Impact analysis and target setting process

Interactive Guidance

V 1.1
(Examples were included)
09 May 2022
This Interactive Guidance will focus on P2

<table>
<thead>
<tr>
<th>PRINCIPLE 1: ALIGNMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ALIGNMENT</strong></td>
</tr>
<tr>
<td>We will align our business strategy to be consistent with and contribute to individuals’ needs and society’s goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PRINCIPLE 2: IMPACT &amp; TARGET SETTING</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IMPACT &amp; TARGET SETTING</strong></td>
</tr>
<tr>
<td>We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PRINCIPLE 3: CLIENTS &amp; CUSTOMERS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CLIENTS &amp; CUSTOMERS</strong></td>
</tr>
<tr>
<td>We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PRINCIPLE 4: STAKEHOLDERS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>STAKEHOLDERS</strong></td>
</tr>
<tr>
<td>We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society’s goals.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PRINCIPLE 5: GOVERNANCE &amp; CULTURE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GOVERNANCE &amp; CULTURE</strong></td>
</tr>
<tr>
<td>We will implement our commitment to these Principles through effective governance and a culture of responsible banking.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PRINCIPLE 6: TRANSPARENCY &amp; ACCOUNTABILITY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TRANSPARENCY &amp; ACCOUNTABILITY</strong></td>
</tr>
<tr>
<td>We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society’s goals.</td>
</tr>
</tbody>
</table>
Initial 4-year Journey*

Analyzing your bank’s Impact on Planet & People

4 requirements: scope, context, exposure, intensity

Setting & Implementing Targets

At least 2 SMART targets

Accountability & Measuring Progress

Using PRB template and aligned with the Annual Report

*For more detailed information, view the technical documents: Key Steps to be Implemented by Signatories and Reporting & Self-Assessment Template
You can find in this **Interactive Guidance** for Impact Analysis and Target Setting process the rationale, requirements, detail timeline and examples. The Guidance will be updated constantly, and we encourage banks to send us examples and resources that can be useful to everyone. Please feel free to send us suggestions or comments of what else you would like to see in this interactive guidance (email to maria.sosataborda@un.org)

**Instructions:**

You can navigate **through the bar on the top**.

You can go through the **sessions of the PowerPoint** (on the left)

We included only the initial 4-year implementation, however for the following years banks should improve their impact analysis, set more targets and implement action plans to achieve targets.
What is meant by impact analysis?

Impact analysis is...
• Identification of the most relevant and significant positive and negative impacts of your **portfolio** on the societies, economies and environments that your bank operates in.
• Evidence and context-based (country needs)

It is **not:**
• A review of internal operational impacts.
• A financial materiality assessment or stakeholder analysis.
• Final or permanent.
Why is it required?

Impact analysis is the essential groundwork needed for meaningful target-setting.

Together Impact Analysis and Target-Setting are the cornerstone of the PRB’s aspiration to align the banking sector with societal goals.
How does it compare to traditional (GRI) materiality analysis?

Similarities
• ‘Double materiality’ focus (see slides 8-9)

Complementarity
• GRI materiality, stakeholder identification and consultation (GRI) can be used to further corroborate impact analysis findings and hence help with the setting of priorities.

Differences
• Scope: business activities only (see slide 10)
• Methodology: Impact analysis is based on a review of portfolio composition and associated positive and negative impacts combined with a needs assessment and expert consultations
• Finality: target-setting and business strategy evolution
Single, Double and Dynamic Materiality....

Reporting on matters that reflect the organisation’s significant impacts on the economy, environment and people

Reporting on the sub-set of sustainability topics that are material for enterprise value creation

Reporting that is already reflected in the financial accounts*

*Including assumptions and cashflow projections

To various users with various objectives who want to understand the enterprise’s positive and negative contributions to sustainable development

Specifically to the sub-set of those users whose primary objective is to improve economic decisions

SDGs
Paris Agreement
National/Regional frameworks

Source: CDP, CDSB, GRI, IIRC, SASB (Sep 2020) Statement of Intent to Work Together Towards Comprehensive Corporate Reporting
The link between the two sides of ‘Double Materiality’

Underlying philosophy of PRB

The ability of organizations to create positive impact (i.e. value to society and environment) is increasingly becoming an important part of corporate value creation (i.e. financial materiality) as sustainability issues become more critical, global and systemic.
GRI & PRB scope

Identify the common ground between your GRI material issues and the PRB significant impacts

- **GRI**: Identify your stakeholder groups and their sustainability related needs and expectations of your full scope (portfolio and operations)
- **PRB**: Identify what are the positive and negative impacts of your portfolio considering your context and country needs to achieve SDGs Paris Agreement or national or regional frameworks.
How to do an impact analysis for SDG alignment?

The PRB requirement for impact analysis and target-setting is the means to an end to achieve alignment with the SDGs (P1).

To be able to zoom in on your significant impact areas, you first need to zoom out and understand the full spectrum of sustainability topics across the three pillars of sustainable development (economic, environmental and social).

