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**Executive Summary**

# **Responsible Banking: Building Foundations**

The first collective progress  
report of the UN Principles for  
Responsible Banking signatories

# Executive summary

## The first Collective Progress Report of the UN Principles for Responsible Banking (PRB) signatories maps the early stages of implementation by signatories

**The coalition of PRB signatories has grown to represent 40% of the global banking system by assets.** This report synthesizes individual reporting from 203 signatories, providing a status update on their progress in implementing the PRB framework, and thereby taking steps to align their business strategies with the UN Sustainable Development Goals and Paris Climate Agreement.

Signatories provided information regarding their progress addressing key impact areas. These areas were grouped into the following categories:

- **Environmental**—climate change mitigation, climate change adaptation, biodiversity, resource efficiency
- **Social**—gender equality, financial inclusion, human rights, decent employment
- **Internal changes**—progress of integrating sustainability into strategy and processes internally

In addition to reviewing progress across these categories, the report includes:

- i. an independent view from the **Civil Society Advisory Body (CSAB)**, a 12-member body mandated to support Signatory Banks with their PRB implementation, assess progress made by the community of signatories, and provide advice on priority areas
- ii. details of the **resources delivered** by the community of signatories so far that support and build capacity for effective PRB implementation.

## The report provides an update of signatories' progress in implementing the principles

Signatories' progress is assessed according to their fulfilment of three key steps:

1. Analysis of their current impact on people and planet
2. Based on this analysis, prioritisation and setting of targets where they have the most significant impact. This is followed by implementing actions to meet targets.
3. Publicly reporting on progress, and, by year four, having this reporting verified by a third-party.

Signatory banks must implement these steps within their first four years of joining the Principles. This report is the first collective baseline review, marking 1.5 years of the Principles' initial 4-year timeline. This report captures banks progress up to March 2021. Signatories will be in their first or second year of reporting depending on when they joined the Principles.<sup>1</sup>

## Signatories are making progress in establishing systems and policies in order to set targets for action

PRB signatories' reporting indicates that banks' current implementation has focused on putting the systems and policies in place for concerted action. Some banks have been undertaking a retooling of their core banking processes, with

- **94% Focusing on sustainability as part of their strategy:** Most banks identify sustainability as a strategic priority for their organisation.
- **93% Analysing Impact:** 93% of banks have begun to establish impact analysis systems, with 29% reporting that they have completed their initial impact analysis.
- **30% Setting Targets:** 17% of banks have set at least one robust target in an area of significant impact (this is mainly climate mitigation and financial inclusion). These targets fulfil all required steps for robust targets as specified by the Principles (e.g. determining baselines, establishing milestones and developing key performance indicators (KPIs)). Another 13% of banks have also set at least one target in an area of most significant impact, but have not yet fulfilled all required steps for robust target-setting as specified by the Principles.

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<sup>1</sup> Data submitted by banks for this report may be up to 6 or 12 months old, and therefore some results may not be fully indicative of where bank's stand in their implementation journey at the date of publication of this report.

## Early signs of impact in the real economy

There are some early indications of progress as signatories start to shift financing and investment practices towards positive sustainability impacts. There are early signs of visible impact on the ground, including during the last year:

- **15,131 clients** (corporates and SMEs) being advised on climate strategies (as reported by 20 banks)
- **113 million vulnerable customers** gaining access to financial services (as reported by 41 banks)
- **69% of banks** with climate change mitigation as an impact area investing in green assets and low-carbon technologies
- **US\$ 2.3 trillion of sustainable finance** being mobilized (as reported by 87 banks)

## Progress differs widely across signatories

Many banks are navigating the complex process of analysing their impact in line with the PRB requirements. However, the progress made by PRB signatories differs widely. Good examples of implementation are emerging from a small number of advanced banks. These can be used as practical examples for peers on their own implementation journey.

## Banks are currently focussed on issues around climate and financial inclusion

Many banks are making considerable progress setting targets and engaging with clients in three main topics—climate mitigation, climate adaptation, and financial inclusion. In summary,

### 87% are focusing on Climate

- 177 banks identified climate as an impact area.
- 46% of these banks have already set or are actively working to set a climate target, and a further 30% plan to do so in the next year.
- 62% of signatories are supporting clients' transition to a low-carbon economy or are setting up an engagement process to do so. More than 15,000 clients were engaged by PRB signatories in the last year.

