



**Salone dei Pagamenti 2020**  
*ESG e sostenibilità nell'industria dei  
pagamenti*

5 novembre 2020

**BAIN & COMPANY** 

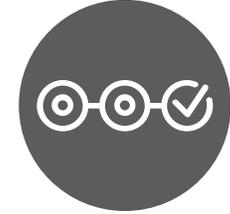
# ESG means using Environmental, Social and Governance factors to evaluate companies / customers in terms of how far advanced they are with sustainability



## Environmental



## Social



## Governance

Issues / topics related to **environment**, such as emissions, pollution, energy, etc.

Issues / topics mostly related to **human beings life**, such as health, human rights, corruption, etc.

Issues / topics related to **companies governance / way to behave**, in terms for example of transparency, competitive behavior, responsible employing, etc.

# Sustainability is not a short-term trend but a paradigm shift increasing the importance of Environmental, Social and Governance performances for all stakeholders

## UN Sustainable Development Goals

- **2015**, UN Agenda 2030 for Sustainable Development, adopted **17 Sustainable Development Goals**



## Regulations and standards

-  Regulators at **EU level** are “raising the bar” for **transparency of ESG reporting and strengthening the governance** on sustainability
  - **2017, Task Force on Climate-related Financial Disclosures** for consistent climate-related financial risk disclosures
  - **2018**, European Commission adopted an **European action plan on sustainable finance**
  - **2019, Regulation EU n.2088** on sustainability-related disclosures in the financial services sector
  - **2020**, European Commission provided a **roadmap for the efficient use of resources and climate neutrality for EU in 2050** (The European Green Deal)
-  At the same time, also **local regulations** are evolving at an increasing pace
  - **2016, Italian Decree n.254** on non-financial and diversity information
  - **2020, new Corporate Governance Code** recommendations for the “*successo sostenibile*” of the business engaging their stakeholders

## Other stakeholders



- **Investors** consider the **ESG evaluation** of potential investments an **integral part of their risks / opportunities assessment**



- **Business clients** are **increasing sustainability requirements**, assigning a growing relevance to ESG metrics in tendering processes and suppliers selection



- **Consumers** are more and more sensitive to sustainability and are **willing to pay a premium for sustainable or ethic products/brands**



- **People increasingly seek employers that “have a purpose”** and that “do the right things” beyond the sole pursuit of economic profit

# There is no sustainability silver bullet, but several best practices

## Top performers show distinctive best practices on selected sustainability axes

ⓧ Focus of next slides

		Best practices
<b>Environment</b>	<b>Climate-change strategy</b>	<ul style="list-style-type: none"> <li>• Adopt science based targets</li> </ul>
	<b>Processes and products</b>	<ul style="list-style-type: none"> <li>• Close the loop for water and waste</li> <li>• Adopt sustainable raw materials / designs</li> </ul>
	<b>Emissions</b>	<ul style="list-style-type: none"> <li>① Reduce all emissions including indirect ones (scope 3)               <ul style="list-style-type: none"> <li>• Compensate products lifetime emissions</li> </ul> </li> </ul>
<b>Social</b>	<b>Human rights</b>	<ul style="list-style-type: none"> <li>② Commitment to defend Human rights with all stakeholders</li> </ul>
	<b>Employees</b>	<ul style="list-style-type: none"> <li>• Develop and retain key competences</li> <li>• Promote inclusion and diversity</li> </ul>
	<b>Customers</b>	<ul style="list-style-type: none"> <li>• Build clients trust</li> </ul>
	<b>Supply chain</b>	<ul style="list-style-type: none"> <li>• Assess all suppliers / partners on ESG performance</li> </ul>
	<b>Community</b>	<ul style="list-style-type: none"> <li>• Provide free financial education</li> <li>• Fund initiatives for financial inclusion</li> </ul>
<b>Governance</b>	<b>Corporate governance</b>	<ul style="list-style-type: none"> <li>• CSO reporting to CEO</li> <li>• Clear board oversight on ESG risks</li> </ul>
	<b>Reporting standards</b>	<ul style="list-style-type: none"> <li>• Link top-line with UN's SDG</li> <li>• Adopt TCFD reporting standards</li> </ul>
	<b>Materiality &amp; Risk Mgmt.</b>	<ul style="list-style-type: none"> <li>③ Link material issues, metrics / targets and initiatives               <ul style="list-style-type: none"> <li>• Organize yearly multi-stakeholder forums to update materiality matrix</li> </ul> </li> </ul>
	<b>Policies &amp; compliance</b>	<ul style="list-style-type: none"> <li>• Comprehensive set of disclosed vertical policies on key ESG areas</li> </ul>

