

A background graphic consisting of a network of white nodes and connecting lines on a dark purple gradient. The nodes are represented by small white circles, and the lines are thin white lines connecting these nodes in a complex, web-like structure. The overall effect is that of a digital or social network.

# **Sustainability Exchange**

**Michael Torrance, Founder,  
Sustainability Exchange**

**for presentation at Ryerson University  
Institute for the Study of CSR session  
on Sustainability.Exchange -- Creating  
a Market for ESG Performance,  
Ryerson University, November 1, 2019**

# Context

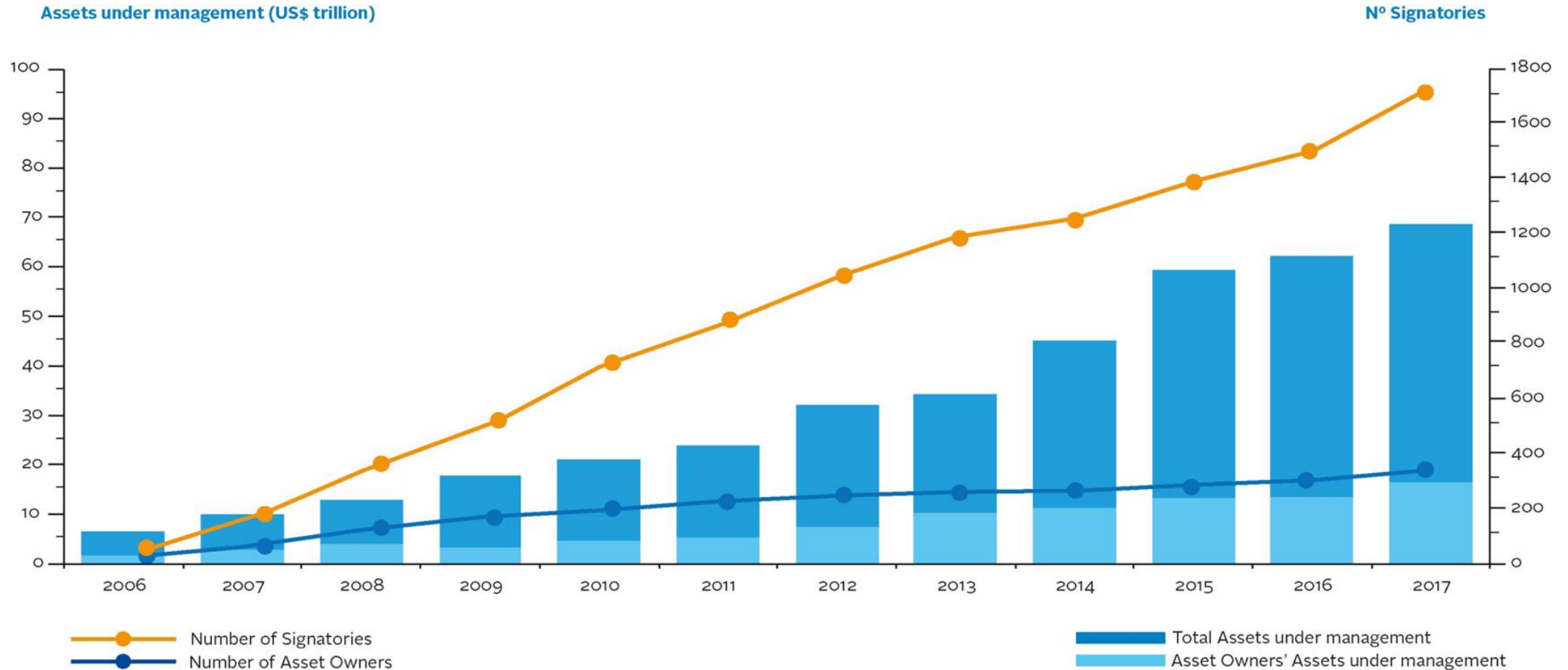
## Environmental, Social & Governance (ESG) Ratings

- Supports sustainable finance eco-system, integrated into financial analysis
- PRI signatories - \$80 trillion AUM
- Regulatory drivers – EU Sustainable Finance Strategy
- Financial Data providers – core strategic growth area

