



nets WHITE PAPER

Carbon offset solution for digital banking

Nets Climate Action Service

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1. Why climate change solutions should be a development priority for Financial Institutions

The outcome document of the Rio+20 Conference, the Future We Want, underscores climate change as "an inevitable and urgent global challenge with long-term implications for the sustainable development of all countries". Through the document, member states express their concern about the continuous rise of greenhouse gas emissions and the vulnerability of all countries, particularly developing countries, to the adverse impacts of climate change. Given these concerns, member states have called for the widest cooperation and participation of all countries to an effective and appropriate international response to climate change.

The Global Risk Institute, in an analysis of the impact of climate change on financial institutions,

concludes that, "In order to maintain their financial health and that of the broader economy, and protect their shareholders' interests, banks must assess their exposure to climate-change related risks, implement comprehensive risk management strategies, explore new opportunities for revenue growth and provide proper climate change-related disclosure."¹

It is evident that the changes to the global climate are felt by financial institutions as well as their customers, both consumers and corporate clients. "As public awareness grows and perceptions about climate change evolve, banks should expect that continued misalignment of their financing and investment practices with the transition to a low carbon economy will lead to increased reputational risks."¹

Financial institutions should seek out new alliances and look to their trusted partners to support them in their efforts to meet these new customer expectations.

Sustainable Development Goal 13
aims to "take urgent action to combat climate change and its impact"²



1. Global Risk Institute, Climate Change: Why Financial Institutions Should Take Note (2016).

2. United Nations, Department of Economic and Social Affairs, Sustainable Development 2021.



2. The opportunity for leadership in the Green Economy

According to a study by the strategic think tank Boston Consulting Group Henderson Institute, "companies need to prepare for a world that moves far beyond current emissions policies and adopt much more ambitious emissions reduction in their strategies and planning."

Leaders should start moving their business portfolios toward low-emission solutions and prepare for declining fossil fuel consumption. They should also enter into active dialogue with their respective governments to encourage policies that help address investment hurdles.

The transition will likely be faster than expected and early movers stand to benefit. In many sectors, the shift towards climate-friendly technologies is already underway. As these technologies mature, their markets will grow, especially if governments around the world start pursuing more ambitious emissions mitigation agendas. The results of our study suggest that many will."¹



3. CO₂ compensation offset programmes: caught between credibility and feasibility

Nicolas Kreibich and Lukas Hermwille of the Research Unit Global Climate Governance in the Energy, Transport and Climate Policy Division at the Wuppertal Institute, Germany, conclude that the voluntary carbon market as a whole has not yet found a way to credibly and legitimately adapt to the new legal architecture of the Paris Agreement. It seems to be caught between credibility and feasibility.

Nicolas Kreibich, co-author of the study explains: "There is a growing discrepancy between the expectations of companies that want to use voluntary offsetting as part of their climate protection strategies and the uncertainty on the demand side of being able to provide the high-quality products required for this purpose. This is a cause for concern and could lead to a weakening of environmental integrity".²



This discrepancy can lead to a further weakening of the environmental protection programmes initiated by financial institutions and in the end lead to a loss of goodwill and credibility in the eyes of their customers. In order to avoid such situations from evolving, it is imperative that financial institutions carefully select the carbon offset programmes with whom they choose to collaborate, and that this selection is followed by mandatory and impartial assessment of the carbon offset activities on a continuous basis.

A continuous assessment of programmes can become a major task for companies and financial institutions not equipped with the capabilities, resources and experience needed to properly conduct audits of this kind.

Accordingly, it has become the norm for companies and financial institutions wanting to enter this space and take climate action to form partnerships with vendors and independent not-for-profit environmental protection organisations and foundations so that the proper measures and safeguards are taken to ensure that the company is not associated with greenwashing activities or poorly executed climate action programmes of no real benefit to the climate or the environment.

However, not all such organisations and foundations are equipped with their own audit capabilities and so financial institutions must rely on standards set by the individual organisations in an unregulated industry with no uniform and convergent ways of measuring the effect of climate activities and projects in which they invest.

