Impact analysis and target setting process

Interactive Guidance

V 1.1
(Examples were included)
09 May 2022

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Principles for Responsible Banking

This Interactive Guidance will focus on P2

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Principles for Responsible Banking

PRINCIPLE 1:
ALIGNMENT

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.

PRINCIPLE 2:
IMPACT & TARGET SETTING

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.

PRINCIPLE 3:
CLIENTS & CUSTOMERS

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.

PRINCIPLE 4:
STAKEHOLDERS

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

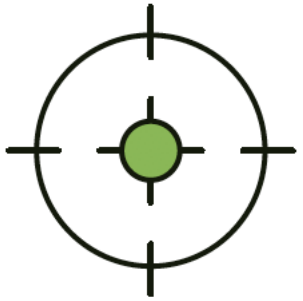
PRINCIPLE 5:
GOVERNANCE & CULTURE

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

PRINCIPLE 6:
TRANSPARENCY & ACCOUNTABILITY

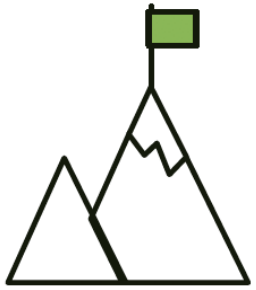
We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

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

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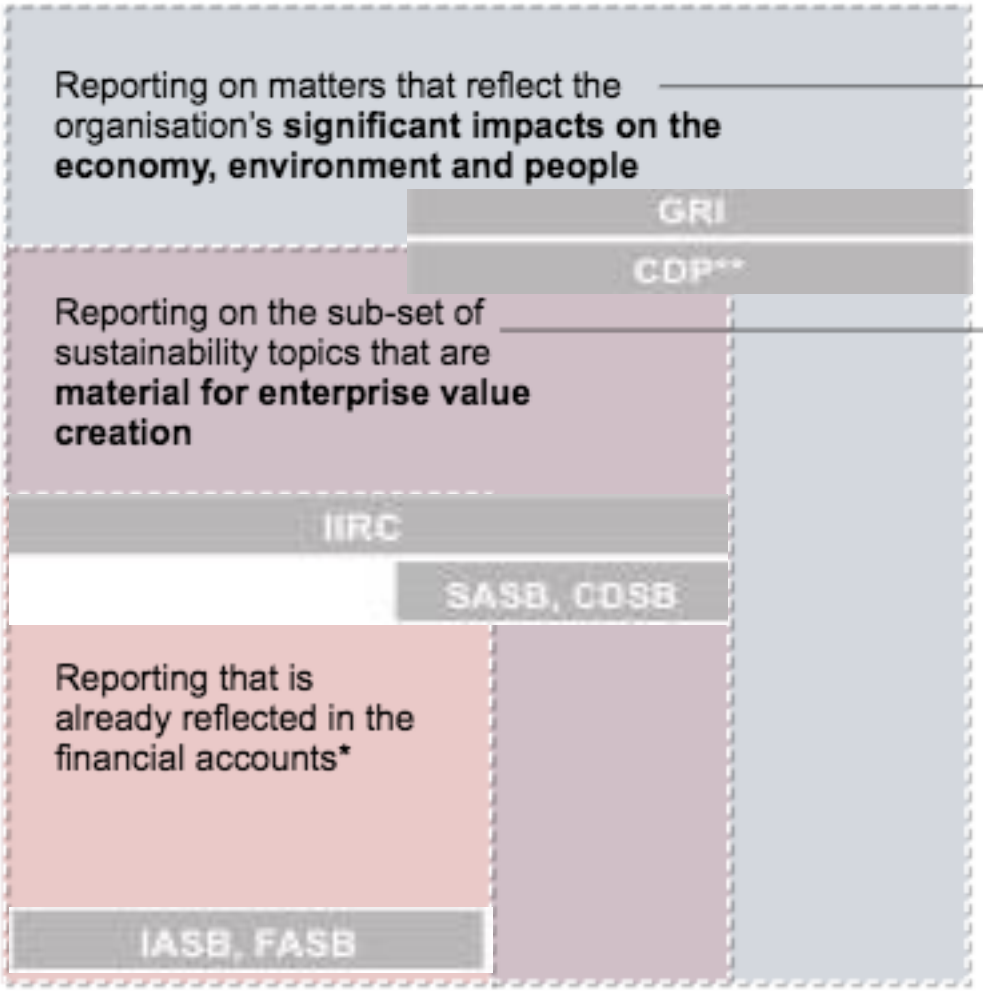
Single, Double and Dynamic Materiality….

Dynamic materiality: sustainability topics can move – either gradually or very quickly



*Including assumptions and cashflow projections

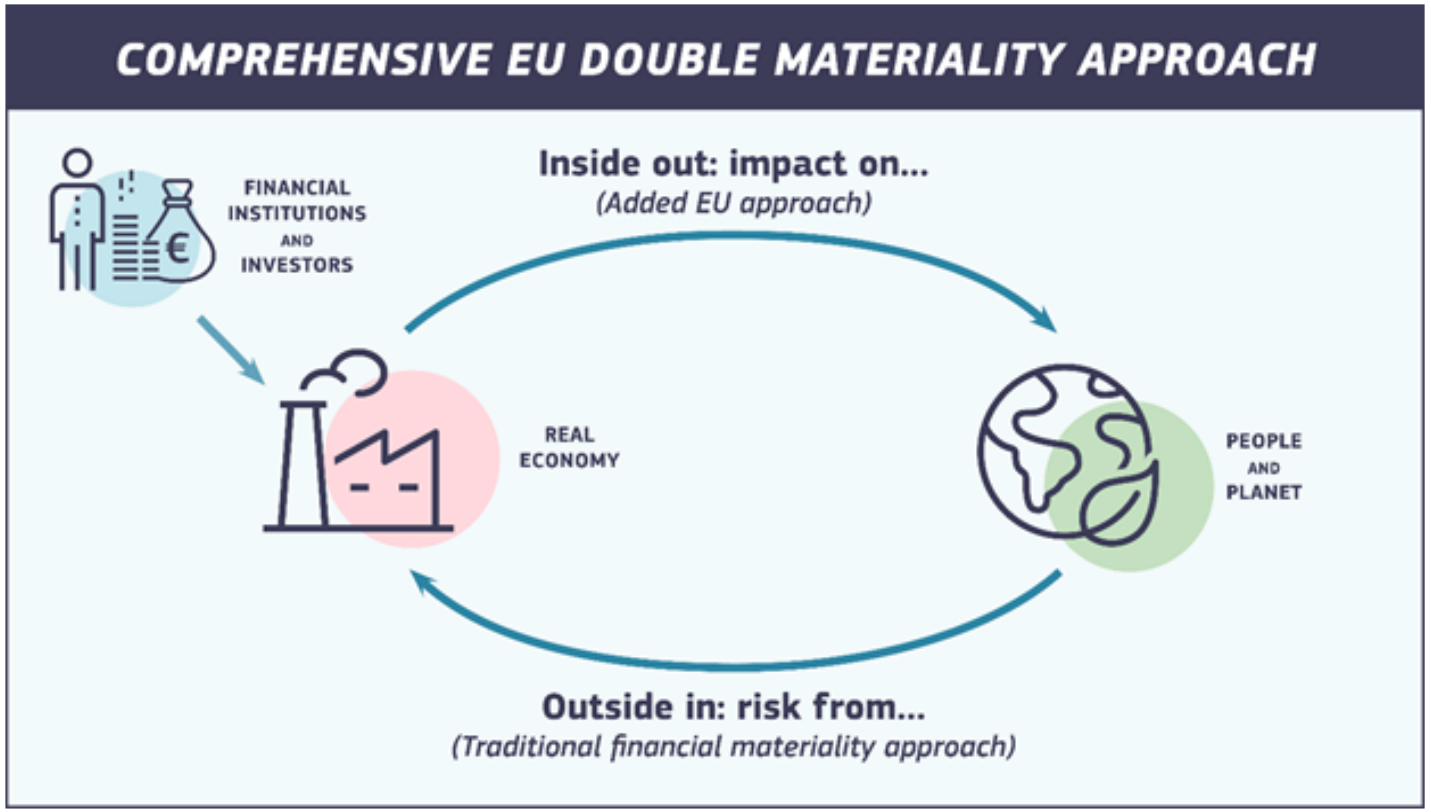
To various users with various objectives who want to understand the enterprise's positive and negative contributions to sustainable development

