



UN
environment
programme

finance
initiative

Impact Protocol

Impact analysis and
management for banks



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Contents

Acknowledgements	ii
Section A: Introduction	1
What is the Impact Protocol and how should it be used?	2
What are sustainability impacts and why manage them?	4
The actions of impact management.....	6
Holistic impact analysis and management.....	8
Section B: The Protocol	9
1. Scoping.....	11
Core business activities.....	11
Main countries of operation and largest country exposures	12
2. Impact Identification	14
Context	15
Portfolio composition	17
Most significant impact areas	19
3. Performance measurement & assessment	21
Measuring and assessing practice	22
Measuring and assessing impact	23
4. Target setting.....	26
Alignment	29
Baseline	30
Setting targets.....	30
Action plans	33
5. Monitoring progress.....	34
Section C: Getting ready for impact analysis and management	35
Understand the implications for your bank.....	36
Set up a multidisciplinary team	36
Optimise your data-gathering process by leveraging from other processes, frameworks, and disclosures.....	36
Align the timing of your updates and review with the timing of your existing reviews.....	37
Annex: Key concepts and terminology	38

List of figures

- Figure 1: UNEP FI Impact Management Toolkit for Bank..... 3
- Figure 2: Impact Management Theory of Change/Impact Pathway for Banks 5
- Figure 3: The actions of impact management for investors and financial institutions,
as per the Impact Management Platform 6
- Figure 4: Actions of impact management as per the Impact Management Platform and
mapping to PRB Framework (Principle 2—Impact and Target setting) 8
- Figure 5: Schematic overview of holistic impact management for banks..... 11
- Figure 7: Bank typologies and levels of complexity.....39
- Figure 8: Business activities of banks42
- Figure 9: The Impact Radar (UNEP FI, 2022).....44



SECTION A:
Introduction



What is the Impact Protocol and how should it be used?

In 2017 UNEP FI put forward a new, holistic, approach to impact management by private financial institutions, involving the systematic consideration of both positive and negative impacts across the three pillars of sustainable development (environmental, social, socio-economic).¹

In 2019, UNEP FI released the Principles for Responsible Banking (PRB, hereafter, 'the Principles'),² which requires signatory banks to align their core strategy, decision-making, lending and investment with the UN Sustainable Development Goals, and international agreements such as the Paris Climate Agreement. To achieve this, Principle 2 requires banks to perform an impact analysis of their portfolios, to identify their [most significant impact areas](#) and to set [impact targets](#) and action plans accordingly, so as to manage their positive and negative impacts.

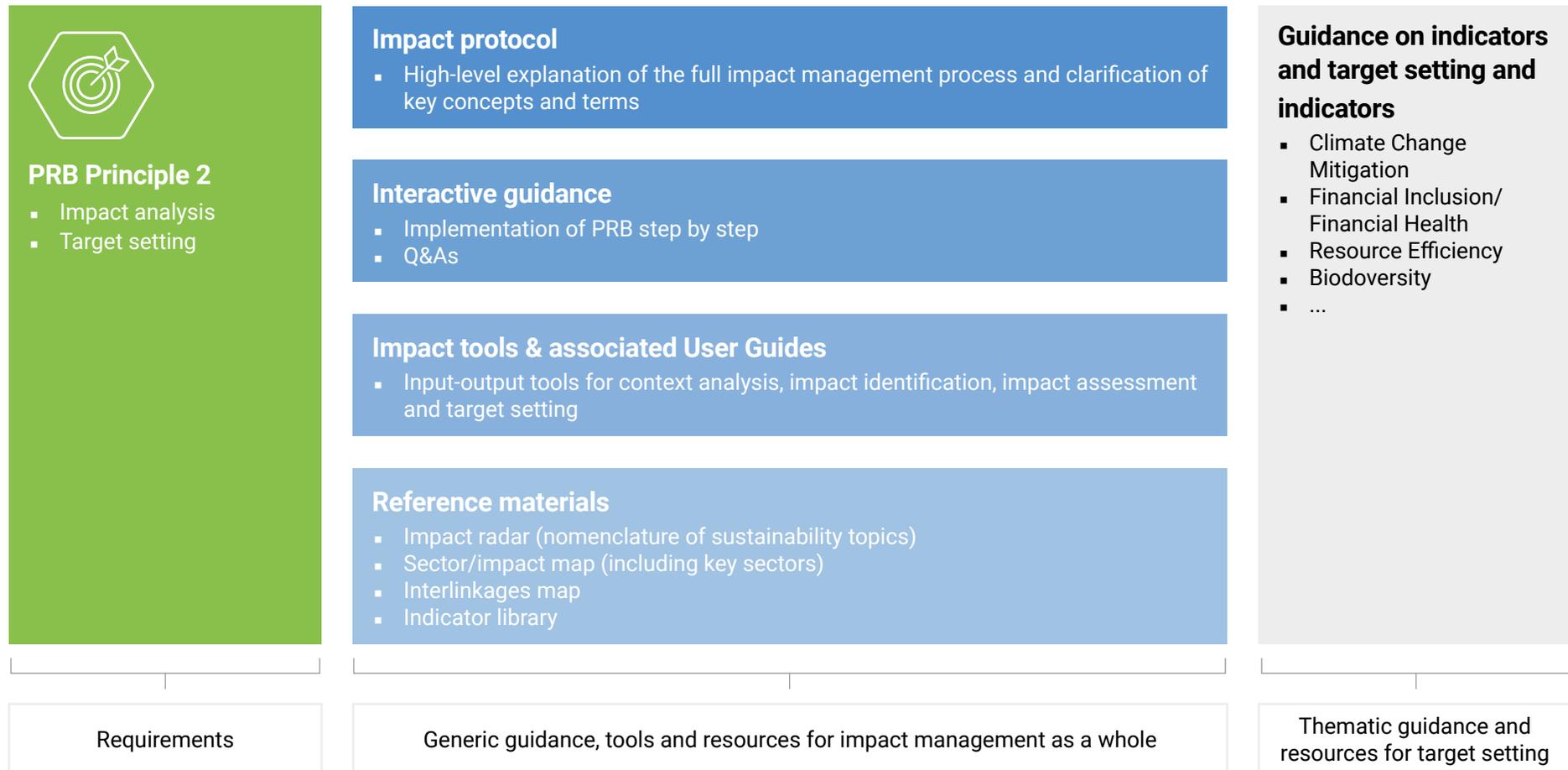
The Impact Protocol provides a step-by-step overview of how to analyse and manage bank portfolio impacts as per UNEP FI's holistic impact approach and in conformity with the requirements of the Principles for Responsible Banking.

As per Figure 1 below, the Protocol is complemented by a number of further resources, which together form a toolkit for [impact management](#). The Protocol provides a high-level overview of the impact management process as a whole, whereas the interactive guidance, the tools and the thematic target-setting guidance can be used to operationalise the methodology. The relevant guidance, resources, tools will be referenced throughout this document.

1 [The Principles for Positive Impact Finance](#), UNEP FI, 2017.

