



A holistic approach to ESG strategy implementation in PayTech companies

Susanna Nortamo

Haaga-Helia University of Applied Sciences

Master of Business Administration

Strategising in Organizations

Master's Thesis

2025

| |
|--|
| Author(s) Susanna Nortamo |
| Degree Master of Business Administration, Strategising in Organisations |
| Report/thesis title A holistic approach to ESG strategy implementation in PayTech companies |
| Number of pages and appendix pages 102 + 2 |
| <p>Despite occasional resistance, Environmental, Social and Governance (ESG) is here to stay. Corporate ESG measures are not only becoming mandatory but a prerequisite for success for companies. To adapt to the new situation, companies must transform their business strategies. Since the same ESG change frameworks are not applicable to all industries, sector-specific guidelines and recommendations are needed for navigating the transformation.</p> <p>This thesis aims to understand the current state of ESG and to explore the integration of ESG strategies within payment technology (PayTech) companies. By conducting an analysis of existing ESG frameworks and industry best practices, this study provides insights for PayTech companies seeking to enhance their ESG profile while creating long-term value. This study seeks to provide a comprehensive roadmap for PayTech companies to integrate ESG strategies into their business models.</p> <p>The literature review discusses ESG, corporate social responsibility (CSR), the relevance of ESG and ESG frameworks. ESG strategy implementation theories consist of the stakeholder theory, ESG performance management and change management and organizational culture. Additionally, the literature review indicates how fundamentally innovation, technology and risk management are linked to ESG strategies in PayTech companies.</p> <p>The approach of this research is a process case study that uses benchmarking as a research method. Process benchmarking was conducted using secondary material based on Pagitsas' interviews with ESG leaders of companies that have successfully implemented ESG strategies. Critical cases were used in industry benchmarking, which was conducted by using publicly available ESG information on the most reputable and successful ESG performer PayTech companies. The benchmarking findings show what ESG strategy implementation measures benchmarked companies have in place. Based on the literature review and benchmarking findings, this research provides a suggestion of an ESG strategy implementation roadmap for PayTech companies.</p> <p>The results of this research indicate that mere ESG compliance is not enough to successfully implement ESG strategies, and therefore reforming both business and ESG strategy is necessary. The results confirm that a holistic approach to ESG strategy implementation is needed, and that all three aspects of E, S and G must be equally included. The results show that companies can benefit financially and non-financially from the strategic utilization of ESG integrations. In conclusion, this study shows that implementing an ESG-based strategy integrated into sector-specific innovation goals holds enormous opportunities for PayTech companies.</p> |
| Keywords ESG, Strategy, Implementation, PayTech, Innovation, Roadmap |

Table of contents

| | | |
|-------|--|----|
| 1 | Introduction | 1 |
| 1.1 | PayTech industry and the expected changes within it | 2 |
| 1.2 | Research objectives, research questions and delimitation..... | 4 |
| 1.3 | Use of AI | 5 |
| 1.4 | Research structure | 5 |
| 2 | Theoretical framework | 7 |
| 2.1 | Defining ESG | 7 |
| 2.2 | The phases of ESG development..... | 8 |
| 2.3 | The benefits of having an ESG strategy | 9 |
| 2.4 | The end of ESG? | 11 |
| 2.5 | Corporate Social Responsibility..... | 12 |
| 2.6 | ESG frameworks and standards..... | 12 |
| 2.7 | Stakeholder Theory | 14 |
| 2.7.1 | Stakeholder management..... | 15 |
| 2.7.2 | Owners, shareholders and managers | 15 |
| 2.7.3 | Employees | 16 |
| 2.7.4 | Suppliers..... | 17 |
| 2.7.5 | Customers | 17 |
| 2.7.6 | Non-governmental organizations | 17 |
| 2.8 | ESG performance management..... | 19 |
| 2.8.1 | The role of the board and daily management in ESG governance | 19 |
| 2.8.2 | Establishing an ESG department | 21 |
| 2.8.3 | ESG performance management framework | 21 |
| 2.8.4 | ESG performance management steps | 22 |
| 2.8.5 | ESG performance-linked remuneration | 24 |
| 2.9 | Innovation and technology..... | 25 |
| 2.10 | Risk management and resilience..... | 26 |
| 2.11 | Change management and organizational culture | 27 |
| 2.12 | ESG strategy implementation frameworks and steps | 31 |
| 3 | Methodology..... | 38 |
| 3.1 | Qualitative research | 38 |
| 3.2 | Case study research approach..... | 39 |
| 3.3 | Data collection..... | 42 |
| 3.3.1 | Benchmarking..... | 43 |
| 3.3.2 | Industry benchmarking data collection | 46 |

| | | |
|-------|---|-----|
| 3.3.3 | Process benchmarking data collection | 48 |
| 3.4 | Data analysis methods | 50 |
| 3.4.1 | Thematic analysis of industry benchmarking..... | 51 |
| 3.4.2 | Qualitative content analysis of secondary data | 51 |
| 4 | Findings | 52 |
| 4.1 | Process benchmarking findings..... | 52 |
| 4.2 | Industry benchmarking findings..... | 67 |
| 4.3 | ESG strategy implementation roadmap..... | 80 |
| 5 | Conclusions..... | 88 |
| 5.1 | Objectives of the thesis | 88 |
| 5.2 | Key outcomes | 89 |
| 5.3 | Evaluation of the development task: credibility, reliability and ethics | 91 |
| 5.4 | Results of the study and recommendations for future research | 93 |
| 5.5 | Learnings | 95 |
| | References | 96 |
| | Appendices..... | 103 |
| | Appendix 1. Mastercard’s engagement with different stakeholder groups | 103 |

1 Introduction

Corporate sustainability consists of environmental, social and governance (ESG) pillars (Forcadell, Aracil & Úbeda 2019, chapter 2.1). In 2024 it became mandatory by EU rules for large and listed companies to report on their social and environmental risks and the impact of their activities to people and the environment. Corporate Sustainability Reporting Directive (CSRD) obliges the subjected companies to publish reports for the first time in 2025. (European Commission 2025.) Due to mandatory legal changes and global sustainability issues, companies have noticed that in order to remain competitive in the short and long run in the current fast-changing business environments, they must adapt and respond with sustainable business model innovations. In a sustainable innovation process environmental, social and financial considerations are integrated into company or business systems (Aagaard 2019, v.).

Even though corporate social responsibility (CSR) and ESG have also received criticism from some sources, they have undeniably become the mainstays of business activities (Gutterman 2020, 8). More and more large global companies are practicing some form of sustainability and CSR. Moreover, employees, investors and other stakeholders these days have expectations of companies' sustainability and CSR activities. The number of companies that identify sustainability issues as strategically important is increasing, and therefore some companies have started releasing ESG data voluntarily. (Khan, Serafeim, & Yoon. 2015, 2.) However, despite understanding the benefits of well-constructed ESG practices, in many companies this understanding has remained in compliance level, a systematic ESG strategy is lacking, and ESG strategy is not integrated into the core business (Li, Pan, Sun, Zheng, Zhang & Wang 2024, 186).

How companies should implement their sustainability strategies depends on many characteristics and circumstances, such as company size, industry, purpose, culture, external environment, and stakeholders. One framework or method does not fit all companies in sustainability strategy implementation. (Gutterman 2020, 9; Daugaard & Ding 2022, 5.) Hence, the conclusion can be drawn that to successfully implement an ESG strategy a tailor-made or industry specific roadmap is needed.

This thesis aims to explore the integration of ESG strategies within payment technology (PayTech) companies, i.e. in the PayTech industry. This study seeks to develop a comprehensive roadmap for PayTech companies to effectively implement and integrate ESG strategies into their business models. By conducting an analysis of existing ESG frameworks, industry best practices, and case studies within the PayTech sector, this study provides insights and recommendations for PayTech companies seeking to enhance their ESG profiles while gaining short- and long-term benefits from doing so.

This thesis starts by explaining the background to the need for the development project and by describing the objective of the thesis with research questions. The first part of the theoretical framework defines corporate sustainability and ESG, explains the phase and relevancy of ESG, and describes ESG reporting frameworks and standards. The second part of the theoretical framework concerns ESG strategy implementation theories: the stakeholder theory, ESG performance management and change management and organizational culture. Innovation and technology and risk management and resilience are essential to ESG strategy implementation and are thus covered within these theories. The last part of the theoretical framework deals with PayTech-specific ESG strategy implementation frameworks and steps. The methodology chapter includes the process case study research approach, benchmarking, data collection methods and data analysis methods. Findings chapter introduces the process benchmarking findings acquired through secondary interview data, industry benchmarking findings based on critical case benchmarking and a suggestion of an ESG strategy implementation roadmap for PayTech companies based on the literature review and the benchmarkings. Conclusions chapter returns to the objectives of the thesis, presents the key outcomes, and evaluates the credibility, reliability and ethics of the research. The thesis ends by concluding the results of the study, giving recommendations for future research and finally reflecting on the writer's own learnings along the research process.

1.1 PayTech industry and the expected changes within it

PayTech can be characterized as a sub-industry within FinTech. Harrison (2020, 206) defines FinTech as "a rapidly growing industry that has transformed the way financial services are delivered to consumers and businesses". FinTech has disrupted the traditional financial sector by introducing innovative digital solutions (Harrison, 2020, 211). FinTech provides solutions to reinforce financial transactions, payments, and investments. PayTech is a combination of payment and technology, thus focusing mainly on payments and transactions. (Harrison 2020, 209.) Chishti, Craddock, Courtneidge & Zachariadis (2020, chapter 1) define PayTech "as technology that is leveraged to enable the digital transfer of value" and see the roles of payments in the payments space as transacting, enabling and supporting. Harrison (2020, 209) specifies that PayTech companies can be payment facilitators and payment service providers (PSPs), networks that create new payment propositions, and payment technology suppliers. PayTech companies often focus on making payments faster, secure and easily done regardless of location. PayTechs intend to digitalize their services due to adoption of mobile payments and decreasing profitability. (Harrison 2020, 209.)

Moro-Visconti, Cruz Rambaud & López Pascual (2020, 19) investigated the differences between the FinTech and traditional banking sector. They concluded that FinTechs are innovators or facilitators of financial activities, but they are not involved in the borrowing and lending which means that

they don't operate in hyper-regulated intermediation business. FinTechs as well as PayTechs are technological providers of financial services and thus can be assimilated as innovative startups. According to Klimontowicz (2023, 117), at the beginning of FinTechs' operational activity they were perceived as market disruptors. FinTechs have evolved with the help of their technological development, which has increased digitalization and thus improved their abilities to respond to customer needs. Other FinTechs' growth supporting factors are development of e-commerce, customers' demand for faster, more convenient and inexpensive financial services, and financial regulatory and supervisory authorities' and governments' more well-disposed attitude towards FinTechs. (Klimontowicz 2023, 108.)

FinTech can be considered as one of the key drivers for financial inclusion and sustainable development. FinTechs' full potential to support the UN Sustainable Development Goals is realized in supporting digital financial transformation, which makes FinTechs an essential part of the sustainability process. (Moro-Visconti, Cruz Rambaud & López Pascual 2020, 3.) Klimontowicz (2023, 113) also mentions the huge potential and creativity that FinTechs hold in their operating activities, and which should be used to contribute to achieving SDGs. FinTechs have shown to be consistent and continuous regarding ESG criteria. FinTechs have many shared aspects with sustainable finance, and they are able to make financial business more sustainable by promoting green finance. (Klimontowicz 2023, 115.)

Chishti & al. (2020, chapter 1) believe that PayTech's autonomy to adopt innovation will increase in the future, but with that comes the responsibility to build enhanced controls to ensure compliance. As the environment becomes more and more interconnected, greater levels of compliance are required. PayTechs are demanded to participate in developing tools for "know your customer" (KYC) systems which are needed for complying with anti-money laundering (AML) requirements and mitigating the increasing fraud risk.

Regulators in the financial and non-financial sectors are expected to deepen their cooperation in the future driven by the increasing interface between traditional financial services and the technology industry. The contactless payments will rise. (Harrison 2020, 2011.) PayTech industry is expected to create standards which comply with regulators' requirements. The expansion of big players in PayTech, changes in traditional financial institutions' business models, and global changes in ecosystem cause regulatory innovations, which have also led to new regulatory measures applicable to the payment services industry. Moreover, as Harrison (2020, 217) points out, "Regulators are increasingly focused on ensuring that financial institutions are contributing to sustainable development goals and addressing ESG risks".

1.2 Research objectives, research questions and delimitation

The first objective of this research is to examine the current landscape of ESG integration within the PayTech industry and assess the impacts of ESG integration on the financial performance and market positioning of PayTech companies. Secondly, the objective of the research is to identify what are the factors that contribute to the successful ESG strategy implementation in PayTech companies. The main objective of this research is to analyze existing ESG frameworks and methodologies suitable for PayTech sector and perform a comparative analysis with similar processes in benchmarked companies. The aim of the analysis is to find out what are the critical steps required for the successful implementation of ESG strategies in PayTech companies. The final objective is to develop a practical PayTech-specific roadmap for PayTech companies to integrate ESG principles into their operations and decision-making processes.

The research questions aim to support the objectives of the research. This research answers the following four research questions:

Q1: What are the potential financial and non-financial benefits associated with ESG strategy implementation for PayTech companies?

Q2: What are the key factors influencing the successful implementation of ESG strategies in PayTech companies?

Q3: What recommendations can be made to facilitate the widespread adoption of ESG practices among PayTech companies?

Q4: What are the critical steps and considerations in developing a practical roadmap for ESG strategy implementation tailored to the needs of PayTech companies?

This study concentrates on ESG strategy implementation only, and therefore investigating or developing the conventional business strategies is excluded from this study. Specific guidelines for ESG reporting or more detailed instructions for ESG communication, despite being essential components of a thorough ESG strategy implementation, are not included in this research. Additionally, suggestions about how PayTech companies can track and measure the implications of their ESG implementation efforts are excluded. This thesis focuses on PayTech sector only, but it does not make comparisons on how existing ESG frameworks and methodologies align with the unique characteristics and requirements of the PayTech sector. This study focuses on detecting the factors that lead to successful implementation of ESG strategies, whereas the focus is not on the challenges that PayTech companies face in their ESG strategy integrations.

1.3 Use of AI

The thesis has used ChatGPT AI application to develop and structure ideas. AI was used to suggest a topic for the thesis, and the suggestion “Fighting the green frontier: Developing an ESG strategy implementation roadmap for PayTech companies” was used as a preliminary topic. As the study proceeded and indicated that the topic is outdated as it emphasizes the green, i.e. environmental aspect of ESG, although all aspects should be given equal weight and the approach should be more holistic, the topic was changed later without the help of AI. AI was utilized to get some ideas for the structure of the thesis and in creating the research questions. Chapter 5.3, Evaluation of the development task: credibility, reliability and ethics, has been created using AI for getting a frame text to overcome a momentary empty paper syndrome. The author of the thesis has further refined the AI-generated texts to make them align with the context. The AI application has been used marginally and responsibly, considering data protection and copyright. All sources cited in the report have been used correctly and are not AI generated.

1.4 Research structure

Figure 1 outlines the structure of the research conducted in this thesis. The study is organized into four key stages. Each stage builds upon the previous one to ensure a coherent approach to the research objectives. The first stage is the theoretical knowledge base of ESG strategy implementation, and it includes current theories, approaches and best practices. The second stage, data collection, involves benchmarking methods. Primary data is collected through benchmarked companies' public webpages and reports, while secondary data is obtained from existing interviews. The third stage consists of data analysis, where qualitative data is interpreted through thematic analysis and document analysis extracting meaningful patterns, trends and insights from the collected data. The fourth stage synthesizes the findings into actionable conclusions. The results are interpreted in the context of the theoretical framework and the benchmarking findings leading to an updated understanding of the subject. From these insights, the research proposes an ESG strategy implementation roadmap. The research results contribute to ESG strategy implementation by updating what was previously known on the topic.

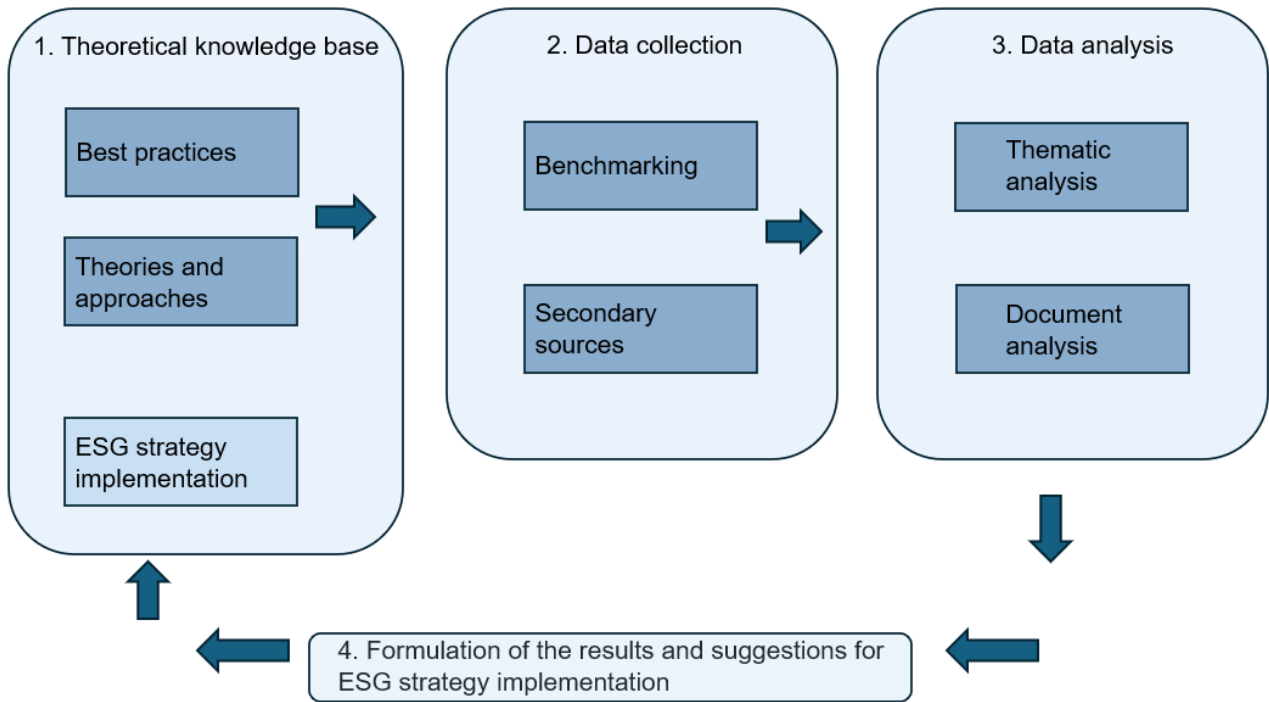


Figure 1. The structure of the research

2 Theoretical framework

This literature review starts by comprehensively defining ESG, by going through the phases of the development of ESG, and by evaluating the relevancy of ESG. Next, the literature review shortly describes the role of corporate social responsibility in relation to ESG, leading to going through ESG reporting frameworks and standards. ESG strategy implementation theories include the stakeholder theory, ESG performance management and change management and organizational culture. Innovation and technology and risk management and resilience are discussed within those theories as an essential part of PayTech companies' ESG strategy implementation. Lastly, the literature review covers the latest ESG strategy implementation frameworks, steps and action points, and integration of all ESG aspects with payments.

2.1 Defining ESG

ESG is a framework used by third party companies and resource groups to estimate companies' viability as an investment opportunity. ESG was originally created to help investors to compare performance on social and environmental issues and direct capital to the most sustainable outcomes. According to previously prevailing belief, to be sustainable companies must focus on the environment. ESG offers a three-aspect alternative to this one-sided thinking. (Assemble You 2023).

ESG consists of three pillars - environmental, social and governance elements which are nonfinancial factors for assuring the sustainable growth of a company. The concept of ESG was originally introduced for institutional investors to be considered as a principle of responsible investment, but the meaning ESG has expanded. In Cho's (2022, 2) words "ESG is an index that evaluates companies' sustainable management and can be viewed as an evaluation tool for socially responsible investment decision-making". (Cho 2022, 2.)

The letter "E" of ESG stands for the word environmental. The typical issues related to it in responsibility management context are energy consumption, pollution, climate change, production of waste, water scarcity, depletion of biodiversity and deforestation. The letter "S" stands for the word social, and the typical issues related to it in corporate responsibility management are child labor, forced labor, human rights, community engagement, stakeholder relations, health, safety, employee engagement, customer satisfaction, gender and diversity policies. The letter "G" for governance includes for example the quality of the board and management, executive and board compensations, transparency and disclosure, auditing, lobbying and political contributions. (Ditlev-Simonsen 2022, 191.) An indicative list of the objects belonging to each pillar of ESG is presented in table 1.

Table 1. Indicative list of objects included in each ESG pillar (adapted from Kumar 2023, 2)

| ESG PILLARS WITH INDICATIVE CONSTITUENTS | | |
|--|-------------------------------|-----------------------------|
| Environment | Social | Governance |
| Climate change | Human rights | Board independence |
| Carbon emission | Labour standards | Board diversity |
| Pollution | Poverty | Transparency |
| Resource erosion | Equal health opportunities | Shareholder's participation |
| Biodiversity | Equal education opportunities | Employee wellness |
| Green coverage | Social security | Equal opportunity |

2.2 The phases of ESG development

The era of ESG development has evolved from the early 21st century's compliance-centricity to strategic leadership. Li, Pan, Sun, Zheng, Zhang & Wang (2024, 185) call this first phase The Era of ESG 1.0. It was characterized by reactivity; the focus was to meet external legal regulations and standards, and ESG practices were mainly reactive, emphasizing compliance reporting. The aim of integrating ESG principles into corporate strategy and culture did not exist. In the Era of ESG 2.0, ESG transformed into a vital component of corporate strategy due to deepening of sustainable development goals and increasing of ESG's significance. Businesses realized that well-constructed ESG practices could bring long-term benefits, and that was their focus area during this period. On the other hand, some businesses' understanding remained at the compliance level, which led to their lacking behind in resource allocation and thus also lacking behind in the overall competitive position and sustainable development capacity. (Li et al. 2024, 185.)

The current state of corporate ESG cognition and action is reflected in the three following facts: despite some progress, companies' ESG efforts are often fragmented and no comprehensive systematic ESG strategy is formed. Most of the companies are not integrating ESG strategy into the corporate management system, and ESG is still often viewed as a separate field from core business.

Formation of market consensus is taking place, but companies still face several challenges in realizing a consensus on ESG value. (Li et al. 2024, 186.)

2.3 The benefits of having an ESG strategy

Having a clear ESG strategy, a plan, leads more likely to successful implementation, just like it does with any business strategy. A detailed ESG strategy provides stakeholders with transparency and trust in the company's operations, makes improvement opportunities visible, provides another avenue to mitigate risks to the company's business, and enables companies to remain compliant with mandatory reporting requirements. (Hannay 2023.)

Cho (2022, 1) states that the increased interest in social contribution activities, government policies and the evaluation of positive effects of ESG activities on corporate performance are driving companies to embrace the concept of ESG and implement it. Cho (2022, 1) brings up in his study about ESG and company performance, that environmental strategies are becoming important indicators for judging corporate competitiveness. Social and environmental performance are increasingly being evaluated comprehensively together with financial information. Cho's study proves empirically that companies' environment-oriented activities have a positive impact on their financial performance.

Cho (2022, 4-5) reports on his investigation of the effects of an ESG strategy on companies. He focuses on the environmental aspect of ESG strategy, an eco-friendly strategy. Cho mentions several positive effects that an eco-friendly strategy can bring to companies. By implementing an eco-friendly strategy, companies can benefit from the perspectives of reputation, performance and risk management. A more detailed list of benefits of an eco-friendly strategy is shown in Table 2.

Cho (2022, 5) concludes, that companies' environmentally friendly activities affected their accounting-based performance differently depending on the industry and the length of the review period. In the service industry the effect on the value is for a shorter period than in non-service industry, and overall the transition is easier in the service industry. On the other hand, in the nonservice industry, such as manufacturing, environmental activities do not have any impact in the short term, but in the longer term they have positive effects on financial performance.

Table 2. Benefits of an eco-friendly strategy from the perspectives of reputation, performance and risk management (Cho 2022, 4-5)

| Perspective | Benefits of an eco-friendly strategy |
|-----------------|---|
| Reputation | Improvement of the corporate image from selling environmentally friendly technologies or services Standing out from other companies with an improved corporate image Improvement of market reputation and external image |
| Performance | Improvement of management performance through customer satisfaction and loyalty Competitive advantage through increasing resource allocation efficiency and cost reductions Long-term cost reductions Enhancing competitiveness Improvement of resource efficiency and manufacturing processes Improvement of corporate performance Increased opportunities to enter new markets and increase of economic performance |
| Risk management | Creating competitive advantage through market opportunity discoveries Preventing the damage of corporate image which cannot be restored quickly Improvement of quality and reduced lead time Preventing losses from environmental issues |

Finger & Rosenboim (2022, 1-15) studied the economic value of adopting an ESG policy. They found that the more the company increases its ESG orientation, the more its reputation improves, and, consequently, more customers will favor the company. They also found that "... ESG activities in financial institutions are a significant predictor of customer satisfaction" (Finger & Rosenboim, 2022, 3), and satisfied customers tend to recommend the company to potential new customers. Finger & Rosenboim (2022, 4) state in their hypothesis that adopting an ESG policy, in addition to creating value for itself and for its employees, it also creates value for all its stakeholders, even shareholders. According to Niehaus & Pelton (2023, 13), forward-thinking companies are recognizing the opportunities embedding ESG into their strategy can generate. "Companies proactively embed ESG into their strategy to attract investors, retain talent, and appease customers while striving for long-term growth. In addition, previously fragmented and voluntary frameworks are being prioritized and aligned worldwide." (Niehaus & Pelton 2023, 13.)

2.4 The end of ESG?

Edmans (2023, 6) argues that ESG is coming or should be coming to an end as it focuses on companies' short-term performance and because its perspective is too narrow. According to Edmans, companies should instead of responding to the reporting frameworks and stakeholder demands think what they want to monitor. Edmans claims, that companies should only consider their own Key Performance Indicators, which naturally include some ESG metrics as well. KPIs or other such indicators would in Edmans' opinion also include dimensions that will bring more long-term value to the company. Edmans basically sees that this perspective would move ESG from a compliance exercise to something that would be more like a value creation tool. On the other hand, Edmans adds that ESG metrics don't stop or prevent companies from going beyond ESG in their long-term value-creating efforts and reporting them. Nevertheless, he believes that if the common ESG measures are prioritized, it will be done at the expense of the real value-creating dimensions. Edmans (2023, 15) concludes:

“It [ESG] shouldn't be put on a pedestal compared to other intangible assets that affect both financial and social value, such as management quality, corporate culture, and innovative capability. Like other intangibles, ESG mustn't be reduced to a set of numbers, and companies needn't be forced to report on matters that aren't value relevant.” (Edmans 2023, 15.)

It seems that Edman in his predictions or wishes in 2022 regarding the end of the ESG is not yet aware of ESG reporting becoming mandatory for large and listed companies in the European Union in 2024, which strongly suggests that ESG is not ending anytime soon (European Commission 2025).

RepTrak (2024) recognizes that there is some opposition to using the word ESG in business but argues that it is still a relevant and necessary concept in corporate affairs. There are parties that see ESG as a cultural weapon rather than a business practice. Nevertheless, all ESG principles are intertwined with critical reputational areas integral to corporate longevity. While some companies have tried to break away from the ESG label and adopt other related terms instead, such as Responsible business, Sustainable Business or CSR, the core idea remains the same. The components of ESG represent fundamental elements of contemporary business practices that enable long-term success, resilience and ethical leadership.