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'



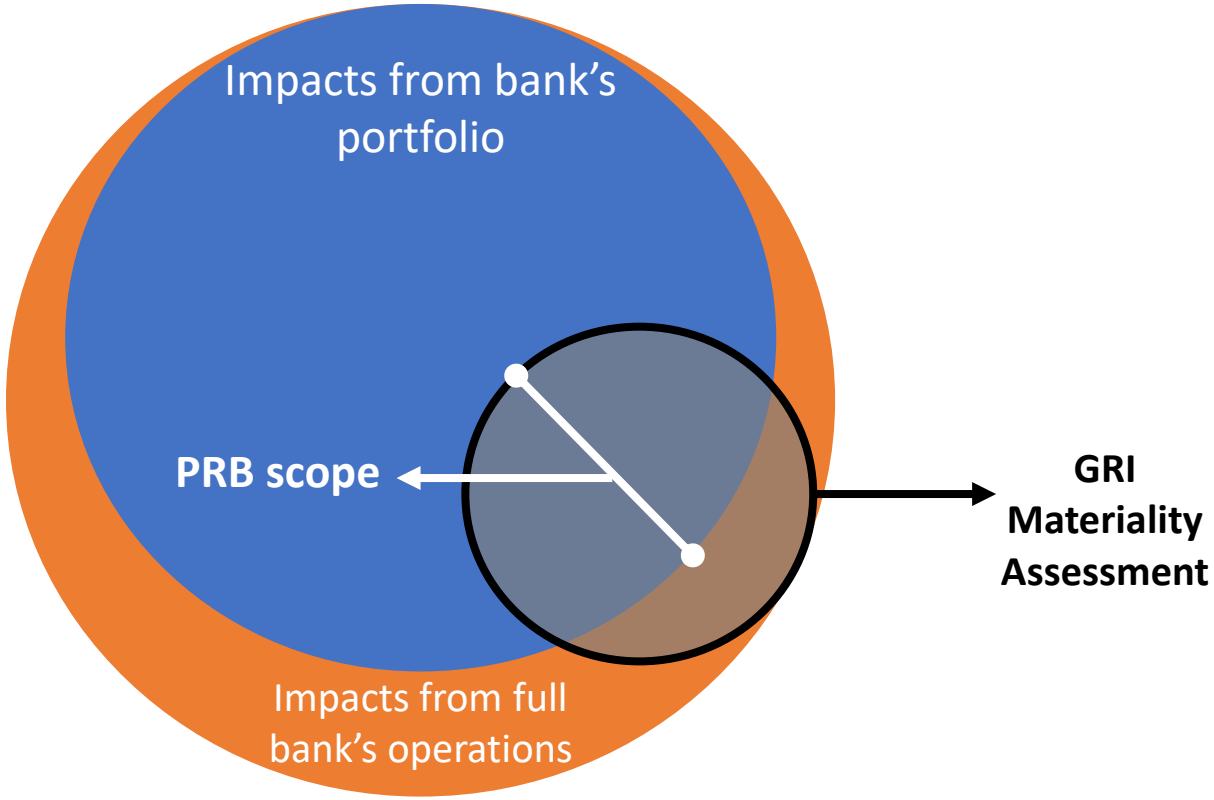
Underlying philosophy of PRB

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

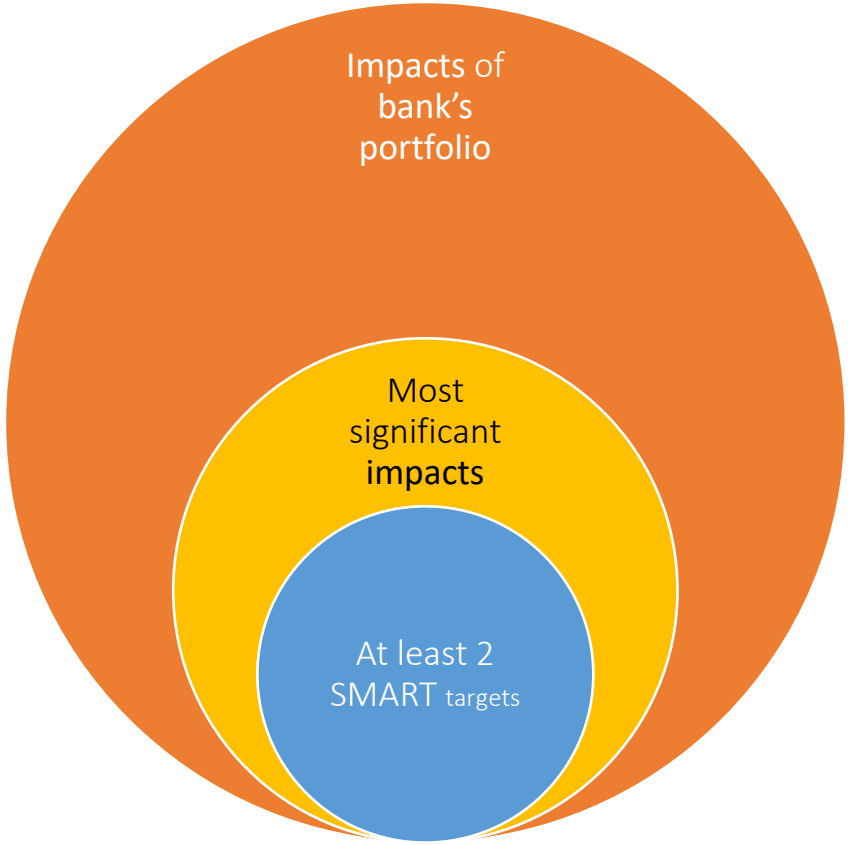
NB. The Radar and Mappings are directly embedded in the UNEP FI Impact Analysis Tools.

Benefits of impact analysis and target setting

Alignment with your business strategy	Align your business strategy to society goals using science-based data.
Impact management	The whole process will contribute to manage your portfolio's impact and your contribution for SDGs, Paris Agreement, and national and regional frameworks.
Opportunities and client's engagement	Identify business opportunities and how your bank will help clients for transition to an inclusive and greener economy.
Risk management	identify sectors that should make a low carbon transition and/or could be affected by other sustainability issues in the next years
Stakeholder's management and accountability	Be clear to your stakeholders (including civil society and regulators) what are your priorities and how you will monitor progress using science-based data.
Investor's engagement	**C**ommunicate very clear what are your priorities and your progress using science-based data. Targets could also be used to issue Sustainability linked bonds.

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 Analsys

- 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.

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.

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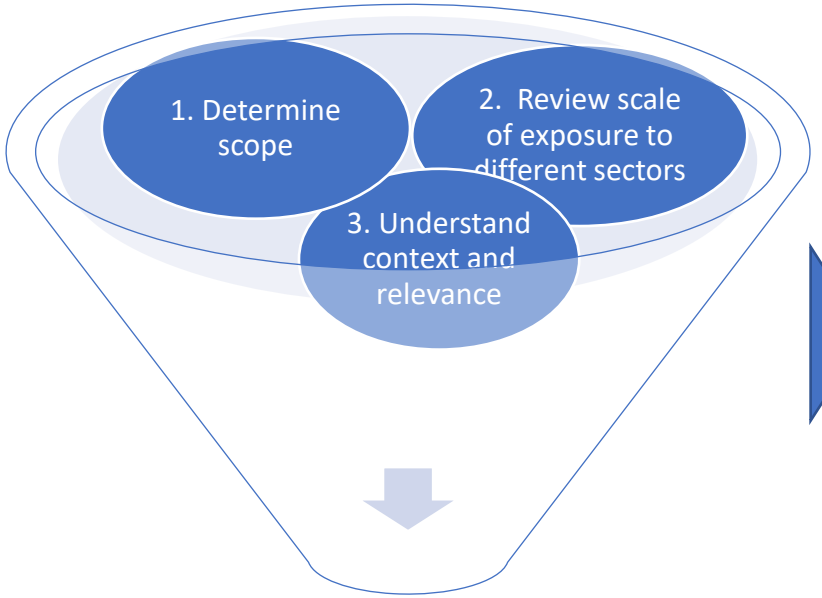
Year 1



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

Year 2

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

Year 3

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

Consult and engage stakeholders during the whole process

Impact Identification	Performance assessment	Target Setting

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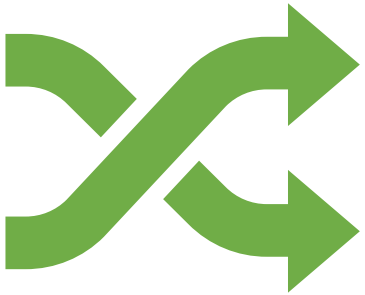
Suggested timeline for initial 4-year implementation period

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.