2 [The Principles for Responsible Banking](#), UNEP FI, 2019.

Figure 1: UNEP FI Impact Management Toolkit for Banks



What are sustainability impacts and why manage them?

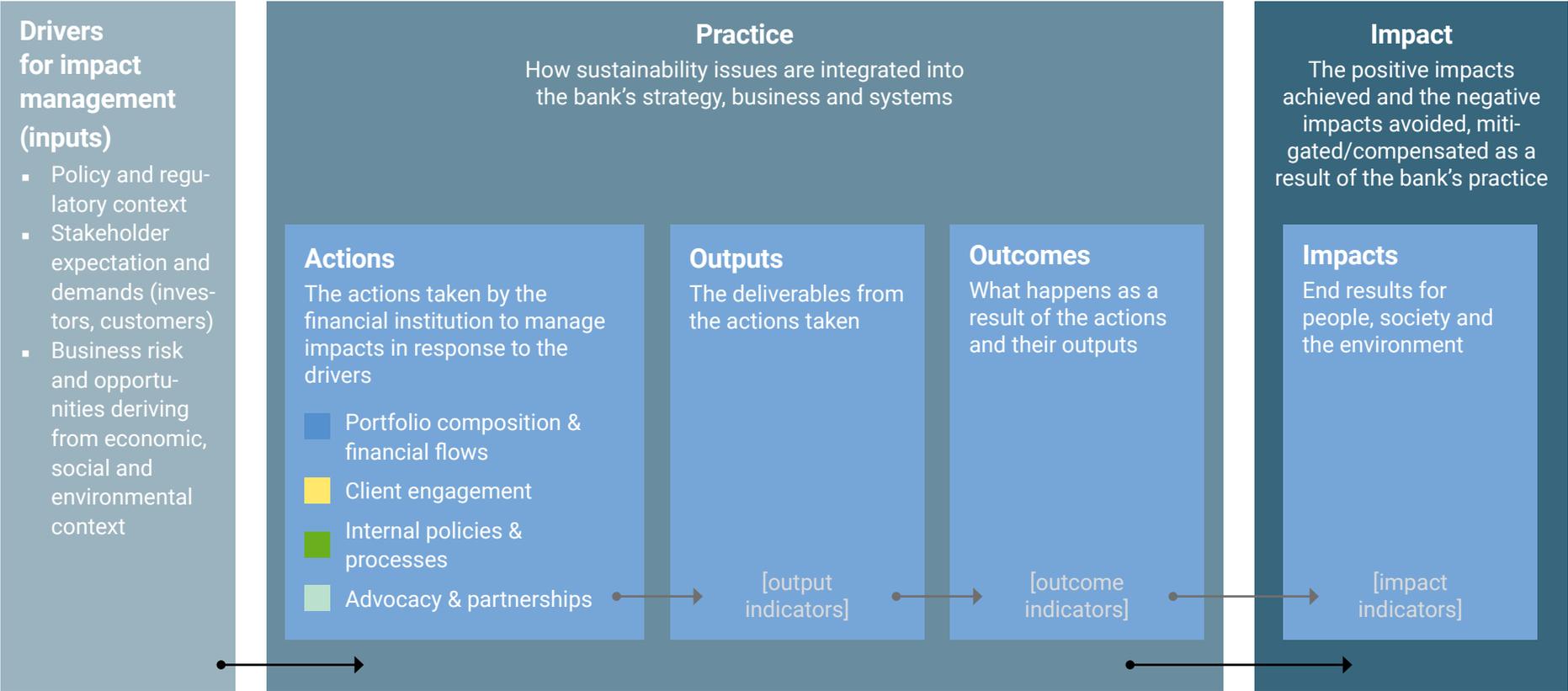
[Sustainability impacts](#) are the impacts directly or indirectly to people, socio-economic communities and the environment. In the case of banks, most impacts are generated indirectly through the nature and content of portfolios: the type of customers and clients, the sectors of clients. They are also driven by the context in which customers and clients are embedded and operate.

There are multiple motives (drivers) for managing such impacts: policy and regulatory content is tending towards increasing consideration of [sustainability impacts](#); the same holds true of a number of stakeholder and societal expectations and demands, including from some investors, customers and clients. Finally, most importantly, environmental health, individual and societal needs and well-being are in and of themselves a source of risk and opportunity to business due to an intricate web of dependencies and inter-connections.

For these reasons, sustainability issues and impacts need to be integrated into the bank's strategy, business and systems and actions taken by the bank to manage the impacts associated with its business, i.e. to pursue positive impacts and to avoid, mitigate and/or compensate negative impacts.

As per Figure 2 below, as a result of effective [impact management](#) the bank can deliver positive impacts and decrease negative impacts, thus enabling it to align with policy objectives, meet stakeholder expectations, and manage its sustainability-linked risks and opportunities.

