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MOVING FINTECH CLOSER TO IMPACT: AN APPROACH TO CENTER PRODUCT IMPACT IN ESG

Strategic analysis and recommendations for measuring and communicating the impact of fintech products and services

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This Policy Analysis Exercise reflects the views of the author and should not be viewed as represen ng the views of PayPal, nor those of Harvard University or any of its faculty.

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About the Author

Zoe Bulger

Zoe is an impact expert, focused on the roles that the private, public, and nonprofit sectors can play in order to advance economic mobility and racial justice.

She is a Master in Public Policy candidate at the Harvard Kennedy School, where her academic and extracurricular work has focused on corporate shared value and systems leadership across sectors.

Prior to Harvard, Zoe was a consultant at The Bridgespan Group, where she led projects for mission-driven organizations and funders across a range of industries, including healthcare, workforce development, financial inclusion, and early childhood education. Highlights of her consulting career include helping launch OneTen, a coalition of Fortune 500 companies committed to hiring and advancing 1M Black Americans into family-sustaining jobs by 2031, and developing a neighborhood-level strategy for Place Matters, a portfolio of investments aimed at improving economic and social mobility in regions across the United States. Zoe has also led work in the City of Chicago's Office of Equity and Racial Justice as a Bloomberg-Harvard City Leadership Fellow and served as a New Sector Alliance Resident in Social Enterprise.

Zoe graduated *Phi Beta Kappa* from Duke University with a Bachelor of Science in Psychology and minor in Global Health. At Duke, she developed her passion for working across siloes, focusing on the application of econometrics to build models of individual and community resilience.

Note that the views presented in this paper represent those of the author alone and not that of PayPal.

Executive Summary

Stakeholders increasingly favor companies that can link their business model to impact—that is, companies that can show that their core products have a positive impact on the environment and society. This means that there is a competitive opportunity for businesses to demonstrate where their products have impact and continuously evolve products to drive impact aligned with business priorities.

This paper focuses on the opportunity for financial technology (fintech) companies to adopt more rigorous approaches to product impact in the context of increased focus on corporate impact. Strategic recommendations focus specifically on PayPal, given the company's position as one of the largest fintech players globally and its commitment to social impact through the democratization of financial services. The recommendations are based on a comprehensive review of research and standards, expert interviews, and benchmarking analysis.

The drivers of product impact differ across industries based on the topics that are most material in terms of social value and financial performance. For fintech, product impact is defined by impacts on financial inclusion, financial health, and digital stewardship. Many leading fintech companies today acknowledge these impact areas. But, few companies report on product impact in a way meets the needs of various stakeholders. Specifically, fintech companies can do more to tie product impact to their business model, streamline information, quantify and validate outcomes, and enable flexibility in engaging with the data. Leading global impact standards also fail to provide adequate guidance on the issues most relevant to fintech, limiting adoption of standards among fintech players.

In this context, PayPal has an opportunity to lead, setting standards for what good looks like in product impact reporting in a way that advances the company's own potential for impact and also elevates the fintech industry's potential for impact. This leadership can drive strategic value for PayPal, helping PayPal stand out among companies claiming impact without demonstrating impact and informing new growth strategies and product innovations.

Specifically, PayPal can lead by:

(1) Systematically incorporating product impacts in ESG reporting, with impact information consistently tied to a product impact framework (i.e., the three materiality topics for fintech products—financial inclusion, financial health, and digital stewardship), and
(2) Adopting impact-weighted accounting as a means of capturing product impact in rigorous, monetary terms.

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Introduction

Corporations face increasing scrutiny for their impact on environmental, social, and governance (ESG) issues, with record-breaking amounts of capital flowing into impact-vetted investments, new regulatory pressure, and heightened consumer advocacy. Yet, advancements in measurement and reporting have not kept pace with the rising focus on corporate impact. In particular, approaches to measuring social impact (as opposed to environmental and governance issues) lag behind.

The shift towards impact is particularly relevant to the financial technology (fintech) industry, where innovations have the potential to dramatically affect social issues like financial and digital inclusion. Many fintech companies claim to lead on impact, but limited approaches to impact disclosure make it difficult to parse the truly high-impact companies from the low-impact players.

PayPal is uniquely positioned to advance more effective approaches to social impact measurement and reporting. PayPal is the largest fintech player globally, with more than $23 billion in annual revenue and 410 million users active across 200 countries. PayPal is also focused on creating societal value, with a commitment to democratizing financial services so that everyone has agency over their financial health.

As investors, policymakers, and consumers demonstrate increasing interest in social impact, PayPal's ability to generate and leverage robust impact data will be essential to is growth and sustainability. This work sets out to address this opportunity by providing strategic recommendations for how PayPal can effectively define, measure, and communicate the impact of its products and services. The recommendations are based on review of relevant research and standards, expert interviews, benchmark analysis, and accounting analysis.

Section 1 describes the rise in ESG—in particular the focus on impact aligned with business models—and the implications of this shift for fintech companies.

Section 2 describes PayPal's current approach to ESG and sets up the opportunity to do more.

Section 3 introduces the concept of materiality in impact measurement and reporting and defines core materiality topics for fintech products and services.

Section 4 presents principles of effective approaches to product impact and benchmarks fintech companies against these principles, ending with recommendations for PayPal's approach.

Finally, Section 5 introduces a new approach to quantifying corporate impact in monetary terms—impact-weighted accounting—and provides a template for product impact accounting for fintech.

Section 1: The Opportunity—A Shift Towards Impact

This section provides an overview of ESG and sustainable investing and introduces the opportunity provided by increased focus on and interest in ESG for fintech players like PayPal.

The Rise of ESG

Sustainability issues—often referred to as Environmental, Social, and Governance (ESG) issues—and impact-oriented investment have gained increasing attention over the last several years.[a] The rising interest spans industries and stakeholders, including corporations, investors, policymakers, consumers, and advocates, and it reflects a broader movement to reform and harness capitalism for societal good. Consider just a handful of recent events that reflect increased focus on corporate impact:

- In 2018, BlackRock's CEO Larry Fink called for a new model of corporate governance in his annual shareholder letter, asking companies to "drive not only their own investment returns, but also the prosperity and security of their fellow citizens." [1]
- In 2019, 181 members of the Business Roundtable, CEOs representing the largest corporations in the United States, announced an updated Statement on the Purpose of a Corporation, which outlined a modern standard for corporate responsibility focused on generating shared prosperity for business and key stakeholders, including customers, employees, suppliers, communities, and shareholders.
- In 2020, investors representing more than $100 trillion in assets committed to the United Nations Principles for Responsible Investment, which advocates for a focus on ESG in investing.[2]
- In March 2021, the Securities and Exchange Commission announced a new Climate and ESG Task Force to analyze disclosure and compliance issues relating to ESG, signaling a heightened focus on ESG oversight.[3] In the same month, the European Union's Sustainable Finance Disclosure Regulation (SFDR) came into effect, requiring all asset managers to make public disclosures related to environmental and social impacts and risks (Article 6 and 8) and increasing reporting requirements for all sustainable or ESG-marketed products (Article 8 and 9).[4]
- In the first quarter of 2021, USD $185.3 billion flowed into global sustainable funds, breaking records for sustainable investments.[5]
- In November 2021, a new international standards body—the International Sustainability Standards Board (ISSB)—was announced at COP26, the UN global summit to address climate change. ISSB represents consolidation of leading standards organizations and will set ESG reporting standards for businesses globally.
- By the end of 2022, ESG assets are projected to surpass USD $41 trillion, representing almost a third of total assets under management.[6]

These events represent an inflection point: companies are increasingly expected to drive, or at least not undermine, sustainability and impact. This shift in expectations is perhaps best reflected in a recent global survey that found that business is now the only institution considered both competent and ethical by the general public (compared to government, media, and nonprofits).[7] Similarly, nearly two in three consumers believe companies should step in to fix societal problems when governments fail to do so.[8]

[a] For the remainder of this paper, I will refer to ESG and sustainable issues interchangeably, and refer to ESG, sustainability, and impact investment broadly as impact-oriented investment

The mainstreaming of ESG is particularly clear among investors. More than 85% of institutional investors globally believe that profitable companies have a responsibility to address ESG issues, and more than 90% believe companies that are strong on ESG deserve a premium. Investors also want more impact information from corporate leadership: four in five institutional investors say they "will not invest in companies [that] lack sufficient information/data on their ESG performance." Yet, at the same time, investors fear that most companies are not adequately prepared to comply with sustainability disclosure requirements. Clearly, strong reporting is no longer a nice-to-have for companies, but a need to have.[9,10]

The social component of ESG is gaining particular relevance, after years of environmental and governance issues taking center stage. The "S" includes both the social impacts a company has internally and within its supply chain (e.g., labor rights, workplace health and safety) as well as the social impacts it has externally on consumers and communities through its actions and products (e.g., product safety, selling practices, access and affordability). More investors are prioritizing social factors than ever before. In 2020, nearly two thirds of institutional investors globally identified the social component of ESG as "very important", bringing social issues on par with the percentage of investors rating environmental and governance issues as very important. U.S.-based investors appear even more focused on social issues, with the social element out-ranking environmental and government issues in 2020. [11,12] The shift in focus has been driven, at least in part, by recent social movements like Black Lives Matter, the ongoing impacts of the COVID-19 pandemic on society, and a heightened focus on employee wellbeing.

Calls for Impact to Be Aligned with Business

As ESG becomes more mainstream, we are seeing a specific call for companies to show alignment between their core business model and their impact. That is, there is an emerging emphasis on how a company's revenue-generating products and services affect society. This is distinct from prior waves of ESG where companies could be seen as impact leaders based primarily on governance issues (e.g., compliance), environmental issues (namely carbon emissions), and/or philanthropic and corporate social responsibility initiatives ancillary to the core business. Now, investors, regulators, consumers, and employees want to see how core products and services drive impact.

A leading advisor on corporate impact explains:

> *"A lot of [companies] are still thinking in the CSR [corporate social responsibility] mindset… We are trying to have the conversation that* ***[companies] need to reform and reframe the core work that [they are] doing*** *… [A company's] goals then include 'Our business is going to do this—our* ***products and services are going to have this impact*** *or change in this way to be better.' "* [13]

Larry Fink (CEO of BlackRock) put it even more succinctly in his 2019 annual letter to CEOs, claiming that "profits and purpose are inextricably linked."[14]

In addition, regulation is increasingly focused on the social externalities of a company's products and services. For instance, in March 2021, the European Union's Sustainable Finance Disclosure Regulation (SFDR) came into effect, requiring all asset managers to make public disclosures related to environmental and social impacts and risks (Article 6 and 8) and increasing reporting requirements for all sustainable or ESG-marketed products (Article 8 and 9). Specifically, Article 9 requires sustainable funds to disclose against environmental and/or social objectives, calling out in particular issues related to inequality, social cohesion, and historically disadvantaged communities. These regulatory changes are requiring investors to revamp their approach to impact measurement, which will in turn affect expectations for corporate ESG measurement and reporting.