Starting point	Progress	Ideal
***Coverage limited** but relevant n. of business areas/locations covered ***Narrower scope and lower granularity**: selection of key sectors (relative to a subset of impact areas/topics)	***Coverage increased:** Core business areas and locations covered ***Increasing scope and granularity:** key sectors across all impact areas/topics)	***Full coverage:** All business areas & locations are covered ***Broader scope and higher granularity:** all sectors/all impact areas, understanding and leveraging of inter-linkages

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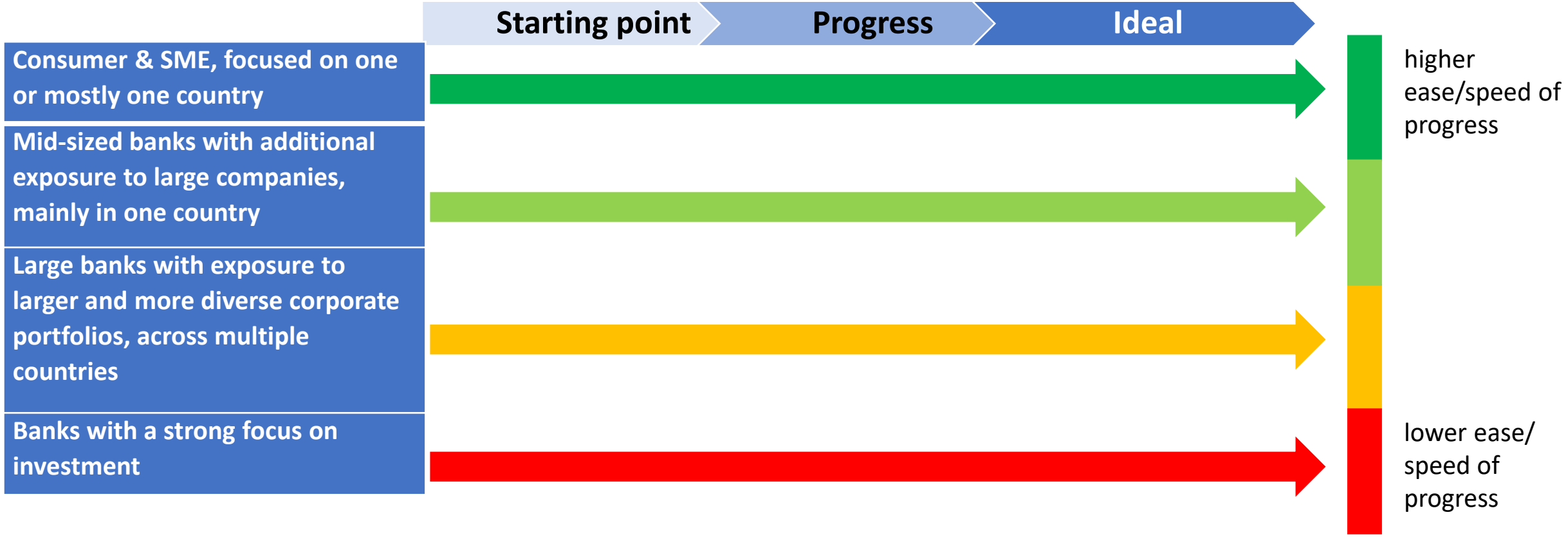
Expected ease/speed of progress based on the profile of your bank



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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.

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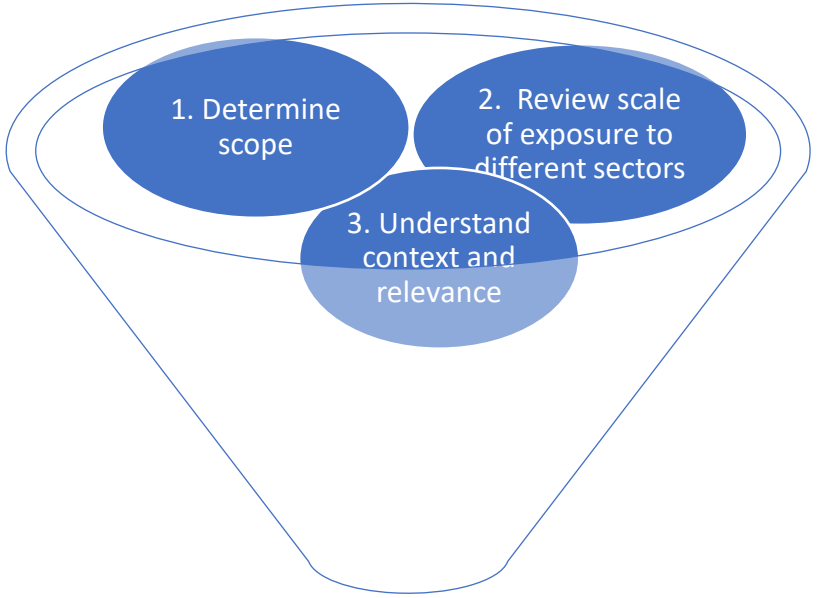
6 months

Identify scope, context and exposure of your portfolio



Identify scope, exposure and context of your portfolio

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:

Business Lines					
Corporate banking		Retail Banking		Investment Banking	Asset management
50%		30%		10%	10%
France	60%	France	40%		
Italy	40%	Italy	60%		

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

Identify scope, exposure and context of your portfolio

2. Review SCALE OF EXPOSURE to different sectors

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:

Sectors					
Corporate banking		**Retail banking**		**Investment banking**	**Asset management**
Electricity generation	20%	Residential real estate	45%	*Currently not yet assessed*	
Agriculture	15%	Vehicle finance	25%		
Transport	15%	SME lending	25%		
Commercial real estate	10%				
Wholesale and retail	9%				
Human health and social work	8%				
Steel	8%				
Cement	5%				
Information and communication	3%				
Manufacturing	3%				
Other	4%				

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.

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Identify scope, exposure and context of your portfolio

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.

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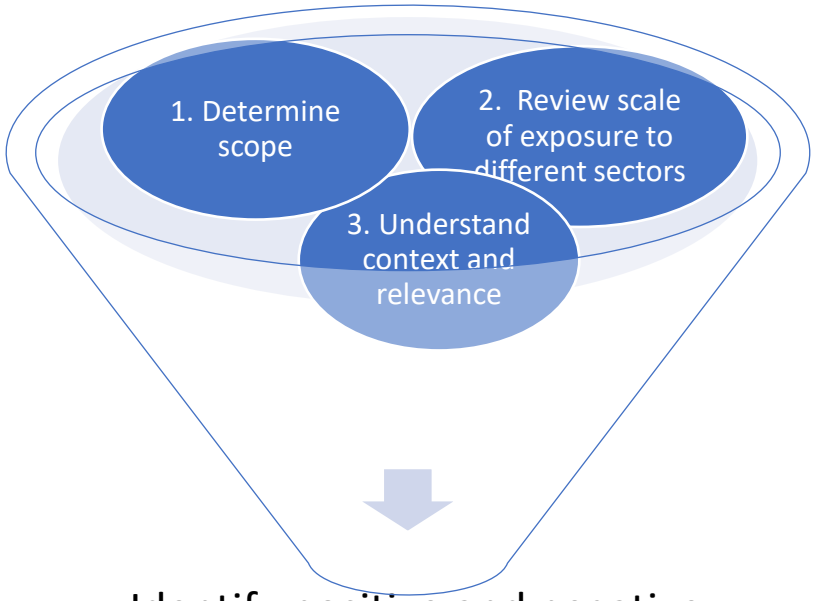
Year 1

