the payments association

Sustainability Superheroes

A how-to guide to ESG for Fintechs

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Foreword

Tony Craddock
Director General
The Payments Association

We're known as 'The Trade Association that gets stuff done'. So, it's with that backdrop that we present this report, highlighting examples of people who are actually doing something about sustainability or are helping others to do so. And then it provides seven steps to follow when setting out to make your organisation sustainable.

You see, this is not optional. Companies in our industry are obliged to conform to regulations and pay taxes. Making our companies sustainable is becoming mandatory too, compelled currently by our stakeholders if not yet by legislation. So, I urge you to set aside concerns about unfamiliar jargon and uncertain commercial cases for change. Just read on, roll your sleeves up, and like the wonderful exemplars featured in this report, get stuck in.

An Interview with the author

Charles Radclyffe is the founder and managing partner at EthicsGrade, an ESG ratings and research agency. EthicsGrade is a stakeholder centric ESG company which delivers data to clients tailored to match their ESG strategy. They are the only specialist provider of ESG data on technology companies such as Fintechs, and the only global source of data on the governance of technology across other industries.

More information about EthicsGrade and its methodology can be found at **www.ethicsgrade.io.**

Foreword

Jim Colvine
Senior Vice President, Global Consumer Solutions
Mastercard

We face an urgent climate crisis. Increasingly, people are recognising that what we produce and buy matters to our shared planet. COVID-19 only heightened these environmental concerns - three in five consumers are more mindful of their impact on the environment since the pandemic and 85% are willing to take personal action to combat environmental and sustainability challenges.

With a network that reaches 90 million merchants and nearly three billion cardholders, Mastercard plays an important role in making global commerce both inclusive and sustainable. We're continually innovating across our business to ensure our technology and capabilities not just positively contribute to the future of our planet, but also create meaningful and engaging customer experiences. Why? Because this can help guide and support consumers to make better, more sustainable choices.

Mastercard's Carbon Calculator, developed in collaboration with Swedish fintech Doconomy, is a new feature integrated across our global network. It makes it easy for banks to help eco-conscious consumers understand their carbon footprint, letting cardholders know the carbon emissions impact of each purchase. This service educates people on their personal carbon footprint, encourages them to make more mindful spending decisions, empowers them to make lifestyle changes, and equips them with the tools to take positive action against climate change.

Alongside this, we are expanding a robust portfolio of environmentally focused solutions. Through our partners we offer cards made from sustainable materials to reduce plastic waste. We formed the Priceless Planet Coalition, made up of merchants, banks, and consumers to combat climate change by restoring 100 million trees. Also, our Sustainability Innovation Lab brings together innovators and customers to design climate-conscious digital solutions that create more sustainable commerce for consumers, businesses and governments.

Consumers want to make more environmentally sustainable decisions, and it's important that the brands they engage with share these values. As a powerful connector, it is our responsibility at Mastercard to equip people with the products, tools and insights they need to make decisions that protect the future of our planet and support a sustainable digital economy. ■

Introduction

The rules of the game are shifting. Since the 1970s the prevailing view has been that the main focus for business leaders should be to maximise the pursuit of profit in order to improve shareholder returns. Capital value creation was the goal. Powering-up their operations through a game of ever-increasing venture capital rounds helped take entrepreneurs through this journey. At each stage, they got boosts through the various stages of the game until the boss-level of the public markets.

But that was then, and this is now. The situation seems more complex with the introduction of ESG and stakeholder capitalism. This means that leaders must balance the financial imperatives of shareholder returns with other objectives from stakeholders. New pressures from internal and external players who want to push organisations to address the new concerns that matter to them or, at the very least – to minimise any negative externalities which sap life-force and can, if left unchecked, lead to game-over.

The name of the new game is sustainability: a nebulous term that runs the risk of meaning different things to different people. It simultaneously brings new risks of being accused of being overtly woke alongside potential allegations of greenwashing. The new rules feature perils which have not been previously navigated and thus are often misunderstood.

Enter the **Sustainability Superheroes.** These are your guides to the mission – Fintech leaders who have built up superpowers on their own journeys and have been willing to offer us clues that will help you in your quest. Collectively from their insights we've been able to build a map of the terrain so you too can not only see what good looks like in the context of sustainability in Fintech, but also have a guide to follow for your own quest.

This guide has been compiled from 16 interviews with members of The Payments Association (TPA) who commissioned this report alongside research provided by EthicsGrade, an ESG ratings agency specialising in the sustainability priorities of the tech sector. First, we'll introduce you to some of our superheroes before guiding you through the seven steps towards sustainability. Finally, we'll share the learnings from our research into the current level of maturity of sustainability in Fintech as disclosed by TPA members. Throughout, we'll point to examples of best practice – as well as key stats and insights that will help you measure your own progress towards your organisation's sustainability goals. ■

Sustainability Superheroes

Jim Colvine
Mastercard

Superpower is network-harnessed environmental action

Jim Colvine is Mastercard's Senior Vice President in Global Consumer Solutions and explained their efforts to multiply positive environmental action. Their superpower is the ability to harness their customer network to create collective climate action – including promoting sustainable spending and contributing to forest restoration. In 2020, Mastercard launched the Priceless Planet Coalition which unites the effort of the partnering merchants, banks, cities and consumers to restore 100 million trees in essential forests across the world. By collectivising action, Mastercard has focused the drive across industries for addressing climate-associated environmental concerns and multiplied the possibility for progress.

Mastercard's sustainability superpower is enabled by the trust in them as an established cornerstone in the Fintech and payments community. Jim is shifting expectations across the industry by showcasing capabilities of the coalition his organisation is building. This has a wider pay-off, such as motivation of team members across the company who are all committed to Mastercard's purpose and belief in doing well by doing good.

Ramsey El Dabbagh
Algbra

Superpower is principle-driven inclusive action

As the lead of Corporate Development at Algbra, an ethical finance app and card service, Ramsey El Dabbagh shines a light on the power of Fintechs to improve financial inclusion. Algbra's superpower of guaranteeing ethical values throughout their investments and funding ventures enables them to create value-conscious financial options for society which has resulted in great sustainability achievements.

