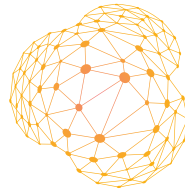


ELEVANDI



**POINT
ZERO
FORUM**
Leaders | Founders | Investors

**21-23
JUN
2022**
Zurich, Switzerland

Setting the Stage for Thought Leadership: Web3 and Sustainability

What have we learnt?

Rafat Kapadia,
Head of Investments, Elevandi
July 2022

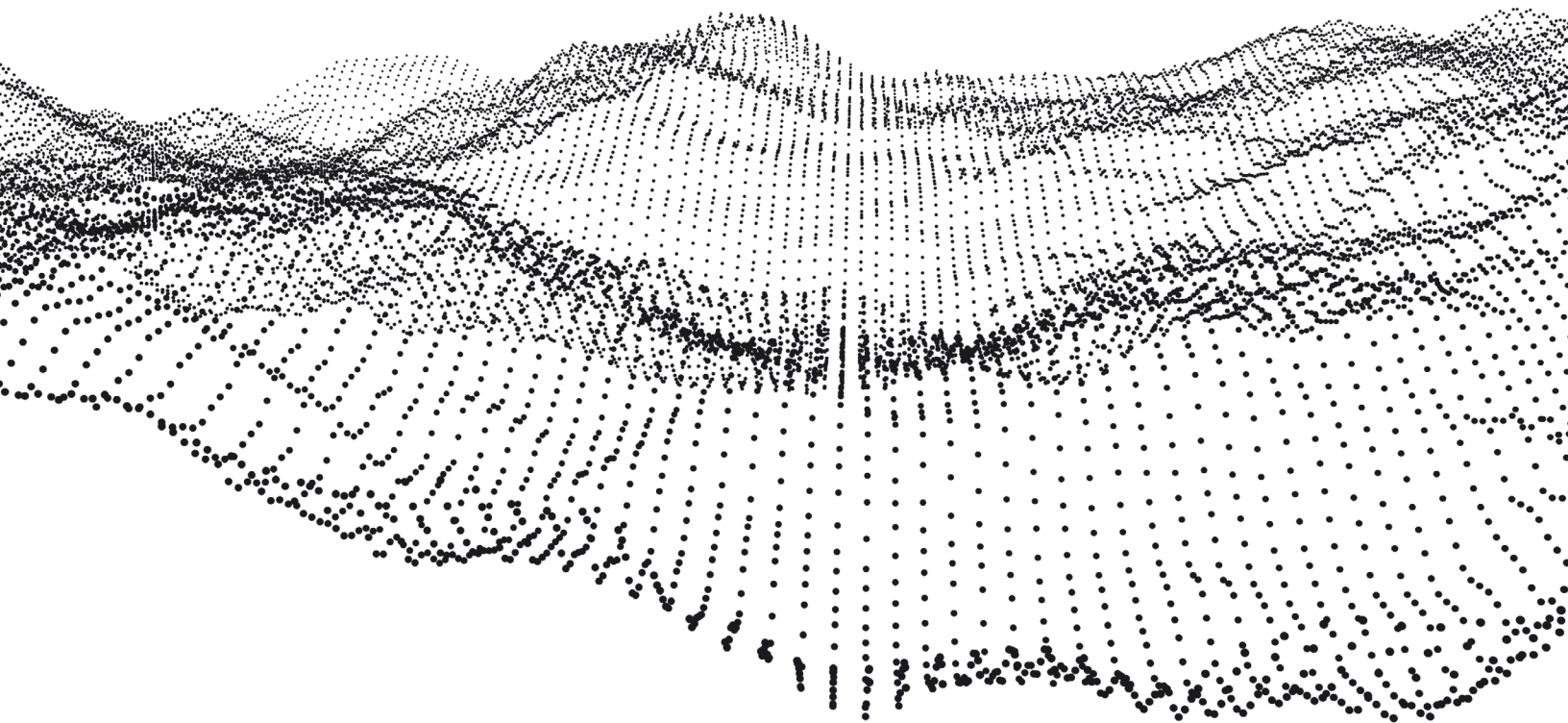


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Introduction

Point Zero Forum (“PZF”) was conceptualised during the visit of the Head of the Federal Department of Finance, Ueli Maurer, to the Singapore FinTech Festival (“SFF”), 2021. The idea behind the Forum was to create a stakeholder engagement platform with select policymakers, entrepreneurs and influencers in the financial services for a deep-dive review on topics significantly impacting the Digital Financial Services ecosystem. The inaugural edition brought together the stakeholders to discuss the two most pressing topics in the future of financial services:

- Web3 technology and its ability to transform financial services; and
- Sustainability and the path forward as we confront one of the biggest global challenges we currently face- climate change.

The Forum attracted close to 100 regulators, 250+ CEOs and founders, 120+ investors, and 500+ CXOs, including Singapore’s Deputy Prime Minister Heng Swee Keat; Switzerland’s Federal Councillor, and Head of the Federal Department of Finance Ueli Maurer; and Singapore’s Minister of State Alvin Tan.

The Forum kicked off with an Investor Summit - a gathering of Asian and European investors and regulators - to discuss the use of capital to shape the future of Web3.





There was consensus and excitement about the size of the opportunity. However, there was also recognition that frameworks were still being developed to evaluate the new technology, as well as some of the investing instruments (e.g. tokens vs equity). The Summit served as an appropriate kick-off for the series of conversations that followed over the next two days - Day 1 on Web3 and Day 2 on Sustainability.

Day 1 was a mosaic of sessions focused on highlighting not only the immense potential of Web3 but also the ensuing challenges that are top of mind for regulators, policymakers, founders and business operators. The day kicked off with an open discussion on the product roadmap for Web3 and was followed by conversations on:

- building institutional-grade digital infrastructure;
- ensuring crypto exchange credibility and liquidity;
- creating robust compliance and risk management frameworks to combat financial crime and market manipulation; and
- utility and continued relevance of instruments such as stablecoins

The regulatory and investor perspective was threaded through the narrative of these discussions but was also brought to the front and centre via a session focused on their views. Often, a lot can be said by excluding specific topics - there was little to no discussion on crypto-currencies at the Forum. Instead, the discussion focused on the technology use cases - something that was top of mind for the regulators and policymakers in the audience.

Day 2 kicked off with a clarion call on the impact of climate change and the urgent need for the political, financial and technology communities to collaborate on solving this crisis. This was followed by discussions on how various stakeholders could collaborate on:

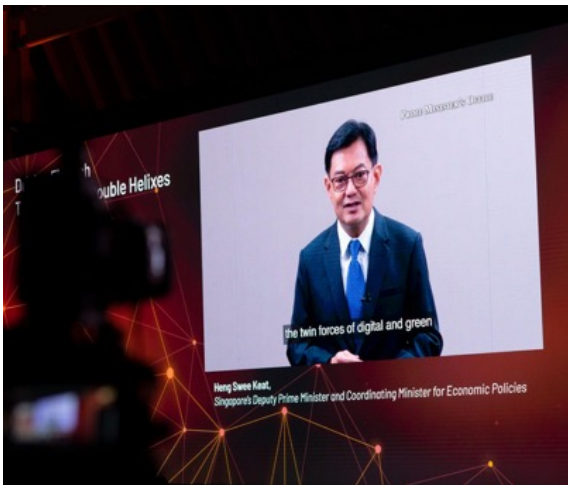
- Deploying capital and innovative finance
- Solving the data challenges that are critical in achieving the transition
- Utilising technology, including Web3

The plenary sessions were supplemented by small roundtable discussions where participants had a detailed discussion on key challenges and corresponding solutions.

