

Mastercard

Sustainable Growth Hypothesis:

Global payment technology company Mastercard specialises in processing payment transactions between banks. It boasts high and consistent revenue and profit growth over several decades and has ambitious goals for financial inclusion. It is partnering with the World Bank and other NGOs to bring one billion individuals into the financial system by 2025, with a focus on unbanked communities and women. Mastercard supports our **prosperity** theme through business **practices** which are deepening financial inclusion.

1. Growth: How likely is the company to deliver 10% p.a. profit growth over the next decade?

- Mastercard has consistently achieved high revenue and profit growth driven by consumer spending and card penetration, with expectations for continued growth in low-mid teens. New growth avenues include B2B transactions and services like analytics and security.

2. Resilience: How much control does the company have over its own success?

- Remarkably resilient. In established markets, they have a huge installed base of customers, financial institutions, and near-ubiquitous acceptance among merchants, all of which is very challenging to replicate.

3. Valuation: What is our insight?

- Shares are more volatile than the fundamentals. Mastercard has a strong moat and track record for innovating its way through successive waves of disruption.

4. Products: To what extent will the core products & services create value for society over the next decade?

- Payment infrastructure has huge fundamental value for the economy and wider society. Mastercard's network connects merchants with customers in more than 200 countries, enabling frictionless transactions with protection against counterparty risk and fraud.

5. Practices: Does the company show leadership in its business practices?

- Ambitious goals for financial inclusion and has been working with NGOs including the World Bank to reach un/underbanked communities. Special focus on female workers and women-owned businesses because this has been shown to have the largest impact on child health.

6. Ambition: What is the company's purpose, and how ambitious are they?

- Breadth and depth of sustainability commitments illustrate high level of ambition. Key ESG metrics are included in the annual incentive structure for all staff: emissions, financial inclusion and gender pay gap.

7. Trust: Should we trust the company with our clients' capital?

- Governance is exemplary. Executive and senior team fairly new to their roles but most have worked their way up through the company, and there's a deep bench of experienced departmental/regional heads.

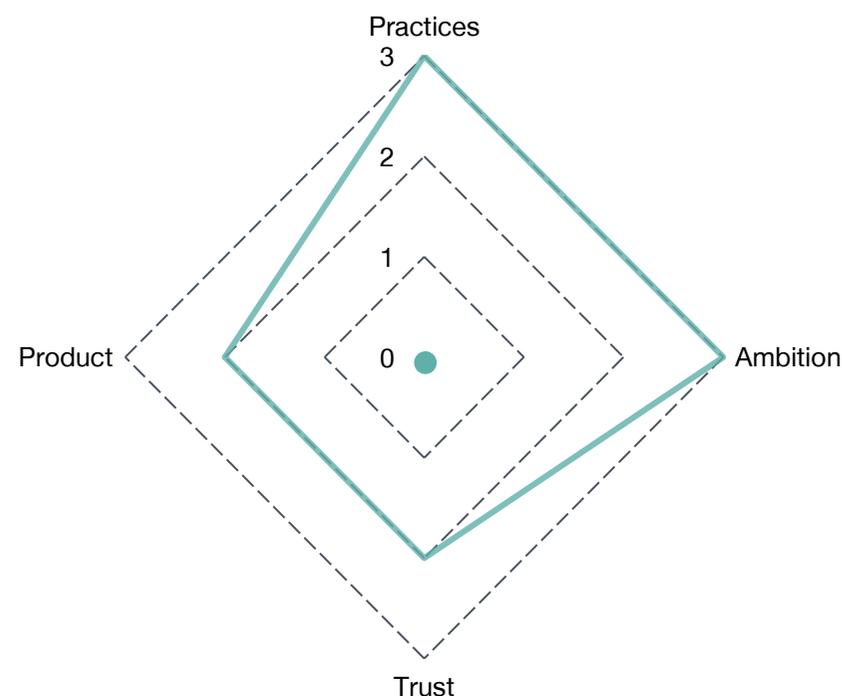
8. Engagement: No company is perfect, what should be our engagement priority?

- No material concerns that would warrant engagement from sustainability point of view. Interested to dig into the cross-border business and understand why supernormal profits are economically defensible and ethical.

9. Milestones: What developments should we pay most attention to? Where could we be wrong?

- What are the main challenges in attached to the B2B opportunity? How can we track its progress?

Compass Scores



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**BGI Principal Office: Calton Square, 1 Greenside Row,
Edinburgh EH1 3AN, Scotland
Telephone: +44 (0)131 275 2000**

**780 Third Avenue, 43rd Floor, New York, NY 10017
Telephone: (212) 319 4633**

**BGE Head Office: 4/5 School House Lane East, Dublin 2
D02 N279, Ireland
Telephone: +35 315 294 150**

**BGE Frankfurt Branch: WINX Tower, Neue Mainzer Str. 6-10, 60311 Frankfurt,
Germany**

**BGE Amsterdam Branch: Atrium Building, Strawinskylaan 3051, 4th Floor, 1077
ZX Amsterdam, The Netherlands**

**BGE Representative Office: Bahnhofstr. 10 / Börsenstr. 18
CH - 8001 Zürich, Switzerland**

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