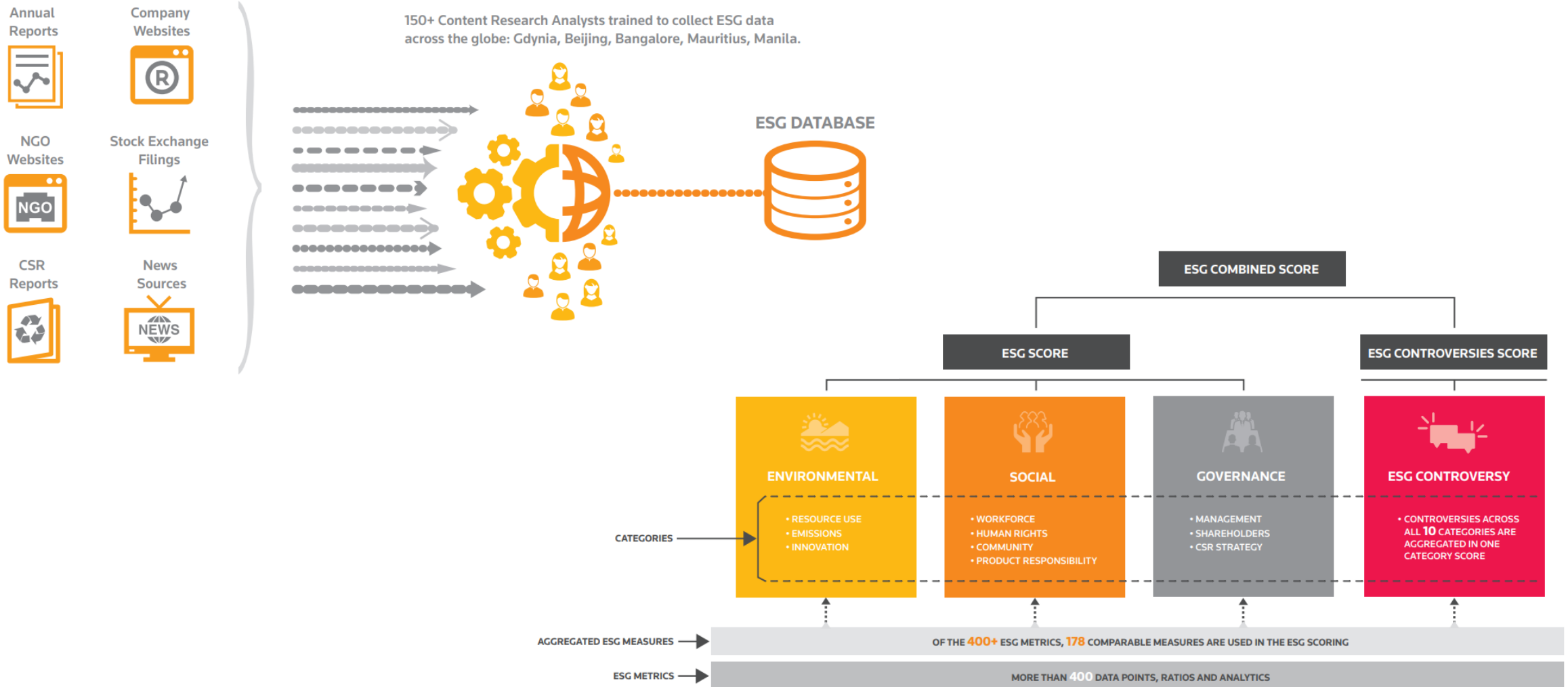
## Challenges for ESG data

- Point-in-time
- Backward looking
- No way to trade on ESG performance in isolation from financial materiality

# Size and Growth of Sustainable Finance



# Creating ESG Ratings and Deficiencies



# Concept



Creating a prediction market platform for existing ESG ratings



Allow for aggregation of ESG insights



Gamify ESG integration for financial analysts



Convert point-in-time, backward looking ESG ratings into forward looking and real-time ratings predictions

Aviva

Resolution Time:  
31 Aug 2019 at 20:00 EST

Make trades and predict the Environmental, Social and Governance scores for Aviva.

Oracle  
Sustainalytics <https://finance.yahoo.com/quote/AV.L/sustainability>

Make Trades

My Trades

Environmental	78	current rating	51	predicted rating	Environmental
Social	77	current rating	51	predicted rating	Select "Social" rating
Governance	85	current rating	51	predicted rating	Select "Governance" rating

Do you think the Environmental rating for AV.L will be higher or lower than 51 on 31 Aug 2019 at 20:00 EST?