Ramsey highlights the power of these values; establishing transparency and accountability which helps them build consumer trust in their services. Ramsey explains that Algbra has been able to address the needs of underserved communities through understanding who they are and what services they need. Faith-based groups are often underserved and banking is often linked to unsustainable and unethical practices at odds with many individuals' beliefs. Algbra use their superpower to ensure that their operations and services are ethical, providing principle-first banking and delivering finance options aligned to growing sustainability-focused customers. These principles are fundamentally intertwined with sustainable development and has enabled them to foster a community spirit across their member base.

Sustainability Superheroes

Charlie Bronks
Crown Agents Bank

Superpower is community-focused financial inclusion

Charlie Bronks is the Head of ESG at the wholesale foreign exchange and cross-border payments organisation Crown Agents Bank. They have a uniquely long history with the development of the emerging and frontier markets, which is where they still operate today. The bank harnesses their networks and deep sector expertise to understand the communities and geographies to transform local economies and provide the appropriate solutions to push forward economic inclusion and sustainable development.

Their superpower uses their already-established trust with international stakeholders to work with the tier one and tier two banks in countries to grow relationships, which in turn aids in capacity building. Crown Agents Bank are also continuously partnering with mobile network operators to advance technology access. Charlie explained to us their work in implementing biometric solutions to help overcome locally-specific issues. This includes projects in rural Rwanda, which is a region where many home addresses are not formally recognised. Their integration of sustainability with innovation has resulted in solutions that helps local people open bank accounts without such necessities. Their community-focussed work directly improves financial inclusion outcomes and is their superpower of sustainability.

Underpinning this commitment, Crown Agents Bank has recently achieved Gold Award Status with EcoVadis, the World's Most Trusted Business Sustainability Ratings' Provider placing them in the top 5% of performers from 89,000 companies globally.

Irene Perez
Gain the Lead

Superpower is employee-centric sustainability engagement

Irene Perez from the financial service consultation group Gain the Lead, works to educate employees to improve sustainability, health, and wellbeing outcomes. Gain the Lead identified that they are best poised to focus on the Sustainable Development Goals of 'Good Health and Wellbeing', 'Quality Education' and 'Gender Equality' as a payment education group. Helping their clients take care of their employees necessarily includes developing an understanding of those individual's ESG priorities. Consequently, by learning how those priorities are being integrated into their employer's sustainability strategy results in individuals feeling empowered to apply this knowledge into day-to-day tasks and interactions.

The result of this employee-centric superpower? Greater employee confidence, success, and retention; as well as all the consequent business benefits of reductions in risk and cost, and improved revenue and margins. By using education and the power of building a network of employee knowledge on ESG, Irene and the Gain the Lead team are enabling confident and happy employees to multiply efforts and embed sustainability across their work.

Sustainability Superheroes

Andrew Ciafardini
FIS

Superpower is narrative-driven progressive reporting

As the Chief Sustainability Officer and Head of Global Public Policy at FIS, Andrew Ciafardini and his team of ESG experts have harnessed their sustainability superpower of progressive reporting to transform operations, align to the appropriate values, meet stakeholders' priorities and illustrate the potential transformative power of a well-communicated sustainability strategy.

Andrew believes that key to sustainable transformation and growth is the recognition that ESG is a team sport and requires openness from across the organisation which can only be sponsored by the very top. Through a culture of transparency on achievements and progress, organisations such as FIS can promote systematic change and shift norms across their industry. Best practice is to develop a consistent narrative that tells the story of the journey towards responsible and sustainable development, and this is exactly what Andrew and his team have done. Crucial to this is not just sharing successes, but failures also. He explained to us that it is imperative to get not just a sustainability strategy but also a sustainability narrative in place for every business to be successful, as expectations and regulations are changing; and large complex organisations need to ensure consistency with how they tell their story. FIS illustrates that companies must catch up to meet the growing emphasis which is already being placed on organisations' ESG performance and their reporting. FIS' superpower highlights that sustainable transformation is not just a responsibility but an opportunity; that is, if it's done right.

Nadia Benaissa
BPC

Superpower is partnerships

By embracing local knowledge and partnering with experts, BPC has showcased the positive impact of their superpower: partnerships, and how this can contribute to sustainable development. Nadia Benaissa, BPC's Global Marketing Director, explained how tailoring solutions to cater to those excluded by traditional banking across diverse urban environments requires long-term partnerships with local governments, NGOs, international development organisations and businesses. She shared insights on how BPC has provided the ability to help their clients grow responsibly and how in turn, this has helped BPC grow their business.

Nadia highlighted the importance of adaptation to ensure that ESG efforts shift with society. They responded to the COVID-19 changes in payments, with greater focus on contactless payments over cash, and re-focused on dissemination of these technologies to urban areas, blending greater economic mobility with the social benefits. An example of this was their work with Filipino transport agencies to integrate cashless and paperless ticketing systems. In integrating these innovations, the team at BPC kept their concern of vulnerable users at the front of mind; and embedded students and elderly individuals' free passes into their cards or phones, easing the adoption process.

Sustainability Superheroes

Oli Cook
ekko

Superpower is customer education and empowerment

ekko provides their customers with the opportunity to take tangible and trackable environmental action through their transactions. Oli Cook, the CEO and co-founder, explained to us the importance of distinguishing transparency from invisibility, and how it was at the urgent core of their mission to provide clarity to customers on the impact of their purchases. Through promoting transparency, ekko provides their users a safe and positive space to understand the environmental impacts of their everyday financial choices. This leads them to make better informed purchases. In addition to this visibility, ekko provides educational resources to users as well as tangible marker of their progress towards sustainability goals. ekko enables customers to plant trees and save plastic bottles every time they use their cards. They provide their 'My Carbon Meter' feature to provide individuals with an insight into the carbon impact of their purchases, such as a supermarket shop or a new pair of socks.

Additionally, they use transparency to avoid to the 'murkiness' which comes with many companies' environmental pledges by establishing strong partnerships with trusted partners. An example of this is ekko's partnership with Mastercard through the Priceless Planet Coalition to ensure their re-forestry actions are carried-out responsibly, minimising the externalities of ill-thought-out projects and reduce the associated reputational risks. ■

Allow these Sustainability Superheroes to guide you to the next level: understanding how to transform your organisation into a positive Fintech force and continue the quest towards responsible sustainable development.

