

**Principles for
Responsible Banking:
Guidance for banks**

UN environment programme		finance initiative
Principles for Responsible Banking		



**Gender Equity
Target Setting**

Acknowledgments

Project Team



Puleng Ndjwili-Potele



Rani Pooran



Inez Murray
Rebecca Ruf
Tessa Ruben



Meral Guzel
Stephanie Dei



Marijn Wiersma

The content of this document is based on discussions and work undertaken in the Principles for Responsible Banking Gender Equality Working Group.



Published by UNEP Finance Initiative in February 2021

Copyright © UNEP Finance Initiative

UNEP Finance Initiative

International Environment House
11–13 Chemin des Anémones
CH-1219 Châtelaine, Geneva
Switzerland

Table of contents

Introduction	P.4
Guidance for setting gender equality targets in retail banking	P.6
Example of setting a gender equality target in retail banking	P.9
Internal changes your bank can make to contribute to the goal of gender equality	P.15
Resources	P.17

Introduction

This document focuses on setting targets for gender equality in retail banking, and is the culmination of several sub-group discussions and knowledge sharing sessions provided by a team of gender experts from the Financial Alliance for Women, UN Women and Incredible Impact. The document will help your bank understand, in practical terms, the different elements of setting targets in line with the requirements of the Principles for Responsible Banking, what alignment with international and national frameworks can look like, and how this process supports increased economic inclusion for women.

2020 marked the 25th anniversary of the [Beijing Declaration and Platform for Action](#), which provides a progressive blueprint for advancing gender equality and women's empowerment, and with 10 years remaining to achieve the 2030 Sustainable Development Agenda, there is still significant work to be done to achieve gender equality.

Setting clear and specific targets for the advancement of gender equality will enable banks to make substantial contributions to the equality of women in our societies. It also presents an opportunity for banks to align their portfolios with society's goals as set out in international frameworks such as the Beijing Declaration and Sustainable Development Goal 5 (Gender equality) as well as national or regional frameworks that may provide more details of a country's goals and strategy for contributing to, and advancing, gender equality.

Gender inequality is multi-dimensional, and may be characterized by poverty, the lack of education, access to employment, opportunities, and finance, or constraints related to caregiving and other forms of unpaid work within the home. These dynamics need to be taken into account in order to develop an effective strategy and target for advancing gender equality, which are responsive to the needs and context of women within a bank's country of operation. In this way you will find that the targets may contribute to other Sustainable Development Goals (SDGs) in addition to SDG 5, such as SDGs 1 (No poverty), 2 (Zero hunger), 3 (Good health and well-being), 4 (Quality education), 8 (Decent work and economic growth), and 10 (Reduced inequalities).

Making substantial contributions in alignment with international and national gender equality goals will require setting targets that are linked to your bank's products and services, while also ensuring that your bank develops and puts in place policies and practices that achieve a more gender balanced workforce.

In accordance with the Principles for Responsible Banking requirements for target setting, your bank's target should:

- Be Specific, Measurable, Achievable, Relevant and Time-bound (SMART);
- Address an area of most significant impact resulting from your bank's activities and provision of products and services, as identified through your bank's impact analysis;
- Link to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks;
- Be set against a baseline, which is developed by your bank and assessed against a particular year;
- Include the identification, acknowledgment of significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society's goals, and steps to mitigate these should be taken as far as feasible to maximize the net positive impact of the target;
- Include defined actions and milestones to meet the target;
- Include definitions of key performance indicators (KPIs) to measure and monitor progress against the targets (any changes in these definitions, and any rebasing of baselines should be transparent).

Guidance is provided below with respect to some of the requirements for target setting. This is followed by a practical example of how to set a target in retail banking that meets all the requirements for target setting. The document concludes with guidance on measures your bank can put in place in order to ensure that gender-sensitive practices and processes are embedded within the organisation.

Guidance for setting gender equality targets

Alignment

In addition to SDG 5 (Gender equality) and the Beijing Declaration and Platform for Action, your bank should identify which national, regional and/or intra-national policy goals for gender equality are relevant for the purpose of setting its target. These goals may be found in National Development Plans or other policy documents, Gender Equality Strategies, and/or [National Financial Inclusion Strategies](#), amongst other documents. For example the [EU's Gender Equality Strategy 2020-2025](#), [EU's Action Plan on Gender Equality and Women's Empowerment in External Action 2021–2025](#) (which reflects the objectives of the Gender Equality Strategy), [South Africa's National Development Plan](#).

