

Moody's rolls out ESG screening tool amid widening compliance obligations

Article

The news: The ESG solutions arm of data and analytics giant **Moody's** launched a tool that helps investment firms comply with the European Union's (EU) taxonomy regulation, per

Business Wire.

How we got here: The [EU taxonomy](#) came into force in July last year and aims to help the EU meet climate and energy targets for 2030 and the objectives of the [European Green Deal](#) by creating a common definition of “sustainable.”

- The EU taxonomy directs investments toward sustainable businesses by classifying economic activities that are deemed environmentally friendly.
- Moody’s solution will help market participants navigate the regulation by screening companies and activities against the requirements.

The fintech opportunity: Large players like Moody’s developing environmental, social, and governance (ESG) compliance solutions that investment managers’ can plug and play will be in high demand given the splurge of related regulations—but smaller fintechs also have a golden opportunity to scale with innovative tools.

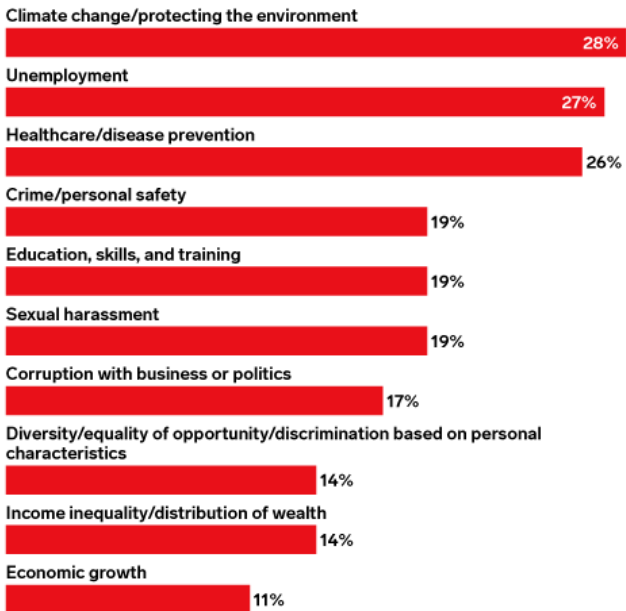
In response to allegations of [rampant greenwashing](#), the EU widened its ESG regulatory regime, mandating that corporations disclose nonfinancial ESG performance metrics and making financial market participants disclose sustainability metrics like greenhouse gas emissions.

And with the [SEC](#) expected to follow suit imminently, meeting the new regulatory requirements will be a leading priority for investment managers over the next year.

- ESG investing represents one of the few remaining pockets of growth for investment managers given rising investor demand and the higher fees that can be charged for the nascent strategy in the context of shrinking margins led by the shift to passive strategies.
- Fintechs can provide solutions and data to help US investment managers navigate the expanding regulatory requirements and scoop up a slice of the [\\$20 trillion](#) in global AUM that will be created by 2025.
- We expect large data providers like **Refinitiv** to grab the majority of the new business. But smaller fintechs can also tailor solutions to the new regulatory developments.

Leading Personal Concerns of Gen Z* Adults Worldwide, Feb 2021

% of respondents



*Note: respondents were asked to pick their top 3; *born 1996-2003*
Source: Deloitte, "The Deloitte Global 2021 Millennial and Gen Z Survey: A call for accountability and action," June 15, 2021

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