Although sustainability and corporate social responsibility have been criticized by both sides of the ideological spectrum, the civil and the capitalist society, Gutterman (2021, 7-8) argues, that they have become the mainstays of business activities. More and more companies are practicing some form of sustainability and CSR, and in fact, sustainability reporting has become a norm even before it became mandatory. Moreover, today's employees, investors and other stakeholders have expectations of companies' sustainability and CSR activities. Khan, Serafeim & Yoon (2015, 2) state that

it is common for companies to identify sustainability issues as strategically important, and therefore several companies release profusely enESG) data information. Kaźmierczak (2022, 276) is on the same page by stating that to fight back the modern world problems, companies must innovate and manage sustainably. Equal treatment of the ESG areas is a determining factor in a new approach to the evaluation and designing of economic policy, which means that implementing these principles in the practice of business operations is needed. Consequently, the need for companies to extend the reporting activities to include ESG data is created. Kaźmierczak (2022, 279) states that although some companies have found ways to measure the effects of their actions on environment and society, they cannot measure the effects on the whole society on a large scale, and therefore, ESG is the best way to evaluate the effect of a company to the society.

2.5 Corporate Social Responsibility

Corporate social responsibility (CSR) as a concept focuses mainly on organization and the way of responding to the challenges of sustainable development (Kaźmierczak 2022, 277). CSR is not universally clearly defined because the concept is multi-dimensional, the content of social responsibility is unclear and social responsibilities are dynamic. Simplified, CSR expresses how organizations achieve a balance between their economic, environmental and social obligations. (Kaźmierczak 2022, 278.) According to Lexology (2021), as a form of self-regulation, CSR ensures that a company's actions have a positive impact on different stakeholders. Due to creation of ratings and non-financial assessments the concept of CSR is changing to a more precise notion of ESG (Kaźmierczak 2022, 279).

ESG enables CSR to develop from "... the realms of pure philanthropy, to a concrete set of numbers which can be used by investors and consumers alike in understanding a company's philanthropic, social and internal governance practices" (Lexology 2021). Lexology (2021) makes a difference between CSR and ESG and describes the development from CSR to ESG as follows: "CSR was the precursor to ESG. Without CSR, there would be no ESG. While CSR aims to make a business accountable, ESG criteria make such business' efforts measurable." ESG, by providing quantifiable indicators to measure accountability, "applies numerical figures as to how companies treat their staff, manage supply chains, respond to climate change, increase diversity and inclusion, and build community links". (Lexology 2021.)

2.6 ESG frameworks and standards

ESG reporting standards provide a framework for measuring, managing, and disclosing the overall impact of an organization's environmental, social, and economic activities. ESG reporting allow stakeholders to have a fuller view of companies' operation, it helps increase shareholder value and

increases public trust and investor confidence, and it legitimizes companies' existence in society. (Irshad, Fukofuka & Narayan 2023, 778).

Siew (2015, 181-182) divides corporate sustainability reporting tools (SRTs) into three categories:

- 1) *Frameworks*, which typically refer to principles, initiatives or guidelines standards and ratings and indices provided to companies for their disclosure efforts.
- 2) *Standards* that function like frameworks but are more formal documentation that amplify the requirements, specifications and characteristics to be used for achieving sustainability efforts.
- 3) *Ratings and indices*, which are third party evaluation of a company's ESG Performance. (Figure 2.)

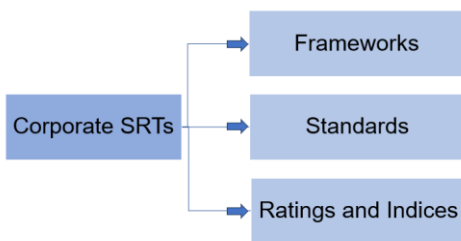


Figure 2. Corporate sustainability reporting tools (adapted from Siew 2015, 181)

According to Kraten (2023, 14-15) there are four valid ESG standard setters for companies from different fields to choose from: Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), Task Force on Climate-related Financial Disclosures (TCFD) and United Nations (UN). Companies have different ESG reporting data needs depending on their stakeholder groups' needs, and each of these four standards setters focuses on meeting a specific need.

These standards setter may not be permanent, as some other new better entity may emerge in the future, and it is possible that new government laws and regulations may affect the ESG reporting sector, but currently these four standards setters remain the main sources of ESG metrics. Figure 3 shows what each of these four ESG standards setters address.

| GRI (Global Reporting Initiative) | SASB (Sustainability Accounting Standards Board) | UN (United Nations) | TCFD (Task Force on Climate-related Financial Disclosures) |
|---|---|---|---|
| <ul style="list-style-type: none"> • Universal concerns for internal stakeholders • Approximately three dozen standards | <ul style="list-style-type: none"> • Industry-specific risk factors • Customized guidance in 77 distinctly defined industry sectors | <ul style="list-style-type: none"> • Risk concerns of external stakeholders • 17 goals encompassing diverse factors | <ul style="list-style-type: none"> • Climate change focused • Standards for the practice of enterprise risk management in general and scenario analysis in particular |

Figure 3. ESG standard setters and the needs they address (Kraten 2023, 15)

GRI has been the most well-known framework in corporate sustainability performance reporting. GRI's advantage is that it helps companies systematically provide information on their performance on ESG, and it is based on multi-stakeholder insights. However, the GRI has been criticized for its voluntary nature of the guidelines, which means that companies have ended up disclosing selectively and even greenwashing. In 2021 the International Financial Reporting Standard (IFRS) Foundation established International Sustainability Standards Board (ISSB) to function alongside IASB with the aim of overcoming the existing sustainability reporting flaws. (Irshad et al 2023, 776-777.)

2.7 Stakeholder Theory

Stakeholder theory assumes that companies are responsible for creating as much value for stakeholders as it is possible without agreeing to compromises (Wong, Teh & Tan 2023, 11). Stakeholder theory initially claimed that "the growth of any company is inseparable from stakeholders, emphasizing the consideration of stakeholders when making or implementing decisions" (Wang 2024, 1). Over the last few years theoretical research has deepened, and with that the scope of stakeholder theory research has expanded. Consequently, ESG has become an important stakeholder theory research aspect. (Wang 2024, 1.)

Stakeholder theory is considered as the prevailing corporate sustainability theory. The relationships and interactions between stakeholders and a company are reciprocal; stakeholders contribute to the company's value creation, and the company affects stakeholders' well-beings. Stakeholder theory considers strong relations with stakeholders to be important to keep and enhance corporate legitimacy. (Daugaard & Ding 2022, 2.) Moreover, RepTrak (2024) indicates that stakeholders are also holding fast to their demands for ESG efforts. Wang (2024, 1) states that ESG can meet the needs of both internal and external stakeholders. ESG initiatives can be used as tools for addressing shareholders' and stakeholders' requirements, and they provide the knowledge for evaluating business practices. (Daugaard & Ding 2022, 2.)

Daugaard & Ding (2022, 12) claim that a company can achieve competitive advantage if it is managed for the benefit of its stakeholders. Wang (2024, 1) also asseverates, that ESG has an impact on corporate performance; under stakeholder theory, good ESG performance correlates with better corporate performance. The core of the stakeholder theory is driven by trust. Trust, trustworthiness, and cooperation are sources of significant competitive advantage. Stakeholder theory is descriptively accurate, and it satisfies instrumental power, but first and foremost stakeholder theory is justified by its normative validity. (Daugaard & Ding 2022, 12.)

2.7.1 Stakeholder management

Ditlev-Simonsen (2022, 163) claims that stakeholder management is possibly the most relevant issue for companies to consider in the field of corporate responsibility and sustainability. In the past investors and owners were basically the only stakeholders who companies had to provide value for, but that has changed in today's complex and connected societies. Managing several stakeholders' interests has become every company's responsibility. Nowadays, corporate responsibility is extended to the choices of business partners, as environmental and social issues throughout the supply chain have become the responsibility of companies.

The number of stakeholder relationships has increased a lot, as well as their complexity. Ditlev-Simonsen (2022, 165) argues that due to the large range of stakeholders not all can be managed. Instead, companies should choose the right stakeholders and balance between the interests, which provide the basis for success or failure. On the other hand, Sancak (2023, 7) claims that the process of sustainability transformation can be better implemented when the transformation strategy notices multiple stakeholders' needs. Fu, Boehe & Orlitzky (2022) investigated in their study the optimal scope of ESG stakeholder management, and they found that balanced approach is the most optimal scope. If a company tries to live up to all stakeholder demands, it is not able to do the necessary tradeoffs. But then again, a narrow focus may pose a threat to the company's risk profile.

2.7.2 Owners, shareholders and managers

ESG issues have become increasingly relevant to shareholders. The owners and managers make decisions about the company's responsibility and sustainability operations. Therefore, it is essential for companies to choose leaders and managers that find ESG issues relevant. (Ditlev-Simonsen 2022, 166.) Shareholders can change company's ESG focus by changing the resisting or ignorant board members with candidates who are concerned about ESG-related topics (Ditlev-Simonsen 2022, 167). It is very important that the managers' behavior is sustainable and in line with their own

sustainability talks. Managers are the role models of the company both internally and externally. (Ditlev-Simonsen 2022, 168.)

2.7.3 Employees

Employees with their crucial assets - competence, knowledge and experience – are the most important stakeholders for companies. Companies cannot survive without employees. How employees are treated in the company affects employees' motivation, trust, willingness to contribute, well-being and commitment. Having a low employee turnover helps companies to avoid recruiting expenses. A company's way of dealing with the society outside the company impacts employees' attitudes and their performance as well. Research has been able to show that employees' perception of corporate social responsibility increases significantly affective commitment, which again is associated with reduced absenteeism, better performance, and lower turnover. Most of the employees are even willing to reduce their wage for having greater meaning at work, and for millennials societal impact and ethics are the most common reason to change their workplace to a new company. (Ditlev-Simonsen 2022, 168.)

Employees have different backgrounds, their ages and levels vary, they come from different cultures and so forth, and all these differences affect employees' views of what a sustainable company is and what is important in it. Companies have a challenging task trying to design a sustainability approach that employees can identify with, and therefore employees should be involved in the development of a company's common sustainable attitude. Managers tend to believe that their own views about responsibility and sustainability issues are similar to those of employees, but that is a wrong delusion. Companies should involve employees in ESG community work and let employees contribute to it as they can have actionable ideas. (Ditlev-Simonsen 2022, 168-170.) Wang (2024, 4) also speaks for raising awareness among employees and management regarding ESG considerations within companies. To enable including representation of the entire personnel, training on ESG-related topics should be conducted.

According to Ditlev-Simonsen (2022, 169) it is very common for the top management to take sustainability and responsibility actions completely ignoring the disagreement of employees. Sometimes employers must face the negative consequences of disagreements even outside the company. Ditlev-Simonsen (2022, 169) mentions Microsoft's decision to support the "Gay Rights Bill" as an example of this kind of consequence. Some employees felt that this support was against their beliefs which were based on the Bible, and thus this became a media case. As a consequence, Microsoft decided to withdraw their support for the Bill.

2.7.4 Suppliers

It is difficult to verify the social issues and environmental impact in the supply chains. Roughly 90 percent of companies' environmental impact is caused by supply chains. (Ditlev-Simonsen 2022, 176.) This indicates that suppliers' role as a stakeholder is significant, and that it is important that companies and suppliers are ESG strategically aligned. Ditlev-Simonsen (2022, 175) states that large and even small companies often have contracts with so many suppliers that it is difficult to follow up on them. Typical challenges in the supply chain from a social perspective are the use of forced, child and slave labor, participation in human trade, discrimination, trampling of employees' rights, neglect of working conditions, denying the right to organize, and not complying with the law regarding wage and working hours. Environmental issues with suppliers include, for example, uncontrolled emissions and pollution. Some labor-related issues with suppliers are more complicated than one might intuitively think. Workers' life situation can be such that they would rather work under any kind of conditions than not work at all.

Although companies are required by law to follow the supply chain and ensure quality regarding social and environmental issues, it is practically difficult to act according to them. For a solution Ditlev-Simonsen (2022, 176) suggests sharing information about workers' rights to workers in low-cost countries, talking also with production employees instead of the management only, and providing long-term and planning time involving contracts with the suppliers.

2.7.5 Customers

Customers are vital to companies. According to Ditlev-Simonsen (2022, 177), customers are increasingly aware of the social and environmental quality of the products, but in practice customers tend to buy products with the lowest prices instead of more responsible products. Kulova & Nikolova-Alexieva (2023, 6) on the other hand state that customers tend to prefer companies that are perceived as socially responsible and sustainable and that perceptions of a company's ESG practices can impact even on customer purchasing decisions. To consider the customer stakeholder group companies can in addition to meeting customer preferences and expectations educate customers on how to be a more sustainable consumer or buyer (Ditlev-Simonsen 2022, 178).

2.7.6 Non-governmental organizations

Non-governmental organizations (NGOs) are mainly nonprofit organizations of which many work on environmental and social issues. They provide services or advocate public policies, and they can be very powerful among individuals and even governments, especially with the help of social media. NGOs can set sustainability agendas, shape policies, and impact people. In a sustainable setting, the two most relevant groups are charitable and service NGOs (such as Red Cross) and

participatory and empowering NGOs (such as WWF or Greenpeace). In the former group, collaboration with companies occurs through employees donating money or products to the organizations, but lately also through constructive collaboration, which could in practice mean for example a telecom company offering free use of mobile broadband. The trend is toward collaboration that is based on products and competence. The latter group of NGOs work on lobbying, demonstrations, protests and boycotts to draw attention to issues. These types of NGOs used to concentrate on criticizing companies, but nowadays they are collaborating with companies on solutions. (Ditlev-Simonsen 2022, 179-181.)

Partnerships and collaborations between NGOs and corporations enable positive impacts for both parties and society, but developing a constructive win-win-win partnership requires planning and organized cooperation. According to Ditlev-Simonsen (2022, 181) “collaboration between companies and NGOs must be anchored in a good strategy —along the lines of business in general”. The first step after selecting a cause for the company is to review its business and identify the relevant NGOs for the business. Companies can ask NGOs to suggest ways of collaboration and then choose the best ideas. The next step includes agreeing on the goals of the partnership and the ways to measure and reach them. The collaboration projects require communication and sharing. In the last step the results of collaboration are evaluated, which provides useful information for the possible enhancement of the partnership. Ditlev-Simonsen (2022, 181-182.) (Figure 4.)

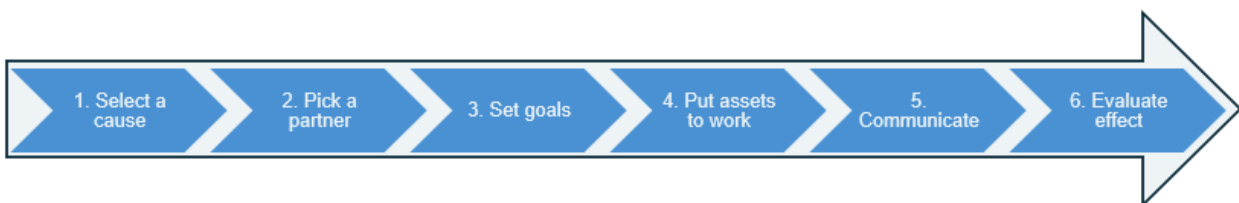


Figure 4. NGO interaction model (adapted from Ditlev-Simonsen 2022, 182)

Large companies often report which stakeholders they focus on in their collaboration, how they are doing it and how they are communicating with these stakeholders. The collaboration is based on both formal and informal communication. Engagement with NGOs can mean partnerships that are directed at finding innovative ways to, for example, improve sustainability or reduce waste. Sustainability forerunner companies provide concrete results of their interaction with NGOs whose input for the company to make the right decisions can be huge even profit-wise. Furthermore, establishing a positive mutual relationship with an NGO well in advance helps to avoid criticism from the same NGO in the future. (Ditlev-Simonsen 2022, 183-184.)

2.8 ESG performance management

ESG performance has not been explicitly defined, which complicates evaluating and analyzing prior corporate ESG actions (Kumar 2023,1). According to Wang (2024, 1), ESG performance in business context is supposed to measure a company's performance regarding the ecology of the environment, society and corporate governance. The data to evaluate companies' ESG performance is retrieved from annual reports, company websites, stock exchange, CSR reports, news, media, surveys and interviews (Ditlev-Simonsen 2022, 191). Kumar (2023,1) claims that all available research on ESG performance considers cumulative and integrated consequences of environmental, social and governance practices on sustainability and value generation for all stakeholders.

Daugaard & Ding (2022, 5) studied what drives ESG performance and learned that the literature on the subject is highly fragmented. ESG outcomes are influenced by several aspects, such as company size, auditing, strategy choices, board composition, investors and ESG sensitivity of the company's industry. Daugaard & Ding found that the disorganized findings do not lead to coherent insights into how to achieve better ESG results, and therefore, it is challenging to form coherent recommendations for corporate ESG strategy.

2.8.1 The role of the board and daily management in ESG governance

According to Li et al. (2024, 186-187), the role of the board of directors is crucial in the corporate ESG governance system. It is the board's responsibility to formulate the ESG strategy and ensure that the strategy aligns with the company's objectives and vision. The board's responsibility is to supervise that the management executes ESG aspects and to monitor progress. The board needs to disclose information externally, which improves the company's transparency and credibility.

Daily ESG management activities do not belong to the board, and therefore forming an internal execution mechanism is needed for ensuring the implementation of the ESG strategy. Li et al. (2024, 187) compiles a division of roles between the board of directors and the ESG management department in corporate ESG management. The division of roles are presented in table 3.

Different allocation methods reflect understanding and strategic positioning of ESG, and because of that, choosing the allocation of ESG management system function is an important decision. Li et al. (2024, 187) has compiled five ways to allocate ESG management functions, their special characteristics and applicable scenarios which are shown in figure 4.

Table 3. Division of roles between the board of directors and ESG management department in corporate ESG management (Li et al. 2024, 187)

| Aspect | Board of directors | ESG management department |
|----------------------------|--|---|
| Role in ESG management | Formulate ESG strategy | Implement and execute ESG strategy |
| Responsibilities | Align ESG strategy with company's overall goals | Develop specific action plans |
| Oversight and monitoring | Oversee management's execution of ESG aspects | Supervise execution of action plans |
| Strategic guidance | Provide direction and guidance | Translate guidance into practical actions |
| Transparency and reporting | Monitor progress and disclose information externally | Collect, analyze data and report progress |

Table 4. Approaches to ESG management function allocation (Li et al. 2024, 187)

| Factor | Consideration | Impact on ESG management |
|---------------------------------|--|--|
| Organizational structure | Adaptation to ESG principles | Efficiency in implementing ESG policies |
| Resource allocation | Allocation of resources for ESG initiative | Effectiveness of ESG strategies |
| Interdepartmental collaboration | Cooperation across departments | Comprehensive integration of ESG |
| External environment adaptation | Responsiveness to market and regulations | Relevance and compliance of ESG |
| Knowledge and skill development | Continuous learning and updating | Keeping up with ESG trends and practices |

2.8.2 Establishing an ESG department

As it can be challenging for companies to select the appropriate management department for different ESG management functions, establishing an independent ESG department would ensure focused professionalism. Creating an ESG management department requires investments and structural adjustments from the company, and it is important for the business to coordinate internally and collaborate effectively in the process. Cross-departmental cooperation and communication is needed for various company aspects. In addition to the main task of operating within its scope, the ESG department should also promote ESG principles across the company and ensure that the strategy and execution are coherent, which requires influencing and communication skills to lead different departments and teams to pursue the common ESG goals. As ESG topics are continuously evolving due to the evolution of global environmental changes, social dynamics and governance practices, the ESG departments are forced to navigate the external challenges by monitoring the changes and adapting the ESG strategies and practices accordingly. (Li et al. 2024, 188.)

2.8.3 ESG performance management framework

Li & al. (2024, 188) emphasize the importance of constructing an effective corporate ESG performance management framework. That is used to reflect the overall performance in ESG aspects, which needs to be in line with the company's long-term strategic objectives. The purpose of each ESG aspect's performance assessment needs to be identified. "Subsequently, it's imperative to define specific, quantifiable Key Performance Indicators (KPIs), like reducing greenhouse gas emissions, increasing employee satisfaction, or optimizing governance structures, to accurately reflect ESG progress" (Li & al. 2024, 188). The implementation of ESG performance management framework covers multiple corporate levels, and therefore the effort of all relevant departments and employees is necessary. Consequently, it is crucial to enhance employees' understanding of ESG and its significance through training. Employees' roles and responsibilities regarding ESG initiatives should be clarified. To boost employees' engagement in ESG goals, ESG performance indicators can be integrated with daily tasks and long-term objectives. By establishing assessment and selection criteria, business partners and suppliers can be encouraged to ESG practices as well. The process of regularly collecting, evaluating and analyzing relevant ESG data to assess it in relation to objectives, adjustments and improvements should be started by basing it on an in-depth analysis of the company's current ESG performance, key weaknesses and areas for improvement. The process increases the company's own understanding of its ESG performance, it demonstrates the ESG efforts and accomplishments to stakeholders and helps companies to continually refine their ESG strategies. (Li & al. 2024, 189.)

2.8.4 ESG performance management steps

Accounting leaders and experts play a pivotal role in ESG management. In the first step, the company should create a cross-functional steering committee, a group of people from across the business, for example CEO, CFO, general counsel, and leaders from accounting, investor relations and sustainability. CFO's leading role is important when making investments to create value with ESG, when considering relevant ESG risks and when minimizing financial exposure. CFO also collaborates with accounting leadership to develop reporting process for investor grade. (Niehaus & Pelton 2023, 14-16). To succeed best in ESG performance management, sustainability and financial performance should be linked. Executive decision-making should be incentivized by combining ESG goals with business strategy, financial growth and long-term sustainability. Niehaus & Pelton (2023, 16) clarifies:

“To execute the steering committee’s ESG program, senior leaders from these functions are nominated to help drive cross-functional implementation. This is where leaders from the controllership, internal audit, financial reporting, and investor relations can implement best practices from financial process.” (Niehaus & Pelton 2023, 16.)

The second step involves benchmarking against industry peers and stakeholders by comparing the business to the industry peers’ businesses and understanding the priorities of the key stakeholders. The ESG committee should find out what exactly competitors are doing in the ESG area and what kind of possibilities their company must differentiate in a meaningful way from different stakeholders’ perspectives. Benchmarking can be carried out by going through the industry’s landscape with the ESG perspective to find potential and possibilities in the material factors, financial value and strategic positioning. (Niehaus & Pelton 2023, 16.)

In the third step, a strategic ESG roadmap is built. ESG roadmap is used for improving ESG communication, risk management and reporting processes. A good way to start is to determine regulatory requirements-aligning framework for processes and datasets for regulatory reporting. The fourth step of ESG performance management involves focusing on quality and auditability. This includes identifying, collecting, and evaluating the right data and segregating duties to accounting, legal and sustainability. It is important to ensure the completeness, accuracy, and supportableness of the disclosures. (Niehaus & Pelton 2023, 16-17.) Niehaus & Pelton (2023, 18) claim that “accounting professionals will thrive in transforming ESG reporting processes and ultimately producing outputs that are ready for assurance by auditors applying the requirements of the AICPA and IAASB.” Li et al. (2024, 192) guide to focus precisely on identifying the target audience for the ESG information disclosure strategy. Different stakeholders have different needs for ESG information, and therefore the disclosure needs to be tailored to suit best to the intended audience. Li et al. (2024, 192) emphasize the importance of recognizing the characteristics and requirements of the

key stakeholders; investors may prioritize environmental sustainability, but consumers might emphasize social aspects. The depth and content of information to be catered to different stakeholders must be shaped effectively. Additionally, companies should consider the purpose and intended impact of the disclosure as well. Astuti, Ani, Subranta, Solissa, & Wiriarmaja (2024, 816) underscores the importance of transparency in ESG reporting. Li et al. (2024, 192) also mentions that regarding “ESG compliance disclosure standards and trends [it] is crucial to ensure global applicability and consistency of disclosures”. Table 5 presents identifying the target audience for ESG disclosure.

Table 5. Identifying the target audience for ESG disclosure (Li et al. 2024, 192)

| Aspect | Description | Purpose |
|---------------------------------|---|---|
| Stakeholder characteristics | Identify and understand stakeholder needs | Tailor ESG information to specific audiences |
| Investor focus | Detailed ESG performance data for investors | Address investor concerns on ESG risks and sustainability |
| Consumer focus | Emphasize product environmental and social impact | Appeal to consumer values and interests |
| Strategic alignment | Match disclosure with strategic objectives | Maximize impact of disclosure on business goals |
| Legal and regulatory compliance | Consider legal requirements in different regions | Ensure global applicability and consistency |

According to Matakanye, van der Poll & Muchara (2021, 2) there are industry-specific management environments that should be taken into consideration when planning ESG reporting as the content and focus for ESG disclosures vary between different sectors. ESG reports should meet the needs of stakeholders, and they should be based on materiality matrices that are relevant for the operating industry. There are significant differences between companies’ ESG disclosures depending on the social contexts, operating countries and stakeholders. Companies operating in the sectors that are classified riskier can use ESG disclosure to demonstrate responsibility.

2.8.5 ESG performance-linked remuneration

Astuti et al. (2024, 818) present that in companies where short-term gains are prioritized over long-term sustainability by the senior management are not able to integrate ESG meaningfully. If leadership goals and ESG objectives are not aligned, the misalignment leads to mere superficial initiatives that cannot bring about significant outcomes. Wang (2024, 4) states that ESG should be integrated into both employee and management performance assessments, which then encourages companies to engage in development with a broader ESG perspective.

According to Skladany (2022), when the economy goes downwards, companies tend to cut expenses through layoffs to keep stock prices up, thus allowing the top executives to earn bonuses. This tends to increase the ratio of CEO pay to worker pay even greater and greater. It has become a standard practice for CEOs to overpay themselves, reduce employee benefits and outsource operations to abroad. Some companies are trying to become better for their workers by suspending share buyback programs and raising minimum wages, but there is still a long way to go to get CEOs to protect employees determinedly.

Skladany (2022) invented a term parity pill and describes it as follows:

“... a clause in a company’s governing documents that would automatically redistribute executives’ pay in the event of a business downturn, to avert layoffs or augment the salaries of the lowest-paid workers. Parity pills would allow CEOs to keep the spoils they are accustomed to in good times but ensure that they share gains during bad times, too.” (Skladany 2022.)

The aim of the parity pills is to reduce inequality in crisis situations by paralleling executives’ benefits with the financial pain created by their actions. Changing companies’ incentive structures to incorporate parity pills helps them operate more ethically in the long run, and besides, it changes the short-term thinking and emergency decision-making to long-term profitability. “Parity pills could more virtuously align the interest of workers and leaders in a way that strengthens the company while it makes good on its commitment to stakeholder capitalism.” (Skladany 2022.)

Parity pills mechanism is designed to be triggered by for example recessions, revenue declines, or surge in pay inequality. The board or the CEO can decide how many executives or paid board members will be asked to offer compensation and by how much. Another option is to let the leadership set a minimum level for redistribution with an expectation of exceeding the minimum level. Parity pills should be tailored to each company’s compensation structure considering how executives will supposedly benefit during the downturn. Executives’ pay cuts should not be made to their base salary only, as that would amount to a minor sacrifice. With parity pills in place, in case of a downturn, executives would not get annual bonuses, their base pay could be affected, future payout would be reduced, and they might even have to return past compensation. (Skladany, 2022.)

Parity pills encourage leaders to try to prevent crisis. The risk of their own income loss can drive executives to focus on long-term value instead of short-term profit. The fair financial policy can seem enticing for possible future executives who prioritize companies' long-term vision and are not focused on short-term goals and personal gains only. Executives with harmful features, such as narcissism, psychopathy and Machiavellianism will likely avoid employment at companies that have parity pills in use. (Skladany, 2022.)

