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About the UNEP FI Impact Analysis Tools

UNEP FI’s Holistic Impact Methodology

The Impact Analysis Tools are based on UNEP FI’s unique Holistic Impact Methodology. This methodology is itself derived from a unique theory of change on the role of mainstream business and finance to close the SDG financing gap and the way in which this can be achieved.¹

As per Figure 1 below, the UNEP FI Holistic Impact Analysis Methodology is a two-step process to understand and manage actual and potential positive and negative impacts across the spectrum of environmental, social and economic issues.

Step one consists in understanding the impact areas and topics (e.g. employment, climate, economic convergence) that are associated with the object of analysis (e.g. a portfolio, a corporate’s business activities, or a physical asset such as real estate). It also involves understanding the impact needs that exist in the location/s that the object of analysis finds itself in or interacts with, so as to contextualize its impact profile and determine its most significant impact areas. This is referred to as Impact Identification.

Step two consists in reviewing current practice and performance vis-à-vis the impact areas/topics identified in step one. Are the potential impacts identified in step one happening in reality? To what extent? How does current practice and performance relate to the impact needs, gaps and priorities in the geography/ies that the object of analysis finds itself in or interacts with? This is referred to as Impact Assessment.

The purpose of the Holistic Impact Analysis Methodology is to enable concrete action. Out of the insights generated by the analysis, users are empowered to define strategies, establish action plans and set meaningful financial and extra-financial targets.

<table>
<thead>
<tr>
<th>1. Identification</th>
<th>2. Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identification of impact areas associated with the object of analysis, as well as impact needs in the location/s the object of analysis finds itself in or interacts with.</td>
<td>Assessment of current practice and performance vis-a-vis most significant impact areas</td>
</tr>
</tbody>
</table>

Figure 1: UNEP FI Holistic Impact Methodology

**About the Impact Analysis Tools**

The Impact Analysis Tools are iterative input-output workflows built in Excel. They require users to input data to describe their business or portfolio (e.g. percentage of gross income per business line, percentage of drawn outstanding loans for a given sector and in a given country, etc.) and to reflect their current impact performance (e.g. quantitative data such GHG reductions, diversity of SMEs financed, number of persons from vulnerable populations serviced and qualitative data such as the existence of policies and processes to detect and deal with wage theft or domestic violence).

The Tools use the input data in combination with a set of in-built impact mappings to produce a number of outputs, in particular a set of impact profiles by business line, and to guide the user in identifying most significant impact areas and determining priorities, thus setting the basis for strategy development and target-setting.

As of 2022, UNEP FI’s Impact Analysis Tools are gradually transitioning to a ‘modular’ format, where main components of impact analysis are contained within distinct ‘modules’ (see Figure 2 below).

![Figure 2: Overview of the Impact Analysis Modules](image)

**About the Impact Analysis Tools for Banks**

The Impact Analysis Tools for Banks were designed specifically to support signatories to the Principles for Responsible Banking (PRB) in achieving Principle 2:

‘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.’
The Consumer Banking Identification Module

Overview

The Consumer Banking Identification Module enables you to understand the environmental, social, and economic impacts (positive and negative) associated with your Consumer portfolio/s, and to overlay these associations with the impact needs and priorities of the countries and locations in which your bank operates, in order to identify the portfolio's most significant impact areas/topics.

Scope of the Consumer Banking Identification Module

Figure 3 below lists the products and services understood to form part of Consumer Banking (sometimes also called personal or retail banking). All items except those in red are within scope of this module (investments are the object of separate impact analysis tool).²

<table>
<thead>
<tr>
<th>Definition</th>
<th>Products &amp; Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision of products and services to individuals</td>
<td><strong>Generic:</strong> Consumer credit &amp; overdraft</td>
</tr>
<tr>
<td></td>
<td><strong>Specialised (type of client):</strong> Student accounts &amp; loans</td>
</tr>
<tr>
<td></td>
<td><strong>Specialised (income-level of client):</strong> Microcredit</td>
</tr>
</tbody>
</table>

Figure 3: Consumer Banking

This Module will enable you to comply with the ‘exposures’ requirement for Principle 2 on Impact Analysis and Target-setting of the Principles for Responsible Banking (PRB) and lays the basis for performance assessment and target-setting, also required under Principle 2.

