

Mastercard (MA) ESG Report

Profile:

Mastercard operates credit and debit card networks that facilitate payments between a customer's bank and a merchant's bank. The company enables millions of consumers to buy goods and services globally.

What Mastercard Does Well:

Mastercard has many accolades and recognitions, including eight years as an Ethisphere World's Most Ethical Company, earning an A- on the Carbon Disclosure Project's 2022 Climate Change Score (up from B in 2021 and a D in 2016), as well as inclusion on indices like the Dow Jones Sustainability Index and Bloomberg's Gender Equality Index.

Mastercard empowers people and business to gain access to capital and credit. The company has connected 780 million people to the digital economy since 2015 and expects to surpass one billion by 2025. Over 35 million small businesses have been able to digitize since 2020 thanks to Mastercard too.

Mastercard is also committed to science-based emission targets. The company aims to be net zero on a greenhouse gas (GHG) basis by 2040, reduce Scope 1 & 2 by nearly 40% by 2025 and lower Scope 3 emissions by 20% with 2016 as the base year. The company already achieved these targets in 2022, as total scope emissions were down 41% in 2022 versus 2016's levels.

Concerns:

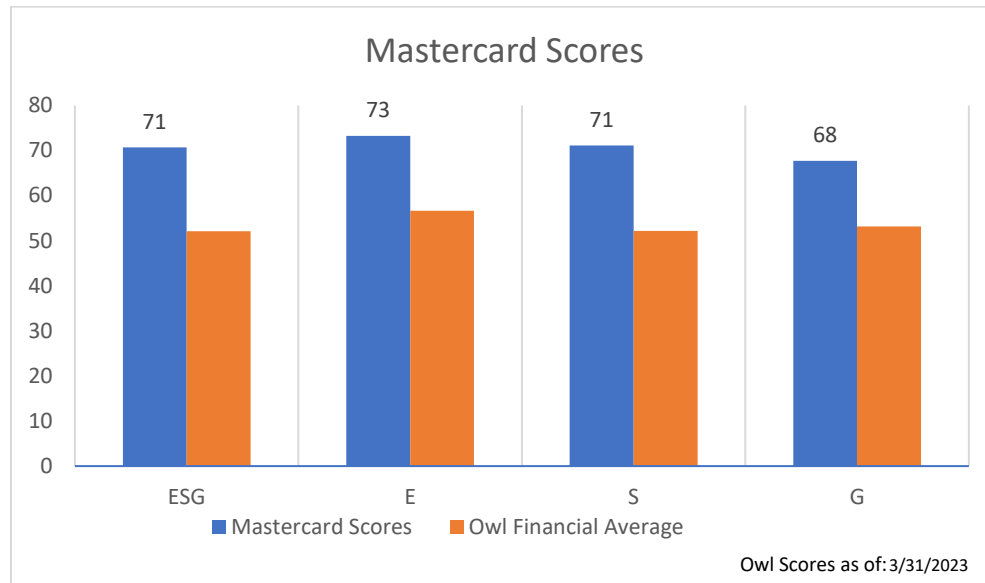
Our firm's biggest concern with Mastercard is the cost of card swipe fees. According to the National Retail Federation, "swipe fees are most retailers' highest operating cost after labor" and drive \$1,000 in incremental costs to consumers via higher prices. In 2001, swipe fees were \$20 billion; by 2022, swipe fees were nearly \$160 billion. The Credit Card Competition Act in the US could further reduce swipe fees to benefit merchants and customers at the expense of Mastercard's business.

One other concern our firm has is reputational risk. Further regulation could hurt Mastercard's business model, and any pushback by the company on lowering fees, facilitating competition, or democratizing the use their technology could cause harm to consumer perception.

Shareholder Engagement:

None.

ESG Scores:



Conclusion:

Overall, our firm believes Mastercard's progress over the last five years stands out. Considering the company is already ahead of externally communicated expectations on emissions targets, our firm considers Mastercard an ESG-conscious investment in the opaque financials sector.

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