Just like many other ESG-boosting activities, parity pills have reputational advantages as well. Companies with positive social policies have been stated to increase the loyalty of socially conscious customers. Employee-friendly policies improve employee morale and a sense of equity, which enhances companies' ability to attract new candidates. Employee satisfaction has been proven to lead to stronger financial performance. Parity pills can provide board members with a tangible solution to ESG issues that many shareholders consider important. During crisis, companies with good reputation in terms of corporate responsibility are not impacted as much as less reputable companies are. Parity pills help companies look more acceptable to unions and activists. They are a concrete tool for companies in future crisis battles, but at the same time also an asset that increases the financial and reputational interests of all parties. (Skladany, 2022.)

Even though ESG-linked executive pay helps companies achieve their ESG goals and that it is a measure even the shareholders expect to be implemented, big tech companies are slow to embrace it. Only 43 percent of information technology companies among S&P 500 companies linked executive remuneration to ESG measures in 2021, whereas the percentage of energy companies linking executive remuneration to ESG measures was 100. Amazon, for example, refused in 2022 to incorporate what it calls discrete incentives into executive remuneration. Amazon calls them a major source of "complexity and confusion" and claims that a corporate policy should be enough to incentivize executives to act in the interests of it. (Bindman 2022.)

2.9 Innovation and technology

Financial technology has a lot of potential to achieve the Sustainable Development Goals (SDGs). FinTech is utilized for improving financial activities. One of the multiple benefits of FinTech is that the development of it has a positive impact on emissions reduction. FinTech also "helps businesses enhance their external government subsidies and tax breaks while also easing their internal finance limitations" (Zahid & Jillani 2023, 69). All these factors collectively impact companies' ESG Performance positively. As FinTech services can be directed to increase cash availability, they have an important global role in accelerating sustainable development. (Zahid & Jillani 2023, 69.)

According to Astuti et al. (2024, 818), companies that have innovation and inclusion valuing culture demonstrate higher levels of ESG engagement than companies without such culture. Sancak (2023, 5) is on the same page by disclosing that companies that innovate can simultaneously improve both ESG and financial performance, which enables moving the trajectory of the frontier line upward. ESG is not only a result of innovation or innovative company culture, but as Astuti et al. (2024, 819) point out, it is “a strategic asset that drives long-term growth and innovation”.

Sustainability transformation will be more likely successful if it generates innovation, sustainable services and products, and business models. Sancak (2023, 5) anticipates a fundamental innovation systems paradigm shift to take place from the current situation where innovations are considered desirable in technological terms only. The paradigm shift will be caused by improvement of the capacity of innovation systems framework that is needed to deal with difficult problems and the normative complexity of sustainability. More precise and integrative research on innovation systems and their interrelation in relation to directionality, legitimacy and responsibility is needed. (Sancak 2023, 5.)

2.10 Risk management and resilience

Risk management, resilience and ESG efforts go hand in hand, each contributing to the others. From a risk management viewpoint, the companies that address environmental, social and governance risks proactively are better equipped in case of economic uncertainties and market disruptions (Astuti et al. 2024, 819). Landi, landolo, Renzi & Rey (2022, 1098) add that ESG engagement provides an effect of insurance on the company's stock price. ESG engagement is seen as a company's moral capital that protects against the effects of negative assessments. Moreover, when approached from a stakeholder management perspective, companies that have acquired a good reputation for their external environment can achieve their objectives more easily. Investors are more willing to invest in socially responsible companies, because the higher the CSR of the company, the lower investors perceive the risk level. (Landi et al. 2022, 1097-1098.) ESG has a pivotal role in mitigating regulatory, reputational, and operational risks. Environmental and governance factors are critical in safeguarding against regulatory fines and reputational damage. By managing environmental risks companies can reduce vulnerabilities to regulatory penalties. Strong governance structures provide for better oversight and ethical practices, which in turn reduces the likelihood of financial misconduct. (Astuti et al. 2024, 816-817.)

ESG goals have brought challenges in regard of risk management models. The risk management frameworks are aligning with an economic context while being influenced by CSR-related issues. Consequently, reworking of traditional risk management models has deepened the relationship between CSR and risk. Integrating traditional risk management models with ESG-related analysis can

improve financial risk assessment. (Landi & al. 2022, 1098.) Astuti et al. (2024, 816-817) admit that there are challenges in operationalizing ESG as a risk management tool. The challenge for companies to fully leverage ESG strategies for risk management has been the lack of consistent enough frameworks to evaluate ESG performance (Astuti et al. 2024, 816).

According to Astuti et al. (2024, 816), yielding the best results for risk management is possible through sector-specific ESG strategies. However, cross-sectoral benchmarks are still needed for exchanging of best practices and fostering solutions to common challenges together. ESG integration is a continuous adaptation and refinement process, and therefore, to track ESG performance dynamically and to adjust timely with constantly evolving standards and expectations, real-time monitoring systems are needed. (Astuti et al. 2024, 816.)

While there are clear benefits in integrating ESG with corporate financial performance and risk management, challenges in standardization and cultural alignment persist. A strategic and iterative approach to ESG is a way for companies to achieve sustainable growth, mitigate risks and increase stakeholder trust. To achieve financial success, companies are required to embed ESG across all decision-making levels, whereby mere external reporting is not enough. For stronger influence on financial institutions companies can engage in governance activities, such as board diversity and anti-corruption measures. ESG-related risks are dynamic, and particularly so in global markets. The complexity requires implementing adaptive risk management strategies which consider versatile legal and cultural contexts. (Astuti & al. 2024, 817.)

2.11 Change management and organizational culture

According to Sancak (2023, 7) “the success of a sustainability transformation is tied to the success of governance, the G factor of ESG”. The transition to sustainability, which is a rather new concept, is challenging and complex, and therefore, according to Sancak (2023, 1), scientific management approaches to overcome the organizational change challenges are needed. Sancak’s

“study translates Stouten, Rousseau, & Cremer’s model (the SRC model) of ten key evidence-based steps in managing planned organizational change into the sustainability transformation of business organizations in the context of environmental, social, and governance (ESG) criteria” (Sancak 2023, 1).

Sancak (2023, 2) approaches sustainability transformation from a solution-oriented research field helping in transitions towards sustainability with normative goals.

The first step of sustainability transformation is to assess the problems, risks, challenges and opportunities, which should be done by scientists and professionals to ensure that all the related aspects, such as sustainability science, organizational theory and regulation are included. Neither management teams nor employees of companies are expected to acquire competence in these

fields at short notice. It is important to develop a solid understanding of sustainability in the company. At this point, facts should be gathered to convince the legitimacy and the rational direction of the transformation. Then the readiness of the company and the capabilities of the senior leadership for changing the sustainability direction need to be assessed. The assessing step includes identifying what kinds of changes are needed and what are the ways to improve readiness at all company levels, as sustainability transformation is a holistic process and requires a customized strategy. The most critical business-specific ESG issues also need to be identified with the help of ESG Industry Materiality Map to address the key performance indicator (KPI) steps, which require identifying the target values and establishing a base year. To avoid the risks of transformative changes to materialize, preparations should be made carefully. To succeed, the role of different ESG factors needs to be understood. Good leadership and governance are the key difference-makers in the transformation. Agreeing common ground with the company's key stakeholders regarding the definition and importance of ESG is an essential part of ESG integration. (Sancak 2023, 2-3.)

The second step includes selecting and supporting a guiding change coalition. The coalition can be formed of powerful and influential employees and leaders to signal consensus about the declaration. Nevertheless, it is important that the coalition consists of a variety of stakeholders and that it is strong. Sancak suggests developing an effective change leadership which includes all stakeholders, establishing a high-level strongly involved formal committee, and forming a sustainability team to operationalize the change and steps throughout the company. (Sancak 2023, 3.)

The compelling change vision is articulated in the third step. A vision is supposed to reflect goals that are broadly shared by all stakeholders, and therefore, by gathering the information for shaping the vision from different stakeholder groups, such as employees and clients, can help identify motivating features. A company's vision comes from various sources at the following levels: global, regional, industry and company level. UN's SDGs (Sustainable Development Goals), the legally binding international treaty Paris Agreement, and the international standard setter International Sustainability Standards Board (ISSB) are examples of global influencers on the sustainability transition vision. Companies are also expected to follow the national and regional principles and regulations on sustainability. On the field-specific level companies have different materiality maps, key performance indicators and standards, and in addition to those, there are field-specific sustainability rules, guidelines and regulations as well. A strategy document which reflects the vision and mission needs to be developed. All stakeholders' interests must be addressed in the sustainability transformation strategy. (Sancak 2023, 3-4.) Stakeholder theory and who the stakeholders are is discussed more thoroughly in its own chapter (2.7). The strategy document is supposed to clarify targets and main dimensions in sustainability transformation, and the precise vision statement is

derived from it. "A strategy document should be detailed and comprehensive to convince stakeholders, but the vision should be concise, clear, and compelling" (Sancak 2023, 4.)

The new vision, which refers to all the sustainability transformation dimensions such as new products or services, organizational changes and regulations, is communicated in the fourth step. Repetitive and quality evidence-based communication is conducted using multiple channels, and it should be done as early in sustainability transformation process as possible. Stakeholders likely need convincing and motivating to engage in the change. Consequently, benefits and concrete long-term value can be demonstrated to them by managerial accounts and with the help of external experts and social scientists. An important step in communicating the vision is to walk the talk. In other words, the top management should become living symbols of the new sustainability concepts by their own example of, for example, commuting by using public transportation instead of using private vehicles. (Sancak 2023, 4.) Astuti et al.'s (2022, 816) findings confirm the importance of an example, as companies with leadership actively championing ESG principles tend to demonstrate higher levels of employee engagement and innovation, which then leads to sustainable financial growth.

The fifth step is to plan the actual change implementation across all valid levels of the company. Employee resistance can be tackled by preparing managers for the change and by improving change implementation skills. Uncertainties around the change complicate learning and acceptance. They can be avoided by declaring the roadmap, which indicates implementation steps aligning with the vision and strategy, in time. New roles and responsibilities are defined and declared and proper resources, such as special funds, time and effort, are mobilized at this stage. (Sancak 2023, 4.)

The sixth step, empowering employees at all levels with time and knowledge to act is essential to succeeding in sustainability transformation. Moving from mere sustainability compliance to efficiency and innovation might require establishing a specific sustainability unit. This unit must have enough power to steer the entire company towards the sustainability goals. A company should also eliminate possible obstacles hindering the change, change systems or structures that weaken the vision. Taking risks and pursuing new non-traditional ideas and activities should be encouraged. (Sancak 2023, 4-5.)

In the seventh step, empowering is put into action by developing and promoting change-related knowledge and ability at all levels in the company. The rules, language and terminology around ESG-related transformation are new and distant for many stakeholders. Therefore, to fight the negative implications of short-sightedness for ESG and sustainability practices, change-related knowledge and ability, long-termism needs to be developed. This is enabled by learning through

training, workshops, coaching and user groups. Analytical and interpersonal skills are also necessary sustainability skills, as well as team-learning, to guarantee that the change process does not break down at any point. (Sancak 2023, 4-5.) Astuti et al (2022, 816) also remark that leadership commitment and internal communication are critical enablers of ESG implementation change process. Sustainability transformation is about the common good, not just business performance, and consequently human resources policy must be updated according to the vision. Again, “walk the talk” approach by all stakeholders should be encouraged also in the developing knowledge and ability stage. (Sancak 2023, 5.)

The eighth step comprises identifying short-term wins and using them as reinforcement of change process. Short-term wins are used to convince the cynical members who will not participate in long-term sustainability change processes without seeing evidence which proves that the change provides results. Employees who have been involved in improvements can be rewarded on short-term basis to increase motivation. However, it is important to make a distinction between short-term yields and long-term goals in ESG strategies and raise awareness about it. (Sancak 2023, 6.)

In the ninth step the change process is monitored and strengthened, while always keeping in mind the big picture and the ESG factors. The transformation requires completely new processes with continuous monitoring and periodic assessment regarding change commitment, competency, long-term efficiency and implementation of new practices. To ensure the reliability of internal and external monitoring results, a third-party ESG rating agency can be used for evaluation. (Sancak 2023, 6.)

In the last tenth step the change in company culture, practices and management succession are institutionalized. This means deploying enabling structures and integrating ESG factors into all company levels and dimensions, including culture. Astuti et al. (2022, 816) also mention the materiality of culture by stating that the companies that lack cultural alignment struggle to achieve significant progress by only official ESG policies. The transformation should include rooting new behaviors in social norms and shared values. Organizational rigidity, different subcultures and resistance to change can complicate the culture change. To overcome these obstacles, companies can publish corporate sustainability reports, integrate sustainability measures in employee performance evaluations and train employees to get context for comprehensive changes in employees’ attitudes, values and beliefs. When institutionalizing the culture change it is vital for top management of the company to personify new approaches and remain integrated. This period brings new, different risks and opportunities for companies. Greenwashing risk refers to manipulation that could mean giving false impressions or misleading information about anything regarding company’s sustainability dimensions. (Sancak 2023, 6.) Companies can take sustainability as an opportunity and

utilize the possibilities it provides enabling this institutionalizing period to yield innovations through new products, processes and business models. The last sustainability transformation step is to transform the company to the sustainability goal level. (Sancak 2023, 7.)

2.12 ESG strategy implementation frameworks and steps

ESG strategy implementation is a relatively new topic in the business field, and therefore there is little scientific literature on the subject. Conducting scientific research is itself a time-consuming process, but getting the research published and peer reviewed adds even more time on top of it. However, business consulting companies and sustainability news outlets have produced their own ESG strategy implementation guidelines and frameworks. Often these publications have been written by respected professors and thus can be considered valid. Due to the paucity of scientific literature on ESG strategy implementation models, some non-scientific sources are used in this chapter regarding PayTech-specific ESG strategy implementation frameworks.

ESG strategy is made up of rules and practices around all three areas of ESG - environment, social and governance. *Environment* area involves reducing the environmental impact of company's operations: minimizing carbon emissions, conserving resources and adopting ecological practices in the company. *Social* focuses on fostering positive relationships with all stakeholders: endorsing diversity and inclusion, ensuring fair labor practices and investing in local communities. *Governance* is said to be the backbone of an ESG strategy. It comprises the internal system of rules, controls and processes which companies adopt to govern themselves, to make legal decisions and to meet external stakeholders' needs. Governance aspects pertain to decision-making, such as policy formulations and rights and duties allocations. ESG affairs of environmental, social and governance are presented in table 6. (Hannay 2023; Goyal, Dharurkar, Dixit, & Salve 2022, 8.)

Planning the implementation of an ESG strategy should be based on the following ground plans:

- Putting into action several strategies covering each ESG area.
- Having a straightforward and consistent plan of action to follow.
- Taking into consideration all the different aspects of the company. (Hannay 2023.)

Table 6. ESG affairs of environmental, social and governance (Hannay 2023; Goyal et al 2022, 8-9)

| Environmental | Social | Governance |
|-------------------------------|-------------------------------|--|
| Carbon footprint | Data security | Board member composition and diversity |
| Energy efficiency | Diversity and inclusion | Business ethics |
| Waste disposal strategy | Equal opportunity initiatives | Tax transparency |
| Natural resource preservation | Human capital development | Accounting transparency |
| Pollution levels | Work conditions and practices | Executive compensation |
| | Labor standards and relations | Shareholder democracy |
| | Health and safety | Clandestine dealings |
| | Supply chain standards | Conflicts of interest |
| | Community donations | General purpose of the company |

The right company culture is the foundation for ESG strategy implementation. ESG initiatives are a natural extension of a company's vision for its growth, and they can be viewed through purpose, structure, process and people, which are presented in Figure 5 with the PayTech-specific action points. To increase employees' morale and motivation every employee needs to be made understand their contribution to the overall *purpose*. The *purpose* of a PayTech company can be to promote or advance digitalizing payments or to make digital payments more secure. *Structure* includes streamlining communications and distributing infrastructure to help information flow efficiently internally and among all stakeholders. Examples of these structures could be having distributed hubs across the area of company's operation for every key function, virtualized yet secured infrastructure, and knowledge sharing practices. *Process* contains building processes that foster disruptive innovation and facilitate launching new ESG initiatives. Companies supporting payments infrastructure should make sure that their approach leads to resilience, which in practice means having up-to-date technical and organizational concepts. *People* are a company's most valuable asset, and the success of ESG initiatives depends on them. Companies should communicate their values clearly to socially conscious employees to attract top talent. Staff training must be provided, employee satisfaction addressed, and innovative ideas rewarded. (Robyns 2024.)

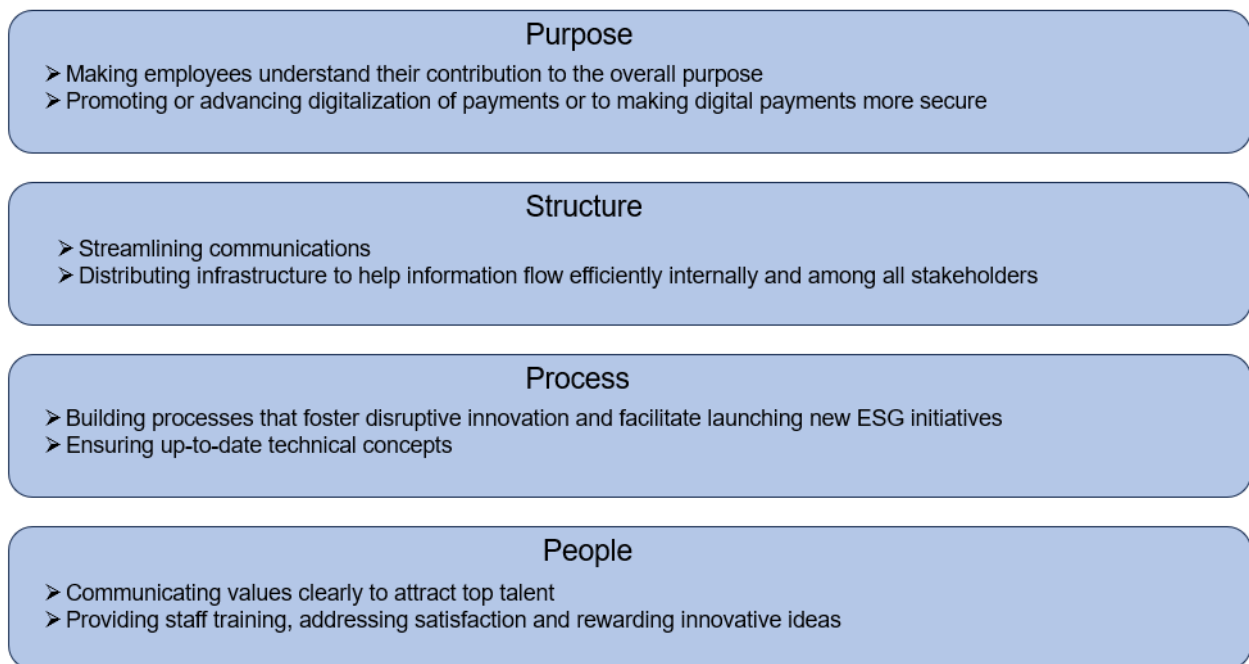


Figure 5. Purpose, structure, process and people in ESG strategy implementation with PayTech-specific action points (Robyns 2024)

Industry, organizational goals and areas of influencing passion are things that determine which type of ESG strategy a company should develop. The size of the company determines the complexity of the ESG strategy. Overall, an ESG strategy should cover the following main steps:

1. *Evaluate* the company, i.e. audit the company's current performance. Perform a materiality impact assessment that identifies the factors which have an impact on the company's business. Use materiality assessment information to identify relevant issues and the priority of them.
2. *Seek feedback* from all stakeholders.
3. *Set goals and milestones* that are aligned with the company's mission, vision and long-term strategy. The ESG goals should be specific, measurable, achievable, relevant and they require determining a timeline. (Thunderbird school of global management 2023.)
4. *Set a concrete strategy* to move towards the company's long-term goals.
5. *Iterate*, address aspects that don't work as desired. (Hannay 2023.)
6. Continuously *review, assess and improve* the ESG strategy based on stakeholder feedback and any emerging issues. (Thunderbird school of global management 2023.)

To ensure the ongoing success of ESG strategy implementation, companies can utilize the following actions:

- Clearly communicating the strategy and goals to the organization and accepting all the positive and negative feedback that follows from it.
- Assigning clear roles and responsibilities for ESG strategy implementation.
- Providing training (workshops, conferences and formal education) to employees regarding their roles in achieving their goals.
- Allocating sufficient resources to support ESG goals and strategy.
- Monitoring and reporting on progress invariably externally and internally.
- Engaging with stakeholders to gather feedback on ESG performance and to identify improvement areas.
- Continuously reviewing and updating the ESG strategy for ensuring its relevancy and effectiveness.
- Being prepared to pivot, if necessary, based on feedback and measurements gathered along the ESG strategy implementation process. (Thunderbird school of global management 2023.)

Goyal et al. (2022, 11) lists seven key steps for integrating ESG principles into the operations of PayTech companies (Table 7). The steps include determining the ESG approach considering the regulation, establishing an internal stakeholder group, benchmarking, creating KPIs, formalizing stakeholder ownership, creating use cases and tracking and developing ESG performance.

Table 7. Seven steps for integrating ESG principles into PayTech companies' operations (Goyal et al. 2022, 11)

| The steps for integrating ESG principles into the operations of PayTech companies | |
|--|---|
| 1 | Determining the ESG approach and regulatory compliance requirements. This comprises recognizing fundamental ESG principles (sustainable development objectives and net zero goals), and determining and following the ESG-related compliance requirements and regulatory standards. |
| 2 | Establishing an internal stakeholder group to encourage and track the implementation of ESG. |
| 3 | Benchmarking ESG results and outcomes, i.e. computing the ESG rating and comparing it to paytech industry standards. Additionally, industry-specific initiatives can be adopted based on benchmarking. |
| 4 | Creating a key performance indicator (KPI) strategy. KPIs for achieving ESG objectives can be specified at a departmental level, and employee payouts can be linked to the KPIs accordingly. |
| 5 | Formalizing stakeholder ownership by validating the key performance measures with stakeholders. |
| 6 | Creating use cases to achieve ESG targets by aligning them to a design or pricing framework and testing them to check the additional value. |
| 7 | Tracking ESG performance by reporting on internal metrics and external scorecards. Assessing ESG results, partnering with industry peers to check the advancement, and developing an end-to-end approach for reaching the ESG goals. |

ESG includes three aspects: environmental, social and governance. All these aspects should be considered already when creating the ESG strategy. In the implementation phase of the ESG strategy the industry-specific goals and steps should be defined for each aspect. Integrating E, S and G aspects into payments and technology is what distinguishes most the ESG strategy implementation of companies from other industries from that of PayTech companies.

The environmental aspects in the PayTech sector can in practice mean, for example, payments and transactions related technologic solutions that can be used to improve the environmental effect for the company, customers or other parties. These can be for example some kind of application programming interfaces (APIs) to launch green products. PayTech companies can collaborate with external partners to design new green products to increase customer awareness about the environmental impact of transactions, such as transaction-based impact calculators. (Goyal et al. 2022, 6.) PayTech companies can build carbon offset rewards and loyalty programs for financial transactions. These could be loyalty and rewards points with prepaid cards, for instance. The

environmental aspect of product materials of PayTech companies is enabled by adopting eco-friendly materials for payment products. Plastic credit cards can be replaced with biodegradable ones. Moreover, PayTech companies can enable and encourage clients and customers to make other eco-friendly and digital choices. These choices could be, for example, transacting with digital branches, making paperless payments, conducting KYC processes digitally instead of as paper-work, or reducing paper in manual transactions by using e-receipts in ATMs and point-of-sale (POS) devices. Environmental sustainability should be considered when using PayTech products and technologies and when making sustainable investment decisions. SDF refers to sustainable digital finance, which means capturing data and integrating sustainability with things like machine learning, artificial intelligence and big data. (Goyal et al. 2022, 7.)

Integrating the social aspect with payments includes financial inclusion, people development, vendors and suppliers, and social awareness. For *financial inclusion* companies can offer offline payments and thus enable the undeserved population in areas without connection or internet to access digital payment modes. Payment literacy initiatives increase financial inclusion as they aim to raise awareness about payment services and products thus helping customers make well-informed monetary and payment-related decisions and adopt digital modes. *People development* initiatives include assisting the staff in the change process, providing high-quality training, creating employee engagement programs, enhancing workplace diversity, and launching digital upskilling, learning and development programs for employees. PayTech companies can encourage *vendors and suppliers* to adopt ESG. PayTech companies can assess prospective vendors' adherence to ESG factors during the onboarding process. Accurate and frequent climate change and carbon information from suppliers is provided by Customer Data Platform (CDP) supply chain program for PayTechs that join. PayTech companies can raise *social awareness* by offering companies and merchants application features which provide them with a monthly report on the social impact of their consumption. (Goyal et al. 2022, 8.)

Integrating governance with payments entails being transparent and ethical, having responsible business practices, mitigating the risk of fraud, and ensuring legal compliance. PayTech companies need to ensure that all business decisions are made ethically and in compliance with the government rules. The focus of corporate governance is to help develop the climate of trust, accountability and transparency and financial stability. The focus is also to improve the growth of the societies where PayTech companies operate. Linking employee payouts to ESG goals is a key governance initiative for PayTech companies. ESG should be a criterion in the CEO variable pay and it should be incorporated into the top management's key result areas. Bonus calculations to various ESG goals should be linked to every employee in the company. ESG reporting is not mandatory for all PayTech companies, but ESG data can be disclosed regardless by publishing a separate ESG

report along with the annual reports to raise awareness about the company's ESG initiatives, to improve investor transparency and to push other PayTech companies to adopt and incorporate ESG programs. (Goyal et al. 2022, 9-10).

3 Methodology

The qualitative research approach of this research is described first in this methodology chapter. The second part of the chapter presents the process case study research approach and discusses the reasons for choosing it for this study. Data collection methods and the chosen benchmarking research method are introduced next, followed by a description of how both industry and process benchmarking data are collected in this research. The justifications for using publicly available data only in benchmarking research are also included here. The chapter ends with presenting the data analysis methods, which are thematic analysis and qualitative content analysis.

3.1 Qualitative research

Qualitative research type is empirical. Qualitative research is about the way of reviewing observational data and arguing. (Tuomi & Sarajärvi 2018, chapter 1.1.2.) Traditionally the relationship between qualitative and quantitative research has been described through confrontation or by describing qualitative research as critics to quantitative research. Confrontation is justified, as both can be combined. Qualitative research is said to be understanding, "soft" or flexible research, whereas quantitative research is said to be explaining research with rigid research structures. (Tuomi & Sarajärvi 2018, chapter 2.3.) Qualitative research does not try to make statistical generalizations, but instead, it tries to describe a phenomenon or an event, to understand certain actions, or to provide a theoretically meaningful interpretation to a phenomenon (Tuomi & Sarajärvi 2018, chapter 3.4).

In qualitative analysis, the material is often reviewed as a whole. Due to the limited number of units in qualitative studies, statistical probabilities do not qualify as clues. Qualitative analysis consists of two phases. First, reduction of observations, which means reviewing material from a certain theoretical and methodological point of view and reducing the number of observations by combining them. Second, solving the puzzle, which contains making meaning interpretation based on provided clues and available hints or forming structural units. (Alasuutari 2011, chapter 2.) Theoretical framework determines what kind of material should be collected and what kind of method should be used in the analysis. On the other hand, the nature of the material sets limits on what the theoretical framework can be and what kind of methods can be used. Therefore, it is typical in qualitative research to collect material that enables doing as many reviews as possible. (Alasuutari 2011, chapter 4).

Qualitative analysis is often divided into *inductive* (from individual to general) and *deductive* analysis (from general to individual). The problem with the first one is that a new theory cannot be born based on observations only. The problem with the latter is the basic idea of preservation of truth in

the reasoning process. This kind of division forgets the third scientific reasoning logic, *abductive* reasoning, according to which forming a theory is possible when observation is related to a leading idea or a clue. In the division to material-oriented, theory-bound and theory-oriented analysis presented by Eskola (2001; 2007 in Tuomi & Sarajärvi 2018, chapter 4.2) the factors that guide the analysis can be taken into consideration better. Both in material-oriented and theory-bound analysis the data collection and how the researched phenomenon is defined as a concept is free in relation to the theory and what is already known about the phenomenon. In the contrary, in theory-oriented analysis the already known knowledge of the researched phenomenon determines how data collection is organized and how the researched phenomenon is defined as a concept. This qualitative research is based on theory-oriented analysis.