Yet, despite rising interest in how a company's core business model impacts society, advancements in ESG measurement and reporting have not kept pace. Current approaches often fail to capture a company's societal value in a way that is comprehensive, comparable, and predictive. In particular, approaches to measuring and reporting the social impact of products and services lag behind (as compared to environmental impact). There is a long-standing narrative that this type of impact is too intangible to quantify.[15,16,17,18,19,20,21,22,23]

As of 2021, more than half of institutional investors globally found the social component of ESG to be the most difficult to analyze and embed in investment strategies. These findings align with anecdotal evidence from conversations with investors. Investors are interested in the social externalities created by using a set of products and services yet find that relevant data is often difficult or impossible to track down. For instance, one institutional investor has adopted a wide set of qualitative and quantitative investment criteria to determine whether a company is eligible for inclusion in sustainability and ESG funds, aligned with the European Union's new Sustainable Finance Disclosure Regulation (SFDR). But, the approach does not yet include rigorous criteria for product impact, given limited data and resources to assess companies in this way. In the next several years, the investor hopes to build product impact more consistently into its approach.[24]

Third-party ratings providers like MSCI and Sustainalytics fail to do much better, despite being the go-to resource for many institutional investors interested in ESG. The ratings produced by such providers tend to focus on how a company's bottom line might be impacted by regulation, rather than on the impact created or lost by a given company.[25,26] For instance, Exxon and BP receive average ESG scores from MSCI despite high carbon emissions because their pollutive behavior is managed well and not seen as a direct risk to the bottom line.[27] These ratings also tend to deprioritize social impact relative to the "E" and the "G" and fail to incorporate product impacts. This means companies whose products create a social burden can still receive high ratings (such as companies practicing predatory pricing).[28]

There are several innovations in measurement and reporting that could drive more comprehensive and accurate data on product impact moving forward. Some examples of methods and platforms include Novata, TruValue Labs, the Harvard Business School's Impact-Weighted Accounting Initiative, PWC's Total Impact Measurement and Management framework, and EY's Total Value impact valuation method. While these approaches are still too nascent and often time-intensive to drive consistent corporate reporting, some approaches are seeing initial interest among investors. For instance, BlackRock's Global Impact Team, which manages public equity impact investment strategies, has piloted the Impact-Weighted Accounting Initiative's template for evaluating product impact within several industries.[29] In another example, Schroders is leaning into product impact as part of evaluating their impact investments. The investor leverages custom tools like SustainEx and ImpactIQ ThemeEx to quantify in dollar terms how a company's products and services contribute to the environment and society (aligned with the SDGs).[30,31]

Fintech in This Moment

In this moment of increasing focus on corporate impact, fintech companies appear uniquely positioned to demonstrate and harness the impact of their products and services.

Fintech is a massive and growing market that is positioned to transform consumer finance through globalization and digitization of the economy. Fintech products and services encompass a suite of digital solutions helping individuals and businesses save, invest, and exchange money. Fintech innovations include automated teller machines (ATMs), mobile payment platforms, online banking, digital fundraising tools, automated credit scoring techniques, and most recently blockchain-enabled technologies such as cryptocurrencies and universal identification processes.

Globally, fintech companies represent more than USD $5,000 billion in market value, with expected annual growth above 23% for the next five years.[32] Equity funding raised by fintech businesses around the world grew 173% between 2020 and 2021, and payments and accounts companies—considered the foundation of financial services—represented ~45% of the equity that was raised.[33] Fintech is also disrupting traditional financial services players, who are increasingly shifting to digital services. For instance, in 2019, JPMorgan merged its business-to-business treasury services unit with its consumer-to-business merchant services division in an attempt compete in digital payments against large fintech players like PayPal, Stripe, and Apple Pay.[34]

The scale of disruption from fintech represents an opportunity to transform traditional financial services in a way that could improve key impact outcomes related to financial inclusion, financial health, and digital security and privacy (see more in Section 3).[35] Already, fintech is estimated to have helped millions of individuals and businesses who were formerly excluded from or underserved by traditional financial services.[36]

Impact-oriented investors increasingly recognize the promise of fintech. Opportunities to drive financial inclusion receive the greatest amount of impact-oriented capital (including equity and debt), attracting an estimated 24% of impact investing funding.[37] Investors recognize that fintech products can win on both financial terms (representing more cost-efficient, scalable, and fraud-resistant products than traditional financial services) and also impact. Investments in fintech also directly align with three of the SDGs, helping attract a growing set of investors who are using the SDGs to guide their impact strategies. An increasing number of investors are also concerned with systemic risk driven by social instability. Among this group, financial inclusion driven by fintech companies might represent an opportunity to reduce systemic risks by reducing inequality, increasing the effectiveness and efficiency of monetary policy, and supporting economic development and growth.[38]

Yet, despite this potential, there is no guarantee that fintech companies drive social outcomes alongside pursuit of profits. For instance, without intentional design decisions to mitigate bias on platforms using alternative means of assessing risk and credit, digital services can be as biased as traditional financial services. Similarly, if fintech players do not seek out partnerships that help expand their access (e.g., partnering with community banks, with nonprofits increasing financial literacy, etc.), they are unlikely to truly overcome last mile challenges to financial inclusion, reaching primarily those who already have bank access and financial literacy.

There is also considerable risk that fintech players pursue business models misaligned with impact goals. For instance, companies may be tempted to set steep fees and/or limit fee transparency, as has been common practice in traditional financial services. These revenue models undermine the potential for impact, disproportionately affecting lower-income customers and weakening the ROI for customers (i.e., customers may wind up paying more than the value generated by products and services).[39] Similarly, expanding access to lending products can be an important step towards broader financial inclusion, but expanding accessing without sufficient support for lower-income consumers can put these consumers at risk of defaulting.

At its best, the rise in impact-oriented investment into fintech might help ensure companies move towards impact. But, as acknowledged earlier in this section, current standards for ESG investments are likely too weak to hold fintech accountable for product impact. Impact standards bodies such as the Sustainability Accounting Standards Board and the Global Reporting Initiative have worked to identify material sustainability issues by industry, but industry-specific standards for fintech are lacking (see Section 3 and Appendix 2 for more detailed analysis). Frederic de Mariz, the Executive Director at UBS for Financial Institutions in Latin America, reflects on the current gap in standards for fintech:

> *"As fintech attracts more impact capital,* ***is fintech enabling more impact metrics and tracking****? …Fintech companies have focused much of their impact reporting efforts on…access and customer satisfaction.* ***Only few companies report disaggregated data…few companies have developed a full goal and indicator framework aligned with SDGs****… As fintechs continue to grow and gain relevance against traditional financial institutions, it is natural to expect that they attract more impact investors. In turn, those impact investors may demand more disclosure and reporting on the actual impact of those companies, beyond financial returns."*[40]

In the absence of more rigorous approaches to measurement and reporting, impact washing is an increasing risk for fintech players and investors. Defining and tracking metrics on the impact of fintech products and services can help mitigate a "race to the bottom" where companies claim impact while doing increasingly less to ensure real impact. Sections 3 through 5 describe what a more robust approach to product impact could look like.

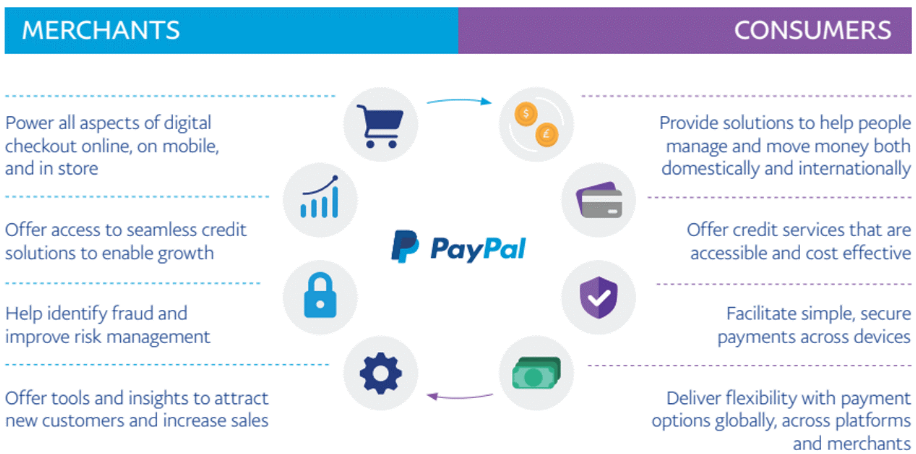
Section 2: PayPal's Position

This section outlines PayPal's business model and current approach to ESG and builds the case that PayPal has a unique opportunity to advance approaches to product impact among fintech players.

PayPal's Business Model

PayPal's products and services center around a two-sided online payments platform that enables individuals and businesses to transfer funds electronically. PayPal's products and services create value by helping users manage risk, save and manage money, streamline operations (for businesses), and accelerate growth (for businesses).

Figure 1. PayPal's Two-Sided Platform



Source: 2020 PayPal Annual Report

For merchants, PayPal's products and services include digital checkout, alternative payment methods, fraud protection and risk management, credit, and data analytics to grow sales. At the most basic level, PayPal powers checkout for merchants digitally and in-store and helps merchants achieve global reach. PayPal generates revenue from merchants primarily via fees from completed payment transactions and other payment-related services, although revenue is also generated through interest and fees from merchant loans receivables.

For consumers, PayPal's products and services reflect a "digital wallet" focused on affordable, convenient, and secure consumer finance tools, including well-known brands like Venmo (for peer-to-per payments) and Xoom (for international funds transfer). Through PayPal's digital wallet, consumers can make payments to merchants and transact with other consumers using a variety of funding sources, including a bank account, PayPal account balance, PayPal consumer credit products, debit, and select cryptocurrencies. PayPal generates revenue from consumers via fees for foreign currency conversion (e.g., for global remittances), fees for instant transfer from PayPal accounts to debit cards or bank accounts, fees from purchase and sale of cryptocurrencies, and interest and fees revenue from credit products.