Web3

“A new wave of technologies is emerging in the form of Web3... **These technologies are not as well understood or defined, but they could potentially be game-changing**”. - DPM Heng (Singapore)

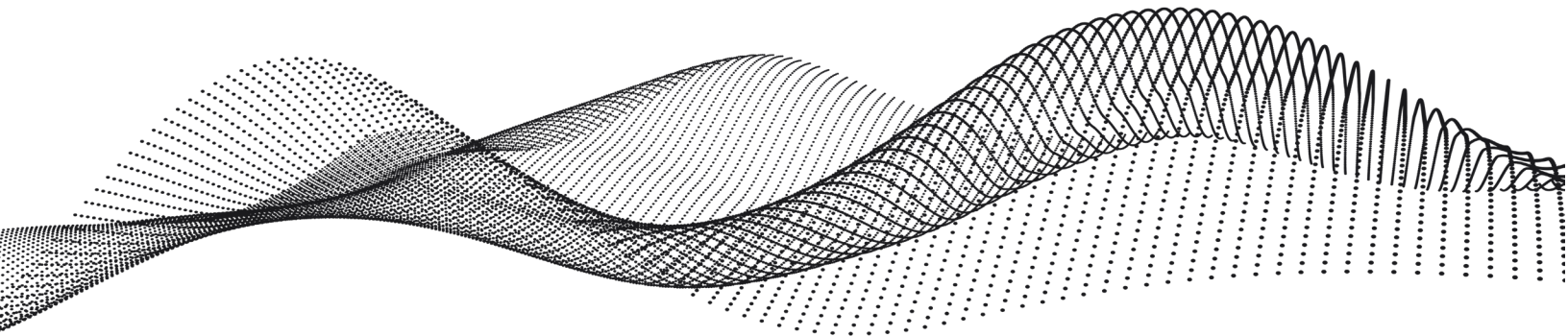
“We as **policymakers need to understand new ideas and stay close to the innovative players** shaping the future in the financial sector.” - FC Maurer (Switzerland)



While there is no denying that there are headwinds ahead for Web3 due to market uncertainty and heightened regulatory scrutiny, the Point Zero Forum highlighted its immense potential to transform financial services. The current use-cases within the financial services - trading, custody, and tokenization, to name but a few - are fast maturing and, in some instances, providing services similar to institutional-grade traditional finance.

There was an acknowledgement that there are gaps - regulation and education are required to protect clients (retail and institutional), and the technology needs to mature to provide the infrastructure that can cater to institutional demands.

However, there was tremendous positivity and excitement about what the future holds for the industry and a commitment among the various stakeholders to work together to shape its future.



Challenging Macro Environment

There is no escaping from these challenging market conditions - public and private markets are down, and persistent inflationary pressure exists globally. How can central bankers address these challenges with monetary policy? What role can technology play in a new future?

The S&P 500 is down 18.6% YTD, and the drop in public markets has been mirrored in the private market as valuations of digital-native companies fall¹. There has been a paradigm shift - central banks have moved from managing "circular forces keeping inflation down"² pre-pandemic to forcefully raising interest-rates to combat sustained high inflation. As Carstens (BIS) highlighted "there is a debate about how to deal with transitory shocks, about which shocks are transitory, and which ones are persistent. There are now concerns that inflation is too high, and that without forceful monetary policy action, hyperinflation might become a reality."



While central bankers are pursuing active monetary policies to combat inflation and mitigate the price/wage spiral, there was acknowledgement by Menon (MAS) that **while inflation can be reduced, it will stay at higher levels than before.**

Given the limitations of monetary policy, regulators and central bank governors are looking to technology (including Web3) to alleviate the impact of high-inflation. To quote Menon **"one of the forces that can help moderate that is technology...by reduc(ing) cost, increas(ing) efficiencies and increas(ing) business processes"**

The Point Zero Forum therefore had "immaculate timing in the midst of a bloodbath"³ - it brought together global leaders, founders, and investors to discuss one of the most pressing issues in the future of financial services - Web3.



¹Klarna, a leading BNPL player, has seen its valuation drop from US\$46.1bn to just \$5.9bn (pre-money). <https://www.ft.com/content/3e3df9c7-9002-469a-91d0-b0e09e4e9758>

²Carstens (BIS)

³Ravi Menon (MAS)

This is not the end of the world for Web3

Crypto crashes have dominated the headlines both pre- and post- the Point Zero Forum. The collapse of the once \$18 billion algorithmic stablecoin⁴ UST in May sent shock waves through the industry. Since then, hedge fund Three Arrows Capital has declared bankruptcy and crypto lender

Celsius Network froze withdrawals⁵. Naturally, some are questioning the ability of this new technology to survive. Will Web3 survive? What is the applicability of this new technology - not just to financial services but to other use cases? And finally, are these crashes “normal and expected”?

The resounding answer - from policy-makers, regulators, founders and investors present at the Point Zero Forum - was that **Web3 is here to stay, and the current conditions are not unexpected in the maturity journey of new technology.**

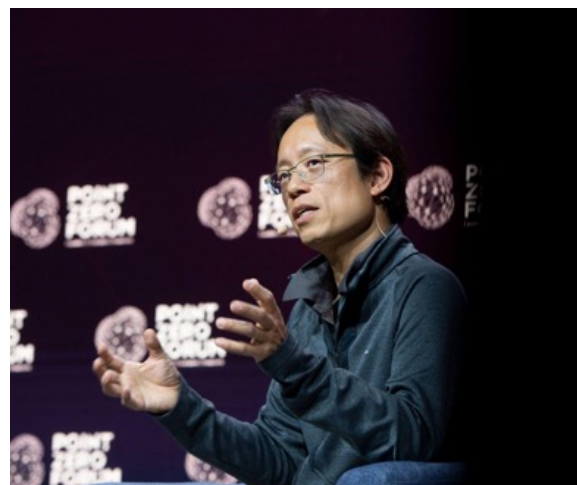
“Now, we could say that **Luna is the failure of DeFi, I would argue slightly differently, I would say that Luna is the failure of innovation, and (with) innovation, you should expect there is some amount of failure**” - Treccani (Metaco)



The fundamental shift from Web2 to Web3 is about **open data, transparency and digital property rights - i.e. giving data-owners the ability to own and monetise their data.** This shift is transformative, and the use cases are not limited to financial services but can transform industries from gaming to art.

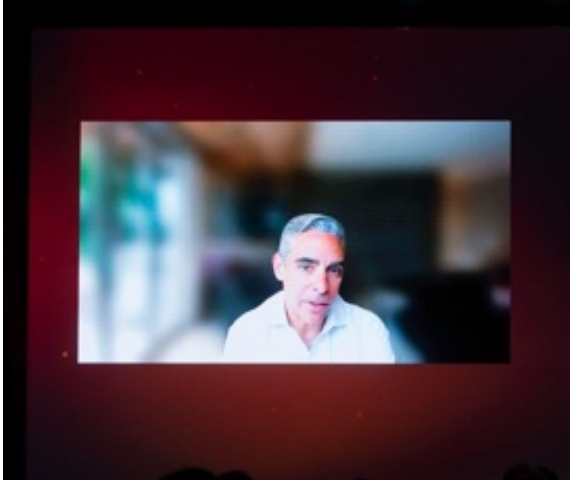
As Yat Siu (Animoca Brands) said, “everyone who uses Facebook today, we work for them... we describe the world we live in today as digital colonialism. If you think about property rights as a basis ... this is why **NFTs are important...they represent true digital ownership**”

The current crypto crash is not dissimilar to what has been seen in previous market crashes, where rallies are driven by speculation and/or leverage course-corrected. Neither is increased regulation unexpected.