The Seven Steps to Sustainable Fintech

From our conversations with the sustainability superheroes, here's what we've learned as the crucial seven steps to ensure success in sustainability:

1 Identify your stakeholders

Managing stakeholders was easier in the old world, when there was only one set of stakeholders' needs to take into consideration (shareholders) and those needs were easily quantifiable (capital value returns). How you achieved it, i.e. whether you maximised clicks, app downloads, sign-ups, registered users, revenue, or EBITDA was where flair, nuance and narrative played an important role but, ultimately, all this was a side-show from the real goal – did shareholders trust you as a leadership team to deliver their expected returns in their desired timeline?

To manage this your sustainability in today's more complex stakeholder landscape, first you need to understand who you are managing this for. Stakeholders can be internal (employees) or external (customers). They may be invested in the success of your business (suppliers) or disconnected fully from your operations (community). In businesses with complex global supply-chains, the stakeholders most impacted (both positively or negatively) may be individuals who your organisation never meets, never communicates with, and have never heard of you. Yet still, there may be strong reasons why you might identify them as being a group whose interests you seek to reflect in your sustainability strategy.

Or subset: (FIG 2)

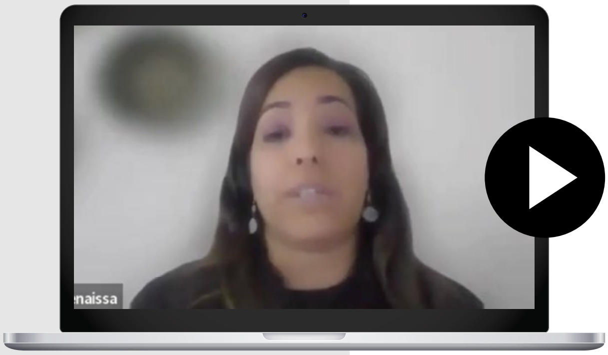
EMPLOYEES	**CUSTOMERS** (B2C)	**SUPPLIERS**	**REGULATORS**	**COMMUNITY**
MEDIA	**CLIENTS** (B2C)	**INVESTORS**	**ACADEMIA/ CIVIL SOCIETY**	**MARKET**
OTHER?				

Figure 1: Examples of stakeholder groups that are a mixture of internal and external to the company's operations. [Source: EthicsGrade]

FOUNDERS	**SENIOR LEADERSHIP**	**ENGINEERING**	**WIDER COMPANY**	**COLLEAGUES WITH DISABILITIES**

Figure 2: Examples of stakeholder groups that are each a subset of the 'employees' groups. [Source: EthicsGrade]

It's also important to stress that a valid ESG strategy might well focus on subsets of what other organisations have identified as separate stakeholder groups. An example of this might be identifying ethnic minorities, women, people with disabilities, those who have sick children, or those who are financially excluded. Nadia Benaissa from BPC explained that, in their assessment of priorities, they highlighted diversity "because the majority of the workforce in the agri-sector are female, but they are usually not paid well, or even paid at all". Being clear about who you are listening to is the first step to being able to develop and communicate your sustainability strategy and will help you focus all your efforts on not just the 'how' but the 'why'.



Nadia Benaissa
BPC

> "Not investing in anything that is unethical or not pursuing any funds that are related to anything unethical, whether that's gambling, arms, tobacco, alcohol, fossil fuels, etc., which is where sustainability comes into play."
>
> **RAMSEY EL DABBAGH, HEAD OF CORPORATE DEVELOPMENT, ALGBRA**

Case study: **Algbra and stakeholder engagement**

Engaging with stakeholder values has been central to Algbra's identity. Ramsey El Dabbagh, Head of Corporate Development, explains that "if you really want to address the needs of communities, you need to be able to understand what they need and who they are, and really get on the ground, and be able to engage people all around the world." Algbra's founders recognised that a key stakeholder group are the severely underserved: "looking at the world's 1.7 billion unbanked people and seeing that 800 million of them are Muslim". Identifying such oversights from the market is a shock, but also a huge opportunity. Algbra therefore tailored their services to be inclusive to faith groups, "not investing in anything that is unethical or not pursuing any funds that are related to anything unethical, whether that's gambling, arms, tobacco, alcohol, fossil fuels, etc., which is where sustainability comes into play". By prioritising needs of stakeholders, they are improving financial inclusion, becoming central to their sustainability achievements and identity.

2 Engage with your stakeholders

Once you've identified your stakeholders, you'll need to understand their priorities. Only once you've got a picture of what matters the most to which stakeholder group, will you be able to understand how your activities map to their goals, which negative externalities you'll need to address, and in what order.

While the UN SDGs are of great assistance to all those who work in sustainability, they are often misused as shortcuts to sustainable action, without recognition that they only represent a very high-level and global view of the world's priorities and only through the lens of an organisation tasked with international cooperation. As David Craig, co-chair of the Taskforce on Nature-related Financial Disclosures (TNFD) shared with us, "sustainability is inherently local, and inextricably tied with context".

If your stakeholders are focused on the international stage, and big-picture global issues, then focussing on SDGs might well make a lot of sense to your sustainability strategy – but beware of the risk of missing opportunities to engage on a smaller scale, local projects that key stakeholders might be enthusiastic about. Algbra recognise their potential to have a positive impact on the local communities in which they work in and act accordingly. For example, they dedicate resources to run financial education workshops for young mothers and run community events to improve financial inclusion and grow brand trust.

Additionally, when thinking about the SDGs, we all too often focus on the environment, despite 'Climate Action' or 'Responsible Consumption' not necessarily being the most appropriate areas of focus. Gain the Lead, a payments industry consulting firm, identified 'Good Health and Wellbeing', 'Quality Education' and 'Gender Equality' as the SDG topics which best fit with their customer's expectations.

The same point can often be true of ESG ratings and assessment taxonomies. These are often based on expert 'top-down' judgment of what your organisation must prioritise by virtue of the industry sector that you operate in. In an industry as diverse as the Fintech community, this makes no sense. What is relevant to a major international provider of financial services connectivity, such as FIS Global, might simply not fit with someone just getting their Fintech off the ground in Shoreditch or Kreuzberg. This is an example of so-called 'greenwashing' dangerously seeping into ESG strategies. While stakeholders, such as VCs, are increasingly asking for reporting on key metrics that are important to them (or rather to their LPs), don't let this alone dictate your sustainability strategy – instead, listen to what your stakeholders are saying and let this guide where to focus your energy.

As FIS Global detailed in their 2020 Corporate Sustainability Report, it is important to periodically revisit your environmental, social and governance (ESG) materiality assessments to capture the views from internal and external stakeholders on ESG topics. This can aid your team in prioritising key ESG efforts aligned to stakeholders' ideals and promoting long-term business success.