Where a strategy, plan or framework document is not available for a specific country, its gender equality strategy or plan may be found in its reporting on the progress it has made in implementing the Beijing Platform for Action. While this document is primarily a report on the progress made by a country so far, it may also include information on the country's gender equality plan going forward.

The importance of aligning your bank's target with these frameworks is to ensure that the target is in line or corresponds with the international and national goals, taking the context, ambition, timeframes of both international and national goals into account, therefore ensuring that your bank's targets, and consequent contributions, are relevant for the context within which they are set.

Gender objectives and goals at the international and national level often lack quantitative values or metrics that can be more easily translated or transposed into a corresponding target for your bank. These objectives and goals, in policy documents, are often expressed in qualitative terms, for example 'increasing women's participation in the labour market' or 'achieving gender equality/balance in leadership roles'. Your bank will need to show how it translates these qualitative goals and objectives into a SMART target by making a case for the deductions it made in relation to these goals and objectives, taking its operating context, including the needs of women in the country, into account.

Identification, acknowledgment and mitigation of significant (potential) negative impacts

When setting and implementing your bank's target, it will be important to assess whether the achievement of the target will or could result in any significant negative impacts, and to put measures in place to monitor whether negative impacts materialize over the term of the target. A good reference for identifying potential impacts is your bank's impact analysis, which may include details of impacts you should be aware of, and screen for periodically. For example, your impact analysis probably identified over-indebtedness as an impact area that is associated with providing credit, and therefore your bank would acknowledge this, screen for it, and in the event that it materializes as a significant impact, mitigate the impact. The example below provides some guidance on how to approach this requirement.

Determining baselines

Determining your bank's baseline (its starting point) in relation to the provision of products and services is the first step to setting its target. Your baseline needs to be set for a specific year. When determining your bank's baseline for a gender equality target, it will need to consider whether it has a specific definition that it uses for a woman customer and a woman-owned or led company. It is important to set definitions that your bank can use to disaggregate, tag and analyse data, and continue to track and assess its performance over time. There may be some complexities in this process, for example, how to classify joint accounts held by men and women.

For women-owned and/or led businesses, there are a number of definitions for what constitutes ownership. The most commonly accepted definition, developed by the International Finance Corporation (IFC), is 51% ownership by one or more women, or 20% ownership by a woman/women, at least 1 woman in senior management, and 30% of the board of directors being women (where a board exists).

The expanded definition will enable your bank to take into consideration instances, for example, where spouses are equal business owners in a family business, or where a woman may need to dilute her majority shareholding in order to raise equity for her business, therefore helping to ensure that more women are eligible for finance that is targeted at this customer segment. This should, however, be approached with caution to ensure that the intention of empowering women is preserved.

Definition can also help you understand the availability of data and where there are data gaps. Where there are many data gaps, you will find that there are limitations to the accuracy of your bank's baseline. As your bank's data management system improves, with regard to sex disaggregated data (and over time including intersectional tagging, for example race/ethnicity, disability, socio-economic background), your baseline can be adjusted accordingly. Through this process, your bank should ensure compliance with data privacy and protection laws, in accordance with its risk processes.

Banks are at different levels of maturity with regard to the availability of data and how it is used across data management systems. This presents challenges for disaggregating data not only by sex, but by race, disability and/or socioeconomic background. As part of your bank's data planning, identify the critical metrics that will be necessary to measure from the start. For example, customer access to products, their usage of credit, savings, insurance, and other products, the rate of non-performing loans, and within your bank, diversity with regard to representation of employees. For further guidance on disaggregating data, see the Financial Alliance for Women's [Data How-to Guide](#).

Once your bank has determined its baseline, it can get started with setting a SMART target. Below is an example of a SMART target that contributes to gender equality. The target is focused on a bank's core business activities in the retail banking business area.

Example of setting a gender equality target

The below example of setting a SMART target that drives alignment with the Sustainable Development Goals, the Beijing Platform for Action, and national policy priorities, aims to support gender equality through the provision of financial products and services coupled with non-financial services (such as financial education and training to women customers and non-customers), therefore holistically meeting the full range of women's financial needs. It is important that targets are responsive to the needs of women in your bank's country of operation, in order to ensure that your bank succeeds in supporting global and national goals and priorities towards the achievement of gender equality.