Figure 2: Impact Management Theory of Change/Impact Pathway for Banks³

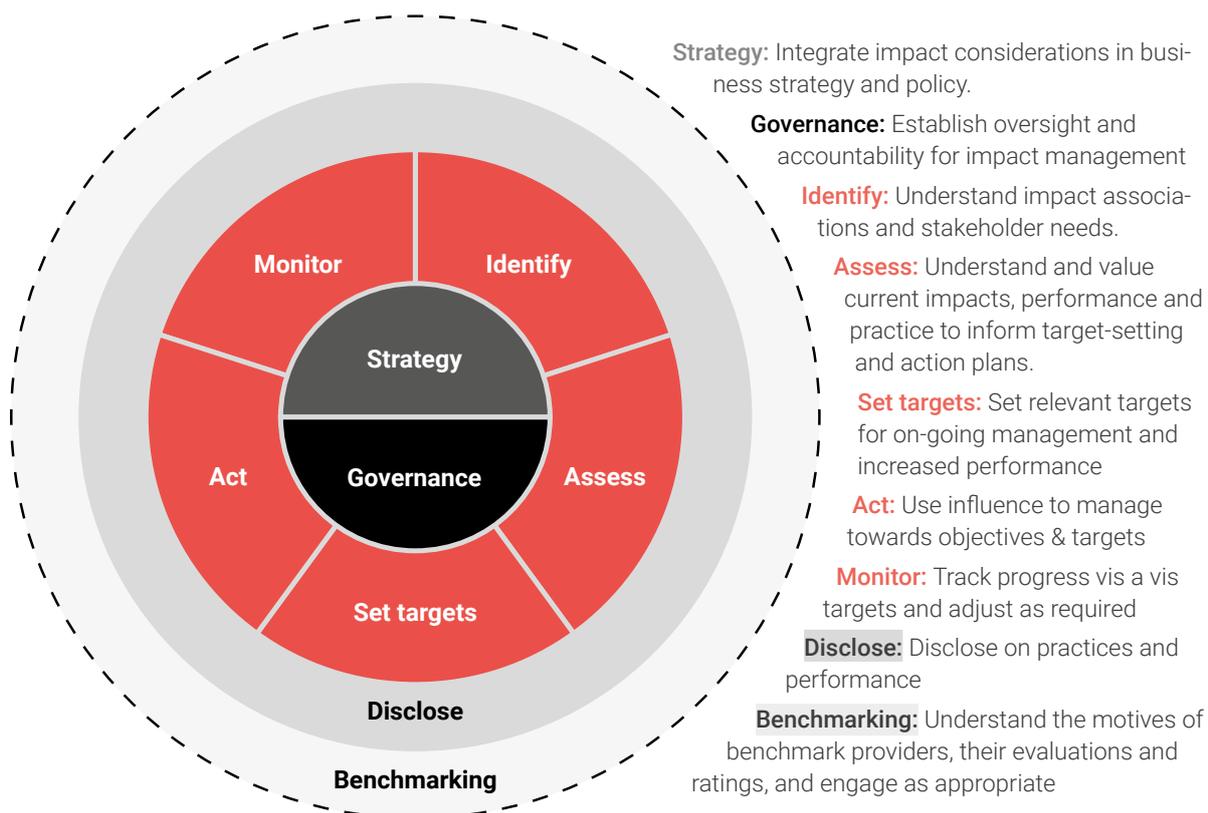


³ See also the UNEP FI Theory of Change diagrammes for specific topics, namely for [climate change mitigation](#), and for [financial inclusion and financial health](#).

The actions of impact management

[Impact management](#) involves a number of key steps or ‘actions’, as outlined in Figure 3 below. These have been consensually defined by the Impact Management Platform, a collaboration between leading providers of public good standards and guidance for managing [sustainability impacts](#).⁴

Figure 3: The actions of impact management for investors and financial institutions, as per the Impact Management Platform

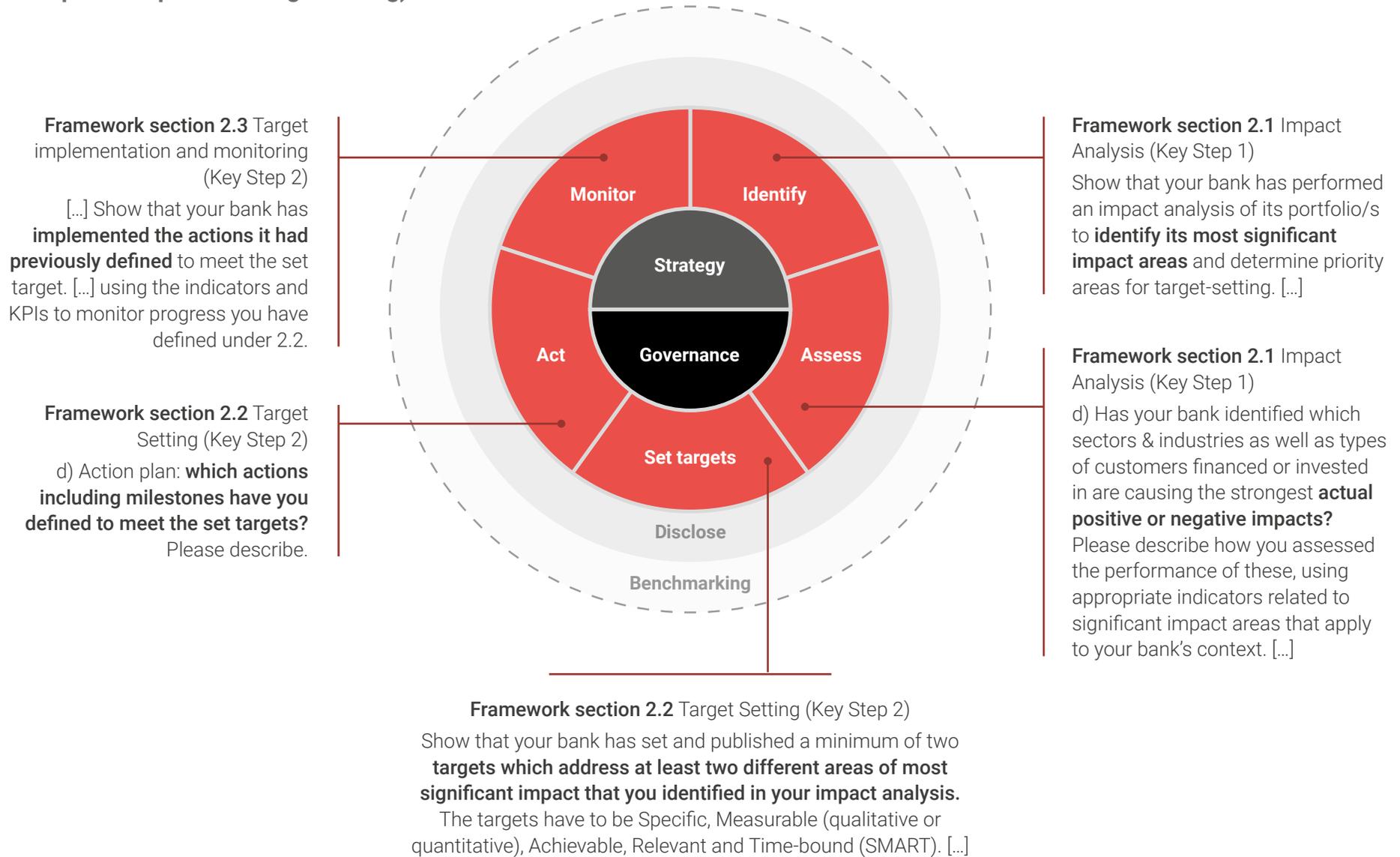


The Impact Protocol follows these actions, focusing especially on impact identification, assessment, target setting and monitoring, and places them into the specific context of the banking sector, and more specifically, the requirements of the Principles for Responsible Banking. The Principles require banks to take three key steps designed for effective implementation: 1) impact analysis, 2) target setting and 3) accountability. Figure 4 below shows in red the IMP actions covered by the Impact Protocol and points to the corresponding parts of the PRB Framework.⁵

4 [Impact Management Platform](#): The Platform’s Partners comprise B Lab, Capitals Coalition, CDP, Global Impact Investing Network (GIIN), Global Reporting Initiative (GRI), Global Steering Group for Impact Investment (GSG), the World Bank’s International Finance Corporation (IFC), Organisation for Economic Co-operation and Development (OECD), Principles for Responsible Investment (PRI), Social Value International (SVI), UN Department of Economic and Social Affairs (UN DESA), UN Development Programme (UNDP), UN Environment Programme–Finance Initiative (UNEP FI), UN Global Compact (UNGC) and World Benchmarking Alliance (WBA).

5 PRB Reporting and Self-Assessment Template, 2022. [PRB Reporting and Self-Assessment Template—United Nations Environment Programme Finance Initiative](#)

Figure 4: Actions of impact management as per the Impact Management Platform & mapping to PRB Framework (Principle 2—Impact and Target setting)



Holistic impact analysis and management

A holistic approach to [impact management](#) implies a systematic consideration of both positive and negative impacts across the three pillars of sustainable development (environmental, social, socio-economic).