PayPal is recognized as the most accepted digital wallet around the world. In 2021, the platform boasted 426 million active accounts across more than 200 countries, including 392 million consumer accounts and 34 million merchant accounts. PayPal also has as strong market position relative to competitors in the payment processing space like by Stripe, Amazon Pay, and Square Payments.[41]

Current Approach to ESG

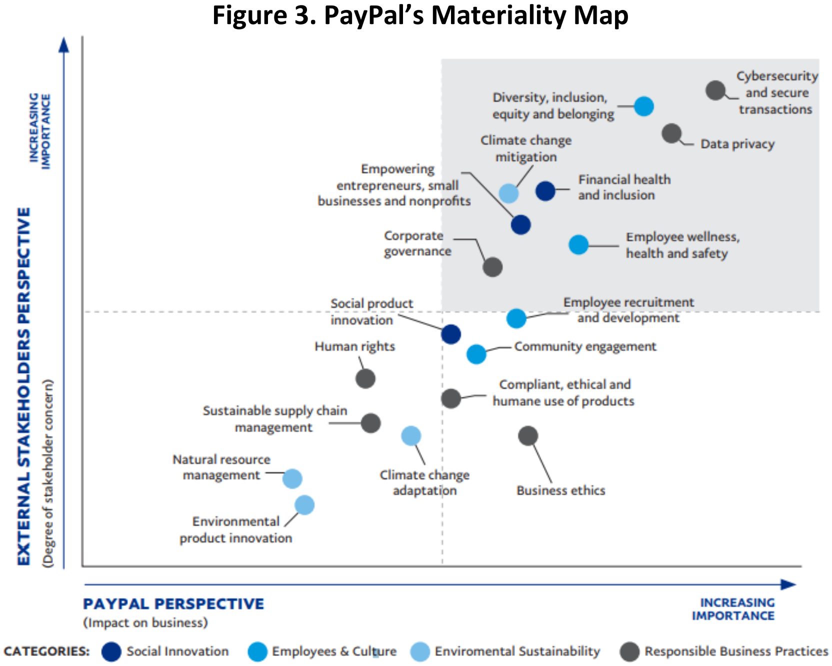
PayPal is committed "to democratizing financial services so that everyone can have access to affordable, convenient and safe financial services." [42] This commitment underpins the company's ESG strategy, which is defined by four pillars: Social Innovation, Employees and Culture, Environmental Sustainability, and Responsible Business Practices.

Figure 2. The Four Pillars of PayPal's ESG Strategy

Source: 2021 PayPal Notice of the Annual Meeting of Stockholders & Proxy Statement

These pillars are further defined by a set of impact topics, which PayPal has mapped according to their significance from a financial perspective (i.e., what topics are most likely to have implications on financial performance?) and an environmental and social perspective (i.e., what topics are most likely to have an impact on the environment and society?). These topics and their relative importance according to external stakeholders and PayPal are mapped in Figure 3, with the most important topics shown in the upper right-hand quadrant.

Figure 3. PayPal's Materiality Map



Source: 2021 PayPal Notice of the Annual Meeting of Stockholders & Proxy Statement

In understanding the impact of PayPal's products and services, the Social Innovation pillar is most relevant given its focus on how PayPal can pursue a more inclusive global economy through products, research, partnerships, and charitable giving. Specifically, PayPal has prioritized two materiality topics within Social Innovation: (1) Financial health and inclusion and (2) Empowering entrepreneurs, small businesses, and nonprofits (per Figure 3). These two topics likely represent the bulk of impact generated by PayPal's products and services, although topics within other pillars may also have relevance (e.g., cybersecurity and secure transactions, as discussed in Section 3).

PayPal reports against ESG through an annual Global Impact Report, which includes both qualitative highlights (e.g., stories of entrepreneurs supported through the pandemic) as well as more than 140 ESG Performance Metrics organized around the four impact pillars. Where relevant, PayPal has aligned its ESG Performance Metrics with leading global standards bodies: the Sustainability Accounting Standards Board (SASB), the Global Reporting Initiative (GRI), the Ten Principles of the United Nations Global Compact (UNGC), and the World Economic Forum's Stakeholder Capitalism Metrics (SCM). A subset of these ESG metrics were assured in 2020 by an independent, third party, which is an important best practice in impact measurement.[b]

While the Global Impact Report is a strong starting place for impact reporting (and goes beyond what most in the industry offer—see a comparative analysis in Section 4), PayPal can do more to measure and communicate the social impact of its products and services. For instance, while the report includes more than 140 ESG Performance Metrics, only about 16% are associated with the Social Innovation pillar. Of these, only one quantitative metric is focused on financial health and inclusion (see Appendix 1 for more detail on PayPal's ESG Performance Metrics). The metrics provided also focus primarily on outputs (e.g., total capital accessed by small and medium-sized businesses, remittance costs for consumers), rather than positive or negative outcomes driven by products (e.g., a product impact approach might report against small business inclusion and then estimate the social value of that inclusion).[43]

PayPal reports on impact-related topics in several other places beyond the Global Impact Report. In the Annual Report, PayPal outlines risks to the business, including some risks relevant to the impact of products and services (e.g., compliance risk related to consumer protection), although the risks are not organized around traditional E, S, and G categories nor by the four impact pillars PayPal introduces in the Global Impact Report. The Annual Report does highlight PayPal's ESG strategy, including PayPal's approach to ESG governance, PayPal's ESG topic materiality map, and PayPal's four ESG impact pillars.

PayPal also produces thought leadership related to research and policy analysis and provides updates on impact commitments (e.g., PayPal's commitment to Taking Action for Racial Equity & Social Justice).[44] While these publications are one-off rather than annual, they help supplement the Global Impact Report for stakeholders interested in more robust information on PayPal's impact and corporate social responsibility initiatives.

The Case for Change

PayPal has an opportunity to be at the frontier of corporate impact by investing in its capacity to measure and report product impact. This innovation will create competitive advantage for PayPal, leveraging its strong existing impact efforts to better compete in an increasingly crowded marketplace.

[b] The assurance provider in 2020 was Bureau Veritas UK

Rising interest in ESG reflects both an opportunity and a risk for companies like PayPal that are committed to creating a positive impact in society. In the upside scenario, PayPal leverages this moment to capture a disproportionate amount of support by demonstrating superior impact performance. In the downside scenario, PayPal fails to differentiate itself from other companies, relying on ESG standards that are too limited in scope for investors, stakeholders, or consumers to meaningful distinguish between companies. This second scenario represents a potential race to the bottom defined by "impact washing" rather than real impact: companies with no commitment to social impact will get away with doing as little as possible to meet loose standards, while companies committed to impact will fail to win differential investment and stakeholder support despite the resources they devote to impact. Without proactive action from PayPal, the second scenario seems likely (see Section 1, which outlines how current ESG approaches fail to adequately capture companies' societal value, in particular the impact created by their products and services).

As described earlier in this report, a growing number of investors are focused on impact, yet the majority also find current ESG data insufficient and believe companies are not adequately prepared to comply with increasing expectations for ESG disclosure.[45] PayPal may be able to win a greater share of ESG investment by leading on product impact reporting. For instance, as large asset managers look to elevate their sustainable investment approach in line with more demanding expectations from regulators and asset owners, product impact data will help PayPal earn inclusion in increasingly rigorous funds.

In an increasingly crowded environment, PayPal can also solidify a unique value proposition by clarifying the impact of its products and services. For instance, as more and more traditional financial services players move into the digital fintech space, PayPal might use product impact to drive brand loyalty among a growing subset of consumers who prefer companies committed to social issues.[46]

Why Focus on Product Impact?

Product impact approaches help companies

- Demonstrate ***rigor of impact*** differentiated from competitors to attract investment
- Establish a unique, ***trusted value proposition***
- Identify opportunities for ***customer and/or product growth***
- Increase ***alignment and integration*** across teams and functions

A robust approach to product impact might also fuel growth for PayPal to the extent that it informs product innovations for reaching new customers and/or better serving existing customers. A more inclusive and/or financially resilient customer base would increase transaction volume, and in turn revenue. As Mary Daly, President and CEO of the Federal Reserve of San Francisco explains:

> *"You can **make a profit offering [underserved groups] services**, but you cannot make a profit offering them services that work for me. **We have to make a profit offering them services that work for them** because once [these consumers] see that as a service and it fits for them, then it will earn a rate of return…."* [47]

Finally, a more rigorous approach to product impact can help PayPal drive cohesion and integration across products and functions, aligned with PayPal's purpose. Michael Porter, a leading authority on corporate strategy, asserts that competitive advantage comes from alignment of a company's "*entire system* of activities", because "fit among activities substantially reduces costs or increases differentiation."[48] A comprehensive approach to product impact—aligned with existing processes for reporting financial performance—can help drive better cross-function and cross-product communication and collaboration: teams will work together to execute measurement, share relevant findings, and address implications.

Integration of product impact may also help mitigate costs related to regulatory and reputational risks: as product impact is elevated, individuals may be more likely to make decisions aligned with impact goals, including elevating corporate behavior misaligned with impact. This may be particularly important as fintech companies face increasing regulatory requirements, sanctions, and legal actions related to biased and predatory products for vulnerable groups, data privacy, and cybersecurity.[49,50,51,52,53]

Stepping back, there is clearly a range of potential benefits that might come from adopting a more robust approach to product impact. Yet, it's not clear what defines product impact for fintech players like PayPal. The next section outlines the core components of impact for fintech products and services, as a prerequisite to developing a robust approach to product impact.

Section 3: Materiality for Fintech Products and Services

This section outlines the topics most relevant (i.e., material) to understanding the potential impact of fintech products. It starts by explaining the concept of materiality in the context of ESG and then makes the case for three core materiality topics for fintech: financial inclusion, financial health, and digital stewardship.

ESG Materiality

First, what is materiality in the context of ESG and why does it matter? In choosing what to measure and disclose, leading approaches to ESG recommend focusing on topics that are most material in terms of impact and financial performance.[54,55]

- **Impact materiality** refers to topics likely to affect large numbers of people and which generate impacts that last for a long time, are deep/comprehensive, and/or are perceived as important to those affected
- **Financial materiality** refers to topics likely to have a significant effect on the financial condition, operating performance, or risk profile of a company

While some topics are considered material across industries (e.g., issues of regulatory compliance), product-relevant topics are industry-specific. For instance, emissions may be critical to the product impact of a car manufacturer, while data security is more material for a software-as-a-service provider. Early research suggests that companies performing well on material sustainability issues outperform companies with poor ratings on these issues, but the same does not hold true for strong performance on immaterial sustainability issues.[56]

Materiality is also dynamic—what matters to impact and financial performance changes over time—such that companies must be iterative in determining what is most important in the context of product impact. In choosing what to disclose, the key is to recognize that a company can't be all things to all people. Instead, a rigorous approach to product impact in a given industry starts with defining the handful of core product-relevant topics and revisiting how those topics are defined over time.[57,58,59]

Impact Topics Material to Fintech

Several standards bodies have begun work to identify material issues by industry (such as the Sustainability Accounting Standards Board and the Global Reporting Initiative), but none include fintech as a standalone industry and the relevance for fintech is limited at best. If we look at standards for software/IT services and financial services—a combination of which would likely best represent fintech—the existing standards do not paint a full picture of the impact potential from fintech products (see Appendix 2). The relevant standards tend to focus on risk management, rather than the potential for positive societal impact (e.g., SASB's consumer finance standards include selling practices but not financial inclusion) and do not offer clear guidance on measurement.

