



# Salone dei Pagamenti 2021

*L'opportunità ESG per l'industria dei pagamenti*

5 novembre 2021

**BAIN & COMPANY** 



# Sustainability is at the top of CEO's agendas and nearly all largest companies are now publicly reporting their non-financial results



Of CEOs believe that **sustainability** is important for the **future success** of their business



Of CEOs believe that the **economic system** needs to be re-focused on "**fair growth**"



Of CEOs own themselves accountable to **leave a sustainability mark** as part of their mandate

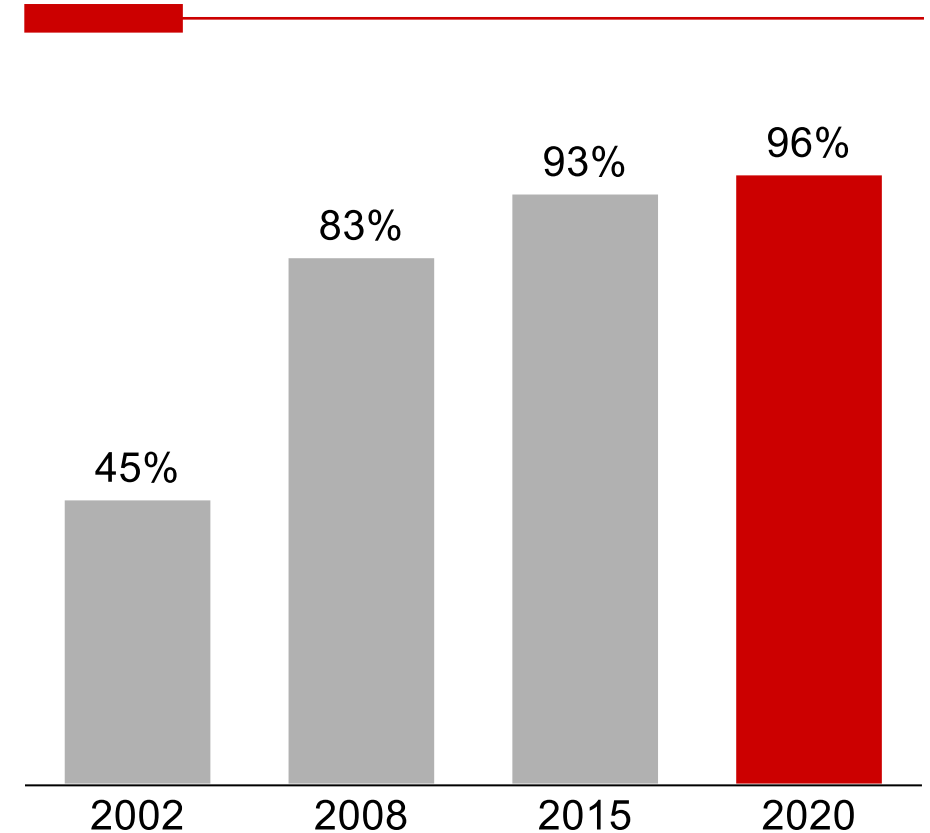


*It is necessary to mobilize the private sector which represents 75% of the World's GDP. In the future, the cooperation with businesses will be crucial to fight climate change and deliver on SDGs.*

Antonio Guterres, General Secretary of the United Nations



Companies<sup>1</sup> publishing a sustainability report



Note: (1) Among the 250 largest worldwide Companies by revenue

# Stakeholders “all around” are pushing companies to embrace sustainability and they are “raising the bar” for the disclosure level required on ESG matters

/ BAIN OBSERVATORY

## External Stakeholders

## Internal Stakeholders

01

### Institutional investors

Institutional investors are increasingly including ESG aspects as **active selection criteria**

By 2030, around **95% of AUMs** are expected to have a more or less explicit **ESG** mandate



02

### Private equity funds

Private Equity funds now also carry out **ESG due diligence** prior to any investment decision

Most funds are **evaluating their portfolio companies** to identify assets with a weak ESG profile on which to initiate ad hoc actions



03

### Rating agencies

Fast growing ESG ratings agencies have broadly different focuses and evaluation criteria

Their rating is often a **binding criterion** to **access specific stock market indices**



04

### International institutions / regulators

International institutions and reference regulatory frameworks are **raising the threshold for disclosure** of ESG and sustainability policies

**Financial sector regulators** are increasing their attention to ESG risks implication on access to credit

Huge public resources available to support ESG transition



05

### Customers

Customers are willing to **pay a premium** for sustainable and ethical products / brands

**Analyses by the Bain Observatory** show a **strong correlation** between the **ESG score** and the level of **customer satisfaction**

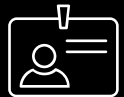


06

### Employees

A solid ESG ambition is typically connected with **higher employee satisfaction**

The **ESG profile** of a company is increasingly critical for **attraction and retention of talent**, especially concerning **newer generations**



# These pressures from different stakeholders have led to an enhanced sensitivity of companies to undertake the ESG transition