Sustainability topics, from climate change to social and economic equalities, are numerous and interconnected, sometimes in contradiction with each other. For example, implementing climate mitigation measures can require accompanying social measures, to ensure a 'just transition'. In short, sustainability issues are a source of risk and opportunity that is difficult to fathom and to predict. This is where a [holistic approach](#) can make a difference.

Holistic impact analysis enables an understanding of both the positive and negative impacts associated to the bank's portfolio, across sustainability topics. This holistic approach enables a better anticipation of unintended consequences (i.e., better risk management) and simultaneously facilitates the development of new business opportunities that leverage on the interconnections between impact topics.⁶ Adopting a holistic approach is also a way of making efficiency gains; it can save precious time and effort vis a vis an incremental, topic by topic approach.

6 See more on leveraging the interconnections between impact areas and topics in [Rethinking Impact to Finance the SDGs](#), UNEP FI, 2018.



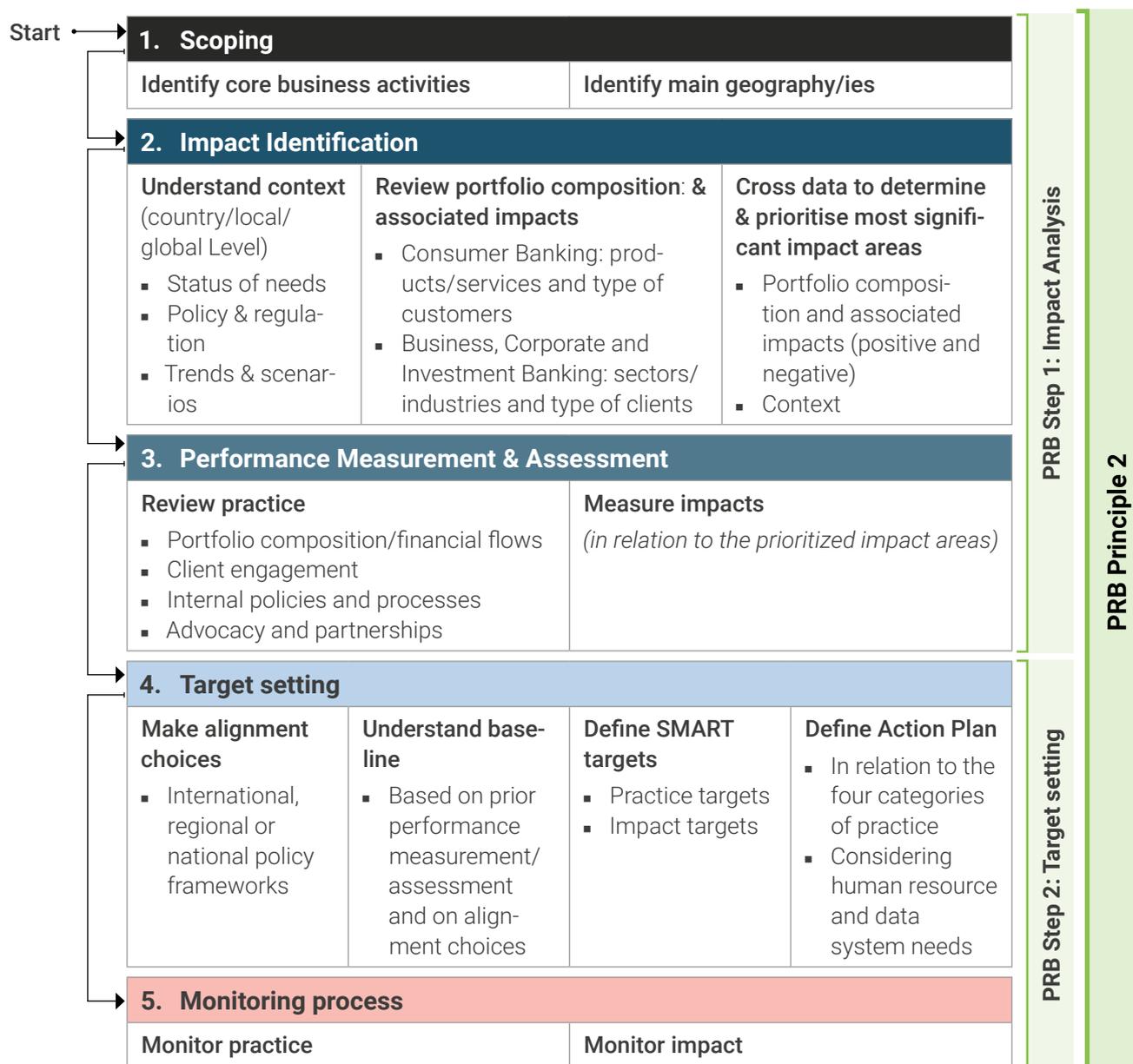
SECTION B:
The Protocol



The UNEP FI Impact Protocol for banks is an [impact management](#) methodology for banks. It provides a step-by-step overview of how to analyse and manage bank portfolio impacts as per UNEP FI’s holistic impact approach and in conformity with the requirements of the Principles for Responsible Banking.

Figure 5 below outlines the main steps and components of the methodology. In the subsequent section each step is reviewed in further detail. The relevant PRB requirements (as per the PRB reporting template) and implementation resources are referenced throughout the document.

Figure 5: Schematic overview of holistic impact management for banks



1. Scoping

While ultimately [impact management](#) should apply across the bank's activities, it is likely that the scope of portfolio coverage will need to be increased progressively.

Scoping is the process by which the bank's [business activities](#) and countries of operation are reviewed, in order to identify and prioritise core business activities and geographies. To ensure that the bank's impact analysis and management is meaningful, the scope of these should include:

- The bank's core business activities
- The bank's main [countries of operation](#) and largest [country exposures](#)

Expected output: The scope of the analysis is defined and includes the core business activities and main geographies of the bank.

PRB Reporting & Self-Assessment Template:

2.1 Impact Analysis (Key Step 1)

a) Scope: What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

1.1 Core business activities

Consider what the main [business activities](#) of the bank are in terms of revenue share; ideally consider their respective size in terms of gross income. The larger business activities should be prioritised. Plan to cover the smaller parts of the portfolio over time.

When it comes to investment banking, it can be helpful to consider two further factors, in addition to revenue share. Firstly, market typology, i.e. whether the investment banking market is important in the country/ies of operation of the bank; secondly, market position, i.e. whether the bank is an important player in this market. If capital markets play only a limited role in the country/ies of operation of the bank and if the bank's ranking on league tables is beyond 10 (meaning that the bank is not a significant player), then the investment banking activities of the bank do not need to be prioritised in its impact analysis and management.