*The Impact Radar offers a holistic set of impact areas, which can be used by private finance and business to understand and manage positive and negative impacts across the three pillars. The impact areas are defined based on internationally recognized standards and definitions, including the SDGs.*

[Download here](#)

NB. The Radar and Mappings are directly embedded in the [UNEP FI Impact Analysis Tools](#).
### Benefits of impact analysis and target setting

<table>
<thead>
<tr>
<th>Rationale</th>
<th>Requirements</th>
<th>Journey</th>
<th>Detail timeline</th>
<th>Examples</th>
<th>Impact tool</th>
<th>Glossary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Align your business strategy</td>
<td>Impact management</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Align your business strategy</td>
<td>The whole process will contribute to manage your portfolio’s impact and your contribution for SDGs, Paris Agreement, and national and regional frameworks.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opportunities and client’s engagement</td>
<td>Identify business opportunities and how your bank will help clients for transition to an inclusive and greener economy.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk management</td>
<td>identify sectors that should make a low carbon transition and/or could be affected by other sustainability issues in the next years</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stakeholder’s management and accountability</td>
<td>Be clear to your stakeholders (including civil society and regulators) what are your priorities and how you will monitor progress using science-based data.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investor’s engagement</td>
<td>Communicate very clear what are your priorities and your progress using science-based data. Targets could also be used to issue Sustainability linked bonds.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

For more information on the relevance of impact analysis and management, please refer to UNEP FI’s grounding paper on impact: [Rethinking Impact to Finance the SDGs](#)
Principle 2 requirements

**Impact Analysis**
- Assess the positive and negative impacts of the portfolio and
- Identify areas with the most significant impact considering the context of the regions in which the bank operates.

**Target Setting**
Set at least two SMART targets that address at least two of the most significant impacts.

**SMART targets**
- **S** – Specific
- **M** – Measurable
- **A** – Attainable
- **R** – Relevant
- **T** – Time-bound
The four requirements for impact analysis

The Principles for Responsible Banking require banks to conduct an impact analysis that:

1. Determine **scope** to cover the bank’s core business areas, products/services across the main geographies that the bank operates in

2. Review **scale of exposure** to different sectors. Where the bank’s core businesses/major activities lie in terms of industries, technologies and geographies

3. Understand **context**, i.e., the most relevant challenges and priorities related to sustainable development in the countries/regions in which the bank operates

4. Assess **intensity/salience** of (potential) social, economic and environmental impacts identified. You will make your performance assessment.
Common mistakes

• Do not define a clear scope for the impact analysis (business units, countries, sectors exposures) and don’t disclose what I out of scope, reasons or next steps.

• Use only GRI materiality for the impact analysis

• Consider only environmental issues (or only social) to understand country needs

• Lack of consistency. E.g., retail banks don’t consider social issues when it’s a critical factor regarding their business model; scope, context, exposure and prioritization are not comprehensive.

• Do not disclose sources used and process to identify most significant impact areas.

• Do not explain how the most important impact areas were selected (methodologies)

• Do not consult and engage stakeholders about impact analysis and target setting process.
Consult and engage stakeholders during the whole process

1. Determine scope
2. Review scale of exposure to different sectors
3. Understand context and relevance

Identify positive and negative impacts associated with your portfolio and prioritize at least 2 impact areas

Deep dive into at least 2 impact areas

4. Understand your Intensity and Salience: You will make your performance assessment in the priority areas.

External perspective: Further consider the country context and identify external targets to align with

Define at least 2 SMART targets
Based on the outcome of the impact analysis

Target 1
Target 2

• Internal perspective: determine a baseline and assess the current level of alignment with national and international frameworks

• Set SMART target (finance and impact-related targets)

• Set milestones and define KPIs

• Define, implement and monitor measures and actions

Impact Identification Performance assessment Target Setting

Year 1

Year 2

Year 3
Suggested timeline for initial 4-year implementation period

Consult and engage stakeholders during the whole process.
Iterative process

It’s an iterative process and you have to progressively increase the scope of your analysis regarding your business lines, sectors and countries.

Review your scope/update context and exposure info and see if you can go more granular

Consult and engage stakeholders during the whole process
It’s a journey where the coverage, scope and granularity of your analysis will increase gradually.

The accuracy and quality of your impact management will increase over time accordingly.

<table>
<thead>
<tr>
<th>Starting point</th>
<th>Progress</th>
<th>Ideal</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Coverage limited</em> but relevant n. of business areas/locations covered</td>
<td><em>Coverage increased: Core business areas and locations covered</em></td>
<td><em>Full coverage: All business areas &amp; locations are covered</em></td>
</tr>
<tr>
<td><em>Narrower scope and lower granularity:</em> selection of key sectors (relative to a subset of impact areas/topics)</td>
<td><em>Increasing scope and granularity:</em> key sectors across all impact areas/topics</td>
<td><em>Broader scope and higher granularity:</em> all sectors/all impact areas, understanding and leveraging of inter-linkages</td>
</tr>
</tbody>
</table>
Expected ease/speed of progress based on the profile of your bank

<table>
<thead>
<tr>
<th>Starting point</th>
<th>Progress</th>
<th>Ideal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer &amp; SME, focused on one or mostly one country</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mid-sized banks with additional exposure to large companies, mainly in one country</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large banks with exposure to larger and more diverse corporate portfolios, across multiple countries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banks with a strong focus on investment</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Higher ease/speed of progress

Lower ease/speed of progress
3 months

Set a multidisciplinary team to gather data and make the analysis

Potential departments to be engaged: Sustainability, Risk, Credit, Data analytics, HR, Economic Research, Marketing/Communication and Business teams (retail, commercial, investment, corporate).

The multidisciplinary team should understand what are the essential data about your bank’s activities, products and services, exposures to different sectors/industries, and the country(s) or region(s) in which you operate, and the priorities and challenges in those countries/regions.

Data you will need:

- % Business lines (Revenue share), products and services
- Country(s) or region(s) your bank offers its core products and services.
- Sectors and industries your bank offers its products and services to.
- Exposure of the products and services provided by your bank to each sector and industry sector (%)
- Environmental, social and economic issues most substantially affecting the country(s) or region(s) in which you provide your products and services.

Long term this should consider all aspects of your banking activities, but initially, it may make sense to prioritise the largest, and those with the most significant impacts.

