Impact analysis and target setting process

Interactive Guidance

V 1.4
This version includes the changes of the framework review that are under final consultation and the impact tool modules (v4)

14.09.2022
This Interactive Guidance will focus on P2

**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, portfolio composition and performance measurement

Setting & Implementing Targets
At least 2 SMART targets

Accountability & Measuring Progress
Using PRB template and in line with the Annual Reporting cycle
You can find in this **Interactive Guidance** for Impact Analysis and Target Setting process the rationale, requirements, detail timeline and examples. The Guidance will be updated constantly, and we encourage banks to send us examples and resources that can be useful to everyone.

Please feel free to send us suggestions or comments of what else you would like to see in this interactive guidance (email to maria.sosataborda@un.org)

**Instructions:**

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

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

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

**Impact analysis is...**

- Identification of the most relevant and significant positive and negative impacts of your **portfolio** on the societies, economies and environments that your bank operates in.

- Evidence and context-based (country needs)

**It is not:**

- A review of internal operational impacts.
- A financial materiality assessment or stakeholder analysis.
- Final or permanent.
Why is it required?

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

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

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

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

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

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

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

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

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

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

Reporting that is already reflected in the financial accounts*

*Including assumptions and cashflow projections

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. It’s a science-based approach.
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 and topics across the three pillars of sustainable development (economic, environmental, and social), which can be used by private finance and business to understand and manage positive and negative impacts across the three pillars. The impact areas and topics are defined based on internationally recognized standards and definitions, including the SDGs.

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

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

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

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

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

- 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:

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

• **Review your portfolio composition.** Consider the proportional composition of your portfolio globally and per geographical scope (% sectors and % type of customers)

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

• **Measure your performance:** identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts and assess the performance of these, using appropriate indicators related to significant impact areas that apply to your bank’s context.
Common mistakes

- Do not define a clear scope for the impact analysis (business units, countries, sectors exposures) and don’t disclose what is 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.
- Include internal operations (branches, data center, internal diversity) as part of SMART targets e.g. gender equality is relevant for banks and we expect they set targets related to their products and services, not only internal diversity.
Step 1: Impact analysis

- **Determine your scope:** business activities and countries of operations (Year 1)

- **Identify your impact:** review your portfolio composition, understand context (Year 1)

Step 2: Target setting

- **Prioritize at least the two most significant impact areas to set targets** (Year 1)

- **Measure and assess your performance for the selected areas** (Year 2)

- **Set SMART targets for the selected areas:** alignment, baseline, SMART target, action plans and KPIs to measure progress (Year 3 and 4)
Suggested timeline for initial 4-year implementation period

**Year 1 & 2:**
- Conduct and complete an initial impact analysis
- Publish your first PRB report

Set multidisciplinary team and gather data

Identify scope, context and exposure of your portfolio

Prioritize at least 2 significant impact areas

Deep dive into the two impact areas for performance measurement

Publish the first PRB report

**Year 3 & 4:**
- Work on setting min. 2 SMART targets
- Publish your second and third PRB report

Determine baseline for your targets, assess relevant frameworks to align with

Set SMART targets that address min. 2 areas of most significant impact

Publish the second PRB report

Publish the third PRB report

Year 5 and thereafter:
- Work on implementing the targets
- Publish your subsequent PRB reports
- Set new or complementary targets if needed

Report and monitor progress against targets

Consider setting more targets, expanding the impact analysis

Publish the fourth PRB report
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 portfolio composition and see if you can go more granular

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

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

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

Set a multidisciplinary team to:
- develop a roadmap for PRB implementation and
- 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).

Data you will need:
1) % Business lines and % per Countries your bank operates (Revenue share)

2) Proportional composition your portfolio globally and per geographical scope
   - by sectors & industries for business, corporate and investment banking portfolios
   - by products & services and by types of customers for consumer and retail banking portfolios.

3) Country(ies) context: 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 Guides (Consumer Banking p.7; Institutional Banking p.8) for a detailed data checklist.
6 months

Identify scope, context, exposure of your portfolio and determine the most significant impact areas

**Determine your scope**

<table>
<thead>
<tr>
<th>Business activities</th>
<th>Countries of Operation</th>
</tr>
</thead>
</table>

**Identify your impact**

**Review your portfolio composition:**
- Consumer Banking: % of products/services and type of customers
- Business, Corporate and Investment Banking: % sectors/industries and key negative sectors

**Understand your context (Country, Local and/or Global Level):**
- Statistical datasets
- Policy and regulation
- Trends and scenarios
- Engage internal and external stakeholders

**Determine the most significant impact areas**
- Crossing portfolio composition and country context
- Understanding positive and negative impacts
Determine SCOPE

Business activities and countries of operations:
What is the scope of your bank’s impact analysis? Describe which parts of the bank’s core business areas, products/services across the main geographies that the bank operates in have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

Example:

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

We 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](#)
Review PORTFOLIO COMPOSITION

Provide proportional composition your portfolio globally and per geographical scope
i) by sectors & industries for business, corporate and investment banking portfolios
ii) by products & services and by types of customers for consumer and retail banking portfolios.