Categorising business activities for impact analysis and management

[Business activities](#) may be named and organized differently from bank to bank. Regardless of the nomenclature and business organisation in the bank, note that for impact analysis and management purposes, it is important to distinguish banking activities based on the nature of the recipients of the financial products and services; thus it is important to distinguish between consumer banking (focused on individuals) and institutional banking (focused on enterprises and other types of organisations). Within institutional banking, it is important to further distinguish between business banking (focus on smaller and usually local clients) and corporate and investment banking (focused on larger and often international clients). It is also important to distinguish between the main 'families' of financial products and services, namely lending and investment.

A list and description of banking activities is provided in the [Annex](#).

Please note that the present Protocol does not cover investment or insurance activities.

1.2 Main countries of operation and largest country exposures

Consider the bank's [countries of operation](#): what is the portion of business per country? For consumer banking consider the percentage of total number of customers. For institutional banking consider the percentage of drawn outstanding loans, outstanding loans, or alternatively, exposure at default (depending on available data).

The bank's main countries of operation should be prioritised. In addition, any countries where the bank is a market leader (i.e. within the top 5) should also be prioritised; a given country may not be among a bank's largest operations, yet the bank may be systemically important in the country, if it is a market leader.

The bank's [country exposures](#), i.e. the countries to which the bank is exposed by virtue of its portfolio composition, should also be considered if these are significantly different to the country/ies of operation. This could typically be the case for corporate and investment banking portfolios, which tend to cater to larger, often international, clients.

The bank's largest country exposures should also be prioritised. For banks with mega-diverse portfolios and clients with activities and operations across multiple countries it may be difficult to determine which countries to prioritise; in this case it is possible to take a global outlook (see section on context).

Plan to cover less prominent countries of operation and/or smaller country exposures over time.

Note: in addition to prioritised geographies based on the above criteria, the bank may need to consider additional geographies in the context of its [impact management](#) process, should it be supporting 'key negative' sectors in geographies with high or very high levels of [impact needs](#) for the related impact area/s or topic/s e.g. countries with known significant human rights risks (see section on portfolio composition).

Example

The table below shows the distribution of business activities and countries of operation of Bank X.

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

For its first impact analysis, Bank X has decided to prioritise its corporate banking and retail banking activities, the bank's most significant areas of activity. It has decided to cover two countries, which between them account for all of the bank's corporate and retail banking.

For examples of banks' disclosures, please see the [PRB Interactive Guidance on Impact Analysis & Target Setting](#).

2. Impact Identification

[Impact identification](#) consists in understanding the [impact areas and topics](#) (e.g. employment, climate, economic convergence) that are associated with the bank, based on its portfolio composition and context, and determining which, among these, are its most significant [impact areas](#). By understanding its most significant [impact areas](#), the bank can take action and set targets strategically, i.e. where it can deliver the most impact.

Achieving this requires three distinct steps:

- **Understanding context**, i.e. the [impact needs](#) that exist in the countries of operation and/or exposure of the bank and/or its clients/customers, in relation to the different [impact areas and topics](#);
- **Reviewing the bank's portfolio composition** in terms of sectors, product types and clients or customer types;
- **Determining [most significant impact areas/topics](#)** as a function of context and portfolio composition.

Expected output: most significant [impact areas](#) are identified, based on the positive and negative impact associations of the bank's [business activities](#) and the operating context of the bank and its clients.

Note: PRB signatories are expected to prioritize at least two impact areas/topics for target setting.

PRB Reporting & Self-Assessment Template:

2.1 Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting.

Resources

Please refer to the UNEP FI [Impact Radar](#) for a holistic categorisation of impact areas and topics and their definitions.

Note: Use of the Impact Radar categorisation is not mandatory, however if the Impact Radar is not used, PRB signatories are expected to disclose (in the PRB Reporting & Self-Assessment Template) the categorisation of sustainability topics/issues they are using to identify most significant impact areas.

2.1 Context

Understanding the context of the bank's portfolio/s is necessary to the process of identifying the bank's [most significant impact areas](#) because it ensures that prioritisation of impact areas for target setting is aligned with society's needs.

Assessing the context of the bank's portfolio should be performed differently depending on the type and scope of the bank's portfolio.

For a small bank operating in just one country the assessment will be at the country level. In this case the bank may also consider assessing needs at the local level, especially in the case of very large and diverse countries. For a mid-sized bank operating in a handful of countries the needs assessment is also best made at the country level, considering the different [countries of operation](#). For large international banks with equally large and international clients, it is recommended to consider needs at the global level, especially for corporate and investment banking portfolios. This can be complemented with country level needs assessments for those countries in which there are significant consumer and business banking activities.

A variety of sources can be employed to assess needs.

- Countries' stated priorities as outlined in a development, sustainable development plan or [SDG Voluntary National Review](#) (VNR), for instance. At the global level international agreements and goals, such as the Paris Agreement or ratified UN conventions and the [Universal Periodic Review](#) (UPR) can be referred to. This can be the quickest and simplest approach, in cases where statistical data sets are limited and/or the bank has limited capacity/human resources to do the research.
- Referral to topic specific statistical data sets and/or research produced by authoritative or recognised entities. Ideally both current status as well as trends should be considered.
- Consultation/exchange with relevant stakeholders, such as government entities and/or expert organisations, including, for example, civil society organisations.

Ideally a combination of all of these items is included in the contextual analysis, though the exact set of sources can vary depending on the amount and type of information available and the capacity of the bank.

PRB Reporting & Self-Assessment Template:

2.1 Impact Analysis (Key Step 1)

c) Context: What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate? Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

Example

Bank X determined that the most relevant challenges and priorities in County Z included climate change, biodiversity loss and degradation, air pollution, affordable housing, while in Country H they were: climate change, biodiversity loss and degradation, and decent employment.

This was determined 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).

For examples of banks' disclosures, please see the [PRB Interactive Guidance on Impact Analysis & Target-Setting](#).

Resources

[UNEP FI Impact Analysis Tool for Banks: Context Module/Needs Database](#)

The Context Module enables you to assess the environmental, social and economic context of the banks' portfolios, at the global, country and local levels. The assessment is performed on the basis of official statistical data sets, research and policy documents. The Module contains data compiled by the current community of practice and is updated on a regular basis.

Note: use of the Module is not mandatory for PRB compliance; however, it is recommended that all banks refer to the Module for a clear understanding of PRB's expectations in terms of needs assessment.

2.2 Portfolio composition

Understanding the composition of the bank's portfolio/s is necessary to the process of identifying the bank's [most significant impact areas](#) because the portfolio composition defines the nature of its impacts, i.e. which sustainability areas or topics are affected positively and/or negatively.

The review of portfolio composition needs to be conducted differently depending on whether one is considering consumer portfolios (individuals) or institutional portfolios (SMEs, corporates, or other types of organizations).

PRB Reporting & Self-Assessment Template:

2.1 Impact Analysis (Key Step 1)

b) Portfolio composition: Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope:

- i. by sectors & industries for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or
- ii. by products & services and by types of customers for consumer and retail banking portfolios.