UNEP FI Tool: See the ‘User Guide’ (p.17) for a detailed data checklist.
6 months

Identify scope, context and exposure of your portfolio

1. Determine scope
2. Review scale of exposure to different sectors
3. Understand context and relevance
1. Determine SCOPE

**Business model, core business areas and geographies:**
Indicate what the main business activities of the bank are and what their respective size is in terms of gross income. For each business activity, indicate the main countries of operations and the portion of business per country. Clarify what’s out of scope of the analysis. Make sure you are prioritizing the most relevant businesses and countries.

**Example:**

<table>
<thead>
<tr>
<th>Business Lines</th>
<th>Corporate banking</th>
<th>Retail Banking</th>
<th>Investment Banking</th>
<th>Asset management</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>50%</td>
<td>30%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>France</td>
<td>60%</td>
<td>France</td>
<td>40%</td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>40%</td>
<td>Italy</td>
<td>60%</td>
<td></td>
</tr>
</tbody>
</table>

We used x resource/tool to undertake our impact analysis. We were able to analyze the products, services and activities in the bank’s retail and corporate banking portfolios in Italy and France. Our investment banking and asset management business were not covered in the analysis at this stage because we prioritized for the first year the most relevant ones.

Download the Reporting example (page 12) [here](#)
2. Review SCALE OF EXPOSURE to different sectors

Identify scope, exposure and context of your portfolio

For each country within each type of business activity, indicate what sectors your clients or client activities belong to, and what percentage of your portfolio these represent. For consumer portfolio, indicate your type of clients.

**Example:**

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Corporate banking</th>
<th>Retail banking</th>
<th>Investment banking</th>
<th>Asset management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity generation</td>
<td>20%</td>
<td>Residential real estate</td>
<td>45%</td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>15%</td>
<td>Vehicle finance</td>
<td>25%</td>
<td></td>
</tr>
<tr>
<td>Transport</td>
<td>15%</td>
<td>SME lending</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial real estate</td>
<td>10%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wholesale and retail</td>
<td>9%</td>
<td></td>
<td></td>
<td>currently not yet assessed</td>
</tr>
<tr>
<td>Human health and social work</td>
<td>8%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Steel</td>
<td>8%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cement</td>
<td>5%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information and communication</td>
<td>3%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td>3%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>4%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 2: Exposure of corporate and retail portfolios to different sectors (2019)

The main sectors, industries and technologies we finance across our France and Italy business are energy (constituting 20% of our corporate portfolio across our France and Italy business) (technologies include solar, wind, coal, oil and gas fired power stations), agriculture (15%), commercial real estate (10%), steel (8%), cement (5%) and transport (mainly aviation and shipping) (15%). Project finance constitutes 17%. Our retail portfolio is concentrated in residential real estate (45%), vehicle finance (25%), and unsecured lending (25%).

**UNEP FI Tool:** this is covered under the ‘Cartography’ segment of the Tool. Please see the Interactive Introduction and the User Guide (p.30) for further guidance.
3. Understand CONTEXT AND RELEVANCE

 Identify what’s relevant for the countries you have operations and include your sources (country needs, local frameworks)

- You can download the UNEP FI country needs mapping here
- Other examples of sources: SDG Index & Dashboards Assessment (2021), Nationally Determined Commitments (NDCs), INDCs, Voluntary National Reviews, National priorities and frameworks and priority SDGs.

**Example:**

We were also able to determine that the most relevant challenges and priorities in France included climate change, biodiversity loss and degradation, air pollution, affordable housing, and in Italy, climate change, biodiversity loss and degradation, and decent employment, through a review of a number of international and national resources (including the EU Action Plan, National Climate Action Plan and Programme for Government in France, and Italy national development goals framework, UN Biodiversity Lab platform, and WHO Global Ambient Air Pollution index), and engagement with xx stakeholders.

**UNEP FI Tool:** this is covered under the ‘Context’ segment of the Tool. Please see the Interactive Introduction and the User Guide (p.39) for further guidance.
Identify positive and negative impacts associated with your portfolio and **prioritize at least 2 impact areas**

It’s an iterative process and banks can progressively increase their scope.

Check your analysis with a range of experts and other stakeholders, who can provide insight to ensure the comprehensiveness and credibility of your findings.
If you are using the [UNEP FI Tool](https://www.unepfi.org) you can see the main positive and negative impacts associated with your portfolio in the ‘Profile’ segment of the workflow. Please see the [Interactive Introduction](https://www.unepfi.org) and the [User Guide](https://www.unepfi.org) (p.44) for further guidance on how to prioritize impact areas. In addition, you should discuss with senior executives and external stakeholders to prioritize the 2 most significant impact areas.

![Impact areas associated with key sectors](image)

<table>
<thead>
<tr>
<th>Impact areas associated with key sectors - Positive</th>
<th>Proportion of portfolio</th>
<th>Level of country need</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment</td>
<td>63%</td>
<td>3</td>
</tr>
<tr>
<td>Health &amp; sanitation</td>
<td>47%</td>
<td>4</td>
</tr>
<tr>
<td>Food</td>
<td>45%</td>
<td>4</td>
</tr>
<tr>
<td>Inclusive, healthy economies</td>
<td>32%</td>
<td>4</td>
</tr>
<tr>
<td>Climate</td>
<td>25%</td>
<td>4</td>
</tr>
<tr>
<td>Quality - Water</td>
<td>20%</td>
<td>0</td>
</tr>
<tr>
<td>Soil</td>
<td>20%</td>
<td>0</td>
</tr>
<tr>
<td>Resources efficiency &amp; security</td>
<td>16%</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Impact areas associated with key sectors - Negative</th>
<th>Proportion of portfolio</th>
<th>Level of country need</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biodiversity &amp; ecosystems</td>
<td>47%</td>
<td>4</td>
</tr>
<tr>
<td>Availability - Water</td>
<td>42%</td>
<td>2</td>
</tr>
<tr>
<td>Integrity &amp; security of person</td>
<td>42%</td>
<td>2</td>
</tr>
<tr>
<td>Quality - Water</td>
<td>42%</td>
<td>2</td>
</tr>
<tr>
<td>Soil</td>
<td>42%</td>
<td>2</td>
</tr>
<tr>
<td>Resources efficiency &amp; security</td>
<td>42%</td>
<td>2</td>
</tr>
<tr>
<td>Climate</td>
<td>38%</td>
<td>4</td>
</tr>
<tr>
<td>Waste</td>
<td>35%</td>
<td>4</td>
</tr>
</tbody>
</table>
Prioritize at least 2 impact areas

If you are not using the Impact tool, you can create your own data visualization. See below an illustrative example. You will also need internal and external dialogues for your final decision.