Prioritize at least 2 impact areas



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

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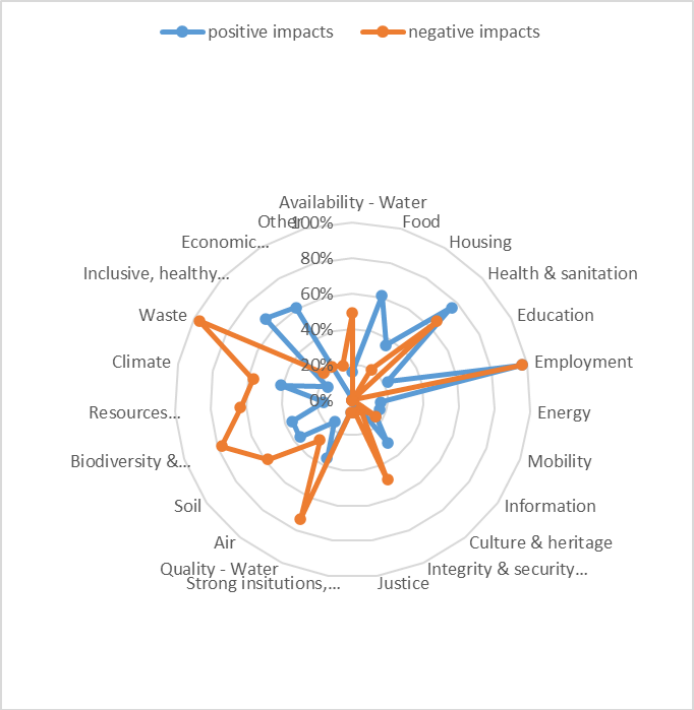
Prioritize at least 2 impact areas

If you are using the UNEP FI Tool 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 and the User Guide (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- **Positive** *NB: All content in this portfolio carries a positive association to the 'economic improvement'*	Proportion of portfolio	Level of country need
Employment	63%	2
Health & sanitation	47%	1
Food	45%	4
Inclusive, healthy economies	32%	1
Climate	25%	4
Quality - Water	20%	0
Soil	20%	0
Resources efficiency / security	16%	4

Impact areas associated with key sectors- **Negative**	Proportion of portfolio	Level of country need
Biodiversity & ecosystems	47%	4
Availability - Water	42%	2
Integrity & security of person	42%	2
Quality - Water	42%	0
Soil	42%	0
Resources efficiency / security	42%	4
Climate	38%	4
Waste	38%	4

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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.

			Climate	Soi	Water(availability)	Biodiversity	Water (quality)	Air	Waste	Employment	Economic Convergence	Employment	Inclusive &Healthy Economy
		EAD (%)	[illegible]	SDG xx	SDG xx	SDG xx	SDG xx	SDG xx	SDG xx	SDG xx	SDG xx	SDG xx	SDG xx
	Major Country needs		x	x	x	x	x	x	x	x	x	x	x
Corporate portfolio (62% of total AUM)	Transport & logistics/distribution	22%											
	Electricity generation (renewable)	18%											
	Agriculture (crops)	16%											
	Textiles	8%											
	Services	7%											
	Cement	4%											
	Energy/power generation: coal	4%											
	Oil & gas	4%											
	Construction/infrastructure	4%											
	Automotive	3%											
	Others	10%											
		100%	Positive impacts	Negative impacts									

Illustrative example

Potential priorities

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

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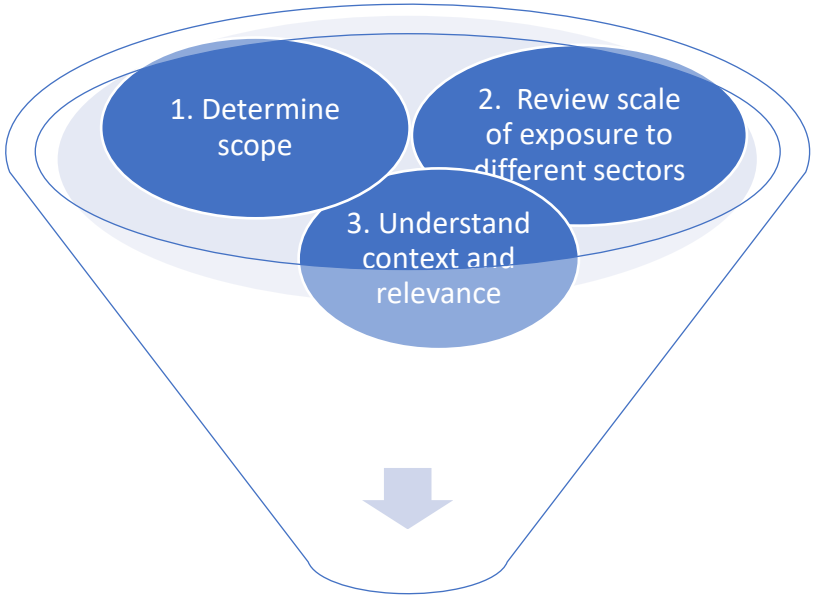
Year 2

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



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

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 (quali 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

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

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 developed 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 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

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

Example to measure performance (intensity and salience)

Financial Health & inclusion / Gender Equality

		Low income (%)	Mid. Income (%)	High income (%)	Male (%)	Female (%)	Vulnerable groups (%)	Age (18-30)	Age (30-60)	Age (+60)
Consumer bank portfolio (70% of total AUM)	Number of banking accounts	20%	50%	30%	52%	48%	2%	20%	50%	30%
	Volume of credit	10%	38%	52%	83%	17%	0,05%	10%	70%	20%
	Clients in Overindebt	30%	20%	5%	51%	49%	20%	15%	5%	20%
	Volume of Saving accounts	5%	10%	85%	80%	20%	3%	5%	65%	30%
	Level of financial resilience (1-10)	2	5	7	5	5	1	2	6	5
	Volume of Home loans	5%	60%	40%	80%	20%	1%	5%	75%	20%
	others	5%	30%	65%	60%	40%	1%	20%	60%	20%
	National Context	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								

Illustrative example

Banks should disclose methodologies and assumptions

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

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

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

Potential sources to understand National/regional frameworks (external perspective)

Financial heath & inclusion

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

Appendix A and B with database indications
https://www.unepfi.org/publications/guidance-on-financial-inclusion-and-financial-health-target-setting

Financial Health for Policy Makers
https://www.unsgsa.org/sites/default/files/resources-files/2021-09/UNSGSA%20Financial-health-introduction-for-policymakers.pdf

Measuring financial health
https://www.unsgsa.org/sites/default/files/resources-files/2021-09/UNSGSA%20Measuring-Financial-Health%20Policy%20Note.pdf

An extensive set of resources is available per country and per topic in the UNEP FI Needs Mapping materials

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Deep dive into in 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

Impact Topic	Needs Indicators & Values			Performance Indicators									Across the business lineY1						
	Need Indicator	ountry Val	Country Need Score	Metric/Indicator	Unit	Management /Outcome Indicator	Sector Specificity	Regional Specificities	Level of analysis	rmative directi	Threshold/ goal		Value/Status	Measurement methodology (if applicable)	Assessment	Possible Target	Possible Timeframe	Validation	Comments
Co2 emissions per capita	CO2 emissions (metric tons per	N/A	N/A	GHG emissions intensity ratio for the organization.	N/A	Outcome	Cross-cutting	N/A	N/A	Less is an improvement	N/A		100 CO2/kWh			50 CO2/KWh	10 years	Yes	
	N/A	N/A	N/A	Gross other indirect (Scope 3) GHG emissions in metric tons of CO2 equivalent.	Metric Tons	Outcome	Cross-cutting	N/A	N/A	Less is an improvement	N/A		400000 Metric Tons	PACTA		230000 Metric Tons	10 years	Yes	
	N/A	N/A	N/A	Greenhouse Gas Emissions Sequestered	N/A	Outcome	Cross-cutting	N/A	N/A	More is an improvement	N/A		1000 tCO2e			5000 tCO2e	3 years	Yes	
You can use the grey																			