3.2 Case study research approach

Development task defines which approach suits best for each development work. If the development task is to provide development suggestions for a company, the most likely approach is case study. If the task is to produce a concrete guide or a system for a company, the most suitable approach is constructive research. Research approaches are partially overlapping, and therefore a development project can have features from several approaches. The same methods can be used in different approaches as well. (Ojasalo, Moilanen & Ritalahti 2015, 36.)

The aim of a case study is to produce researched information on the subject, which means that usual research objectives are emphasized. Case study is a suitable approach when seeking to profoundly understand an organizational situation, and the task is to solve a problem or to produce development suggestions by means of research. Changes are not carried forward or nothing concrete is developed in a pure case study, but development ideas and solution suggestions to a detected problem are created with the help of it. In case study the object is studied in its own environment. The case can consist of a company, its department, personnel, group of customers or a process. It is typical for a case study that several different data collection methods are used to get a profound and holistic picture of the subject. (Ojasalo et al. 2015, 37.)

The focus in case studies is on a defined investigation and on the investigation of contemporary issues instead of historical ones. The purpose is to catch comprehensive data and the complexity of a phenomenon or activity. A case study provides rich detail about highlighted aspects of the case to stakeholders and audiences of the case. (Lapan, Quartaroli & Riemer 2011, chapter 10.2.)

Philosophical underpinnings of case study research according to Martinsuo & Huemann (2021, 419) is the “researcher’s understanding of and assumptions regarding the nature of reality and knowledge”. Research philosophy is a crucial starting point for case study research “as the

research philosophy has an impact on all the steps of the research process, including how the case study is designed, implemented, analyzed, and reported, it is important to explicate any assumption about the nature of reality and knowledge when introducing the case study.” (Martinsuo & Huemann 2021, 419.)

According to Mayler et al (2017 in Martinsuo & Huemann 2021, 419) research philosophy is considered a combination of two dimensions: ontology or the “nature of reality” and epistemology or the “nature of knowledge”. Figure 6 demonstrates different research philosophies. Objective research assumes that reality exists, and researchers as independent observers can depict reality. In subjective research on the contrary, researchers engage with practice as contributing observers, who acknowledge that the reality can be depicted only subjectively. (Martinsuo & Huemann 2021, 419.)

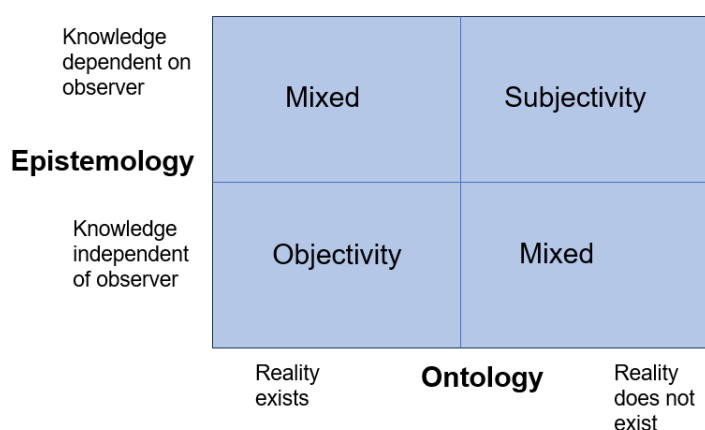


Figure 6. Case study research philosophies (adapted from Martinsuo & Huemann 2021, 419)

Case study usually produces a new understanding, a new framework, or a summary of propositions that may guide future research. The contributions are assessed in the light of prior knowledge, both similar cases at the right level of analysis and the entire phenomenon in its context. Contributions of the case study should be new, interesting, and sufficiently connected with the prior knowledge. The nature of the case study’s intended contributions should be explicated in the introduction of the study paper. The theoretical connections should be explained in the literature review, and the study findings should be discussed in the light of previous knowledge to make the core contributions of the study more visible. (Martinsuo & Huemann 2021, 420.)

In action study both producing researched information and bringing about practical change are emphasized. A typical object is to change the actions of people or organizations. The main thing is to bring the change into practice and evaluate it, due to which the development process often takes a long time. In action research a key feature is for the people in the organization to actively

participate in the development work, and therefore, several different research methods are used to activate participation of people and utilize their communication with each other. (Ojasalo et al. 2015, 37.)

The research approach to be used in this thesis is a case study, which is a good approach for development work when a thorough understanding of the desired state is needed, and the aim is to offer development proposals. The aim in this study is to get a thorough understanding of the state of an optimal ESG strategy implementation process and to produce a proposal for a strategy implementation roadmap for PayTech companies. Case study is based on literature and earlier studies, and it seeks to answer to the questions “what?” and “why?”. However, in case studies theories and models do not necessarily need to be followed literally, but they can be applied in a relevant way at any given case in question. (Ojasalo, Moilanen & Ritalahti 2021, 52–54.) It would have been interesting to carry out the research as an action study and to follow up how the suggested ESG strategy implementation roadmap works in practice, but it would have required much more time. It would also have been difficult to find a company that is willing to participate, execute a proposed ESG strategy and allow the personnel to actively participate in it too.

Research settings can be classified in many ways considering the goals, the number of cases, the research time, and the nature of research questions. In comparative studies multiple cases are studied by comparing them in some systematic way. (Eriksson & Koistinen 2014, 25.) The design of a case study includes the following steps: identifying the case, setting the demarcation for the research, creating the research questions, taking into use the data collection methods that increase the validity of findings, and analyzing and combining the data in the results reporting (Lapan & al. 2011, chapter 10).

It is rather usual for case study researchers to regard the organization as the case, but what they report in practice is, for example, a process. The organization in these kinds of studies can be referred to as the focal company, not a case company. Organizations in a process case study can be the specific context of the case. (Martinsuo & Huemann 2021, 418.) Hence, this case study is not a multiple case study despite having multiple companies being compared. In this process case study, the benchmarked companies are the focal companies.

Figure 7 illustrates key considerations in the case definition phase of a case study. It underlines the case as the unit of analysis. The case is linked with the studied phenomenon, level of analysis and the context of the case. The phenomenon includes the content and domain of the study. It can also be the topic of the study, and the adopted theoretical perspective as well. In case studies contexts are central because cases are studied within their specific context. Separating the level of analysis

from the unit of analysis can be challenging as cases appear differently on different levels of analysis. (Martinsuo & Huemann 2021, 418.)

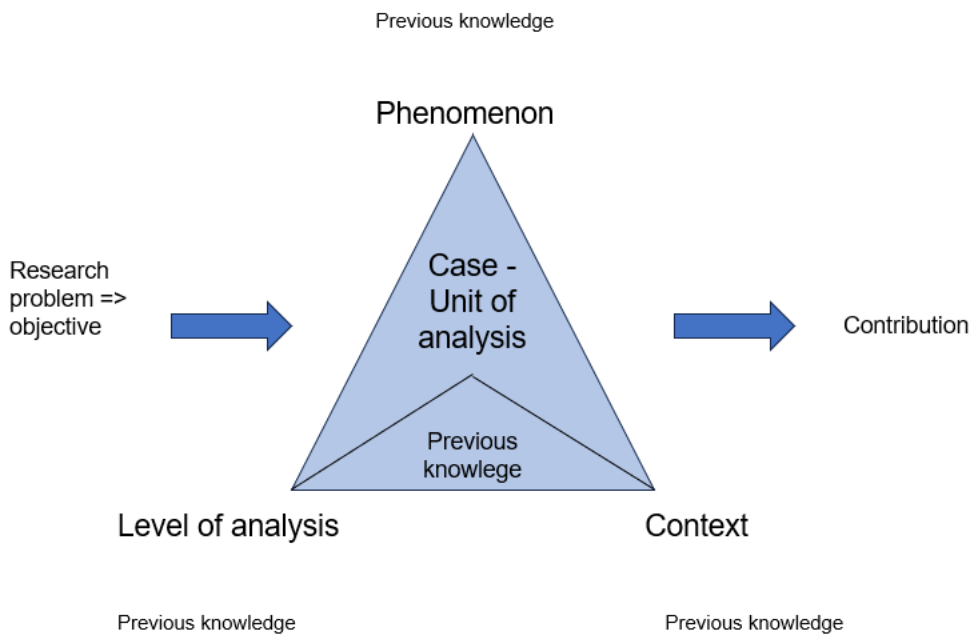


Figure 7. Unit of analysis and other considerations in case studies (adapted from Martinsuo & Huemann 2021, 418)

Martinsuo & Huemann (2021, 418) emphasize the necessity for case study authors to justify their case study choices clearly. Researchers should consider what are the things that make the cases particularly good and informative examples of the phenomenon. By choosing cases randomly, researchers can avoid bias, or by choosing deliberately, researchers can maximize utility. Single cases can be critical, extreme, unique or relevant, whereas multiple cases can be chosen for replication purposes based on either similarity or difference. On the other hand, case selection may also be justified for other equally good reasons.

The literature review, benchmarkings and analysis of different data will provide answers to the research questions presented in this thesis. As a result, this thesis produces a set of proposals for ESG strategy implementation roadmap for PayTech companies – what should be included in a PayTech company’s ESG strategy and how they could be implemented.

3.3 Data collection

Qualitative research uses non-numeric and rather nonstructured data. The data collection process in qualitative research is quite flexible and intuitive. (Guest, MacQueen & Namey 2012, chapter 1) The research material of qualitative research is typically rich, and it always contains several

interesting points, even unpredictable ones. Therefore, a qualitative researcher should try to select a limited and narrow phenomenon for the research topic to be able to discuss it profoundly. Qualitative material can be very diverse, for example field notes written by the researcher or notes made from prepared materials. A qualitative researcher has an active interpreting and observing role throughout the process. In scientific research findings are not accepted as such, according to the natural attitude, but they are pulled apart and studied critically. The researcher combines observations and clues into a whole. (Puusa & Juuti 2020, 141.)

In a case study the researcher determines the types of data needed to best answer the research problem and questions. There are no set rules about the types of data to be used in case study research. Nevertheless, as the purpose of case study is often to describe, illuminate, or provide insight, very likely a substantial amount of qualitative data is required. The case study researcher creates a plan that includes a variety of data gathering methods to answer the questions. To increase the validity and trustworthiness of the findings, case study researcher can utilize triangulation, which means finding agreement among evidence collected from multiple sources and using various methods. Obtaining similar findings through different methods, for example both interviewing and observation instead of just one method, the information can be considered more reliable or plausible (Lapan & al. 2011 chapter 10.6). Typical data collection methods in case studies are analyzing different materials, benchmarking, and conducting interviews (Ojasalo & al. 2021, 55). Analyzing different materials and benchmarking data collection methods are used in this thesis.

The collected research data can be classified as either primary data or secondary data, depending on whether the data material is collected for the actual study purpose or initially for other purposes. Using secondary data is much less expensive and time-consuming than it would be for the researcher to collect the data herself (Saunders et al. 2023, 360; Stewart & Kamins 2012, 154). Secondary data is used most frequently in case study and survey research strategies within business and management research projects. Saunders et al. (2023, 345) group the different forms of secondary data into three broad types: surveys, documents and multiple sources. The secondary data used in this study are interview transcripts, websites and books, which are classified as text - a subgroup of documents.

3.3.1 Benchmarking

Benchmarking research method is interested in finding out how successful companies work. These findings can be utilized to produce a proposal of a roadmap. (Ojasalo & al. 2021, 186.) Benchmarking is a research method by which one seeks to systematically learn from good examples (Vuorinen & Huikkola 2023, 187) by comparing one's development subject to another preferably the best practice (Ojasalo et al. 2015, 37). The aim of benchmarking is to collect knowledge,

abilities and skills from other companies and apply them in the company's own operations. The selected area of the company's own operations is compared to organizations that are the top representatives in this particular area. The aim is not to copy but to apply things learned from others. (Vuorinen & Huikkola 2023, 188.) A good comparison company can also be found in a completely different field. Benchmarking is a useful method for finding inspiration for new realizations, and it is applicable for developing operational processes in companies. Finding stimulation and inspiration can act as a push for completely new revolutions and upheavals. (Ojasalo et al. 2015, 37.) As the aim of this thesis is to learn from the best companies, find their best ideas and practices, get inspired and eventually create a roadmap based on the findings, benchmarking has been chosen as a research method for this ESG strategy implementation roadmap suggestion development work.

Benchmarking implementation options can be divided into four different types: internal, competitor, process and industry benchmarking. In internal benchmarking a company compares the level of its own work in different functions or departments. Competitor benchmarking means that a company seeks to find the top performer organizations in a company's own industry as a reference. Some competitor information is public, such as annual reports of listed companies or magazine articles. If reviewing competitor information remains at the numerical level, the method is rather a competitor analysis. The aim of competitor benchmarking is to cooperate and benefit both parties, which can eventually lead to strategic alliances. Process benchmarking aims to develop operations of a certain area or function by comparing them to companies from industries outside of company's own industry. Learnings from other industries can be utilized for improving, for example, logistics or customer service as certain corporate functions are not related to the industry, and often the best operating models are found from outside one's own industry. In industry benchmarking a business group seeks to find the best practices in the industry. By focusing widely on the whole industry more information is expected to be found with a lower competitor conflict risk. When all the participants share some methods, all participants can learn something new. (Vuorinen & Huikkola 2023, 188-189.)

In this thesis both the process and industry benchmarking processes are applied. As the goal of the development project was to produce an ESG strategy implementation roadmap, elements of process benchmarking approach are used for surveying how ESG strategies are executed in companies other than PayTech companies. The aim in terms of process benchmarking is to get new ideas of ESG strategies and activities, processes, strategy implementations and executions to be applied in the PayTech industry. However, as this study is directed at the PayTech industry, elements of industry benchmarking approach are included as well. Therefore, as this thesis concentrates on creating an ESG strategy implementation roadmap for PayTech companies, industry

benchmarking is utilized to find the best practices that are successfully in use in PayTech companies.

Benchmarking process starts by defining the development needs and establishing a clearly defined development subject. The development need in this thesis is to understand how the best ESG performers implement their ESG strategies. Insights were collected for research questions RQ1-RQ5 following the stakeholder theory approach, ESG performance management and SCR model. Benchmarking is expected to provide insight into what motivates benchmarked companies to bet on ESG strategy work (why), which ESG pillars and parts of them these companies have selected to concentrate on in their ESG work (what), and by which means they are executing their ESG strategies (how). The benchmarking results offer a holistic view of the motives, ESG strategies and ESG strategy implementation steps in benchmarked companies, which help to understand the ESG strategy procedures in the best performing companies.

The target organizations for benchmarking are selected next. Successful companies are preferred in the selection as they supposedly have more to offer for learning. In this thesis success refers to success in ESG strategy implementation. Another important deciding factor in choosing which entities to benchmark is the reputation of the company, especially since the development object is ESG-related, because a good reputation is strongly linked to a company's successful ESG strategy implementation. The third criterion in selecting the benchmarking companies is the PayTech industry, as the goal is to produce a roadmap for PayTech companies. Since a good comparison company can also come from an entirely different field, the selection of benchmarking companies is not limited to PayTech companies only. (Ojasalo et al. 2015, 37; Vuorinen & Huikkola 2023, 189.)

After finding the target organizations, systematic collection of information on how benchmarked companies have succeeded in their ESG strategy implementations starts. Information can be collected with the help of many different data collection methods such as searching public information on internet or visiting the companies. (Moilanen, Ojasalo & Ritalahti 2022, 123-124.) To avoid sharing internal company information and thus causing exposure to competitor conflict risk, data collection is conducted by searching publicly available information on the internet. As ESG and sustainability communications are an essential part of ESG strategy implementation work, companies executing ESG strategies successfully can be expected to communicate their ESG efforts, actions and accomplishments publicly. In this thesis the combination of industry and process benchmarking methods is used. Industry benchmarking in this study means searching for industry best practices concentrating on the entire PayTech industry and choosing multiple companies instead of concentrating on one company only. On the other hand, as ESG strategy implementation is a process that has some similarities between different industries, a process benchmarking is used to find out how

ESG strategy implementations have been executed in companies that have done it most successfully. After the data collection the actual development work starts. The objective is to bring up the main differences and similarities in ESG operations of the companies that are known to implement ESG strategies successfully. Finally, the new road map is formed by applying the new learnings from benchmarked companies. (Vuorinen & Huikkola 2023, 189-190.) The best practices found through benchmarking should be applied in a creative manner with the aim of producing something new (Ojasalo et al. 2022, 182).

Considering the theoretical knowledge base of ESG strategy implementation topics and steps summoned up in this thesis, the purpose of benchmarking research method is to find out what of those steps and themes the reputable successful ESG performer companies and industry peers are involving in in their ESG operations. The aim is to get an understanding of how successful ESG strategy implementation is conducted by finding an answer to the following questions:

- Which stakeholders do the company consider in its ESG initiatives?
- How have stakeholders been provided with value and how they are involved?
- What elements of ESG performance management are taking place?
- Are innovation and technology included in the company's ESG goals and work?
- Are traditional risk management models integrated with ESG-related analysis?
- What steps of change management and organizational culture are applied?

3.3.2 Industry benchmarking data collection

Data collection in the benchmarking part of the thesis was conducted by benchmarking publicly available ESG strategy implementation practices of selected PayTech companies and reputable ESG forerunner companies. Good reputation was chosen as the main criterion for benchmarking companies, because multiple evidence indicates a clear connection between the companies' CSR performance and reputation (see e.g., Ajayi & Mmutle 2020, 2; Maaloul, Zéghal, Amar, & Mansour 2021, 2; Meng, Yahya, Ashhari, & Yu 2023, 12). Public benchmarking materials were selected due to their availability and to avoid data breach and confidentiality conflicts. The benchmarked companies, their industry, materials used and the dates of accessing the information are listed in table 8.

Table 8. Companies and materials included in industry benchmarking

| Company | Industry | Materials | Information accessed |
|-------------------|------------------------|------------------------------------|----------------------|
| Mastercard | Digital payments | Website About section | Jan 4, 2025 |
| | Payments processing | Website Legal + Privacy section | Jan 4, 2025 |
| | Payment networks | Website Investor section | Jan 4, 2025 |
| | PayTech | Website News section | Jan 6, 2025 |
| | | Website Vision section | Jan 21, 2025 |
| Visa | Digital payments | Website About section | Jan 4, 2025 |
| | Transaction processing | Website Legal + Privacy section | Jan 4, 2025 |
| | PayTech / Fintech | Website Annual report 2024 | Jan 5, 2025 |
| Paypal | Online payments | Fintech Magazine | Jan 4, 2025 |
| | FinTech | Website About section | Jan 6, 2025 |
| | | Website Investor Relations section | Jan 6, 2025 |
| | | Website Our impact section | Jan 6, 2025 |
| | | Website How we work section | Jan 9, 2025 |
| Microsoft | Information technology | Website Facts about section | Jan 4, 2025 |
| | AI | Website Investor Relations section | Jan 6, 2025 |
| | | Website Media section | Jan 6, 2025 |
| | | Website Careers section | Jan 6, 2025 |
| | | Website CSR section | Jan 7, 2025 |

Benchmarking data collection was conducted by acquiring publicly available ESG-related information of selected successful and reputable ESG performer companies and well ESG-performing PayTechs. Public materials were selected for benchmarking for three reasons. The first reason is the availability of public information. Acquiring non-public materials would not guarantee the data to be any better or more valuable. Second, information that companies provide officially regarding their ESG operations can be considered more reliable than, for example, interview responses, as interviewees can only speak from their own perspective of experiences that are affected by their opinions, roles, motives, and so on. Officially published information is usually checked by several parties of the company. Third, the best ESG performer companies are aware that ESG communication is a very essential factor in ESG strategy implementation process, and therefore they communicate actively and disclose a huge amount of ESG information.

Two companies, Mastercard and Visa from the PayTech (finance – credit card / payment processing) industry were mentioned in IBD's 100 best ESG companies for 2023 (Stanley 2023) list and were therefore chosen for industry benchmarking. The best company of IBD's list – Microsoft from computer software industry with the highest ESG score of all the listed companies was chosen for process benchmarking due to its ESG performance. Paypal is a PayTech company which is ranked eighth in 2024 Global RepTrak® 100 list of the most reputable companies in the world (RepTrak Company 2024). Paypal was chosen for benchmarking due to its excellent reputation, which supposedly correlates with ESG performance, and for industry benchmarking due to the PayTech industry. Visa and MasterCard were also included in this list. Paypal, Visa and MasterCard were the only PayTech companies that were ranked high in the list of the most reputable companies in the world. Benchmarking was conducted by searching for publicly available ESG information on these companies' websites and non-financial statements.

3.3.3 Process benchmarking data collection

Document analysis method is used for drawing conclusions from the material which has been converted into a written form. The aim is to produce a verbal and clear description of a research and development topic by analyzing the documents systematically. Document analysis was used in this thesis for analyzing interviews conducted by Pagitsas in the book "Chief Sustainability Officers At Work: How CSOs Build Successful Sustainability and ESG Strategies" of CSOs who have built successful ESG strategies. There are two different ways to conduct document analysis: quantitative content analysis and qualitative content analysis. In quantitative content analysis the text content is analyzed quantitatively, in numbers, whereas qualitative content analysis intends to describe the text content in words, and its aim is to find and identify the meanings in the text. However, these two ways of content analysis are not exclusionary. The goal of this document analysis is to define what are the approaches, decisions, actions or steps that interviewees consider as their companies' ESG performance key success factors. (Moilanen et al. 2015, 136-137.)

The main steps of document analysis are data collection and preparation, reduction of material, identifying and interpreting recurring structures in the material, and critical reviewing of all previous steps. When preparing the material, it is useful to edit and number the original material in a way that makes referring to them later easy. Content analysis can be material-oriented, theory-guided or theory-oriented. In theory-oriented and theory-guided content analysis the concept is ready, and classifying the analysis is based on the previous theory frame. The first step is to form an analysis structure, which can be loose or structured, and different classification or categories are formed in it. Things that are included and things that are excluded in the analysis structure can be chosen, and new classifications are formed of the excluded things. Coding and theme cards are the most

common tools for the reduction step. (Ojasalo et al. 2015, 138-141.) The source of interpretation and conclusions can be previous theory and research. Interpretation requires imagination. There are several different tactics for creating meanings. In this document analysis the following tactics are used: finding patterns, seeing plausibility, clustering, counting, making contrasts and comparisons, generalization, recognizing relations between variables, building logical chains of events, and making conceptual or theoretical coherence. (Ojasalo et al. 2015, 142.)

To summarize and list the key points of the interviews for this research, to outline how it relates to the research and why it is significant, a document summary is produced first (Saunders et al. 2023, 662). In the next phase the text is reviewed and coded. After that the data is analyzed and interpreted. Lastly, the findings are presented, and conclusions are drawn.

The aim of the document analysis was to find what the interviewees have said regarding the following themes derived from the theoretical framework:

- ESG strategy
- ESG organization
- Stakeholder theory
- ESG Performance management
- Executive incentives
- Innovation and technology
- Risk management and resilience
- Change management and organizational culture

Data collection of interview documentation is conducted by analyzing Pagitsas' interviews of ESG responsible persons from companies that have succeeded in their ESG operations. Confirmatory approach is used in the qualitative document analysis of Pagitsas' interviews with chief sustainability officers who have built successful sustainability ESG strategies in companies operating partly in the PayTech sector. Analytic categories are predetermined and generated from hypotheses of what is learned about ESG strategy development earlier in the theoretical framework. Secondary data to be analyzed is interviews in Pagitsas' book "Chief Sustainability Officers At Work" of CSOs who have built successful ESG strategies. Instead of choosing interviews at random as data collection is usually conducted in confirmatory analysis, merely interviews of CSOs from companies operating in the industries that are related to PayTech sector are chosen for document analysis in this thesis. Although using Pagitsas' interviews as secondary data can provide valuable information and deeper understandings about learnings from successful ESG strategy builders, such data originates for other purposes than this research, and each interviewee has their own reputation as a

CSO at stake. Therefore, it is important to be critical and aware of subjectivity of secondary data when evaluating the credibility (Stewart & Kamins 2012, 155).

While Pagitsas' work has thoroughly explored how CSOs build successful sustainability and ESG strategies, this analysis of interview data adds value to Pagitsas' published work by reviewing it from a certain industry perspective, i.e. considering the distinction between different sectors in ESG strategy implementation. This analysis may surface themes and patterns that have not yet been emphasized in the literature and Pagitsas' work. The analysis approach used in this research allows future researchers to replicate or build on the same research methods on ESG strategy implementation in other fields.

All interviewees of Pagitsas' work included in this research are very dedicated to working in sustainability and ESG, and some of them want to work specifically in ESG-related positions, whereas others want above all to work in companies that "do good". Pagitsas' interview questions are unstructured, and interviewees have answered them freely. Consequently, the answers are not strictly tied to the theoretical framework of this research due to which certain topics or themes remain unaddressed. On the other hand, that also enables bringing in more unexpected insights. The list of interviewees and companies included in the process benchmarking are shown in table 9 in the beginning of process benchmarking findings chapter 4.1 to make it easier to follow which company the interviewee is from.

3.4 Data analysis methods

In order to create a new theory or to produce new knowledge to theoretical discussion the analysis phase needs to be delved into carefully. Conducting the analysis can be challenging, but it is still the least instructed part of a research process. There are three key points in doing the analysis:

1. Each case should be studied carefully and treated as a single entity.
2. Each individual case must be viewed from several different perspectives.
3. After completing the first two points the similarities and differences between individual cases can be looked at. Comparing and combining forces the researcher to view the material from multiple perspectives, thus improving the reliability of the research. (Puusa & Juuti 2020, 142.)

Qualitative data analysis can be divided into exploratory and confirmatory approaches. Exploratory approach is more content driven, meaning that categories are not predetermined and codes are derived from the data. In hypotheses-driven confirmatory approach analytic categories or codes are predetermined and generated from hypotheses, typically existing data is used, and random

sampling is employed. Although confirmatory approach is less common, it suits this thesis as "confirmatory studies typically employ probabilistic sampling strategies to select text from existing sources". (Guest & al. 2012, chapter 1.)

3.4.1 Thematic analysis of industry benchmarking

In this thesis the data obtained through industry benchmarking is analyzed by using thematic analysis. The purpose of thematic analysis is to search for themes or patterns occurring in the collected qualitative data. The qualitative data is coded to identify themes for further analysis. (Saunders et al. 2023, 664.) Thematic analysis views and compares the regularities in data. It requires involvement and interpretation from the researcher by moving beyond counting words, and instead, focusing on identifying and describing implicit and explicit themes within the data. Thematic analysis can find unsuspected themes in the material. The process of analyzing qualitative data includes preparing, summarizing, reducing, coding and categorizing the collected data to theme groups. Thematic analysis provides a structure for distinguishing the relevant information from the material and ultimately for answering the research questions. (Guest & al. 2012, chapter 1; Moilanen & al. 2022, 140, 172-175.)

3.4.2 Qualitative content analysis of secondary data

The secondary data is analyzed using qualitative content analysis. The material will be coded into content-related categories, the relationships between which are examined. Content analysis requires understanding the quality of the material. Qualitative content analysis is based on coding done by the researcher where the researcher identifies and names substantive elements found in the material. Coding can be material-oriented, which means that the researcher searches with an open mind for such parts in the material that tell something interesting about the research topic to the researcher. Parts of texts can be very different in scope from single expressions to long snippets. In theory-driven coding the researcher chooses which things interests her in the material based on her theoretical understanding. (Hakala 2024; Tuomi & Sarajärvi 2018.)