Note: SDG = Sustainable Development Goals

# 1 Case study – Mastercard is leading emissions reduction in the payments industry by addressing indirect (scope 3) emissions



## Ambition

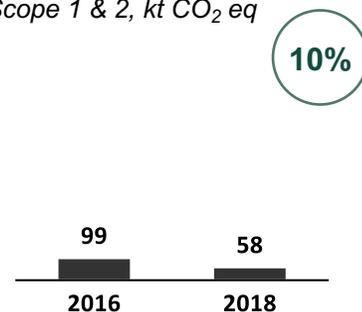
*“Promoting environmental sustainability both in our daily activities and in how we work with others”*

## Metrics and targets

- First Payment company to set a certified target by the **Science Based Targets initiative**<sup>1</sup>
- **Target of 20% absolute emissions reduction by 2025** vs. 2016 baseline for total emissions<sup>2</sup>
  - **Scope 3 (indirect) emissions** including goods & services, upstream transportation, commuting and business travel, leased assets and waste impacts

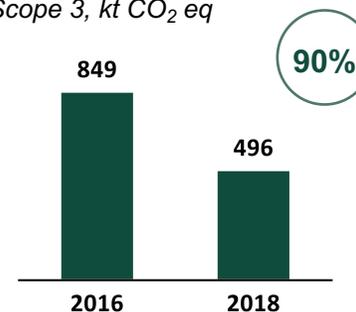
### Direct and energy related emissions

Scope 1 & 2, kt CO<sub>2</sub> eq



### Indirect emissions<sup>2</sup>

Scope 3, kt CO<sub>2</sub> eq



## Actions

1

### Improve energy efficiency of buildings (owned & leased)

- Promote **energy-saving initiatives** (e.g. data centres)
- Pursue **green building certificates** (lighting, HVAC)
- **Shift** from renewable credit compensation to **on-site / direct production of renewable energy**

2

### Engage with suppliers via CDP

- **Invite suppliers to complete the CDP questionnaire**,
- **Promote cooperation with suppliers** on specific environmentally conscious projects (e.g. Greener Payments Partnership with card manufacturers)

**Note:** (1) The Science based targets initiatives certifies that the emissions reduction targets set by a company are aligned with the global effort to limit global warming to 1,5°C (or 2°C) (2) As of 2018, Mastercard invited suppliers that represented approximately 65% of its global procurement spent to report to CDP. 50% responded and enabled to track the related Scope 3 emissions at that date.

**Source:** Mastercard 2018 sustainability report

# 2 Case study – A comprehensive human rights commitment requires actions towards all stakeholders (1/2)



## Ambition

*“We recognize our responsibility to respect and advance the rights of everyone, everywhere”*

*“We are committed to establishing high ethical standards across our company & in our supply chain”*

## Metrics and targets

- **Public commitment** to respect and advance **human rights guided by international frameworks**:
  - Universal Declaration of Human Rights (UDHR)
  - United Nations Guiding Principles on Biz & Human Rights
  - International Labour Organization’s (ILO) Declaration on the Fundamental Principles and Rights at Work
- Disclosed qualitative actions sustaining **Visa’s role in Human Rights Strategy beyond the workplace**:



### Employer

Diverse and inclusive work environment for employees



### Payment enabler

Act against illicit activities on the network



### Purchaser

Responsible sourcing with dedicated supplier Code of Conduct e diversity program



### Business Partner

Advocate the respect and advance of human rights

## Actions

- 1 Establish **dedicated policy & processes**<sup>1</sup> to respect and advocate human rights beyond employees
- 2 Launch a **cross functional human rights working group** to oversee human right strategy
- 3 Execute periodic corporate level **human right impact assessment**
- 4 Founding supporter and Advisory Council member of the **Centre for Sport and Human Rights**