The workflow is divided into three main steps:

a. Setting your parameters (i.e., specifying your geographic scope, making your choice of indicators, etc.)
b. Detailing your portfolio composition, by product type and by client type
c. Reviewing your portfolio impact profile (by country/location and, if applicable, across all countries/locations) and identifying your most significant impact areas.

Data checklist

Below is a list of the main data points requested in the Module.

For the first two data points please use gross income.

- Size of your consumer banking business and what proportion this is relative to your total business activity.
- If your consumer banking business spans several countries, the size of the business in each country. Please use gross income.

For the remaining data points, You can use up to three different indicators: amounts (use drawn outstanding loans, outstanding loans or exposure at default/EAD; currency must be specified), number of products, number of clients.

- Total volume of your consumer banking portfolio.
- If your consumer banking business spans several countries, volume of consumer banking portfolio per country.
- Volume of business for each product type (per country).
- Volume of business per client types for each product type.
A. Setting your Parameters

What is this about?
Use the ‘My Parameters’ worksheet to:

- indicate the size of your consumer banking business and the proportion this represents relative to your overall business activity
- determine the countries of operation you will be considering, as well as the size and proportion of your consumer banking business in each country
- specify which industry classification you wish to use
- determine which indicators you will be using

All your choices will be reflected in the ensuing worksheets.

How do I do it?

1. Size of the Consumer Banking portfolio

Screenshot 1: Size of Consumer Banking portfolio

Please indicate the size of your consumer banking portfolio and what proportion this is relative to total business activity. Please use gross income and the indicator you chose and indicate the currency used.

This information will display in the subsequent worksheets; it will also carry forward to the Assessment Module (should you chose to use it). This enables you keep in mind the
relative significance of the portfolio when setting targets and action plans; it also serves to clarify the scope of your impact analysis in your disclosures.

2. **Country selection**

If you previously used the Context Module copy the Data OUT worksheet of the Context Module and paste it in the Data IN worksheet of this Module. Then select ‘yes’ for question b. ‘Did you complete the Context Module’. Your country/ies of operation will then automatically display.

If you did not previously use the Context Module, select ‘no’ for question b. ‘Did you complete the Context Module’ and manually select your country/ies of operation from the drop-down list.

Finally, for each country, you must indicate the corresponding size of the portfolio. Please use gross income and please indicate the currency used. The percentage relative to your overall consumer portfolio will display automatically.

This information will display in the subsequent worksheets; it will also carry forward to the Assessment Module (should you choose to use it). This enables you to keep in mind the relative significance of the portfolio when setting targets and action plans; it also serves to clarify the scope of your impact analysis in your disclosures.
3. Industry classifications

d. Industry classification

*Please select the industry classification you wish to use for your sector selection*

**Screenshot 5: Selection of industry classification**

By default the Module is set to ISIC Rev 4. If you wish to use another industry classification, please select the industry classification you wish to use from the drop-down menu.

Note that consumer banking activities are not originally listed in detail in any of the industry classifications and were added for the purpose of the Impact Analysis Tools—there may therefore be limited benefit in selecting other industry classifications.

4. Indicators

**Screenshot 6: Selection of indicators**

The 'Portfolio Composition' worksheet will require you to provide data on the volume of your business activity per product type. To do this, you can use up to three different indicators:

- drawn outstanding loans/outstanding loans/ exposure at default-EAD
- number of products
- number of customers

Only one indicator is needed to produce the data visualisations on the ‘Impact Profile’ worksheets, however the more indicators you use the more data will be available to you to inform your practice and performance assessment, as well as your target-setting.