Sustainability in FinTech

Focus is on Climate Action, Responsible Consumption & Clean Energy

Overview of 25 Fintechs & their Sustainability Focus

Figure 3: Examples from Gain the Lead's work with Fintechs integrating SDGs with their sustainability strategies.

So, now we've established the need for doing this – where should you start? There are many ways, but the easiest would be to simply run a poll or a survey. But be aware that how you phrase your question might inadvertently bias the answers you get. To ensure the most accurate results, it's always safer to consult with experts. Ideally you will continuously source stakeholder views to help you understand how these might shift over time. As the recent geopolitical tensions with Russia have proven, sentiment can change rapidly, but running focus groups every time a new issue reaches the headlines is simply not practical. A perfect way of measuring stakeholder objectives will be one that can detect trends and predict the timelines over which issues become material to your industry.

Many of the organisations we interviewed spoke about this process. Charlie Bronks from Crown Agents Bank explained: "We took a step back and talked to some of our stakeholders when building our strategy. We asked, 'what's important to you?'". She explained their process of identifying priorities: "We did a mapping exercise, and came up with a really long list of things that that we thought were really important. Then we grouped them and identified common areas and made sure that our strategy spoke to that".

Simply having a plan and experts on hand who can be your sparring partners on the journey might be the best investment from your sustainability budget.

3 Prioritise your stakeholders

It will be important to your sustainability strategy stakeholders that you ensure no one voice is louder than everybody else's – and it's essential to be explicit about this when communicating your ESG objectives. While most businesses are likely to prioritise ESG concerns in alignment with their customer or employee relationships, this isn't a necessity. It is fine to prioritise your investor goals (or those of senior management), but ideally explaining the rationale alongside listing your priorities.

Charlie Bronks explains that in Crown Agents Bank's partnership processes with local stakeholders, regulatory bodies and international development bodies, demands are varied with conflicting priorities which brings challenges. She explains that "stakeholders" priorities are not a linear, or a singular piece but a "complex matrix". Additionally, Jim Colvine from Mastercard reminded us to "not let perfection be the enemy of progress and to start quickly to make a positive difference when it comes to acting against climate change".

Gain the Lead believes that employees are the key stakeholder group. Through their training programmes, they help management to understand the importance of employee engagement in sustainability practices and to draw out which areas of focus are the most important for their sustainability programme. Perhaps the best-known stakeholder- oriented organisation is Amazon, which is customer-obsessed– albeit with the controversy of allegations that this obsession is to the detriment of other stakeholder groups such as employees. The key aspect here is that what might be right for one organisation might not be for another – but if you have reasoned your decision and communicated it, then you'll be on a strong footing.

Charlie Bronks
Crown Agents Bank

> "We did a mapping exercise, and came up with a really long list of things that that we thought were really important. Then we grouped them and identified common areas and made sure that our strategy spoke to that"
>
> **CHARLIE BRONKS , CROWN AGENTS BANK**

Case study: **The FIS stakeholder matrix**

FIS published their materiality matrix, which illustrates the relative weight of different topics to external stakeholders and industry participants. This helps in understanding the relevance of diverse topics and driving their strategic focus.[1] Andrew Ciafardini explained that this materiality assessment helped them identify policy and knowledge gaps, thus guiding their programme development. It gave their team confidence not to always defer to the loudest voice, but rather to the areas of greatest harmony. When reflecting on this process, Andrew and his team explained that they "didn't realise at the outset that we probably need to have a regular cadence on the materiality assessment, because the world does change". ESG is an evolving and shifting responsibility, and therefore requires constant review.

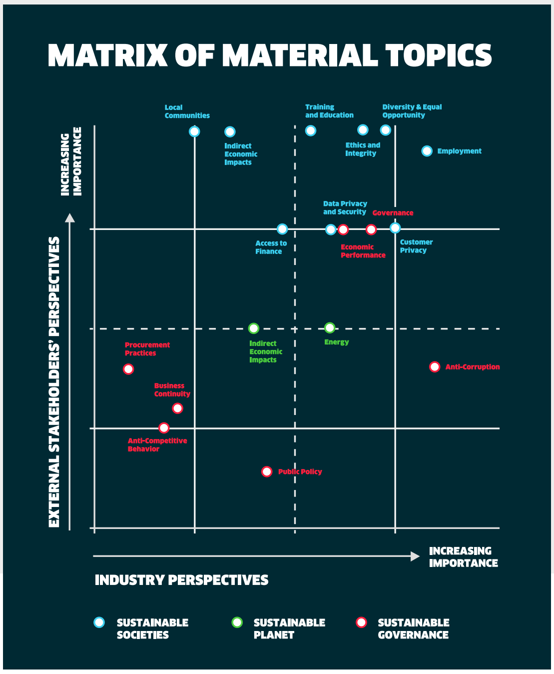


Figure 4: FIS's Matrix of Material Topics illustrates the conflicts and trade-offs required before defining priorities, as shown in their 2020 Corporate Sustainability Report

4 Plan response to areas of strategic fit

With this initial fact-finding exercise complete, you'll now be armed with insights into which stakeholders care about what issues – and a pattern has possibly started to emerge. Your goals should be oriented towards the areas where you are hearing the same stories. You may find, when consulting internally, that these areas have already received attention and activity to address them.

If this is the case, then it indicates that your organisation has a well-tuned intuitive reaction to ESG criteria. But, if not, don't panic! This is exactly why this guide has been produced, so that you have a sure-fire approach to getting a strategy in place that maps against your stakeholder concerns.

Remember, your biggest ESG risks are not necessarily those areas where external experts or ratings agencies have identified for you. They are also likely not to be those areas which your investors are demanding insights and reporting (and thus sapping your precious ESG resources). Your biggest ESG risks will arise simply because you haven't identified a stakeholder group or identified your response to their priorities.

Once you have established common ground between stakeholders, you'll find it much easier to see the areas where activities clearly align strategically with your organisational goals. These are the ones to prioritise the first.