### 47% are focusing on Financial Inclusion

- 95 banks identified financial health & inclusion as an impact area.
- 82% of these have either developed financial solutions to improve customers' financial access or are working to do so.

## Signatories are collaborating, particularly where impact approaches are less advanced

Where impact measurement approaches and action are less advanced, there is increasing evidence of collaboration amongst signatories to develop resources that support target setting and implementation.

In areas such as climate change where data and methodologies are more advanced, banks are establishing impact measurement systems and setting targets to drive impact. They are also developing the associated customer engagements strategies, products, and services needed for the climate transition.

Signatories have also identified biodiversity, gender equality and decent employment as areas of impact to be accurately measured and addressed. In these impact areas, banks are working together to increase their capabilities for target setting and implementation. For example, they have developed [guidance for gender equality targets](#), [financial inclusion and financial health](#), and [biodiversity](#), as well as impact analysis tools and resources. This will enable progress in driving positive impact in these areas that are, to date, less advanced.

## Continued and accelerated action is needed

As they move forward, banks must continue to improve their impact analysis, refine their target setting, and strengthen their data management. Although signs of positive contributions to the SDGs and the Paris Climate Agreement are emerging, there remains a long way to go for banks to comprehensively implement the three key steps.

Signatories must accelerate their commitments to address key challenges, notably:

- **Improve the availability and quality of data.** Many banks lack the ability to track and measure progress due to the limited availability and quality of internal and external data. They must therefore work together and with stakeholders to increase the availability of shared knowledge sources and agree on approaches where data is not available, such as using national averages or appropriate proxies. Banks must also improve corporate disclosure and management of available data in order to address this challenge.
- **Strengthen impact analysis.** Banks need to gain technical knowledge and expertise to deepen their understanding of how to review the impacts, both positive and negative, of their activities, products, and services across their portfolios.
- **Increase action on further critical sustainability issues.** Some sustainability themes that have been identified by science and the international community as critical are underrepresented. For example, currently only 15% of banks identified biodiversity as an area of significant impact, and 23% identified human rights as significant, despite research and stakeholders indicating both are important risks and impacts to be addressed by the sector.

- **Sufficiently link all targets to the outcomes of impact analyses.** Targets should be in line with banks' PRB commitments and encompass the activities financed by the organisation. Too many banks are setting targets linked to internal, operational activities such as head office electricity consumption rather than portfolios. Additionally, some of the existing targets do not show compelling links to identified significant impacts, or fulfil the commitment of setting specific, measurable, achievable, relevant and timebound (SMART) targets.

## UNEP FI's work programme aims to scale and strengthen action of PRB signatories

The PRB work programme will be further developed to support banks in scaling up their progress and addressing these key challenges. The PRB will continue to provide platforms for banks to engage, develop approaches, and consult and learn from experts, including the Civil Society Advisory Body, standard setters and industry stakeholders.

Banks' commitment to implementing the PRB framework is vital to uphold the credibility of each signatory and the Principles. The next Collective Progress Report (in 2023) will build on the baseline established here. Individual progress of each bank will also be reviewed on an annual basis. This will help banks to fulfil the commitment they have made within the Principles, drive progress and facilitate accountability. Together, these reports (individual and collective) will ensure the PRB framework is used effectively to align the banking industry with the Sustainable Development Goals and the Paris Climate Agreement.

## Summary of Civil Society Advisory Body's independent view

The CSAB's independent review of the Collective Progress Report is based on the collective perspectives of the 12 CSAB members as well as the 46 stakeholders that these members consulted with across all major regions and sustainability areas.

The CSAB welcomes the work that PRB and many of its member banks have done to identify activities and progress to date. However, as noted throughout the independent view, CSAB members encourage a more holistic focus (including on key issues such as human rights, equality, and biodiversity), comprehensive goal setting, and demonstrated execution against these goals by the following PRB Collective Progress Report, with indications of meaningful progress from member institutions in the interim.

## Next Steps

The findings in this report, including the CSAB independent view, will be considered by UNEP FI's Banking Board, and inform the strategic priorities of the PRB work programme. They will also inform a review of the Principles for Responsible Banking Framework Documents in the fourth quarter of 2021, which aims to maintain ongoing relevance and alignment with evolving sustainability needs and objectives.




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 400 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.

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