The goal of content analysis is to create a verbal and clear description of the phenomenon being studied. The material provides a view of this phenomenon. In analysis the material is organized into clear and compact form in a way in which the information provided by it is not lost. Coding is just a work step for the analysis, and the description of the content of the material acquired from coding is not valid as such for an analysis. Conclusions are made of the contents of the material, which tell something of general research interest. (Hakala 2024; Tuomi & Sarajärvi 2018.)

4 Findings

The findings from benchmarking research methods indicate that the best ESG performer companies have invested heavily in ESG strategy implementation. The key ESG-related theories are widely utilized by these successful companies, but in addition to that, some benchmarked companies have strategically gone one step ahead of ESG theories. Chapter 4.1 goes through the findings of the process benchmarking and chapter 4.2 the findings of industry benchmarking. In chapter 4.3 the findings from both process and industry benchmarking are utilized in the proposal of a theory-based ESG strategy implementation roadmap.

4.1 Process benchmarking findings

The document analysis of process benchmarking is based solely on the secondary material obtained from Pagitsas' interviews in her book "Chief Sustainability Officers At Work" (Pagitsas 2022). Pagitsas' work is used in this process benchmarking by using comparative analysis. Pagitsas' research includes 20 interviewees from different industries. For this process benchmarking only companies operating in sectors that are at least partly related to PayTech sector are selected from Pagitsas' interviews, which means that seven companies and therefore seven interviews are included. The companies, their industry, interviewees, interviewees' position in the company, and the chapters are shown in table 9.

Table 9. Interviewees and companies included in the process benchmarking (Pagitsas 2022a-g, chapters 8, 10, 11, 12, 13, 18, 19)

| Company | Industry | Interviewee | Interviewee's position | Chapter |
|----------------------------------|--|-------------------|--|---------|
| Amazon | Multiple, technology | Kara Hurst | Vice president of worldwide Sustainability | 8 |
| Cognizant | IT, consulting and business process services | Sophia Mendelsohn | Chief sustainability officer and head of ESG | 10 |
| Hewlett Packard Enterprise (HPE) | IT solutions provider | Brian Tippens | Vice president, chief sustainability officer | 11 |
| Verizon | Telecommunications | James Gowen | Senior vice president, global supply chain operations and chief sustainability officer | 12 |
| Iron Mountain | Storage and information management services | Kevin Hagen | Vice president, environment, social & governance strategy | 13 |
| Barclays | Banking | Elsa Palanza | Managing director, global head of sustainability & ESG | 18 |
| DBS Bank | Banking and financial services | Yulanda Chung | Managing Director, Group Head of Sustainability, Institutional Banking Group | 19 |

ESG strategy

To implement ESG successfully it is essential to have an ESG strategy (Hannay 2023). All interviewees' companies have an ESG strategy, and at most of them ESG strategy is in a prominent role in the company's strategy work. The optimal ESG strategy is comprehensive, systematic and integrated into corporate management systems (Li & al. 2024, 186). In some of the companies the formation of the ESG strategy has been taken even further - separate business and ESG strategies have been abandoned, and ESG has become the business strategy. *Hurst* mentions that Amazon's sustainability strategy is driven by its desire to be the most sustainable option for its customers and adds:

“Ultimately, our strategy is to be in service of our customers and the planet.” (Pagitsas 2022a, chapter 8.)

Most of the interviewees in Pagitsas’ research are of the opinion that ESG must be integrated into the business strategy. The integration of ESG to business strategy is ensured, for example, by the board of directors. Barclays’ ESG policies and strategy are rooted in its corporate purpose, and the climate strategy is set with the premise that Barclays, at its core, exists to champion long-term sustainability. Learnings at Barclays is that a credible ESG strategy should hang out of company’s core business strategy, and it should not be a tangential or separate approach. At Iron Mountain the key part of the growth strategy is to incorporate sustainable business thinking because the stakeholders expect corporations to be part of the solution and not part of the problem. A strategy generates revenue, thus generating profitability. Achieving the traditional business objectives while appealing to non-financial stakeholders at the same time is possible (Mendelsohn in Pagitsas 2022, chapter 10). *Tippens* sees the integration of ESG into HPE’s business strategy beneficial in three different ways:

“The integration of ESG issues into our business strategy increases the competitiveness and resilience of our business and differentiates us in the marketplace.” (Tippens in Pagitsas 2022c, chapter 11.)

Convergence of E, S and G

ESG strategy is made up of rules and practices around all three areas of ESG, and governance can be described as the backbone of ESG (see Hannay 2023; Goyal, Dharurkar, Dixit, & Salve 2022, 8). In its early stages ESG was mainly focused on the environmental aspect, but companies have gradually changed their strategies to cover all three aspects of ESG (Pagitsas 2022). Most of the companies in Pagitsas’ (2022) research made a separate business plan to move away from a purely environmental and reporting focused to drive all the aspects of ESG. According to *Tippens*, at HPE a new ESG team was built from a very environmentally focused team into a team that started taking a broader environmental, social and governance view.

“Within my new organization, we brought in the HPE Foundation, our non-profit organization where I serve as president and executive director, to very deliberately signal that our strategy had to bring in social aspects and vehicles like the foundation to make a positive impact on communities. Through that channel, we focus on disaster recovery, disaster relief, STEM [science, technology, engineering, and mathematics] education, and several initiatives to support our broader goals as a company.” (Tippens in Pagitsas 2022c, chapter 11.)

However, despite the increasing focus on the social and governance, the environmental goals and efforts have not decreased in these companies. For example, in about half of the companies environmental goals are included in the strategy with a specific net zero emission goal.

Composition of ESG team

Li et al. (2024, 186-187) consider the role of the board of directors crucial in the corporate ESG governance system in ESG strategy formulation, whereas the daily ESG management activities do not belong to the board. An internal execution mechanism is supposed to ensure the implementation of the ESG strategy. The comments regarding ESG strategy and the board of directors do not suggest as much weight on the board, although the board's support and financial backing is needed and appreciated (Pagitsas 2022). However, the role of the CEO is considered crucial while at best the CEO lives, breathes and understands corporate social responsibility and sustainability (Pagitsas 2022d, chapter 12).

The interviewed leaders argue that their companies are less hierarchy-oriented and are instead more focused on the ideal size of an ESG team, and the qualities, backgrounds and abilities of the individuals included in ESG teams or organizations. Many emphasize the coherence of the ESG team and having a deep mix of perspectives in it. The size of the ESG team was commented on for two companies: Verizon seven team members and HPE 50 team members. (Pagitsas 2022.) The difference in the ESG team size between these two companies is quite striking considering that both are big corporations.

Verizon with the ESG team of seven people, believes in keeping the core sustainability team small so that the responsibility is shared, and everyone in the company feels ownership. To set foot in sustainability actions Verizon is enabling thousands of its employees to take initiatives, for example, to organize local environmental events, and to participate actively in them. (Pagitsas 2022d, chapter 12.) HPE's ESG team consists of about 50 people and includes "sub teams" or team functions with different task areas (Pagitsas 2022c, chapter 11). HPE's ESG team functions and tasks are shown in Table 10.

Table 10. HPE's ESG team functions and tasks (Pagitsas 2022c, chapter 11)

| ESG team functions | Tasks of the function |
|------------------------------------|---|
| Public relations | ESG reporting and rankings, engaging with investors |
| Sustainability innovation | Forecasting what is coming next and investigating how to design sustainability into their supply chain, products and services |
| Sales enablement | Enablings sales, working with customers around the world as consultants |
| Social issues | Working on social issues |
| Strategizing | Forming environmental strategies to drive environmental topics across the portfolio |
| Product compliance and engineering | Product generation, ensuring compliance and meeting of long-term requirements, engineering for sustainability |

Change management and organizational theory does not take a stand on the capacities of CSO or ESG leaders, other than calling out the top management's responsibility to act as living symbols of the new sustainability concepts by their own example. Pagitsas' (2022) interviewees who are CSOs or ESG leaders themselves were asked about their views on the ideal background, education, desirable features and suitable tasks for the role. Table 11 summarizes interviewees' thoughts about what is a relevant background and education for a CSO / ESG leader, what are CSO / ESG leader's desirable features and what are the tasks they should be doing in their ESG leader work.

Table 11. The characteristics, backgrounds and tasks of good CSOs and ESG leaders (Pagitsas 2022)

| Background and education | Desirable features | Tasks |
|---|------------------------------------|---|
| Studies in sustainable business | Openness and transparency | Seeking the best ideas |
| Competence through work experience in ESG | Business credibility | Deep-diving to fully understand both the business and peers' challenges |
| Internal expert in company's business | Investment justification abilities | Bridging organizational silos |
| Multi-business language speaker | Internal and external visibility | Engaging associates to attract the best talents and helping the company retain them |
| Internal with strong relationships with the board and senior management | Willingness to listen and learn | Communicating, articulating |
| | Good human knowledge | Partnering with peers, competitors and stakeholders |
| | Humble accountability | |
| | Collaborative integrator | |
| | Imagination and creativity | |

The influence, support, enthusiasm, (ESG) strategic understanding and vision of the CEO is considered very important by the interviewees (Pagitsas 2022). *Hagen* (Pagitsas 2022e, chapter 13) says the CEO of Iron Mountain impressed him so much by presenting such a firm and ambitious plan of rethinking business as usual, that he came to work for the company. *Gowen* praises Verizon's chairman and CEO for being the best ESG champion and expert in the field with the following words:

"(...) he lives, breathes and understands corporate social responsibility and sustainability. (...) He has been a tireless leader in this field. (...) He sits on the board of the UN Foundation and was involved in the creation of the UN SDGs." (Pagitsas 2022d, chapter 12.)

Based on the learnings from the interviews, the attitude towards ESG and the actions of the CEO seem to correlate with the success of a company's ESG integrations. Moreover, the learnings suggest that what the CEO's relation to ESG is defines largely what the company is in relation to ESG. Hence, the CEO is reflected in the ESG strategy implementation of the company.

Stakeholder theory

The relationships and interactions between stakeholders and a company are reciprocal. A company can achieve competitive advantage if it is managed for the benefit of its stakeholders. Managing several stakeholders' interests has become a norm, and stakeholder relationships have become more complex. Daugaard & Ding (2022, 12), Ditlev-Simonsen (2022, 163-165), Sancak (2023, 7) and Wang (2024, 1) have different views on whether only a few of the stakeholders or multiple stakeholders should be considered in sustainability transformation implementation. At HPE the ESG strategy is critical to providing value to all HPE's stakeholders. Then again, Verizon looks to bring shared value to its four stakeholders: customers, employees, shareholders, and society. (Pagitsas 2022.) *Chung* (Pagitsas 2022g, chapter 19) utters that no company can please all the stakeholders all the time, and therefore it is important for companies to be authentic. *Chung* adds that the younger generation has seen too much inauthenticity, which is why they are placing emphasis on the values of a company before being pleased by companies as a stakeholder.

Customers

Companies feel the pressure from customers to become more sustainable. Customers are increasingly factoring sustainability criteria into their purchasing decisions. Some customers may want the sustainability change, but others may not, and therefore it is important to understand the needs of different customer segments. (Pagitsas 2022.) HPE has an ESG team that listens to the voice of the customer and works with their customers around the world as consultants on energy efficiency and digital transformation. HPE's largest portion of its footprint is customers' use of HPE's products, as *Tippens* clarifies:

“As a provider of IT services and solutions to enterprise customers around the world, they can make a big impact by helping customers reach their goals by focusing on energy efficiency in their supply chain, but also in the products that they produce.” (Pagitsas 2022c, chapter 11.)

Amazon takes into consideration its retail customers by making it easy for them to discover and shop for more sustainable products. At Iron Mountain customers are seen as the most important stakeholder group from the ESG perspective, as engaging with its customers is the best opportunity to both “do more good” and grow the business simultaneously. By solving its own ESG challenges in business-positive ways, Iron Mountain allows its customers to see how it may be able to help customers solve similar ESG challenges in their businesses. (Pagitsas 2022.)

Employees

According to Ditlev-Simonsen (2022, 168), employees are the most important stakeholders for companies. Most of the interviewed companies communicate the same and also act accordingly. Cognizant can be seen as a people-based company as it understands the importance of attracting and retaining talent. HPE approaches the employee aspect by focusing on inclusion and diversity and by being public about the representation of executive women and different ethnicities. HPE is said to have goals around diverse representation at all levels of the company. The measurement of diversity at HPE has been expanded with other human capital metrics, such as parity pay and living wages. At Verizon each employee plays a role in the company's ESG efforts. (Pagitsas 2022.) Gower's own reasoning regarding employees' role at Verizon originates from the sports world:

"You're only as good as that last person on the bench, whether that person gets in the game or not. (...) This is how I approach my work. You have to value the uniqueness of each member, and we know that innovation is sparked by diversity, which speaks to the company's DEI [diversity, equity, inclusion] policy and practices." (Pagitsas 2022d, chapter 12)

At Iron Mountain employees are seen as the number one vector for change. Offering employees the opportunity to participate drives change, delivers results and engages employees by encouraging them to bring their whole selves to the challenge. Consequently, employees succeed, the business is better, and the company is accelerating the positive impact they can make. (Pagitsas 2022e, chapter 13.)

Supply chain

While Ditlev-Simonsen's (2022, 175-176) main message regarding the supply chain ESG stakeholder group is that it is very difficult to know exactly the ESG issues of suppliers and to manage them, at least some of the interviewed companies are more solution-oriented. At Iron Mountain the growth strategy intends to incorporate sustainable business thinking in supply chains. That includes the climate impact of data centres, electronic waste issues, ethics, anticorruption, inclusion, diversity and human rights. Verizon is considering the supply chain aspect thoroughly and is operating accordingly. Verizon ensures that across the supply chain its vendors are thinking about the triple bottom line alongside them, for example, by making sure that its vendors build their products as sustainably as possible. Vendors are asked about the parts they use, how they are designed with end-of-life in mind, and if they are creating products for a circular economy. Verizon ensures the resilience of the vast supply chain also by asking the right questions and knowing the source of the materials and the labor for the products that make up the supply chain. (Pagitsas 2022.) Gower (Pagitsas 2022d, chapter 12) adds that it is imperative to have the right partners in place who not only meet their high standards but who are transparent in their own operations and can

easily answer questions about manufacturing, origins, possible redundancies, diversity and risk resilience.

Shareholders, regulators, NGOs and government officials

Ditlev-Simonsen (2022, 182-184) sees engaging with shareholders, regulators, NGOs and government officials mainly as risk management, whereas the interviewed companies have noticed them becoming more demanding in terms of ESG, and the engagement with these stakeholder groups are utilized further. Verizon has noticed a growing interest in ESG factors in the business among all stakeholder groups as even shareholders have started asking questions they have never asked before. At Cognizant shareholders are taken into account among other stakeholders – Cognizant returns value to shareholders by creating a more livable and stable society. HPE is building a dynamic organization that can work with regulators and government officials in various geographies to help support its agendas and leverage the resources that it has in its government affairs. The emergent requirements are not only understood at HPE, but also on some level, it is driving them itself as well. (Pagitsas 2022.)

The stakeholders of the companies are presented in figure 8. Employees and customers are seen as the most important stakeholders. The arrows represent collaborating and partnering between the company and stakeholders.

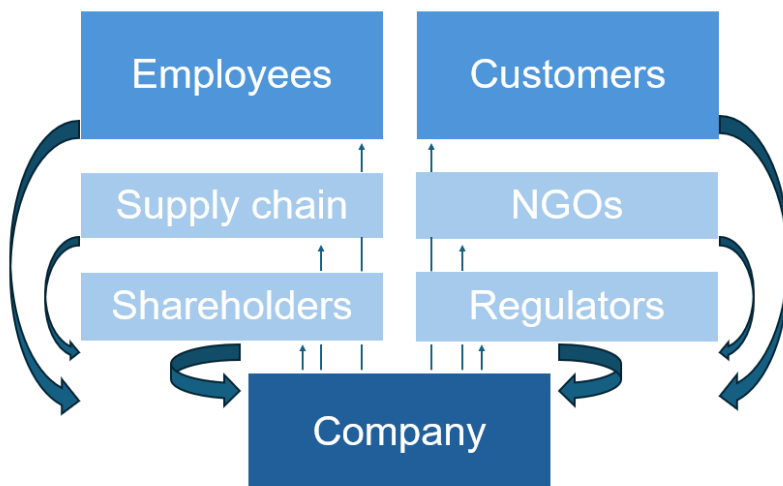


Figure 8. Collaboration between the company and its stakeholders

Partnering

While stakeholder theory discusses stakeholder relationships and interactions as reciprocal (Dauggaard & Ding 2022, 2), and stakeholder management as managing stakeholders' interests (Ditlev-Simonsen 2022, 163), thus remaining in a "taking stakeholders into consideration level", partnering

with different stakeholders occurs in a deeper level among interviewed companies. Partnering also occurs with rather unexpected parties, such as external certifiers or competitors. Amazon, for example, is partnering with 37 external certifiers to highlight products that meet sustainability standards. Amazon also partners with its suppliers and shares knowledge with them, thus enabling both companies to cut costs and reduce emissions at the same time. It needs different partners to come in to help, for example NGOs that can provide information on how different issues affect their community. By partnering with scientists and researchers Amazon utilizes its technological size and scale providing sustainability researchers and scientists worldwide with an access to data sets which can be used for climate change and sustainability research. For Amazon, a partner could also be a start-up entity that offers technological solutions. (Pagitsas, 2022.)

For Barclays, partnering with stakeholders was not mentioned, but nevertheless cross-sector learning and collaboration happens a lot. Barclays has gained a huge amount of knowledge from conversations with NGO experts, academic institutions and scholars, and government leaders. At Iron Mountain partnering with stakeholders is highly sophisticated. It joined with its competitors, customers, key ESG data assurance folks, and leading NGOs to develop an open-source protocol, which allows data center operators to “pass through” the environmental attributes of their renewable energy contracts to their customers who can thus claim legitimate carbon reductions. (Pagitsas, 2022.)

ESG Performance management

The structure of ESG performance management is based on constructing a framework, defining the KPIs, setting the implementation to multiple corporate levels, clarifying employees' roles and responsibilities, and collecting and analyzing ESG data regularly. (Li & al. 2024, 188-189.) According to Niehaus & Peltonen (2023, 14-16) a cross-functional steering committee should be created first. Sustainability and financial performance must be linked, and executive decision-making should be incentivized by combining ESG goals with business strategy, financial growth and long-term sustainability. Secondly, companies should do benchmarking. Thirdly, a strategic ESG roadmap should be built. Fourthly, ESG data disclosure should be focused on. Executive pay and “parity bills” should be utilized in ESG performance management (Skladany, 2022). The occurrence of these ESG performance management elements in the interviewed companies partially support those theories. Collecting, investigating, analyzing, sharing, disclosing and using data is considered very important by these companies (Pagitsas 2022).

ESG communication and disclosure

Regarding communication and disclosure of ESG data, there are some differences between the interviewed companies. Amazon publishes separate annual sustainability reports with details of its continued path. At Cognizant, in turn, it is seen that companies' sustainability, CSR and ESG reports do not give good enough data and therefore companies should report on ESG the same way they report on their financials – systematically and numerically. Generally, being an effective ESG communicator is seen very important by all companies. While deep know-how about subject matter is important, it must be articulated well. (Pagitsas 2022.) *Chung* (Pagitsas 2022g, chapter 19) points out, that a lack of full proficiency in ESG measurement and disclosure should not be an obstacle to the implementation of them. Sustainable data collection and reporting can be started in sectors, gradually, and improved year after year. At Cognizant the progress on the core ESG focus areas - climate and diversity (E and S) topics is reported in decision-useful way. *Mendelsohn* describes the decision-useful ESG reporting at Cognizant as follows:

We are creating and executing a path to net-zero emissions—an example of the E of ESG. We are linking our social impact programs with our hiring pipeline—an example of the S. We are reporting this to investors with the same seriousness we do our traditional business metrics—an example of the G. (Pagitsas 2022b, chapter 10)

DBS is using Task Force on Climate-related Financial Disclosures (TCFD) as their reporting tool. *Chung* considers it important as TCFD is still financial reporting and moves away from thinking of it as a non-financial reporting. *Chung* also concludes:

“Climate-related financial reporting is going to affect the financial standing of companies.” (Pagitsas 2022g, chapter 19.)

Several companies are unanimous in that ESG measurement and disclosure needs to be clear and transparent. As people nowadays are more interconnected than ever and most people have better information, companies must make sure their ESG credentials are accessible, transparent and backed up by facts and data. Sharing ESG-related data is considered important in many of these companies, and in them data is shared with all stakeholders. Communication in ESG performance management should not be one-way. For example, Amazon welcomes critique towards their role regarding ESG, and giving information and data is seen as the most important way to influence peers to evaluate the sustainability factors in a business decision. (Pagitsas 2022.) *Chung* (Pagitsas 2022g, chapter 19) calls for the importance of being an effective communicator and highlights the importance of listening. *Chung* points out:

“It is important to be a good listener. Don't just listen to respond but just listen.” (Pagitsas 2022g, chapter 19)

Roles

While Li et al. (2024, 187) emphasizes the role of board of directors as implementors and executors in ESG management function allocation, excludes their roles in daily ESG execution activities, and considers the role of employees as rather passive, it seems that the interviewed companies have different focus areas regarding the roles and function allocation. Interviewees want to include employees across every part of their business, engage them to think how they can use their jobs to make a difference in things they care about, and equip their teams with the tools, knowledges and resources to act. Employees are seen as the most important vector for ESG change. The role of top management is generally considered as more supportive than functional, but the support and backup role are considered crucial. (Pagitsas 2022.) For example, *Mendelsohn* (Pagitsas 2022b, chapter 10) mentions that the reason for working with the top management and the board of Cognizant is to make sure the bases for ESG work are covered.

Interestingly, ESG performance pay, such as incentivizing executive decision-making or including executive pay or “parity bills” in ESG performance management tools is not mentioned by any of the interviewees. While it is possible that they forgot to talk about ESG-based compensation because they were not specifically asked about it, it is also possible that they deliberately wanted to avoid talking about the subject. According to Skladany (2022) and Niehaus & Pelton (2023, 16) the role of ESG performance pay is in an essential role in ESG performance management. One would expect CSOs and ESG leaders to know to raise the issue when talking about successful ESG strategy implementation.

Innovation and technology

The role of innovation and technology in technology companies’ ESG strategies is important. *Hurst* (Pagitsas 2022a, chapter 8) summarizes what Amazon needs for being successful in ESG transformation: enabling policy environment and technological solutions. Amazon is helping scale new solutions to address climate change. It is partnering to support start-up technologies. If it seems that a solution will help to decarbonize Amazon’s operations, this solution or technology will be bet on and scaled. Cognizant’s approach is quite similar as its overall ESG vision is to use its technologies, knowledge, and partnerships to engineer new levels of environmental and social benefit for its clients and communities. Most of the interviewed companies are doing or intending to do engineering for sustainability. (Pagitsas 2022.) HPE is innovative by using technology to rethink the sustainability footprint of the IT products it manufactures by rethinking what “end of life” means already in the manufacturing life cycle. *Tippens* explains:

“We’re designing our products so that they can be easily upgraded or repaired. And, instead of using the term “end of life,” we say “end of use” because products can go to one of our

technology renewal centers [TRCs] (...) to be refurbished and resold for secondary use. (...) We take in IT gear regardless of the original manufacturer. We break everything down to the component level, rebuild the products, and sell them on the secondary market.” (Pagitsas 2022c, chapter 11.)

Iron Mountain’s customers shifted their information from paper to digital, and consequently, its business had to change too. Today it offers data and information management and privacy solutions. Iron Mountain started from digitizing documents, became one of the top ten co-location data center providers in the world and eventually became a leader in IT asset management, thus helping its customers make the digital transformation. Iron Mountain has challenged the paradigm that trade-offs must be accepted. It has developed tools, techniques, competencies, and hard business skills that give the company better opportunities to solve problems in new, better ways (Pagitsas 2022.). *Hagen* adds:

“We’re more collaborative. We’re more innovative. We have better data. We understand the business challenges through the lens of social performance as a business challenge. I think that gives us more tools to solve the problem in different ways. It’s a symptom of the systems thinking approach.” (Pagitsas 2022e, chapter 13.)

Amazon developed its own certification called Compact by Design to fill in the lineup of certifications. These small differences in product size and weight improve unit-efficiency considerably, which leads to significant carbon emission reductions.

Innovations is a popular topic among the interviewed companies, and a huge rise in FinTech innovation is seen to occur. Innovation seems to be one of the most important means in these companies’ ESG strategy implementations. Moreover, these companies have some ambitious goals within innovation. Merely succeeding is not enough, but they want to innovate and improve beyond good and successful. (Pagitsas 2022.) *Hagen* describes the innovation situation, and the level of ambition as follows:

“I believe the notion of “sustainable business thinking” is the equivalent of a disruptive technology to business. It’s changing everybody’s job and every business, and if it’s not changing your business, you’re not paying attention. (...) Everything is being disrupted, and it’s not the Patagonia model. It’s the better, faster, cheaper model. Patagonia is arguably a sustainability-oriented business or brand, but for all their success as a brand, their products arguably are not functionally better.” (Pagitsas 2022e, chapter 13.)

The power of money in innovation lies in how companies deploy money. If companies invest for example in innovative climate, those things can flourish and grow. Yet, if companies continue to lean on old financial models with the goal of profit maximization, they will never make the needed change. Partnering in innovation is very common amongst the interviewed companies. Partnerships to innovate are made with all kinds of parties, not just all the stakeholders but even with competitors. (Pagitsas 2022.)

Risk management and resilience

Sustainability is seen to have evolved from a compliance activity into a huge value-add. Investors got frustrated with growing unabated risk, and therefore social and climate risk was labelled from long term to current. Investors wanted to know who will be responsible for the consequences when climate change threatens investments, and naturally no one wanted stranded assets on their books. That speeded up the development of ESG risk management and resilience. The time factor in contemporary risk management has changed dramatically as currently risk calculations must be done and acted upon immediately. (Pagitsas 2022.) Interestingly, Landi & al. (2022, 1098) do not take a similar stand regarding the urgency of action in ESG risk management analysis, which indicates that the speed in the risk management area is accelerating.

The integration of ESG issues into the business strategy is seen to increase the competitiveness and resilience of the business. For example, DBS Bank's robust sustainability framework is its risk management tool. By working closely with the general counsel of the company a point of view on specific ESG risks and opportunities can be shared conveniently. (Pagitsas 2022.)

It is generally considered important for the stakeholders of a company to be resilient. This is in line with Ditlev-Simonsen (2022, 168), at least regarding employee stakeholders. According to Ditlev-Simonsen (2022, 168), employees are the most important stakeholders for companies, and low employee turnover increases the resilience of the company. *Gowen* (Pagitsas 2022d, chapter 12) says he works for Verizon for a reason, namely for the life-saving services it provides, and it is important what kind of company he works for. Companies can influence their resilience by having a purpose, and it also applies to other stakeholders as well, for example customers. (Pagitsas 2022.)

According to Landi & al. (2022, 1098), integrating traditional risk management models with ESG-related analysis can improve financial risk assessment. Barclays is practicing this by making specific restrictions regarding the types of financing they will not do, for example financing exploration and production in the Arctic or new thermal coal projects. *Palanza* (Pagitsas 2022f, chapter 18) explains further that if banking clients found the capital they need to do things which make climate change worse, the "asset" will eventually become a financial liability, a "stranded asset", either financially or in a form of risks materializing.

Change management and organizational culture

Sancak (2023, 2) presents 10 evidence-based steps to manage planned organizational change into the sustainability transformation of business organizations in the context of ESG criteria. The interviewed companies are pretty much on the same page with the organizational sustainability change theory and they bring up most of these steps being used in their companies. However, the

last three steps which includes “walk the talk” of the top management, reinforcing change by rewarding employees, monitoring and strengthening the changes and institutionalizing the changes are not brought up at all. (Pagitsas 2022.)