Example:

<table>
<thead>
<tr>
<th>Corporate Banking</th>
<th>Retail Banking</th>
<th>Investment Banking</th>
<th>Asset Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity generation</td>
<td>Residencial real state</td>
<td>45%</td>
<td>Currently not yet assessed</td>
</tr>
<tr>
<td>Agriculture</td>
<td>Vehicle finance</td>
<td>25%</td>
<td></td>
</tr>
<tr>
<td>Transport</td>
<td>SME Lending</td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>Commercial real state</td>
<td>Total</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Wholesale and retail</td>
<td>Male</td>
<td>60%</td>
<td></td>
</tr>
<tr>
<td>Human health and social work</td>
<td>Female</td>
<td>40%</td>
<td></td>
</tr>
<tr>
<td>Steel</td>
<td>Low income</td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>Cement</td>
<td>Med. Income</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>Information and communication</td>
<td>High income</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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 SMEs lending (35%).

UNEP FI Tool: This is covered under the ‘Portfolio Composition’ segment of the Identification Modules. Please see the User Guides (Consumer Banking p.11; Institutional Banking p.13) for further guidance.
Identify the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate. Describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

You can download the UNEP FI Context Module [here](https://www.unepfi.org) which has built in a compilation of statistical data-sets, policy documents (e.g. national development plans, national strategies, country Voluntary National Reviews, etc.) and research on trends & scenarios for different impact areas and topics.

**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 in the Context Module. Please see the [User Guide](https://www.unepfi.org) for further guidance.
Determine the most significant impact areas

Based on these first 3 elements of an impact analysis, determine positive and negative 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’ segments of the Identification Modules. Please see the User Guides (Consumer Banking p.13; Institutional Banking p.17) for further guidance on how to prioritize impact areas/topics.

The Tool data visualisations also include heatmaps and rankings to help you prioritize areas of most significant impact.
Determine the most significant 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.

| Major Country needs | EAD (%) | Climate | SDG xx | SDG xx | SDG xx | SDG xx | SDG xx | SDG xx | SDG xx | SDG xx | SDG xx | SDG xx | SDG xx |
|---------------------|---------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Transport & logistics/distribution | 22% | x | x | x | x | x | x | x | x | x |
| 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% | | | | | | | | | |

Illustrative example - Potential priorities: 100% Positive Impacts 0% Negative Impacts

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 Radar [here](#) and sector-impact map [here](#)
By the end of Year 1

Prioritize at least the two most significant impact areas to measure /assess performance and set targets.

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.
Year 2

Deep dive into the 2 prioritized impact areas
To measure and assess your performance

Determine your scope

Identify your impact

Prioritize at least the two most significant impact areas to set

Measure and assess your performance for the selected areas

Identify sectors & industries and types of customers financed or invested in are causing the strongest actual positive or negative impacts.

Gather indicators to assess your current practice and performance. The outcome of this step should be your baseline.

Banks can also join working groups for specific impact areas to fast track
Measure and assess your performance

Identify which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts. Describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank’s context.

You should consider the bank’s current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank’s activities and provision of products and services.

- **Identify sectors & industries** (corporate and business portfolios) or type of customers/products (consumer portfolios) for the selected impact area
- **Identify potential indicators to measure your performance** on the selected impact areas considering your context and **gather data to set your baseline**
- **Examples of indicators to measure performance**: carbon emissions, gender equality on portfolios, volume of credit for renewables, credit access for vulnerable groups

The outcome of this step will then also provide the baseline (incl. indicators) for setting targets in two areas of most significant impact.
Methodologies or protocols to measure performance

