

# Decoding the Sustainability Opportunity in BFSI: Deep-dive into the Environmental, Social, and Governance (ESG) Data & Analytics and Technology Provider Landscape

July 2021: Complimentary Abstract / Table of Contents



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Ronak Doshi, Vice President

Aaditya Jain, Practice Director

Sampada Rahalkar, Practice Director

Kriti Gupta, Senior Analyst

Kriti Seth, Senior Analyst

Pranati Goswami, Senior Analyst

Saurabh Anand, Senior Analyst

Divyam Jain, Analyst

Japshabad Suri, Analyst

Saumil Misra, Analyst

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## Background and context

- Banking, Financial Services, and Insurance (BFSI) firms are under increasing pressure to conform to Environmental, Social, and Governance (ESG) regulations, which mandate enterprises to be conscious of their impact on the environment; their relationship with employees, suppliers, clients, and communities; and robust standards on company leadership, risk management, and stakeholder rights
- Further, voluntary guidelines such as the Equator Principles, UN Principles for Responsible Investment (PRI), and recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) are forcing banks to incorporate ESG analysis as part of their lending, investment, and financing decisions. Apart from the regulatory push, changing demographics, risk mitigation, and surge in brand equity have driven BFSI firms' focus on sustainability
- The COVID-19 pandemic highlighted that ESG investing can future-proof investments and boost returns even in uncertain times, as sustainable funds outperformed their more conventional counterparts. Consequently, ESG investing strengthened its position as a dominant feature across the financial services landscape in 2020
- Regulators are imposing tougher policies, employees are seeking purpose, investors are demanding transparency, and clients are looking for a reliable partner. Thus, sustainability is becoming a board-level agenda for BFSI firms that aim to become future-ready purpose-driven organizations. Business decisions will soon be driven by sustainability principles
- However, lack of a standard taxonomy to capture ESG performance, low-quality ESG reporting by companies, and the deficiency of robust, good quality ESG data pose major challenges for BFSI firms as they plan to make a shift from green accounting to digital for good by integrating sustainability principles in their core business strategies and processes
- The ESG provider ecosystem for BFSI firms is expanding at an exponential rate and Data and Analytics (D&A) providers are helping bridge the data gap, which currently poses the biggest challenge for the sustainability-led transformation journey
- Over the next few years, ESG is poised to become a financial services proposition to create sustainable long-term value, not only for BFSI enterprises but for the entire ecosystem

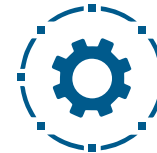
### Scope of this report:



**Geography**  
Global



**Industry**  
BFSI



**Report coverage**  
ESG data and technology providers

## Summary of the key messages: Sustainability is much beyond ESG reporting and compliance for BFSI firms, it acts as an enabler of differentiation



### **BFSI firms are under increasing pressure to operate sustainably and be mindful of their economic, social, and environmental impact**

Sustainability will no longer function in siloes for BFSI firms but will drive all their actions and decision-making. They cater to a two-fold responsibility of managing internal sustainability mandates and acting as enablers for clients' sustainability journey

### **Data forms the biggest challenge as BFSI firms move toward operationalizing efforts and measuring its impact**

The kind of data available to support compliance or green accounting is not enough to cater to the movement of BFSI firms as purpose-driven organizations. Next-generation technologies are helping exploit new sources of data and ways of analysis; however, data quality, reliability, real-time availability, and coverage issues continue to hinder the process

### **The ESG provider ecosystem is expanding at an exponential rate with Data & Analytics (D&A) providers bridging the data gap**

ESG D&A providers use unique ways of sourcing, categorizing, and quantifying ESG data. Based on the needs and priorities, BFSI firms will have to choose from a wide variety of market data providers, exclusives, and specialists, the right fit for their strategy

### **The social element in ESG will move to the forefront**

Traditionally, sustainability was often linked to climate and environment, but as the pandemic continues to highlight the need for social responsibility toward local communities, we observe providers providing dedicated offerings for social and governance assessments