The Impact tool is not mandatory, but we recommend you use the impact radar and mappings as a reference to determine sector-impact associations. If you use other reference materials, you must disclose the source. You should be using an authoritative, publicly available source.

You can download the UNEP FI sector mapping [here](https://example.com/uneptool).
Deep dive into the 2 prioritized impact areas for intensity and salience

Deep dive into at least 2 impact areas

4. Understand your Intensity and Salience: You will make your performance assessment in the priority areas.

External perspective: Further consider the country context and identify external targets to align with

Identify positive and negative impacts associated with your portfolio and prioritize at least 2 impact areas
What’s expected for “intensity and salience”? 

Deep dive into in the 2 impact areas for intensity and salience  

1. Measure your performance  
   • Identify sectors & industries (corporate and business portfolios) or type of customers/products (consumer portfolios) for the selected impact area  
   • Identify potential indicators (qualitative and quantitative) to measure your performance on the selected impact areas considering your context e.g. carbon emission, gender equality on portfolios, credit access for vulnerable groups  
   • Gather data to set your baseline  

2. Refer back to national/regional frameworks  
You previously identified your context and country needs, now you should understand your specific gaps for the selected impact area and disclose what national targets or sector commitments you want align with (include your sources). E.g. NDCs, National financial inclusion policies. 

In the following slides you will find potential sources to measure your performance and national/regional frameworks
Methodologies or protocols to measure performance (intensity and salience)

Climate Change

**Platform Carbon Accounting Financials (PCAF):** PCAF has proposed a harmonized carbon accounting approach for the financial sector. The Standard equips financial institutions with robust methods to measure financed emissions across six asset classes. This enables banks to develop informed climate strategies, assess climate-related risks, set science-based targets and report to stakeholders.

PCAF’s **Strategic Framework for Paris Alignment** is a framework that clarifies the complex landscape of net zero commitments, initiatives, methodologies and tools and describes the non-linear process that financial institutions can embark on to achieve Paris alignment, no matter what stage of the journey they are in.

**Paris Agreement Capital Transition Assessment (PACTA):** this is a free online tool from 2 Degrees Investing Initiative (2°ii) enables banks to measure the alignment of their corporate lending portfolios with climate scenarios across a set of key climate-relevant sectors and technologies.

**Credit Portfolio Alignment:** this report provides an overview of the application of the PACTA methodology and the options viewed as most useful by the Katowice Banks...
### Example to measure performance (intensity and salience)

**Financial Health & inclusion / Gender Equality**

| Consumer 
<table>
<thead>
<tr>
<th></th>
<th>Low income (%)</th>
<th>Mid. Income (%)</th>
<th>High income (%)</th>
<th>Male (%)</th>
<th>Female (%)</th>
<th>Vulnerable groups (%)</th>
<th>Age (18-30)</th>
<th>Age (30-60)</th>
<th>Age (+60)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of banking accounts</td>
<td>20%</td>
<td>50%</td>
<td>30%</td>
<td>52%</td>
<td>48%</td>
<td>2%</td>
<td>20%</td>
<td>50%</td>
<td>30%</td>
</tr>
<tr>
<td>Volume of credit</td>
<td>10%</td>
<td>38%</td>
<td>52%</td>
<td>83%</td>
<td>17%</td>
<td>0,05%</td>
<td>10%</td>
<td>70%</td>
<td>20%</td>
</tr>
<tr>
<td>Clients in Overindebt</td>
<td>30%</td>
<td>20%</td>
<td>5%</td>
<td>51%</td>
<td>49%</td>
<td>20%</td>
<td>15%</td>
<td>5%</td>
<td>20%</td>
</tr>
<tr>
<td>Volume of Saving accounts</td>
<td>5%</td>
<td>10%</td>
<td>85%</td>
<td>80%</td>
<td>20%</td>
<td>3%</td>
<td>5%</td>
<td>65%</td>
<td>30%</td>
</tr>
<tr>
<td>Level of financial resilience (1-10)</td>
<td>2</td>
<td>5</td>
<td>7</td>
<td>5</td>
<td>5</td>
<td>1</td>
<td>2</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Volume of Home loans</td>
<td>5%</td>
<td>60%</td>
<td>40%</td>
<td>80%</td>
<td>20%</td>
<td>1%</td>
<td>5%</td>
<td>75%</td>
<td>20%</td>
</tr>
<tr>
<td>others</td>
<td>5%</td>
<td>30%</td>
<td>65%</td>
<td>60%</td>
<td>40%</td>
<td>1%</td>
<td>20%</td>
<td>60%</td>
<td>20%</td>
</tr>
<tr>
<td>National Context</td>
<td>30% without banking account, low level of credit for women, 30% of the population don't save money, low level of final education, low financial resilience</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Banks should disclose methodologies and assumptions
Potential sources to understand National/regional frameworks (external perspective)

Climate Change

**Nationally Determined Commitments (NDCs):** to translate their commitment under the Paris Climate Agreement into national targets, plans and priorities, countries have published NDCs. This provides a valuable starting point for banks wishing to understand the local priorities and the scale of action required at country level.