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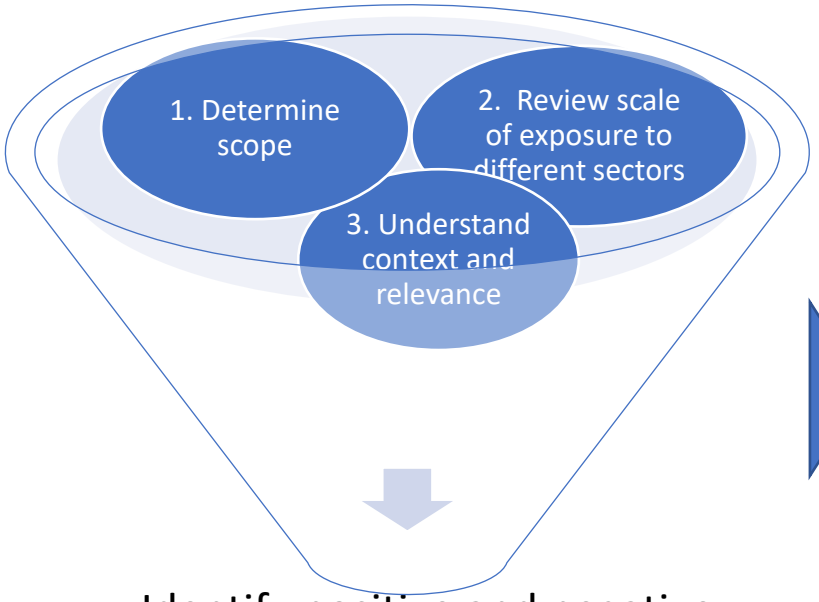
Year 3

Set SMART targets for 2 impact area



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

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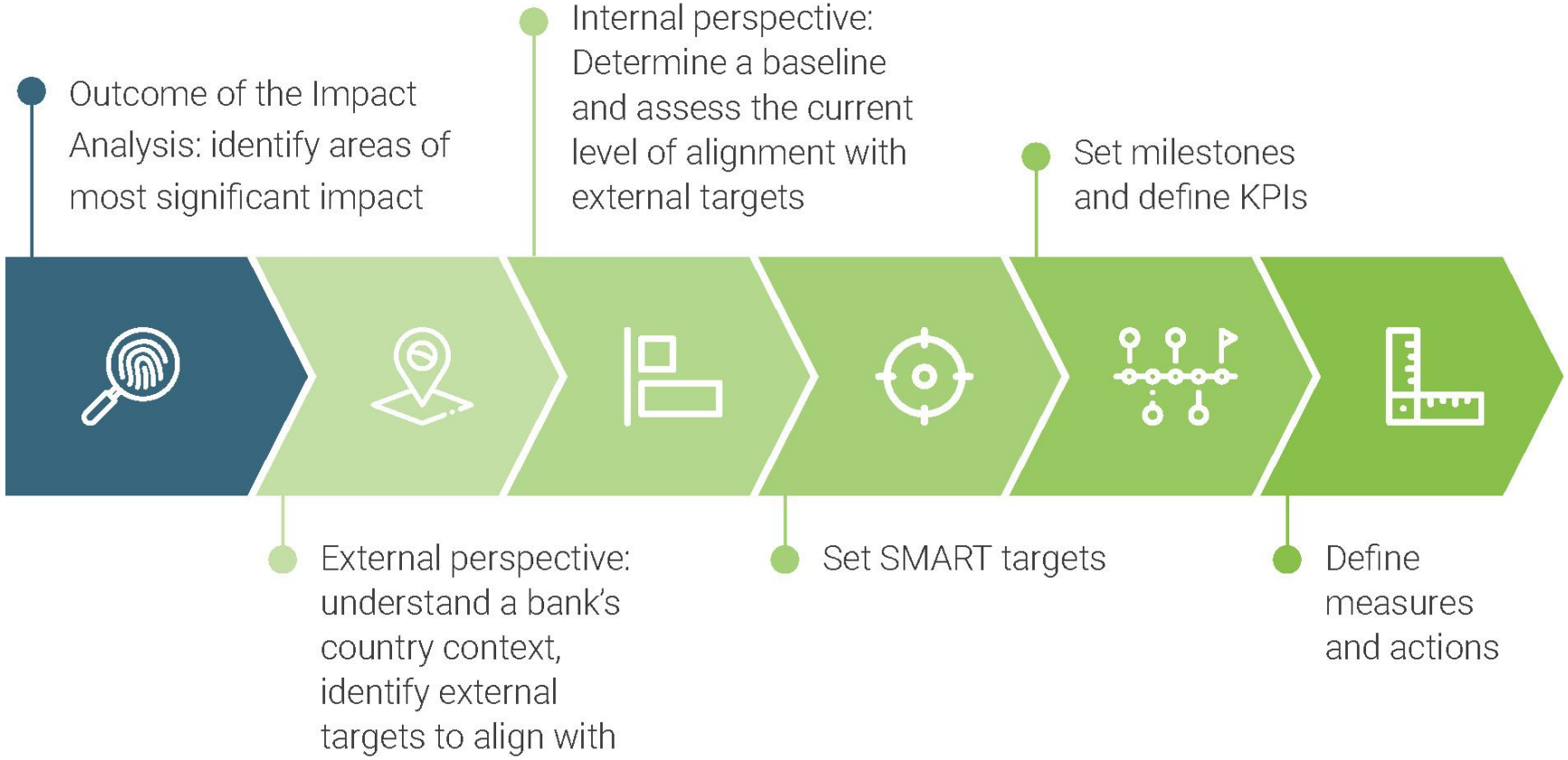
Set SMART targets for at least 2 impact area



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 busines strategy.

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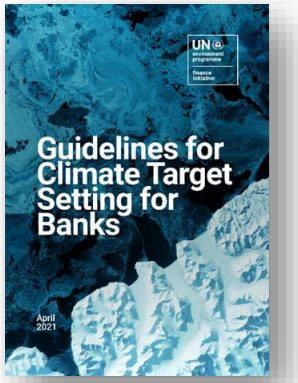
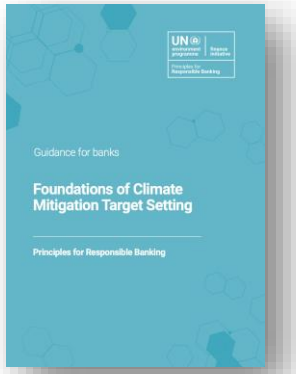
Set SMART targets for at least 2 impact area

UNEP FI Target-Setting Existing Guidance



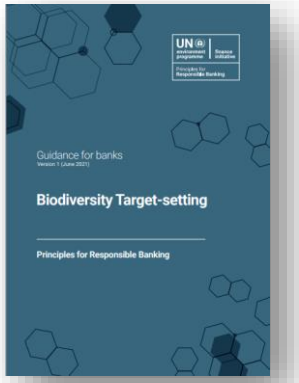
Climate Change



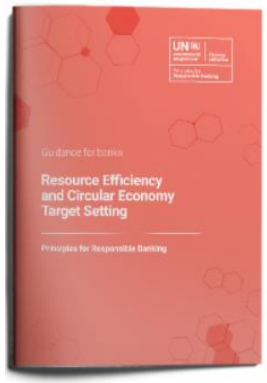
Climate Change

Gender Equality

Financial Health & Inclusion



Biodiversity



Resource efficiency & Circular economy

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Set SMART targets for at least 2 impact area

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.

Impacts	Target Across the business line		Target Subset N.1		Target Subset N.2		Target Subset N.3		Action Point		
Impact Topics	What	Timeframe	What	Timeframe	What	Timeframe	What	Timeframe	Who	What	Comments
Climate risk	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	[please select]		
	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	[please select]		
	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	[please select]		
	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	[please select]		
	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	[please select]		
Co2 emissions per capita	50 CO2/KWh	10 years	20 CO2/KWh	5 years	20 CO2/KWh	5 years	10 CO2/KWh	10 years	[please select]		
	230000 Metric	10 years	100000 Metric Tons	10 years	100000 Metric Ton	10 years	30000 Metric Tons	10 years	[please select]		
	5000 tCO2e	3 years	2000 tCO2e	3 years	2000 tCO2e	3 years	1000 tCO2e	3 years	[please select]		
	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	[please select]		
	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	[please select]		
Other (climate)	250000 USD	5 years	110000 USD	5 years	110000 USD	5 years	30000 USD	3 years	[please select]		
	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	[please select]		
	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	[please select]		
	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	[please select]		
	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	[please select]		

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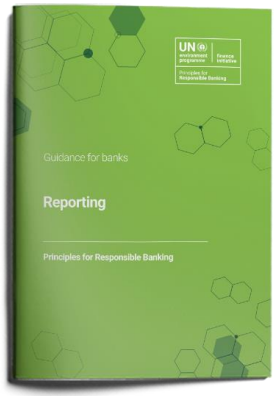
Year 4

Report progress of your 2 SMART targets



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.