⁴<https://www.coindesk.com/learn/the-fall-of-terra-a-timeline-of-the-meteoric-rise-and-crash-of-ust-and-luna/>

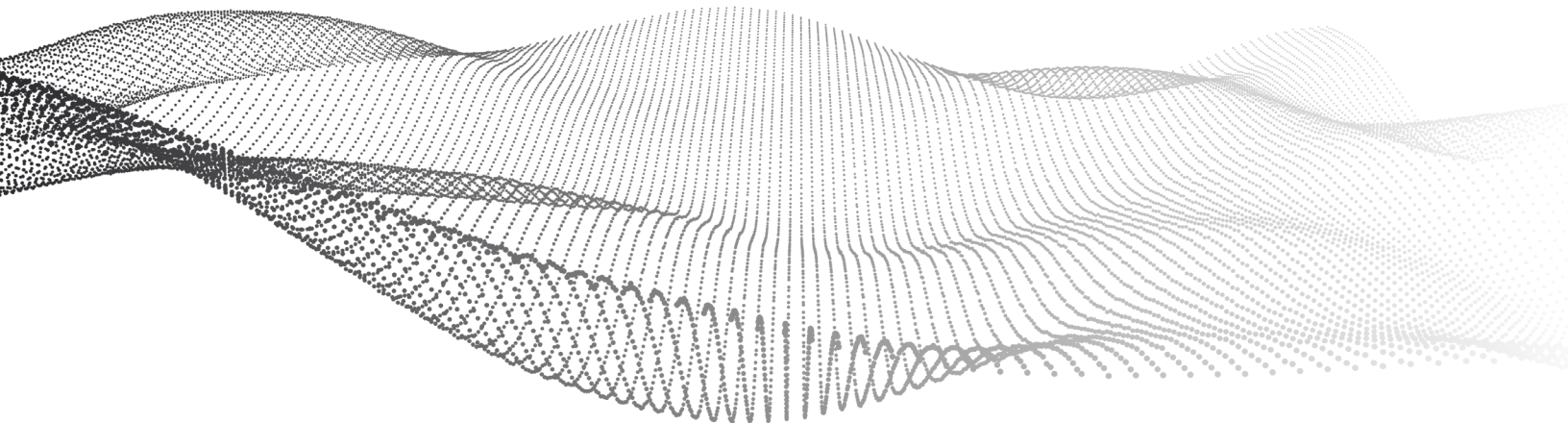
⁵<https://www.coindesk.com/business/2022/06/20/celsius-network-pauses-amas-with-customers-left-in-the-dark-over-withdrawals/>



Jon Cunliffe, a deputy governor at the Bank of England, likened the market crash to the dot com bubble, where excessive speculation led to U.S. tech stock valuations ballooning in the 1990s before the bubble burst in 2000. "A lot of companies went, but the technology didn't go away, and it came back 10 years later," Cunliffe said, pointing to survivors such as Amazon. **"So whatever happens over the next few months to crypto-assets that people trade, I expect crypto technology and finance to continue."**⁶



David Marcus (Lightspark) echoed similar sentiments – "we've seen this with the nascent technologies many, many times before, it **starts in a pretty open and unregulated way, then regulation steps in, and we can then do responsible innovation.**"



⁶<https://fortune.com/2022/06/27/crypto-winter-possible-silver-lining-dotcom-bubble-point-zero-forum/>

(Surprising) consensus on the opportunity presented by “crypto-winter”

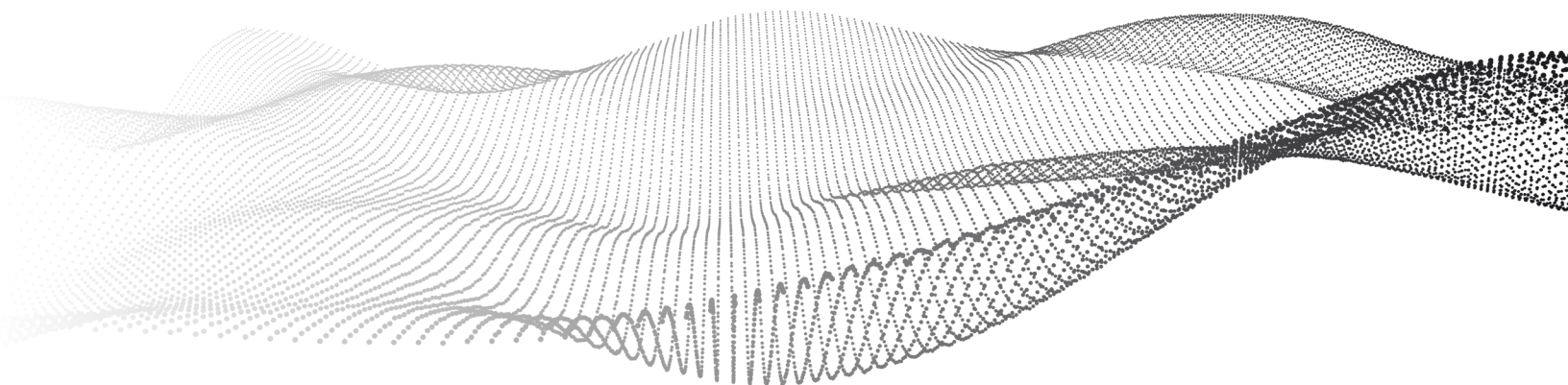
Where do we go from here? Are the key stakeholders - regulators and operators - aligned on what comes next for this industry? How can a stronger and healthier ecosystem be built?

Regulators and crypto-leaders - two groups that typically do not have much in common - agreed that the **current market conditions represented a welcome opportunity to**

- **create businesses focused on utility in the real economy vs. speculation;**
- **weed out bad actors; and**
- **focus on building unit economics vs. growth via fundraising**

Per Menon (MAS) - “it is a great opportunity to separate the wheat from the chaff. There has been a bit too much speculative frenzy - if you think about what blockchain, asset tokenization, smart contracts can do by creating economic value, enhancing financial inclusion, transforming business processes, making lending, payments and so on easier and faster”

Importantly, crypto-leaders repeated the same narrative, and as an example, questioned the business model of many tokens. “The vast majority of tokens will go away over a period of time because they have no utility. Dogecoin is a clear example of it. **It was never designed with utility in mind**, the founders have left the project, and the coin price moves based on the tweets of Elon Musk. **I don’t think that’s very healthy for the crypto market.**” - Garlinghouse (Ripple)





As the industry matures, there is a need to build business models based on utility in the real economy - "you actually need use-cases where people spend that coin, either for transaction fees on the network, paying for services, or buying NFTs, for example...it **comes down to very fundamental business models and building products that people want to use.**" - CZ (Binance)

It is important to note that crypto-currency is already solving real world problems - increased usage of crypto-currencies in developing countries has been tied to their respective fiat currency devaluation. "You do not have to explain the inherent value of cryptocurrency to anybody in Turkey or anybody in Argentina. They **feel the pain of a really high level of inflation, and they want to get access to a system that helps them preserve the value of their money**" - Marszalek (Crypto.com)



There was also acknowledgement that times when capital is not free-flowing, offer opportunities to focus on building businesses with strong unit economics and attract talent at reasonable compensation levels. "If you're only getting users because **you're using incentives to attract users, that's not a real business model.** Eventually you're going to run out of money and you will crash" - CZ (Binance)

In conclusion, there has been a sharp drop in crypto (and broader tech) market valuations, and it may be a few years before prices recover to their previous highs. However, this also represents an opportunity for good actors to build businesses with strong underlying economic fundamentals and those focused on providing utility to their consumers.