For **consumer portfolios**, the impact area of access to finance and financial health is inherently associated. Beyond this, the type of customer and the type of product will potentially drive additional impact areas such as, for example, housing and education or strong institutions and integrity of person.⁷ It is therefore necessary to review the portfolio in terms of:

- Product types: the proportion of the portfolio associated with different products (e.g. mortgages/home loans, student loans, health loans, vehicle loans, etc.)
- Customer types: the proportion of the portfolio associated with different population types (e.g. income level, gender, age, minorities, etc.)

Relevant indicators include: amounts (use drawn outstanding loans, outstanding loans or exposure at default/EAD; currency must be specified), number of products, number of customers.

For **institutional portfolios** (SMEs, corporates and/or other types of organisation), the type of client, the sector of the client and/or the use of proceeds (funds) are the factors that drive the bulk of the portfolios impacts. It is therefore necessary to review the portfolio in terms of:

- Client types: the proportion of SME clients (vs large and/or multinational corporations). This is to capture the positive impacts intrinsically associated with SMEs, namely as regards the achievement of healthy economies and economic convergence.

⁷ The 'strong institutions, peace and stability' impact area in the UNEP FI Impact area includes rule of law considerations, which in turn relate to issues such as corruption, illicit financial flows, and tax evasion, while the 'integrity and security of person' impact area includes the issue of conflicts. From a human rights perspective, there may be concerns in consumer portfolios in relation to accounts that are linked to individuals whose activities are viewed as harmful, such as arms manufacturing, money laundering, and terrorism.

- Client sectors: the proportion of different sectors. If not all sectors can be covered, the sectors with highest proportions and key sectors should be prioritised. It is important to note that the more granular the sector breakdown the more accurate the impact analysis, as the impact associations can vary considerably within overall sectors (e.g. nuclear energy vs fossil fuels or renewables).
- Product types (use of proceeds vs general purpose): the types of activity/sectors of the activities to be undertaken thanks to the funds

For business banking and corporate banking, relevant indicators include: drawn outstanding loans, outstanding loans, exposure at default (EAD). Preferred indicators for investment banking are: total bond amounts + total amounts raised divided by the number of Mandated Lead Arrangers (MLAs); other possible indicators are: total bond amounts + total amounts raised, deal value, deal revenue.

Example

Bank X has established its portfolio composition in one of its two core countries of operation as follows:

Corporate banking		Retail banking		Investment banking	Asset management
Electricity generation	20%	Residential real estate	45%	Currently not assessed	
Agriculture	15%	Vehicle finance	25%		
Transport	15%	SME lending	30%		
Commercial real estate	10%	Total	100%		
Wholesale and retail	9%	Male	60%		
Human health and social work	8%	Female	40%		
Steel	8%	Low income	30%		
Cement	5%	Medium income	50%		
Information and communication	3%	High income	20%		
Manufacturing	3%				
Other	4%				
Total	100%				

For its first impact analysis, Bank X has decided to prioritise its corporate banking and retail banking activities, the bank’s most significant areas of activity. It has decided to cover two countries, which between them account for all of the bank’s corporate and retail banking.

For examples of banks’ disclosures, please see the [PRB Interactive Guidance on Impact Analysis & Target Setting](#).

Resources

[UNEP FI Sector/Impact Map](#)

The Sector/Impact Map is a mapping of positive and negative associations between sectors (as per ISIC Rev 4 and several jurisdictional industry classifications), and the impact areas and topics of the UNEP FI Impact Radar. The Map also highlights key sectors for the different impact areas.

Note: Use of the Sector/Impact Map is not mandatory, however you must disclose (in the PRB Reporting and Self-Assessment Template) any alternative resources used. These must be authoritative and publicly available.

2.3 Most significant impact areas

Once portfolio composition and context have been duly mapped it is time to proceed to conclusions regarding the bank's [most significant impact areas](#).

Most significant impact areas should be established based on specific criteria; they should enable the bank to prioritise:

- [impact areas and topics](#) with the highest levels of country and/or location needs;
- impact areas and topics associated with large proportions of the bank's portfolio, based on the positive and negative impact associations driven by the bank's portfolio composition (client sectors, client types, product types);
- impact areas and topics which, if acted upon, enable a positive contribution to other impact areas and topics as well (leveraging interlinkages).

Most significant impact areas/topics can be established at the bank level and/or at the business line level. It is recommended to differentiate at least between consumer and institutional portfolios. For banks with activities in more than one country, most significant [impact areas](#) can be set at the global and/or at the country level.

It is important to note that while [Impact identification](#) implies a prioritisation of impact areas and topics at portfolio-wide level, it does not preclude banks from managing the negative impacts that are associated with its portfolio in relation to other impact areas and topics. Thus, a bank may have identified climate and financial inclusion & health as its most significant impact areas; if its portfolio is also negatively associated to topics such as child labour or habitat loss, these will need to be addressed.

As per the UNEP FI definition of positive impact finance, 'positive impact finance is that which contributes to one or more of the three pillars of sustainable development once any negative impacts have been duly avoided, compensated or mitigated.'⁸

Note: PRB signatories are expected to prioritise at least two impact areas, against which they must then measure and assess performance and set SMART targets (see next sections).

8 [UNEP FI Principles for Positive Impact Finance](#), UNEP FI, 2017.

Example

For examples of banks' disclosures, please see the [PRB Interactive Guidance on Impact Analysis & Target-Setting](#)

[UNEP FI Impact Analysis Tool for Banks: Identification Modules](#)

The Identification Modules enable you to understand the environmental, social, and economic impacts (positive and negative) associated with your consumer and institutional 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. Users will benefit from automated data visualisations that are of strong assistance for prioritization.

The use of the Modules is not mandatory for PRB compliance; however, it is recommended that all banks refer to the Module for a clear understanding of PRB's expectations in terms of mapping the portfolio composition and on the way to prioritise impact areas.

For those banks not using the Modules, it is recommended to use the Impact Radar and associated Sector/Impact Map as a reference to determine impact areas/topics as well as sector-impact associations.

3. Performance measurement & assessment

Once the bank's [most significant impact areas/topics](#) have been identified, the state of its [impact performance](#) vis a vis these impact areas/topics needs to be measured and assessed, as a basis for establishing meaningful targets and action plans. This involves measuring and assessing both:

- **Practice:** as per the theory of change diagramme in the introduction of this document, this covers the actions of the bank to manage its impact and the resulting outputs and outcomes.
- **Impact:** the actual impacts of the bank as a result of its business activities.

PRB Reporting & Self-Assessment Template:

2.1 Impact Analysis (Key Step 1)

d) Performance measurement:

Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context. [...]