1 FIS, Global Sustainability Report 2020

Case study: **Mastercard and their sustainability network**

By identifying your stakeholders, the potential scope to drive positive change becomes clear. As highlighted to us by Jim Colvine, Mastercard recognised the potential power of developing ESG policies, working with a network of over 20,000 customers, 90 million retailers and the nearly three billion individuals they serve. Mastercard established the Priceless Planet Coalition with more than 100 of their financial, corporate and merchant partners to support their pledge to plant 100 million trees by 2025. Jim explained that "there's only so much you can do yourself; it's going to be the collective actions of the many that will actually make the real difference". To guide their work, Mastercard work with Conservation International and World Resources Institute to select, implement and monitor restoration efforts in the long-term. This is vital to ensuring that the restoration work is done in science-based way with experts and creating the best outcomes for climate, biodiversity and the communities in which these trees are being restored.

Additionally, Mastercard's sustainability efforts go beyond tree-planting, as detailed in their Sustainability Reports. Informing, encouraging, empowering, and equipping customers to extend their power to make environmentally-conscious decisions are driven throughout their partnerships. For example, Mastercard has teamed up with ekko, a digital payment provider, propositioned around sustainability. They use shared perspectives on Fintech's role in promoting positive environmental change. ekko use Mastercard's Carbon Calculator, developed in collaboration with Swedish fintech Doconomy, and the Priceless Planet Coalition to provide their card users with information on the CO_2 impacts of their purchases and, for every fifty transactions, one tree is planted. Identifying common themes with stakeholders has been key in defining their sustainability achievements.

In order to win hearts and minds, it's helpful to show some quick wins, as well as demonstrating your longer-term commitment to the challenges. An example of this might be to set out a commitment to net-zero carbon by a certain date and a date by which your organisation will start reporting on its carbon footprint, alongside your interim goals on how to reduce it.

Jim Colvine
Mastercard

Figure 5: Mastercard's approach to sustainability from their 2020 Corporate Sustainability Report

2 Mastercard, Priceless Planet, 2022
3 Mastercard, Restoring forests in Earth's most vulnerable geographies, 2022

5 Develop rules for of the road

As ESG strategies get embedded into the heart of businesses, they will look different for every company depending on the industry. A worthwhile initiative to advance one cause might create unintended side-effects that harm progress in another area. It's clearly important for organisations not just to identify common ground between stakeholders, but also to recognise where conflicts might arise.

Anatomy of a 'Watermelon'

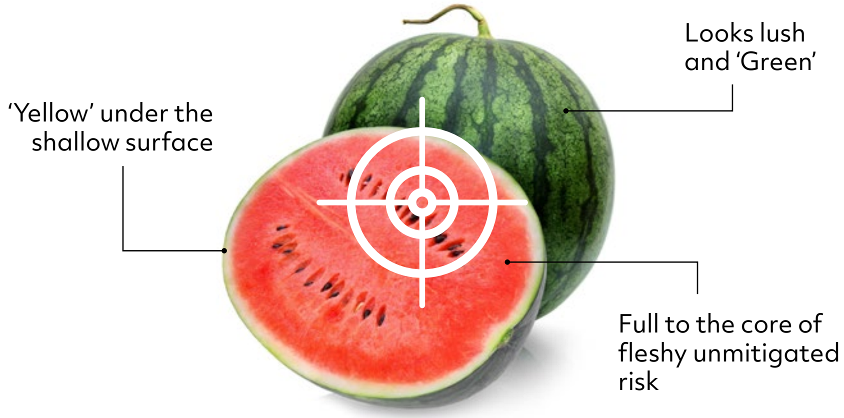


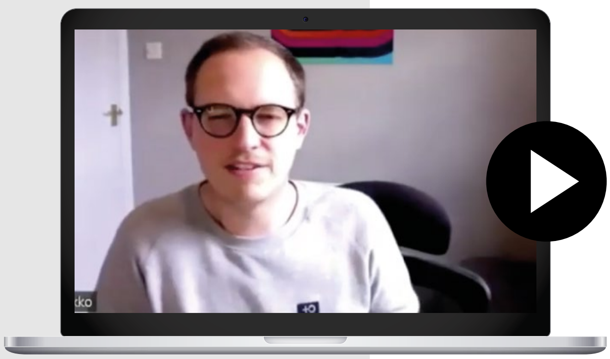
Figure 6: Watch out for the watermelons! Organisations which look 'green' from the outside but carry ESG risk beneath the surface. [Source: EthicsGrade]

Oli Cook, ekko's founder and CEO, publicly recognised the potential for controversy if tree-planting projects are not conducted responsibly. Their commitment to transparency regarding planting, maintenance and auditing was a key reason for their partnership with the Priceless Planet Coalition. Oli's superpower of customer empowerment and Jim's superpower of creating the network effect and applying science based logic to its initiatives has helped to ensure the tree planting initiatives will actually make a difference. When superpowers combine, that's when rapid progress can be made!

Establishing protocols enables you to deal with conflicts arise between the priorities of different stakeholders expediently and consistently. This helps with clarity of communication to stakeholders, explaining the process for the decisions you make and how that process itself will be refined over time.

Failing to identify areas of potential conflict risks the reputation of your organisation, and the potential accusation of being a 'watermelon' organisation – a company which looks 'green' on the outside, but is exposed as red as soon as the surface is scratched. Labelling organisations as 'watermelons' can be unfair, because few organisations intend to mislead, as the term suggests. However, focussing too much on one metric (such as decarbonisation) without recognising the conflicts with other goals (e.g. how decarbonising might cause other unintended consequences such as social injustice) is a hallmark of an immature sustainability strategy. The best approach is for an organisation to establish their protocols – and hold themselves to account by following them. We are yet to see an organisation which has engaged its stakeholders, communicated its protocols, and followed them falling victim to accusations of greenwashing. Although we have seen many organisations which have not got off the blocks for fear of not getting their response 'right'.

Oli Cook
ekko



As an example, many Fintechs provide their customers with insights into the environmental impacts of their purchases, but this may introduce conflicts of interest. Andrew from FIS explained that "we're entrusted with cardholder data, we're trusted with transaction data for merchants or banks, etc. and so it is our role in society to make sure that we're being responsible as much as possible". Maintaining trust across stakeholders must be balanced with plans to empower stakeholders with data, recognising fragilities of the ecosystem and implementing sufficient protections.

6 Integrate strategy and goals into business operations

With your stakeholders understood, your priorities developed and your rules for conflicts established – it's now time to integrate ESG metrics into your business operations. For organisations that already have a strong discipline of Business Intelligence (BI) reporting, this will be an easier step but, for those who don't, it will be an essential exercise in ensuring that what is communicated to the outside world has a strong basis and the measurement and management of progress to achieve these goals is carried out with rigour and discipline.