The regulatory conundrum:

How does one define boundaries and rules for a technology that was designed to be borderless and self-regulating? How will regulators make regulations for constructs that are not yet crystallised - e.g. the metaverse?

"(Many) misunderstandings that surround concepts of the metaverse... Many of us do understand it is probably immersive. It's probably 3D. It's probably going to be all encompassing... In some senses. It is here right now. And in some sense, it's not going to happen for a long time." - Poh (EDB)



Regulators broadly **acknowledged the potential of Web3 technology** to not only add efficiencies in financial services but also to tackle pressing humanitarian issues such as climate change.

They also urged caution and **highlighted key considerations:**

- **ensuring appropriate checks and balances are in place to protect both retail and institutional clients**
- **focusing on the use-cases of the technology vs. the technology itself**
- **calling for international cooperation to ensure global standards and interoperability**

While the investor mix for crypto-traders volume has shifted from retail to institutional, there is still a lot of retail capital involved in the industry - retail investors only accounted for a third of the crypto trading volume in 2021Q4, and the amount of retail capital traded in those three months exceeded USD300bn⁸. The spate of recent bankruptcies and collapses has impacted both institutional and retail investors, and while regulators are focused on providing safeguards for both, there is a particular concern for retail investors. Ultimately, there is an opportunity to leverage existing traditional finance safeguards for crypto operators on a like-for-like basis - a point echoed by multiple regulators.

⁷<https://fortune.com/2022/06/27/crypto-winter-possible-silver-lining-dotcom-bubble-point-zero-forum/>

⁸Coinbase



“What this means is that **companies have to follow financial principles**. Many of these bankruptcies have to do with them ignoring these principles. These are adequate capitalisation, adequate liquidity management, and adequate leverage management...A lot of cryptos have been evolving without regulation, and actually in a way to defy regulation. But **regulations exist because they are built on lessons from the past**” - Carstens (BIS)

“We should not be afraid of **stablecoins**, but we should **regulate them in a very similar way as we regulate banks**.” - Jordan (SNB)

“**If it talks like a duck and it walks like a duck, it is a duck**. And somehow...crypto assets have kind of... gotten away with murder with not being regulated in the way they should be regulated for certain things.” - Paredes (Suade Labs)

However, industry leaders, in particular CZ (Binance), highlighted that “regulations alone are

not the solution...**(education) is probably the best way to protect users in the long run.**”

As we have seen in financial services in the past, this construct is not new - retail investors have had to be educated (and re-educated) on well-established financial products such as credit cards or mortgages. The same needs to be done for Web3 - as an example, more can be done to ensure users (retail and institutional) fully understand various stablecoins, and their associated risks. **The key to moving forward is balanced regulation complemented by active education.**

A key imperative raised was to focus on the ultimate use-case of the technology - “Addressing all these issues, **one key thing to remember always is, what is the problem statement?** Yes, some technologies are really exciting and cool. But what does it do?... So we always start with a problem statement. What is the pain point?” - Menon (MAS)

Within financial services, Web3 could potentially transform sectors from trade finance, and cross-border settlements to lending by reducing costs, increasing efficiencies and improving business processes. From a regulatory (and industry) perspective, it is also worth considering whether **there are other (existing) technologies that can get us to the same end-point?** As an example, take cross-border payments - existing companies e.g. Wise have already introduced meaningful cost-saves for users. What are the incremental benefits of using Web3 technology for this particular problem statement? Another example is providing access to a broader base of investors to private investment vehicles (PE and VC) - in Singapore, ADDX is using tokenization to do so whereas iCapital is not.



“With the clear focus of the world on crypto right now, when you actually look at what’s happening in the financial services system. A lot of these changes are already happening with many of the digital platforms the way they work now.”
- Feagin (Ant Financial)

During the round-table discussions, regulators and policy-makers highlighted the **need for global cooperation within the regulatory community to create standards that are global in nature to address the borderless nature of the technology.** Furthermore, as DeFi evolves, industry participants and regulators noted the need to ensure:

- **continued collaboration between public and private sector** institutions and agility (including the willingness to pivot if needed);

- **Interoperability** (including common standards) between decentralised networks and between decentralised and centralised networks

Needless to say, regulators are not the only stakeholders in this ecosystem, and any **breakthrough innovation has the potential to not only solve existing problems but create opportunities that were previously unknown.** The same applies to Web 3 - forward-thinking regulators are cognizant of that and want to continue to support the innovation. From that perspective, industry leaders welcomed the Singapore and Switzerland approach of regulating via collaboration vs. enforcement.

“The US is not leading in terms of regulation. For years, Ripple has been asking for regulatory clarity from the US government. And then, the US took the step of saying that the Securities and Exchange Commission filed a lawsuit saying that we view XRP as a security. **Regulation through enforcement is a very, very ineffective way** to approach this. What we’ve seen in **Switzerland and in Singapore is a much more constructive partnership with the private sector**, and I think that is a model for many other countries.” - Garlinghouse (Ripple)

The asks from the industry are clear: (1) **clarity on the rules of the road** and (2) true **engagement and partnership between regulators and the industry** on clarifying the way forward.

Crypto-industry is maturing

Are crypto-currencies being used to fund illicit activity and financial crime? The percentage of institutional investors in crypto has increased over the past few years - what are the implications? As increasing numbers of traditional finance institutions enter Web3, how is the space evolving?

As crypto / Web3 technology has moved from the fringes to the mainstream over the past 7-8 years, there are some key themes that have manifested:

- **Reduction in illicit activities**
- **Greater institutional involvement and correspondingly, greater infrastructural requirements**
- **Greater partnerships with a variety of stakeholders including traditional finance institutions**

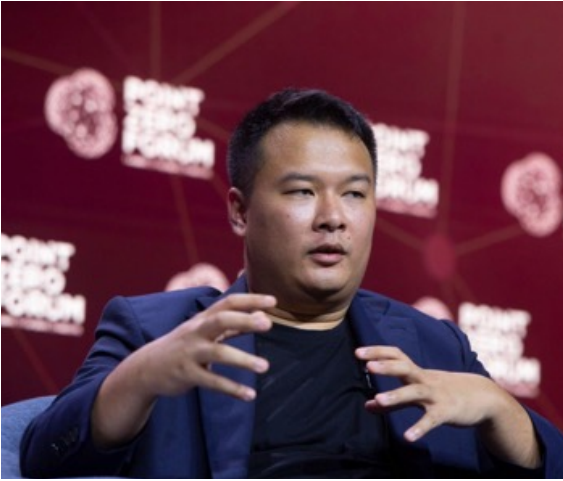
"We saw over the last seven years was **basically a dramatic drop in the percentage of crypto transactions being used for illicit activity**..when we looked at numbers dating back to 2013, it was double-digit percent that are being used for (illicit activity) ...Silk Road was probably the number one use case of crypto in 2013. A couple of years ago, we were down 2% of crypto being used for illicit activity. And then, when we published this year, **we were down to 20 basis points**" - Gronager (Chainalysis)

Some of the earliest-use cases of crypto were by criminals for money laundering. However, there has been a clear trend of reduction in these activities driven by both improvements in technology and greater focus by industry operators on key compliance issues.