Bank X determines that gender equality is an area where it can have a significant impact by focusing on its retail banking business. The country's gender equality goals at the national level are expressed in its National Development Plan, read with its five-year Gender Equality Strategy document. It aims to advance equality between women and men, with a strategic focus on increasing women's participation in the economy, women's access to finance and employment, and the proportion of leadership positions held by women in the market. Priority areas include women's entrepreneurship, and increasing access to finance for women. One of the objectives of the country's National Financial Inclusion Strategy is to improve the quality and availability of financial products and services for women. Women constitute 35% of all entrepreneurs in the country, and often face challenges linked to access to finance, information, training and business networks. 72% of men have bank accounts, compared to 65% of women, representing a 7% gap.

Through its target the bank will drive alignment of its portfolio with the gender equality goals of increasing access to financial products and services to women and women owned and/or led small and medium sized enterprises (SMEs), providing access to networks and markets, and providing non-financial services to improve financial literacy/management and build capacity in women owned and/or led SMEs.

The bank's medium to long term strategy is to reach equal allocation of financial products between men and women across all of its portfolios. It must, however, make progress within its operating context, taking the size of the market into account, and its starting point (its baseline).

Baseline

The bank begins the process of developing its target by determining its baseline. At this stage, it does not have a process in place for disaggregating its customer data based on sex. The bank's first step is to put a system in place that will tag its customer data according to sex across the products and services provided to its retail customers, based on the definition it has put in place, so that this information can be easily extracted and analyzed.

For the year 2020 the bank determines that women customers constituted 30% of customers in the retail portfolio, accounted for 20% of the loan allocation, and held 30% of the savings accounts. The rate of non-performing loans for this segment in the retail portfolio is 10%.

While the information about the ownership and control of its SME clients is available to the bank, it does not have a process in place for tagging and organising this data. It therefore puts a system in place that will tag its client's data according to sex. The bank uses IFC's definition of a women-owned, managed and controlled company, which is a company that is 51% owned by one or more women, or 20% ownership by a woman/women, at least 1 woman in senior management, and 30% of the board of directors being women (where a board exists).

While it is easier for the bank to identify and tag SMEs that are 51% owned by one or more women, it is more challenging to do this with the expanded definition (20% ownership by a woman/women, at least 1 woman in senior management, and 30% of the board of directors being women). It therefore starts the tagging process, but acknowledges that it needs to refine its system in order to get more accurate data.

The bank determines that for the year 2020 15% of its total lending to SMEs across its retail portfolio was allocated to women-owned and/or led businesses, the average loan size for women-owned and/or led SMEs was substantially lower in comparison to male owned/led SMEs at 58%, while the non-performing loan rate was much lower at 8%.

Target

The bank sets a target to **increase the share of products and services offered to women in its retail portfolio within 5 years by increasing portfolio allocation and the number of women customers and women owned and/or led SME clients, and working with existing SME clients to achieve gender equality within their organisations.**

It puts sub-targets in place that drive gender equality amongst its retail customers and SME clients, which are informed by its baseline in relation to each customer group:

1. to increase the number of women customers by 15% and the allocation of loans and savings accounts to women customers by 15% each by 2025;
2. to increase the allocation of loans to women-owned and/or led SMEs to 25% by 2025.

It sets measures, actions and KPIs for each sub-target.

Sub-target 1: To increase the number of women customers by 15% and the allocation of loans and savings accounts to women customers by 15% each by 2025

The sub-target will therefore increase the number of women customers from the bank's current baseline of 30% to 45%, increase loan allocation from 20% to 35%, and increase savings accounts from 30% to 45% within five years (2021-2025). This sub-target represents a first step towards closing the gap between the unequal allocation of financial services and products between men and women in its retail portfolio through creating greater access to these products and services, which will be supported by the delivery of non-financial services. This aligns with the international and national policy goals of increasing access to financial products and services to women, and the provision of non-financial services to improve financial literacy. It does this by substantially increasing access to savings and credit facilities in a responsible manner (through the provision of non-financial training and education), which is likely to have positive impacts on women customers' ability to save, formalize microbusinesses and more effectively participate in the economy.