Impact Analysis

Raiffeisen Bank International

Greatest negative impact

Business Banking	Corporate Banking	Consumer Banking*
• SDG 3 and SDG 6: "Health and sanitation" • SDG 10 and SDG 16: "Integrity and security of person" • SDG 12: "Resource efficiency" • SDG 12: "Waste" • SDG 13: "Climate protection"	• SDG 3 and SDG 6: "Health and sanitation" • SDG 16 and SDG 17: "Strong institutions, peace and stability" • SDG 12: "Resource efficiency" • SDG 12: "Waste" • SDG 13: "Climate protection"	• SDG 8 and SDG 9: "Inclusive, healthy economies" • SDG 12: "Resource efficiency" • SDG 13: "Climate protection"

* Only negative impact areas were determined here.

As a result of the extensive data analysis using the UNEP FI Portfolio Impact Analysis Tool, RBI identified two impact areas of strategic importance that are relevant in all three business areas:

- Climate protection (SDG 13)
- Resource efficiency (SDG 12)

https://www.rbinternational.com/en/sustainability/sustainability-report.html (page 56)

In their sustainabiliy 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.

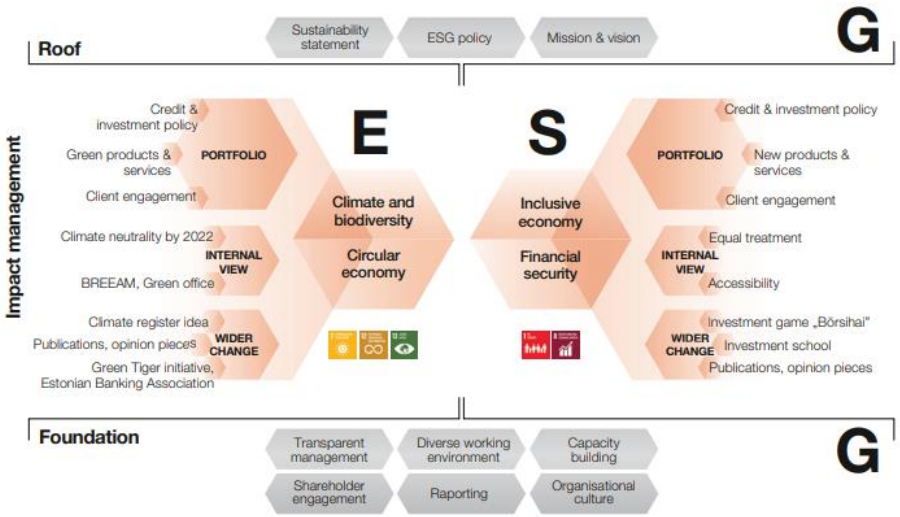
All examples have strengths and weakness. Not necessarily 100% PRB compliance

Impact Analysis

LHV

ESG framework and core activities

The graph below illustrates LHV's main impact areas, goals, and respective core activities, as well as the main elements governing and supporting our sustainability efforts.



Focus area		Key indicator	2019	2020
Environment (E)		LHV's CO2 footprint (t CO2-eqv)	1210t	865t
		Share of corporate banking loan portfolio to the biomethane industry	0.55%	1.25%
		Share of green assets in LHV Asset Management portfolio	N/A	4.2%
		Share of loan portfolio to solar energy industry	0.05%	2%
		Proportion of active clients in II pillar Pension Fund Green	N/A	2.2%
Social (S)	Inclusive and cohesive economic space	Share of corporate banking loan portfolio to Local Governments	0	14.4%
		Proportion of consumer banking customers registered outside Harjumaa	34.3%	34.9%
		Proportion of home loans outside Harjumaa	19.8%	19.7%
	Financial literacy and economic sense of security	Total number of Investment School attendees	6000	7420
		Average number of clicks per article in Finantsportaal	2372	2393
		Share of use of investment products among customers up to 25 years of age	19.3%	26.1%
		Share of use of investment products among clients with native language other than Estonian	5.6%	5.5%
Governance (G)		Percentage of female employees in leadership positions	26.5%	44.8%
		Client satisfaction index	93.5 %	94.9 %
		Number of legal proceedings pending against the company as of end of year	0	0
		Incidents of ethics and corruption	0	0
		CEO pay ratio	0.18	0.19

https://investor.lhv.ee/assets/files/LHV_Group_Annual_Report_2020-EN.pdf
https://www.lhv.ee/assets/files/LHV_PRB_Report_2021-EN.pdf

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

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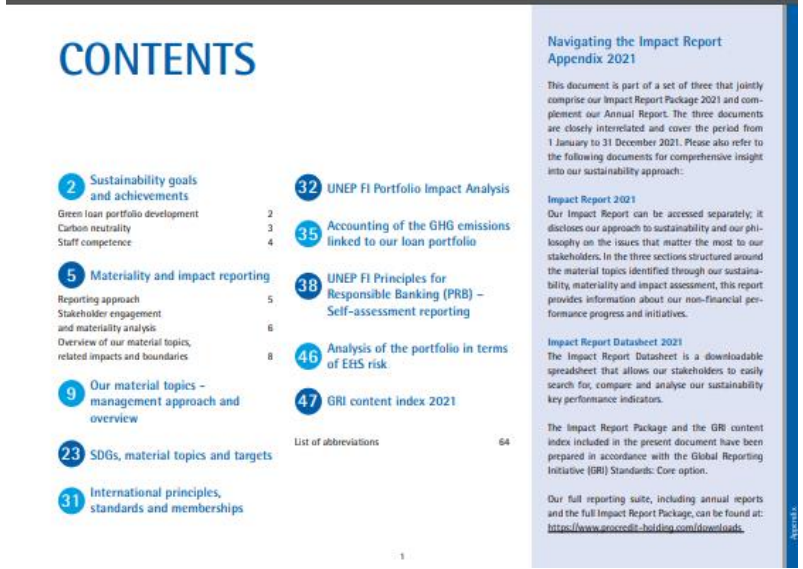
Impact Analysis

ProCredit



CONTENTS

Navigating the Impact Report Appendix 2021

This document is part of a set of three that jointly comprise our Impact Report Package 2021 and complement our Annual Report. The three documents are closely interrelated and cover the period from 1 January to 31 December 2021. Please also refer to the following documents for comprehensive insight into our sustainability approach:

Impact Report 2021
Our Impact Report can be accessed separately; it discloses our approach to sustainability and our philosophy on the issues that matter the most to our stakeholders. In the three sections structured around the material topics identified through our sustainability, materiality and impact assessment, this report provides information about our non-financial performance progress and initiatives.

Impact Report Datasheet 2021
The Impact Report Datasheet is a downloadable spreadsheet that allows our stakeholders to easily search for, compare and analyse our sustainability key performance indicators.

The Impact Report Package and the GRI content index included in the present document have been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option.

Our full reporting suite, including annual reports and the full Impact Report Package, can be found at: https://www.procredit-holding.com/downloads.

https://www.procredit-holding.com/wp-content/uploads/2022/04/ImpactReport_2021_Appendix_3_L_.pdf

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

Considering the scale of exposure of ProCredit's activities and the highest SDG-related challenges in our countries of operation, the tool identified the most important positive/negative impact areas at group level as follows:

Positive impact	Negative impact
Health and sanitation (SDG 3,6)	Climate (SDG 13)
Food (SDG 2)	Waste (SDG 6, 12, 14, 15)
Employment (SDG 8)	Biodiversity and ecosystems (SDG 14, 15)
Housing (SDG 3, 11)	Resource efficiency/security (SDG 6, 12, 13, 14, 15)

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Impact Analysis

Vancity (Climate Change)

Breakdown of business lines by per cent of gross income generated

Retail banking		Other (out of scope)
Consumer banking	Commercial and Business banking	
57%	38%	5%

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

Business banking: Lending to small- and medium-sized enterprises (% of portfolio by sector)		Consumer products (% of members accessing)	
Real estate activities	50%	Savings accounts (includes registered retirement savings accounts)	80%
Other monetary intermediation (e.g., financial advisors, investment companies)	14%	Current accounts	66%
Building construction and renovation (all building types)	8%	Consumer credit and overdraft (includes credit cards)	55%
Other construction (e.g., specialty trades, civil engineering)	<4%	Residential mortgages and housing-related credit	7%
Food and beverage services	3%	Vehicle-related lending, and microfinance	<1%
Activities of other membership organizations (e.g., not-for-profits, religious organizations)	3%		
Other (sectors representing 2% of the portfolio or less)[1]	18%		