This situation ends up exposing well-meaning companies and financial institutions to unknown levels of reputational risk that could have direct and prolonged adverse effects on their business activities including those of their customers and business partners.

The Nets Climate Action Service aims to provide the best solution to financial institutions wanting to help their customers support climate change while simultaneously helping issuers to mitigate the associated reputational risk. This is done through a unique combination of technologies, systems, and collaborating partners acting together to form one efficient and easily consumable service for each financial institution and its customers.

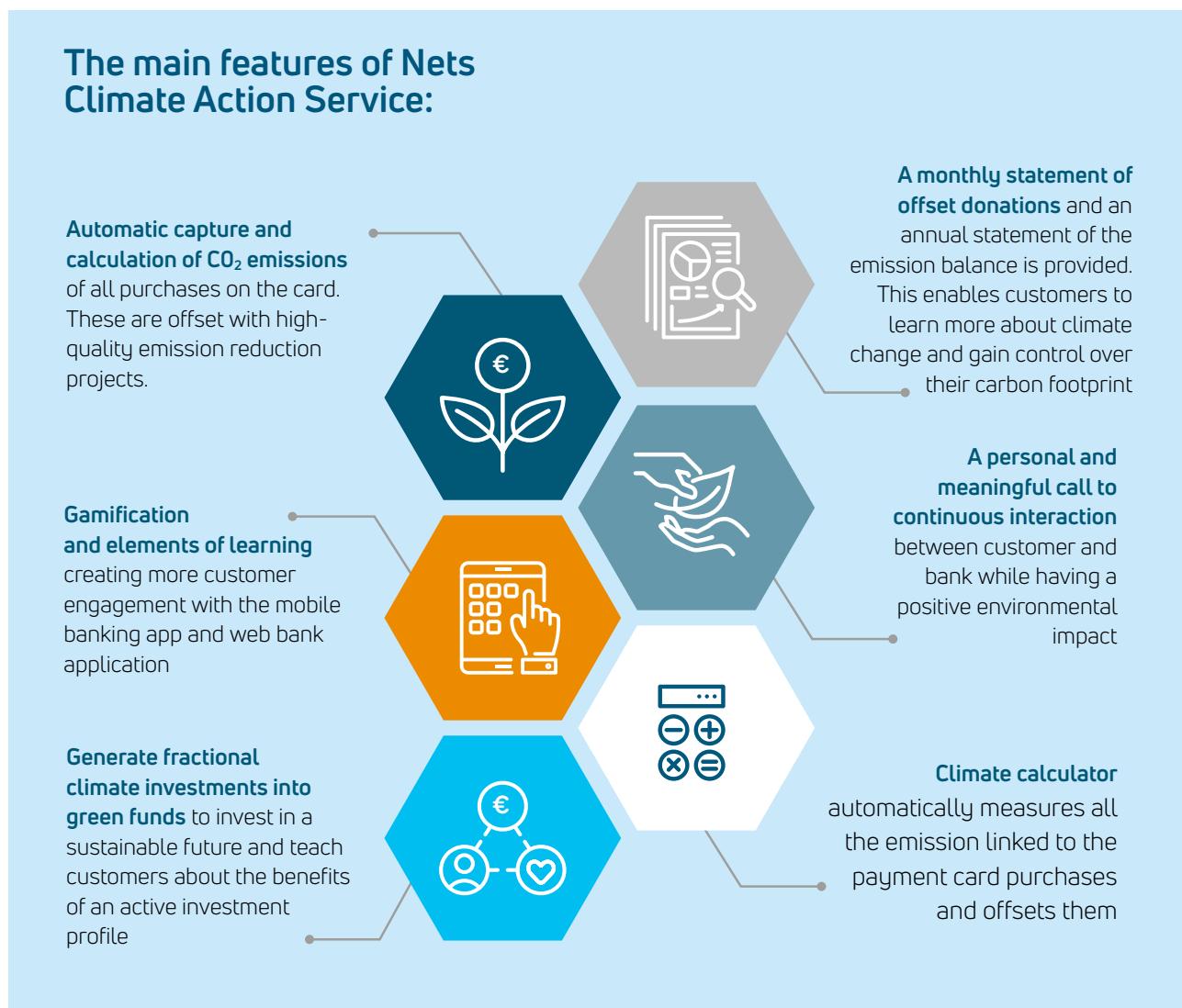
4. Nets Climate Action Service

Many of the prevailing consumer banking carbon offset solutions available today simply take user funds and apply them toward carbon offset projects without allowing the users to see what progress their donations are actually generating. With Nets Climate Action Service, users not only see where their contributions are going but they can actually choose from a number of projects to which the funds can be applied.

The goal of a carbon offset solution for digital banking

While being almost unavoidable in everyday life or business, each product and service emits greenhouse gases. This solution supports a necessary lifestyle activity by generating positive environmental impacts.

The goal has been to provide a solution that allows payment card users to proactively engage in the fight against the negative climate impact caused by personal consumption. NCAS measures and offsets all the carbon dioxide emissions from purchases. There are two types of Nets Climate Action Service, one for direct carbon offset and one for investing in sustainable funds provided by the card issuer.