This gap in relevant standards is clear when we consider PayPal's existing ESG Performance Metrics. Within PayPal's Social Innovation pillar (the most relevant pillar for questions of product impact), only two metrics (~9%) align with SASB, GRI, and/or UNGC/SCM standards, and both are broad, qualitative metrics (see Appendix 1). In contrast, PayPal draws more than 90% of its other ESG metrics from GRI, SASB, and/or UNGC/SCM.[c] Put another way, PayPal was forced to look beyond the leading standards bodies in order to generate impact metrics relevant to the social impact of its products and services.

In the absence of an existing consensus on material impact standards in fintech, we can draw on frameworks from multilateral agencies, economic and policy research, regulators, and investors for guidance, in addition to ESG standards bodies. Based on a wide review, product impact in fintech is driven primarily by potential impacts on financial inclusion, financial health, and digital stewardship.[60,61,62,63,64,65,66,67]

Figure 4. Material Topics for Fintech Product Impact

Financial Inclusion	Financial Health	Digital Stewardship
Services and products are **accessible** to everyone, including being offered in ways that are **affordable** and **understandable**, and with particular focus on inclusion of women; Black, Brown, and Indigenous communities; and low-income communities	Services and products support consumers' **financial security and prosperity**, including improved ability to **spend, save, and plan** in the near- and long-term, and with no hidden costs for the consumer or other predatory practices	Services and products ensure **safe, open, and transparent use of technology**, including promoting cybersecurity, data privacy, consumer agency over personal information, and **accountability** and **innovation** in digital technology

Source: Author's analysis, based on expert interviews and review of impact management best practices, standards bodies, academic research, and corporate practices

These core areas of impact align with PayPal's articulation of its purpose:

> "PayPal believes in an open, accessible and **inclusive financial system** where everyone can participate and have full control over their **financial health**. We're committed to democratizing financial services so that everyone can have access to the affordable, convenient and **safe financial services** they need to have full agency and authority over their financial health."

PayPal's materiality topics also align with these core impact areas. Looking at the set of topics most important to external stakeholders and PayPal's business (upper right corner of Figure 3), PayPal's ESG metrics align as follows:

Impact area	PayPal materiality topic
Financial Inclusion	• Financial health & inclusion • Diversity, inclusion, equity, and belonging
Financial Health	• Financial health & inclusion • Empowering entrepreneurs, small businesses & nonprofits
Digital Stewardship	• Cybersecurity & secure transactions • Data privacy

[c] For Employees and Culture, Environment, and Responsible Business the percentage of metrics aligned with one or more of the leading standards bodies is 96%, 74%, and 100% respectively.

These three topics are financially material through mechanisms like consumer purchasing power (customer financial health drives customer payment volume), product quality (digital stewardship is core to product quality and therefore PayPal's value proposition), and mitigation of regulatory risks, to name just a few. In terms of impact materiality, each of these topics is central to how fintech can create societal value. The remainder of this section outlines the evidence base for the impact opportunity related to each.

Financial Inclusion & Health

The role fintech products can play in promoting financial inclusion and health is widely recognized by academics, regulators, consumers, investors, and fintech companies themselves.[68,69,70,71,72,73,74,75,76] Fintech products and services can extend last mile financial services to the unbanked (those who lack access to a checking or savings account) and improve access and quality of services for the underbanked (those who have a checking or savings account but often rely on alternative financial services).

Globally, nearly two billion people and 200 million businesses are financially excluded, and the vast majority of these people and businesses reside in developing economies.[77] Deep disparities exist along gender and income: women represent 56% of all unbanked adults, and in developing economies the proportion is often closer to 60-65%.[78] Similarly, households in the bottom quintile in a given economy (i.e., the poorest households) are nearly twice as likely to be unbanked as compared to the top quintile of households (the richest households).[79]

Looking only at the United States, roughly seven million households are unbanked (that's more than one in every twenty), and 66 million households are underbanked (more than one in five).[80,81] Similarly, barely half of small- and medium-sized businesses (SMBs) have sufficient access to credit. Smaller SMBs (defined as those with annual revenues below $100,000) are particularly underserved, disproportionately facing rejection when they apply for loans.[82]

The experience of financial exclusion is disproportionately felt among Black and Hispanic communities in the United States: 13.8% of Black households and 12.2% of Hispanic households are unbanked compared to just 2.5% of White households.[83] Disparities also exist for business owners: minority-owned SMBs have a harder time accessing capital than white-owned businesses.[84,85,86]

Financial health is as important an issue as financial inclusion. More than 170 million Americans struggle with some aspect of their financial lives (e.g., paying bills on time, saving for emergencies, etc.). Yet, Americans also collectively pay USD $189 billion in fees and interest for financial services annually—that is nearly $2,900 per underbanked household.[87] Clearly, traditional financial products are failing to support the financial wellbeing of many Americans.

How do financial services reach underserved communities in the U.S.?

Underserved communities have historically sought financial services through three segments: alternative financial services (e.g., providers facilitating payments and short-term credit products, often without requiring FICO scores), Black-owned banks and CDFIs, and commercial banks and insurance. But each of these have limitations: alternative financial services can be expensive and focused on liquidity versus wealth building; Black-owned banks and CDFIs can be sub-scale and lack strong technology; and commercial banks and insurance can be discriminatory and expensive (respectively). Fintech companies represent a new category of players with the potential to reach underserved communities with greater scale, lower cost, and more inclusive practices.

Fintech solutions have the potential to do better.[88] Fintech products are often more affordable than comparable products and services. For instance, fintech lenders offer lower annual percentage rates on average than credit card companies at every credit risk level (e.g., fintech underwriting has helped identify "invisible prime" lenders among subprime lenders, enabling these consumers historically deemed "high risk" to access loans while reaching default rates lower than would be possible with almost any traditional bank).[89,90] Cross-border payments offer another example of affordability: fully digital cross-borders transactions—i.e., fintech enabled payments—charge on average 3.3% fees, while cash transactions charge 6.8%.[91]

Fintech products can also drive inclusion through digital and mobile access. Many of the world's unbanked cite distance from a bank as a barrier to starting a payments or savings account, yet roughly two-thirds of the world's unbanked have a mobile phone, which could unlock access to mobile banking services.[92] In an increasingly digital world, mobile and online products are also increasingly more relevant and user-friendly for day-to-day use.

Finally, fintech can help deliver critical services not included or prioritized in traditional financial services. For instance, delivery of government services can be facilitated through fintech solutions. In the United States, digital banks and digital payment platforms helped the government distribute stimulus packages during the pandemic. These platforms were critical to reaching millions of low-income households that did not have access to bank accounts or did not have direct deposit information already on file with the IRS.[93,94]

Digital Stewardship

The potential for fintech to drive positive impact via financial inclusion and health depends on how effectively fintech companies steward safe, open, and transparent technology, including approaches to cybersecurity, data privacy, and consumer agency over personal information. Conversely, weak digital stewardship can create harm—or negative impact—on consumers. Fintech companies handle massive amounts of sensitive information for individuals and businesses. Breaches in data can lead to information security and privacy risks for individuals and society writ large (e.g., credit card fraud, identity theft).[95]

Many stakeholders already integrate issues of digital stewardship into their assessment of fintech. For instance, each of the leading standards bodies identifies material metrics related to data security and customer privacy for industries relevant to fintech (See Appendix 2). Similarly, it is commonplace among large institutional investors to include cybersecurity and data security as core criteria in ESG investments.[96] One of the leading venture capitalist firms investing in fintech to advance fair finance identifies consumer control as core to good digital stewardship, alongside data security.[97]

Looking at the industry as a whole, data security concerns are one of the top four challenges facing fintech companies looking to monetize solutions.[98]

Regulators in the United States and abroad are also increasingly concerned with how tech companies and financial services companies—and certainly the intersection of the two—are upholding the privacy and rights of consumers over their data (see Appendix 3 for a list of U.S.-based federal regulators relevant to fintech).[99,100,101,102]

For American consumers, questions of security, transparency, and agency are table stakes. Among Americans who don't use mobile payment apps, nearly half choose to abstain because they don't trust the security of the platforms.[103] On the flip side, almost one third of underbanked Americans name lack of trust in banks as a reason for seeking alternative financial services.[104] This suggests that if fintech companies can earn and keep consumer trust, there is an opportunity to expand financial access beyond what is possible from traditional financial service providers. Companies can support consumer agency through greater transparency in how data is collected and used and more robust permissions systems to give users the right to their data and facilitate user movement between providers.[105]

Clearly, effective digital stewardship is critical to the effectiveness of fintech product and services. Across questions of data privacy, cybersecurity, or consumer agency, consumers face risk of harm from increased use of fintech products and services. A robust approach to product impact, therefore, must incorporate measures of digital stewardship, alongside measures of financial inclusion and financial health.

Having established what drives product impact for fintech, the next section begins to describe what good looks like for measuring and communicating product impact.

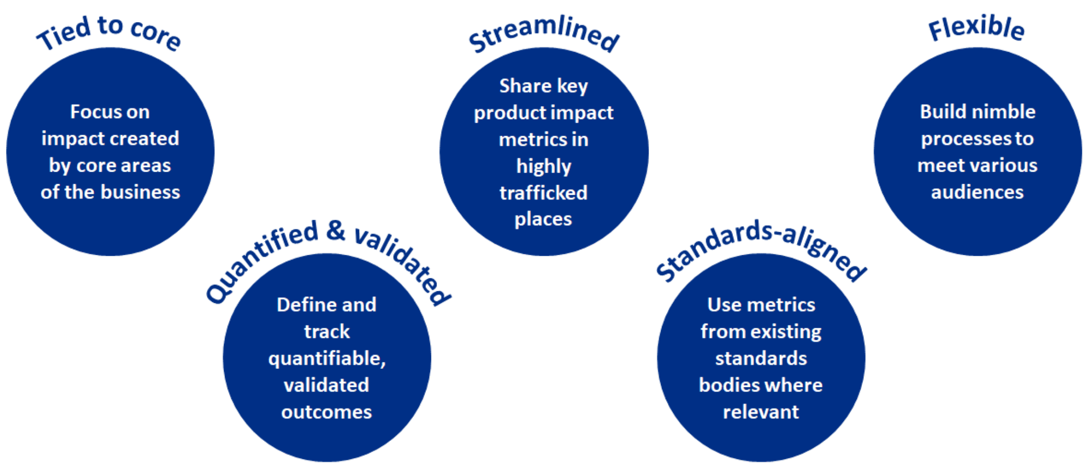
Section 4: Recommended Approach to Product Impact

The prior section outlined three core areas of impact relevant for fintech products and services. This section builds on that analysis, first presenting general principles for effective product impact measurement and reporting and then specifying how PayPal can approach product impact based on other fintech companies' approaches to ESG and materiality topics for fintech.