Measures and actions

The bank determines the measures it will take to achieve its sub-target:

- Conduct market research, including holding focus group discussions with women and institutions that represent women, and develop and roll out a survey to women, to identify women's financial needs and behaviours;
- Develop products or services that respond to the needs of women customers and policy priorities, and use technology to make these more accessible and responsive to the needs of this market;
- Market and communicate publicly about the products and services tailored to women to attract new customers in this segment;
- Develop and roll out financial education or other types of non-financial services to women customers, and potential customers;
- Identify where lending, know your customer, collections, and account opening policies and procedures can be improved to support more positive outcomes for women customers, and ensure these are included in staff training;
- Identify the roles/areas within the bank that service this market segment. Develop and roll out training for these employees on how to engage with customers in this segment. Training will focus on the approach to selling existing and new products to women customers, unconscious bias, the engagement process with customers on non-performing loans and support that can be provided in these circumstances, and other areas identified;
- Engage with institutions that represent women's interests periodically to ensure that women's needs and challenges are being adequately considered in the bank's policies, processes and decision-making.

As the bank's data management capabilities mature, it aims to include the tagging of intersectional data, so it can target women who are disadvantaged due to race, disability, culture etc. Over time, this will also include the tagging of data for non-binary customers.

The bank also puts measures in place for identifying and mitigating negative impacts that could result from the activities associated with the achievement of its sub-target. One of the measures which the bank implements in order to mitigate against negative impacts, is to develop a policy and process for how to prevent and manage over-indebted customers in this market segment. This includes developing and providing short targeted financial education training sessions and videos to loan recipients aimed at educating them about the terms of their loans, and steps to take if they are unable to make loan repayments. Building on the existing loan recovery process within the bank, it offers greater support to defaulting customers, by seeking solutions that help customers get back on track with their repayments, where possible.

Key performance indicators

The bank established the following KPIs to monitor progress against the measures and the sub-target:

- Focus group discussions and surveys completed within 6 months together with recommendations for how products and services can be improved to respond more effectively to women's needs and circumstances;
- 3% increase in loans each year to women customers, as compared to the 2020 baseline;
- Increase number of savings accounts by 3% each year, as compared to the 2020 baseline;
- Develop, pilot and roll out at least 1 new product or service that is tailored to this customer segment, or adapt an existing product so that it is more responsive to the needs of women customers, within 12 months (could relate to education or housing linked loans, innovative financial solutions for micro-businesses, leveraging technology to provide financial products/ to women in rural areas etc.);
- Internal policies and procedures updated, and staff training completed within 12 months;
- The first series of short videos that explain the terms and conditions of loans and provide tips on how to manage finances effectively has been rolled out within 12 months;
- Increase the ratio of performing loans to xx by end of year 2;
- 10% increase in women customers (against 2020 baseline) by year 3;
- Follow-up survey in year 3 indicates that the majority of women customers' financial well-being has improved;

- Increase ratio of performing loans to xx by year 4;
- X number of financial education and other non-financial services, including financial literacy training, provided to women customers annually, with an uptake by 75% of customers, measured against new loans, annually from year 2 (coupled with post-training surveys to ensure effectiveness of the trainings).

Sub-target 2: Increase the allocation of loans to women-owned and/or led SMEs to 25% within 5 years.

Therefore, the bank will increase its allocation of loans by 10% from its current baseline of 15%, to 25%. The sub-target aims to increase the bank's loan allocation to women-owned and/or led SMEs in its retail portfolio, work with existing SME clients towards more equal gender representation, and to provide support to existing and new clients in this segment in order to build financial management capabilities and provide access to markets where possible.

This aligns with the international and national policy goals of improving the quality and availability of financial products and services, including training and access to business networks and markets for women-owned and/or led SMEs. It does this by substantially increasing access to finance (relative to the bank's baseline and the size of the market (35%)) for women-owned and/or led SMEs, which is supported by financial training and education, and a programme to link these SMEs to markets and networks that can help them grow. By responding to the policy priorities in this way, this sub-target is likely to result in the growth and/or strengthening of existing and potential women-owned and/or led SMEs clients.

Measures and actions

The bank determines the measures it will take to achieve its sub-target:

- Identify existing clients to work with towards meeting this target, and provide them with business development training and mentorship programmes to improve their financial management capabilities, and link them to relevant networks to support the growth of their businesses, which may result in better performance against existing loans, and further loan advances as their businesses grow;
- Identify potential SME clients in this segment to target for the provision of loan facilities;
- Provide gender sensitivity training to existing and potential SME clients, and develop incentives (such as reduced transaction fees) to encourage them to work towards gender equality within their organisations;
- Identify where internal policies and procedures for the treatment and delivery of services to clients in this segment could be improved to support more positive outcomes for clients, and ensure these are included in staff training.