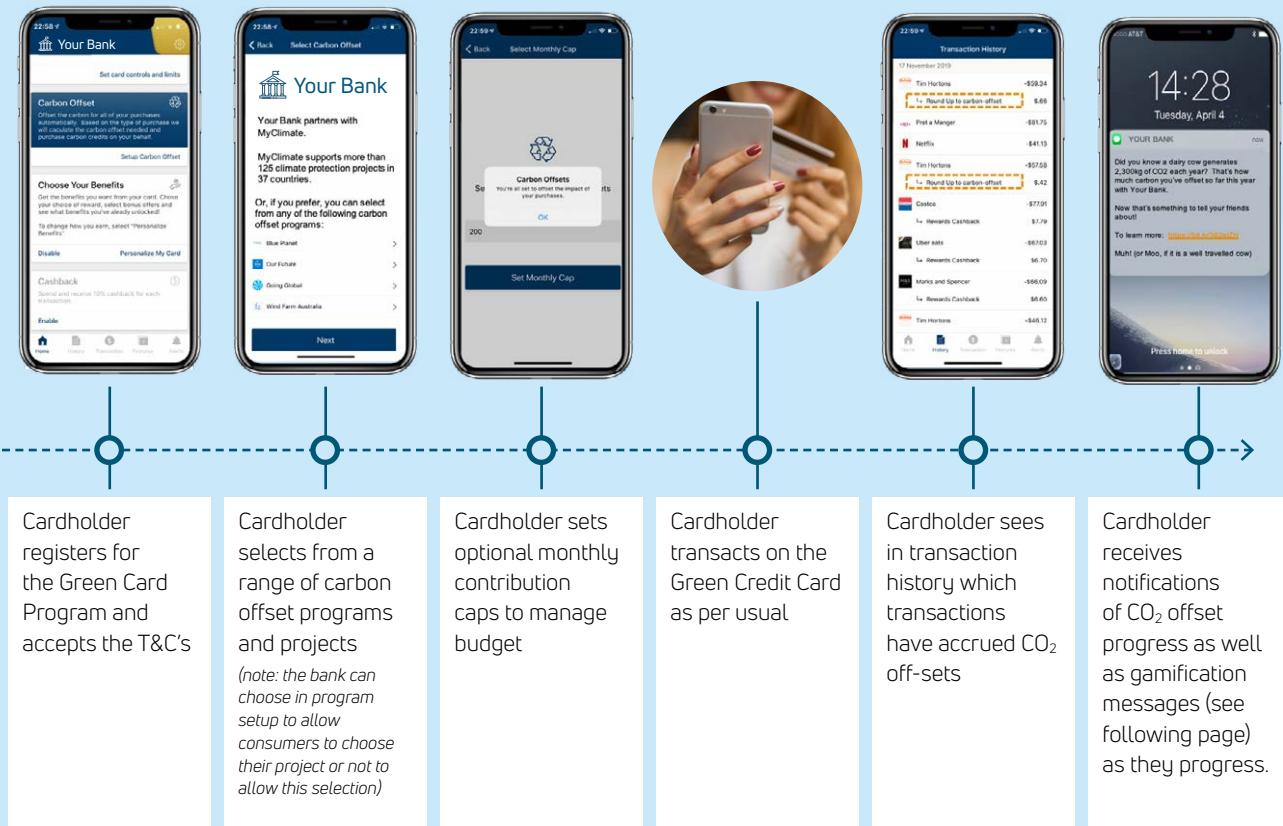
A fully digital carbon offset solution

Our climate calculator automatically measures all the emission linked to the payment card purchases and offsets them exclusively through investments in GHG emission-reduction projects – all carefully selected applying an industry-first set of particularly tough standards governed by Nets' climate compensation expert partners. The more often these cards are used, the more harmful global emissions can be offset.

With in-app reports on the total CO₂ emissions associated with purchases that they have offset customers can see their shopping translated directly into positive environmental impact. Payment card issuers can use this innovative product to boost their sustainability commitments, engage with employees, and impress stakeholders, while sharing their sustainability ambitions with their customers. Nets Climate Action Service can make a huge difference to customers who seek environmentally responsible consumption and look to their bank as a trusted advisor to help them reach their goal in a secure setting.

Nets Climate Action Service is a global first. It calculates the CO₂ emissions of all purchased goods and services, provides the card user with the CO₂ reporting of his transactions, and automatically neutralises CO₂ emissions with high-quality offsetting projects.

A great user experience



5. Empowering customers to control their own carbon offset

The Nets Climate Action Services enables card issuers to deploy specific customer engagement strategies targeting environmentally aware customer segments by allowing their customers intuitively to self-enrol in carbon offset controls solutions directly from their mobile banking app. Engagement and gamification can be tailored based on the target consumer experience and the 'tone of voice' of customer communication can be entirely determined by the issuer.

A carbon offset solution will allow the customers to track their CO₂ data against a personal budget or against prior months and give monthly/quarterly updates on donations incenting customers by showing CO₂ data for each transaction, in total for a month, or broken down by category.

Purchase categories will be adjusted in the service setup phase to fit the spend of the cardholder group and preference of the bank with core categories used with specific CO₂ intensity levels for each category including Groceries / Food, Public Transport, Petrol/ Fuel, Utilities, Retail, International Travel, Office Supplies, Financial Services, Health & Medical, and Other; a general catch-all based on a standard rate for remaining transactions.

Banks can engage consumers with a range of automated and digital notifications, ranging from simple transaction updates, to fun and engaging notifications as milestones are reached. These can tie into broader marketing or gamification initiatives such as generating alerts when milestones are reached – both for positive reinforcement, or as a warning when budgets are breached, or high levels of CO₂ occur.

6. How to partner for a better environment

Many consumers are becoming increasingly environmentally conscious and demonstrate a desire to connect with brands that support the green economy. Card issuers have a unique opportunity – via insights and analysis into consumer digital card spend - to create awareness of the impact of consumption behaviour on the emission of greenhouse gases.

