



**POINT
ZERO
FORUM**
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THE FUTURE OF FINANCE

Risks and Opportunities of Net Zero Commitments and Decarbonisation Pathways

OCTOBER 2022



Introduction

Ecosystem supported by their partner EY, conducted an invitation-only Executive ThinkTank at the Point Zero Forum in Zurich. A select group of regulators, investors, technology providers, and senior leaders from financial institutions from across the globe came together to share their insights and experiences on the practicability, regulatory support, and implications of sustainable finance portfolios.

Here are the 5 key takeaways from the ThinkTank.



#1 The Barriers to a Sustainable Future

The first step towards a sustainable future is to recognise the challenges that organisations face when pursuing Net Zero targets.

These include the lack of consistent reporting standards, the disincentives to full disclosure that early adopters have faced, the dependence on self-reporting, unawareness of how to start on decarbonisation pathways, and perhaps most importantly – the lack of will in Board of Directors and CEOs of Financial Services organisations.

Financial Services organisations are highly driven by ROI conversations. With the Board and the CEO being consistently evaluated on how much money the business and investors are making, Net Zero targets are often looked upon as additional costs. Often, during assigning resources and collecting and processing data, no extra revenues are shown for these investments.



#2 Overcoming the Challenges

Clear government mandates; clearer, more consistent standards; and double materiality will see a sharp uptick in adoption of Net Zero and decarbonisation initiatives.

However, there is an urgent need today to address the will of Boards and CEOs to get started on their sustainability journeys. This should be an integral part of risk management discussions in Financial Services organisations, given that there might be sudden shifts in regulations and because of the emergence of environment-conscious consumers who can impact the organisations financially.

The time to act is now for most organisations. It is important to connect Net Zero back to business goals.

Organisations would benefit from evaluating how ESG data and processes can be used to build innovative products for customers.



#3 A Sustainable Future Requires a Collaborative Approach

Global governments, regulators, Financial Services institutions, other enterprises, and technology providers need to collaborate on building a sustainable future.



Every country needs to focus on creating a national lever for their sustainability goals and engage the economy and communities. Governments can start with setting minimum acceptable hygiene standards. This national lever is a structural way of moving the entire world towards sustainability.



Industries can introduce benchmarking through best practices and by identifying laggards in the industry and have a system of either influencing them to comply or support them where they need assistance. Regulators need to work with industry leaders to finalise the industry standards and find the right balance.



Leading Financial Services organisations should empower their ecosystem of clients, especially small and medium enterprises that may have the will but not the right capacity. This would promote initiatives such as Green Real Estate, renewable energy use, circular economies, and so on.



#4 A Time for Simplification

Today's reporting landscape is complicated and full of loopholes that allow unscrupulous climate reporting and greenwashing. While initiatives such as SBTi and MCSI help enormously, this is the time to simplify the processes. If there are clear mandates on reporting climate aspects similar to how financial aspects are reported, there will be a greater adoption of sustainability and ESG measures.

Climate rating can follow the example of credit rating for widespread adoption.

For credit rating, the exercise starts with self-reporting balance sheets. Auditors validate these balance sheets and credit rating agencies assign ratings based on that validation. Governments and regulators across the world have mandated that all credit ratings are made available as a free utility.



#5 The Role of Digital Architecture

Technology has a key role in enabling a sustainable future. Many leading tech providers have set Net Zero targets and are promoting a partner ecosystem with the same goals. They are also building solutions to help organisations achieve their Net Zero targets.

A digital infrastructure that includes sensors and IoT technology for transparent data collection; Edge computing to enable analysis at the point of data generation; an API framework that allows organisations to integrate multiple systems and scale fast; and AI/machine learning that makes sense of all the data and protects companies is a reality today.

The path to a Net Zero, decarbonised world will be technology-led.

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