Please specify which indicators (among three types) you intend to use for your data input in the ‘Portfolio Composition’ worksheet. Should you use more than one indicator, please note that the first indicator will be the one used to generate the data visualisations (except where expressly signalled otherwise).
B. Portfolio Composition

What is this about?

A bank's consumer banking impacts are driven by the nature of its business activities; they depend on the types of products and the types of clients and activities that this support. The first step is therefore to lay out the composition of the portfolio.

Use the 'Portfolio Composition' worksheet to provide data on the products and services you offer to your customers as well as the types of customers you are serving. More specifically, you are required to:

- Indicate the types of products/services you are offering to your customers and specify the total volume and percentage for each product/service.
- For each type of product or service offered by the bank, indicate the corresponding customer types among different population groups.

**Click here to watch a demo of the 'Portfolio Composition' worksheet**

How do I do it?

Data must be inputted country by country, however, before inputting country-by-country data, you must provide the total volume of your consumer banking portfolio, using the indicator/s specified in the ‘My Parameters’ worksheet (these will display automatically).

**Screenshot 7: Total volume of consumer banking portfolio**
1. **Products and services**

You can input data for up to five countries (scroll down for additional countries as needed and click the ‘+’ sign in the margin on the left to expand the sections).

At the top of the table(s), please specify the volume of the consumer banking portfolio in the corresponding country, using the indicator/s specified in the ‘My Parameters’ worksheet (these will display automatically).

**Australia**

<table>
<thead>
<tr>
<th>Types of products &amp; services (as per BIS industry classification)</th>
<th>Names of products &amp; services (as per BIS industry classification)</th>
<th>Volume (in the columns below, please indicate the volume of business for each product type. You can use up to three different indicators. Make sure your indicator selection matches those made in the ‘My Parameters’ worksheet.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>[Explain the names and indicate the volume of your products]</td>
<td>[Explain the names and indicate the volume of your products]</td>
<td>[Explain the names and indicate the volume of your products]</td>
</tr>
</tbody>
</table>

**Screenshot 8: Volumes per product types (and products)**

It is also possible to input data product by product. To do this, please indicate the names of your products in the ‘Names of products & services’ column. Make sure you input them alongside the right product type (e.g. car loans should fall under ‘Vehicle related loans’).

**Q.** If I am capturing numbers of clients, should first holders only be captured or all holders?

**A.** Ideally all holders should be captured as all holders benefit from the products and services rendered.

**Q.** What should I do about customers whose accounts, loans, deposits and transactions are in reality linked to a business activity?

**A.** If you are able to track such cases as well as the sectors/activities they are associated with, you can obtain a more granular and accurate representation of impacts by capturing this part of your business via the Institutional Banking/Identification Module. Consider doing this if you find a significant portion of portfolio is made up of such cases.

2. **Client types**

Data continues to be inputted country by country, product type by product type; please see the tables to the right of the ‘Volumes’ columns. Click the ‘+’ signs to expand the different tables; each table corresponds to a different population group. There are four pre-determined population groups (income level, gender, age, and location), and one ‘open’ group—you can add or define an additional category here depending on what is relevant for the country (e.g. race, ethnic groups, refugees, ex-convicts, etc.).
In these tables, please indicate the volume of business for each client type/population group. You can still use up to three different indicators: currency amounts, number of products, and number of clients (note that your indicator selection needs to have been made in the ‘My Parameters’ worksheet). Once volumes have been entered, the percentages are auto-generated.

Here also, it is also possible to input data product by product.

Q. What definitions of high/middle/low-income populations am I supposed to use?
A. Definitions and thresholds vary from geography to geography along with the cost of living. Therefore, locally applicable definitions should be used. National or international (e.g., OECD) statistics can be used in complementarity.

Q. What if my bank is prevented by law from collecting information on client typology?
A. This will not stop the Tool from generating results, they will just be less precise. You can partly compensate by bringing more precision to your product selection (e.g., singling out home loans specifically aimed at low-income populations).

