

# Green taxonomy could bring more rigor to fintech ESG assessments

## Article

**The news:** The **Green Digital Finance Alliance** (GDFA) and the Swiss **Green Fintech Network** launched a draft taxonomy to help investors, policymakers, and technology providers consistently assess fintechs' environmental impact, per Finextra.

**More on this:** The proposed taxonomy arrives in the wake of the UN Climate Change Conference (COP26), where the Glasgow Financial Alliance for Net Zero (GFANZ) pledged to

align its members' financing activities to achieve **net-zero emissions by 2050**.

- The report breaks out green fintechs into seven categories—including digital investment solutions, digital payment and account solutions, digital deposit and lending solutions, and digital asset solutions.
- It also maps out data sets that each category uses, like open-source earth observation data from the **Copernicus** and **National Oceanic and Atmospheric Administration (NOAA)** databases, carbon inventories and carbon accounting databases, voluntary carbon credit registries, and open banking data infrastructure.

**Why it's worth watching:** Climate anxiety has made consumers pay more attention to and prioritize sustainable brands. Environmental, social, and governance (ESG) strategies have emerged as a strong growth vector for investment managers and will be a major **trend** during 2022, but **charges** of greenwashing pervade the investment world—and the **SEC** is concerned that ESG funds might mislead investors.

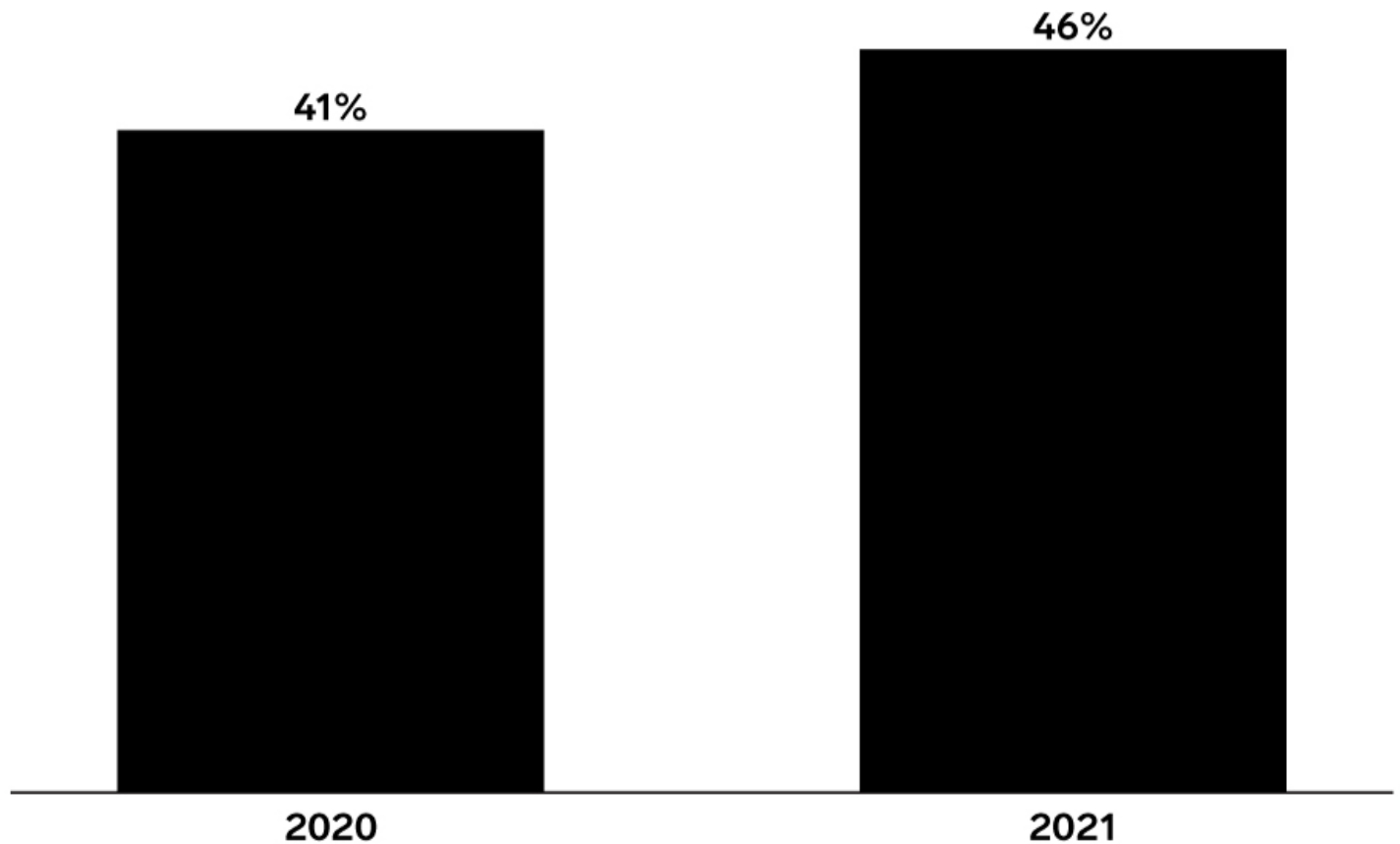
ESG ratings rely on corporate disclosures—yet without established global standards, questions arise about the ratings' validity.

- Agreed-on standards and frameworks add methodological rigor to pledges to decarbonize lending portfolios and other practices.
- In July, a Duff & Phelps survey **found** that **almost half (45%) of valuation experts** believe a lack of a standardized and recognized measurement system is the biggest threat to effective ESG disclosures for businesses. Survey respondents revealed they use **14 different combinations of frameworks**.
- Taxonomies like the GDFA's will help to align financial institutions with green objectives and inform the drive for regulations and standards in sustainability.

Fintechs that promote their sustainability efforts have an opportunity to play an active part in forming these standards: **The GDFA is inviting **feedback** on its report** and aims to finalize a taxonomy during Q1 2022.

## Sustainable Investing Allocation of High-Net-Worth individuals (HNWIs)\* Worldwide, 2020 & 2021

% of portfolio



Note: \*defined as having more than \$1 million in investable assets

Source: Capgemini, "World Wealth Report 2020" in collaboration with Scorpio Partnership, July 9, 2020

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