68% of TPA member companies who responded to the survey already have somebody responsible for ESG, and 57% publish their top ESG priorities. These are important signals by which companies demonstrate their commitment to strategically integrating sustainability goals into business operations, supporting their accountability and boosting stakeholder trust in their efforts.

This is best managed through simultaneous top-down and

> "We're entrusted with cardholder data, we're trusted with transaction data for merchants or banks, etc. and so it is our role in society to make sure that we're being responsible as much as possible."
>
> **ANDREW CIAFARDINI , FIS**

bottom-up approaches. From the top down, big picture principles can be established that reflect your stakeholders' priorities through your goals. For instance, if your stakeholders have identified that gender equity in the workplace is a key concern, then your organisation might decide to set a goal of gender parity, both in terms of absolute headcount, zero-gender pay gap and, going further, to maintain these goals at every level through to Board level and report against these metrics. While this would be an exemplary response, this may require a phased approach. As

Andrew Ciafardini from FIS put it, "you have to prioritise progress over perfection".

Start with the goal, set target dates to implement it by, and then put in place the metrics and reporting over time. Then you will be able to reassure stakeholders that, in the case of any issues, their concerns have been noted and that you have the appropriate measures in place to address them.

Turning to the bottom-up approach, companies can make tangible impacts on community sustainability by collaborating with individuals and grassroots organisations. **Gain the Lead**, Algbra, BPC, ekko and Mastercard all aim to improve outcomes through bottom-up educational programmes, working with the public directly to help expand knowledge surrounding the tangible impact of purchases. Irene from Gain the Lead explained that "Fintechs are uniquely positioned to help achieve sustainability goals" with "access to capital giving the possibility to steer the policies within a company and focus on the things that are really important". Recognising where your organisation can make a difference, such as through employee education around sustainability and equality, can add value to a wider ecosystem.

Marcus Rieker
Gain the Lead

This becomes easier with time, especially as scope 3 carbon emissions are increasingly considered by some of the biggest players in the ecosystem. By integrating sustainability practices into supply chain management and procurement, the network-effect superpower of Mastercard really starts to look like the winning skill – as the feedback effect multiplies activity throughout the ecosystem.

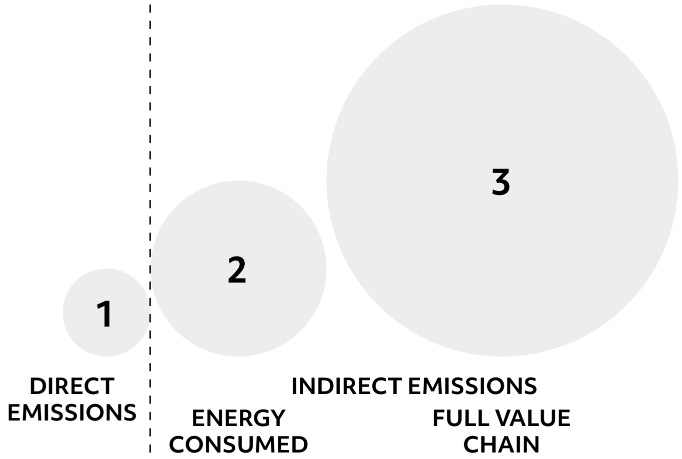


Figure 7: Scope 1, 2 and 3 carbon emissions – many organisations researched are starting to consider their scope 3 profile, and are locking in the network effect of involving their suppliers and customers into their ESG strategy [Source: EthicsGrade]

> “Fintechs are uniquely positioned to help achieve sustainability goals” with “access to capital giving the possibility to steer the policies within a company and focus on the things that are really important”
>
> **IRENE PEREZ, GAIN THE LEAD**

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7 Report and disclose on current state, goals and progress – rinse and repeat!

Now you’re at the end of the journey, it is time to take stock of your progress and share your work with the world. Only 20% of publicly traded organisations currently publish their sustainability/ ESG reports, and this number drops significantly for mid-cap, pre-IPO and growth stage companies. TPA members are performing above average, with 27% of those responding to our survey publishing such reports and over half of those who don’t yet publish reports are committed to doing so within the next 12 months.

The smallest and earliest stage organisations might see no need to publish their sustainability credentials, but the push to publish is likely to be driven by stakeholders. As an increasing number of organisations start to manage their scope 3 emissions, the focus on sustainability in the supply chain is also increasing. Even if your employees and your investors might not be asking you for your sustainability disclosures today, your customers (particularly in a B2B context) are likely to be asking you tomorrow! Charlie from Crown Agents Bank explains that more people will be looking for public displays of sustainability. “Companies that don’t take this into consideration now and don’t have the space for it immediately will rue this day, and will later regret not doing this work now”. Simply put, it may not just damage your brand – it may put you in a position of forever playing catch-up. ■

Further Survey Findings

Case Study: TPA Members' sustainability efforts and ESG reporting

To help map progress and gaps, EthicsGrade conducted a study of TPA members on their sustainability efforts. Results showed that members are working towards establishing best practice, implementing policies across technological risk, as well as Environmental, Social and Governance-related concerns.

The survey focused on areas of risk that were identified as being material for Fintechs and highlighting topics and measures which companies should consider in their ESG journey.

As touched upon by several of our superheroes, a growing risk to Fintechs and their operations are the data privacy related concerns and the impact of forthcoming regulations coming into play. The need to be responsible with data and technology was a recurrent theme throughout our interviews and research. It is perhaps unsurprising – but also reassuring given the importance of data in Fintech – that this is an area where we found the greatest level of maturity toward sustainable engagement!

The neglect of social justice issues has been a source of much criticism which has resulted in them becoming a greater corporate priority for companies. TPA members who responded to our study show a recognition of these high-level policies, with greater consideration of gender equity and the wider societal impacts of products and services. These social justice topics were key in Algbra's positive impacts on local communities and thus their sustainability performance. However, given the prevalence of machine learning tools in the industry, it was surprising not to see greater awareness of methods such as Fundamental Rights Impact Assessments (FRIA) as proposed by the European Commission as a methodology to identify and mitigate the potential unintended consequences of tech-enabled propositions.