**Climate Change**

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

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

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

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

**Financial Health & inclusion / Gender Equality**

<table>
<thead>
<tr>
<th>Category</th>
<th>Low income (%)</th>
<th>Mid. Income (%)</th>
<th>High income (%)</th>
<th>Male (%)</th>
<th>Female (%)</th>
<th>Vulnerable groups (%)</th>
<th>Age (18-30)</th>
<th>Age (30-60)</th>
<th>Age (+60)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of banking accounts</td>
<td>20%</td>
<td>50%</td>
<td>30%</td>
<td>52%</td>
<td>48%</td>
<td>2%</td>
<td>20%</td>
<td>50%</td>
<td>30%</td>
</tr>
<tr>
<td>Volume of credit</td>
<td>10%</td>
<td>38%</td>
<td>52%</td>
<td>83%</td>
<td>17%</td>
<td>0.05%</td>
<td>10%</td>
<td>70%</td>
<td>20%</td>
</tr>
<tr>
<td>Clients in Overindebt</td>
<td>30%</td>
<td>20%</td>
<td>5%</td>
<td>51%</td>
<td>49%</td>
<td>20%</td>
<td>15%</td>
<td>5%</td>
<td>20%</td>
</tr>
<tr>
<td>Volume of Saving accounts</td>
<td>5%</td>
<td>10%</td>
<td>85%</td>
<td>80%</td>
<td>20%</td>
<td>3%</td>
<td>5%</td>
<td>65%</td>
<td>30%</td>
</tr>
<tr>
<td>Level of financial resilience (1-10)</td>
<td>2</td>
<td>5</td>
<td>7</td>
<td>5</td>
<td>5</td>
<td>1</td>
<td>2</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Volume of Home loans</td>
<td>5%</td>
<td>60%</td>
<td>40%</td>
<td>80%</td>
<td>20%</td>
<td>1%</td>
<td>5%</td>
<td>75%</td>
<td>20%</td>
</tr>
<tr>
<td>others</td>
<td>5%</td>
<td>30%</td>
<td>65%</td>
<td>60%</td>
<td>40%</td>
<td>1%</td>
<td>20%</td>
<td>60%</td>
<td>20%</td>
</tr>
</tbody>
</table>

**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
Year 3

Set SMART targets for 2 impact areas

Determine your scope

Identify your impact

Prioritize at least the two most significant impact areas to set targets

Measure and assess your performance for the selected areas

Set SMART targets for the selected areas

Alignment: international, regional or national policy frameworks to align your bank’s portfolio with (should set the ambitious)

Baseline: selected indicators and assessed the current level of alignment (output of the performance measurement)

Set SMART target: Specific, Measurable, Achievable, Relevant and Time-bound targets

Define action plans to meet targets and indicators to measure progress

Important to align targets with business departments, Executive Committee and Board of Directors. Targets, KPIs and actions should be approved by them and should relate to the business strategy.
Alignment

Define which international, regional or national policy frameworks your bank’s portfolio will align with. Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and/or other frameworks.

Your bank should consider the main challenges and priorities in terms of sustainable development in your main country/ies of operation for the purpose of setting targets.

Aligning means there should be a clear link between the bank’s targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.

An extensive set of resources is available per country and per topic in the UNEP FI Context Module
Alignment

Potential sources

Climate Change

An extensive set of resources is available per country and per topic in the UNEP FI Context Module

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.
Alignment

Potential sources

Financial health & inclusion

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

Appendix A and B with database indications

Financial Health for Policy Makers

Measuring financial health
Baseline

Determined a baseline for selected indicators and assess the current level of alignment. Disclose the indicators used as well as the year of the baseline.

You should build upon the performance measurement undertaken previously.

*Examples of KPIs to set your baseline:*

- Absolute Carbon emissions of your portfolio
- Carbon Intensity for each of the 9 sectors of Net Zero Banking Alliance
- Number and volume of loans for vulnerable groups
Set SMART targets

UNEP FI Target-Setting Existing Guidance

Climate Change  Climate Change  Gender Equality  Financial Health & Inclusion  Biodiversity  Resource efficiency & Circular economy

SET the targets for your first and your second area of most significant impact and define KPIs you are using to monitor progress towards reaching the target.
What is a good target?

A good target:
• is ambitious
• aims for impacts on the society and environment (impact indicators)
• is Specific, Measurable, Achievable, Relevant and Time-bound (SMART)
  Specific: Well defined, clear, and unambiguous
  Measurable: With specific indicators to measure progress toward the accomplishment of targets
  Achievable: Attainable and not impossible to achieve
  Relevant for the core business as well as for society and the environment
  Time-bound: With a clearly defined timeline, including a starting date and a target date.
• considers interlinkages between impact areas and banks need to revisit their business strategy to transition towards positive impact and ensure that negative impacts are properly managed.
• is derived from a process: All targets should be accompanied by clear explanations of how the target was developed, and why certain metrics were chosen or how proxies were used.

Soon: Target Setting Q&A for more details
Progressive approach

Banks may take a progressive approach and set targets in nascent impact areas by starting with engagement and financial targets as an interim step on the way to an impact target. Where a bank follows this approach, it should provide concrete evidence of its plans to develop an impact target within a defined period. In these circumstances, banks should report progress and clearly define a timeline to set impact targets within a short period of time, for example 2 years.

Biodiversity, water, circular economy, resource efficiency and climate change adaptation are examples of more nascent impact areas in terms of methodologies, data, and metrics.

Stage 1
• The bank defines targets with engagement and financial indicators as a first step. These are supported by baselines, KPIs and action plans. There is a clear plan and a timeline to progress to impact targets in the short-term.