Principles for Product Impact Measurement & Reporting

There are several methodologies and standards bodies shaping impact measurement and reporting for corporations. Yet, as described in Section 1, these approaches fall short when it comes to understanding and disclosing product impact. Thus, it is necessary to look beyond any one methodology or set of standards to determine how a company might approach product impact. The best practices outlined here draw from leading impact methodologies, global standards bodies, and the perspectives of investors, policymakers, impact advisors, and researchers.

Figure 5. Five Principles for an Effective Approach to Product Impact



Source: Author's analysis, based on expert interviews review of impact management best practices, leading standards bodies, academic research, and corporate practices

#1 TIE IMPACT TO THE CORE BUSINESS

As referenced in Section 3, what a company chooses to measure and report on within product impact should be directly and explicitly tied to the business. Investors and regulators want to understand how a company at its core is affecting consumers and communities. In other words, to what extent is the business and revenue model—the company's reason for existing—aligned with societal value?

While philanthropic initiatives—including those tied to products (e.g., donating X number of products to underserved consumers)—can reflect well on a brand, they are not sufficient in demonstrating a company's commitment to and potential for positive impact. For many stakeholders, companies that lead with corporate social responsibility come across as *less* rigorous and authentic in their impact, compared to companies that lead with impacts from core products or at least back up corporate social responsibility initiatives with product impact.

One institutional investor explains:

> *"We think it's great when there are charitable contributions, but **when you can make connections to future and current revenue alignment from expanding your market reach,***

> ***that's the hook**… Pro bono activity—it's a credential, but it's not an investment thesis for us… If there are particular points that show this investment in sustainability might have revenue potential in the future—that's the bait that someone like us would gravitate towards."* [106]

Companies can be hesitant to name potential impacts tied to their core products and services, concerned that once they do so, they will be penalized for not making enough progress. While this is a risk, it appears limited relative to the upside of increased credibility. A leading advisor on corporate communications and public relations explains that even if a company can't report progress on outcomes in the near-or medium-term, companies still earn trust by identifying impacts relevant to the core business and communicating whatever is possible:

> *"Have a roadmap—commitments that are clear. And then start communicating about those as soon as you can…**If you start to bring people along with you, you'll start to have success**."* [107]

#2 STREAMLINE KEY INFORMATION

Too often, impact information is cumbersome to track down. It might be presented separately from key financial information, housed outside of obvious or highly visible webpages, and/or organized without a unifying framework. When this is the case, key impact information that companies take time to prepare and disclose may go unnoticed.

When asked about where and how they source ESG information, one investor explained:

> *"ESG's relevance on stock performance is still very much to be determined. So, [we're] **spending less time on sustainability data than the fundamental analysis** [related to financial performance] …It's got to be frustrating for companies—disclosing information that we don't always see."* [108]

While all relevant impact information can't and shouldn't be crowded into annual reports, financial statements, or homepages, it is important to introduce key product impact metrics in these highly trafficked spaces. More detailed impact information can then be made accessible directly from well-trafficked resources (e.g., through linked references in an annual report).

It is equally important that that impact information be organized via a consistent framework or theory of change across documents (e.g., through the same set of material impact areas). This helps ensure that even the most resource- and time-constrained stakeholders understand the company's impact potential and that stakeholders who consume more detailed analysis don't get lost in an expanse of impact information. As a representative from one of the global standards bodies explained:

> *"What reporting framework are you using? **Many companies are using more than one framework, and there are costs to that**. Outside stakeholders can't make sense of it most of the time… If it were me, **I would put [impact information] somewhere it can be found right away**—why not put it in the ND&A? Then if you say something in the front [of a report], you should follow up with data in the back of the report… **It's the layers of the onion that a company puts out for consumption**… **You need to put in the effort to have each layer of the onion reflect what you need it to**…"* [109]

#3 EMBRACE FLEXIBILITY

Investors, regulators, consumers, and consumer advocates bring their own beliefs and theses about a company's impact potential. Moreover, stakeholder priorities can change, even over a relatively brief period of time, based on shifting market dynamics, public discourse, and regulation.

Given this, it is important that a company's approach to product impact is flexible enough to address stakeholders' varying questions and goals. Tactically, companies can do this by identifying and managing against a wide range of data relevant to material impact topics; sharing headline information with nested details for stakeholders who want to dig deeper (per Principle #2); and creatively bundling and unbundling metrics to meet the interests of a specific audience.

Investors in particular seem to prefer more data, not less, so that they can source what is most relevant to their specific investment theses. As one advisor explains:

> *"**Investors are insatiable—they want all the data.** You can't give them too much of it. They don't want to be told what matters but instead [investigate] for themselves… **One investor might think a topic is out in the ozone and another investor thinks it's essential to enterprise value**… Who's to say which investor is right or wrong?"* [110]

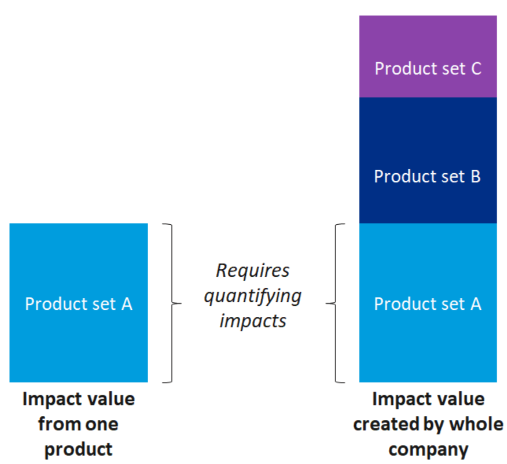
In line with this observation, an institutional investor shares their team's preference for defining impact potential on their own terms:

> *"**[Materiality] is very much internally defined**. We would like to take the fundamental analysis we already do—the story that exists as a prerequisite to our investment—and then find the connection to ESG concepts..."* [111]

J.P. Morgan Asset Management also has a nimble approach to ESG assessment. The process involves researching factors that may be uniquely material to a given investment group or industry, as described in their Approach to ESG Integration statement: "…financially material ESG factors will differ across investment groups, and we do not mandate that each investment group implement ESG integration in the same way…" [112]

Ultimately, an investor's desire to track down information aligned with their own idiosyncratic approach to ESG elevates the importance of a nimble approach to reporting. Specifically, being able to bundle and unbundle product impact metrics can help companies disclose data at the level of analysis most relevant to a given stakeholder (e.g., a regulator interested in data security for a specific product versus an investor interested in digital stewardship at an enterprise level).

Figure 5. Simplified Example of Bundling & Unbundling Product Impacts



Source: Author's depiction, based on the Impact Management Platform's approach

#4 QUANTIFY AND VALIDATE OUTCOMES

Many corporate approaches to impact focus on qualitative information and process metrics (i.e., inputs and outputs), rather than quantitative outcomes. Yet, for stakeholders to feel confident about a company's core impact potential, companies should aim to identify, quantify, and validate outcomes on consumers and society.

For instance, companies often describe management's approach to social impact (a qualitative process metric), report the number of hours spent training managers on consumer privacy (a quantitative process metric), or offer a handful of anecdotes about how a customer benefitted from a product or philanthropic initiative (a qualitative outcome measure). While these metrics are valuable, they are not sufficiently compelling in describing impact, particularly product impact.

One policy expert focused on fintech explains:

> *"There's **not a lot of specifics** to it when [companies] talk about financial health and inclusion – it's more stories, not strategic."* [113]

In another example, a fintech investor describes the lack of quantitative approaches to impact:

> *"Everyone is talking about financial health, but no one is doing anything internally. First and foremost, **you've got to measure…and there aren't that many organizations measuring**… If you don't measure, you can't prove the business case. That's where the rubber meets the road..."* [114]

In identifying outcomes, companies should focus on first-order impacts—that is, those impacts that are reasonably associated with direct use of a product or service—rather than downstream impacts. A first order outcome in fintech might include household access to basic financial services, while a downstream impact might include increased ability to buy essential goods due to improved savings or credit. As you move further away from the moment of product use, companies have increasingly less control over outcomes and face increasing complexity in tracking impact.

It is also essential that companies quantify the positive *and negative* outcomes that might result from a product or service. An approach that selectively ignores risks associated with product use will undermine a company's reputation. To further validate impact, outcomes should be considered against baselines or industry benchmarks, where relevant, and companies should engage in external assurance or audit processes. Today, assurance is far too infrequent a practice: globally, less than a third of large companies assure sustainability information through an audit or audit-affiliated firm.[115]

In a world where more than 80% of investors question the accuracy of ESG disclosures and expect companies to overstate impact, a quantified and validated approach to impact reporting may be a powerful differentiator.[116]

#5 LEVERAGE TRUSTED STANDARDS

As outlined in Section 3, the existing set of industry-relevant standards are insufficient alone to define product-related impact, particularly for fintech companies. Yet, where possible, companies should try to leverage relevant standards from existing standards bodies, in addition to identifying their own metrics. As an impact expert explained:

> *"But if it looks like a marketing brochure at the end of it, I'm going to call bullshit… **The only way it's going to be credible is if it buys into a global standard**..."* [117]

Today, companies and investors turn to a range of frameworks as part of ESG integration, including the Sustainability Accounting Standards Board, Global Reporting Initiative, IRIS+, the United Nations Global Compact standards, the World Economic Forum's Sustainable Capitalism Metrics, and the UN Sustainable Development Goals (SDGs). In a global survey of institutional investors, each of these standards were cited as useful by 90% or more of investors.[118] SASB and GRI led the pack as the most frequently cited, although in the context of product impact for fintech, GRI is likely less useful than SASB given GRI has not produced industry-specific standards for industries relevant to fintech.