56%

...of **companies** consider themselves **exposed to the ESG transition impacts**

66%

...of companies **carry out actions to reduce environmental impact**

45%

... of companies say **they will increase their investments in sustainability**

36%

...of **responding companies** perceive the **ESG transition** as an **opportunity** for their business

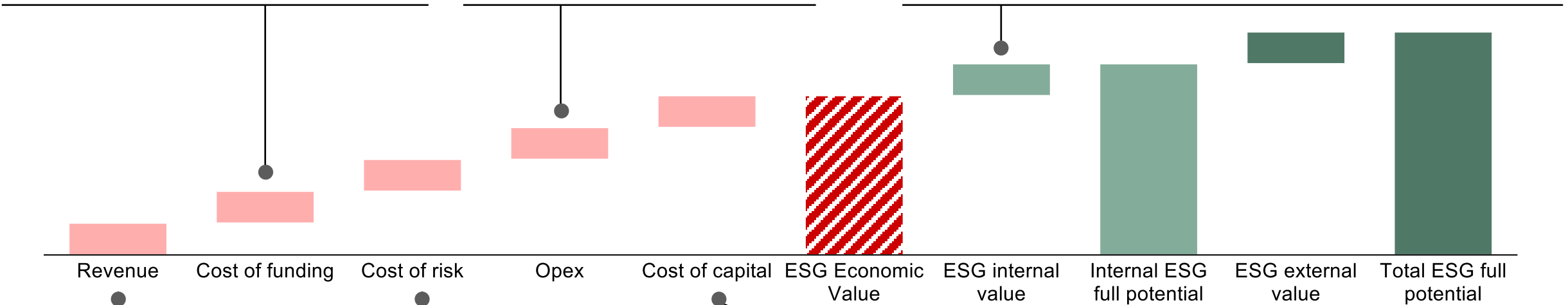
# Our experience shows that when done right, excellence in ESG enhances significant value creation potential

## ESG VALUE CREATION

### Economic ESG Value Creation

**Improved debt capital market access** thanks to **Better ESG profile/rating**: e.g. improvement through both traditional and sustainable bonds including potential 10 to 30 bps reduction in cost of funding, resulting from higher level ESG rating

**Resized cost base**: ESG transformation can represent an opportunity to completely rethink internal consumption models and bring efficiencies up to 5-7% on operating costs



- **New business opportunities**: along with new products, FS players can benefit from innovative new opportunities (e.g. advisory desk)
- **Better NPS scores**: a distinctive ESG profile strengthens relations with customers and can lead to more promoters, who are 1.7 – 2.2x more profitable

**Lower CoR**: FS players with a better sustainability profile have a cost of risk > 25% lower than the market. Variance can be higher for FS players that do not carefully manage risk associated with climate change and Loan Portfolio Decarbonisation

**Improved share price performance and access to capital markets** thanks to **Better ESG profile/ rating**: ~50% of asset managers already incorporate ESG factors into investment decisions, a share quickly growing

**Enhanced internal ESG value**: e.g. (E) lower environmental footprint due to less material use and CO2 emissions, (S) better livelihood for households resulting from fair wages and (G) financial contribution to society from fair taxes

### Non-Financial ESG Benefits

**Enhanced internal ESG value**: e.g. (E) improved quality of working space due to environment-friendly initiatives, (S) better ability to attract the best talent <especially new generations> and improve retention, (G) better decision making due to increased information transparency and enhanced diversity in governing bodies

# Opportunities for ESG product innovations span across full spectrum of retail customer needs

/ NOT EXHAUSTIVE

Triodos Bank

BARCLAYS

Nordea

- **Green mortgages** for sustainable properties
- **Vehicle loans** for EV/ hybrid cars
- **Energy efficiency loans** for homeowners
- **ESG-linked consumer loans**

Tomorrow

meniga

Daylight

Aspiration  
Do Well. Do Good.

- **Mobile banking** with interface allowing to offset full CO<sub>2</sub> footprint
- **Online-only banking** with no physical branches
- **Online banking** designed to build a community for customers representing a minority group (e.g. LGBTQ+)