The **EU Action Plan on sustainable finance:** this framework supports the goal of the EU to support the flow of private finance towards sustainable economic activities to make the transition to a carbon neutral economy by 2050 possible.

An extensive set of resources is available per country and per topic in the **UNEP FI Needs Mapping** materials.
Potential sources to understand National/regional frameworks (external perspective)

Financial health & inclusion

Global indicators of financial inclusion (Findex) and National public policies

Appendix A and B with database indications

Financial Health for Policy Makers

Measuring financial health

An extensive set of resources is available per country and per topic in the UNEP FI Needs Mapping materials
Deep dive into the 2 impact areas for intensity and salience

If you are using the UNEP FI Tool you can use the ‘performance’ segment of the workflow to collect your performance data across various sustainability topics via the various topic-specific measurement tools (e.g. PCAF, PACTA, etc.).

The Tool also provides a Library of impact indicators and metrics collected across the main standards and frameworks and mapped to the impact areas of the Impact Radar.

Please see the Interactive Introduction and the User Guide (p.55) for further guidance.

The Indicator Library can also be downloaded as a standalone resource here.
**Year 3**

Set SMART targets for 2 impact area

1. **Determine scope**
   - Identify positive and negative impacts associated with your portfolio and prioritize at least 2 impact areas

2. **Review scale of exposure to different sectors**

3. **Understand context and relevance**

**Deep dive into at least 2 impact areas**

4. **Understand your Intensity and Salience**: You will make your performance assessment in the priority areas.

   - **External perspective**: Further consider the country context and identify external targets to align with

**Define at least 2 SMART targets**

*Based on the outcome of the impact analysis*

- **Internal perspective**: determine a baseline and assess the current level of alignment with national and international frameworks

- **Set SMART target** (finance and impact-related targets)

- Set milestones and define KPIs

- Define, implement and monitor measures and actions
Set SMART targets for at least 2 impact area

Important to align targets with business departments, Executive Committee and Board of Directors. Targets, KPIs and actions should be approved by them and should relate to the business strategy.
Set SMART targets for at least 2 impact area

UNEP FI Target-Setting Existing Guidance

- Climate Change
- Climate Change
- Gender Equality
- Financial Health & Inclusion
- Biodiversity
- Resource efficiency & Circular economy
If you are using the UNEP FI Tool, the 'dashboard' provides a space to capture the targets set and to determine action points for different teams within the bank. Please see the Interactive Introduction and the User Guide (p.62) for further guidance.
Guidance on Reporting and Providing Limited Assurance

Use the reporting and self-assessment template
Show your progress on implementing the Principles and be transparent about your impacts and contributions.

Assess if you are meeting the requirements and obtain assurance (mandatory by the end of year 4.

You can also download here a Check List and an example to report Principle 2.

The reports which banks have already published are available online here.
In the following slides you will find some examples.
All examples have strengths and weakness.
Not necessarily 100% PRB compliance for all requirements.
In their sustainability report RBI also detailed their scope of analysis (Consumer banking: share of around 35%; Business banking: share of around 21%; Corporate banking: share of around 34%) as well as their scope of exposure per sector and country. The context and relevance analysis consisted in mapping the sectors and industries that positively or negatively contribute to the 22 impact areas in the UNEP FI Portfolio Impact Analysis Tool.

Note that RBI chose to focus on their (possible) negative impacts.

All examples have strengths and weakness. Not necessarily 100% PRB compliance
Scope: LHV described the core business areas, products/services across geographies it operates in. Scale of exposure: LHV considered where its core business lie in terms of industries, technologies and geographies. Context and Relevance: LHV found out the most relevant sustainability challenges and priorities in its countries of operation. Intensity and Salience: In identifying its areas of most significant impact, the bank considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting from the banks’ activities.

All examples have strengths and weakness. Not necessarily 100% PRB compliance

See page 32 of ProCredit's Impact Report Appendix to find out the detailed steps that they took to perform their impact analysis.
Vancity (Climate Change)

Breakdown of business lines by per cent of gross income generated

<table>
<thead>
<tr>
<th>Retail banking</th>
<th>Other (out of scope)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer banking</td>
<td>Commercial and Business banking</td>
</tr>
<tr>
<td>57%</td>
<td>38%</td>
</tr>
</tbody>
</table>

Breakdown of business loan book by sector (balance sheet value) and consumer products (% of members accessing)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Business banking: Lending to small- and medium-sized enterprises (% of portfolio by sector)</th>
<th>Consumer products (% of members accessing)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real estate activities</td>
<td>50%</td>
<td>Savings accounts (includes registered retirement savings accounts)</td>
</tr>
<tr>
<td>Other monetary intermediation (e.g., financial advisors, investment companies)</td>
<td>14%</td>
<td>Current accounts</td>
</tr>
<tr>
<td>Building construction and renovation (all building types)</td>
<td>8%</td>
<td>Consumer credit and overdraft (includes credit cards)</td>
</tr>
<tr>
<td>Other construction (e.g., specialty trades, civil engineering)</td>
<td>&lt;4%</td>
<td>Residential mortgages and housing-related credit</td>
</tr>
<tr>
<td>Food and beverage services</td>
<td>3%</td>
<td>Vehicle-related lending, and microfinance</td>
</tr>
<tr>
<td>Activities of other membership organizations (e.g., not-for-profits, religious organizations)</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>Other (sectors representing 2% of the portfolio or less)</td>
<td>18%</td>
<td></td>
</tr>
</tbody>
</table>

Conclusion and next steps

Priority areas – This work validates climate as our priority area of focus (and connected to this, resource efficiency). The Canadian government recently committed to achieving net-zero emissions by 2050, and climate is increasingly becoming a key area of focus for policy makers, regulators, and civil society organizations. We are working towards a climate transition that puts people at its centre and leaves no one behind.