Applying the Country Needs resource in the Portfolio Impact Tool, we determined that the most relevant challenges and priorities in Canada/B.C. are:

- Climate (based on greenhouse gas emissions)
- Resources efficiency (based on energy, water and materials consumption)
- Waste (based on solid waste generated and recycling rates)
- Food (specifically the prevalence of obesity)
- Housing (specifically the housing cost overburden for low-income owners and renters)

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 financed 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.

https://www.vancity.com/SharedContent/documents/AnnualReportArchives/Vancity2020annualreport.pdf

Impact analysis:
Page 35 and 42 - 44

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

Intensity and Salience *(performance measurement)*

Vancity (Climate Change)

Financed emissions – initial analysis (tonnes CO_2e)

Asset class	Dollars invested (millions)	Total tCO_2e	tCO_2e/dollar invested	% Coverage	Data quality score[1]	Total $ in asset class
Residential mortgages	12,892	31,162	2.4	98%	5	13,121
Business and commercial real estate mortgages	5,468	52,528	9.6	88%	5	6,236
Motor vehicle loans	20	3,527	179	100%[2]	5	20
Business loans (general purpose)	227	18,097	80	92%	5	246
Consumer loans[2]	Excluded – no methodology exists yet					312
Total – Loans	**18,607**	**105,314**	**5.6**	**93%**	**5**	**19,935**
Vancity Investment Management mutual fund sub-advisory for Inhance socially responsible funds	1,150	41,618	36	93%	3	1,234
Vancity Investment Management - private assets under management[3]	314	12,262	39	97%	3	324
Total – Investments	**1,464**	**53,880**	**36.8**	**94%**	**3**	**1,558**

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.

https://www.vancity.com/SharedContent/documents/AnnualReportArchives/Vancity2020annualreport.pdf

Climate performance: page 14

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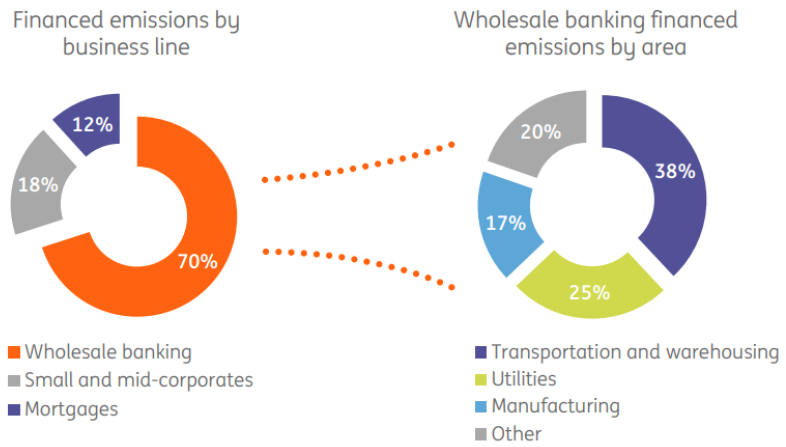
Intensity and Salience *(performance measurement)*

ING (Climate Change)



5 of 9

sectors are on track with climate alignment pathways, another 3 are close to the pathway.

on track	Power generation
on track	Upstream oil & gas
on track	Residential real estate
on track	Automotive
on track	Shipping
close to on track	Commercial real estate
close to on track	Cement
close to on track	Steel
not on track	Aviation

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

Intensity and Salience *(performance measurement)*

AIB (Climate Change)

	AIB GROSS LOANS €BN	% OF AIB LOAN BOOK[1]	ROLE IN NATIONAL DECARBONISATION[2]	SECTOR CARBON INTENSITY[3]
Personal – Mortgages	31.4	51%		
Agriculture	1.7	3%		
Energy	1.5	2%		
Manufacturing	3.1	5%		
Property & Construction	7.3	12%		
Transport	1.9	3%		
Distribution	5.3	9%		
Financial	0.8	1%		
Other services	6.0	10%		
Other	3.0	5%		
TOTAL	62.0			

LEGEND	GREEN	AMBER	RED
[1] AIB lending exposure @ 31.12.2019	<10%	10-20%	20%+
[2] Based on the EPA's Irish Final GHG Emissions report 2018	<10%	10-20%	20%+
[3] Based on SBTi guidance for FIs	N	N/A	Y

Source: Company information.

https://aib.ie/content/dam/frontdoor/personal/sustainability/aib-sustainability-report-2020.pdf

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

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Jyske Bank (Climate Change)

Intensity and Salience *(performance measurement)*

Table 3 - Loan portfolio and CO_2 emission

	Business volume DKKm				Emission tonnes CO_2			
	2021	2020	2019	Change 21/20	2021	2020	2019	Change 21/20
Personal Clients	**185,978**	**195,860**	**197,570**	**-9,882**	**299,427**	**478,391**	**499,917**	**-178,964**
Car loans	12,124	10,065	10,168	2,059	175,612	251,995	268,014	-76,383
Home loans	173,854	185,795	187,402	-11,941	123,815	226,396	231,903	-102,581
Corporate clients	**241,615**	**222,518**	**219,621**	**19,097**	**920,101**	**1,001,238**	**1,107,697**	**-81,136**
Transport	5,377	5,183	4,316	194	384,562	444,581	484,425	-60,019
Agriculture and fishing	12,187	13,158	15,934	-971	264,056	284,800	341,738	-20,744
Mortgage loans	169,420	162,609	163,251	6,811	116,105	149,970	154,357	-33,865
Manufacturing industry	8,790	7,278	8,502	1,512	70,657	63,663	74,245	6,994
Other corporate loans	45,840	34,290	27,618	11,551	84,722	58,223	52,932	26,498
Total	**427,593**	**418,378**	**417,191**	**9,215**	**1,219,529**	**1,479,629**	**1,607,614**	**-260,100**

Note: Business volume for which no CO_2 emission data are available has been left out of the estimate. The comprehensive business volume and the movements from year to year covered by the analysis are not comparable to Jyske Bank's traditional measuring of total assets.

Table 4 – Emission intensity

	Emission intensity tonnes CO_2 per DKKm			
	2021	2020	2019	Change 21/20
Personal Clients	**1.61**	**2.44**	**2.53**	**-0.83**
Car loans	14.48	25.04	26.36	-10.56
Home loans	0.71	1.22	1.24	-0.51
Corporate clients	**3.81**	**4.50**	**5.04**	**-0.69**
Transport	71.51	85.77	112.24	-14.26
Agriculture and fishing	21.67	21.64	21.45	0.03
Mortgage loans	0.69	0.92	0.95	-0.23
Manufacturing industry	8.04	8.75	8.73	-0.71
Other corporate loans	1.85	1.70	1.92	0.15
Total emission intensity	**2.85**	**3.54**	**3.85**	**-0.69**

PRB Impact Analysis Methodology: https://bit.ly/3MiFFBD
Impact Analysis Climate: https://bit.ly/3jXcvM5
https://investor.jyskebank.com/investorrelations/sustainability/impact

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)

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

Intensity and Salience *(performance measurement)*

Commonwealth Australia (Financial health & inclusion)

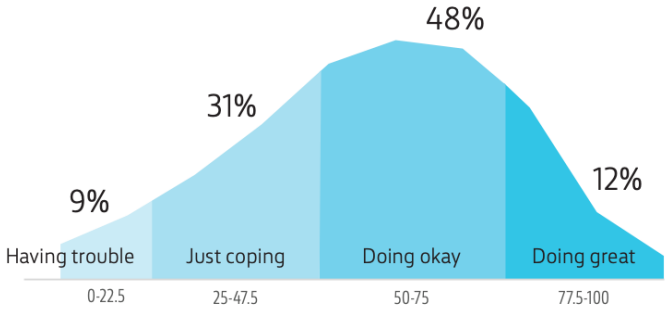
A vital step to achieving our purpose is also defining and measuring financial wellbeing so that we can work to improve it in meaningful ways.