Stage 2
• The bank defines a target with impact indicators with baseline, action plans and KPIs to monitor progress.

Soon: Target Setting Q&A for more details
**Action plans**

Define actions including milestones you defined to meet the targets. Show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

Examples of action plan components that should also come with indicators to measure progress.

<table>
<thead>
<tr>
<th>Businesses strategy</th>
<th>Internal policies and processes</th>
<th>Client engagement</th>
<th>Advocacy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development and implementation of transition plans to align portfolio</td>
<td>Set up or amend credit policies for specific sectors or types of clients (e.g., low-income customers, innovative projects)</td>
<td>Capacity building</td>
<td>Advocate governments or regulators</td>
</tr>
<tr>
<td>Development of services and products (e.g., advisory, credit lines)</td>
<td>Exclusion policies for certain sectors or activities, divestment strategies</td>
<td>Awareness raising campaigns</td>
<td>Issue policy positions</td>
</tr>
<tr>
<td>Strategy to grow client base for some specific sectors or type of clients</td>
<td>Zero deforestation policies</td>
<td>Engagement on impact profile and transition pathways, supporting clients on developing transition finance plans, structure financing solutions for clients’ transition</td>
<td>Participate in sector commitments (e.g., plastic)</td>
</tr>
<tr>
<td></td>
<td>Human rights policies incl. due diligence processes</td>
<td>Refinement of KYC processes</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Reinforcement of risk management processes</td>
<td>Refinement of KYC processes</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Refinement of KYC processes</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Annually Report progress of your 2 SMART targets

Guidance on Reporting and Providing Limited Assurance

Use the reporting and self-assessment template (under revision)
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 3.

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 weaknesses. Not necessarily 100% PRB compliance for all requirements.
In their sustainability report RBI also detailed their scope of analysis (Consumer banking: share of around 35%; Business banking: share of around 21%; Corporate banking: share of around 34%) as well as their scope of exposure per sector and country. The context and relevance analysis consisted in mapping the sectors and industries that positively or negatively contribute to the 22 impact areas in the UNEP FI Portfolio Impact Analysis Tool.

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

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

Impact Analysis

**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.

- **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.

[View ESG framework and core activities](https://investor.lhv.ee/assets/files/LHV_Group_Annual_Report_2020-EN.pdf)
Impact Analysis


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:

<table>
<thead>
<tr>
<th>Positive impact</th>
<th>Negative impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health and sanitation (SDG 3)</td>
<td>Climate (SDG 13)</td>
</tr>
<tr>
<td>Food (SDG 2)</td>
<td>Waste (SDG 6, 12, 14, 15)</td>
</tr>
<tr>
<td>Employment (SDG 8)</td>
<td>Biodiversity and ecosystems (SDG 14, 15)</td>
</tr>
<tr>
<td>Housing (SDG 3, 11)</td>
<td>Resource efficiency/energy (SDG 6, 12, 13, 14, 15)</td>
</tr>
</tbody>
</table>
Impact Analysis

Vancity (Climate Change)

Breakdown of business lines by per cent of gross income generated

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

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

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

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.


Impact analysis: Page 35 and 42 - 44

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

### Financed emissions - initial analysis ( tonnes CO\(_2\)e )

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

Estimated emissions calculated using the PCAF Global Standard.

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


Climate performance: page 14

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

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

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

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

### Legend

<table>
<thead>
<tr>
<th></th>
<th>GREEN</th>
<th>AMBER</th>
<th>RED</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>&lt;10%</td>
<td>10-20%</td>
<td>20%+</td>
</tr>
<tr>
<td>2</td>
<td>&lt;10%</td>
<td>10-20%</td>
<td>20%+</td>
</tr>
<tr>
<td>3</td>
<td>N</td>
<td>N/A</td>
<td>Y</td>
</tr>
</tbody>
</table>

Source: Company information.


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

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

All examples have strengths and weakness. Not necessarily 100% PRB compliance.
NatWest: emissions profile

Estimates of financed emissions and emission intensities:
The table below shows our estimates based on our work to date and should be read in conjunction with section 5.8 (Caution about climate metrics) and Risk Factors included in the 2021 Annual Report and Accounts. The table below shows NatWest Group’s estimated (i) financed emissions, (ii) physical and economic emissions intensities, (iii) physical emissions intensity estimates for year 2030 aligned to NatWest Group’s climate ambition to halve the climate impact of financing activity, intended to be aligned with SBTi guidance. We will continue to work on this in 2022 and further refine our estimates as we enhance our understanding, calculation methodologies and data. We have used a combination of methodologies (some of which are still under development) to calculate these emissions. Refer to sector pages in this section for further details on methodologies and approaches used.

