Case Study: The Intention Gap – Can "FinGreen" Bridge the Divide Between Investor Values and Biodiversity Action?

Relevant disciplines: Wealth Management, Financial Institutions and Markets, Portfolio Theory and Management

Level: Postgraduate

Time allotment: 60-minute session

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1. Introduction

1.1. Learning Objectives

Upon completion of this case study, you will be able to:

- **Diagnose barriers to sustainable behaviour** by distinguishing between behavioural biases (e.g., status quo bias, present bias), information asymmetries, and structural constraints that drive the intention-action gap in individual impact investing.
- **Evaluate behavioural and technological solutions** by critically assessing the effectiveness, risks, and ethical implications of tools such as default opt-ins, algorithmic fiduciaries, and simplified sustainability labels.
- **Analyse the role of intermediaries** in interpreting client sustainability preferences, comparing the capabilities and limitations of a human advisor versus an algorithm in fulfilling fiduciary duties under evolving regulatory standards.
- **Map the regulatory landscape** for sustainable fintech by identifying how frameworks like the EU Taxonomy, MiFID II, and green bond standards create both tailwinds and potential barriers for nature-focused investment platforms.
- **Formulate a go-to-market strategy** for a mission-driven startup, addressing venture capital concerns around scientific credibility, customer acquisition, monetisation, and compliance with financial regulations.
- **Design persuasive policy interventions** by drafting an evidence-based memo for a financial regulator that proposes specific changes to pension defaults, fiduciary guidance, or product labelling to better align retail capital with biodiversity goals.

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- **Synthesize interdisciplinary insights** by integrating concepts from behavioural economics, ecology, financial regulation, and business strategy to propose coherent solutions for mobilising private capital for nature at scale.

2. Case Narrative

Setting: London, United Kingdom. October 2024.

Protagonists: Sarah Chen, CEO of FinGreen, a fledgling digital investment platform; and Michael Edwards, a potential investor.

2.1. Case Synopsis

Case Synopsis: Sarah Chen, a former asset manager and behavioural economist, is pitching her new startup, FinGreen, to a room of venture capitalists. FinGreen's mission is to become the leading digital platform that empowers individual investors to align their portfolios directly with biodiversity conservation goals. The platform promises to use cutting-edge technology, behavioural nudges, and verified biodiversity data to close the well-documented "intention-action gap" in sustainable investing.

Later that day, Michael Edwards, a 42-year-old marketing director, is reviewing his pension statement. He is increasingly concerned about climate change and biodiversity loss. He wants his investments to reflect his values but feels overwhelmed by the complexity of ESG funds, confused by terms like "SFDR" and "Article 9, " and skeptical of greenwashing. He has just read an article about FinGreen and is intrigued.

This case explores the complex interplay of behavioural biases, information asymmetries, and structural barriers that prevent individual investors like Michael from acting on their sustainable preferences, and evaluates whether a solution like FinGreen can effectively overcome them.

Excerpt from Sarah Chen's Pitch Deck: " The data is clear. Over 70% of individual investors say they care about sustainability, yet less than 10% have any measurable allocation to impact investments. For biodiversity specifically, it's virtually zero. This isn't a values problem—it's a *system* problem.

Current tools fail investors. Default pension options are rarely green. Financial advisors aren't trained on biodiversity metrics. ESG labels are opaque and focus on risk, not impact. We are drowning in data but starved for wisdom.

FinGreen solves this. We use a three-pillar approach:

1. Behavioural Design: Default opt-ins to our 'Nature Core' portfolio, commitment devices, and clear visualisations of personal impact.
2. Fiduciary Clarity: Our algorithm acts as a fiduciary, legally bound to incorporate the user's stated sustainability preferences, going beyond mere risk-return questions.
3. Verified Nature-Labels: We have partnered with ecologists at the UNEP-WCMC to create the 'BioImpact Score' —a simple, A-E rating for every fund and stock on our platform, translating complex ecological data into an intuitive grade.