It is worth noting that **recent high-profile scams and hacks have resulted in big losses and safeguards need to be put in place to protect users**. As an example, the Ronin / Axie Infinity hack alone resulted in USD600m stolen earlier this year.

Decentralised finance (DeFi) as a market opportunity is fast growing - crypto-trading alone is seeing significant institutional demand. As a consequence there has been greater demand for more "institutional infrastructure" that enables effective trading of large sums as well as more complex instruments e.g. spots and derivatives.





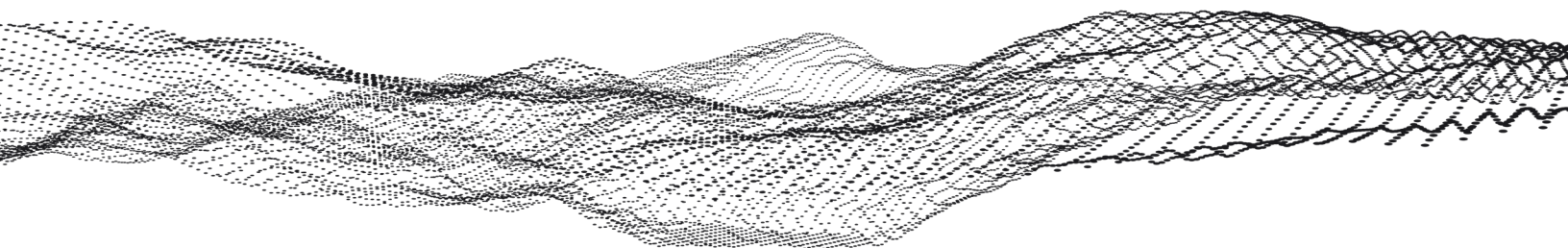
From a structural standpoint - credit trading during the crashes and bear-market has given comfort on the soundness of the exchanges. As per Sit (QCP Capital) - "this credit crisis was a positive one for trading. Credit had a lot of holes, and we've seen that, **but trading infrastructure remained very solid. Exchanges were running smoothly. Settlement was fine.**"



"The wild technology actually has always worked also in the last two, three months in terms of smart contracts, doing what they're supposed to do. But whenever there's players, for example, in the lending side of things, taking massive risks without taking into account some of the things that we actually know from traditional finance, it's probably good to have some capital requirements to have concentration, risk ratios, liquidity ratios to make sure that you're not squeezed out in a bank run type extreme situation. And that has not happened in industry. So I feel in summary, the infrastructure has made massive progress over the last four or five years since the last cycle." - Imbach (Sygnum)

Gaps still remain - as an example, price discovery for derivatives remains more challenging due to market fragmentation and multiple reference rates. **As the market matures**, there are going to be **similar asks from crypto as there have been from traditional finance - whether it is efficient price discovery, settlement finality or adequate liquidity and capital reserves.**

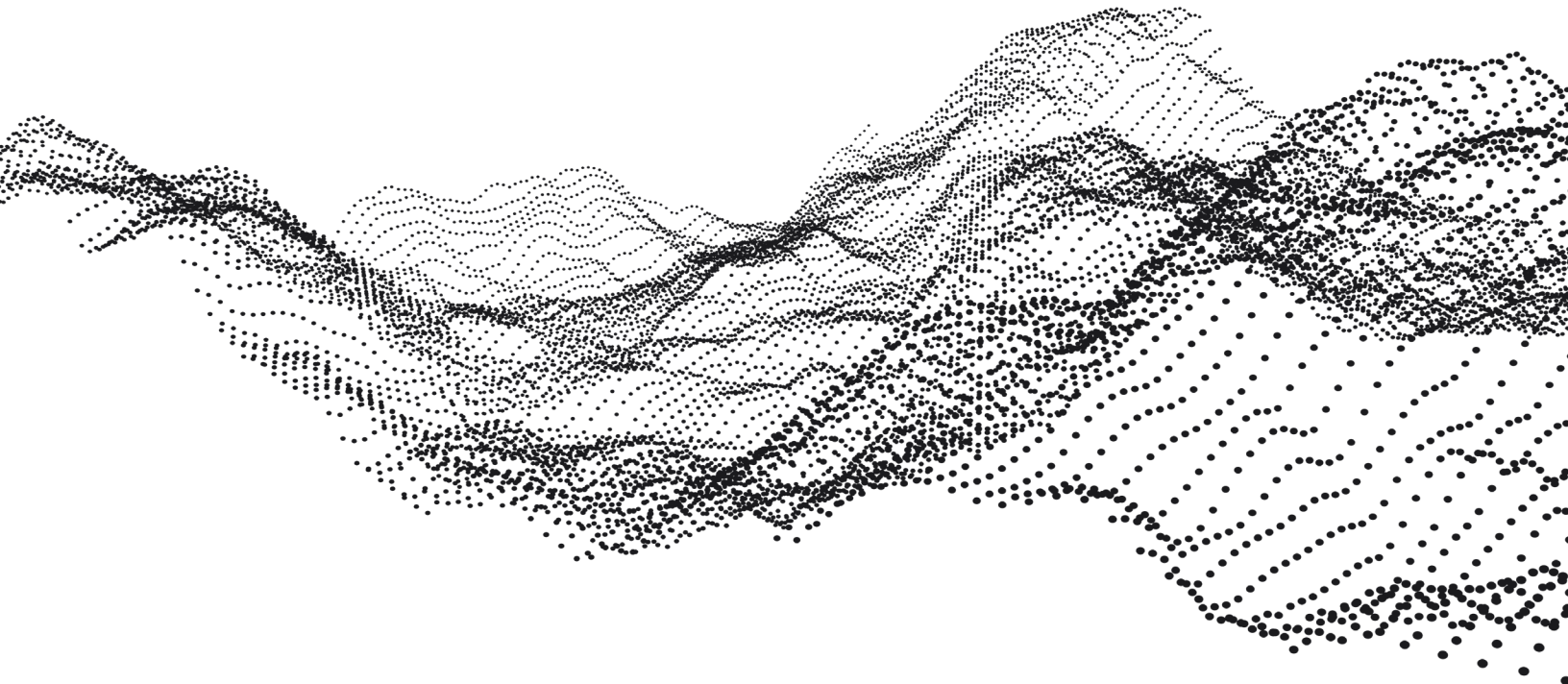
"Settlement finality, you need to know when you have bought something or paid for something at what point the transaction has happened. And if bankruptcy occurs on either side of that, you know where you are in the chain."
- Cunliffe (Bank of England)



As the market matures, leading traditional finance players are choosing to play active roles in the space. **“We’re excited about the use cases of blockchain and as an institution (DBS), we’ve decided to embrace it** and... just learn by doing, you know, whether it’s sandbox experimentation... a payments transaction, supply chain or proof of identity, etc.”
- Su Shan Tan (DBS)- Cunliffe (Bank of England)



“People (and professionals) from every age are increasingly used to the digital environment... What **digital brings is an experience that is personalised, relevant, seamless and real time.** And, that is what basically every business, not only banks or financial institutions, has to deliver because that’s the standard expectation at this moment in time. And **that is why digitization is important...that’s why Web 3.0 is a major opportunity as well**” - Hamers (UBS)



