

Sustainability in Financial Services – The Next Big Opportunity in Data, Technology, and Services

December 2021: Complimentary Abstract / Table of Contents



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Background and context

BFSI industry has reached the sustainability inflection point

- Banking, Financial Services, and Insurance (BFSI) firms are under increasing pressure to be mindful of their Environmental, Social, and Governance (ESG) footprint, and this has been accelerated by the 2020 perfect storm of global economic fallout caused by the COVID-19 pandemic, renewal global political focus on Black Lives Matter movement, and unprecedented wildfires on five continents
- There is a reinvigorating scrutiny from clients, employees, regulators, and other market participants on environmental and social sustainability considerations by BFSI firms, providing an elevated focus on sustainable finance – approximately three-quarters of professional investors are now implementing some form of ESG strategies
- Many BFSI firms have already begun their journey to develop into purpose-driven organizations and have started to integrate sustainability with their core businesses by incorporating ESG considerations into their risk management, product design, internal workings, long-term strategies, supply chain, and workforce management
- The other big mega trends of the century – digitization, connectivity, and data – are playing an important role in conjunction with responsible investing and ESG strategies
- The confusing world of competing sustainability reporting frameworks and standards guiding companies and investors on ESG disclosure could soon get a little simpler, as the IFRS Foundation responsible for setting global accounting standards plans to create a new International Sustainability Standards Board
- Transition to sustainability integration is a business necessity for BFSI firms, and it will soon develop into a regulatory obligation in the next couple of years

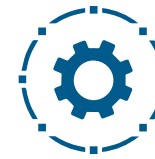
Scope of this report:



Geography
Global



Industry
BFSI



Services
Sustainability in BFSI

Executive summary – a vibrant ecosystem of ESG providers is taking shape as sustainable finance comes into the spotlight



The rise of socially responsible financial services

Banking, Financial services, and Insurance (BFSI) firms have been making bold commitments towards sustainable investing for more than a decade, but the number of announcements have increased drastically in the last 24 months.

Changing expectations of all stakeholders, from customers and clients to regulators

Regulators have realized that climate change poses an immediate threat to the global economy, the new generation workforce is attracted towards companies that have a strong sustainability policy, and clients are now preferring banks with strong ESG standing.

A multi-scale approach toward managing sustainability aspects

BFSI firms are making strategic choices around the desired market positioning, product differentiation, sustainable operating model, evolving partnership network, and optimally leveraging the human capital to cater to these expectations.

During the various degrees of maturity of the ESG integration, financial players are encountering diverse challenges

Insufficient interdisciplinary ESG expertise, high heterogeneity of the perspectives to ESG, lack of uniform ESG standards, complexity of ESG data management, and risk of greenwashing are hampering ESG integration into BFSI firms' roadmap.

A vibrant ecosystem of solutions and services is evolving

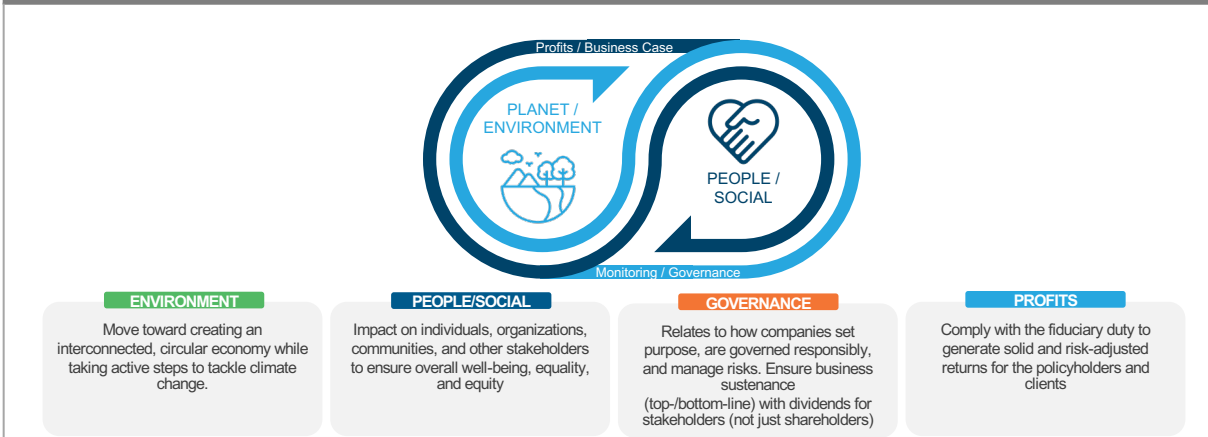
To tap into the growing demand theme of sustainability in BFSI, ESG providers are increasingly bringing innovative offerings, driven by investments in next-generation technologies, into the market.