<table>
<thead>
<tr>
<th>Sector</th>
<th>2020</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Scope 1 and 2 (tCO2e)</td>
<td>Scope 3 (tCO2e)</td>
<td>Physical emissions intensity</td>
</tr>
<tr>
<td></td>
<td>Scope 1 and 2 (tCO2e)</td>
<td>Scope 3 (tCO2e)</td>
<td>Physical emissions intensity</td>
</tr>
<tr>
<td></td>
<td>Scope 1 and 2 (tCO2e)</td>
<td>Scope 3 (tCO2e)</td>
<td>Physical emissions intensity</td>
</tr>
<tr>
<td>Residential mortgages</td>
<td>3.2</td>
<td>37.4 tCO2e/€m²</td>
<td>0.4</td>
</tr>
<tr>
<td>Commercial real estate</td>
<td>0.4</td>
<td>56.5 tCO2e/€m²</td>
<td>0.0</td>
</tr>
<tr>
<td>Automotive manufacturing</td>
<td>0.5</td>
<td>248.8 tCO2e/€km</td>
<td>0.5</td>
</tr>
<tr>
<td>Agriculture – primary farming</td>
<td>4.5</td>
<td>2,147 tCO2e/€Dn</td>
<td>4.1</td>
</tr>
<tr>
<td>Agriculture – LULUCF(C)</td>
<td>(424) tCO2e/€Dn</td>
<td>(333) tCO2e/€Em</td>
<td>(1,493) tCO2e/€Em</td>
</tr>
<tr>
<td>Land transport</td>
<td>0.8</td>
<td>0.8</td>
<td>0.6</td>
</tr>
<tr>
<td>of which freight road</td>
<td>0.2</td>
<td>0.3</td>
<td>0.1</td>
</tr>
<tr>
<td>of which passenger rail</td>
<td>0.3</td>
<td>0.2</td>
<td>0.3</td>
</tr>
<tr>
<td>of which passenger road</td>
<td>0.3</td>
<td>0.3</td>
<td>0.2</td>
</tr>
<tr>
<td>Electricity generation</td>
<td>1.7</td>
<td>258.5 tCO2e/€Wh</td>
<td>2.4</td>
</tr>
<tr>
<td>Aviation</td>
<td>1.8</td>
<td>1.248</td>
<td>1.8</td>
</tr>
<tr>
<td>Oil and gas</td>
<td>0.9</td>
<td>1.5</td>
<td>1.7</td>
</tr>
<tr>
<td>Shipping</td>
<td>0.3</td>
<td>311</td>
<td>0.4</td>
</tr>
<tr>
<td>Iron and steel</td>
<td>0.4</td>
<td>1.5 tCO2e/tonne</td>
<td>0.3</td>
</tr>
<tr>
<td>Aluminium</td>
<td>2.2 tCO2e/tonne</td>
<td>2.5 tCO2e/tonne</td>
<td></td>
</tr>
<tr>
<td>Cement</td>
<td>0.4</td>
<td>0.5 tCO2e/tonne</td>
<td>0.5</td>
</tr>
</tbody>
</table>

1. 2019 Scope 1 and 2 emissions have been revised due to improvement in underlying data primarily impacting the calculation of original loan to value used to attribute emissions to NatWest Group.
2. 2019 estimates have been revised due to enhancements in availability of available customer financial data.
3. 2019 and 2020 Scope 1 and 2 emissions are below 0 tCO2e.
4. Scope 3 emissions are included in the estimation of absolute emissions intensity.
5. Physical emission intensities have been calculated at sub-sector level.
6. Physical emission intensities have not been calculated as Absolute Carbon Intensity used for estimating carbon intensity by 2030.
7. 2019 estimates have been revised due to extension in scope of analysis to include all activities in the sector, previously only oil and gas extraction activities were in scope.
Commonwealth Australia (Financial health & inclusion)

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

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

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

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


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

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

<table>
<thead>
<tr>
<th>Strategic pillar</th>
<th>Previously announced target/policy</th>
<th>Progress*</th>
<th>New announcement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Achieving net zero operations¹</td>
<td>By the end of 2021</td>
<td>-80% GHG emission reduction Scope 1 and 2¹ (market-based) against a 2018 baseline</td>
<td>-86% GHG emission reduction</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Source 90% renewable electricity for our global operations</td>
<td>94% renewable electricity</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2 Reducing our financed emissions</th>
<th>By the end of 2025</th>
<th>2021 Performance</th>
<th>By the end of 2030²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio reduction targets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy</td>
<td>-15% absolute CO₂ emission reduction against a 2020 baseline (Scopes 1, 2 and 3)</td>
<td>-22% absolute CO₂ emission reduction</td>
<td>-40% absolute CO₂ emission reduction against a 2020 baseline of 78.8 MtcCO₂e (Scopes 1, 2 and 3)</td>
</tr>
<tr>
<td>Power</td>
<td>-30% CO₂ emission intensity reduction against a 2020 baseline (Scope 1)</td>
<td>-8% CO₂ emission intensity reduction</td>
<td>-50% to -69% CO₂ emission intensity reduction against a 2020 baseline of 320 kgCO₂/MWh (Scope 1)</td>
</tr>
<tr>
<td>Cement</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Steel</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