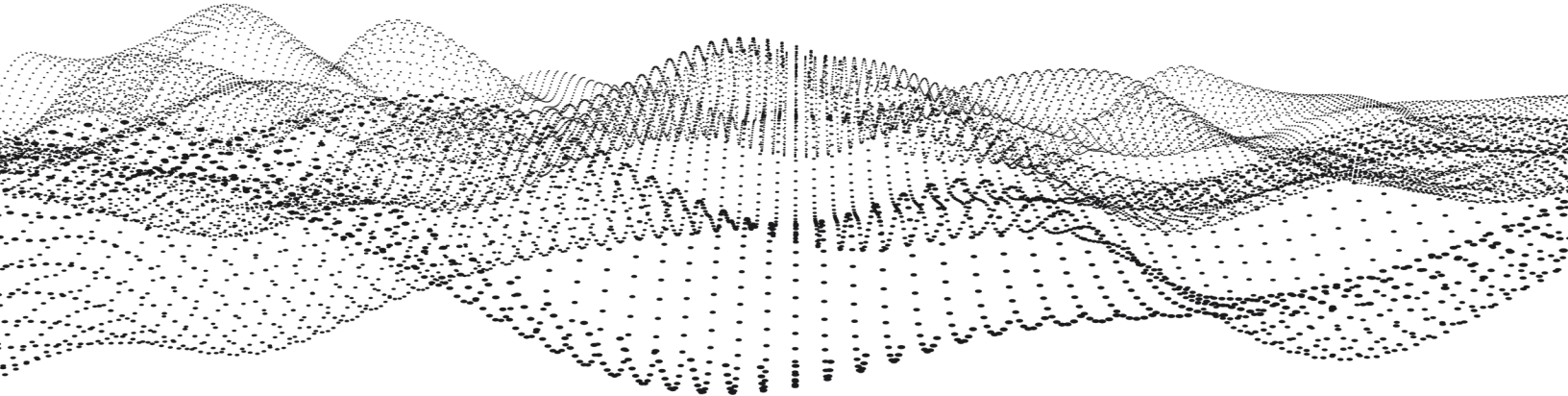
With the involvement of traditional finance, comes their expertise in building world-class compliance systems and operating in a heavily regulated environment. There is expectation that the Web3 industry will have similar safeguards and characteristics as in traditional finance.

"I think if a bank lost, let's say, \$10 billion of (money) from retail customers and said, 'I'm sorry, we were just really moving fast' everyone would be lynched. Whereas here (in DeFi), ...you get some Bloomberg articles and whatnot, but nothing.... So yeah, did the market crash hurt consumers in the '20s? Of course it did. Did it hurt them in 2008? Of course, it did. You can't really argue with that. But coming out of **those was actual increased protections around the consumers, one way or another, whether they work or not,**" - Farooq (Onyx)



Lastly - as Web3 technology matures, it needs to build trust in the entire ecosystem.

"So what served us well for these 240 years - this foundation of trust. **But trust is not only can trust you as my assets, trust that you'll be there for me tomorrow, which is innovation.** So we really believe that we upgrade the intersection of trust and innovation. And that's what digital assets are about. Fundamentally, **the infrastructure ... needs to be trustworthy, it needs to be trusted by the regulators, it needs to be trusted by consumers, by the whole ecosystem.**" - Regelman (BNY Mellon)



Sustainability

"Please **live simply in the big cities so that we in the mountains may simply live.**"

- Wangchuk (Himalayan Institute of Alternatives).



Globally, we are facing a humanitarian crisis on a scale unseen before: climate change. As we have seen through frequency and magnitude catastrophic events in the past few years, the impact is global - both the developed and emerging world stand to lose from the loss of lives and livelihoods. "**Climate change is the mother of all supply shocks**, and it will make the supply disruptions from Ukraine look like a walk in the park." - Menon (MAS)

The decade spanning 2020-2030 is critical. Global greenhouse gas (GHG) emissions must peak by 2025 and halve by 2030, to meet the trajectory for net zero emissions by 2050 and limit global warming to a 1.5°C increase. **Unfortunately (for humanity) - we are not on track to meet these goals.**

"We study the climate metrics, we analyse all the scenarios...and we're not on track for the Paris goals (1.5°). We're not actually on track for 2°." - Bird (abrdn)

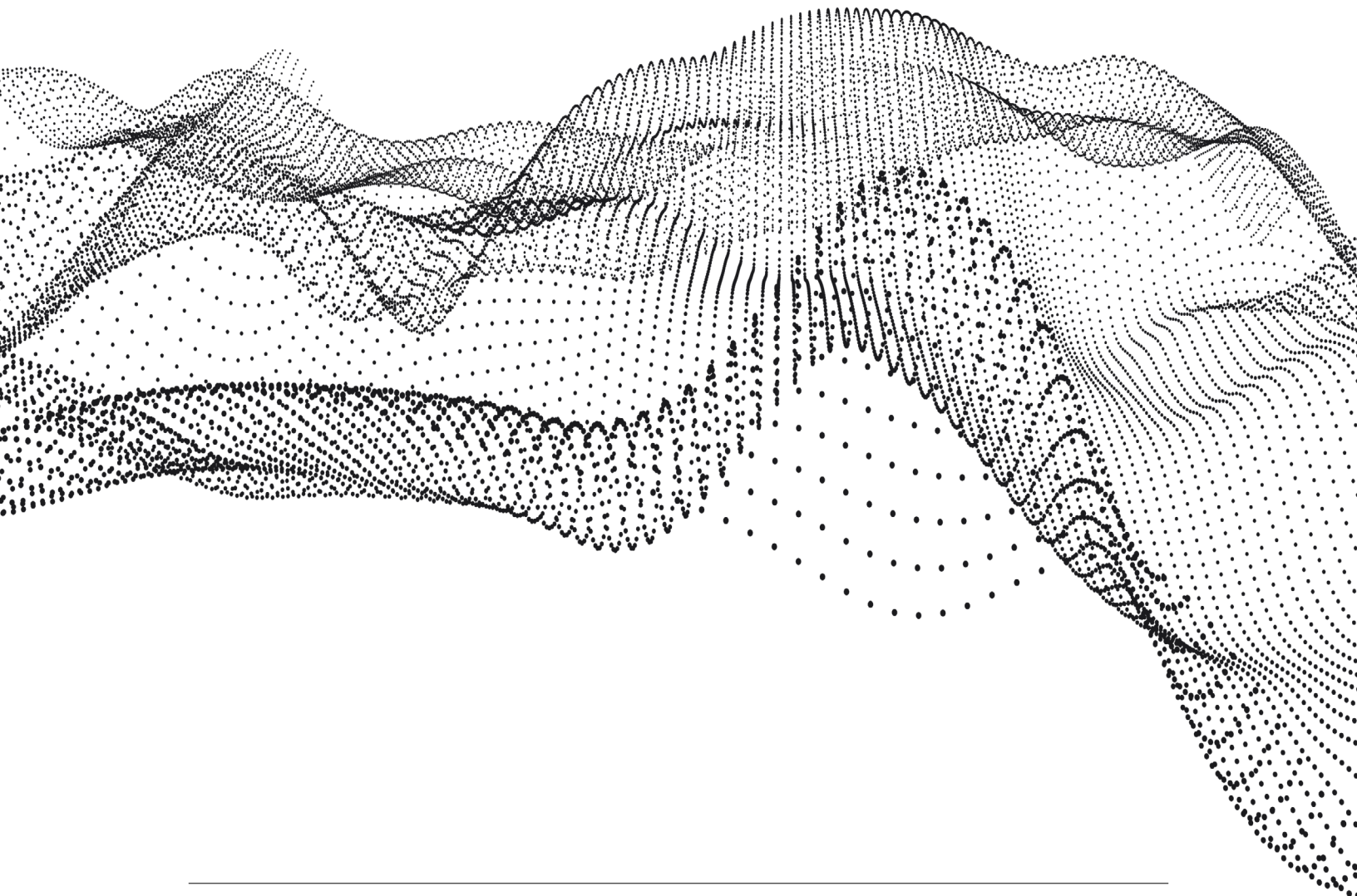
"This is a **massive test that will touch every single piece of the global economy, every company, every system, every industry, every government and ultimately every household.** And it will be particularly painful in many ways for the emerging world." - Hildebrand (Blackrock)