Growth in the sustainability services and solutions market for the BFSI industry

ESG BFSI data & analytics, technology, consulting, and IT services market size is expected to grow at 18% CAGR to US\$3,225 billion by 2023, which presents a multi-billion dollar opportunity for all ecosystem players.

This study offers a deep dive into key aspects of the sustainability opportunity in financial services; below are four charts to illustrate the depth of the report

People profits planet framework to drive sustainability efforts of BFSI firms



Factors driving increased focus toward sustainability in the BFSI industry

Changing demographics

Millennials and women investors representing a major chunk of the global wealth are using sustainable investing to express their social, political, or environmental values.

Comply with ESG-related regulatory initiatives

Governments are now putting in place regulatory frameworks to standardize ESG reporting and accelerate change.

Enhance brand perception and equity

There is a correlation between brand equity and high ESG scores. BFSI firms are seen as orchestrators helping the real economy meet the SDGs and Paris Agreement goals.

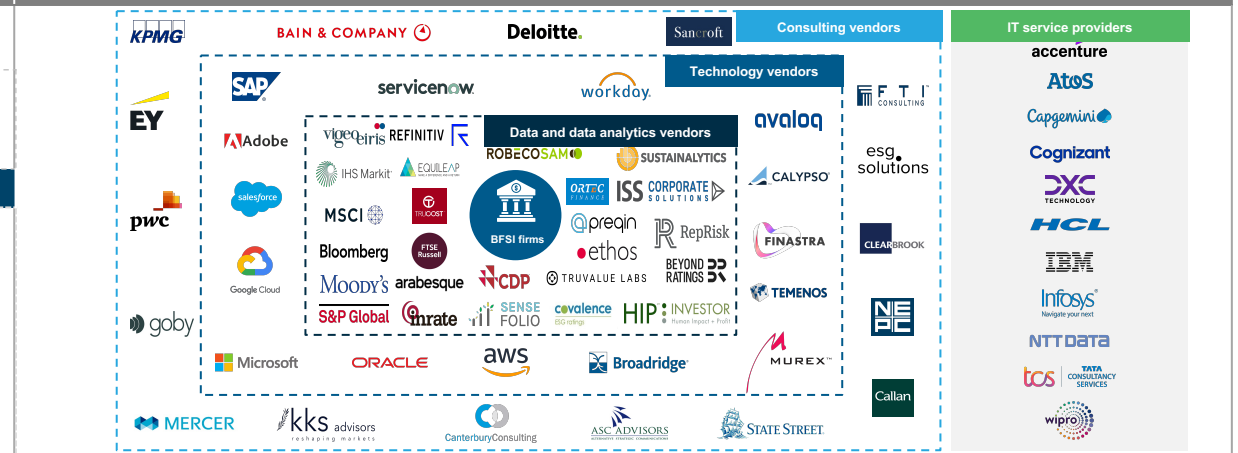
Manage stakeholder expectations

A commitment to sustainability helps BFSI firms attract top talent. It helps increase their credibility as key societal actors supporting a sustainable future in front of the shareholders, clients, and the society. Investors have a growing focus on ESG risk, specifically climate risk, and believe that ESG integration helps Financial Institutions (FIs) mitigate non-financial risks by improving their long-term risk-adjusted returns.

