

UNEP FI Holistic Impact Analysis Methodology

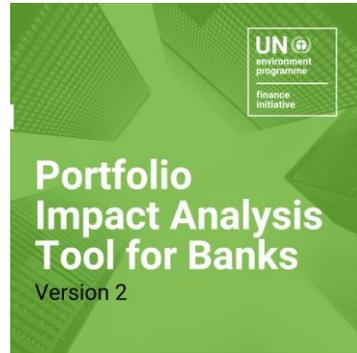
Implementation Support session

24th November 2021

The Impact Analysis Tools

Developed for mainstream finance & business

TOP



Portfolio Impact Analysis Tool

- Scope: business lines (Consumer, Business, Corporate and Investment Banking)
- Impact drivers: Sectors, types of clients, location

DOWN



Investment Portfolio Impact Analysis Tool

- Scope: asset management activities (main asset classes: fixed income, equity, real estate, infrastructure and currencies)
- Impact drivers: Asset classes, asset types, investment strategy, location

BOTTOM UP



Real Estate Impact Analysis Tool

- Scope: RE investments (single assets & portfolios/funds)
- Impact drivers: Asset type, area type, status and location



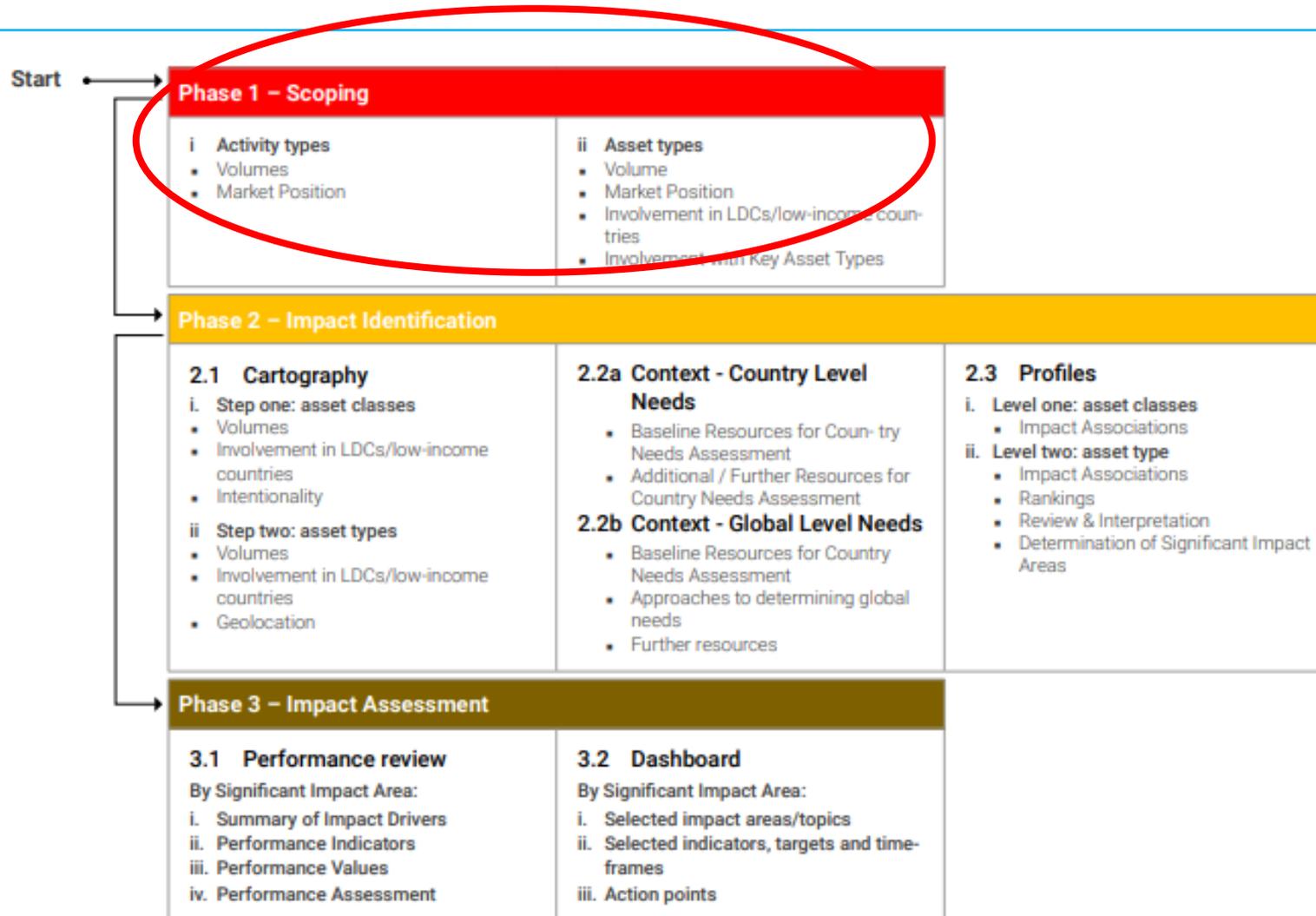
Corporate Impact Analysis tool

- Bottom-up approach> clients' impact status and possibilities
- Impact drivers: company typology, geography and sectors