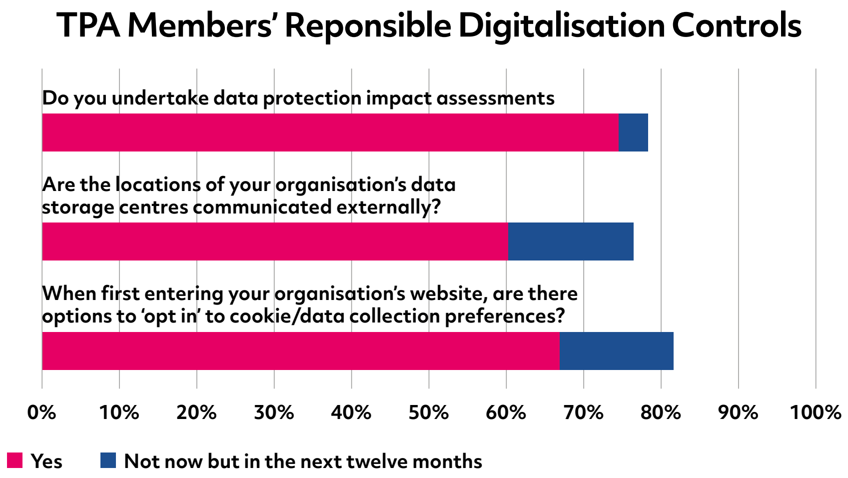

Figure 8: TPA member respondents to EthicsGrade' survey shows convincing evidence of best practice on technology-related ESG risks and maturity of Corporate Digital Responsibility. [Source: EthicsGrade]

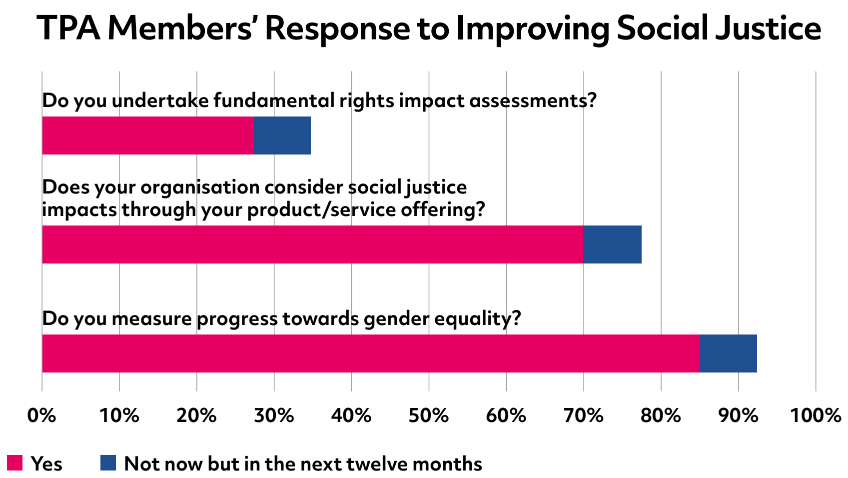

Figure 9: Selection of maturity of social justice governance data shows that proposed measures such as Fundamental Rights Impact Assessments (FRIA) designed to mitigate risks stemming from Fintechs' use of AI and automation are not yet widely adopted amongst TPA member respondents to EthicsGrade' survey. [Source: EthicsGrade]

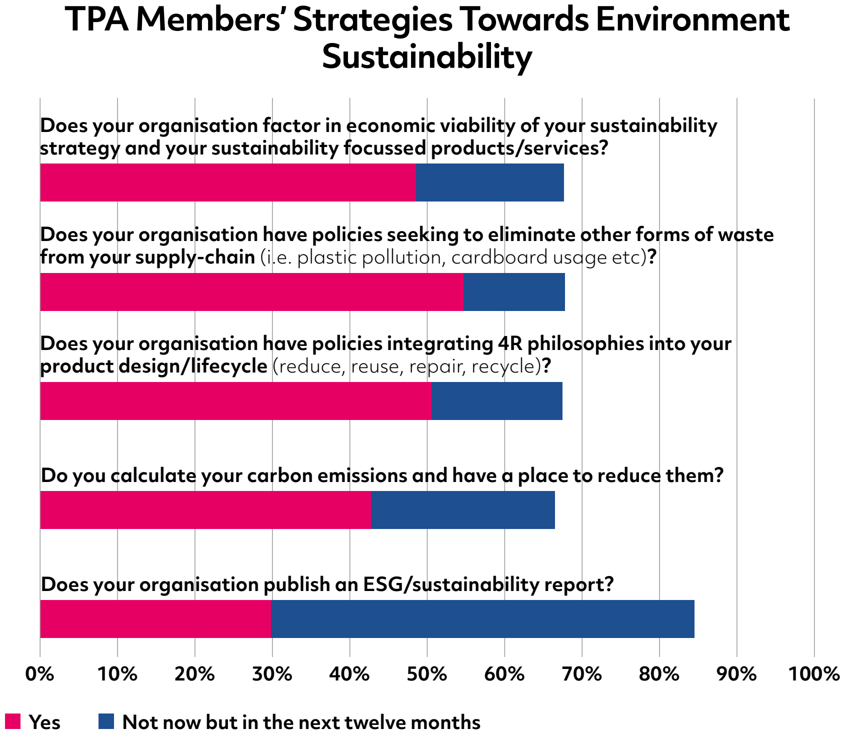

Figure 10: Selection of maturity of Environmental Sustainability governance data amongst TPA member respondents to EthicsGrade' survey shows that most organisations are yet to publish their sustainability/ ESG strategy but plan to in the next year. Amongst respondents to EthicsGrade's survey, nearly 1 in 3 Fintechs already report on ESG, compared to 1 in 5 in the wider market. [Source: EthicsGrade]