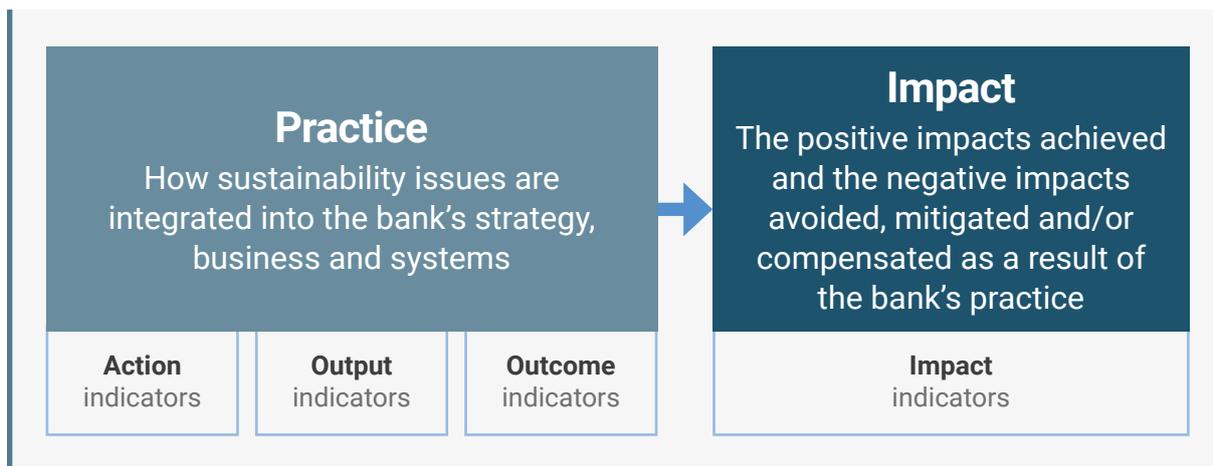
Expected output: the bank's impact performance relative to its most significant impact areas is understood, including both its actual impacts and its [impact management](#) practice. This can be used to set meaningful targets (see the next section).

The link between practice and impact

Both practice and impact need to be understood because practice is the conduit for achieving impacts, i.e. for progressing on the impact pathway. Understanding the status and effectiveness of practice is essential to setting up the action plans and determining the KPIs necessary to support the bank's impact objectives and targets. Ultimately, impact measurements and targets cannot, alone and by themselves, deliver the desired impacts. Conversely, impact performance can be improved thanks to effective impact management practice, even if impact measurements are incomplete (due to lack of expertise or data, for instance).

The diagramme below is a simplified version of the impact pathway/theory of change illustration in the Introduction (Figure 2). Please also refer to the theories of change/impact pathways developed by UNEP FI for specific impact areas/topics.⁹

⁹ The impact pathway/theory of change for climate mitigation is available here: [climate change mitigation](#). The impact pathway/theory of change for financial inclusion and financial health is available here: [financial inclusion and financial health](#)



3.1 Measuring and assessing practice

Understanding the bank's current impact management [practice](#) is critical in order to determine how it might be further developed and improved and to thereby ensure that the bank's impact objectives and targets can be met.

As per the theory of change outlined in Figure 2, impact management practice for banks can be broken down into four main categories of action: portfolio composition & financial flows; client engagement; internal policies and processes; advocacy & partnerships. Each one of these is considered in further detail below.

- **Portfolio composition & financial flows:** the data gathered in the identification stage on portfolio composition should be revisited to specifically extract data on the volume and proportion of [key sectors](#) (institutional banking portfolios), and types of customers and products (consumer banking portfolios). Is there a high proportion of 'key negative' sectors in the portfolio? What about 'key positive'? Are all communities being serviced?
- **Client engagement:** the mechanisms and status of [client engagement](#) needs to be reviewed, in light of the key sectors identified. Are clients from key sectors being identified? Are they being engaged? What is the scope of these engagement activities (biggest clients, all clients, clients with the highest impacts, especially negative impacts, etc.)? What is the nature of the engagement (awareness-raising, advisory services, tailored products and financing solutions, other)?
- **Internal policies and processes:** the level of coverage and integration of the most significant impact areas/topics in the policies and processes of the bank needs to be considered. Are there thematic and/or sector policies in place (e.g. exclusion lists/criteria)? Have the identified sustainability issues been integrated into core systems and procedures, such as risk management systems, due diligence, KYC, credit policy? What are the checks and balances the bank has in place to also address negative impacts to impact areas beyond those identified as the most significant impact areas at the full portfolio level? Which internal accountability systems does the bank have?
- **Advocacy & partnerships:** the public position/s adopted by the bank vis a vis the identified sustainability issues (if any) should be considered. Is the bank proactively communicating in relation to certain topics e.g. via statements, by joining initiatives,

setting up partnerships or making commitments? Is there consistency between such efforts and other activities of the bank tending to influence policy and behaviours (e.g. participation industry lobbying practices)?

The information and data gathered can serve as the baseline for setting practice-related targets, as part of the bank's overall action plan for achieving its impact objectives and targets (see section 4).

Resources

[UNEP FI Sector/Impact Map](#)

The Sector/Impact Map is a mapping of positive and negative associations between sectors (as per ISIC Rev 4 and several jurisdictional industry classifications), and the impact areas and topics of the UNEP FI Impact Radar. The Map also highlights key sectors for the different impact areas.

Note: Use of the Sector/Impact Map is not mandatory, however you must disclose (in the PRB Reporting and Self-Assessment Template) any alternative resources used. These must be authoritative and publicly available.

3.2 Measuring and assessing impact

In the case of institutional banking portfolios, measuring and assessing the bank's actual impacts to people, socio-economic communities and the environment through its business activities means understanding the impacts of its clients and the bank's contribution to those.

Impact measurement thus requires a combination of data collection from/about clients, and the application of methodologies to aggregate data and calculate contributions, such as PCAF and PACTA, in the case of financed GHG emissions. These are impact area/topic-specific and not within the remit of the present Impact Protocol to review or describe. A structured compilation of impact-related indicators, metrics, and methodologies, drawing from various sources, is however available in the form of the UNEP FI Impact Indicator Library (see below).

In the case of consumer portfolios the universe of impact/areas affected is fairly concentrated (these are mostly financial health and inclusion) and the bank's impacts will be a function of the types of products it offers and the types of populations served, i.e. data that is more directly accessible to bank.

Examples

Performance measurement and assessment for financial health and inclusion

		Low income (%)	Middle income (%)	High income (%)	Male (%)	Female (%)	Vulnerable groups (%)	Age (18–30)	Age (30–60)	Age (60+)
Consumer bank portfolio (70% of total AUM)	Number of banking accounts	20	50	30	52	48	2	20	50	30
	Volume of credit	10	38	52	83	17	0.05	10	70	20
	Clients in overindebt	30	20	5	51	49	20	15	5	20
	Volume of savings accounts	5	10	85	80	20	3	5	65	30
	Level of financial resilience (1–10))	2	5	7	5	5	1	2	6	5
	Volume of home loans	5	60	40	80	20	1	5	75	20
	Others	5	30	65	60	40	1	20	60	20
National context	30% without banking account, low level of credit for women, 30% of the population do not save money, low level of final education, low financial resilience									