In 2019, we expanded our measurement efforts beyond operations to include financial emissions.

To better understand the other impact associations and community needs highlighted above, and to help us determine at least one other priority area, we need to undertake further work. This may include engaging with thought leaders, peers and community partners, and our members; conducting research and generating data; and generally digging deeper to more fully understand the opportunities to maximize positive and reduce negative impacts on people and the planet.

All examples have strengths and weakness. Not necessarily 100% PRB compliance
## Vancity (Climate Change)

### Intensity and Salience (performance measurement)

<table>
<thead>
<tr>
<th>Asset class</th>
<th>Dollars invested (millions)</th>
<th>Total tCO$_2$e</th>
<th>tCO$_2$e/dollar invested</th>
<th>% Coverage</th>
<th>Data quality score$^1$</th>
<th>Total $ in asset class</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential mortgages</td>
<td>12,892</td>
<td>31,162</td>
<td>2.4</td>
<td>98%</td>
<td>5</td>
<td>13,121</td>
</tr>
<tr>
<td>Business and commercial real estate mortgages</td>
<td>5,468</td>
<td>52,528</td>
<td>9.6</td>
<td>88%</td>
<td>5</td>
<td>6,236</td>
</tr>
<tr>
<td>Motor vehicle loans</td>
<td>20</td>
<td>3,527</td>
<td>179</td>
<td>100%$^2$</td>
<td>5</td>
<td>20</td>
</tr>
<tr>
<td>Business loans (general purpose)</td>
<td>227</td>
<td>18,097</td>
<td>80</td>
<td>92%</td>
<td>5</td>
<td>246</td>
</tr>
<tr>
<td>Consumer loans$^3$</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>312</td>
</tr>
<tr>
<td><strong>Total - Loans</strong></td>
<td><strong>18,607</strong></td>
<td><strong>105,314</strong></td>
<td><strong>5.6</strong></td>
<td><strong>93%</strong></td>
<td><strong>5</strong></td>
<td><strong>19,935</strong></td>
</tr>
<tr>
<td>Vancity Investment Management mutual fund sub-advisory for Inhance socially responsible funds</td>
<td>1,150</td>
<td>41,618</td>
<td>36</td>
<td>93%</td>
<td>3</td>
<td>1,234</td>
</tr>
<tr>
<td>Vancity Investment Management - private assets under management$^3$</td>
<td>314</td>
<td>12,262</td>
<td>39</td>
<td>97%</td>
<td>3</td>
<td>324</td>
</tr>
<tr>
<td><strong>Total - Investments</strong></td>
<td><strong>1,464</strong></td>
<td><strong>53,880</strong></td>
<td><strong>36.8</strong></td>
<td><strong>94%</strong></td>
<td><strong>3</strong></td>
<td><strong>1,558</strong></td>
</tr>
</tbody>
</table>

Estimated emissions calculated using the PCAF Global Standard.

1. The best data quality score is 1 and the worst is 5.
2. Some consumer loans are used to purchase vehicles, but we do not have comprehensive tracking for all these loans.
3. Investments do not include bond or other non-equity holdings.


Climate performance: page 14

All examples have strengths and weakness. Not necessarily 100% PRB compliance
We are already covering the sectors that are largest contributors to the emissions associated with our loan book with our Terra approach. More specifically, the results provide an estimate of 42 million tons of CO2 from our loan book in 2020. Sector analysis are available in our report.

https://www.ing.com/web/file?uuid=0c2f37a6-778d-4631-8a07-555c877353b4&owner=b03bc017-e0db-4b5d-abbf-003b12934429&contentid=54093

All examples have strengths and weakness. Not necessarily 100% PRB compliance
### AIB (Climate Change)

#### Intensity and Salience (performance measurement)

<table>
<thead>
<tr>
<th>Category</th>
<th>AIB GROSS LOANS €BN</th>
<th>% of AIB Loan Book</th>
<th>Role in National Decarbonisation</th>
<th>Sector Carbon Intensity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal – Mortgages</td>
<td>31.4</td>
<td>51%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>1.7</td>
<td>3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy</td>
<td>1.5</td>
<td>2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td>3.1</td>
<td>5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property &amp; Construction</td>
<td>7.3</td>
<td>12%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transport</td>
<td>1.9</td>
<td>3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distribution</td>
<td>5.3</td>
<td>9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial</td>
<td>0.8</td>
<td>1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other services</td>
<td>6.0</td>
<td>10%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>3.0</td>
<td>5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>62.0</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Legend**

1. AIB lending exposure @ 31.12.2019
2. Based on the EPA's Irish Final GHG Emissions report 2018
3. Based on SBTi guidance for Fls

Source: Company information.


*All examples have strengths and weakness. Not necessarily 100% PRB compliance*
Based on the output from the Portfolio Impact Tool, the overall assessment is that Climate is the first negative impact area that Jyske Bank should first subject to a closer analysis. The negative impact within Climate relates to the fact that a fairly large proportion of Jyske Bank's lending activities consists of loans for owner-occupied homes and residential rental properties, where the many thousand properties affect the climate through consumption and through the CO₂ emission of the properties.

In addition, Waste and Soil Quality have also been identified as important negative impact areas. The most important positive impact areas are Housing, Climate and Inclusive, healthy economies (find out about the analysis on waste here: https://investor.jyskebank.com/investorrelations/sustainability/impact)
Commonwealth Australia (Financial health & inclusion)

A vital step to achieving our purpose is also defining and measuring financial wellbeing so that we can work to improve it in meaningful ways.