Leveraging emerging technologies to drive sustainability agenda

Technology	1 Cloud computing	2 AI & analytics	3 Cybersecurity and GRC	4 AR/VR	5 IoT
Enterprise adoption themes	<ul style="list-style-type: none"> Sustainable/green cloud to optimize carbon footprint and energy demand while also reducing operational costs SaaS-based consumption for workload management 	<ul style="list-style-type: none"> Extracting and processing vast amount of unstructured ESG data to achieve better insights AI-/ML-based energy management solutions that create an enterprise-wide view of energy consumption 	<ul style="list-style-type: none"> Risk assessment/management to improve organizational governance Data security and compliance to ensure data integrity and consistency 	<ul style="list-style-type: none"> Virtual customer engagement aimed at reducing carbon footprint and improving customer experience People training and skill development as part of the social mandate to improve employability of people 	<ul style="list-style-type: none"> IoT- and blockchain-enabled supply chain by ensuring traceability and tracking at every stage Predictive/prescriptive maintenance of equipment using IoT to limit energy and materials waste

ESG technology and services provider landscape for the BFSI industry



Research calendar

Banking & Financial Services IT Services

Published Planned Current release

Flagship reports

Release date

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 – State of the Market Report 2021	April 2021
Application and Digital Services in Banking – PEAK Matrix® Assessment 2021	June 2021
Application and Digital Services in Banking – Service Provider Profile Compendium 2021	August 2021
Finastra IT Services PEAK Matrix® Assessment 2022	December 2021
Platforms IT Services in BFS - PEAK Matrix® Assessment 2022	December 2021
Temenos IT Services PEAK Matrix® Assessment 2022	December 2021
Consumer Loan Origination Systems (LOS) – Products PEAK Matrix® Assessment 2022	December 2021

Thematic reports

Release date

Consumer Lending on the Cloud	April 2021
Cloud in Capital Markets – the Backbone of Digital Financial Infrastructures	May 2021
Deconstructing the Digital Assets Revolution - What Can Financial Institution Learn From the Meteoric Rise of Coinbase	June 2021
BFSI Enterprise Adoption Guide for Low-Code/No-Code Technology – Market Trends and Provider Landscape	July 2021
Decoding the Sustainability Opportunity in BFSI: Deep-dive into the ESG Data & Analytics and Technology Provider Landscape	July 2021
Sustainability in Financial Services – The Next Big Opportunity in Data, Technology, and Services	December 2021

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Research calendar

Insurance IT Services

■ Published
 ■ Planned
 ■ Current release

Flagship reports

	Release date
Insurance IT Services – State of the Market 2021: Future-readying Insurance Business through Continuous Digital Unraveling	January 2021
Insurance Platform Services PEAK Matrix® Assessment 2021	October 2021
Insurance Platform Services – Service Provider Profile Compendium	November 2021
Salesforce Services in Insurance PEAK Matrix® Assessment 2021	December 2021
Salesforce Services in Insurance – Service Provider Compendium 2021	December 2021
Duck Creek Services PEAK Matrix® Assessment 2021	December 2021
Digital Experience Platforms in Insurance – Product PEAK Matrix® Assessment 2021	December 2021
Application and Digital Services in P&C Insurance – Services PEAK Matrix® Assessment	Q1 2022

Thematic reports

	Release date
Digital Transformation in the London Insurance Market	July 2021
Opportunities and Challenges in the Global Cyber Insurance Market	July 2021
BFSI Enterprise Adoption Guide for Low-Code/No-Code Technology – Market Trends and Provider Landscape	August 2021
Life & Annuities (L&A) Policy Administration Platform Market Landscape and Technology Provider Profiles	September 2021
Retirements Technology and IT Services – State of the Market 2022 State of the Market Report	November 2021
Sustainability in Financial Services – The Next Big Opportunity in Data, Technology, and Services	December 2021

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