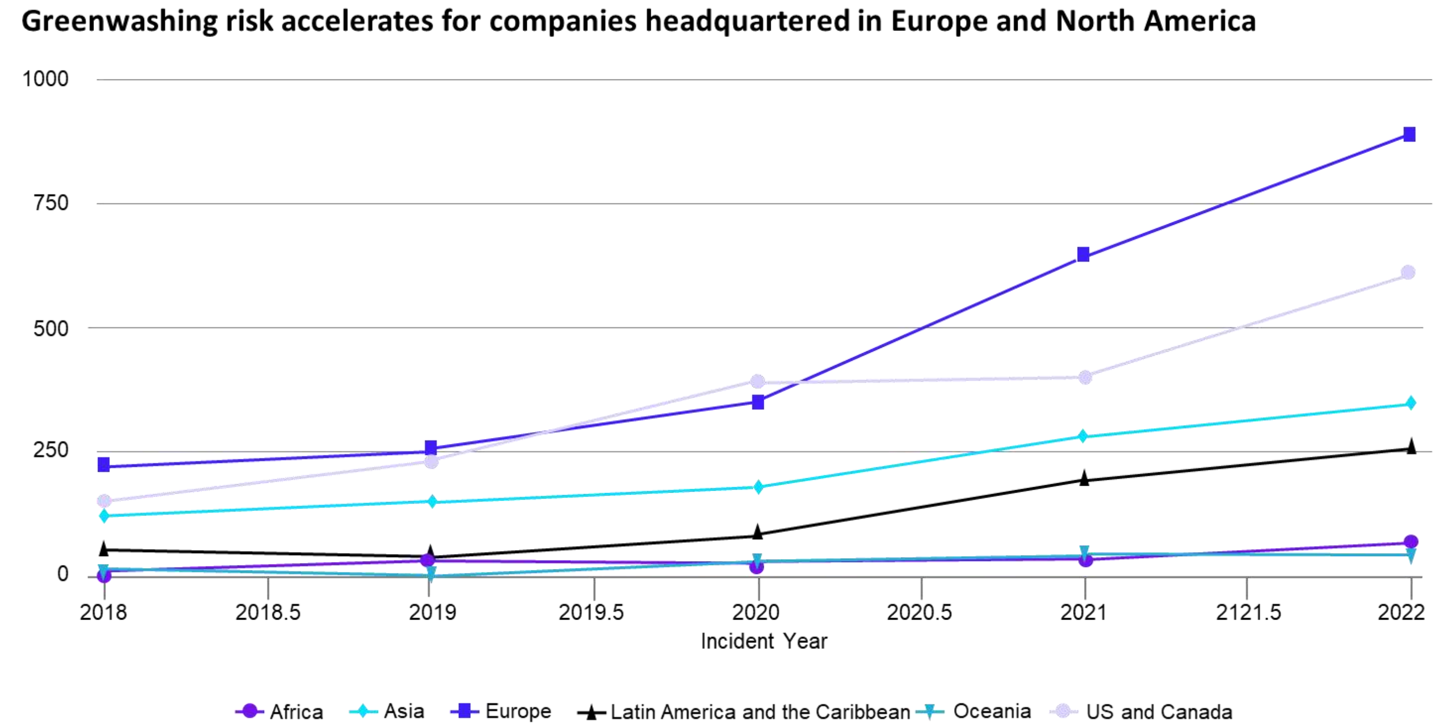


Figure reflects the count of unique entities with at least one ESG risk incident linked to both environmental footprint and Misleading communication in a year

Source: Greenwashing risk accelerates for companies headquartered in Europe and North America – RepRisk AG

Conclusion

In conclusion, the Singapore Fintech Festival 2023 has been a pivotal moment in the evolution of ESG initiatives, demonstrating a resolute commitment to sustainability amidst the dynamic landscape of technology and finance. The symphony of technological advancements, particularly the integration of cloud infrastructure and artificial intelligence (AI), has fortified our capabilities in pursuing sustainable practices without compromising the overarching aim of sustainability. This journey underscores the importance of a collective march towards the implementation of robust data and technology, ensuring that these tools serve as enablers and accelerators to reaching our sustainable objectives.

The resilience exhibited by ESG fintech investments, despite the challenges posed by a complex macroeconomic environment, reaffirms the industry's adaptability and positions it as a steadfast pillar in the pursuit of sustainable financial practices. Notably, the critical juncture at which the ESG industry finds itself necessitates a proactive response to significant changes in sustainability standard-setting, reporting, and regulations.

In facing the immediate challenges posed by climate change, our collective responsibility to mitigate its impacts has never been more critical. The imperative to embrace sustainability, innovation, and global cooperation remains essential to safeguard our planet's future. The Singapore Fintech Festival 2023 has set the stage for a harmonious integration of technology and sustainability, emphasizing that our journey towards ESG excellence must remain rooted in the unwavering commitment to a sustainable future.

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