*Focus of next page*

Note: (1) Discrimination and Harassment policy; Health and Safety Policy; Whistle-blower and Non Retaliation Policy; Supplier Code of Conduct; Supplier Diversity Program; Visa Global Brand Protection Program,....  
Source: Visa sustainability reports '18

# 2 Case study – A comprehensive human rights commitment requires actions towards all stakeholders (2/2)



## Main initiatives

### a The foundation

Adopt **Policies & Procedures** on Human Rights

### b The execution

Ensure **internal execution & assessment** on Human Rights

### c The external involvement

Develop **external partnership & sponsorship** to advocate Human Rights beyond scope of work

## Key results

- **Specific Human Rights coverage** beyond employees<sup>1</sup>:

 **Employees & workplace**

**Business network**  
(e.g. payment) 

 **Responsible Value Chain**

**Operating Environment**  
(governments...) 

- Dedicated internal people: **Human rights working group**
- Recurrent corporate level **human rights impact assessment**:
  - to identify human right risks at Visa and in its value chain
  - to develop mitigation actions to ensure respect of those rights
- *Further enhancement: public disclosure on assessment results, main issues and mitigation plan (not currently available in Visa)*

- **Human rights assessment included among risk mitigation initiatives** for sponsorships / external collaborations
- Contribution to **respect of Human Rights in operating environment** (e.g. Center for Sports & Human Rights<sup>2</sup>)

Note: (1) Discrimination and Harassment policy; Health and Safety Policy; Whistle-blower and Non Retaliation Policy; Supplier Code of Conduct; Supplier Diversity Program; Visa Global Brand Protection Program,....; (2) Center for Sports & Human Rights: the organization convenes governments, international organizations, sports bodies, hosts, human rights groups, trade unions, sponsors and broadcasters to work toward a world of sport that fully respects human rights

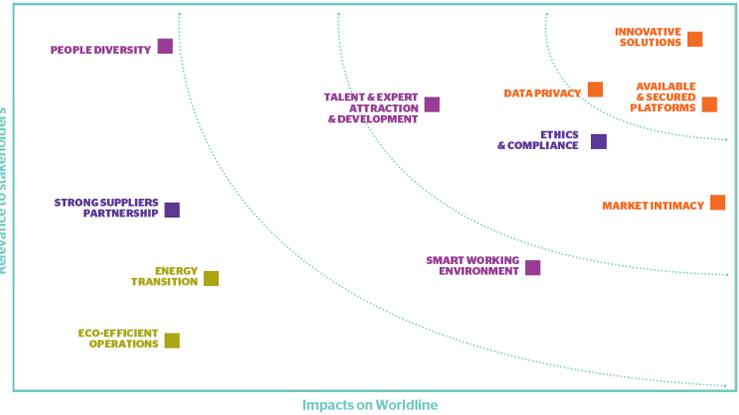
Source: Visa sustainability reports '18

# 3 Case study – Materiality analysis guides the definition of strategy priorities and identification of ESG opportunities

## Strategy definition

### Quantitative assessment of materiality / prioritization

- **Simple priority matrix** aiming at 11 issues related to **6 stakeholders**:
  - Clients
  - Employees
  - Suppliers & partners
  - Investors & analysts
  - Public bodies
  - Communities
- **Structured quantitative stakeholders engagement process** across all Group activity touchpoints



### Clear statement of must-win battles and ESG opportunities

- **Few must-win battles** guiding overall ESG strategy:
  - **Business** – Building customer trust with reliable secured innovative and sustainable solutions
  - **People** – Being a responsible employer by fulfilling employees potential
  - **Value Chain** – Ensuring business ethics along the value chain
  - **Environment** – Leveraging the eco-efficiency of data centres and offices
- **4 years plan** (TRUST 2020, launched in 2016) with **quantitative measurable targets on each area**
- **Opportunities from sustainability** assessed and measured as **part of growth drivers**, including link of top-line with UN's SDGs