---

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

Amalgamated Bank (Climate Change mitigation)

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


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

**Baseline 2020:** absolute financed emissions baseline of the corporate lending portfolio was 27.2 Mt CO2 e.

**Coverage:** USD37.4 billion of assets, coverage of 82% of our in-scope assets of USD45.6 billion

The bank began by setting targets in two most carbon-intensive sectors (power generation, real estate), covering 66% of overall absolute financed emissions baseline. This is in line with the priorities of the countries.

In line with the **IEA NZE2050 scenario**, the bank commits to reducing its financed emissions by 72% by 2030 in power generation from a baseline of 11.4 Mt CO2 e and by 54% by 2030 in real estate down from 6.7 Mt CO2 e.
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 share and volume of low-income customers and microentrepreneurs in our portfolio and promote financial health to reduce over-indebtedness by 2025. **Alignment with SDGs 1, 8, 10**

<table>
<thead>
<tr>
<th>Country context</th>
<th>Baseline</th>
<th>Targets</th>
<th>KPIs</th>
</tr>
</thead>
<tbody>
<tr>
<td>45% of the country's population is considered low-income and 35% of adults do not have a bank account.</td>
<td>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.</td>
<td>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</td>
<td>% low-income bank accounts/ total consumer accounts</td>
</tr>
<tr>
<td>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.</td>
<td>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.</td>
<td>Increase by 10% the allocation of credit for microentrepreneurs until 2030 reaching a volume of USD 110MM</td>
<td>% microentrepreneurs account/ total SME</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Reduce by 30% over-indebtedness of low-income customers and microentrepreneurs by 2025</td>
<td>Volume of credit and portfolio allocation for microentrepreneurs</td>
</tr>
</tbody>
</table>

Increase the share and volume of low-income customers and microentrepreneurs in our portfolio and promote financial health to reduce over-indebtedness by 2025. **Alignment with SDGs 1, 8, 10**
**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.**

### Country context

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.

### Baseline

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

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

### Targets

- 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

### KPIs

| # 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 |

This is an illustrative example. You should check the full Guidelines to set your SMART target properly.
The Portfolio Impact Analysis Tool for Banks was designed specifically to support signatories to the Principles for Responsible Banking (PRB) in achieving Principle 2.

It was developed by a Working Group of PRB Core Group members and endorser banks, along with other UNEP FI banking members, under the leadership of the UNEP FI Secretariat.

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
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’.

Download [here](#) the Context and Identification Modules + User Guides + Demo versions!
Context Module
Overview

*PRB requirement: 2.1.c. Context*

**Key highlights:**

Understanding the environmental, social and economic context of the countries and locations in which your bank operates

- Possibility to map needs at one or several levels, depending on the scope: country level, local level or global level
- Needs assessment performed on the basis of official statistical data sets, policy documents, trends & scenario research
- Prepopulated needs data for around 90 countries and possibility to conduct a quick context assessment where data is already available in the database
### Context Module

**My Parameters**

<table>
<thead>
<tr>
<th>Question</th>
<th>Italy</th>
<th>Serbia</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Which countries do you want to assess?</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Availability of data in the database</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.a. Will you also be assessing needs at the local level for any of the above countries?</td>
<td>no</td>
<td>no</td>
</tr>
<tr>
<td>Please name the locations you wish to assess (if applicable)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Availability of data in the database</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.b. Will you also be assessing needs at the global level?</td>
<td>no</td>
<td></td>
</tr>
</tbody>
</table>

For the selected countries, you can see if data is already available in the database.

You can decide the level of the context analysis (country, local, global).
### Context Module

#### Results

If data is already available, you can move straight to the ‘Country & Local results’ tab and review the outputs.

### a. Needs and priorities per country & location

<table>
<thead>
<tr>
<th>Sustainable Development Pillars</th>
<th>Social</th>
<th>Socio-economic</th>
<th>Natural environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact Areas →</td>
<td>Integrity &amp; security of person</td>
<td>Health &amp; safety</td>
<td>Health &amp; stability</td>
</tr>
<tr>
<td>Impact Topics →</td>
<td>Modern slavery, Child abuse</td>
<td>Water, Food, Energy, Health, Housing</td>
<td>Social protection</td>
</tr>
<tr>
<td>SDGs → Countries &amp; Locations ↓</td>
<td>1, 8, 10, 11, 12, 13</td>
<td>5, 6, 7, 8</td>
<td>3, 10, 11, 12, 13, 16</td>
</tr>
<tr>
<td>Croatia</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Italy</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Serbia</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

**High level results:** overview of priority impact areas per country and, if applicable, by location.
Detailed results: spider charts showing levels of need based on statistical data-sets + table showing status of all the impact topics in the relevant countries and locations considering all three types of resources
If data is not already available in the database or if you wish to complement existing data, you can fill out the assessment tables before moving to the results worksheet.