The bank also puts measures in place for identifying and mitigating negative impacts that could result from the activities associated with the achievement of this sub-target. In this regard, it puts a process in place for responding immediately to the first signs of non-performing loans with measures that include making contact with clients to offer support and agree on a process to ensure performance against the loan.

Key performance indicators

The bank established the following KPIs to monitor progress against the measures and the sub-target:

- Gender sensitivity training is rolled out to selected SME clients within 12 months, in order to inform and encourage them to develop and implement gender equal policies, and work towards achieving more equitable representation within their organisations;
- Ongoing engagements held with X number of SME clients annually to discuss possible incentives for achieving equitable gender representation within their organisations;
- X number of SME clients selected, and a training and mentoring programme to build financial management capabilities within their businesses has started/ is in place within 12 months, followed by annual tracking of their financial performance to assess the effectiveness of support provided, and to identify how training could be improved;
- Internal policies and procedures for improved and more effective delivery of products and services to women customers are updated, and staff training completed within 12 months;
- A platform has been developed that enables SME clients to network with, and access mentorship from, larger industry players, and X number of women owned and/or led SME clients have signed up to use the platform within 2 years. Annual assessments indicate that financial performance and business resilience of the majority of clients registered is improving;
- Loan allocation to women-owned and/or led SMEs to increase to 22% within 3 years;
- X% performing loans by year 3;
- X number of non-financial training sessions provided annually to women-owned and/or led SME clients, with an uptake by 75%, measured against new loans, annually from year 2 (coupled with post-training surveys to ensure effectiveness of the trainings).

Internal changes your bank can make to contribute to the goal of gender equality

While setting a target to drive alignment with international and national goals and priorities through its products and services, your bank should also ensure that it is being responsive to these gender equality goals and priorities through its practices within the organisation. The [Women's Empowerment Principles](#) provide guidance on the measures your bank can take, which include:

- Ensuring that workplace policies and practices are free from gender-based discrimination
 - pay equal remuneration including benefits for work of equal value;
 - determine the gender pay gap and reduce it within a defined period of time;
 - implement gender-sensitive recruitment and retention policies;
 - ensure sufficient participation of women (30% or greater) in decision-making and governance at all levels and across all business areas;
 - offer flexible work options, leave and re-entry opportunities to positions of equal pay and status;
 - support access to child and dependent care to both men and women;
 - provide parental leave.
- Provide a safe working environment for women employees
 - establish zero-tolerance policy towards all forms of violence at work, including verbal and/or physical abuse and sexual harassment;
 - offer health insurance or other needed services, including for survivor of domestic violence, and ensure equal access for all employees;
 - respect women and men workers' rights to time off for medical care and counselling for themselves and their dependents;
 - train security staff and managers to recognize signs of violence against women.

- Invest in workplace policies and programmes that open avenues of advancement of women at all levels and all business areas
 - provide equal opportunities for formal and informal networking and mentoring;
 - ensure equal access to all company-supported education and training programmes, including literacy classes, vocational and information technology training;
 - increase training opportunities and bursaries available to women employees within the bank in order to upskill them, therefore creating a pipeline of candidates for succession planning.
- Establish gender responsive procurement policies and allocate a certain percentage of procurement to women-owned and/or led businesses.
- Respect the dignity of women in all marketing and company materials.

Resources

[Women's Empowerment Principles](#)

Financial Alliance for Women:

- [The Power of Women's Market Data: A How-to Guide](#)
- [The Economics of Banking on Women: 2019 Edition](#)
- [In Brief: Toward Uniform Definitions for the Women's Market](#)



United Nations Environment Programme Finance Initiative (UNEP FI) is a partnership between UNEP and the global financial sector to mobilize private sector finance for sustainable development. UNEP FI works with more than 350 members—banks, insurers, and investors—and over 100 supporting institutions— to help create a financial sector that serves people and planet while delivering positive impacts. We aim to inspire, inform and enable financial institutions to improve people’s quality of life without compromising that of future generations. By leveraging the UN’s role, UNEP FI accelerates sustainable finance.

unepfi.org



unepfi.org



info@unepfi.org



[/UNEPFinanceInitiative](https://www.facebook.com/UNEPFinanceInitiative)



[United Nations Environment Finance Initiative](https://www.linkedin.com/company/unepfi)



[@UNEP_FI](https://twitter.com/UNEP_FI)