We are not just another robo-advisor. We are a behavioural intervention designed to mobilise private capital for nature at scale. "

Excerpt from Michael's Internal Monologue: "My pension is just... somewhere. I ticked a box years ago. I assume it's in a 'balanced' fund. I'd rather it helped protect rainforests than fund oil pipelines, but how would I even know? I looked at some 'green' funds, but the fact sheets are incomprehensible. Is 'low carbon' the same as 'good for nature'? This FinGreen thing sounds good, but is it legit? Can I trust their score? And what about my returns? I can't afford to sacrifice my family's future for a feel-good factor. Maybe I should just stick with what I have... "

3. The Case Task

3.1. Case Analysis & Discussion Questions

1. **Diagnosing the Gap:** Based on the review paper and the case excerpts, categorize the specific barriers preventing Michael from investing sustainably. Which are behavioural biases (e.g., status quo bias), which are information asymmetries, and which are structural constraints (e.g., pension system design)?
2. **Evaluating the Solution:** Critically assess each of FinGreen's three pillars. How effectively might each one address the barriers you identified in Question 1? What are the potential weaknesses or risks of each approach (e.g., regulatory challenges, scalability of the BioImpact Score, investor backlash against defaults)?
3. **The Role of Intermediaries:** The review paper highlights the critical role of financial advisors and fiduciaries. Is an algorithm a sufficient replacement for a human advisor in interpreting complex sustainability preferences? What ethical dilemmas arise when an algorithm acts as a fiduciary?
4. **Market and Policy Environment:** What broader regulatory trends (e.g., EU Taxonomy, MiFID II) create a tailwind for FinGreen? What regulatory hurdles might it face? Should governments mandate a "nature-default" for pension schemes, as suggested in the review?

3.2. Group Work Assignment (To be prepared for class discussion)

Title: The FinGreen Strategy Simulation

Task: Your group represents the strategy team at FinGreen. You have 90 minutes to prepare a 10-minute pitch for the venture capitalists, expanding on Sarah Chen's initial presentation.

Your pitch must address the following VC concerns head-on:

1. **Scalability & Credibility:** How will you ensure the "BioImpact Score" is both scientifically rigorous and scalable across thousands of global equities? Who verifies it to prevent accusations of greenwashing?
2. **Customer Acquisition:** How will you overcome the immense inertia and status quo bias of investors like Michael? Propose one specific behavioural nudge (beyond the default) you will implement on the platform.
3. **Monetization & Competition:** How will you compete with large, established robo-advisors (e.g., Betterment, Wealthfront) who are now adding ESG options? What is your viable business model?
4. **Regulatory Risk:** How do you ensure your "algorithmic fiduciary" model complies with evolving regulations like MiFID II? What is your biggest regulatory threat?

Format: Prepare 3-4 slides that visually represent your key answers to these questions. Be prepared to defend your strategy in a Q&A session.

3.3. Individual Written Assignment (Take-home exam format)

Title: Policy Memo: Mobilising Capital for Nature

Audience: The Head of the UK's Financial Conduct Authority (FCA).

Task: Based on the evidence presented in the review paper and the FinGreen case study, write a concise 1000-word policy memo.

Topic: "Recommendations for Regulating the Individual Investment Market to Better Align with Global Biodiversity Goals. "

Your memo should:

1. **Briefly summarize the problem:** The intention-action gap and the specific lack of focus on biodiversity.
2. **Analyze the root causes:** Draw explicitly from the review to discuss the roles of behavioural biases, information asymmetries, and structural constraints.
3. **Propose 2-3 specific, evidence-based regulatory interventions.** These could relate to:
    a. Behavioural Nudges: (e.g., mandating nature-related default options in pension auto-enrolment schemes).
    b. Fiduciary Duty: (e.g., strengthening requirements for advisors to query and document biodiversity-specific preferences).
    c. Product Labelling & Disclosure: (e.g., creating a standardized, mandatory biodiversity impact label for retail financial products).
4. **Anticipate and address one major counter-argument to your proposals** (e.g., concerns about limiting investor choice, imposing costs on industry, or the challenge of measuring biodiversity impact).
5. **Conclude** with a compelling argument for why these actions are urgent and necessary.