You can use up to three types of resources.
Institutional Banking/Identification Module
Overview

**PRB requirement: 2.1.b. Portfolio Composition**

**Key highlights:**

Understanding the environmental, social, and economic impacts (positive and negative) associated with banks’ Institutional portfolio/s and overlaying these associations with country priorities, in order to identify most significant impact areas/topics

- Works for business/corporate/investment banking portfolios
- Sector selection possible in a variety of industry classification codes (ISIC, NACE, NAICS, ANZSIC, JSIC, CNAE)
- Interoperability features (SDGs, EU taxonomy, main human rights violations)
You can quickly identify your sectors using the filters of the table. Here you indicate the exposures and you may choose to distinguish between general purpose and dedicated products. You can see which sectors are key and which are eligible based on the EU Taxonomy.
Institutional Banking/Identification Module

Outputs

Based on the portfolio breakdown, outputs are generated by country.

High level outputs: proportion of portfolio associated with the different impact areas and priorities in the country/locations.
Institutional Banking/Identification Module

Outputs

Detailed outputs: heatmap showing impact associations between the individual sectors you are financing in the country and the different impact areas and topics

<table>
<thead>
<tr>
<th>Sectors</th>
<th>My sectors</th>
<th>Total % of portfolio</th>
<th>% of general purpose</th>
<th>% of dedicated</th>
<th>EU Taxonomy eligible sectors</th>
<th>Key sectors</th>
<th>Type of association</th>
<th>Filter here for: Health &amp; safety</th>
<th>Filter here for: Water</th>
<th>Filter here for: Food</th>
<th>Filter here for: Energy</th>
</tr>
</thead>
<tbody>
<tr>
<td>107</td>
<td></td>
<td>6.67%</td>
<td>6.67%</td>
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<td></td>
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<td></td>
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<tr>
<td>108</td>
<td></td>
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<td></td>
<td></td>
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<td></td>
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<tr>
<td>109</td>
<td></td>
<td>1.33%</td>
<td>1.33%</td>
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<tr>
<td>110</td>
<td></td>
<td>0.13%</td>
<td>0.13%</td>
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<tr>
<td>24</td>
<td></td>
<td>0.67%</td>
<td>0.67%</td>
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<tr>
<td>25</td>
<td></td>
<td>13.33%</td>
<td>13.33%</td>
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<tr>
<td>26</td>
<td></td>
<td>13.33%</td>
<td>13.33%</td>
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<tr>
<td>27</td>
<td></td>
<td>13.33%</td>
<td>13.33%</td>
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<tr>
<td>28</td>
<td></td>
<td>13.33%</td>
<td>13.33%</td>
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<tr>
<td>29</td>
<td></td>
<td>13.33%</td>
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<td>30</td>
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<td></td>
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</tr>
<tr>
<td>31</td>
<td></td>
<td>13.33%</td>
<td>13.33%</td>
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<tr>
<td>32</td>
<td></td>
<td>13.33%</td>
<td>13.33%</td>
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<td>33</td>
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<td></td>
</tr>
</tbody>
</table>
### Detailed outputs: Overview of significant impact areas/topics (based on sector exposure, country priorities, key sectors, client types, interlinkages)

#### Positive associations

<table>
<thead>
<tr>
<th>Impact areas</th>
<th>Impact topics</th>
<th>Proportion of portfolio</th>
<th>Associated impacts (positive)</th>
<th>Associated impacts (negative)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Livelihood</td>
<td>Employment, Wages</td>
<td>100.00%</td>
<td>Modern slavery, Child labour, Health &amp; safety, Wages, Social protection, Gender equality, Economic growth, Environment, Education</td>
<td>Health &amp; safety, Water, Sanitation, Health &amp; safety, Wages, Social protection</td>
</tr>
<tr>
<td>Healthy economies</td>
<td>Flourishing MSMEs</td>
<td>78.57%</td>
<td>Employment, Sector diversity, Socio-economic convergence</td>
<td>Resource intensity, Waste</td>
</tr>
<tr>
<td>Health &amp; safety</td>
<td>Health &amp; safety</td>
<td>48.57%</td>
<td>Healthcare &amp; sanitation</td>
<td></td>
</tr>
<tr>
<td>Infrastructure</td>
<td>Infrastructure</td>
<td>12.86%</td>
<td>Natural disasters, Health &amp; safety, Water, Energy, Health &amp; sanitation, Mobility, Connectivity, Employment, Social protection, Economic growth</td>
<td>Modern slavery, Health &amp; safety, Civil protection, Economic growth, Other vulnerable groups, Social protection, Education, Employment, Economic growth</td>
</tr>
</tbody>
</table>

