

CREATING TRUST IN SUSTAINABLE INVESTING WITH BLOCKCHAIN TECHNOLOGY

CONTEXT

Fidelity International (FIL) offers world class investment solutions and retirement expertise to institutions, individuals and their advisers around the world. Our vision is to deliver innovative client solutions for a better future. FIL understands the growing consumer demand for sustainable activity, including sustainable investing and notes how the UN Sustainable Development Goals (SDGs) are being adopted by companies to guide their actions and respond to the expectations of their customers.

Fidelity has committed to adopting the Stakeholder Capitalism metrics recently announced by the World Economic Forum. Having comparable, transparent and unified ESG-focused metrics will allow investors to identify business models that are built to last and are less likely to be overcome by social and environmental changes happening around them.

Thus, FIL is keen to explore blockchain technologies that could provide greater assurance to their investors by allowing them to review and confidently validate if ESG considerations have been met. With verified, transparent information flows, stakeholders can also explore potential collaboration to automate transactions, such as self-enforcing smart contracts, to lower the need for manual input and minimise human error, and overall make more sustainable investment decisions.

This challenge is part of the IMAS Digital Acceleration 2021 Programme (IMAS DAP), catalysing innovative solutions for fund managers to solve problems their businesses face.

PROBLEM STATEMENT

How can we use blockchain solutions to better establish the traceability of the companies we invest in? Can we do this in a way to confirm sustainability aspects within the value chain?

WHAT ARE WE LOOKING FOR?

Prototype or ready commercialised blockchain solutions that can better establish the traceability of the companies we invest in. The solution needs to be able to determine the sustainability aspects of the companies, through the following features:

- **Single Source of Truth** in the form of distributed ledger to log all activities in the value chain.
- **Tokenised systems** to incentivise stakeholders to comply with project goals or access services provided by the project. Tokenisation also reduces reliance on intermediaries with administrative functions and encourages automation of processes.

- **Contract management systems** to verify and track the performance of valid, binding versions of contracts across value chain stakeholder. Parties benefit from knowing which contracts are valid, allowing for a more streamlined, transparency operations between each stage of the value chain.
- **Underlying governance and alignment protocol layer** that provides access to legitimate, standardised and latest information on project and stakeholders. This could include disclosures on finance, operations, and adherence to ESG standards.

There are no restrictions on the geographical location of the problem solvers who may choose to apply to this challenge. However, the solution must be demonstrated in Singapore.

POSSIBLE USE CASES

1. **Transparency** – Alan is a Singaporean entrepreneur, contemplating an investment in XYZTea Ltd, a luxury tea brand from Sri Lanka. He accesses verified information on FIL’s blockchain platform on the origin of the products and the processes of which tea leaves are being harvested & packaged. After noticing that the tea seeds have been responsibly grown and packaged with recycled products, Alan proceeds to place an investment via FIL’s account managers.

WHAT’S IN IT FOR YOU

- SGD 20,000 of prize money for each winner of this challenge (see Award Model)
- Gain access to IMDA’s Technology resources and facility for prototyping
- Collaborate with IMAS (Investment Management Association of Singapore) to reach out to the greater community for exposure, refinement and deployment
- Opportunity to pitch to industry audience in IMAS Digital Events
(For more information, visit www.imasdap.com)

EVALUATION CRITERIA

The Applicants shall be evaluated in accordance with the evaluation criteria set out below.

Solution Fit	<ul style="list-style-type: none"> • To what extent does the proposed solution address the problem statement effectively?
Solution Readiness	<ul style="list-style-type: none"> • How ready is the proposed solution to go to the market? • Is there any evidence to suggest capacity to scale?
Solution Advantage	<ul style="list-style-type: none"> • Is the solution cost effective and truly innovative? • Does it make use of new technologies in the market, and can it potentially generate new IP? • What are the top 3 key benefits will the solution bring to the Asset Management industry? <p><u>Optional</u></p>

	<ul style="list-style-type: none"> To share estimated cost for pilot trial, deployment and software support.
Company Profile	<ul style="list-style-type: none"> Does the product have user and revenue traction? Do the team members possess strong scientific/technical background and when is the company founded? Does the team have relevant clients/ use cases? Does the team have plans to grow and propagate the solution in Singapore?

AWARD MODEL

30% of the prize money will be awarded to each selected finalist at the start of the POC/prototype development process, with the remainder 70% to be awarded after completion of the POC/prototype solution, based on milestones agreed between Problem Owner(s) and the solver. Prize money will be inclusive of any applicable taxes and duties that any of the parties may incur.

Note that a finalist who is selected to undertake the prototype development process will be required to:

- Enter into an agreement with Problem Owner(s) that will include more detailed conditions pertaining to the prototype development;
- Complete an application form with IMDA that will require more financial and other related documents for the co-funding support.

Teams with public research performers are required to seek an endorsement from their respective innovation and enterprise office, and submit the attached IEO form together with the proposal.

DEADLINE

All submissions must be made by **30th July 2021, 1600 hours (SGT/GMT +8)** Problem Owner(s) and IMDA may extend the deadline of the submission at their discretion. Late submissions on the OIP, or submissions via GeBIZ, will not be considered.

FAQ

1. **Question:** May I understand for the stakeholders involved in the contract management solution, would Fidelity have influence to have them onboarded even if they are not directly under FIL's current portfolio (ie; packaging company)?

The influence will probably happen through the company we invested instead of directly with the packages so at the end of the day when we are the investor in a company, we have some shareholder voting and there are things we can influence. Everyone knows that big companies need to shine the right kind of light on the whole thing around sustainable investing and as a consequence there will be that amount of influence that we can build.

2. **Question:** how do you propose to standardize the Contracts

This is going to be an area of evolution, we don't underestimate the challenge here especially when the underlying data metrics and the way they are reported are yet to kind of evolve into a standardised model. The industry is in that stage where things are being accepted in terms of what the standards are but how companies respond to that standard is still not fully matured. There is an opportunity for us to be thought leader as well as solution leader in this space. We have internal thoughts on how those things could be standardised but it has not been fully tested in the market.

3. **Question:** Will FIL be willing to provide a existing use case / current portfolio to test the solution?

Yes - but will be dummy data during POC phase.

4. **Question:** Are there any specific industries that you are specifically looking to start with in terms of establishing traceability?

We are looking at industry with complex supply chains (e.g. palm oil) where deploying the correct technology can help improve the traceability and provenance of the information.