Lower Higher

<p>Environmental</p> <p>One Week % Change: 0%</p> <p>Trading Volume: 0</p>	<p>Social</p> <p>One Week % Change: 0%</p> <p>Trading Volume: 0</p>	<p>Governance</p> <p>One Week % Change: 0%</p> <p>Trading Volume: 0</p>
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2

All Trades

1

Environmental Score Trades

1

Social Score Trades

0

Governance Score Trades



You voted for 3M Company on 27 June 2019 9:45 EST

Sell Trade

Chosen Rating:

Trade Amount & Type

Current Worth

Social

424.468 ESGx | Higher

424.468 ESGx



You voted for Barratt Developments on 27 June 2019 9:15 EST

Sell Trade

Chosen Rating:

Trade Amount & Type

Current Worth

Environmental

51.385 ESGx | Higher

51.558 ESGx

# Team

TEAM MEMBER

ROLE

**Michael Torrance**

Founder

**Marc Lijour**

Chief Technology Officer

**Micah Dameron**

Developer

**Tian Zhao**

UX/UI Designer

**Zilan Ouyang**

Back-end Developer

**Rafael Mariscal**

Front-end Developer

# Facilitators and Partnerships



## **UK Financial Conduct Authority**

Green Fintech Challenge

Sustainability.Exchange one of nine global projects accepted

Will allow for real money prediction market in the UK, with support from regulator



## **Fintech Sandbox**

Support for the establishment of data partnerships with ESG ratings providers  
Refinitiv & Morningstar (Sustainalytics)



# Model



**Analytics and Data:** The data and analytics produced by market activity will enhance existing ESG ratings, to support ESG integration of financial institutions, asset managers and owners. Providing a unique source of real-time and forward looking signals on ESG performance not otherwise available.



**Trading Activity:** Opportunity for platform to evolve into a true futures market for ESG. Condition access to data on trading activity, to increase market activity.

# Funding



Markets would be funded by Sustainability.Exchange, funding designed to provide liquidity and incentivize activity to develop monetized data streams



Use of unique token, value could be pegged to stablecoin to minimize funding at risk or be a “points” based gamified system

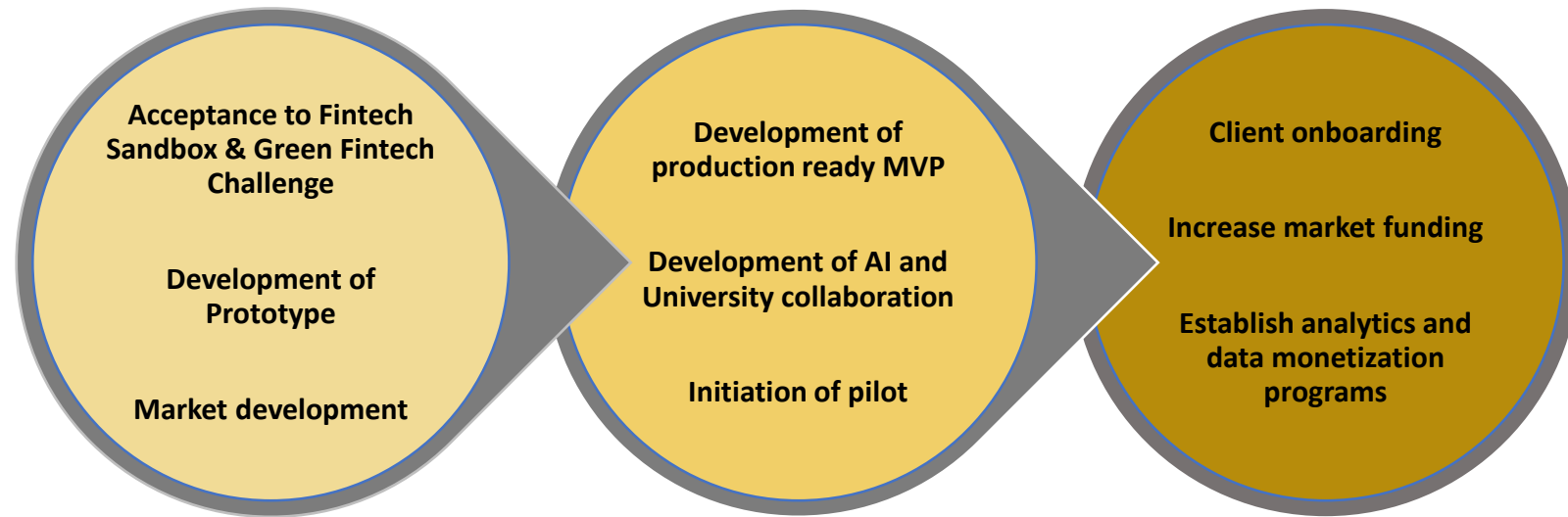


Could also incentivize profit seeking trading on platform, at least in UK with FCA support (TBD US and Canada)



AI players being developed with University partner to generate automated market participation

# Roadmap



# How to Participate



Expressions of interest from several financial institutions, asset owners and asset managers in Canada, the US and Europe



Seeking student teams from various institutions to compete in an Experiential Learning ESG Analyst simulation



AI participants would allow for data generation without human investors



Platform operates like a futures market for ESG - DEMO