#### Negative associations

<table>
<thead>
<tr>
<th>Impact areas</th>
<th>Impact topics</th>
<th>Proportion of portfolio</th>
<th>Associated impacts (positive)</th>
<th>Associated impacts (negative)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health &amp; safety</td>
<td>Health &amp; safety</td>
<td>100.00%</td>
<td>Modern slavery, Child labour, Health &amp; safety, Wages, Social protection, Gender equality, Economic growth</td>
<td>Healthcare &amp; sanitation</td>
</tr>
<tr>
<td>Livelihood</td>
<td>Wages, Social protection</td>
<td>100.00%</td>
<td>Modern slavery, Child labour, Health &amp; safety, Wages, Social protection, Gender equality, Economic growth</td>
<td></td>
</tr>
<tr>
<td>Climate stability</td>
<td>Climate stability</td>
<td>100.00%</td>
<td>Natural disasters, Health &amp; safety, Water, Energy, Housing, Education, Mobility, Connectivity, Employment, Social protection, Economic growth</td>
<td>Resource intensity, Waste</td>
</tr>
<tr>
<td>Biodiversity &amp; healthy ecosystems</td>
<td>Water bodies, Air, Soil, Species, Habitat</td>
<td>100.00%</td>
<td>Modern slavery, Health &amp; safety, Civil protection, Economic growth, Other vulnerable groups, Social protection, Education, Employment, Economic growth</td>
<td></td>
</tr>
<tr>
<td>Circularity</td>
<td>Resource intensity, Waste</td>
<td>100.00%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Prioritised significant impact areas/topics

- Biodiversity & healthy ecosystems (SDG 14)
- (select impact area/topic) (SDG 11)
- (select impact area/topic) (SDG 13)
- (select impact area/topic) (SDG 12)
- (select impact area/topic) (SDG 8)
- (select impact area/topic) (SDG 6)
- (select impact area/topic) (SDG 10)
- (select impact area/topic) (SDG 5)
- (select impact area/topic) (SDG 4)
- (select impact area/topic) (SDG 9)
- (select impact area/topic) (SDG 7)
- (select impact area/topic) (SDG 3)
Consumer Banking/Identification Module

Overview

**PRB requirement: 2.1.b. Portfolio Composition**

**Key highlights:**

Understanding the environmental, social, and economic impacts (positive and negative) associated with banks’ Consumer portfolio/s and overlaying these associations with country priorities, in order to identify most significant impact areas/topics

- Product selection possible in a variety of industry classification codes (ISIC, NACE, NAICS, ANZSIC, JSIC, CNAE)
- Includes different population groups (income, gender, age, location and other vulnerable groups)
- Interoperability features (SDGs)
- Preselection of certain significant impact areas: finance, equality & justice
Identification of main types of products/services as well as names (optional)

Identification of main types of clients (income, gender, age, location, other vulnerable groups)
First, you see impacts driven by the types of products/services you offer to your customers.

**High level outputs:** proportion of portfolio associated with the different impact areas and priorities in the country/locations.

**Detailed outputs:** heatmap showing impact associations between the individual products/services you are offering in the country and the different impact areas and topics.
Consumer Banking/Identification Module

Outputs

Then you see impacts driven by the types of clients
Finally, you prioritize your significant impact areas based on products/services and client information.

Once you prioritize your significant impact areas, the corresponding SDGs will pop up automatically.

'Finance' and 'equality & justice' are default significant impact areas as they are relevant to all consumer banking portfolios.
Mixing and matching with the new modular format

<table>
<thead>
<tr>
<th>Use Case</th>
<th>Country level analysis</th>
<th>Possibly local level (large/diverse countries)</th>
<th>Country level analysis</th>
<th>‘mix of business and corporate banking’ option</th>
<th>‘corporate banking’ option</th>
<th>‘Investment banking’ option</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small bank focused on a single market and mostly focused on consumer banking</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mid-sized bank with activities in a handful of markets, with a mix of consumer and institutional banking activities</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large international bank with activities and clients in multiple countries</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Resources

Find [here](#) the Tool Modules, User Guides and Demo versions

Find [here](#) the revised Impact Radar

Find [here](#) the revised Sector-Impact Map
Other Impact Analysis Tools currently available:

- Investment Portfolio Impact Analysis Tool
- 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 the 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-à-vis an impact area in the country(ies) 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.