Goal: Persuade a time-pressed regulator that this is a critical issue requiring a proactive policy response. Use clear, professional language and structure your argument logically.

4. Instructor's Guide & Debriefing Points

4.1. Expected Outcomes:

1. Barrier Categorisation (Diagnosing the Gap)

- **Behavioural biases:** Michael exhibits classic *status quo bias* ("I ticked a box years ago"), *choice overload* and *ambiguity aversion* ("incomprehensible" fact sheets), and *loss aversion* regarding financial returns ("I can't afford to sacrifice my family's future").
- **Information asymmetries:** He cannot observe the true biodiversity impact of his pension fund (hidden holdings), cannot interpret ESG labels or SFDR categories, and cannot distinguish "low carbon" from "nature-positive".
- **Structural constraints:** The UK auto-enrolment default is rarely a nature-aware fund; financial advisors lack biodiversity training; product disclosures are designed for risk, not ecological impact.

2. FinGreen's Three-Pillar Evaluation (Evaluating the Solution)

- *Behavioural Design:* The "Nature Core" default directly overcomes status quo bias and leverages inertia positively. Commitment devices and vivid impact visualisations make future natural capital gains tangible.
- *Risks:* Potential backlash if defaults are perceived as paternalistic or if returns underperform relative to conventional benchmarks in the short term.
- *Fiduciary Clarity:* The algorithmic fiduciary closes the preference-expression gap, ensuring Michael's biodiversity wishes are legally embedded, not ignored.
- *Risks:* Translating vague sentiments into optimisable portfolio constraints is technically and ethically fraught. The algorithm may lack the nuance to handle trade-offs (e.g., a company with high biodiversity impact but poor human rights record).
- *Verified Nature-Labels:* The A-E "BioImpact Score" solves information asymmetry with a simple heuristic, reducing greenwashing fears if independently verified by a trusted body (UNEP-WCMC).
- *Risks:* Scalability is difficult—robust ecological data is patchy across global equities. Any mis-scored asset invites media and regulatory accusations of greenwashing that could destroy credibility overnight.

3. The Algorithm as Fiduciary (Role of Intermediaries)

- An algorithm is *partially* a sufficient replacement: it can process more data consistently and avoid human cognitive biases. However, it cannot elicit nuanced, evolving values the way a human conversation can.
- *Ethical dilemmas:* How does the algorithm adjudicate between Michael's stated biodiversity preference and his unstated desire for maximum returns? Can an algorithm genuinely "know your client" under MiFID II when sustainability preferences are inherently non-financial and subjective? The risk is creating an "ethics-by-tick-box" regime that merely simulates fiduciary care.

4. Regulatory Tailwinds and Headwinds (Market and Policy Environment)

- *Tailwinds:* The EU Taxonomy's "do no significant harm" principle, SFDR Level 2 disclosures, and MiFID II sustainability preference amendments all force advisors and products to consider factors beyond carbon, creating a natural opening for biodiversity-specific offerings like FinGreen.
- *Hurdles:* FinGreen's "BioImpact Score" is not a regulated label; it could be challenged for causing letter-grade confusion alongside existing ESG ratings. Its algorithmic fiduciary model must demonstrate how it systematically incorporates a client's biodiversity preference as a "sustainability preference" under MiFID II suitability rules.
- *Government mandate for "nature-default":* The case's review paper suggests this is the single most powerful structural lever, directly copying the success of auto-enrolment. Debrief should surface the political feasibility question: is measuring biodiversity sound enough to underpin a mandatory default, or would this provoke industry and fiduciary pushback?