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

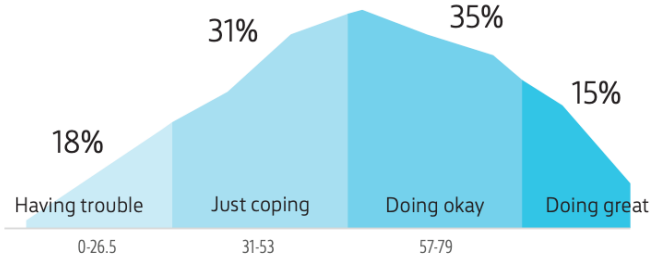
- The CBA-MI Reported Financial Wellbeing Scale (version 1) is formed from people's responses to 10 questions about their perceptions and experiences of their own financial wellbeing; and
- The CBA-MI Observed Financial Wellbeing Scale (version 2) is formed from five measures that come from customers'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

Reported Financial Wellbeing Scale



Observed Financial Wellbeing Scale



https://www.commbank.com.au/content/dam/commbank-assets/banking/guidance/2018-06/using-survey-banking-data-to-measure-financial-wellbeing.pdf?ei=what_UniMelbPDF

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

Target setting

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.

Strategic pillar		Previously announced target/policy	Progress[4]	New announcement
1 Achieving net zero operations[1]		By the end of 2021	2021 Performance	
		▪ -80% GHG emission reduction Scope 1[2] and 2[3] (market-based) against a 2018 baseline ▪ Source 90% renewable electricity for our global operations	▪ -86% GHG emission reduction ▪ 94% renewable electricity ▪ Carbon neutral for Scope 1, Scope 2 and Scope 3[5] business travel emissions since 2020	▪ -90% GHG emission reduction in Scope 1 and 2 (market-based) by the end of 2025 against a 2018 baseline ▪ Source 100% renewable electricity for our global operations by end of 2025
2 Reducing our financed emissions		By the end of 2025	2021 Performance	By the end of 2030[6]
Portfolio reduction targets	Energy	▪ -15% absolute CO_2 emission reduction against a 2020 baseline (Scopes 1, 2 and 3)	▪ -22% absolute CO_2 emission reduction	▪ -40% absolute CO_2e[7] emission reduction against a 2020 baseline of 78.5 $MtCO_2e$ (Scopes 1, 2 and 3)
	Power	▪ -30% CO_2 emission intensity reduction against a 2020 baseline (Scope 1)	▪ -8% CO_2 emission intensity reduction	▪ -50% to -69% CO_2 emission intensity reduction against a 2020 baseline of 320 $kgCO_2/MWh$ (Scope 1)
	Cement	n/a	n/a	▪ -20% to -26% CO_2e emission intensity reduction against a 2021 baseline of 0.620 $MtCO_2e/Mt$ (Scopes 1 and 2)
	Steel	n/a	n/a	▪ -20% to -40% CO_2e emission intensity reduction against a 2021 baseline of 1.926 $MtCO_2e/Mt$ (Scopes 1 and 2)

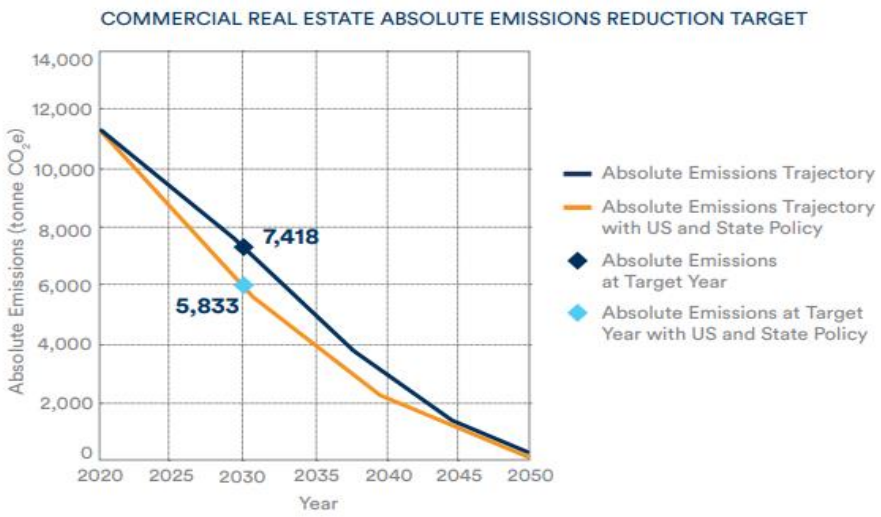
1. Operations include company cars, offices, retail branches and data centres where Barclays has operational control.
2. Scope 1 emissions include our direct GHG emissions from natural gas, fuel oil, company cars and HFC refrigerants.
3. Scope 2 emissions include our indirect GHG emissions from purchased electricity and purchased steam and chilled water.
4. Full details set out in Barclays PLC Annual Report 2021.
5. Scope 3 business travel emissions are our indirect emissions from commercial air travel and other transport.
6. Full details set out in our About BlueTrack™ whitepaper, available online.
7. The 2030 target for Energy reflects a methodological update and includes not just CO_2 but also methane. The target is expressed in CO_2e terms. The 2020 baseline for Energy will be recalculated to include methane. Power emissions data does not include methane but it is not considered material. Steel and Cement data includes all GHG emissions.

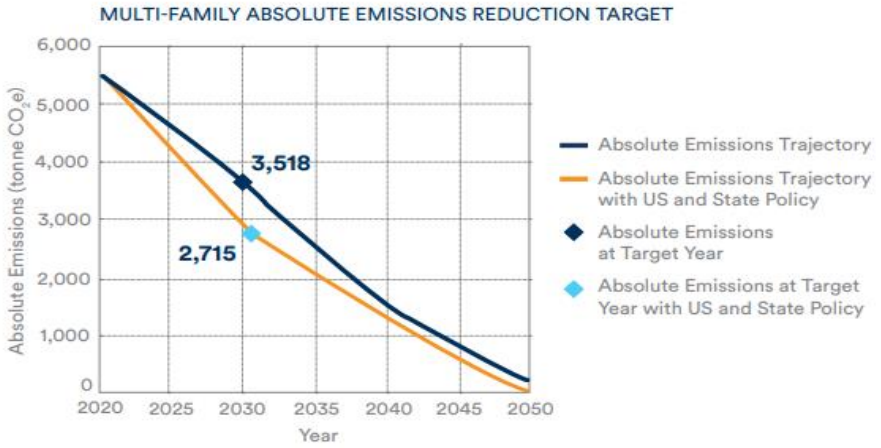
https://home.barclays/content/dam/home-barclays/documents/citizenship/Sustainability/Barclays-Climate-Strategy-Targets-and-Progress-2022-Final.pdf

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

Target setting

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).

https://www.amalgamatedbank.com/sites/default/files/Net_Zero_Climate_Targets_Report.pdf

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

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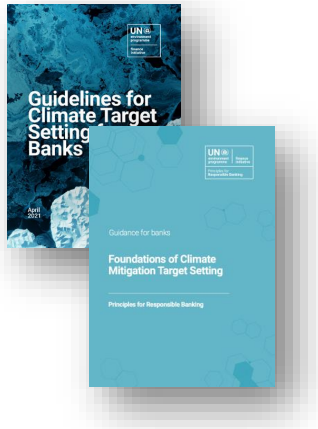
Target setting

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.



This is an illustrative example. You should check the full Guidelines to set your SMART target properly.

- 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 a**t 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**.
- **9 carbon-intensive sectors:** Agriculture, Aluminium, Cement, Coal, Real State, Iron & Steel, Oil & Gas, Power Generation, Transport
- 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**

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Target setting

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**

This is an illustrative example. You should check the full Guidelines to set your SMART target properly.

Country context	Baseline	Targets	KPIs
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.	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.	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	% 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

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Target setting

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.**

This is an illustrative example. You should check the full Guidelines to set your SMART target properly.

Country context	Baseline	Targets	KPIs
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. 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 comparation to male owned/led SMEs (58%)	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	# 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

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

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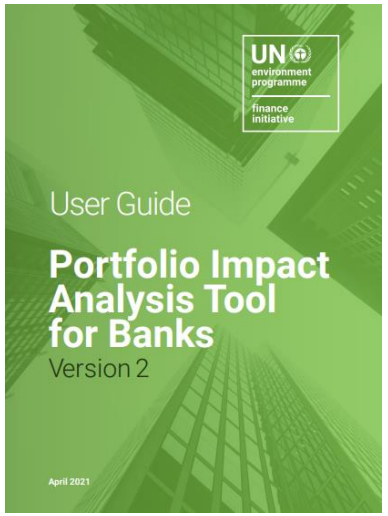
Implementation support resources

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.