### **Regulations and ESG disclosures will become mandatory for BFSI firms**

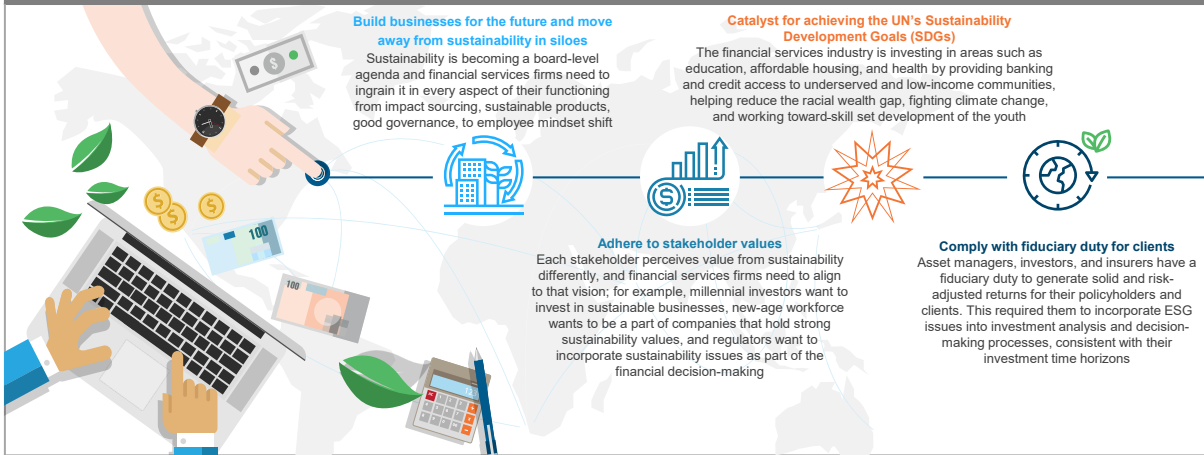
Voluntary frameworks and commitments toward sustainability will be replaced by constraining regulations on a one- to three-year time horizon, and BFSI firms that act fast on ESG integration will observe a first-mover advantage

### **ESG D&A provider landscape will undergo further consolidation**

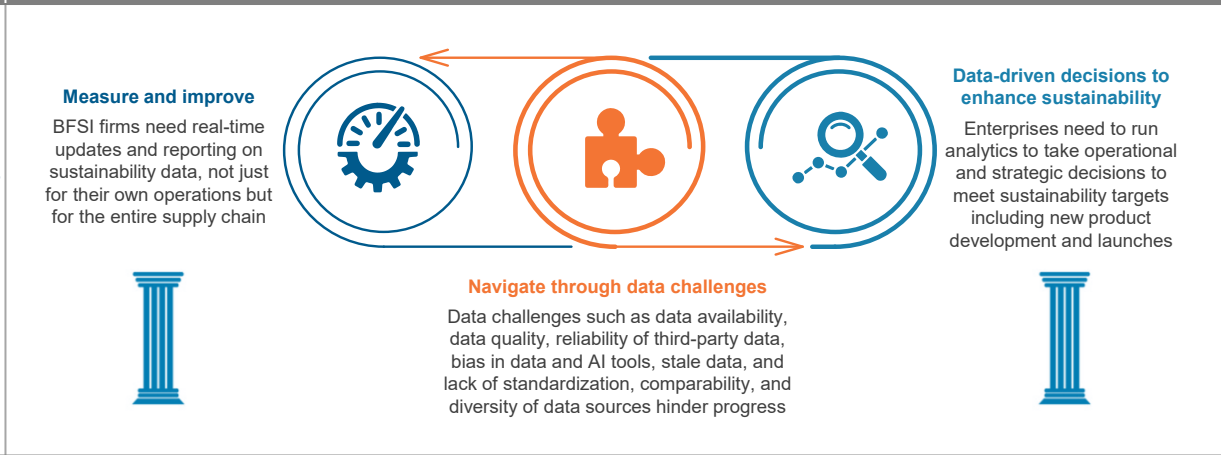
We have already observed a lot of mergers & acquisitions in this space in the last five years, where D&A players have been acquired by market data providing giants, BFSI enterprises, technology companies, or IT service providers. This trend will continue to grow in the future as organizations look to build or augment in-house data capabilities