C. Impact Profile & Most Significant Impact Areas

What is this about?
Use the ‘Profile’ worksheets to:

- review the impacts associated with the bank’s activities, based on the bank data captured under the ‘Portfolio Composition’ worksheet (a range of different visual representations are provided)
- determine your most significant impact areas accordingly

There is one ‘Profile’ worksheet per country (note that only one profile worksheet is displayed by default, right click on worksheet tab to unhide the other worksheets). If you have inputted data for more than one country, use ‘Summary’ worksheet to look at an aggregated view of the different country-level profiles. The ‘Summary’ worksheet also displays your selection of most significant impact areas in each country and enables you to determine priority impact areas at the global level/ across your different countries of operation.
How do I do it?

1. **Reviewing the impacts associated with the bank's activities**

Based on the bank data captured under the ‘Portfolio Composition’ worksheet a range of different visual representations are provided. These are of two different types: the first set displays impacts driven by product types, while the second set displays impacts driven by client types.

   a. **Impact associations driven by products and services**

   A summary and a detailed view of these impact associations is provided.

   The summary view provides an overview of the impacts associated with your bank's activity in the country. The charts show the positive and negative impacts on the 12 impact areas (as per the UNEP FI Impact Radar). More specifically, the lines in the spider charts represent the proportion of portfolio associated with the different impact areas. Blue lines represent positive impact associations and orange lines represent negative impact associations. Darker blue/orange indicates ‘key’ impact associations.

   In addition, the dots on the charts represent the priorities in the country based on the needs assessment conducted in the Context Module (if the Module was used and data was imported).
Screenshot 10: Summary of positive and negative impact associations (impact areas of the Impact Radar)

The detailed view again provides information on both context/impact needs and on impact associations.

Table (i) shows the main priorities in the country (and in specific locations) at a more granular level (i.e. at the ‘impact topic’ level) based on the needs assessment conducted in the Context Module (if the Module was used and data was imported).

Table (ii) shows the impact associations between the individual products/services you are offering in the country and the different impact areas and topics. More specifically, blue cells indicate positive associations and orange cells indicate negative associations. Darker blue/orange signals ‘key’ impact associations. If you entered individual product names in the ‘Portfolio composition’ worksheet, a heat map per product is also available (click on the ‘+’ sign on the left-hand side of the worksheet to unhide the product-specific section of the table).

For each impact area/topic, you can also see the corresponding SDGs. In addition, areas/topics that relate to potential human rights violations are in red.

Screenshot 11: Detailed view of priorities in the country (and specific locations)

Screenshot 12: Detailed view of positive and negative impact associations (impact topics of the Impact Radar)
b. Impact associations driven by client/population types

Once more the data visualisations provide information on both context/impact needs and on impact associations.

The spider chart shows the priorities in the country (and in specific locations). This is based on the needs assessment conducted in the Context Module (if the Module was used and data was imported). Note that these relate specifically to the ‘Equality & Justice’ impact area/topics, which focuses on different population types.

**Screenshot 13: Country Equality & Justice needs/priorities**

The bar charts show the distribution of products and services across populations based on the data provided in the ‘Portfolio Composition’ worksheet. Note that each bar chart is based on a different indicator and will therefore only be populated if you provided data for the corresponding indicator in the “Portfolio composition’ worksheet.

**Screenshot 14: Distribution of products & services across population groups**
These data visualisations enable you identify potential population gaps in the customer base relative to country needs in the ‘Equality and Justice’ impact area/topics.