Science-based data, hard data and importance of data are mentioned repeatedly. *Hurst* (Pagitsas 2022a, chapter 8) says Amazon shares data and mentions utilizing what they know from a science-led perspective. ESG targets are also generally science-based. Data is considered important, it is captured for utilization and backed up by facts and data. *Hagen* attributes Iron Mountain’s success to having better data, and urges companies to get new or better data by praising:

“Data is useful. The data shined a bright light into some dark places in our knowledge.”
(Pagitsas 2022e, chapter 13)

It is generally considered important by the interviewed companies not to separate business data and non-financial data. (Pagitsas, 2022.)

Elements of the first ESG change management steps can be found in all companies. This becomes evident, for example, when *Mendelsohn* describes how to start an ESG function and how the change is managed in Cognizant:

“Within ESG, you first need to start up ESG functions that provide governance oversight and a controls environment over what will become your key public ESG data, goals, and claims. Then within starting up ESG functions, it’s working with top management and the board to make sure the bases are covered. You’re establishing milestones that don’t get fuzzy and infrastructure for strong oversight. (...) Cognizant’s board of directors seeks to ensure we are integrating ESG into the existing enterprise priority matrix. Our governance and sustainability committee, whose charter we reconsidered and relaunched in 2021 to emphasize sustainability and ESG, actively engages in the oversight of ESG’s enhancement and integration at Cognizant.” (Pagitsas 2022b, chapter 10.)

Transformation

Interviewees in Pagitsas’ research bring out some topics outside the traditional ESG strategy implementation theories or frameworks, which they clearly consider important and even imperative in successful ESG strategy implementation. For instance, transformation is referred in the change management theory as a transformation to sustainability or implementing an ESG strategy. On the other hand, for some interviewees the goal in sustainability change process is the business transformation. In other words, business is ESG, ESG is business, and that is the transformation. Sustainability and business transformation are not viewed separately. ESG is seen to help accelerate companies’ business transformation. (Pagitsas 2022.) Amazon’s approach to transformation is quite practical, as *Hurst* points out:

“We’ve not just said, “We hope to do this,” but we’re doing it. We’re setting goals toward that commitment, and then we’re just getting to work.” (Pagitsas 2022a, chapter 8.)

Urgent action, exceeding goals and greenwashing

Another recurring topic outside the theoretical review is taking urgent action. For example, when Iron Mountain realized that energy efficiency alone was not going to get them reach their goals, it pivoted quickly to add a renewable energy strategy. Iron Mountain's "test and learn" approach is critical to the success of a sustainability strategy over the long term. Amazon is also quick to act. It makes ambitious commitments and backs them up with specific goals and urgent action. Verizon also shows its purpose through action. (Pagitsas 2022.) *Gowen* mentions:

"We want to ensure that our resources, technology, and employees are working toward a common mission of moving the world forward through action." (Pagitsas 2022d, chapter 12.)

These companies not only stick to their original ESG operation plans but sometimes exceed them. For example, Amazon moved faster than it had planned on the big commitments and goals, such as on its commitment to make 50% of all its shipments net-zero carbon by 2030. (Pagitsas 2022.)

Greenwashing is a quite dominant topic in the field of ESG, but only *Palanza* (Pagitsas 2022f, chapter 18) of the interviewees takes a stand on the topic by saying that it becomes easily visible and therefore corporate sustainability cannot be just marketing schemes. It is unclear, if other interviewees take the harmfulness of greenwashing for granted and therefore do not bother talking about it, or if they avoid the problematic topic intentionally.

ESG business strategy

While this study is focusing on the incorporation of ESG into PayTech companies' business strategy, most of the interviewees in Pagitsas' (2022) research consider ESG itself as the business or the ESG transformation as a change of the line of business. *Mendelsohn*, for example, sees her own role as CSO as a business role by pointing out the following:

"I just do business. I protect profitability and support revenue generation. (...) I make sure that our technology solves clients' environmental and social pain points." (Pagitsas 2022b, chapter 10.)

The business case for HPE to move to the broader ESG strategy is simply about leveraging sustainability and leadership to accelerate its business transformation, and ESG and business strategy are not viewed separately. The mission is to create sustainable and equitable IT solutions that meet the technology demands of the future. To achieve its mission, HPE focuses on leading the low-carbon transition, investing in its people, and operating with integrity. (Pagitsas 2022.)

What is illustrative is that Verizon could be just a network provider, but it is a sustainable and responsible network provider. As a responsible business Verizon knows that the network must be as

efficient, robust, and resilient as possible, and that its network is who they are at their core. Verizon is making climate awareness "business as usual" throughout the organization. (Pagitsas 2022.)

It seems that to shift from environmental, social and governance challenges to a combined ESG and business strategy, companies need to challenge the paradigm that trade-offs are unavoidable. Iron Mountain figured out how to make sustainable solutions cost less, after which it became easy to advertise long-term thinking internally. They used to think at Iron Mountain that employee diversity numbers and greenhouse gas emissions were non-financial, but nowadays they think of ESG data as business data. *Hagen* fines down:

"(...) we've tackled environmental, social, and governance challenges in ways that delivered better outcomes (...) When we figure out a better business solution, then we can do a whole lot of it. (...) All you do is see the better solution, then you execute. (...) do something different and get better outcomes, better environmental, better social, better business outcomes. (...) we went from blind spots to maybe some denial or despair and arrived at hope. Because we saw this different way to do it and now, we celebrate a better business outcome." (Pagitsas 2022e, chapter 13.)

A general learning by some of these companies is that sustainability does not harm the business, but on the contrary, if ESG is executed well and correctly, new avenues for commercial success should open. It might require a bit of reorientation away from some lines of business and toward others. (Pagitsas 2022.)

4.2 Industry benchmarking findings

The idea of industry benchmarking is to benchmark companies from the same industry. This study concerns PayTech companies, and therefore the initial plan was to select only PayTech companies for industry benchmarking. Since ESG and reputation ranking lists (see more information in chapter 3.3.2) do not include other PayTech companies than Mastercard, Visa and Paypal high on the lists, Microsoft was also selected due to its top position in the ESG score ranking list and its industry being very close to PayTech industry. This study is a process case study where the case is the process of ESG strategy implementation. In these four companies the process of ESG strategy implementation is done extremely well compared to how it is done in other PayTech companies, and therefore they can be considered as critical cases. These four benchmarked companies are the focal companies in this study. This chapter aims to find out what these successful companies are doing regarding ESG strategy implementation and to make comparative analysis with the theoretical framework. The list of the companies, industries and materials utilized for this analysis can be found at the end of chapter 3.3.2.

Mastercard is a global PayTech company whose operations include digital payments, payments processing and payment networks (Mastercard 2023, 6). Mastercard was ranked by IBD (Investor Business Daily) the 5th in IBD's best ESG companies for 2023 of 100 U.S.-traded public companies with the highest IBD composite rating (Stanley 2023). Mastercard is also ranked 27th on RepTrak's list of the most reputable companies in the world in 2024 (RepTrak Company 2024). Mastercard's annual revenue for 2023 was 25 098 billion dollars (Mastercard 2023, 84). Mastercard employs about 34 000 people around the world in more than 130 offices (Mastercard 2024). Innovation, sustainability and diversity are the cornerstones of Mastercard's operations, and they are constantly striving towards more and more diverse, sustainable and economically secure society (Mastercard 2024b).

Visa is also a global PayTech/FinTech company working with digital payments and transaction processing (Visa 2024b). Visa's place on the IBD's ESG company ranking list is 33 and on the RepTrak's reputable company list 22 (RepTrak Company 2024; Stanley 2023). Visa's net annual revenue for 2024 was 35,9 billion dollars, which was up from the previous year by 10%. Visa has about 31 600 employees located in more than 80 countries and territories around the world. (Visa 2024c, 5.) Visa's "mission is to connect the world through the most innovative, convenient, reliable and secure payments network, enabling individuals, businesses and economies to thrive" (Visa 2024b).

Paypal is a global FinTech company whose domain is online payments and digital commerce. Paypal has been operating for more than 25 years and has currently operations in approximately 200 markets around the world. (Paypal 2025.) Unlike other benchmarked companies Paypal is not included in the IBD's 100 Best ESG Companies For 2023. On the other hand, Paypal is in eighth place on RepTrak's list of the most reputable companies in the world in 2024 (RepTrak Company 2024). Paypal's net annual revenue for 2023 was 29,8 billion dollars. The total workforce of Paypal is approximately 27 000 people, consisting of more than 144 nationalities in 27 countries. Paypal's mission to revolutionize commerce globally is their "North Star" mission (Paypal 2025b).

Microsoft is a global information technology company which creates AI-powered platforms and tools to deliver innovative solutions (Microsoft 2024). Microsoft is the number one on the IBD's 100 Best ESG Companies for 2023 list but is only 49th on the RepTrak's list. (RepTrak Company 2024; Stanley 2023). Microsoft's annual revenue in 2024 was 245,122 billion dollars, which grew by 16 percent from the previous year. Microsoft employs approximately 228 000 people, 126 000 in the U.S. and 102 000 globally (Microsoft 2024a). "Microsoft's mission is to empower every person and every organization on the planet to achieve more" (Microsoft 2025).

ESG strategies

All the benchmarked companies have an ESG strategy or something like it, but somewhat surprisingly it is not linked to the business strategy in all companies. At Mastercard, although sustainable impact is fundamental to the business strategy, the ESG strategy and the business strategy are separate. Visa's business strategy does not contain elements of its CR&S strategy, nor does PayPal's business strategy contain elements of its CS&I strategy. However, Microsoft's CSR commitments - accessibility, inclusion, and digital skills education to empower individuals and organizations - are embedded in its business strategy.

Mastercard's ESG strategy is expressed through three pillars, and all the work they do is grounded in strong governance principles such as deep commitment to ethical operations and legal compliance, transparent reporting and strong internal controls (Figure 9). People pillar contains empowering people to reach their full potential through an inclusive workplace. Prosperity pillar contains fostering prosperity by enabling equitable participation in the digital economy for people, communities and beyond. An example of prosperity pillar is bringing unbanked people into the digital economy and helping small businesses in digital transformation. Planet pillar contains reducing the carbon footprint and enabling partners and consumers to do the same.

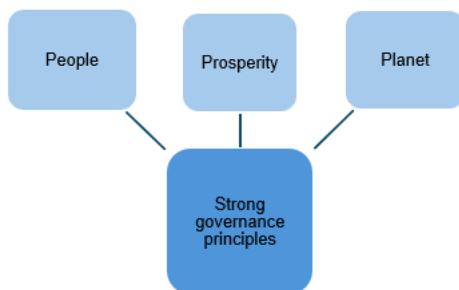


Figure 9. The three pillars and the foundation of governance of Mastercard's ESG strategy (Mastercard 2025)

Interestingly, Visa does not have a strategy called ESG, but a corporate responsibility and sustainability (CR&S) strategy that aims to deliver on Visa's purpose - to uplift everyone, everywhere by being the best way to pay and be paid. Visa last published an ESG report in 2023 but changed from ESG reporting to CR&S reporting in 2024. Visa's CR&S strategy includes five topics: 1) Investing in employees through inclusion and diversity, learning and development, engagement, benefits and safety, 2) Empowering people, communities and economies through digital equity, 3) Enabling trusted commerce and protecting customers through security, consumer privacy and

transaction integrity, 4) Protecting the planet in their own operations and through sustainable commerce, and 5) Operating responsibly. (Figure 10.)

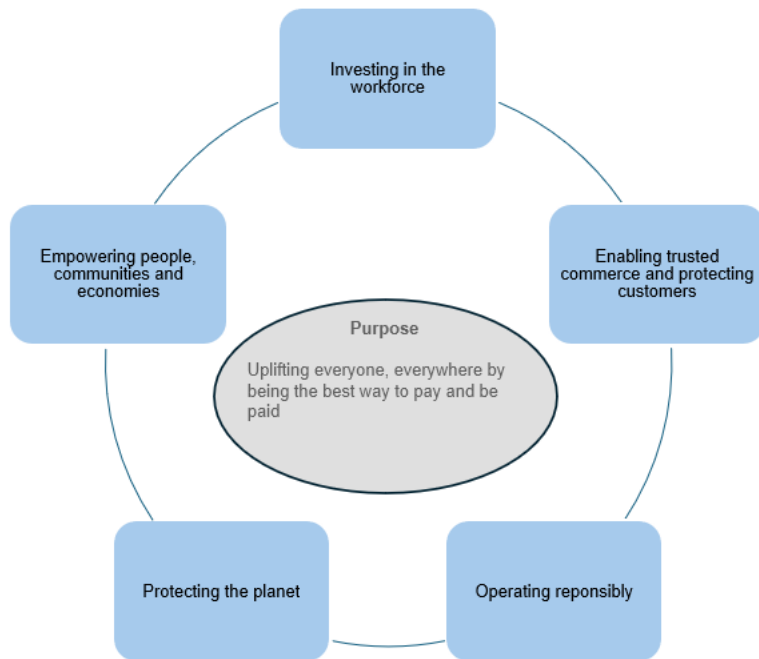


Figure 10. The five topics of Visa's CR&S strategy delivered on the purpose of Visa (Visa 2024d)

Paypal has also stopped using the name “ESG strategy” and is currently calling it a corporate sustainability & impact (CS&I) strategy. Paypal's CS&I strategy consists of the mission, core values and non-financial risks and opportunities across focus areas. The mission is to enable every person and business grow and thrive in the digital economy by revolutionizing commerce. The business strategy is supported by Paypal's core values: inclusion, innovation, collaboration and wellness. Paypal's business priorities that are included in the CS&I strategy are 1) prioritizing the product and service excellence, 2) leveraging technology to personalize customers' experiences, 3) innovating the future of commerce, and 4) setting measurable goals and communicating consistently. The four focus areas through which Paypal approaches and manages the key risks and opportunities are responsible business practices, social innovation, employees and culture, and environmental sustainability. Figure 11 shows the three main areas of Paypal' CS&I strategy which is founded on the mission.



Figure 11. Three areas of Paypal's CS&I strategy founded on the mission (Paypal 2025d)

Microsoft does not have a separate ESG strategy, but ESG is included in their business strategy, and they have an approach to ESG reporting. Microsoft is committed to corporate social responsibility (CSR) and reporting their progress through a wide range of ESG reporting and data. They are committed to conducting business in ways that are principled, transparent, and accountable to their shareholders and key stakeholders. Microsoft's mission is to create technology that benefits everyone and every organization on the planet, as well as the planet itself. To do so, Microsoft focuses on four interconnected pillars: 1) supporting inclusive economic opportunity, 2) protecting fundamental rights, 3) creating a sustainable future, and 4) earning trust. (Figure 12.)



Figure 12. Microsoft's four interconnected pillars and the guiding mission (Microsoft 2025b)

Stakeholders

Stakeholder engagement work is very advanced in the benchmarked companies, and in all of them several stakeholders are considered and managed. Table x shows which stakeholder groups benchmarked companies report that they include in their ESG stakeholder engagements.

Table 12. Engagement of benchmarked companies with different stakeholder groups

| Stakeholders | Mastercard | Visa | Paypal | Microsoft |
|-----------------------------|------------|------|--------|-----------|
| Employees | x | x | x | x |
| Customers, Clients | x | x | x | x |
| Suppliers | x | x | x | x |
| Governments, Regulators | x | x | x | x |
| Local communities | x | x | x | x |
| Investors, Shareholders | x | x | x | x |
| NGOs, Academia | x | x | x | x |
| Partners | | | x | x |
| International organizations | | | | x |
| Industry coalitions | | | | x |
| Foundations, Associations | x | | | x |

Other companies except Paypal have listed their stakeholder groups in their ESG / CSR reports. Paypal's approach includes regularly engaging with their diverse stakeholder set, including their investors, global workforce, customers, regulators, partners, suppliers, and others. The insights gained from the interactions with the stakeholders help to inform them of their CS&I programs, strategies, and disclosures. Visa tells about stakeholder engagement by describing in which ways they are engaging with different stakeholders. Mastercard presents their ESG stakeholder groups "according to the ESG textbooks". See in appendix 1 what Mastercard's stakeholder groups are, and why and how Mastercard is engaging with each group.

All benchmarked companies consider employees a very important stakeholder group. Mastercard refers to employees as "our people", considers employees company's greatest asset and fundamental to their success. Investing in employees has improved companies' reputation by getting them ranked highly in different workplace-related rankings. Employee equality level is very high as global gender and ethnic pay equity is 100 percent in all four companies. Companies invest a lot in employee diversity and inclusion, which are seen as prerequisite for innovation. Employees' growth and learning are invested widely, and companies have established their own internal universities or learning academies to support the growth. Different resource groups and communities are very common in these companies. All companies invest in their employees' comprehensive well-being, and for example Microsoft invests even in the financial well-being of employees. Table 13 shows in

more detail what employee stakeholder group considerations were found in each benchmarked company.

Table 13. Consideration of employee stakeholder group in benchmarked companies

| | Consideration of employees |
|--------------------|--|
| Master-card | Investing in the employees. Building a workplace and culture that drives innovation, embraces diverse perspectives, encourages collaboration, fosters well-being, and enables growth and opportunity. Prioritizing initiatives and measuring progress around talent attraction, differentiated rewards, benefits and policies, transparent people practices, skilled and agile workforce, leadership and succession, culture, future of work experience and operational excellence. Providing flexibility. |
| Visa | Making intentional investments in employee talent, growth & learning, inclusion & diversity, employee engagement, Visa total rewards and employee safety & security. |
| Paypal | Investing in performance & talent, employee engagement, employee lifecycle, employee total wellness, employee advocacy, pay equity and employee resource groups. |
| Microsoft | Enhancing inclusion and diversity, committing to pay equity, surveying employee signals and thriving, fostering employee resource groups and communities, supporting professional and personal growth, investing in physical, emotional and financial well-being and providing work flexibility. |

Customers are also considered as an important ESG stakeholder group by all benchmarked companies. Paypal mentions customers in its CS&I strategy communications but with less relative emphasis than other companies do. At Microsoft's communications customers are in an almost invisible role as an ESG stakeholder group, which is interesting when comparing it to how dominant employees' role as Microsoft's ESG stakeholder group is. Microsoft's approach to customers in this context is more about customer consideration being a side product of their overall social and governance impact mission. Microsoft, like other companies, wants to help their customers reach sustainability goals with the help of their expertise and scale. Common elements to all companies regarding their customer consideration in ESG operations are earning trust, ensuring customer data protection, privacy and cybersecurity, and making life easier, better and/or more sustainable for customers or businesses through digitalization. Table 14 illustrates indicatively how customer stakeholder group is considered in each benchmarked company.

Table 14. Consideration of customer ESG stakeholder group in benchmarked companies

| Consideration of customers | |
|----------------------------|--|
| Mastercard | Connecting consumers, financial institutions, merchants, governments, digital partners, businesses and other organizations by enabling electronic payments and making those payment transactions safe, simple, smart and accessible. Using networks to benefit customers and the players of the network. Committing to high standards in privacy, data responsibility and cybersecurity to maintain trust. |
| Visa | Facilitating secure, reliable and efficient money movement among consumers, financial institutions and merchants. Helping clients secure the payments environment and improving the networks' security, integrity and resiliency. Working with clients across regions to accelerate the adoption of Intelligent security solutions. Enabling trusted commerce and protecting customers. |
| Paypal | Providing customers with superior products that enable digital payments and simplify commerce experiences on behalf of merchants and customers worldwide. Protecting customer data and accounts. |
| Microsoft | Supporting and empowering customers on their own sustainability journeys. Earning trust by preserving customers' control over their data and their ability to make informed choices that protect their privacy, collecting and using personal data in responsible and accountable ways, and supporting multistakeholder approaches to address complex digital safety challenges. |

Suppliers is an essential stakeholder group for all four benchmarked companies, although there are differences in how supplier stakeholder engagement and management is brought up in different companies' ESG reports or CSR pages. Mastercard specifically mentions suppliers in their ESG report and in the list of stakeholders and gives detailed information regarding supplier engagements, requirements and actions. Visa is largely on the same line as Mastercard by explaining thoroughly their supplier engagements, co-operations and expectations. Paypal, and especially Microsoft, pay less attention to suppliers in their sustainability communications. Microsoft is talking generally about its mission and diversity or sustainability impacts implying that the same is expected from their suppliers. Microsoft and Paypal have supplier programs through which their diversity and sustainability requirements are communicated in more detail and managed. To make the most out of supplier engagements, suppliers can also apply and be granted a Microsoft supplier status, whereas Paypal uses third party certifiers for supplier certification.

All benchmarked companies are engaging and partnering on a large scale with civil society, governments, regulators, NGOs and local communities. They all seem to have the same idea as Mastercard: working with institutions that drive equitable and sustainable economic growth, and the rule of law can ensure them being a force for good. Mastercard sees engaging with communities

useful, as their own business does well when the communities they serve do well. The idea of partnering with these stakeholder groups is to advance social and environmental impact and advance and inform public policy. Trust is a pivotal theme for Paypal and Mastercard regarding these stakeholder groups. Paypal is fostering trusted relationships with them and Microsoft is earning trust through engagement and partnerships with them. Stakeholder engagement with these stakeholder groups seems to be very beneficial for the benchmarked companies. For example, Microsoft says that virtually all the initiatives described throughout their CSR reporting have benefited from insights provided by NGOs. Moreover, Microsoft's YouthSpark initiative and Office 365 for Nonprofits program were both strongly shaped by input from local communities. In addition to just mentioned engagements, Microsoft actively participates in industry coalitions to address CSR issues and acts as one of the leaders bringing companies together to work collaboratively to solve challenges. Microsoft establishes groups that help set the standard for responsible business practices in the ICT industry, engage actively in policy issues with a broad range of UN agencies and other international government organizations.

Benchmarked companies engage with investor stakeholder groups via annual reports, quarterly results briefings, company websites, continuous two-way dialogue including quarterly investor meetings and conferences, annual shareholder meetings, roadshows, investor days, direct stockholder engagement, press releases, public conference calls, webcasts, and direct communications from independent board members to shareholders. For Microsoft investors are an important influence as they consider ways to enhance their corporate governance principles and policies to serve the interests of the shareholders. Microsoft's engagement with investors has influenced many important parts of their CSR strategy.

ESG-linked compensation

Mastercard has an executive compensation model in which compensation is linked for most of their senior executives to Mastercard's environmental, social and corporate governance (ESG) initiatives, and to three global ESG priorities: carbon neutrality, financial inclusion, and gender pay parity. At Mastercard the ESG-linked compensation model is not limited to the executives, but it is extended to cover all employees globally. Mastercard is the only company out of the four benchmarked companies in which all the employees are included in ESG-linked compensation. Visa and Paypal have a compensation program for their named executive officers (NEOs). Microsoft linked some executive compensation to ESG targets already in 2016, though in percentage terms it is small and it has even decreased during the last years to around two percent of the total bonus compensation. (Table 15.) On the other hand, that seems to be a general trend in ESG-linked compensation. Defining quantifiable ESG goals for an ESG-linked compensation model and assessing

management performance based on them is not easy, but one would assume that at least CEOs who conduct layoffs would not be entitled to any ESG-linked compensation on the same year. Nevertheless, in 2022 the CEO of Microsoft received part of his ESG bonus for conducting layoffs with “a focus on dignity and respect for the impacted employees” (Badawi & Bartlett 2024).

Table 15. Linking ESG goals to executive and employee compensation

| Company | Mastercard | Visa | Paypal | Microsoft |
|------------------------|------------|------|--------|-----------|
| Executive compensation | Yes | Yes | Yes | Yes |
| Employee compensation | Yes | No | No | No |

ESG performance management

ESG outcomes are influenced by several aspects, such as company size, auditing, strategy choices, board composition, investors and ESG sensitivity of the company's industry (Daugaard & Ding 2022, 5). All the benchmarked companies are big companies, of which three are operating in PayTech industry, and Microsoft's information technology industry is close to PayTech industry.

Mastercard identifies the purpose of each ESG aspect's performance assessment needs and defines specific quantifiable key performance indicators (KPIs), and the progress in numbers in their ESG report. Other benchmarked companies are communicating their ESG-related topics, KPIs, and progress, but not entirely quantifiably, except for the environmental aspects. All four companies are very specific in their environmental KPI assessments and goals, and in terms of progress, with numbers as well.

Creating a cross-functional steering committee is the first step in ESG performance management (Niehaus & Pelton 2023, 14). At Mastercard the board of directors oversees the ESG strategy, as well as certain discrete ESG matters. Four different board committees (1 nominating and corporate governance, 2 audit, 3 risk and 4 human resources and compensation) each oversee ESG-related strategies, impacts, risks and opportunities of their own committee. The senior management works together to assess and manage the ESG efforts across the organization. In figure 13 Mastercard's ESG governance model is presented.

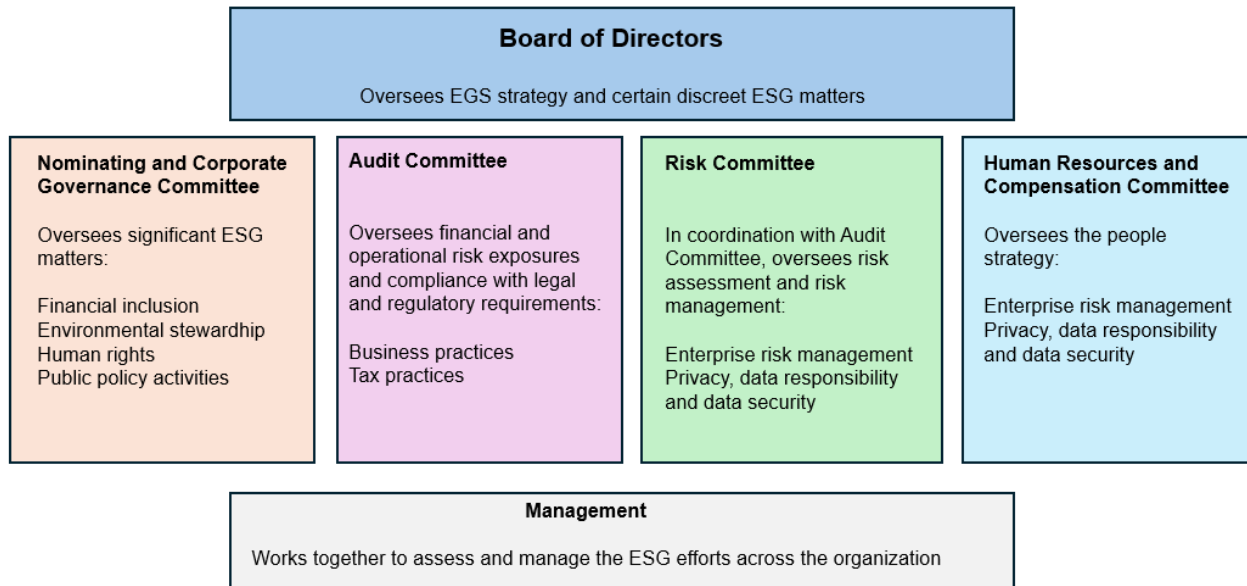


Figure 13. Mastercard's ESG governance model (adapted from Mastercard 2024c)

At Visa, CRS activities are managed at a functional level across the strategic and operational areas, with executive and board oversight. A cross-function body serves as a central coordinating entity facilitating the CRS strategy and reporting efforts at the management level. At the board level, the nominating and corporate governance committee of the board has formal responsibility for and oversight of CRS policies, programs and reporting. Audit and risk, compensation and finance committees are responsible for individual CRS topics. At Microsoft the board maintains four standing committees: 1) audit, 2) compensation, 3) environmental, social & public policy and 4) governance and nomination. The directors serve on these committees independently. At Paypal, the board of directors is actively engaged in CS&I matters that impact business strategy. Oversight covers governance, ARC (Audit, Risk and Compliance) and compensation committees. The executive management directs and manages the execution of the company-wide CS&I strategy. Implementation is carried out by a steering committee and cross-functional working groups with representatives from diverse functions across the business. Paypal's CS&I governance model is presented in figure 14.