# This study offers three distinct chapters providing a deep dive into the sustainability in BFSI market and its data and analytics provider landscape; below are four charts to illustrate the depth of the report

## BFSI firms are at an inflection point as sustainability moves to the forefront of strategy making



## Navigating data challenges to measure and guide sustainability decisions will be the foundational pillars of a successful purpose-driven BFSI business



## A vibrant ESG data and technology provider landscape

**ESG data and data analytics providers**

- Large data providers that offer ESG research, and data & analytics as a subset of their broader product and service offerings for the financial services industry
- Providers focused only on ESG research, and data & analytics, and increasingly gaining traction
- Providers focused on a specific ESG issue, such as carbon scores, human rights, and corporate governance

**Market**

Bloomberg, FACTSET, FitchRatings, FTSE Russell, MORNINGSTAR, IHS Markit, MOODY'S, MSCI, S&P Global

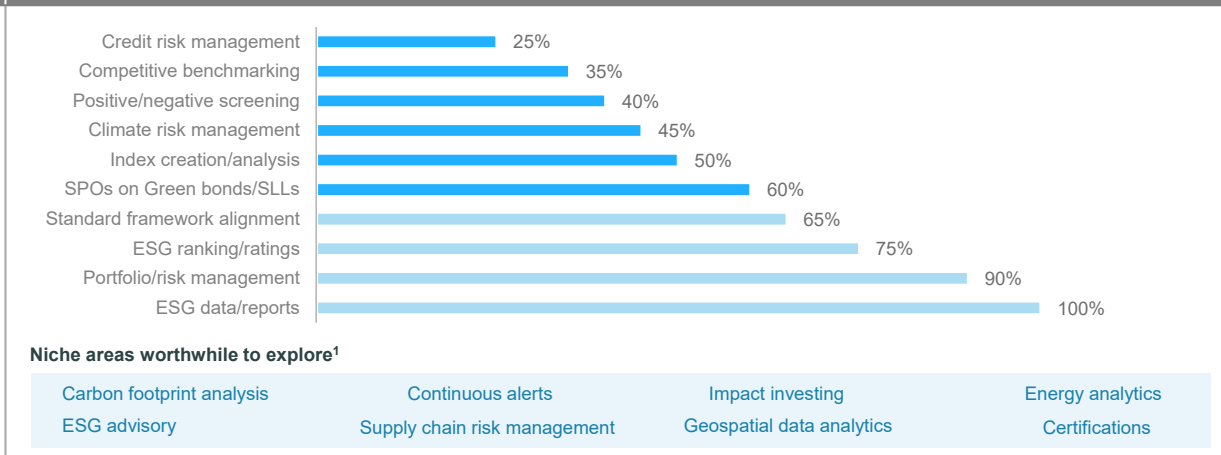
**ESG exclusives**

arabesque, BEYOND RATINGS, CLARITY AI, COVALENCE, HIP: INVESTOR, ISS CORPORATE SOLUTIONS, REFINITIV, RepRisk, ROBECOSAM, SUSTAINALYTICS, TRUVALUE LABS, vigeo eiris

**Specialists**

EQUILEAP (gender equality), GRESB (real estate), TRUCOST (climate and environment), ORTC FINANCE (climate)