5. Strategy Simulation Core Takeaway (Group Work Debrief)

- The winning pitches will recognise that FinGreen's moat is not technology, but *trust*. The "BioImpact Score" must be positioned as audited, peer-reviewed, and co-branded with an independent science partner, not just proprietary IP.
- The strongest customer acquisition nudge beyond the default will be a "future self" visualisation (e.g., showing Michael the projected number of hectares of habitat his portfolio could help protect by retirement), directly combating present bias.
- The business model cannot rely solely on AUM fees; partnering with nature-credit registries or offering a B2B "sustainability preference engine" to existing advisors may be a more viable path.

6. Policy Memo Core Argument (Individual Assignment Debrief)

- A strong memo will argue for a "nature-aware" default in auto-enrolment, a mandatory biodiversity label using a double-materiality lens, and a strengthened fiduciary duty to formally *document* the client's biodiversity preference during onboarding.
- The most persuasive counter-argument rebuttal will acknowledge implementation cost but reframe it: the *cost of inaction*—misallocated capital accelerating natural capital depletion—poses a far greater systemic risk to long-term portfolio returns than the near-term burden of disclosure.

4.2. Key Debriefing Themes:

Theme 1: Deconstructing the Intention-Action Gap

Exploring why investors like Michael do not invest sustainably.

Guide students to move beyond simplistic "lack of information" explanations and instead map Michael's inaction onto three distinct, interacting layers: cognitive biases (status quo, loss aversion, choice overload),

information asymmetries (opaque labels, hidden holdings), and structural defaults (pension auto-enrolment design). The core insight: no single intervention will work unless it addresses all three layers simultaneously.

Theme 2: Trust, Not Just Technology

Assessing whether FinGreen's three pillars can credibly overcome the diagnosed barriers.

Prompt students to evaluate the solution not only for behavioural effectiveness but also for credibility and scalability risks. The central tension to unpack: FinGreen's value proposition hinges on radical simplification of complex biodiversity data into an intuitive A-E score, yet its scientific legitimacy and regulatory defensibility depend on precisely the complexity it abstracts away. This theme forces students to grapple with the trade-off between user-friendly design and analytical rigour.

Theme 3: The Algorithm as Fiduciary — Promise and Peril

Examining the ethical and regulatory frontier of automated sustainability advice.

Push discussion beyond a binary "can an algorithm replace a human?" debate. Instead, focus on what changes when sustainability preferences—which are qualitative, evolving, and ethically charged—are translated into an optimisable portfolio constraint. Key dilemmas: Can an algorithm truly elicit a client's nature-related values under MiFID II? What happens when biodiversity goals conflict with financial return expectations? And does automating ethics risk reducing fiduciary duty to a "tick-box" exercise? This theme directly connects to the policy memo's regulatory reform proposals.

4.3. Conclusion:

The FinGreen case crystallises a defining challenge of our time: billions of pounds of retail capital sit inert in default pension funds, while the ecosystems upon which long-term portfolio returns depend continue to degrade. Michael Edwards is not a disengaged or anti-sustainability investor; he is a rational actor caught in a system designed for a different era—one where sustainability preferences were never expected, measured, or acted upon.

The case reveals that closing the biodiversity finance gap requires more than better data. It demands a deliberate fusion of behavioural design, regulatory reform, and credible scientific infrastructure. FinGreen's three-pillar model—a nature-aligned default, an algorithmic fiduciary, and an independent ecological rating—represents a provocative attempt to bridge these domains. Yet its success remains contingent on factors beyond any startup's control: the willingness of regulators to mandate nature-aware defaults, the ability of ecologists to build scalable verification systems, and the evolution of fiduciary law to treat nature-related preferences as material client instructions, not optional afterthoughts.

For students and practitioners alike, the enduring question is not whether technology can mobilise capital for nature, but whether the institutional and regulatory ecosystem will evolve quickly enough for solutions like FinGreen to thrive—before the natural capital they seek to protect is irretrievably lost.

Disclaimer: This case study is based on a synthesized review of academic literature and is intended for educational purposes only. FinGreen is a fictional entity created for this case.

Review paper: Clohessy, Grigoriadis, O'Brien & Garvey 2026 Individuals and Nature-Conscious Investment: A Systematic Review and Future Research Agenda. Social Sciences and Humanities Open.

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