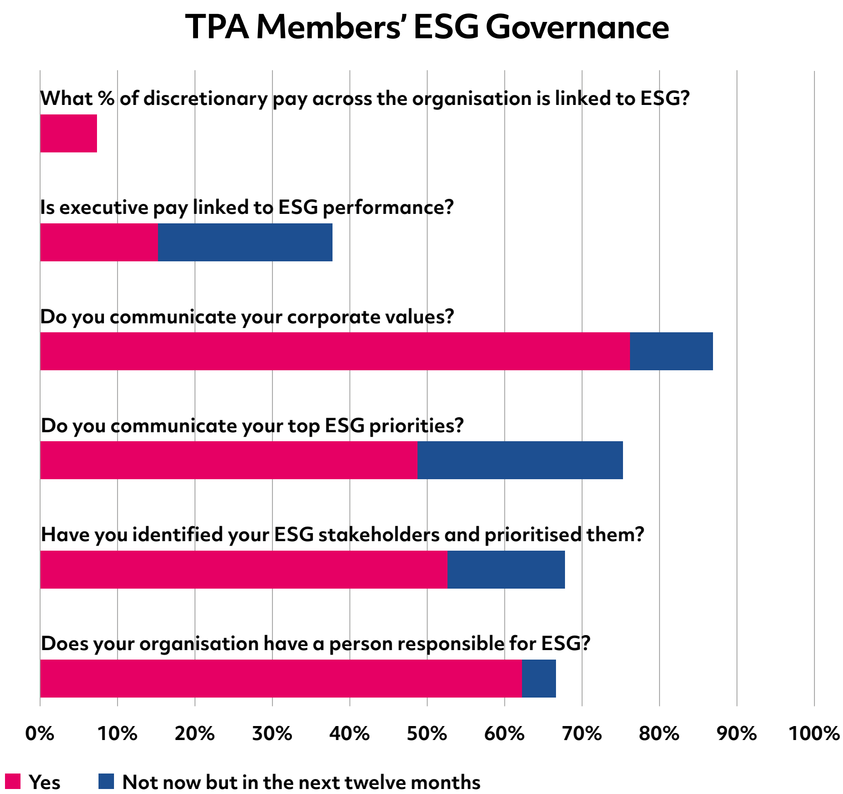

Figure 11: Selection of maturity of sustainability related corporate governance data amongst TPA member respondents to EthicsGrade' survey shows that there are significant plans underway across the industry to incentivise executives on sustainability, and that, on average, 7% of discretionary pay is already linked to ESG performance amongst TPA members who responded to the survey. [Source: EthicsGrade]

Consideration of companies' environmental impact is fast becoming a regulatory focus globally. TPA members who responded to our study showed a move towards integrating environmental sustainability aspects into their products, planning and reporting processes. Your transformation into a sustainability superhero can begin with well-established concepts, such as the 4Rs philosophies (reduce, reuse, repair and recycle) in your everyday choices, or utilising carbon emissions calculators to better understand the impact of your operations.

Sustainability superheroes understand the need for strong organisational governance to ensure transparency and accountability. Such measures may include publishing top ESG priorities, linking ESG performance and discretionary pay, and introducing dedicated ESG-focused employees. Survey respondents communicated the great progress made by those TPA members towards governance of sustainability measures, as well as commitment to further improve this within the next year.

This paper presents the elements of best practice for sustainability reporting. Communicating these is just as important as your carbon footprint calculation method , as it speaks to the rigour by which your organisation is addressing the challenges and the sophistication by which it understands the risks caused by misalignment with stakeholders.

Seven skills to be a sustainability superhero:

Identify Stakeholders >> Engage >> Prioritise >> Define strategy >> Manage Conflict >> Integrate >> Disclose ■

Conclusion

Each one of the Sustainability Superheroes spoke about the lessons learned on their ESG quests. FIS spoke about the need to revisit their materiality assessments, BCP explained they recognised their need to improve communication and reporting on their sustainability wins and Mastercard explained the importance of counting all the small improvements made, as they add up to make a real difference.

> "An ESG report demonstrates transparency on where you are today on your ESG journey and a statement of intent on where you want to be and aspire to be in your company. And so, you have got to get the narrative right."
>
> **ANDREW CIAFARDINI, FIS**

In reporting goals – firm figures carry the most weight – which is why many of the commitments made by larger organisations are framed in terms of absolute objectives. We should bear in mind, however, that not all goals can be measured and in some cases, when measurement takes place, how the measurement is calculated can have a significant impact on the outcomes achieved and unintended consequences caused.

Andrew from FIS explains that in reporting all companies have an opportunity to tell a story. "An ESG report demonstrates transparency on where you are today on your ESG journey and a statement of intent on where you want to be and aspire to be in your company. And so, you have got to get the narrative right". A sustainability report should be a living document. Most large organisations publish this annually, but with both the EU and the US developing regulation on sustainability reporting, we expect that many key sustainability indicators will become increasingly heightened in prominence and thus likely to dovetail further with the quarterly financial reporting cycle. Jim from Mastercard emphasised that "ESG is no longer 'nice to have', it is imperative as part of your business to be successful". We heard variations on this theme from most of the interviewees throughout our research.

Now we've completed this journey together, you are hopefully in a position where you too can become a Sustainability Superhero and help others on this quest. We've learned not just that the Fintech community is more advanced than many other industries at addressing issues of sustainability, but it's also uniquely placed to tackle important challenges, given that so much of the world's activity is expressed through the financial markets and via transaction processing platforms. If sustainability can be better integrated across these systems and the organisations behind them, then we all stand to benefit a great deal. ■

Appendix

List of organisations interviewed as part of this research:

List of organisations who responded to survey:

- Algbra
- Banking Circle
- BCB Group
- BPC
- Chargebacks 911
- Crown Agents Bank
- Deloitte
- Discover
- ekko
- Enfuce
- FN1X
- FIS Global
- Gain the Lead
- GBG Plc
- Global Processing Services Limited
- Helpful World
- Hexopay
- Ingenico
- Mastercard
- Paynetics
- Peple
- SesantiPay Advisory
- Starlix
- Tink
- Trust Payments
- VISA

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Andy Caulkett

About The Payments Association

The Payments Association (previously the Emerging Payments Association or EPA) is a community for all companies in payments, whatever their size, capability, location or regulatory status. Its purpose is to empower the most influential community in payments, where the connections, collaboration and learning shape an industry that works for all. It works closely with industry stakeholders such as the Bank of England, the FCA, HM Treasury, the PSR, Pay. UK, UK Finance and Innovate Finance. Through its comprehensive programme of activities and with guidance from an independent Advisory Board of leading payments CEOs, The Payments Association facilitates the connections and builds the bridges that join the ecosystem together and make it stronger. These activities include a programme of monthly digital and face-to-face events including an annual conference, PAY360, the Emerging Payments Awards dinner, CEO round tables and training activities. The Payments Association also runs five stakeholder working project group covering financial inclusion, regulation, financial crime, cross-border payments and open banking. The volunteers in these groups represent the collective views of the industry and work together to ensure the big problems facing the industry are addressed effectively. The association also conducts original research which is made available to members and the authorities. These include monthly whitepapers, insightful interviews and tips from the industry's most successful CEOs

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