

# UNEP FI Holistic Impact Analysis Methodology

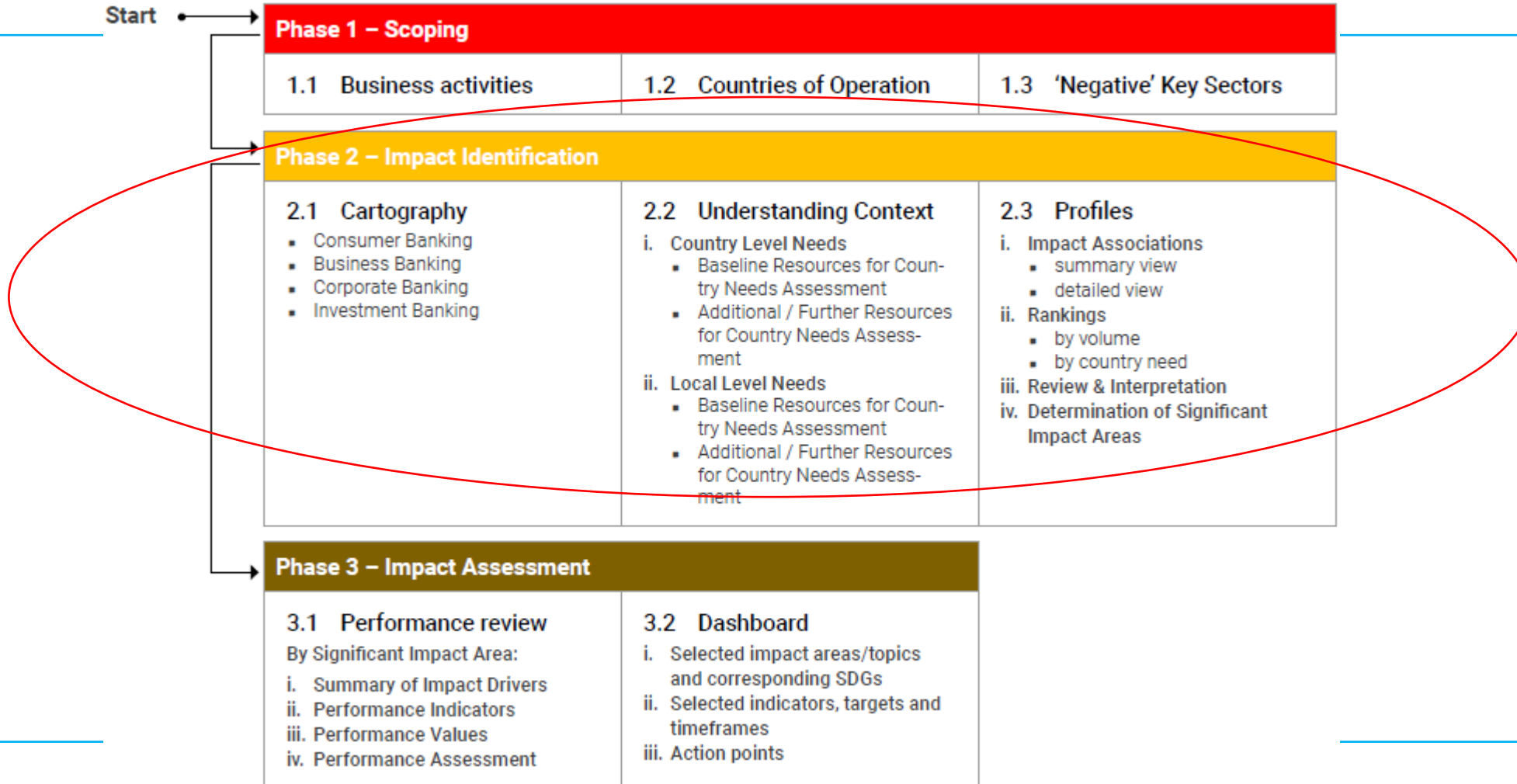
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Implementation Support session

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29 September 2021

# Today's Implementation Support session



# Content

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- **Cartography**
  - The role of the Cartography worksheet in generating tool outputs
  - Tool capacity & granularity of sector selection
- **Context**
  - Changes between V1 and V2
  - Challenges for international CIB portfolios
  - Sensitive locations
- **Profile**
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  - How to interpret the infographics & identifying most significant impact areas
- **AOB**