Alipay

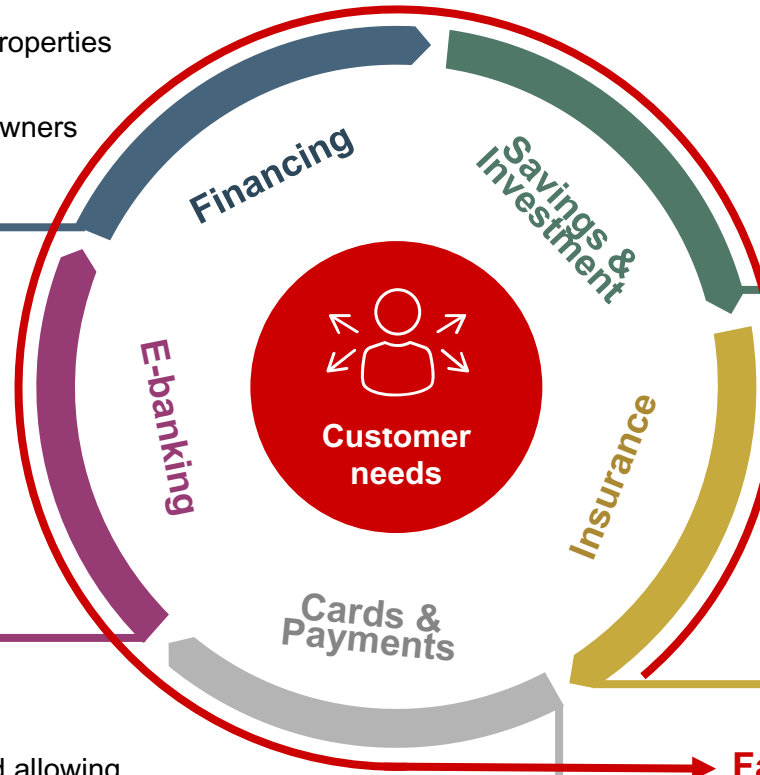
Doconomy

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GAZPROMBANK

- **Credit cards tracking CO<sub>2</sub> footprint** and allowing to compensate or set **expense limit on CO<sub>2</sub>**
- Debit cards linked to **donations supporting specific cause** (e.g., featuring endangered species)
- **Rewards** for making sustainable consumption choices **using gamification** (e.g., 'grow a tree' in app)
- Interface allowing to **"round-up" payments** to donate to ESG causes
- **Eco-friendly debit cards** derived from renewable materials



- **Crowdfunding platform** enabling individuals to invest directly in ESG products
- **App measuring portfolio 'temperature'** with outlook and evaluating alignment with Paris Agreement
- ESG products set as **preferred investment option for wealth management** business

Aspiration  
Do Well. Do Good.

BNP PARIBAS

sugi

CREDIT SUISSE

- **Insurance policies** encouraging low CO<sub>2</sub> emission vehicles
- Home insurance policies **encouraging energy efficiency**
- **Pay-as-you-drive** car insurance
- Option to **allocate a share of premiums to ESG impact initiatives**

AXA

QBE

NN

## Fair and transparent product communication

- Screens all new or modified products/ services to ensure transparency and customer value proposition
- Leverages tech such as Machine Learning to **assess and improve understandability** of e.g. policy wordings

Triodos Bank

NN

Santander

AEGON

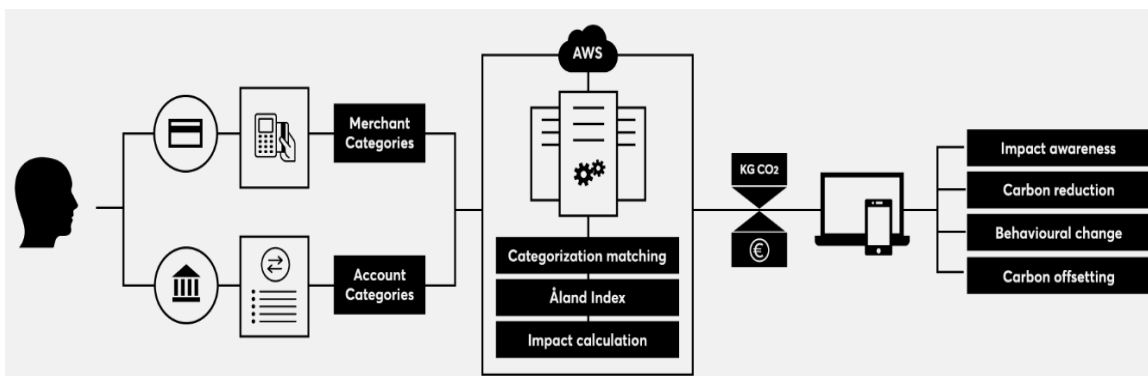
Source: Bain experience, Lit. search

# Doconomy provides Credit card tracking CO<sub>2</sub> footprint and allowing to compensate or set expense limit on CO<sub>2</sub>

## CARDS & PAYMENTS

**Åland Index Solutions offers a benchmark climate index to enable calculation of climate impact of each purchase**

- Åland Index Solutions **calculates CO<sub>2</sub> impact of each transaction**
- The solution offers a comprehensive and innovative user experience for climate impact **calculation, integration, communication and even activation**
- The index is offered as a cloud-based service, that their clients (FS players, payment providers) can **use through API to offer end users all the tools they need for everyday climate action**



Source: External research

## / SELECT EXAMPLES

**DO is the banking solution of Doconomy that helps consumers be aware and compensate for their environmental footprint**

- DO credit card will **track your CO<sub>2</sub> footprint** and **allow you to compensate for your impact** through UN certified climate compensation projects, and investment funds that have a positive impact on people and planet
- Take it **even further with Black Card**: DO black has a **carbon limit feature**
- DO since 2019 collaborating with Mastercard, **offering any Mastercard issuer** to offer their cardholders the free **ability to track/understand** their carbon footprint based on their purchases