SASB's standards in particular appear increasingly important since they are expected to integrate with forthcoming standards from the International Sustainability Standards Board (ISSB). ISSB was announced in November 2021, and over the next several years it will define consolidated, global sustainability disclosure standards. ISSB is committed to building off existing standards such SASB, and as such companies are advised to continue using existing standards while they wait for ISSB. One expert on sustainable reporting standards advises on how companies should move forward:

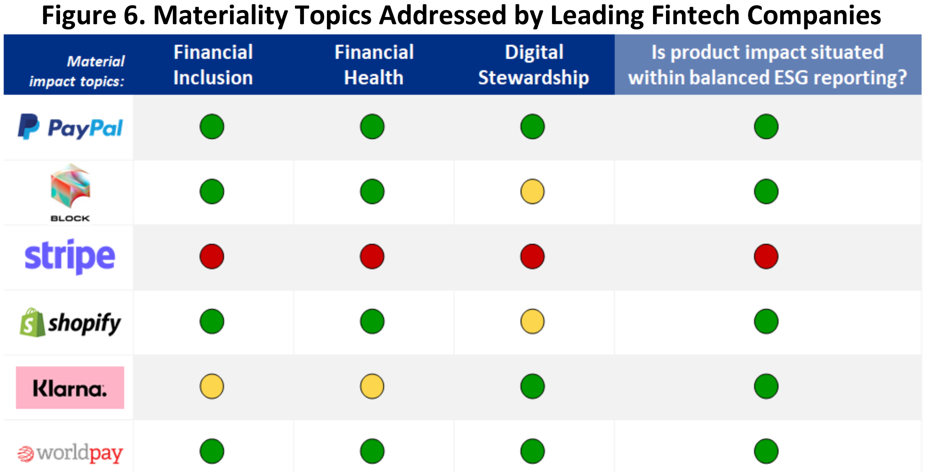
> *"Go back to the existing standards. FASB rhymes with SASB for a reason.[d] You ought to be using SASB, because **when SASB folds into ISSB, you're going to recognize the stuff coming out of ISSB** and you're going to have an easier time."* [119]

Fintech Alignment with Product Impact Principles

Having outlined general principles for effective measurement and reporting on product impact, let's turn to fintech in particular. Six major fintech companies were benchmarked to better understand ESG approaches in the industry. Benchmarking reveals consistent alignment with materiality topics for fintech products—financial inclusion, financial health, and digital stewardship (see Section 3 for detail). Yet, few of companies report product impact in a way that is streamlined, quantified, and flexible.

In terms of materiality topics, most companies acknowledge elements of financial inclusion, financial health, and digital stewardship, and do so within a balanced ESG framework (that is, product impacts are not overshadowed by E or G). Yet, companies vary considerably in the extent to which they address each topic. For instance, most companies acknowledge financial inclusion at a high-level, but few address inclusion for specific underserved groups such as women and/or racial and ethnic minority groups.

Figure 6. Materiality Topics Addressed by Leading Fintech Companies



Source: Company materials, including annual reports, ESG disclosures, and thought leadership

[d] FASB is the Financial Accounting Standards Board, the standard-setting body for accounting in the United States

In terms of the principles for strong approaches to product impact, leading fintech companies can significantly improve their approaches, with little consensus or leadership on what good looks like. For instance, impact reporting was relatively scattered (in reference to Principle #2 regarding streamlining information). Companies also varied significantly in how they organized impact information. One company, Block, focuses on an annual Corporate Social Responsibility Report, while Klarna's annual reporting focuses on ESG.

Similarly, most companies publish impact reports in addition to other ad-hoc reports, and there is limited consistency in frameworks used across resources. Consider Worldpay: Worldpay includes ESG disclosures in its annual proxy statement, as well as a Global Sustainability Report, a Give Back report, and a sustainability section of the website. Yet, Worldpay lacks a consistent and unifying framework across these materials.

Companies also fail to consistently quantify outcomes for material impact topics. PayPal, Shopify, and Worldpay lead the pack, providing select outcomes data, but this is overshadowed by input and output metrics (e.g., working capital distributed to small businesses, number of legal requests received related to data transparency). Yet, even where product impact is quantified, companies lack the internal capacity to measure year-over-year. For instance, Shopify reports on economic activity generated by merchants on their platform (an outcome related to financial health). While this is powerful impact information, the analysis was conducted by an outside consultant as a one-off study separate from Shopify's ongoing sustainability reporting.

Moreover, rather than wade into the complexity of defining and measuring material outcomes, companies seem to focus on quantifiable information beyond the scope of product impact such as data on carbon emissions, internal workforce diversity, and corporate social responsibility.

Figure 7. Fintech Alignment with Principles of Product Impact

Product impact best practices:	Tie Impact to Core	Streamline Info	Quantify & Validate	Enable Flexibility	Leverage Standards
PayPal	🟡	🟡	🟡*	🟡	🟢
BLOCK	🟡	🔴	🔴	🔴	🔴
stripe	🟡	🔴	🔴	🔴	🔴
shopify	🟢	🔴	🟡	🟡	🔴
Klarna.	🔴	🟡	🟡*	🟡	🔴
worldpay	🟡	🟡	🟡	🟡	🟢

*Source: Expert interviews and review of impact management best practices, standards bodies, academic research, and corporate practices; Note:*Indicates companies whose most recent impact report was assured by a third-party*

PayPal's Chance to Lead

Given the lack of consensus among fintech players, PayPal has an opportunity to set the standard for product impact in the industry. PayPal already stands out in leveraging standards, assuring impact data, and addressing each of the core materiality topics. PayPal can build off these leading practices by adopting an approach to product impact that more consistently streamlines key information, quantifies outcomes, and enables flexibility among stakeholders engaging with impact data.

Figure 8. Priorities for PayPal's Approach to Product Impact

- Introduce product impact in **key documents** (annual report, 10-K form, Global Impact Report)
- Use product impact **material topics** as a **consistent framework** to organize impact metrics across documents

- Identify and track **priority outcomes and intermediate measures** for each material topic
- Undergo **external assurance** for impact reporting

- Disclose a **range of key metrics** for each material topic, backing up summary data with **links to more detailed** analysis
- Creatively **bundle / unbundle** metrics tailored to specific audiences

Each of the practices above depends on strong metrics associated with the topics most material to product impact. Thus, it is important to offer a starting place for measures PayPal and other fintech companies might consider within each topic. The metrics below draw from fintech experts, standards bodies, and consumer advocacy organizations. Since outcomes metrics may take considerable time and resources to develop and track, PayPal can use a combination of process and outcomes metrics.

Figure 9. Impact Metrics Framework Fintech Products & Services

	Financial Inclusion	Financial Health	Digital Stewardship
Impact Goal	Equitable access to quality financial services for underserved groups	Improved financial resources, stability, and resilience	More secure, open, and transparent technology
Relevant process metrics	• Affordability/pricing • Complaints/claims of predatory behavior • Partnerships to expand reach	• Complaints/claims of hidden fees • Financial literacy/health tools built into products • % of transactions used to weather crisis	• Security & privacy protocols • % products with transparency messages, permissions systems
Relevant outcome metrics	• % merchants who are SMBs • % users who are BIPOC, women, low-income • Trust/quality ratings by group	• % of users whose financial resources increased, % whose resources stabilized • % users with "healthy" Financial Health Network score	• Data breaches (as % of attempted attacks) • Complaints/claims of misuse of data • % of products interoperable
Frameworks and standards used to define metrics	• *CFPB, Financial Health Network, Fair Finance, UN, World Bank* • *SASB (limited), SDGs, IRIS+*	• *CFPB, Financial Health Network, Fair Finance, UN, World Bank* • *SASB (limited), SDGs, IRIS+*	• *Digital Inclusion Benchmark, Principles for Digital Dev, Fair Finance* • *SASB, GRI*

Source: Expert interviews and review of impact management best practices, standards bodies, academic research, and corporate practices

Section 5: Innovations to Quantify Product Impact

The recommendations outlined in the last section reflect ways PayPal can iterate on its current approach to ESG to better measure and communicate product impact. This next section goes further, presenting an opportunity for PayPal to innovate with a new approach to quantifying product impact.

Impact-Weighted Accounting

Impact-weighted accounting (IWA) is an accounting approach that captures a company's social and environmental impacts in monetary terms, alongside financial performance. The Impact-Weighted Accounts Project, housed at the Harvard Business School and led by George Serafeim, developed the IWA methodology to "create accounting statements that transparently capture external impacts in a way that drives investor and managerial decision making".[120] As one of the project leaders explains:

> *"I think this framework [Impact Weighted Accounting] forces companies to be **more systematic**… By falling back on the rigor of the framework and well-documented research, **corporate leaders can be held more accountable**."* [121]

Specifically, the team has built out distinct approaches to capture a company's impact on the climate, on its employees, and on customers and broader society through use of its products and services (i.e., accounting for product impact). The latter is directly relevant for how PayPal might innovate in quantifying the impact of its products and services.

Product impact accounting estimates in monetary terms the social value associated with consumption of a product, as opposed to impacts associated with production of a product (i.e., supply chain and operational impacts). The approach breaks down product impact into four primary components: reach, customer use, environmental use (i.e., environmental impacts from customer using products), and end of life environmental impacts (Figure 10). As with impact materiality, product impact accounting is industry specific—that is, what defines each component of the framework depends on the industry. So far, the IWA Project has developed templates to guide impact accounting for consumer-packaged goods, credit cards, airlines, media, oil and gas, pharmaceuticals, telecommunications, and water utilities.

Figure 10. High-Level Framework for Product Impact Accounting

Reach		Dimensions of Customer Usage			Env Use	End of Life
Quantity	Duration	Underserved	Quality	Optionality	Pollutants & efficiency	Recyclability
Magnitude of individuals reached and where relevant durability of products		Extent to which underserved groups access product	Health, safety, effectiveness, and inherent need or goodness	Ability to choose products without coercion and with full information	Pollutants and efficiencies enabled through customer usage	Projected product volume recycled at end of product life

Source: Adapted from the Harvard Business School Impact Weighted Accounts Project's Product Impact Accounting

Based on a given industry template, a value for each component is calculated and components are summed to give a single impact value (positive or negative). Impact values are then scaled by revenue or EBITDA (i.e., impact divided by revenue or EBITDA) to create estimates for how revenue aligns with impact.[122]

In applying product impact accounting, the IWA Project compares impact for companies within the same industry, but cautions against comparisons between companies in different industries, given industry variation in how impact is calculated and average impact potential. For instance, average product impact (scaled to revenue) for a set of leading credit card companies was found to be 14% while average product impact for a set of consumer-packaged goods companies was found -22%.[123, 124]

The product impact accounting method has been designed to ensure it is actionable, cost-effective, and scalable for a range of stakeholders, including companies, investors, and consumer advocates, and the approach already has traction. For instance, the IWA Project has support from the Global Steering Group for Impact Investment, which brings together leaders from finance, business, and philanthropy across 33 countries and the EU. Team members from the IWA Project have also collaborated with IRIS+, the most widely used platform for investors analyzing impact.

For investors, the approach might help inform investment decisions. For instance, BlackRock's Global Impact team, which focuses on public equity investment strategies, worked with the IWA Project to pilot product impact analysis for consumer finance (credit cards in particular) and telecommunications. The team found that the approach was helpful in comparing companies within the same industry and in identifying core drivers of impact.[125]

For companies, product impact accounting offers several strategic benefits. It allows companies to rigorously quantify impact in a way that is comparable and financially relevant. This can help a company stand out against competitors who may claim impact without effectively demonstrating it. In turn, companies quantifying impact may be better positioned to secure investment, attract and retain customers, and address concerns from regulators and consumer advocates. Product impact accounting can also help companies weigh strategic tradeoffs across a portfolio based on how different products perform on impact and revenue.