## Top offerings by data and analytics providers to financial services firms



# Research calendar

## Banking & Financial Services ITS

■ Published
 ■ Planned
 ■ Current release

### Flagship reports

	Release date
Risk and Compliance IT Services in BFS Service Provider Compendium 2020	June 2020
Capital Markets State of the Market Report 2020: Automation, Data, and Cloud Trends for Buy-side Firms	July 2020
Banking IT Services State of the Market Report 2020: Hyper-segmentation Strategy Enabled by Digital Capability Platforms and Data Exchanges	July 2020
Application and Digital Services in Capital Markets – PEAK Matrix® Assessment 2021	December 2020
Healthy Rebound in BFS IT Services Spend – Growth Themes and Cautions	March 2021
Modernizing Data, Applications, and Infrastructure for the Next Phase of the Payments Revolution	April 2021
Application and Digital Services in Banking – PEAK Matrix® Assessment 2021	June 2021
Platforms IT Services in Banking and Financial Services – PEAK Matrix® Assessment 2021	Q3 2021

### Thematic reports

	Release date
Financial Risk Management Platforms Assessment and Vendor Profiles	March 2020
Assessing the Trade Life Cycle Management Technology Platform Landscape	March 2020
State of the Market for Third-party Enterprise Platforms in Banking and Financial Services: Ecosystem Collaboration for Modernization at Speed and Scale	April 2020
BigTechs in BFSI Industry: The Theory of Co-existence for Market Expansion	August 2020
Lending Technology: Assessing Loan Origination System Vendors – The “One Lending” Model for Journey to the Cloud	September 2020
Deconstructing the Digital Assets Revolution – What can the Financial Institutions Learn from the Meteoric Rise of Coinbase	June 2021
<b>Decoding the Sustainability Opportunity in BFSI: Deep-dive into the Environmental, Social, and Governance (ESG) Data &amp; Analytics and Technology Provider Landscape</b>	<b>July 2021</b>

Note: For a list of all of our published Banking & Financial Services ITS reports, please refer to our [website page](#)



# Research calendar

## Insurance ITS

■ Published
 ■ Planned
 ■ Current release

### Flagship reports

	Release date
Insurance Business Model Innovation Enablement Services PEAK Matrix® Assessment 2020	November 2020
Insurance Business Model Innovation Enablement Services – Service Provider Compendium 2020	December 2020
Application and Digital Services (ADS) in Life and Annuities (L&A) Insurance – PEAK Matrix® Assessment 2021	December 2020
Application and Digital Services (ADS) in Life and Annuities (L&A) Insurance – Service Provider Compendium 2021	January 2021
Insurance IT Services – State of the Market 2021: Future-readying Insurance Business Through Continuous Digital Unravelling	January 2021
Insurance Platform Services PEAK Matrix® Assessment 2021	Q3 2021
Insurance Platform Services – Service Provider Profile Compendium	Q3 2021
Digital Experience Platforms in Insurance – Product PEAK Matrix® Assessment 2021	Q3 2021
Application and Digital Services in P&C insurance – Services PEAK Matrix® Assessment	Q4 2021

### Thematic reports

	Release date
Cloud as a Change Catalyst in Insurance	May 2021
Digital Transformation in the London Insurance Market	July 2021
Opportunities and Challenges in the Global Cyber Insurance Market	July 2021
<b>Decoding the Sustainability Opportunity in BFSI: Deep-dive into the Environmental, Social, and Governance (ESG) Data &amp; Analytics and Technology Provider Landscape</b>	<b>July 2021</b>
BFSI Enterprise Adoption Guide for Low Code and No Code Technology – Market Trends and Provider Landscape	Q3 2021
Policy Administration Platforms in the L&A Insurance Industry – Market Report	Q4 2021

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### Dallas (Headquarters)

[info@everestgrp.com](mailto:info@everestgrp.com)  
+1-214-451-3000

### Bangalore

[india@everestgrp.com](mailto:india@everestgrp.com)  
+91-80-61463500

### Delhi

[india@everestgrp.com](mailto:india@everestgrp.com)  
+91-124-496-1000

### London

[unitedkingdom@everestgrp.com](mailto:unitedkingdom@everestgrp.com)  
+44-207-129-1318

### Toronto

[canada@everestgrp.com](mailto:canada@everestgrp.com)  
+1-647-557-3475

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