Content

- **Investment Portfolio Impact Analysis Tool**
 - How the Investment Portfolio Tool and the Portfolio Tool for Banks complement each other
 - Categorization of investment activities and asset classes
 - Defining a meaningful scope
- **Ask Me Anything**
- **Implementation support resources**
- **Next calls**

Today's Implementation Support session



Investment Portfolio Impact Analysis Tool

- **Investment Portfolio Impact Analysis Tool**

- How the Investment Portfolio Tool and the Portfolio Tool for Banks complement each other
- Categorization of investment activities and asset classes
- Defining a meaningful scope

How the Investment Portfolio Tool and the Portfolio Tool for Banks complement each other

For my impact analysis I would like to use both the Portfolio Tool for banks and the Investment Portfolio Tool. How do the two analyses complement each other?

- If in addition to banking activities you have significant asset management activities, you should use both the Portfolio Impact Analysis Tool for banks and the Investment Portfolio Impact Analysis Tool.
 - Use the Portfolio Impact Analysis Tool for banks to cover your banking portfolios, i.e. provision of banking products and services
 - Use the Portfolio Impact Analysis Tool to cover your investments activities, i.e. management of own assets and of clients' assets
- In general we would recommend that if you are performing impact analysis for the first time, your starting point be the Bank Portfolio Tool, as data collection will tend to be easier and the exercise will enable you to get into the logic of holistic impact analysis. It is however possible to start with either and if you have very limited non-investment activities then you should go straight to the Investment Portfolio Tool.
- If you use both: the two Tools are structured in the same way; therefore, you can easily compare the outputs of both and draw final conclusion on your impact analysis

How the Investment Portfolio Tool and the Portfolio Tool for Banks complement each other

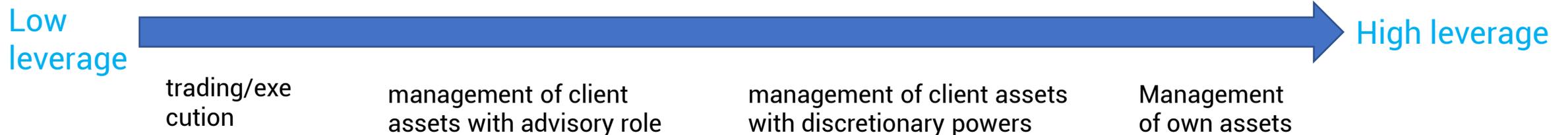
Please keep in mind that the Investment Portfolio Impact Analysis Tool does not cover:

- Individual investee companies or assets (individual corporates can be reviewed via the Corporate Impact Analysis Tool, while real estate assets can be reviewed via the Real Estate Impact Analysis Tool)
- Non-investment products and services provided by global and private wealth management companies (some of these are covered by the Consumer Banking segment of the Portfolio Impact Analysis Tool for Banks)
- Corporate & Investment Banking portfolios – i.e. the provision of banking products and services, including access to capital markets, raising of capital on capital markets, and related services (these are covered in the corresponding segments of the Portfolio Impact Analysis Tool for Banks)

Categorization of investment activities and asset classes

The Tool provides a categorization of investment activities. How are these defined? And which types of investment are included within the scope of the Tool?

In the tool the investment activities have been organized in four distinct categories based on the degree of leverage and decision-making power (from most to least leverage): management of own assets, management of client assets with discretionary powers/delegated authority, management of client assets with advisory role, trading/execution (i.e. buying & selling on capital markets)



Categorization of investment activities and asset classes

For each type of investment activity, the investment types (i.e. asset classes) below are included in the scope of Tool. They are based on the PRI categorization of asset classes.