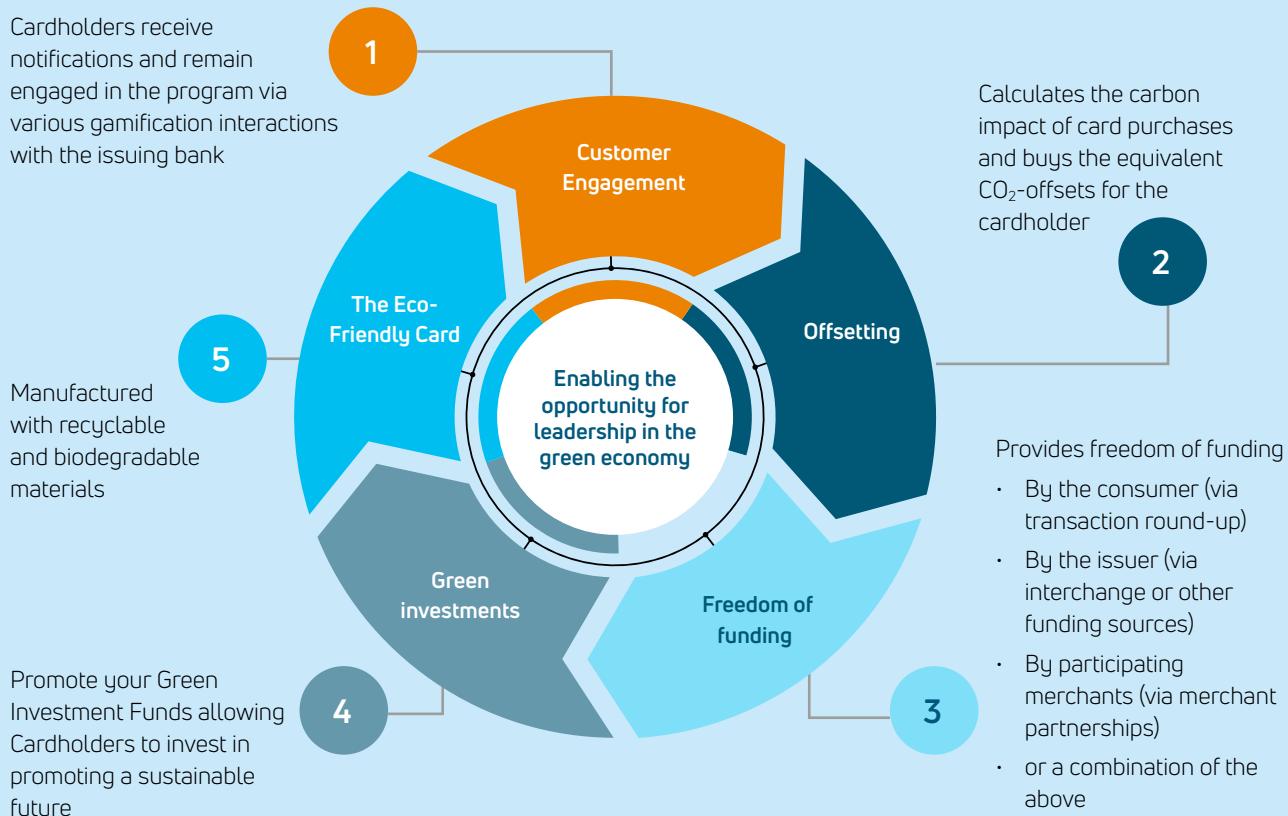
Nets has signed up a unique set of partners with the tools and technology to design a credit card product that helps consumers to track and reduce their carbon footprint. The eco-friendly credit card – manufactured with recyclable and biodegradable materials – calculates the carbon impact of card purchases and buys the equivalent CO₂-offsets for the cardholder.

The costs of the CO₂-offsets can be funded by the consumer (via transaction round-up), by the issuer (via interchange or other funding sources), by participating merchants (via merchant partnerships), or a combination of the above.

Issuers can choose to promote their Green Investment Funds allowing Cardholders to invest in promoting a sustainable future.

Cardholders receive notifications and remain engaged in the program via various gamification interactions with the issuing bank.

A complete Climate Action Service



7. Taking climate action

Payment cards come in handy for making large purchases, and using them responsibly can help users rack up some great rewards these days. But they can also be used to fight climate change.

Nets Climate Action Service offers an innovative platform that lets customers easily and conveniently offset their carbon footprint through microdonations to help offset the CO₂ footprint of each purchase.

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