To do this, we have worked with the Melbourne Institute (MI): Applied Economic & Social Research to create two ground-breaking measures of financial wellbeing:

- The CBA-MI Reported Financial Wellbeing Scale (version 1) is formed from people’s responses to 10 questions about their perceptions and experiences of their own financial wellbeing; and
- The CBA-MI Observed Financial Wellbeing Scale (version 2) is formed from five measures that come from customers’ financial records.

The Scales provide comprehensive yet simple measures of financial wellbeing outcomes that can be used by Australians to better understand their own financial wellbeing.

All examples have strengths and weakness. Not necessarily 100% PRB compliance

## Barclays (Climate Change)

The table below sets out selected targets and policies we have previously announced, progress against them, and the new announcements we are now making.

<table>
<thead>
<tr>
<th>Strategic pillar</th>
<th>Previously announced target/policy</th>
<th>Progress*</th>
<th>New announcement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong> Achieving net zero operations¹</td>
<td>By the end of 2021</td>
<td>2021 Performance</td>
<td>By the end of 2025</td>
</tr>
<tr>
<td>1.80% GHG emission reduction Scope 1 and 2 (market-based) against a 2018 baseline</td>
<td>-86% GHG emission reduction</td>
<td>94% renewable electricity</td>
<td>-90% GHG emission reduction in Scope 1 and 2 (market-based) by the end of 2025 against a 2018 baseline</td>
</tr>
<tr>
<td>Source 90% renewable electricity for our global operations</td>
<td></td>
<td>Carbon neutral for Scope 1, Scope 2 and Scope 3 business travel emissions since 2020</td>
<td>Source 100% renewable electricity for our global operations by end of 2025</td>
</tr>
</tbody>
</table>

### Target setting

1. Operations include company, bank office, retail branches and data centres where Barclays has operational control.
2. Scope 1 emissions include direct GHG emissions from stationary fuel combustion, industrial processes and electricity.
3. Scope 2 emissions include indirect GHG emissions from purchased electricity.
4. Operations include company, bank office, retail branches and data centres where Barclays has operational control.
5. The 2030 target for energy reflects methodologies update and excludes not just CO2, but also methane. The target is equivalent to CO2 terms. The 2030 target for energy is 26% reduction against 2020 baseline. Power emissions data does not include methane but is not considered in Steel and Cement data includes all GHG emissions.


**All examples have strengths and weakness. Not necessarily 100% PRB compliance**
Amalgamated Bank (Climate Change)

As of Amalgamated Bank's baseline year 2020, financed emissions from their commercial real estate portfolio represent about one quarter of all financed emissions. The portfolio includes about 100 properties including industrial, warehouse, retail, office, and mixed-use facilities. As of Amalgamated Bank's baseline year 2020, financed emissions from their multi-family portfolio represent about one eighth of all financed emissions. The portfolio includes about 200 multi-unit apartment buildings (see page 7 of their net zero climate targets report).


All examples have strengths and weakness. Not necessarily 100% PRB compliance.
Members of the Net-Zero Banking Alliance (NZBA) commit to transition the operational and attributable GHG emissions from their lending and investment portfolios to align with pathways to net-zero by 2050 or sooner.

- Banks shall establish an emissions baseline and annually measure and report the emissions profile of their lending portfolios and investment activities (absolute emissions and emissions intensity).
- Set 2030 & 2050 targets which are in line with a scenario consistent with 1.5 degree warming at least one priority sector within 18 months and set targets for all or a substantial majority of the carbon-intensive sectors within 36 months of signing.
- Banks shall use widely accepted science-based decarbonisation scenarios to set both long-term and intermediate targets.
- Targets shall be reviewed, and if necessary revised, at a minimum of every five years.
- Take a robust approach to the role of offsets in transition plans.
Increase the share and volume of low-income customers and micro entrepreneurs in our portfolio and promote financial health to reduce over-indebtedness by 2025. We also commit to measure the financial health of our clients by 2025. **Alignment with SDGs 1, 8, 10**

### Country context

45% of the country’s population is considered low-income and 35% of adults do not have a bank account.  
40% have access to credit and of those, 30% are over-indebted.  
30% of microentrepreneurs do not have a bank account and 65% do not have access to credit.  
40% of the adult population has no financial education and no digital skills.

### Baseline

In 2020, 25% of accounts were from low-income users, and they have 15% of our loan allocation whose over-indebtedness is 30% larger compared to the total individual customer base.  
15% of the commercial accounts are of microentrepreneurs and they have 10% of our credit allocation whose over-indebtedness is 30% larger compared to the total base of SMEs.

### Targets

Increase the percentage of bank accounts of low-income users by 46% (reaching 30% of total consumer accounts), and of commercial customers who are microentrepreneurs by 40% (achieving 20% of SME accounts) by 2025  
Increase by 10% the allocation of credit for microentrepreneurs until 2030 reaching a volume of USD 110MM  
Reduce by 30% over-indebtedness of low-income customers and microentrepreneurs by 2025

### KPIs

- % low-income bank accounts/ total consumer accounts
- % microentrepreneurs account/ total SME
- Volume of credit and portfolio allocation for microentrepreneurs
- % over-indebtedness of low-income customers and microentrepreneurs
## Example 3: Increase the share of products and services offered to women in its retail portfolio by 2025 by increasing portfolio allocation and the number of women customers and women owned and/or led SME clients. **Alignment with SDGs 5.**

<table>
<thead>
<tr>
<th>Country context</th>
<th>Baseline</th>
<th>Targets</th>
<th>KPIs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our National Development Plan has a Gender Equality Strategy document, and it aims to advance on gender equality with a strategical focus on women’s participation in the economy and access to finance.</td>
<td>For the year 2020 the bank determines that women customer constituted 30% of customers in the retail portfolio, accounted for 20% of the loan allocation. And For SMEs portfolio, 15% of its total lending to SMEs was allocated to women-owned and/or led business and the average loan size was substantially lower in comparison to male owned/led SMEs (58%)</td>
<td>Increase the number of women customers by 15% and the allocation of loans to women customers by 15% by 2025 Increase the allocation of loans to women-owned and/or led SMEs to 25% by 2025 (achieving USD 300 MM per year) Engage with entrepreneur women to level their growth capacity (20% of clients) by 2025</td>
<td># and % of women customers by 15% and the allocation % and volume loans to women customers % and volume loans to women-owned and/or led SMEs # and % of entrepreneur women on capacity building and related activities</td>
</tr>
</tbody>
</table>

Women represent 35% of all entrepreneurs in the country, 72% of men have bank accounts, compared to 65% of women, representing a 7% gap.