“And they ask, **who do you think will fund such activities**, refreezing glacial lakes and so on? And I say, ...we have a \$2 trillion budget for these things. Yes, we just need to redefine defence, the combined defence budget of the world is more than \$2 trillion. **And what is defence, if not protecting us against the biggest challenge ever.** ... (Defence) is all of us collectively, preparing ourselves for this big change. So we need to redefine defence”

- Wangchuk (Himalayan Institute of Alternatives).

Time is not on our side - and concerted effort is required by both public and private institutions to use the **tools we have at our disposal to avert this crisis - capital, data and technology.**



Deploying private capital at scale

A vast amount of capital is required to achieve net zero – ~\$3.1 tn in investment is required annually in Asia and \$9.2 tn globally to achieve net zero by 2050. Spending on climate is asymmetric – as an example, spending in Advanced Asia would focus on mobility, whereas spending in Emerging and Frontier Asia would focus on power. Spending also needs to be front-loaded; rising to ~9% of GDP by 2030 before falling back down⁹.

Will public funding alone be sufficient to fund the transition to net zero? What is the role played by private capital and why has it not been deployed at scale?

“This transformation of the global economy is going to require enormous mobilisation of capital in the trillions, hundreds of trillions of dollars, it will take decades, it will be slow, and it will be very, very expensive. **There is no way governments can fund this**, no matter how ambitious governments are these days, no matter how much they ramp up their debt capabilities, **you cannot fund this transformation out of the public pocket. And so by definition, a significant piece, significant part of this capital will have to come from the private sector.**”
– Hildebrand (Blackrock)

A paradox was highlighted by Eric Lim (UOB) in the discussions – on one hand, it appears that there is a lot of capital supporting the transitions (particularly from financial institutions), however there is demand that is not being met. The issue is therefore **“not liquidity but risk”**.



The same was echoed by Hildebrand – BlackRock is the world’s largest asset manager and theoretically could deploy a huge amount of capital towards this effort. However, “we have a fiduciary duty to our clients...**so the de-risking of the capital that has to be mobilised into the emerging world, I think, is a critical policy challenge**”.- Hildebrand (Blackrock)

It is, therefore, **imperative to create public-private partnerships and risk participation to ensure private capital is deployed to address climate change**, particularly in emerging economies where the need is highest. In addition, appropriate measures need to be put into place to ensure greenwashing does not take place.v

⁹McKinsey and Company

Implications of Environmental, Social and Governance (ESG) Data

What is the role of data in achieving the sustainability challenge? What role can governments and financial institutions play to address some of the data related challenges?

“Sustainable finance is really accelerating, so hitting escape velocity, if you will...this new territory is coming with *friction amongst borrowers, as well as with lenders.* And then third, we think that therein lies an opportunity, *an opportunity to create innovation around data* and AI” - Cistecky (Temasek)



Data is a critical enabler to the sustainability challenge¹⁰:

- **To measure success and ensure comparability** – as an example, whilst banks are calculating their financed emissions baselines, currently ~50% has to be estimated from proxy data. Currently, data is also not regionally comparable.
- **To set the right incentives** – as an example, sustainability-linked loans have grown 9x in the past 12 months, and there is a need to be able to set incentives to real targets. Separately, banks are starting to link credit costs with achieving the emissions reduction impact and incentivizing relationship managers accordingly.

“How do we hold organisations accountable? And so, *the transparency of data and helping people make that decision is super critical*”

- Sherie Ng (Google)

¹⁰McKinsey and Company

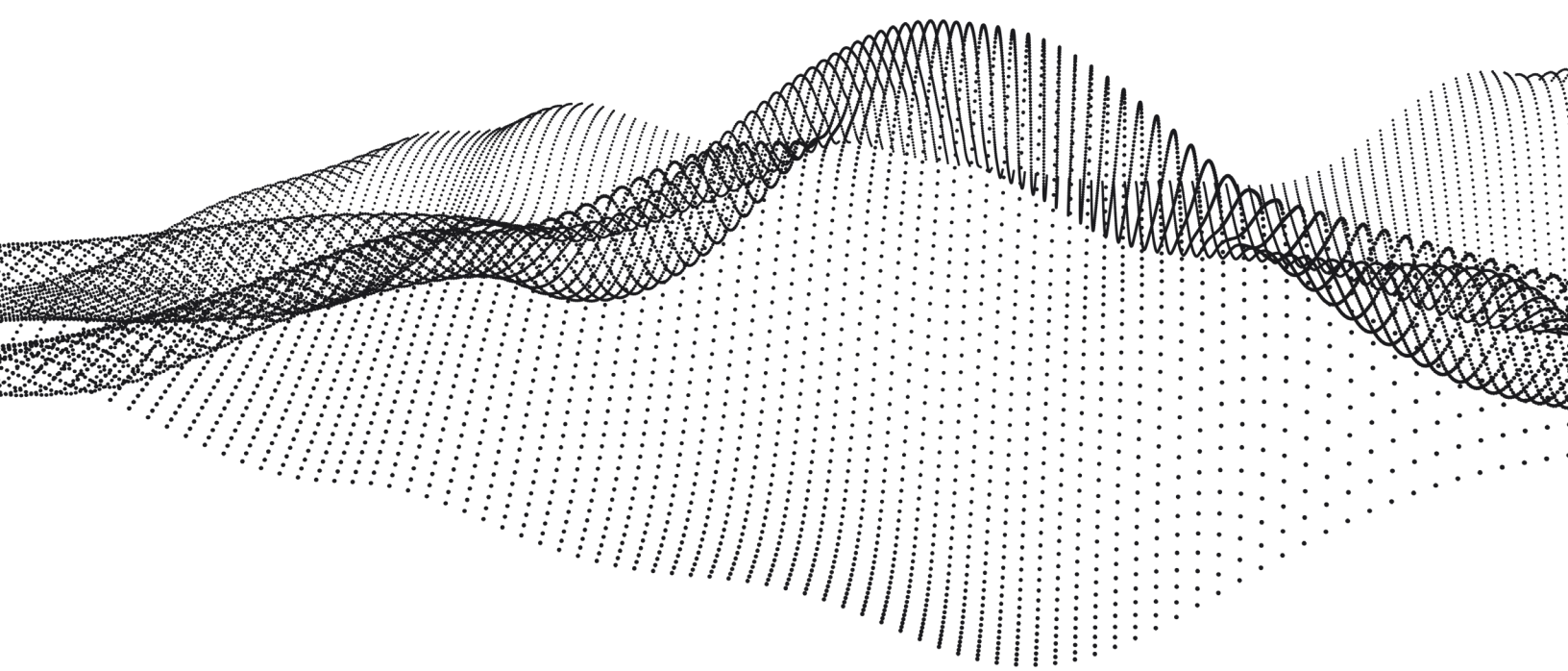
Currently there is a “coordination failure” when it comes to ESG data - there are far too many data sets, standards, ecosystems. Public-private and private-private partnerships are required to solve for this¹¹.