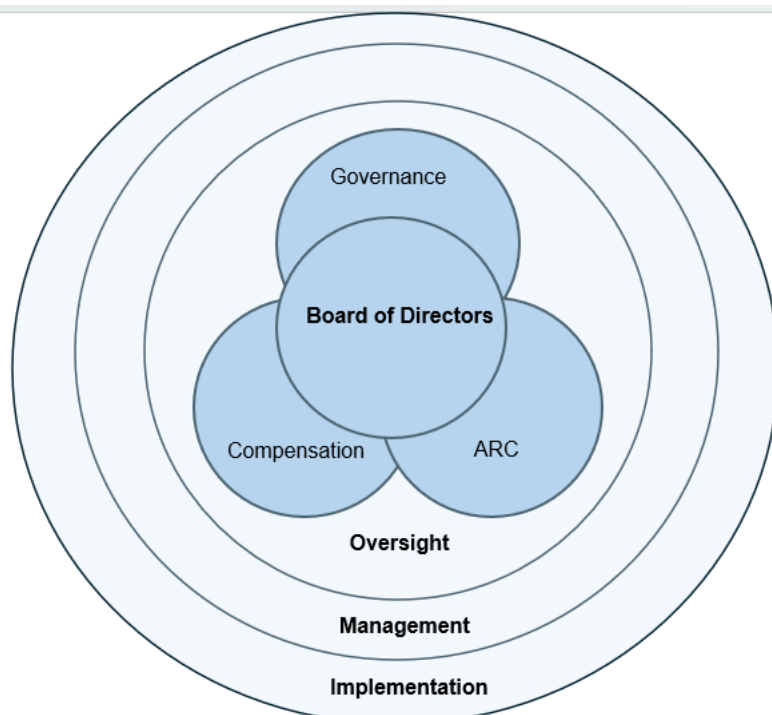


Figure 14. Paypal's CS&I governance model (adapted from Paypal 2025d)

None of the companies tell if they are doing benchmarking against industry peers and stakeholders as part of their ESG performance management. However, the similarities of these companies' ESG strategies and efforts suggest that benchmarking is in use. On the other hand, these are ESG fore-runner companies and therefore one would assume them to be more benchmarked than benchmarking. All the benchmarked companies have built a strategic ESG roadmap to improve ESG communications, risk management and reporting processes. Moreover, all the companies are focusing on quality and auditability.

Innovation and technology

All the benchmarked companies are innovation oriented, and they are constantly investing in innovation. They are using technology to help foster innovation for their clients, partners, businesses, communities, suppliers, society, climate, and so on. For example, Mastercard has established its own Sustainability Innovation Lab, which leads the further development of their environmentally conscious digital products and solutions. The Lab focuses on ways to empower businesses and consumers to transform how they produce, distribute and purchase products and services in an environmentally friendly way while digitizing the global economy rapidly.

Paypal is a founding member of CIFAR Alliance to launch the Climate Smart Product Innovation Hub, which showcases climate FinTech products and shares best practices to catalyze inclusive

climate action. Visa has a global innovation program (Visa Everywhere Initiative, VEI) that tasks startups with solving the payment challenges of tomorrow by further enhancing their own product propositions and providing visionary solutions for Visa's partner network. Microsoft offers its customers numerous different technological solutions to drive sustainability and business growth, such as AI for sustainability and emissions, energy and ESG data management.

The following elements are common to innovations in all benchmarked companies:

- drive environmental, social and/or governance impact
- help businesses and/or consumers to transform their production, distribution and purchasing of products and/or services
- promote digitalization, automation or global technologic inclusion
- reshape for example payments
- include partnering or partnerships with for example startups, but also many other parties
- while making a sustainable impact, they also provide financial gain
- make these companies digital forerunners

Risk management and resilience

At Mastercard risk management is an important part of the ESG strategy. Risk management is included in the ESG operations, more specifically with ESG governance. The audit committee oversees financial and operational risk exposures, and the risk committee oversees risk assessment and risk management. Effective risk management and oversight are seen as an essential success factor of Mastercard's business strategy. Mastercard has an Enterprise Risk Management (ERM) program which identifies, escalates and manages business risks.

Visa seeks to mitigate risk through all their CS&R priority areas. Visa has ERM framework in use for evaluating risks to their double materiality assessment (DMA) methodology. Visa deploys multiple preventive and detective technologies across their network and data layers to mitigate risk.

At Paypal financial and non-financial risks, including CS&R matters, are managed effectively. Audit, risk and compliance committee (ARC Committee) oversees the risk framework and enterprise-wide compliance program, including cybersecurity and privacy matters. Executive management executes the CS&I strategy to ensure nonfinancial risks and opportunities are integrated across the enterprise, including through the Enterprise Risk and Compliance Management Program (ERCM Program).

Even though Microsoft has quite comprehensive risk management systems in place, it does not mention risks in connection with its corporate responsibility or ESG communication, which gives a

reason to assume, that risk management is not linked to its CSR strategy. Microsoft's risk management strategy is based on the process of identifying, evaluating, and managing potential threats to the company's business operations, financial performance, and reputation. Microsoft's risk management is aligned to the ERM framework.

Change management and organizational culture

Elements of most of change management and organizational culture steps can be found in all benchmarked companies. Based on the companies' publicly available information, certain steps have been handled particularly well. On the other hand, the nature of some steps is such that information about them is not typically reported, for example whether the company has established an ESG change coalition or not.

All the benchmarked companies have developed a strategy document reflecting the vision and mission, which are communicated clearly. Companies may not have established a sustainability unit, but all of them have established committees or other steering groups to empower employees across companies to act. All benchmarked companies' ESG aspects are in alignment with their long-term strategic objectives. Knowledge, learning and training are promoted in all benchmarked companies. Mastercard is the only company where rewarding on short-term wins to motivate is widely utilized as it is the only company where employees are compensated based on ESG performance. ESG-based executive incentives are used in all benchmarked companies, but the proportional share of ESG of all incentives is unambitious. Continuous monitoring and strengthening are conducted thoroughly in all benchmarked companies. The changes in company culture and practices are institutionalized across all companies. Enabling structures and ESG factors have been integrated into all company levels and dimensions, and culture as well. All benchmarked companies have taken sustainability as an opportunity by yielding innovations of it.

4.3 ESG strategy implementation roadmap

The proposed ESG strategy implementation roadmap is based on elements derived from the theories presented in this study. Findings from benchmarking research are utilized to complete and update these elements with what is learned from the most successful ESG performer companies. The ESG strategy implementation roadmap themes that were discovered through the theoretical framework and benchmarking are summarized into the following elements or steps for the roadmap:

- Forming an ESG strategy
- Defining ESG goals
- Allocating resources
- Building an ESG organization

- Roles in ESG operations
- Planning change implementation
- Empowering employees
- Stakeholder engagement
- Communication and disclosure
- Reflection and improvement

ESG strategy formulation

ESG strategy implementation process starts with the formulation of an ESG strategy. Employees from across the company should be included already at this stage of the process, otherwise the ESG strategy will not represent the whole company, and employees may not want to be a part of it or contribute in implementing it. Having an ESG strategy not only benefits the company, but it is necessary. However, using the term ESG strategy is not necessary, and it can be replaced, for example, by the terms CR&S or CS&I strategy instead. Then it is important for the company to have a strategy-bounded purpose or a mission that includes all three aspects of ESG and that serves as a foundation for all stakeholders. A separate ESG strategy is not necessary in situations where ESG is made the business strategy of the company, which is becoming more common around corporate sustainability. For PayTech companies this is a possibility as they can combine payment technology, innovation and doing good to form a business strategy that is derived from ESG, more specifically from all aspects of E, S and G. Such a strategy could include, for example, investing in technological innovations to enable affordable reliable payments sustainably to everyone. Successful ESG performer PayTech companies should define ambitious strategic goals within innovation aiming to improve beyond mere good and successful.

Defining ESG goals

When defining ESG goals or KPIs, all three aspects of ESG should be equally considered, as well as various aspects of the company. They should be aligned with the company's mission, vision and long-term strategy. Again, employees from across the company should be involved in goal definition phase too. Precise and measurable goals with a determined timeline help keep the focus, and they are easier to reach than vague goals. It is better to define too many rather than too few ESG goals, as they do not need to be set in stone. The validity of the goals will be reviewed regularly, and they can be edited or removed later if needed. Exceeding the goals is also possible and quite usual in successful ESG performer companies.

Allocating resources

ESG strategy implementation requires resources, and therefore companies must take a stand on what resources they are willing to invest and then allocate sufficient resources to support ESG goals and strategy. Resources are needed for creating an ESG management department and a cross-functional steering committee which then makes further decisions regarding investments to create value with ESG. In PayTech companies' ESG operations the role of innovation and technology is particularly important, which must be taken into account in resource allocations.

Building an ESG organization

A separate ESG organization, department, team or something similar needs to be established to enable efficient ESG work. The type of ESG work group depends on the company size, resources and business field. The size of the ESG team alone does not affect its success prediction. Since risk management and innovation are a relevant part of the core business and ESG in PayTech companies, a large rather than small organization might be more suitable for them.

Roles in ESG operations

The role of the CEO and the board is to formulate the ESG strategy, to supervise its execution and to monitor the progress. Their roles might not be essential in practical ESG work, but their support and financial backing are essential to the ESG team. ESG leaders feel that CEO's influence, support, enthusiasm and strategic understanding and vision help a lot in successful ESG strategy implementation. It is also very useful to have a CEO who, for example, sits in UN Foundation and is involved in creating the UN SDGs. The company needs to hire a separate ESG leader, and finding the right kind of person for the role is important. Professional skills, educational ESG background, company's business knowledge, multi-business language skills and strong corporate relationship skills are useful abilities for an ESG leader. By building an ESG team with people from as many different departments or functions as possible, a deep mix of valuable perspectives can be ensured. In addition to the official ESG roles and positions, employees across every part of the business should be engaged and equipped with the tools, knowledge and resources to act.

Planning change implementation

A holistic ESG strategy implementation means that the organization goes through a transformation, which requires creating a roadmap that is based on scientific data. It is important to share information consistently from the very beginning of the process. To make the changes more concrete and to motivate everyone across the organization, short-term rewards as well as ESG-based remuneration can be utilized. To be able to evaluate changes, they need to be monitored constantly.

In ESG change process the top management must lead by example and “walk the talk”. This could mean sustainable commuting and business travelling or finding responsible solutions to replace layoffs.

Empowering employees

Employees are the number one vector for change; they are the biggest asset and the most important stakeholder group. Employees should be empowered to participate in the process and be informed of their roles and responsibilities. Their understanding of ESG must be ensured through education and training. To encourage employees to take risks and pursue new nontraditional ideas and activities, vision weakening systems or structures should be removed. Every employee needs to be made understand their contribution to the overall purpose of the company. By enabling employees to take ESG initiatives making big impacts is possible.

Stakeholder engagement

Big companies have the scale and the resources to engage actively with more stakeholder groups than smaller companies can. Nevertheless, each stakeholder group benefits the company strategically and financially so significantly that there is no point in purposefully trying to keep the number of stakeholder groups low. Moreover, in PayTech industry ESG and every single stakeholder group mentioned in this study are firmly connected and hence suggest that PayTech companies should decide to pursue them all. On the other hand, the decision to involve all stakeholders does not need to be made intentionally, but it will be a consequence of ESG strategy implementation, if business strategy, ESG strategy, mission and PayTech-specific elements are combined.

Communication and disclosure

ESG communication must be efficient and accurate. One-way communication is not enough, which means that all stakeholders need to be listened to. ESG measurement and disclosure needs to be clear and transparent, while considering the purpose and intended impact of the disclosure as well. As people are nowadays interconnected and have access to vast amounts of information, companies must make ESG credentials accessible, transparent and based always on facts and data. In case ESG reporting is environmental focused, which often is the case, more emphasis should be placed on social and governance. ESG reporting should be done the same way it is done on financials, that is systematically and numerically. Lack of full proficiency in ESG measurement and disclosure do not need to be an obstacle for companies to implement them. Data collection and reporting can be started gradually and improved by learning from experience. Since ESG reporting is a new thing, it is understandable that mistakes can happen. But intentional misrepresentation of ESG information or greenwashing is unacceptable and will backfire later. Of the reporting tools

available for ESG reporting, TCFD (Task Force on Climate-related Financial Disclosures) is used by many if not all ESG forerunner companies.

Reflection and improvement

The ESG strategy implementation process includes regular reviewing and reflection. The data for reflection can be acquired through surveys, stakeholder communications, and different reports. It is obvious that reflections can bring up issues that require reassessment of the ESG strategy goals and operations. However, just changing plans is not a sufficient measure, but for better success urgent action or test and learn strategy is the key. This type of immediate action could be changing the strategy, for example, from energy saving to producing renewable energy strategy, replacing old incandescent bulbs with LED bulbs or allowing remote work to reduce employee commuting emissions.

ESG strategy implementation roadmap

The findings from process and industry benchmarking and the learnings from literature review are combined and a suggestion of an ESG strategy implementation roadmap for PayTech companies is created. Figure 15 presents the ESG strategy implementation roadmap. ESG strategy implementation is based on the company culture and transforming it must therefore also be included in the process. The roadmap includes 11 main steps: ESG strategy formulation, evaluation, setting goals and milestones, assigning roles, establishing an ESG unit, resource allocation, creating a KPI strategy, providing ESG training to employees, iteration, benchmarking and improving the ESG strategy. Clarifying points for steps 1, 3, 4 and 9 specify what exactly needs to be done in each of those steps. The steps that should be taken or considered repeatedly throughout the process of ESG strategy implementation include seeking internal and external feedback, communicating efficiently internally and externally, being transparent, not falling for greenwashing, changing the plan and acting if needed, forming and advancing partnerships, and striving to innovate.

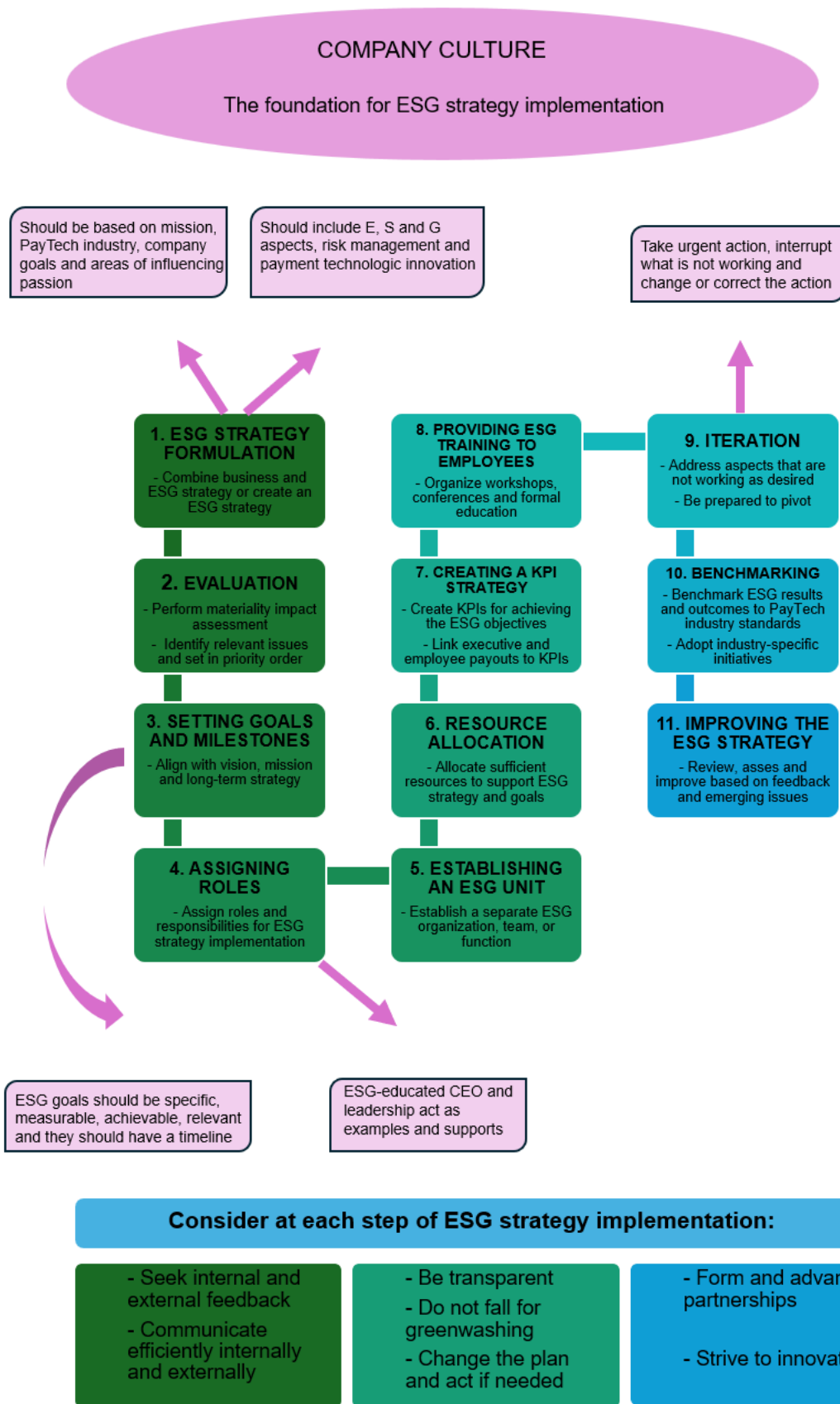


Figure 15. ESG strategy implementation roadmap

ESG stakeholder management is a very essential part of ESG strategy implementation, but it cannot be logically included in the main steps of the roadmap. Therefore, ESG stakeholder management steps are described separately from the main roadmap steps in figure 16. The steps take a position on the number of stakeholder groups, they emphasize employees, they advice on communication and encourage partnering. The steps include formalizing stakeholder ownership, earning trust and protecting data. They call for authenticity and interactive learning with stakeholders, considering stakeholders in various geographies, and improving stakeholders' lives. The last step benefits the company itself and every stakeholder in society: creating more livable and stable societies. (Figure 16.)

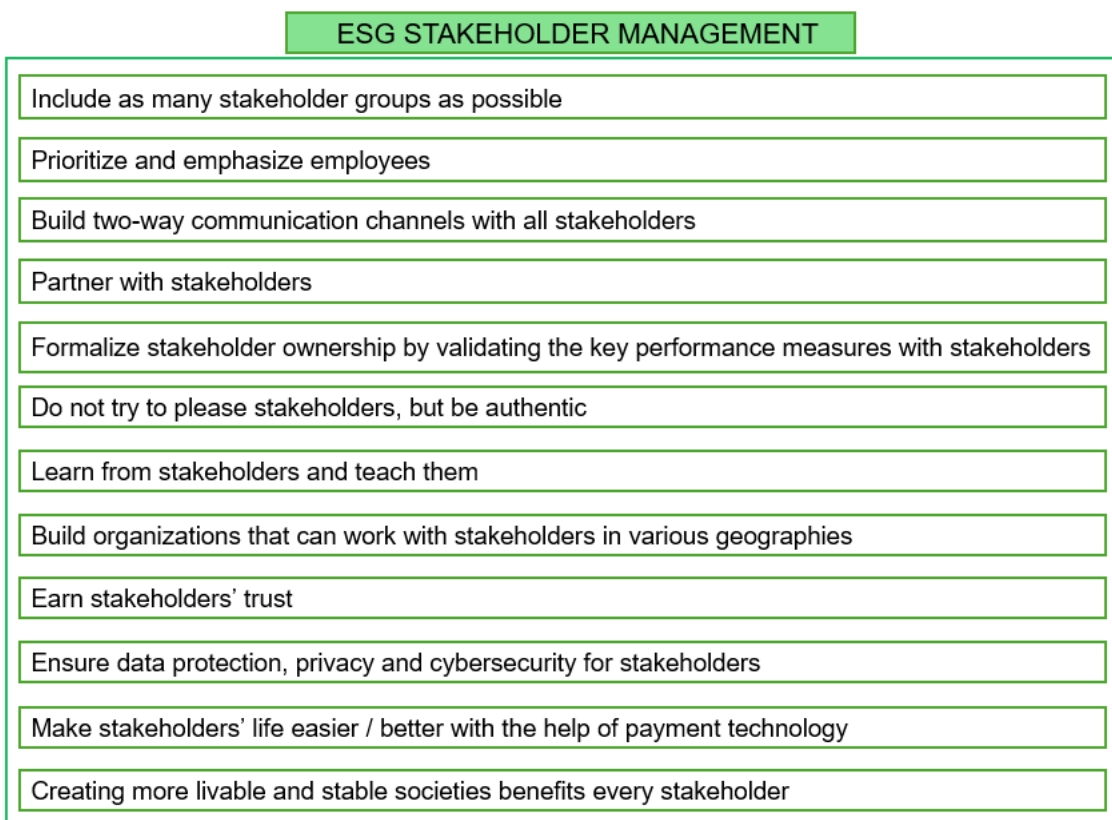


Figure 16. ESG stakeholder management steps for PayTech companies

The roadmap starts with company culture, which is the basis for ESG strategy implementation. Change management and organizational culture theories and benchmarked companies offer different ideas for transforming the culture, but since the roadmap is already so broad, they are not included in the roadmap as separate points. The numbered main steps of the roadmap work best when taken more or less in a numerical order. Certain steps must be considered and/or taken at each stage throughout the process of ESG strategy implementation, and are therefore listed separately below the roadmap. Specifying points for four of the main steps are important in that a successful ESG strategy implementation in PayTech companies requires utilizing them. ESG

stakeholder management is an essential part of ESG strategy implementation, but it cannot be included in the main steps of the roadmap. Consequently, ESG stakeholder management steps are presented in its own picture (figure 16), and they are not in a numerical order for many obvious reasons. This roadmap was created for PayTech companies, but it can be used in a broader context as well.

5 Conclusions

The conclusion of this thesis starts by returning to the research questions and the premises of the thesis. Next comes the key outcomes discussions which answer the research questions and reflect them on the theory and benchmarking findings. The development task is evaluated based on credibility, reliability and ethics. The results of the study include contributions to the research and discussions regarding some decisions made during the research process, leading to recommendations for future research. The conclusions end with the writer's own learnings from the research journey.

5.1 Objectives of the thesis

The objective of this thesis was to find a holistic approach to how ESG strategy should be implemented in PayTech companies. The thesis aimed to answer the following research questions:

Q1: What are the potential financial and non-financial benefits associated with ESG strategy implementation for PayTech companies?

Q2: What are the key factors influencing the successful implementation of ESG strategies in PayTech companies?

Q3: What recommendations can be made to facilitate the widespread adoption of ESG practices among PayTech companies?

Q4: What are the critical steps and considerations in developing a practical roadmap for ESG strategy implementation tailored to the needs of PayTech companies?

The study is based on the literature review which covered theories and research on the areas of CSR, ESG and ESG strategy. The ESG strategy implementation part of the literature review covered subject areas that impact ESG strategy implementation process in PayTech companies, such as the stakeholder theory, innovation, risk management, change management and organizational culture and ESG performance management. The last part of the literature review discussed ESG strategy implementation frameworks, elements and steps for PayTech companies and integrating E, S and G with payments.

Process benchmarking was used as a research method to learn how companies that have successfully built ESG strategies are doing their ESG strategy implementation and to get ideas of what the success factors in ESG leaders' point of view are. Industry benchmarking was used to learn how the most reputable and best ESG performer companies operating in the PayTech industry or

close to it are doing their ESG strategy implementation and how far their ESG strategy implementation is consistent with the theory and each other.

As ESG strategies and their implementation are industry-specific, universal ESG strategies cannot be successfully utilized as such by all companies from different industries. Therefore, industry-specific frameworks are needed. Additionally, constant changes are taking place around corporate sustainability and ESG, thus creating a need for updating the information regarding ESG strategy implementation. This study offers a proposal of an ESG strategy implementation roadmap for Pay-Tech companies.

5.2 Key outcomes

The research question Q1 asks what the financial and non-financial benefits of ESG strategy implementation for PayTech companies are. This thesis answers the question leaning on the research by Cho (2020) from the environmental aspect of ESG which indicates that there are a variety of even social and governance related financial and non-financial benefits in environmental strategy implementation. Finger & Rosenboim's (2022) and Niehaus & Pelton's (2023) research from all aspects of ESG show also fundamental financial and non-financial benefits of ESG strategy implementation.

Both process and industry benchmarking results are in line with the literature review. Process benchmarking companies are not only aware of the all-encompassing financial and non-financial benefits, but they are seeing ESG as the business strategy, i.e. the main source of income. The financial and non-financial benefits for industry benchmarking companies can be concluded through their ESG stakeholder engagements, which are an essential part of ESG strategy implementation.

The research question Q2 asks what the key factors influencing the successful implementation of ESG strategies in PayTech companies are. The three main ESG strategy implementation theories studied in this thesis are the stakeholder theory (Daugaard & Ding 2022; Ditlev-Simonsen 2022; Wang 2024), ESG performance management (Daugaard & Ding 2022; Ditlev-Simonsen 2022; Kumar 2023; Li et al. 2024; Niehaus & Pelton 2023) and change management and organizational culture (Astuti et al 2022; Sancak 2023). Additionally, theories of innovation and technology (Astuti et al 2024; Sancak 2023; Zahid & Jillani 2023) are an essential part of ESG strategy implementation in PayTech companies. Based on these theories, the key factors influencing the successful implementation of ESG strategies include systematically engaging with stakeholders, following the steps of ESG performance management, utilizing the change management steps to drive the ESG

transformation into the company and to change the organizational culture, and innovating to create ESG value for stakeholders.

All benchmarked companies are deeply involved with stakeholder engagement, all of them engaging with almost all possible stakeholder groups. Benchmarking results confirm that employees is the most important stakeholder group, and investing in this group thoroughly is the basis for success. Benchmarking research could not show if the benchmarked companies have gone through every single step of ESG performance management and organizational change management, but elements of most of these steps were found. Moreover, even though benchmarking results could not show, for example, if benchmarked companies have been taking the institutionalization step of change management, the consequences of institutionalization are detectable in these companies. Innovation is seen as the most important ESG strategy implementation success factor by benchmarked companies. As for these four success factors, both process and industry benchmarking research support the ESG strategy implementation theories. However, benchmarking results brought up a success factor that did not come up in the ESG implementation theories. That is partnering for ESG, which all benchmarked companies are doing with most or all their ESG stakeholder groups and even with their competitors.

With research question Q3 this study tried to find out what recommendations can be made to facilitate the widespread adoption of ESG practices among PayTech companies. The literature review discusses different ESG frameworks and standards for measuring, managing, and disclosing the overall impact of company's ESG activities (Irshad et al 2023; Kraten 2023) indicating which standard setters would be useful for PayTech companies to utilize. The literature review also goes through the roles of the board of directors and ESG management as well as the establishment of ESG department (Li et al. 2024). Astuti et al (2024), Wang (2024) and Skladany's (2022) research indicate that parity pills and ESG-linked executive pay help companies achieve their ESG goals, but Bindman's (2022) research shows that big tech companies are slow to embrace it despite this. Robyn's (2024) PayTech-specific action points regarding purpose, structure, process and people offer recommendations for facilitating the widespread adoption of ESG practices among PayTech companies.

The benchmarking comes up with similar ESG frameworks and standard recommendations as the literature review does. The division of roles of the board and ESG management as well as the establishment of an ESG department or group are in line between benchmarking and theory. ESG-linked executive pay and parity pills, despite being proven to help in achieving ESG goals, are only partly in use in benchmarked companies, which again is in alignment with Bindman's (2022) finding of big tech companies' reluctance to embrace ESG-linked pay. Elements of the action points

regarding purpose, structure, process and people can be found in benchmarking findings, but obviously not exactly in a similar context.