# Cartography

- The role of the Cartography worksheet in generating tool outputs
- Tool capacity & granularity of sector selection

# Tool Functionality

## The role of the Cartography worksheet in generating tool outputs

**Q: I know that the Tool uses the data of the Cartography worksheet to generate the outputs in the Profile worksheets. What specific fields have to be filled out for the outputs to be generated?**

The outputs are generated based on the following information:

- Sectors of the client/s activities
- Portion (%) of the business line in the country that each sector represents

N.B: please specify the industry classification and the countries of operation in the scoping worksheet before moving to the cartography worksheet

Australia			
<b>a. What are the sectors of the bank's clients or client activities?</b> Please select from the drop down list. Where the bank's clients / client activities are spread among multiple sectors, start with sectors that are in the top 10 of the portfolio (in the country). Please refer to the Sector Lists in the previous worksheet for ease of reference.	A Agriculture, Forestry and Fishing		10 Exploration and Other Mining Support Services
<b>b. What is the volume of the business line in each country ?</b> Please indicate the amount of drawn outstanding loans, outstanding loans, or alternatively, exposure at default (EAD), depending on available information. See key concepts section for definitions and further guidance. N.B: please see the cell at the end of the line to check if the total is correct			
<b>c. What portion of the bank's business banking portfolio in the country does each sector represent?</b> Please indicate as a percentage of drawn outstanding loans, outstanding loans, or alternatively, exposure at default (EAD), depending on available information. See key concepts section for definitions and further guidance. N.B: please see the cell at the end of the line to check if the total is correct	20%	5%	6%



## Tool capacity

**Q: The Tool allows for a maximum of 30 sectors per country. Which criteria should I take into account when prioritising sectors?**

### Business banking portfolio

Please prioritise on the basis of two factors:

- i. the size / portion of your business in the different sectors/activities
- ii. the systemic importance of the different sectors/activities. Please refer to the 'Sector Lists' and the 'Key Sector Mapping' worksheets to this effect. This mapping provides insights as to which sectors and activities are key in terms of achieving and/or undermining the different impact areas. Sectors or activities that do not show on the mapping could be omitted in favour of others that do feature on the mapping, especially if they feature on multiple front (e.g., agriculture).

## Tool capacity

### Corporate banking portfolio

Please prioritise on the basis of two factors:

- i. the sectors of the bank's biggest clients. Note, some sectors may rapidly dwarf others (e.g., oil & gas, metals & mining) in terms of revenue by virtue of the sheer size of the clients, but not in terms of number of clients or other indicators of volume. Select at less granular levels of the sector lists (ISIC or other) to avoid creating blind spots in your impact identification.
- ii. the systemic importance of the different sectors/activities. Please refer to the 'Sector Lists' and the 'Key Sector Mapping' worksheet to this effect. This mapping provides insights as to which sectors and activities are key in terms of achieving and/or undermining the different impact areas.

### Investment banking portfolio

Please prioritise on the basis of two factors:

- i. the sectors of the biggest deals in the portfolio.
- ii. the systemic importance of the different sectors/activities. Please refer to the 'Sector Lists' and the 'Key Sector Mapping' worksheet to this effect. This mapping provides insights as to which sectors and activities are key in terms of achieving and/or undermining the different impact areas.

# Business & CIB sector selection

Source: [User Guide](#) (p.37)

## Granularity of sector selection

**Q: At what level of granularity should I be doing sector selection? How does the level of granularity affect my outputs?**

- This will be dictated by the type of sectors and activities that are present in your portfolio:
  - If a specific subset of a sector is predominant in your portfolio as opposed to the sector as a whole, you should select at a more granular level.
  - If you are involved in activities across a sector (e.g., crop production/ animal raising, forestry, and fishing/aquaculture), and/or you also have a number of other sectors and activities to capture, you will need to select at a less granular level.
- Note that less granular selection may result in impact associations being reflected that do not apply to you; this should be reviewed and commented on in the Profile worksheet under section 3 'Review and interpretation' so as to facilitate better decision-making regarding the most significant impact areas.