Product Impact Accounting for Fintech: A Case Study on Transactions

Because fintech includes a wide range of products and services, a single template for all fintech products would be too generalized to be useful. Instead, fintech can be divided into distinct product categories, with unique templates for each category driven by consistent impact considerations.

Figure 11. Product Categories for Fintech Products & Services

	Transactions	Savings	Lending	Credit
Relevant products & services	• Trade • Remittances • Government distributions • Donations • Bill pay	• Direct deposit • PayPal Cash Card • Savings and goals	• Buy Now, Pay Later (point-of-sale loans) • Business loans	• PayPal Credit • PayPal Cards

Impact considerations

- What barriers to access might exist for different groups? Do some groups have more/less choice?
- How are sales and distribution strategies (pricing, hidden fees, marketing) aligned or misaligned to impact goals (financial inclusion, financial health, digital stewardship)?
- How does effectiveness (including safety/security), product satisfaction, and trust vary across groups?
- What would bias look like for a given product? What processes will help identify and mitigate bias?
- What partners might help serve underserved segments? What partners might undermine impact?

Source: Author's research and analysis

This case study focuses on product impact accounting for fintech-enabled transactions, given transactions represent the bulk of PayPal's business (92% of revenue in FY 2021).[126] The choice to focus on PayPal's largest product category aligns with the IWA methodology:

> *"…We always approach product impact as disaggregated. If the company has a wide portfolio of products and services, we might* ***focus on largest product and services*** *to streamline the analysis and then disclose that this only represents say 60% of revenue."* [127]

The template for fintech transactions identifies the main drivers of impact for each component included in the IWA's product impact accounting framework.

Figure 12. Product Impact Template for Fintech-Enabled Transactions

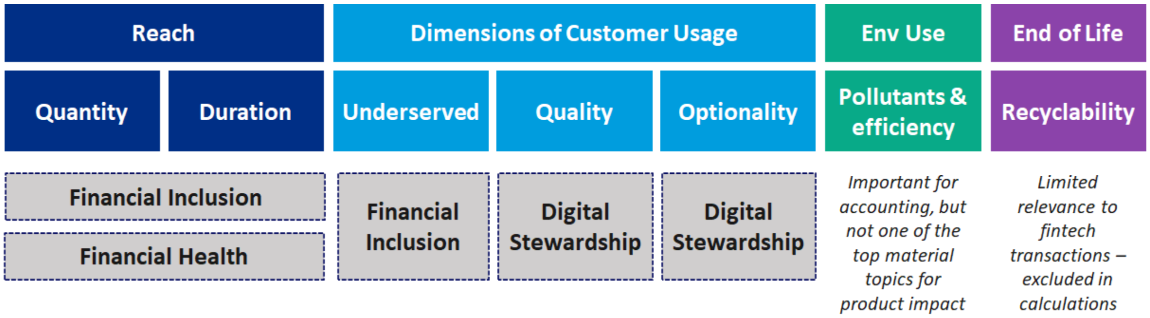
Reach		Dimensions of Customer Usage			Env Use	End of Life
Quantity	**Duration**	**Underserved**	**Quality**	**Optionality**	**Pollutants & efficiency**	**Recyclability**
Transaction volume x **PayPal vs. industry fees** per transaction, broken out by: • Trade (merchant/consumer transactions) • Remittances • Donations • Government services • Bill Pay		Underserved customers reached x **Social value of inclusion**, broken out by: • SMB merchants • Low-income consumers	Transaction volume x PayPal vs. industry **transaction loss rate & authorization rate**	Transaction volume x Percentage of transactions affected by **consumer protection violations** (negative impact)	Number of unique transactions x **Social cost of carbon emissions** per transaction	*Limited relevance to fintech transactions – excluded in calculations*

Source: Author's research and accounting analysis, grounded in the Impact-Weighted Accounting Project's product impact templates

Reach is driven by the affordability of PayPal transactions relative to other platforms, considering separately transactions for trade, remittances, donations, government services (e.g., disbursement of Paycheck Protection Program loans), and bill pay. Access for underserved groups is driven by the social value of including traditionally excluded businesses and consumers, focused on small- and medium-sized businesses and low-income consumers. Quality of products is driven by the effectiveness of PayPal's platform relative to other platforms, as measured by transaction rate and authorization rate. Optionality is driven by consumer protection violations based on relevant regulation, as a proxy for coercing customers (e.g., if the Consumer Financial Protection Bureau has pursued enforcement actions against a company for unfair or deceptive practices, what percentage of transactions/consumers were likely affected?). Finally, environmental usage is driven by the social cost of carbon emissions created by transactions. End of life recyclability of products is not included given fintech transactions do not reflect discrete physical products discarded at the end of use.

The drivers of impact defined in this accounting template align with fintech materiality topics introduced earlier in this paper (see Figure 12 on the next page). Specifically, financial inclusion and health are reflected in reach (affordability) and access for underserved groups, while digital stewardship is reflected in product quality and optionality.

Figure 12. Material Fintech Topics Aligned to Product Impact Accounting Dimensions



Source: Author's research and accounting analysis, grounded in the Impact-Weighted Accounting Project's product impact templates

Having defined a template for fintech transactions, calculations were performed to estimate the impact from PayPal-enabled transactions in the United States in 2021. The IWA approach suggests separating impact analysis by region where possible, given differences in what constitutes affordability and an underserved group. For instance, IWA recommends incorporating differences in reach across income or racial groups for developed markets, but not necessarily for emerging markets where all customers might reasonably be considered "underserved". As a starting point, this analysis focuses on the United States since it is PayPal's largest market, representing 61% of total payment volume in FY 2021.[128]

The following table summarizes the key datapoints needed to complete the analysis. For those interested in the detailed approach to calculations, please reach out directly to the author.

	Datapoint *(specific to region)*	**Explanation**
Financials	Product revenue & EBIDTA	Sourced from company materials
Reach	Number & volume of transactions	Sourced from company materials
	Number of unique users	Sourced from company materials
	Company average transaction fees *For trade, remittances, donations, government services, and bill pay*	Sourced from company materials
	Industry average transaction fees *For trade, remittances, donations, government services, and bill pay*	Estimated based on industry reports on average fees for each type of transaction
Underserved	Unique users in underserved groups *For SMBs and low-income consumers*	Sourced from company materials
	Social value of inclusion *For merchants and consumers*	Assumption based on GDP contribution per SMB and household financial improvement from accessing basic transfer-based financial services
Quality	Company transaction loss rate	Sourced from company materials
	Industry transaction loss rate	Estimated based on industry report
	Company authorization rate	Sourced from company materials
	Industry authorization rate	Sourced from industry report
Optionality	Number of consumer protection violations	Sourced from company materials, based on local regulation for financial services
	Percentage of transactions affected by violations	Estimated based on type and scope of violations
Env. use	Carbon emissions per transaction	Sourced from company materials
	Social cost of carbon emissions	Assumed based on academic research

The preliminary analysis reveals that affordability (a component of reach) for merchants and access among underserved SMBs are the largest drivers of impact for PayPal, in monetary terms. In part, this reflects the fact that merchant trade is the most common type of transaction for PayPal, representing roughly 70% of total payment volume from transactions in the United States in FY 2021. It also reflects limited data in other areas of the template, including data on access by low-income consumers and affordability for government services and bill pay transactions. Therefore, as the template and data inputs are refined, this initial finding might shift.

Even with data limitations, this initial analysis reveals the power of the product impact accounting method. Through a systematic approach to quantifying impact, it is possible to identify a company's greatest opportunities and risks for impact. For instance, as PayPal continues to expand its products and services, how can it leverage its existing strength in serving SMBs through product enhancements or new product offerings? On the flip side, if PayPal were to make significant changes to its pricing model for merchants, that might undermine its core source of impact—affordability for merchants. In contrast, shifting the donation fee structure might pose less risk to overall impact, since PayPal is less differentiated on donation affordability. Finally, the model highlights an opportunity for PayPal to increase impact through growth of remittances. PayPal is significantly more affordable than other options for cross-border remittances, and remittance volume is expected to grow by 4.7-5.9% in the coming years, from USD $730 billion in 2021 to $811 billion in 2023.[129] If PayPal can continue to expand remittances via its platform, it may be a path to both impact and revenue growth.

Moving Forward with Product Impact Accounting

This paper reflects a first step towards impact-weighted accounting for fintech products and services. Moving forward, there are several ways that PayPal and other stakeholders in the fintech industry might build off this preliminary template for transactions.

First, there is an opportunity for continued iteration to ensure the transactions template captures the key drivers of impact. As the IWA Project team explains, product impact accounting requires ongoing creativity and collaboration given the inherent complexity in trying to quantify social value. PayPal might also decide to expand the scope of what it measures based on datapoints that are currently difficult to calculate and/or missing entirely. When approaches to quantifying impact are more idiosyncratic rather than systematic, there may be less incentive to expand internal measurement processes, since impact reporting does not depend on any given datapoint. Yet, with product impact accounting, there is a clear incentive for better data to unlock more accurate, and likely higher, impact values scaled to revenue.

In addition, PayPal might choose to apply the transactions template to regions beyond the United States. An analysis of impact in emerging markets might reveal important opportunities for impact aligned with revenue that differ from opportunities in developed markets. On a similar note, there is an opportunity to build templates for other products and services, such as for PayPal's credit products and savings. This would allow PayPal to compare impact and revenue potential across its portfolio and potentially inform decisions about where to invest in product innovation.

Finally, product impact accounting could become a tool for internal alignment and operational excellence, if introduced across teams and initiatives. For instance, efforts focused on investor and government relations might be able to leverage shared product impact accounting processes given the approach captures impact alongside revenue. Similarly, product impact accounting might offer a shared language and frame of reference for considering impact among different product teams.

Risks and Considerations in Product Impact Accounting

There are several important risks and considerations to acknowledge in the context of applying product impact accounting.

First, there is a possibility that companies and investors build and adopt product impact accounts without engaging the consumers and communities directly impacted by a given product or service. This runs the risk that templates fail to focus on the impacts that are most relevant and significant to those most affected. For instance, in quantifying product optionality, PayPal should engage consumers on what it means to be free of coercion in choosing financial services. While the preliminary template offered earlier in this section hinges on consumer protection violations, there may be more accurate proxies for optionality based on consumer experiences. Similarly, in quantifying affordability, it may not be sufficient to define affordability broadly based on industry benchmarks: if PayPal were to engage merchants and customers from underserved groups, how might the threshold for affordability shift?