Included:

- *Equities (listed)
- *Equities (private)
- *Fixed income (bonds > corporate)
- *Fixed income (bonds > corporate with known use of proceeds)
- *Fixed income (bonds > government)
- *Fixed income (bonds > government with known use of proceeds)
- *Fixed income (covered bonds > mortgages)
- *Fixed income > (covered bonds > government loans)
- *Real estate (or 'property')
- *Infrastructure
- *Commodities
- *Currencies

Not included:

- *Money market instruments
- *Cash
- *Derivatives e.g. covered bonds / asset backed securities (real estate, ship finance, farm land etc.)
- *Forestry
- *Farmland
- *Digital
- *Social enterprises
- *Microfinance

Defining a meaningful scope

How can I define a meaningful scope for my impact analysis?

The scoping segment will help you define the scope of your analysis. The worksheet is organised in two main sections: 1.1. Activity types and 1.2. asset classes.

- The first section helps you identify what your main activity types are and what their respective size is in terms of AUM. **Your largest investment activities, as well as any business activities where you are a market leader, should be covered in your analysis.**

| B. Overview of investment activities | | | | |
|--|--------------------------|---|--|---------------------|
| Prioritise activities with the largest volumes and where your organisation is a market leader / systemic player. | | | | |
| Activity types | Management of own assets | Management of client assets with discretionary powers / delegated authority | Management of client assets with advisory role | Trading / execution |
| a. AUM/volume | | | | |
| b. Revenue | | | | |
| c. % of total | | 100% | | |
| d. Market position | | | | |
| <u>Global leadership:</u> Are you a global leader? Please answer using the drop-down list | | | Yes | |
| <u>Market specific leadership</u> Please specify if you have leadership in specific asset classes or regions | | | [please select] | |
| Source | | | | |
| Date | | | | |

Defining a meaningful scope

- In the second section you are requested to indicate the asset classes you are invested in (per activity type) and what their respective size is in terms of AUM. **The most prominent asset classes, as well as any asset classes for which you are a market leader**, should be covered in your analysis. **Any investments in LDCs and low income countries** should be covered by virtue of the inherent need for investment in such locations. Likewise, **any investments in 'negative' Key Sectors**, i.e. sectors which play a key role in undermining one of the 22 impact areas of the Impact Radar, should also be covered.
- Use the 'Include in Scope' line to validate asset classes you wish to include in your round of impact analysis

C. Management of client assets with discretionary powers / delegated authority

| | Equities (listed) | Equities (private) |
|---|-------------------|--------------------|
| I. Asset classes (as per PRI+ classification) <i>please select the relevant asset classes using the drop-down list</i> | Equities (listed) | Equities (private) |
| a. AUM <i>For each asset class, please specify the AUM volume, then use the cell at the end of the line to check whether the data inputted is correct</i> | | |
| b. % of total <i>For each asset class, please specify the AUM proportion, then use the cell at the end of the line to check whether the data inputted is correct</i> | 30.00% | 20.00% |
| c. Market position | Global leader | Global leader |
| d. Key negative assets <i>For each asset class, please specify whether you support any key negative assets. Refer to the 'asset and country' list on the next worksheet and answer using the drop down list.</i> | Yes | Yes |
| <i>If used please enter bank mark-in in the 'asset and'</i> | | |
| e. Include in Scope? <i>Please consider volume, market position, key negative assets for each asset class selected above to understand which ones should be prioritised. Use this space to select your priority asset classes</i> | Equities (listed) | Equities (private) |

Defining a meaningful scope

Why is the volume and proportion of activity types asked?

The analysis is performed activity type by activity type. This information is needed in order to map out the proportion of your investment activities to which different impact areas are associated. If a given impact area is associated to a large (i.e., core) part of your portfolio this will contribute to the said impact area being one of your most significant impact areas.

Should all investment activities be reviewed?

The more comprehensive your impact analysis the better, however you may need or wish to increase the scope of your coverage progressively. In this case what is key is that you prioritize your core activities, i.e., activities with the largest AUM and/or in which the bank is a market leader.

What if my organization is only involved in a single type of investment activity?

If your organization is only involved in a single investment activity type, the scoping segment will be very quick to complete.

Ask Me Anything

Implementation support resources

Implementation support resources

The implementation support session material is available on the [UNEP FI website/PRB members area](#)

- Programme (questions log and session dates)
- Next sessions (registration links)
- Previous sessions (slides and recordings)

Other resources:

[Interactive Guide](#): walk-through of each step of the analysis

[User Guide](#): methodology + detailed explanation of each segment of the tool and Q&A sections

[Impact Radar & Mappings](#): standalone files of the Tool in-built resources

Next calls

Next calls and links

- **14th December** | Impact assessment- [2.00 pm CET session](#)

Thank you



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