## Context

- Changes between V1 and V2
- Challenges for international CIB portfolios
- Sensitive locations

# Tool Versions

## Changes between V1 and V2

**Q: I have already completed my country needs assessment in V1 of the Tool. Can I move my data into V2? What are the main differences between the new worksheet and the previous one?**

- The new context worksheet enables you to carry out the needs assessment by using three groups of resources (baseline resources, further resources, additional resources). The values and need scores are captured for each topic and the final impact area scores are automatically calculated
- The format of V1 and V2 worksheets is different, therefore data cannot be simply copied and pasted. However:
  - If you have used the pre-populated need scores, they will also show in V2 and you can simply confirm them
  - If you have used any additional resources, you can paste the information in the relevant section of the worksheet and the final scores per area will be automatically calculated

# Country selection

## Clarification of requirements

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**Q: The Tool asks to consider the bank's countries of incorporation in the impact analysis. According to PRB requirements I need to cover also the countries of exposure, how to deal with that?**

- The requirements of the PRB and the purpose of country selection is to bring context into the impact analysis, i.e. to consider the needs on the ground in the locations where the bank is active. In most cases this will amount to reviewing the needs of the countries in which the bank is incorporated.
- For banks with international clients, this may bring additional locations into the equation (see next section).

# Country selection

## Challenges for international CIB portfolios

**Q: Some of our clients may be based in jurisdictions outside of our own, and the financing provided may be directed to a third region. Which geography's needs and impacts should take priority here?**

- If your countries of incorporation and those of your major clients present major discrepancies, it may indeed be preferable to perform country selection on the basis of your clients' main countries of operation.
- Prioritise your largest clients (80-20 rule)
- Note that for clients, up to three categories of 'countries of operation' are relevant: countries of sales, of production, of sourcing. Consider the category that carries the most impact.
- If your portfolio is extremely diverse (e.g. large investment-focused banks), you may consider using a global needs assessment first (see investment portfolio tool)
- Ideally, consider undertaking individual corporate analyses for your largest clients.

## Country selection

## Sensitive locations

**Q: My country is not included in the list of countries provided in the Tool because of its ambiguous political status. What can I do about it?**

- The tools use the UN approved list of countries
- If you need to, you can add locations by adding the names in the 'drop-down menus' worksheet at the end of column R > the exercise will then be exactly the same as for the other countries

[illegible]

# Profile

- How the Profile worksheet gets generated & the concept of key sectors / areas
- How to interpret the infographics & identifying most significant impact areas



# Tool functionality

How the Profile worksheet gets generated & the concept of key sectors / areas

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**Q: In the Profiles and throughout the Tool, reference is often made to 'key sectors'. What do you mean by that?**

- The impact profiles are generated based on the information inputted by the user in the Scoping, Cartography and Context worksheets and the information contained in Tool impact mappings (i.e. sector-impact map, client-impact map, key sectors map)
- Sectors/activities are deemed key when the scale/intensity and the probability of the impact association is high. More specifically,
  - Key positive sectors are indispensable to fulfilment of an impact area
  - Key negative sectors severely undermine an impact area

# Results interpretation 1/2

How to interpret the infographics & identifying most significant impact areas

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Q: How should I review and interpret the outputs of the Profile worksheets? Is it accurate to have the highest positive and negative impacts on the same topic, or does this require further analysis?

>inside the Tool

# Results interpretation 2/2

## How to interpret the infographics & identifying most significant impact areas

- Consider impact areas with highest levels of need in your main countries
- Consider the specific needs in those countries – you may find you need to dig deeper into the needs analysis at this point
- Consider the sectors in your portfolio that are associated with these impact areas – take the time to think about the nature of these associations in further detail
- Prioritise those impact areas where you are involved in relevant sectors, especially key sectors
- Your next step will be to consider your current level of performance so as to set meaningful targets and action plans.

*Example: if climate shows strongly in a developed country and the bank is in fossil fuels then there is a clear area of priority. The same picture in an emerging market country with low emissions but highly affected by climate change, would need a different outlook > less on fossil fuels but on dependencies (which sectors are deeply affected and therefore must be supported – e.g. agrifoods)*

**AOB**

# Thank you



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