Indicator	2015	2016	2017	2018	2019	2020 Targets	SDG linkage
Quality Score – Contracts' Service Availability & Response Time*				9,608	<b>9,871</b>	9,875	
% of incident responses compliant with Worldline security policy*	–	97%	98.67%	98.74%	<b>99.64%</b>	100%	
% of Compliance Assessment of Data Processing (CADP) performed for all processing activities*	–	–	–	97%	<b>99%</b>	100%	
Revenue generated through sustainable solutions that contribute to societal and environmental progress (in €)*	575	586	770	816	<b>1,016</b>	725	
Overall Customer Satisfaction from Tactical surveys*	7.26	7.67	8.1	8.1	<b>8.2</b>	8	

**BUILDING CUSTOMER TRUST WITH RELIABLE, SECURED, INNOVATIVE AND SUSTAINABLE SOLUTIONS**

# 3 Case study – Management of risks and opportunities is linked to strategy priorities and relies on quantitative, audited KPIs

## Management model

### Risk mgmt. initiatives linked with key battles

- **ERM model linked to sustainability priorities** providing efficient feedback loops to execute strategy
- **Measurable mitigation initiatives** linked 1-to-1 with identified risks

Risk	Description	Risk mitigation	Target	Initiatives
ENVIRONMENT  Climate change	Worldline's activity of processing large amounts of data and manufacturing payment terminals contributes to energy consumption and related air emissions. The company has a responsibility in setting ambitious carbon reduction targets and using renewable energy sources to support the fight against climate change.	Worldline has committed to reduce its carbon intensity by 2% per year and to switch to renewable energy in its energy mix. Long-term contracts have been signed to guarantee energy supply in case of rising energy prices. Worldline ensures compliance through its ISO 14001 certification process.		
		<a href="#">TO FIND OUT MORE: 2018 RD D.5 AND 2018 IR P60-63</a>		
Circular economy	Limited resources, especially the rare raw materials used in electrical components, constitutes a challenge for the digital industry. Worldline's payment terminals have to be eco-designed, collected and recycled to limit electronic waste and favor the circular economy.	Worldline is committed to ensure that its payment terminals are eco-designed and recycled (WEEE regulation) to have the minimum impact on the environment throughout their lifecycle. Worldline also pays specific attention to avoid the presence of conflict minerals in its components.		
		<a href="#">TO FIND OUT MORE: 2018 RD D.5 AND 2018 IR P63</a>		

### Structured monitoring model with audited KPIs

- **Comprehensive set of KPIs** monitoring progress towards must-win battles
  - Examples include customer satisfaction / NPS, cybersecurity proxies such as number of incidents
- **All disclosed metrics externally audited and based on international / industry standards**

#### CHALLENGE 1: BUILDING CUSTOMER TRUST WITH RELIABLE, SECURED, INNOVATIVE AND SUSTAINABLE SOLUTIONS

Aspects	GRI	Relevant KPIs	2019							Per employee	Per revenue
			2019	2018	2017	2016	2015	2014			
Market intimacy	WL1	Services availability rate*	99.95%	99.97%	99.96%	99.88%	99.81%	99.74%	-	39%	
	GRI102-44	Overall customer satisfaction from Tactical surveys*	8.20	8.1	8.1	7.67	7.26	6.67	-	100%	
	GRI102-44	Net promoter score*	47%	41%	40%	29%	1%	-	-	100%	
Innovative solutions	WL8	Innovation sessions delivered by Worldline for customers*	14%	15	9	10	17	18	-	100%	
	WL2	Number of WIN members	55	47	45	44	45	42	100%	-	
	WL2	Percentage of PhDs and PhD students at R&D department	38%	49%	49%	45%	46%	30%	100%	-	
	WL2	External awards success rate	0%	0%	0%	50%	20%	30%	100%	-	
Fully available and secured platforms	GRI418-1	Total number of substantiated complaints (more than €100 K)	0	0	0	0	0	0	-	-	
	WL3	Number of security incidents*	274	159	150	110	126	89	-	54%	

(\*) Externally verified