<table>
<thead>
<tr>
<th>Q.</th>
<th>I only see associations to a limited number of impact areas/topics. Is this normal?</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.</td>
<td>Yes. The array of impacts associated with consumer banking is much narrower than the range obtained for Institutional Banking as consumer portfolios focus on individuals as opposed to companies.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q.</th>
<th>How are the profiles drawn, where do they come from?</th>
</tr>
</thead>
</table>
| A. | The data visualisations in the 'Profile' worksheets all pull from the following sources:  
  ◾ the data inputted into the 'My Parameters' and 'Portfolio composition' worksheets (e.g., the percentage of the portfolio associated to a given product, the names of the countries).  
  ◾ the Context Module data imported into the 'Data IN' worksheet  
  ◾ the 'Sector/Impact Map' worksheet. In this worksheet, positive and negative impacts associated with the sectors and activities in the ISIC industry classification code are mapped out for the impact areas and topics of the Impact Radar. This mapping builds on the IFC's EHS Guidelines, as well as UNEP FI's Risk Briefings. When a sector/activity is associated with an impact area, a '1' shows in the corresponding cell or cells (one cell if there is only a positive or only a negative association, two cells if there is both a positive and a negative association). If the sector is 'key sector' for the impact area, a '2' shows. The list of 'key sectors' per impact area, along with the justification and supporting research can be seen in the standalone mapping materials. The maps will be further refined and updated over time based on engagement with experts, as well as to take into account user experience. |

<table>
<thead>
<tr>
<th>Q.</th>
<th>Do the profiles show my bank’s actual impacts?</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.</td>
<td>No. The profiles illustrate your bank’s potential impacts, not its actual impacts. At this point of the analysis only descriptive data and set impact mappings have been used; no performance data has been involved yet—this is what happens next, in the second, ‘Assessment’ phase.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q.</th>
<th>How come the spider charts show both positive and negative associations for some of the impact areas?</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.</td>
<td>This is not a mistake. All sectors have both positive and negative impacts. The chart simply shows that the bank is involved in sectors that have a positive impact on the impact area/s as well as sectors that have a negative impact. Note that some sectors can have both positive and negative impacts on different aspects of a single impact area.</td>
</tr>
</tbody>
</table>
2. Determining and prioritising the bank’s most significant impact areas/topics.

Having reviewed the impacts associated with your consumer portfolio and how this relates to country needs, it is now time to determine and prioritise your most significant impact areas/topics.

While the ‘Profile’ worksheets provide a range of visualisations of the impacts associated with the bank’s activities and puts them into the context of the impact needs of the bank’s countries (and specific locations) of operation, ultimately it is for the user to make the determination of which impact areas are the bank’s most significant impact areas.

For consumer banking portfolios most significant impact areas are usually quite predictable, with the ‘Finance’ impact area always included, and ‘Equality and Justice’ also a cross-cutting concern.

Use the first table in this section to select your significant impact areas/topics based on the impact associations displayed sections 1.a. (associated impact areas/topics will be displayed automatically). Then use the second table, just underneath, to prioritise populations based on any gaps identified in section 1.b. Note that the latter relate specifically to the ‘Equality & Justice’ impact area/topics, which focuses on different population types.

If you do have further impact areas (beyond ‘Finance’ and ‘Equality & Justice’) to consider, note that you should prioritise based on the following considerations:

- impact areas that correspond to the main priorities in the country and/or locations
- impact areas associated with large parts of the bank’s portfolio
- impact areas associated with countries and or products where the bank is a market leader
- impact areas which, if addressed will enable other impact areas to be addressed (leveraging interlinkages)

The listing of most significant impact areas is based on the bank’s judgement and cannot be attributed to UNEP FI.

The table on the far right provides an automatically generated read-across to the SDGs.
United Nations Environment Programme Finance Initiative (UNEP FI) is a partnership between UNEP and the global financial sector to mobilise private sector finance for sustainable development. UNEP FI works with more than 450 members—banks, insurers, and investors—and over 100 supporting institutions—to help create a financial sector that serves people and planet while delivering positive impacts. We aim to inspire, inform and enable financial institutions to improve people’s quality of life without compromising that of future generations. By leveraging the UN’s role, UNEP FI accelerates sustainable finance.

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