For the year 2020 the bank determines that women customer constituted 30% of customers in the retail portfolio, accounted for 20% of the loan allocation. And

For SMEs portfolio, 15% of its total lending to SMEs was allocated to women-owned and/or led business and the average loan size was substantially lower in comparison to male owned/led SMEs (58%)

This is an illustrative example. You should check the full Guidelines to set your SMART target properly.
The Portfolio Impact Analysis Tool for Banks was designed specifically to support signatories to the Principles for Responsible Banking (PRB) in achieving Principle 2. It was developed by a Working Group of PRB Core Group members and endorser banks, along with other UNEP FI banking members, under the leadership of the Positive Impact Initiative.

Benefits of using the Tool include:
• Free & transparent: available in open-source (downloadable from the UNEP FI website)
• Interoperable with UNEP FI’s other resources (e.g. target-setting guidance) and with a broader set of impact management norms, resources and measurement methodologies (e.g. SASB, PCAF, etc.)
• Driving convergence: usage across a community creates a common language in a fragmented landscape
• Live: on-going co-creation with users to enhance and further develop the Tools
Implementation support 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

**Support sessions on the UNEP FI Impact Tools**: Programme, next sessions and materials
Other Impact Analysis Tools currently available:

- Impact Analysis Tool for Investment Portfolios
- Real Estate Impact Analysis Tool
- Corporate Impact Analysis Tool
Glossary

• **Country of Operation**: the bank's countries of operation are those where the bank is incorporated or has an otherwise registered presence.

• **Holistic Impact Analysis**: Holistic impact analysis is the process of identifying the impact areas that can be positively and/or negatively associated with an entity and/or activity, and of assessing the entity’s and/or the activity’s impact performance vis-a-vis its most significant impact areas. It distinguishes itself by the systematic consideration of positive and negative impacts across the three pillars of sustainable development. It is undertaken with a view to anticipating and managing unintended consequences, and to leveraging the interconnectedness of impact areas in order to develop innovative business solutions with better cost to impact ratios.

• **Impacts**: An impact is the effect or influence of one person, thing or action on another (New Oxford Dictionary).

• **Impact Areas & Topics**: Impact Areas are the “themes” of the impacts. The Impact Areas used in this guidance are derived from the UNEP FI Impact Radar (PII, 2018), a compilation that covers the three pillars of sustainable development (economic, environmental, social). Most Impact Areas can be broken down into one or more Impact Topics, which are ‘sub-themes’ of the Impact Areas.
Glossary

- **Impact assessment**: according to the UNEP FI Impact Analysis methodology, Impact Assessment is the process by which the bank’s performance vis a vis its most significant impact areas, as determined via impact identification, are reviewed with a view to prioritizing impact areas and, ultimately, setting or reviewing targets.

- **Impact identification**: according to the UNEP FI Impact Analysis methodology, Impact Identification is the process by which the bank’s significant impact areas are identified, as a basis for performance assessment and the definition of priority impact areas (namely for target-setting).

- **Impact needs**: Impact needs are the environmental, social and economic needs of the countries in which the bank operates. Understanding these is an integral part of impact identification and assessment.

- **Impact management**: Impact management covers all actions taken to drive positive impact and reduce negative impacts: identifying significant impacts, measuring them, setting appropriate targets, taking action to reach those targets, monitoring their attainment, constantly improving processes and outcomes/performance, communicating both on process and performance. Effective impact management is a function of the quality of the governance, resources and processes established by the bank to reduce its negative impacts and increase its positive impacts.
**Glossary**

- **Impact performance**: A bank’s impact performance is its actual delivery of positive impacts and management of negative impacts. It can be quantitatively and/or qualitatively measured per impact area through indicators and metrics. It is judged relative to specific targets and benchmarks (e.g. as set by policy goals and targets or in industry standards). The bank’s impact performance is considered during Impact Assessment in order to establish its priority impact areas.

- **Impact targets**: Setting meaningful impact targets, where it matters most, is what the bank is enabled to do at the end of the Impact Identification and Impact Assessment processes. Meeting these targets will require further impact analysis, namely at the client level.

- **Key sectors**: Key Sectors are sectors/activities which are key to one or more Impact Areas. This means when they are indispensable to fulfilment of an Impact Area, or when they are severely undermining an Impact Area. Sectors/activities are deemed key when the scale, intensity and/or probability of the impact association is high.

- **Significant Impact area**: A significant impact area for a bank is one where there is a strong relationship between the impact area and the bank’s current and/or future business. This is a function of a bank’s business activities, the sectors it supports and the countries in which it and its clients operate. Where there is a high level of need vis a vis an impact area in the country/ries of operation of the bank, and where the core business activities of the bank and/or the main sectors it supports are key to this impact area (e.g. the energy sector and climate change, or agriculture and food security), this impact area will be among the most significant impact areas of the bank. By understanding their most significant impact areas, banks can take action and set targets where they can deliver the most impact.