Public-private partnerships are essential to:

- **Set requirements for reporting**
- **Apply standards in terms of quality and frequency**
- **Provide investment support to markets that cannot afford the infrastructure**

A paradigm shift is required where banks also collaborate together - “private-private” partnerships

- **Sharing of ESG data among banks would be immensely powerful** and would also lead to an enhanced client experience
- This sharing could be via the following mechanisms:
 - **Democratise and share baseline ESG data** (i.e. energy consumption, water, waste, scope 1, 2, 3 emissions)
 - **Keep the insights and analytics layers** e.g. view of ESG performance, velocity models, benchmarking models, risk assessment, or proprietary pricing



¹¹McKinsey and Company - Public-Private Data Partnerships Roundtable Discussion

Role of Technology in achieving ESG Goals

How is technology (including Web3) helping us achieve ESG goals? What other tools can we use to achieve our goals?

“So while we are shaking up the systems, why don’t we do it all the way to think of something like tree coins or tree equivalents. It need not be trees, it can be whatever - not throwing food away, you know that would be equivalent to half a tree or something.”

- Wangchuk (Himalayan Institute of Alternatives).



Impact institutions are **already leveraging new technologies to further their development objectives** - “(on) the issue of digital exclusion... you have millions of people who do not have access to the internet - it’s about 40% of the world population. 85% have a smartphone, but only 6% have access to the internet. So we need to solve that. We do that by basically deploying solar power.” - Mueller (Blue Orchard)

The call to embrace technologies to enable developing economies was repeated by Hoffman (IADB) - “let’s make these category of investments, purpose-driven investments...an asset class that is attractive to the investment community at large, and also embraces and has **access to all the technologies that can help them leapfrog and scale faster.**”

“For ESG ratings, in particular, the coordination across third party data providers is still lagging behind ... And it’s not only ratings, but we clearly see that they are basically frictions and pain points across all core processes of banking operations. So we see that in the onboarding process where there’s still a lot of paper flying around. You see it in the underwriting process, where it’s not only the issue of ESG ratings, but also the question of what is actually an ambitious enough set of SBTs and KPIs. And then once the loan is actually dispersed, we’re having challenges with the monitoring of those because it’s still very manual.” - Cistecky (Temasek)

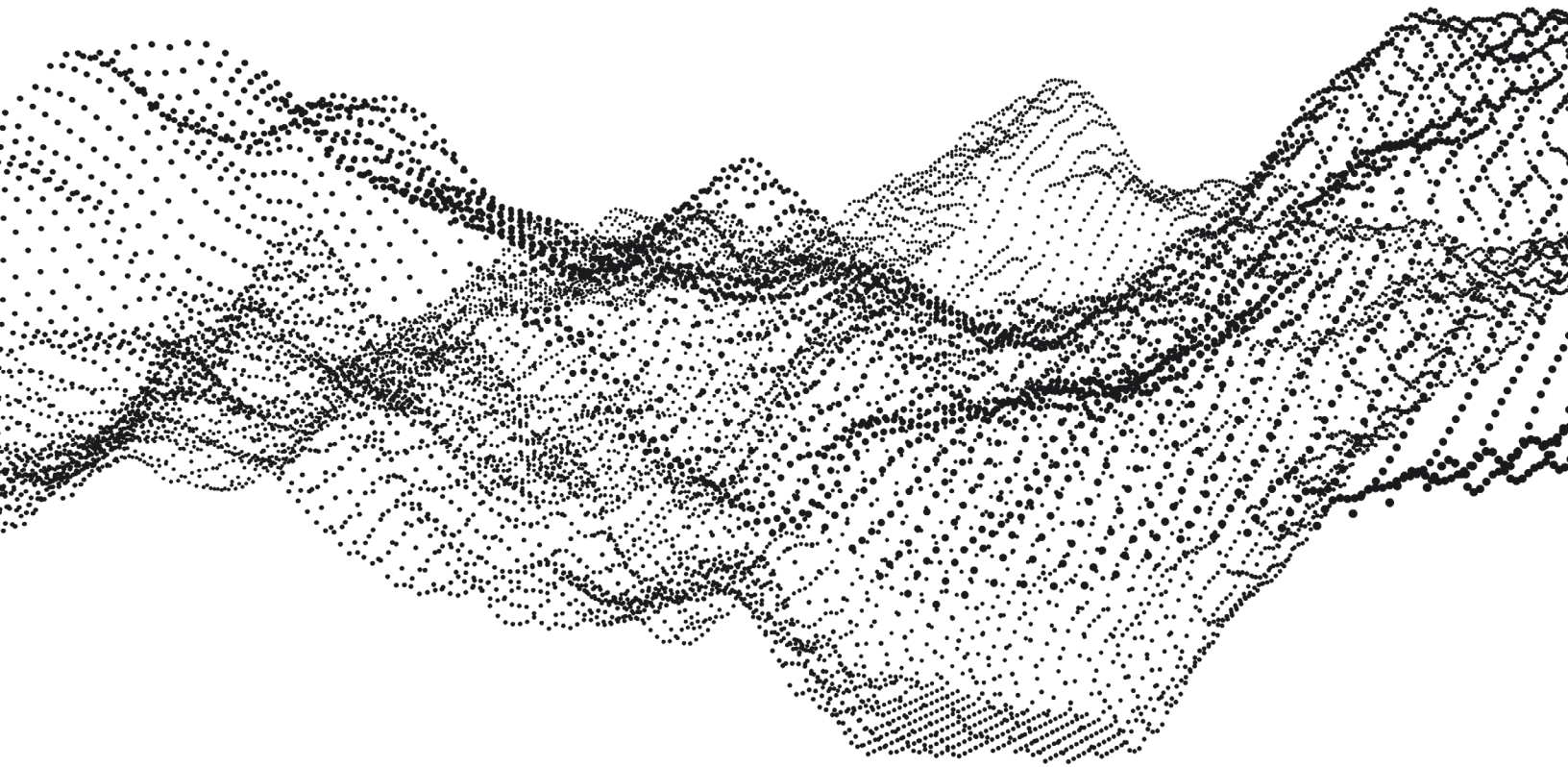
Technology is required to address these challenges. An example, open and interoperable digital infrastructures can play an instrumental role in aggregating new and existing ESG datasets from the ground-up, across multiple sectoral platforms and solutions; and facilitating trusted flows of these datasets between the financial sector and real economy¹².

¹²McKinsey and Company

Conclusion

The Point Zero Forum provided a unique opportunity for global leaders, regulators, founders, and investors to have an open dialogue on how to shape the future of Web3 and collaborate on solving the climate crises. This was a unique opportunity - these conversations are rare in a public forum. By bringing together a diverse group of stakeholders and putting conflicting views on stage, the Point Zero forum fostered an open discussion.

The participants walked out with a clear understanding of the challenges ahead, but also with optimism on the road ahead.



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**21-23
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Thank You

Setting the Stage for Thought Leadership:

Web3 and Sustainability

Insights from Point Zero Forum