The last research question Q4 wants to clarify what the critical steps and considerations in developing a practical roadmap for ESG strategy implementation to the needs of PayTech companies are. The literature review includes several important steps and consideration for an ESG strategy implementation road map. Thunderbird school of global management (2023) summarizes the most critical steps (see the last paragraph of chapter 2.12 for the list of actions and chapter 2.12. for ESG implementation steps for PayTechs).

Based on the benchmarking findings, all critical actions and PayTech-specific steps for ESG strategy implementation have been adopted by the benchmarked companies. In addition to them, benchmarking findings brought up some critical steps that were new to the theories. While theories settle for pivoting and making new plans when ESG performance is not sufficient, process benchmarking findings show that successful ESG performers prefer immediate action as it has helped them succeed. Rather than following literally ESG strategy implementation steps, it seems that the baseline approach of most of the benchmarked companies is more innovation oriented and founded on a mission umbrella as well as the business strategy, which includes and/or is the ESG strategy.

5.3 Evaluation of the development task: credibility, reliability and ethics

Evaluation of the development task aims to critically evaluate the qualitative case study conducted using benchmarking research method. Evaluation addresses credibility, reliability, and ethical considerations associated with the research design, methodology, and data collection processes. Ensuring that the research is both credible and reliable while maintaining ethical integrity is paramount in producing valid and trustworthy findings. This evaluation will highlight how these aspects were addressed throughout the research process.

The reliability of qualitative research can be evaluated with credibility, reliability and ethics. *Credibility* refers to how the readers, research subjects and the big audience accept the results to be true, and if they trust that the data has been collected properly and analyzed carefully. *Reliability* means that the researcher can convince with credible reasoning the reader of her professionalism, her ability to have chosen and used the right approaches and methods to solve the research problem and to carry out the research. To convince the reader of the credibility of every step of the study, the researcher must describe the progress of the study as it has happened. *Ethics* means that the researcher has adhered to the ethical principles all the time during the research. Ethical

research should aim to accomplish good things for people who are the subject of it, and it should not cause harm to its subjects or other research participants. (Juuti & Puusa 2020, chapter 5.)

Research methods are linked to research design and research questions, and therefore the chosen methods should be reviewed in relation to the target phenomenon and research objectives. The basis for the reliability of reviewing is the correspondence of the structure of the researched phenomenon and the chosen research method. (Juuti & Puusa 2020, chapter 5.)

Benchmarking research method is particularly useful in establishing credibility by comparing the cases against well-established standards and best practices within the field. This comparative analysis offers a solid foundation for evaluating the process case and its alignment with recognized practices, thus reinforcing the credibility of the study's outcomes.

To enhance the reliability of the research, clear research procedures were implemented. A detailed clarification of the research design, methodology, and data collection methods was provided to ensure transparency in how the research was conducted. This allows for replication of the study in similar contexts. However, a detailed description of the progress of the study with timelines was not provided to convince the reader of the credibility of every step of the study.

The benchmarking method inherently supports reliability, as it involves comparison with existing frameworks, processes, or standards. This ensures that the findings are grounded in established practices, thus reinforcing the reliability of the results. Variability in the case study context may limit the direct applicability of benchmarks, which requires care in interpretation. In this study the relatively high number of benchmarked companies made interpretation easier with the help of the visible trends.

One of the starting points for this thesis was ethical consideration. The research design and methods were chosen considering the potential ethical implications of the choices, and the lowest ethical risk choices were emphasized. PayTech industry was chosen over a commission company as it allowed company's consent to be avoided. Confidentiality and anonymity were maintained by using publicly available data and information. The research did not include participants who should have been respected and protected from harm.

The use of the benchmarking method did not present much ethical concern either, as it primarily involved secondary data, comparisons with established practices, and publicly available information. However, ethical implications still must be considered when using publicly available data or benchmarks from external companies, particularly when such data may involve sensitive or proprietary information.

In conclusion, the evaluation of credibility, reliability, and ethics in this qualitative case study confirms the integrity of the research process. By employing clear procedural documentation and maintaining ethical standards, the study can be said to ensure trustworthy results. The use of the benchmarking research method strengthens the credibility and reliability of the findings by aligning the case study with recognized industry standards.

5.4 Results of the study and recommendations for future research

The key outcomes of this thesis are based on the literature review and process and industry benchmarking of reputable highly ESG-ranked PayTech companies and companies partly related to PayTech industry that have successfully implement ESG strategies. The decision to benchmark critical cases, in this case meaning the most reputable and the best ESG performer companies, proved right as they not only confirmed the learnings from the literature review, but also revealed things where the benchmarked companies are ahead of current ESG strategy implementation standards and frameworks. Based on the research, this thesis proposes an ESG strategy implementation roadmap for PayTech companies. The design of the study was such that it could be utilized for other industries as well by replacing PayTech and PayTech-related companies with companies from the chosen industry.

If the study were conducted again now, there would be much more scientific peer-reviewed research available than there was when the literature review of this thesis was written. It is noticeable that the topic covered in this thesis is quite new. When writing the literature review started, finding scientific peer-reviewed sources was challenging. As it took more than a year to write the thesis, new scientific research had appeared on the topic in the meantime, forcing the writer to rewrite some parts of the literature review. The regulation regarding ESG changed during the writing, first in the beginning of 2024 ESG disclosures became mandatory for big companies in the EU, which was considered in this study. Secondly, on 26th of February 2025 at around the time of completing the research, the European Commission adopted a package of proposals to simplify EU rules and boost competitiveness. In practice this means that CSRD applies only to the largest companies with more than 1000 employees. The idea is to focus the sustainability reporting obligations on the companies which have the biggest impact on people and environment. "Moreover, it seeks to ensure that reporting requirements on large companies do not burden smaller companies in their value chains." (European Commission 2025.) This is a rather surprising decision from the European Commission which is known to only increase regulations. This might have some implications for companies on, for example, the supply chain stakeholder group engagement and management.

If the study were conducted again, more attention should be paid to ensure that all benchmarked companies are the best in every aspect of E, S and G. As this study shows, ESG used to be very

focused on the environmental aspect. It seems that good ESG rankings were possible before even without investing as much in the social and governance aspect. Although the benchmarked company Amazon has been extremely successful in executing the environmental aspect of ESG, it does not automatically mean that the company is paying enough attention to the S and G aspects. In fact, that might have been the case with Amazon, which has been seen in the media recently due to boycotts where corporate control and the rollback of diversity, equity and inclusion initiatives are being protested (Bediako 2025). These reputationally damaging events do not diminish Amazon's input in this study regarding the innovative environmental aspects of ESG strategy implementation. However, it is important to note what this research also emphasizes: considering just one aspect of E, S and G is no longer sufficient to protect from reputational damage.

Using secondary interview data for process benchmarking turned out to be a justified decision and worth the trouble of deciding on its implementation. Although the interviews were not originally conducted for this study, they provided answers to many essential questions, confirmed the main topics within ESG strategy implementation and produced new insights. However, had the interview data been primary, i.e. interviews had been conducted by the researcher, the collected data would have been more recent, which would have been desirable considering the nature of the topic. Then again, getting the right ESG leaders of several giant companies to participate in a thorough interview could be challenging in a reasonable timeline. Besides, Pagitsas' interviewing skills together with her expertise in sustainability area are in a class of their own.

The development project was successful in reaching its goal of producing a roadmap for ESG strategy implementation in PayTech companies. The study was able to add a new PayTech dimension to previous ESG strategy implementation frameworks. Additionally, the research was able to produce new information - to show a need for updates to what was previously known of ESG strategy implementation steps. However, the original idea of the roadmap to be produced was to be more unambiguous, but the topic of ESG strategy implementation turned out to be broader and so sprawling that formulating a precise, covering and compact roadmap proved challenging.

An interesting line of future research would be to investigate how successful the roadmap for ESG strategy implementation for PayTech companies is in practice. That would require PayTech companies to participate in the research and to use the roadmap. It would also require quite a long research time to be able to make clear conclusions of the effects of using the roadmap for implementing ESG strategies in PayTech companies.

5.5 Learnings

Writing this thesis took more time and effort than the researcher originally expected. The topic was chosen based on its interest, which is probably why narrowing down the topic was not taken as far as would have been desirable. Another reason why writing this thesis took about one and a half years is that the writer did not give up anything else – hobbies, working days, household chores, construction projects, or anything - to work on the thesis. While it might have been wise to take a few weeks' break from other duties and concentrate on the thesis only to finish it many months faster, the researcher would not have learned as much about the research topic in doing so. The breaks in writing forced the writer to review and reflect on the text and related literature again and again, which is likely to strengthen the learning process. Since ESG strategy implementation is a new thing, the frameworks and practices around ESG strategy implementation changed, and a lot of new scientific research was published during this thesis process. Even the regulations regarding, for example, ESG reporting changed during the process. An efficient and thus shorter writing period might not have affected the findings of the study very much, but the results and conclusions would probably have ended up being different from the results and conclusions of this study.

Making the final decisions regarding the research methods was not easy and it was made long after starting the writing process. The original idea was to make a multiple case study where the cases would have been the benchmarked companies, but the criteria of a case study would not have been fully met that way. As ESG strategy implementation can be considered a process, the multiple case study was changed with the confirmation of the thesis supervisor to the process case study. That change made everything clearer from there forward. The researcher learned that it would be easier to have the research approach and methods figured out before starting the writing process, and that using the most frequently used approach or method is not necessarily the best or the most interesting way to conduct a study. Therefore, the change to process case study was a good decision for the research.

Writing this thesis has expanded the writer's knowledge of ESG, the strategic decisions companies must make regarding it, and what actions and steps ESG strategy implementation means in practice for PayTech companies. It was rewarding to combine the knowledge of the literature review and the findings from the process and industry benchmarking into an ESG strategy implementation roadmap, which can be utilized as such by any PayTech company. The research can be replicated and utilized in other industries as well by replacing benchmarked companies according to respective industry.

References

- Aagaard, A. 2019. Sustainable business models: innovation, implementation and success. Palgrave Macmillan. Cham, Switzerland. E-book. Accessed: 1 April 2025.
- Ajayi, O. & Mmutle, T. 2020. Corporate reputation through strategic communication of corporate social responsibility. *Corporate Communications: An International Journal*, 26, 5, pp. 1–15.
- Alasuutari, P. 2011. Laadullinen tutkimus 2.0. Vastapaino. Tampere. E-book. Accessed: 19 February 2025.
- Assemble You May 2023. An introduction to ESG. Assemble You Limited. Audiobook. Accessed: 25 February 2025.
- Astuti, W., Ani, D., Subranta, A., Solissa, F. & Wiriarmaja, N. 2024. Sustainable Financial Strategies: Analyzing the Role of ESG in Corporate Financial Performance and Risk Management. *The Journal of Academic Science*, 1, 6, pp. 813-820.
- Badawi, A. & Bartlett, R. 23 September 2024. ESG Overperformance? Assessing the Use of ESG Targets in Executive Compensation Plans. Harvard Law School Forum on Corporate Governance. URL: <https://corpgov.law.harvard.edu/2024/09/23/esg-overperformance-assessing-the-use-of-esg-targets-in-executive-compensation-plans/>. Accessed: 16 January 2025.
- Bebchuck, L & Tallarita, R. December 2022. The Perils and Questionable Promise of ESG-Based Compensation. Working Paper N° 671/2022. ECGI Working Paper Series in Law. URL: https://www.ecgi.global/sites/default/files/working_papers/documents/theperilsandquestionablepromiseofesgbasedcompensationecgi.pdf. Accessed: 16 January 2025.
- Bediako, A. March 26, 2025. Some Consumers Are Boycotting Large Corporations Over DEI Rollbacks. Here's What to Know. WTTW News. URL: <https://news.wttw.com/2025/03/26/some-consumers-are-boycotting-large-corporations-over-dei-rollbacks-here-s-what-know>. Accessed: 4 March 2025.
- Bindman, P. September 6, 2022. Why Big Tech is slow to embrace ESG-linked pay. Capitalmonitor. URL: <https://www.capitalmonitor.ai/analysis/esg-linked-pay-why-big-tech-is-slow-to-embrace/?cf-view&cf-closed>. Accessed: 15 January 2025.
- Chishti, S., Craddock, T., Courtneidge, R. & Zachariadis, M. 2020. The PAYTECH Book. The Payment Technology Handbook for Investors, Entrepreneurs and FinTech Visionaries. Wiley. Chichester. E-book. Accessed: 9 June 2024.

Cho, Y. 2022. ESG and Firm Performance: Focusing on the Environmental Strategy. *Sustainability*, 14, 13, pp. 1-19. URL: <https://doi.org/10.3390/su14137857>. Accessed: 7 January 2024.

Daugaard, D. & Ding, A. February 2022. Global Drivers for ESG Performance: The Body of Knowledge. *Sustainability*, 14, 4, pp. 1-21. URL: <https://doi.org/10.3390/su14042322>. Accessed: 9 February 2024.

Ditlev-Simonsen, C. 2022. A Guide to Sustainable Corporate Responsibility. From Theory to Action. Palgrave Macmillan Cham. Oslo. E-book. URL: <https://library.oapen.org/handle/20.500.12657/52398>. Accessed: 10 March 2024.

Edmans, A. 2023. The end of ESG. *Financial Management*, 52,1, pp. 3-17.

Eriksson, P. & Koistinen, K. 2014. Monenlainen tapaustutkimus. Kuluttajatutkimuskeskus. URL: <https://helda.helsinki.fi/server/api/core/bitstreams/fecd7913-7363-4d9f-9e2e-2d9f3e597230/content>. Accessed: 11 August 2024.

European Commission 2025. Corporate sustainability reporting. URL: https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en. Accessed: 26 February 2025.

Finger, M & Rosenboim, M. 2022. Going ESG: The Economic Value of Adopting an ESG Policy. *Sustainability*, 14, 21, pp. 1-15.

Forcadell, F. J., Aracil, E. & Úbeda, F. 2019. The Influence of Innovations on Corporate Sustainability in the International Banking Industry. *Sustainability*, 11, 11, 3210. URL: <https://doi.org/10.3390/su11113210>. Accessed 10 April 2025.

Fu L., Boehe D.M. & Orlitzky, M.O. September 2022. Broad or Narrow Stakeholder Management? A Signaling Theory Perspective. *Business & Society*, 61, 7, pp. 1838-1880.

Goyal, P., Dharurkar, N., Dixit, S. & Salve S. 2022. Integrating ESG in the payments ecosystem. PwC. India. URL: <https://www.pwc.in/industries/financial-services/FinTech/payments/integrating-esg-in-the-payments-ecosystem.html>. Accessed: 22 September 2024.

Guest, G., MacQueen, K. & Namey, E. 2012. Applied Thematic Analysis. SAGE Publications, Inc. E-book. Accessed: 31 August 2024.

Gutterman, A. 2021. Strategic Planning for Sustainability. Business Expert Press. New York. E-book. Accessed: 10 June 2024.

- Hannay, J. December 8 2023. A beginner's guide to developing your ESG strategy in 2024. Sustainability News. URL: <https://sustainability-news.net/esg/what-is-an-esg-strategy-environmental-social-governance/>. Accessed: 14 September 2024.
- Hakala, J. 2024. Laadullisen tutkimuksen ABC. Menetelmäopas opinnäytteen tekijälle. Gaudeamus. E-book. Accessed: May 2025.
- Harrison, P. December 2020. Intro To FinTech: PayTech. The FinTech Times. URL: <https://theFinTechtimes.com/intro-to-FinTech-PayTech/>. Accessed: 24 February 2024.
- Irshad, A., Fukofuka, P. & Narayan, A. 2023. Critical reflections on sustainability reporting standard setting. Sustainability Accounting, Management and Policy Journal, Bingley, 14, 4, pp. 776-791.
- Judyta L., Mäihäniemi, B. & Wisła, R. 2024. The European Digital Economy. Drivers of Digital Transition and Economic Recovery. Routledge. London and New York. E-book. Accessed: 24 February 2024.
- Kaźmierczak, M. 2022. A literature review on the difference between CSR and ESG. Semantic Scholar. URL: <https://managementpapers.polsl.pl/wp-content/uploads/2022/12/162-Ka%C5%BAmierczak.pdf>. Accessed: 16 June 2024.
- Khan, M., Serafeim, G. & Yoon, A. 2015. Corporate Sustainability: First Evidence on Materiality. Harvard Business School Working Paper, 15 (73), pp. 1-34. URL: <http://nrs.harvard.edu/urn-3:HUL.InstRepos:14369106>. Accessed: 10 June 2024.
- Klimontowicz, M. December 2023. FinTechs Contribution to Sustainable Development. Annales Universitatis Mariae Curie-Skłodowska, sectio H – Oeconomia, 57, 4, pp. 103-121. URL: <https://journals.umcs.pl/h/article/view/15856/11236>. Accessed: 20 July 2024.
- Kraten, M. July / August 2023. Finding the Right ESG Framework. Which Standard Setters Should You Choose? CPA Journal, 93, 7/8, pp. 13-15.
- Kulova, I. & Nikolova-Alexieva, V. 2023. ESG strategy: pivotal in cultivating stakeholder trust and ensuring customer loyalty. E3S Web of Conf. 462, 03035, pp. 1-9. Accessed: 1 March 2025.
- Kumar, S. 2023. A review ESG performance as a measure of stakeholders theory. Academy of Marketing Studies Journal, 27, S3, pp. 1-18.
- Landi, G., Iandolo, F., Renzi, A. & Rey, A. 2022. Embedding sustainability in risk management: The impact of environmental, social, and governance ratings on corporate financial risk. Corporate social-responsibility and environmental management, 29, 4, pp. 1096-1107.

- Lapan, S., Quartaroli, F. & Riemer F. 2011. *Qualitative Research: An Introduction to Methods and Designs*. Jossey-Bass. San Fransisco. E-book. Accessed: 11 August 2024.
- Lexology. March 2021. *The Evolution of ESG from CSR*. RHTLaw Asia LLP. URL: <https://www.lexology.com/library/detail.aspx?g=80bbe258-a1df-4d4c-88f0-6b7a2d2cbd6a>. Accessed: 18 June 2024.
- Li, J., Pan, Z., Sun, Y., Zheng, W., Zhang, Z. & Wang, Z. 2024. *From Compliance to Strategy: Paradigm Shift in Corporate ESG Practices*. *Academic Journal of Humanities & Social Sciences*, 7, 2, pp. 185-193.
- Maaloul, A., Zéghal, D., Amar, W. & Mansour, S. 2021. *The Effect on Environmental, Social, and Governance (ESG) Performance and Disclosure on Cost of Debt: The Mediating Effect of Corporate Reputation*. *Corporate Reputation Review*, pp. 1-19.
- Martinsuo, M. & Huemann, M. July 2021. *Designing case study research*. *International journal of Project management*, 39, 5, pp. 417-421.
- Matakanye, R. M., van der Poll, H. M., & Muchara, B. 2021. *Do Companies in Different Industries Respond Differently to Stakeholders' Pressures When Prioritising Environmental, Social and Governance Sustainability Performance?* *Sustainability*, 13, 21, pp. 1-22. URL: <https://doi.org/10.3390/su132112022>. Accessed: 27 February 2025.
- Meng, T., Yahya, M., Ashhari, Z. & Yu, D. 2023. *ESG Performance, investor attention, and Company reputation: Threshold model analysis based on panel data from listed companies in China*. *Heliyon*, pp. 1-15.
- Moilanen, T., Ojasalo, K. & Ritalahti, J. 2022. *Methods for Development Work*. BoD - Books on Demand GmbH. Helsinki. E-book. Accessed: 3 August 2024.
- Moro-Visconti, R., CruzRambaud, S. & López Pascual J. 2020. *Sustainability in FinTechs: An Explanation through Business Model Scalability and Market Valuation*. *Sustainability*. 12, 24, pp. 1-24. URL: <https://doi.org/10.3390/su122410316>. Accessed: 25 February 2024.
- Niehaus, D. & Pelton, M. 2023. *How accounting leaders can embrace ESG for a strategic advantage. Working with an oversight committee, building a road map, benchmarking, and focusing on quality can help business guide their ESG strategy*. *Journal of Accountancy*, pp. 12-18.
- Ojasalo, K., Moilanen, T. & Ritalahti, J. 2021. *Kehittämistyön menetelmät. Uudenlaista osaamista liiketoimintaan*. 3–7th ed. SanomaPro. Helsinki.

- Ojasalo, K., Moilanen, T. & Ritalahti, J. 2015. Kehittämistyön menetelmät. Uudenlaista osaamista liiketoimintaan. 4th ed. Sanoma Pro Oy. Helsinki. E-book. Accessed: 8 August 2024.
- Pagitsas, C. 2022. Chief Sustainability Officers At Work. Apress. Washington, DC, USA. E-book. Accessed: 6 January 2024.
- Pagitsas, C. 2022a. Kara Hurst. In: Chief Sustainability Officers At Work. Apress, Berkeley, CA. URL: https://doi.org/10.1007/978-1-4842-7866-6_8. Accessed: 19 April 2025.
- Pagitsas, C. 2022b. Sophia Mendelsohn. In: Chief Sustainability Officers At Work. Apress, Berkeley, CA. URL: https://doi.org/10.1007/978-1-4842-7866-6_10. Accessed: 19 April 2025.
- Pagitsas, C. 2022c. Brian Tippens. In: Chief Sustainability Officers At Work. Apress, Berkeley, CA. URL: https://doi.org/10.1007/978-1-4842-7866-6_11. Accessed 19 April 2025.
- Pagitsas, C. 2022d. James Gowen. In: Chief Sustainability Officers At Work. Apress, Berkeley, CA. URL: https://doi.org/10.1007/978-1-4842-7866-6_12. Accessed: 19 April 2025.
- Pagitsas, C. 2022e. Kevin Hagen. In: Chief Sustainability Officers At Work. Apress, Berkeley, CA. URL: https://doi.org/10.1007/978-1-4842-7866-6_13. Accessed: 19 April 2025.
- Pagitsas, C. 2022f. Elsa Palanza. In: Chief Sustainability Officers At Work. Apress, Berkeley, CA. URL: https://doi.org/10.1007/978-1-4842-7866-6_18. Accessed: 19 April 2025.
- Pagitsas, C. 2022g. Yulanda Chung. In: Chief Sustainability Officers At Work. Apress, Berkeley, CA. URL: https://doi.org/10.1007/978-1-4842-7866-6_19. Accessed: 19 April 2025.
- Puusa, A & Juuti, P. 2020. Laadullisen tutkimuksen näkökulmat ja menetelmät. Gaudeamus. Helsinki. E-book. Accessed: 19 August 2024.
- PwC 2022. Integrating ESG in the payments ecosystem. URL: <https://www.pwc.in/industries/financial-services/FinTech/payments/integrating-esg-in-the-payments-ecosystem.html>. Accessed: 22 September 2024.
- RepTrak Company 2024. The world's most reputable companies. 2024 Global RepTrak® 100. URL: <https://www.reprtrak.com/globalreprtrak/>. Accessed: 27 August 2024.
- RepTrak 23 May 2024. The ESG Advantage: ESG Scores in the 2024 Global RepTrak 100 report. RepTrak blog. URL: <https://www.reprtrak.com/blog/esg-scores-2024-global-reprtrak/>. Accessed: 23 August 2024.

Robyns, S. 2024. ESG for payment companies: OpenWay shares strategies for a sustainable future. OpenWay. URL: <https://openwaygroup.com/esg-for-payment-companies-openway-strategies>. Accessed: 29 September 2024.

Sancak, I. 2023. Change management in sustainability transformation: A model for business organizations. *Journal of Environmental Management*, 330, 2023, pp. 117165.

Saunders, M., Lewis, P. & Thornhill, A. 2023. *Research Methods for Business Students*. 9th ed. Pearson Education. Harlow. E-book. Accessed: 9 September 2024.

Siew, R., December 2015. A review of corporate sustainability reporting tools (SRTs). *Journal of Environmental Management*, 164, pp. 180-195.

Skladany, M. October 2022. Rethinking Executive Incentives Can Boos ESG Performance. Changing the incentive structure can help companies run more ethically in the long run. MIT Sloan Management Review. E-book. URL: <https://learning.oreilly.com/library/view/rethinking-executive-incentives/53863MIT64225/chapter001.xhtml#h1-1>. Accessed: 21 February 2024.

Stanley, A. 27 October 2023. IBD's 100 Best ESG Companies For 2023. Investor's Business Daily. URL: <https://www.investors.com/news/esg-stocks-list-of-100-best-esg-companies/>. Accessed: 27 August 2024.

Stewart, D. & Kamins, M. 2012. Introduction to Secondary Research. In *SAGE Secondary Data Analysis*, pp. 151-164. SAGE Publications Ltd. London. E-book. Accessed: 8 October 2024.

Thunderbird school of global management 28 March 2023. ESG strategies: Development and implementation guide. URL: <https://thunderbird.asu.edu/thought-leadership/insights/esg-strategies-development-and-implementation-guide>. Accessed: 19 September 2024.

Tuomi, J. & Sarajärvi, A. 2018. *Laadullinen tutkimus ja sisällönanalyysi*. 2nd ed. Kustannusosakeyhtiö Tammi. E-book. Accessed: February 19, 2025.

Vuorinen, T. & Huikkola T. 2023. *Startegiakirja. 25 työkalua*. Alma Talent. Helsinki E-book. Accessed: 2 August 2024.

Wang, C. April 18, 2024. The Relationship between ESG Performance and Corporate Performance - Based on Stakeholder Theory. SHS Web of Conferences, 190,0322, pp.1-4. URL: <https://doi.org/10.1051/shsconf/202419003022>. Accessed: 26 June 2024.

Wong, W-K., Teh, B. & Tan S. 2023. The Influence of External Stakeholders on Environmental, Social, and Governance (ESG) Reporting: Toward a Conceptual Framework for ESG Disclosure. *Foresight and STI Governance*, 17, 2, pp. 9-20. Accessed: 1 March 2025.

Zahid, H & Jillani, H. 2023. Has FinTech Functioned as a Nudge for the SDGs Implementation? A Systematic Review. *International Journal of Business and Economic Affairs (IJBEA)*, 8,4, pp. 68-78.

Appendices

Appendix 1. Mastercard's engagement with different stakeholder groups

The following table shows what stakeholder groups Mastercard is engaged with regarding its ESG stakeholder management, and why and how they are doing it with each group.

Table 16. Mastercard's engagement with different stakeholder groups (Mastercard, 2024c)

| Stakeholder group | What it includes? | Why to engage? | How to engage? |
|--------------------------------------|--|---|--|
| Our people | Employees of Mastercard | People are the greatest asset to the business success. | Information sharing, meetings, employee feedback, performance appraisals and career development discussions |
| Suppliers | Network of suppliers | Business success depends on a reliable, resilient, transparent and inclusive supply chain that supports objectives and drives development and innovation. | By collaborating, by providing supplier-specific education, and by communicating through two-way channels to support the proposal process and contract renewals. |
| Customers | Financial institutions, merchants, governments, digital players, consumers | Customers are vital to business success. They provide consumers access to Mastercard solutions, they help preserve the integrity of payment systems and promote reliable, simple and safe commerce. | By building trust via a standard set of franchise rules, by proactively collaborating with customers to grow business while minimizing risk, and by promoting the brand. |
| Civil society and governments | Global communities, NGOs and nonprofit organizations, foundations, governments and regulatory bodies | Business does well when it serves communities that do well. Working with institutions that drive equitable and sustainable economic growth and the rule of law ensures the active participant role in good. | By complying with laws and regulations and submitting disclosures. By partnering with nonprofits, governments, NGOs and community organizations. By enabling volunteerism. By advancing and informing public policy. |

| Stakeholder group | What it includes? | Why to engage? | How to engage? |
|---|---------------------------------------|--|--|
| Investors and other stakeholders | Stockholders and lending institutions | To advance awareness of the business strategy and performance, and to garner feedback from stakeholder groups. | By sharing business priorities and performance in different channels. By engaging in continuous two-way dialogues through various events and meetings. |