There is also a risk of reducing impact to a set of numbers. While quantifying impact is important to track and compare impact within a company and across companies, some elements of societal value are inevitably lost in the reduction of impact to a number. As such, product impact accounts can be presented alongside more holistic, nuanced depictions of impact, such as qualitative measures and narratives that speak to the lived experiences of diverse consumers.

Relatedly, there is a risk of translating impact into monetary terms in particular. There is a natural discomfort in attaching financial value to human life. Can a sense of agency over one's financial health really be captured in monetary terms? Does attempting to do so undermine the inherent value of human life and/or dehumanize us? It is also possible that talking about impact in financial terms suggests social impact should only be pursued to the extent that it is monetizable. This is a real concern, which feeds into broader debates about the role of corporations in society and the appropriateness of stakeholder versus shareholder capitalism.

In moving forward with product impact accounting and other methods of quantifying impact, it will be important to mitigate these risks and continuously weigh tradeoffs in embracing a financial approach relative to more humanistic approaches. The most effective path forward probably reflects a "both/and" approach, where rigorous product impact accounting can be paired with robust, consumer-centered reflections on how products impact lived experiences.

Conclusion

Overall, this paper has set out to describe how fintech companies can approach product impact as a means of driving societal and strategic value.

It is clear that we are at an inflection point in the evolution of ESG: investors, regulators, and consumers increasingly want to see how companies have aligned revenue and impact. This trend is particularly relevant for fintech, given the opportunity to drive impact through financial inclusion, financial health, and digital stewardship. Yet, current approaches to impact measurement and reporting in fintech fall short, with limited leadership and rigor in how impact is captured.

PayPal has an opportunity to lead among fintech players by embracing product impact in its approach to ESG. There are several steps PayPal can take to ensure product impacts are effectively captured and communicated. PayPal can:

- **Streamline information**, using materiality topics for fintech products (financial inclusion, financial health, and digital stewardship) as a consistent framework to organize impact metrics across documents;
- **Quantify and validate outcomes and process metrics** aligned with each materiality topic, including undergoing external assurance for impact reporting; and
- **Enable greater flexibility for stakeholders** engaging with product impact information by disclosing a range of metrics and offering analysis at various levels of detail appropriate for different audiences.

PayPal also has an opportunity to innovate by adopting product impact accounting, a new methodology to capture the social value created by products alongside financial value. Applied to fintech products and services, impact-weighted accounting is a way to systematically quantify impacts related to financial inclusion, financial health, and digital stewardship—topics that have not been adequately addressed by existing impact standards bodies.

As the one of the largest fintech players globally, PayPal is uniquely positioned to advance the industry's approach to impact. By embracing product impact through any combination of the recommendations above, PayPal can set a new impact standard for the industry and provide a model for other companies aspiring to link impact and value.

Appendices

1. **PayPal ESG Performance Metrics by Impact Area**
2. **Reporting Standards & Frameworks Relevant to Fintech**
3. **Federal Regulators in Fintech**
4. **IFRS General Requirements for Disclosure of Sustainability-related Financial Information**
5. **Expert Interviews**
6. **Works Cited**

Appendix 1. PayPal ESG Performance Metrics by Impact Area

	% of all ESG metrics reported	% of metrics aligned with 1+ standards body	% of metrics that are quantitative
Social Innovation	16%	9%	87%
Employees and Culture	57%	96%	90%
Environment	16%	74%	78%
Responsible Business	11%	100%	31%
Total	--	79%	81%
Total, excluding Social Innovation	*84%*	*92%*	*80%*

The low percentage of metrics aligned to standards bodies reflects the fact that existing standards provide limited metrics related to financial inclusion and health

Source: PayPal's 2020 Global Impact Report

Appendix 2. Reporting Standards & Frameworks Relevant for Fintech

Appendix 2A. Existing Standards Relevant to Fintech Materiality Topics

	Financial Inclusion & Health	Digital Stewardship
Sustainability Accounting Standards Board (by industry)	Commercial Banks • Financial Inclusion & Capacity Building *(too high level to be quantified)* • Incorporate ESG into Credit Analysis Consumer Finance • Selling Practices *(too high level to be quantified)* Software & IT • No relevant metrics	Commercial Banks • Data Security Consumer Finance • Data Security • Customer Privacy • Selling Practices *(too high level to be quantified)* Software & IT • Data security • Customer Privacy • Systemic Risk Management from Tech Disruptions
Global Reporting Initiative GRI)	• No relevant metrics	• Data Security (418-1) • Customer Privacy (404-1, 2, 3)
Sustainable Development Goals (SDGs)	• Goal 1: End poverty in all its forms every (1.4) • Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all (8.10) • Goal 10: Reduce inequality within and among Countries (10.1)	• No relevant metrics
IRIS+ (managed by the Global Impact Investing Network)	• Improving Access to & Use of Responsible Financial Services for Historically Underserved Populations *(limited scope)* • Improving Financial Health *(limited scope)* • Increasing Gender Equality through Financial Inclusion • Supporting Decent Jobs & Fostering Economic Development	• No relevant metrics (within relevant industries)

Appendix 2B. Crosswalk of Existing Frameworks Relevant to Fintech Materiality Topics

Framework	Financial Inclusion	Financial Health	Digital Stewardship	Complete set of elements relevant to product impact
Digital Inclusion Benchmark **(created by World Benchmarking Alliance)**			The company monitors, remedies, and reports cybersecurity incidents The company applies responsible practices for personal data The company mitigates digital risks and harms The company practices open innovation (e.g., interoperability)	Access The company contributes to digital technology access The company supports digital inclusivity for women and girls The company facilitates digital access for diverse users **The company discloses its direct economic contribution** Skills The company supports basic digital skills development The company supports intermediate digital skills development The company supports technical digital skills development The company supports schools connectivity Use The company assigns accountability for cybersecurity at a senior level The company monitors, remedies, and reports cybersecurity incidents The company applies responsible practices for personal data The company mitigates risks and harms Innovation The company practices open innovation The company supports technology innovation ecosystems The company collaborates on big data for sustainable development The company applies inclusive and ethical research and development
Consumer Financial Protection Bureau		Financial wellbeing definition		Defines financial wellbeing as: A state of being wherein a person can fully meet current on ongoing financial obligations, can feel secure in their financial future, and is able to make choices that allow them to enjoy life
Financial Health Framework **(created by Financial Health Network)**		Financial health definition—spend, save, borrow, plan		Spend (Spend less than income, Pay bills on time) Save (Have sufficient liquid savings, Have sufficient long-term savings) Borrow (Have manageable debt, Have a prime credit score) Plan (Have appropriate insurance, Plan ahead financially) *Defines financial health as "When an individual's daily financial systems help them build resilience and pursue opportunities over time. For individuals and households, financial health can lead to greater physical health, job and housing stability, educational success, and reduced overall stress"*
Fair Finance **(created by Flourish Ventures)**	Financial services empower people to achieve their life goals	Business models are built on consumer trust and business worthiness	People have meaningful control over how their financial data is collected and used	Financial services empower people to achieve their life goals Easy to understand by lay people (ACCESS) Suited and connected to people's real-world lives (managing cash flows, seizing opportunities, minimizing risks) Relevant and built into people's daily lives Business models are built on consumer trust and business worthiness Value clarity for customers - no hidden fees or undisclosed third-party

	payments Business incentives aligned to help customers succeed (revenue models and customers' financial health are mutually reinforcing) Transparency with customers about decisions People have meaningful control over how their financial data is collected and used People have clearest possible understanding of what data is held, who holds the data, with whom it is shared, and how it is used Robust, effective permissions system giving people the right and ability to control access to their financial data and easily move financial accounts among providers Appropriate security protocols protect financial data and apply to any part holding consumer financial data The financial infrastructure is open, low-cost, and drives competitive markets Open API tools and protocols reduce entry barriers and foster competition Digital infrastructure balances public and private ownership to maximize innovation and accountability Private-sector providers leverage common, low-cost stack of infrastructure technologies and focus on creating new applications to deliver distinct customer value Digitally-native regulation protects consumers and promotes innovation Policymakers and regulators apply and enforce the principles of consumer benefit, value clarity, and open system's architecture Regulators leverage same digital technologies and approaches that they regulate/supervise Regulation and supervision are consumer-centric, adaptive, and based on nature of service vs. organizational structure of providers

Appendix 3. Federal Regulators in Fintech[e]

Federal Reserve

The Federal Reserve is the primary supervisor of state-chartered banks in the Federal Reserve System, as well as all bank holding companies. The Fed also fosters payment and settlement system safety and efficiency.

Consumer Financial Protection Bureau (CFPB)

The CFPB serves as a single point of accountability for enforcing federal consumer laws and protecting consumers in the financial marketplace

Federal Deposit Insurance Corporation (FDIC)

The FDIC insures bank deposits and serves as the primary safety and soundness and consumer protection regulator for institutions that are not members of the Federal Reserve System. Contact the FDIC to learn about information and regulations which may affect how your firm works with banks the FDIC supervises.

Office of the Comptroller of the Currency (OCC)

The OCC charters, regulates, and supervises all national banks and federal savings associations as well as federal branches and agencies of foreign banks. Contact the OCC to learn about information and regulations which may affect how your firm works with a national bank.

State Banking Agencies

Each state has a department or agency responsible for licensing and supervising state-chartered banks, and in many cases lending companies, money transmitters and other nonbank financial companies. The Conference of State Bank Supervisors (CSBS) is the nationwide organization of the state banking agencies. Its Vision 2020 initiatives aim to streamline licensing and harmonize supervision of nonbank financial firms across states.

Commodity Futures Trading Commission (CFTC)

The CFTC regulates the futures and swaps markets, including energy, metals, and various financial products. The mission of the CFTC is to foster open, transparent, competitive, and financially sound markets. While the CFTC is not a banking regulator, fintech companies can communicate with the CFTC and receive help understanding the CFTC's approach to oversight via the agency's LabCFTC hub.

[e] List taken directly from the Federal Reserve Bank of San Francisco

Appendix 4. IFRS General Requirements for Disclosure of Sustainability-related Financial Information

In March 2022, the IFRS Foundation—the global accounting standards organization responsible for developing international financial reporting standards—published initial recommendations for how companies approach sustainability-related financial disclosures. The core content to be included in disclosures is captured in the image below, with an overlay (in purple) for how these areas of disclosure can be understood to relate to product impact reporting.[130]

Appendix 5. Expert Interviews

Organization	Perspective
BlackRock (multiple teams)	Investor
State Street	Investor
Base10 Partners	Investor
Flourish Ventures	Investor
IFRS Foundation	Standards body
Aspen Institute	Nonprofit intermediary
Financial Health Network	Nonprofit intermediary
Edelman	Corporate advisor
Federal Reserve Bank of San Francisco	Policy and regulation
Impact-Weighted Accounting Project	Academic

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