Performance measurement and assessment for climate change mitigation

Sector	Volume of businesses (US\$ million)	% under the corporate portfolio	Total CO ₂ e	CO ₂ e/ US\$ lent	Total coverage (%)	Data quality score
Agriculture (Scope 1, 2)	12,187	17	290,000	23.80	80	3
Commercial & residential real estate (Scope 1, 2)	5,500	8	52,300	9.50	95	5
Oil & gas (Scope 1, 2)	3,000	4	55,000	18.30	100	4
Power generations (Scope 1, 2, 3)	20,000	28	180,000	9.00	90	4
Transport (Scope 1, 2)	5,800	8	444,500	79.60	90	4
Out of scope	25,000	35				

For examples of banks' disclosures, please see the [PRB Interactive Guidance on Impact Analysis & Target Setting](#)

Resources

[UNEP FI Indicator Library](#)

The Indicator Library provides a compilation of impact-related indicators, metrics, and methodologies, drawing from various sources, including:

- Disclosure frameworks: GRI, SASB, CDP, TCFD
- Impact Investor and Development Bank resources: IRIS+ and HIPSO
- Taxonomies: EU Adaptation and Mitigation Taxonomies
- Collective commitment frameworks: NZBA, AOA, etc.
- PRB thematic target-setting guidance materials and/or databases: resource efficiency, financial inclusion & health, etc.
- Other: ENCORE

Note: For climate mitigation and financial inclusion/health, PRB signatories are encouraged to refer to the core indicators included in the annex of the [PRB Reporting and Self-Assessment Template](#). For financial health and inclusion additional guidance is available in [Core Indicators to Measure Financial Health and Inclusion](#)

[UNEP FI Impact Analysis Tool for Banks: Assessment Modules](#)

The Assessment Modules enable you to: measure and assess your portfolio's current practice and impact performance, and to determine targets and action plans accordingly.

Note: The use of the Modules is not mandatory for PRB compliance; however, it is recommended that all banks refer to the Modules for a clear understanding of PRB's expectations in terms of performance measurement and assessment

4. Target setting

Once the state of the bank's performance has been measured and assessed, [targets](#) can be set and [action plans](#) set up against them. This means:

- Making [alignment](#) choices: understanding by which policy goals and targets the bank may be guided (e.g. UN Sustainable Development Goals, and the Paris Climate Agreement)
- Considering the bank's baseline: using the information from the performance measurement and assessment phase (see previous section) to understand how well the bank is performing vis a vis the chosen policy goals and targets
- Setting targets: determining targets and objectives against the bank's baseline with a view to delivering impacts and achieving alignment with the chosen policy goals and targets
- Defining [action plans](#): determining the specific actions to be undertaken to meet the targets, using specific [KPIs and milestones](#).

Expected output: Targets and corresponding action plans are established vis a vis the bank's [most significant impact areas/topics](#). These are based on the bank's baseline [practice](#) and [impact performance](#) relative to relevant policy frameworks and goals.

As pointed out in Section 2 on impact identification, the focus on most significant impact areas/topics does not preclude banks from taking action on negative impacts that might be generated by its portfolio composition in other impact areas. In addition, bearing in mind that impact areas and topics are all interconnected, when setting a target in relation to one impact area it is important to ensure that the achievement of that target does not lead to significant negative impacts in other areas.

PRB Reporting & Self-Assessment Template:

2.2 Target Setting (Key Step 2)

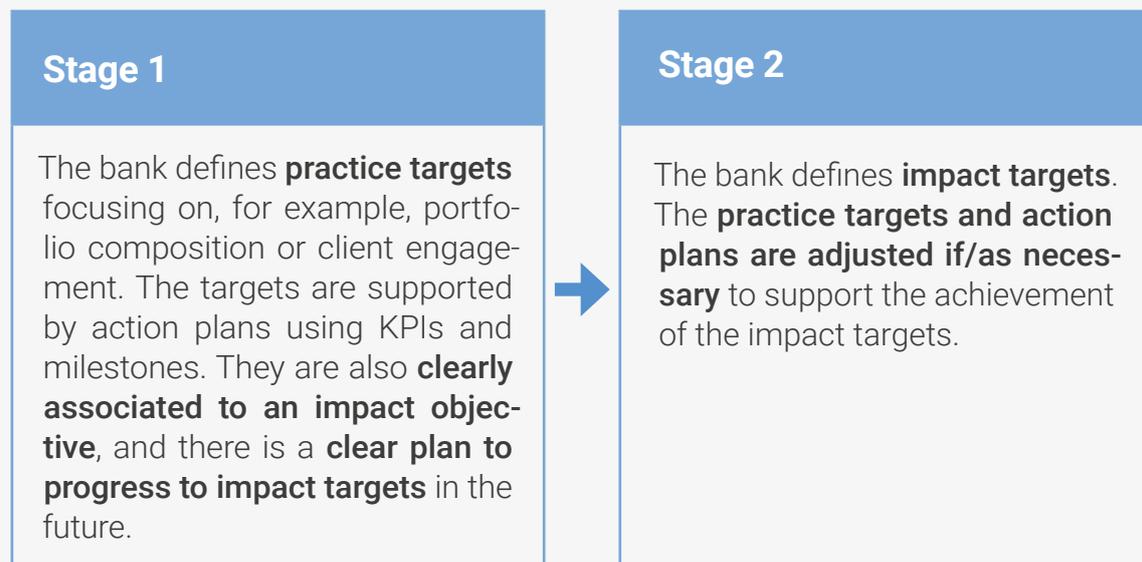
Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART).

A progressive approach to target-setting

Setting impact targets requires impact measurement, which may or may not always be possible depending on a combination of factors such as the level of preparedness of the bank, the complexity of [business activities](#), the impact areas to be addressed, and the market context.

As pointed out in the previous section, [practice](#) is the conduit for impact. This means that even if current impacts cannot be measured and [impact targets](#) set, practice targets can and should be set, and these should be 'tagged' to a specific impact objective. The diagramme below illustrates how a staggered approach to target setting can be pursued.



Note: PRB signatories are required to set impact targets. Acknowledging the fact that banks are in different stages of implementation and on different levels of maturity and therefore might not be able to set impact targets from the beginning, practice targets, linked to a clear impact objective, can be set as first step. Practice targets set in this way must relate to the bank's portfolio composition and financial flows, and/or to its client engagement practices; targets relating to the bank's internal policies and processes, or its advocacy and partnership practices are not sufficient to meet the PRB requirements

PRB Target-setting guidance per impact areas/topics

A series of target setting guidance documents have been developed to support PRB signatories set targets for a number of impact areas/topics:

- [Circular economy](#)
- [Biodiversity](#)
- [Financial health and inclusion](#)
- [Climate change mitigation](#)
- [Gender](#)

[UNEP FI Impact Analysis Tool for Banks](#): Assessment Modules

The Assessment Modules enable you to: measure and assess your portfolio's current practice and impact performance, and to determine targets and action plans accordingly.

Note: The use of the Modules is not mandatory for PRB compliance; however, it is recommended that all banks refer to the Modules for a clear understanding of PRB's expectations in terms of target-setting.

4.1 Alignment

Impact needs (environmental, social and socio-economic) are reflected in global policy frameworks and international instruments such as the SDGs and the Paris Agreement, the purpose of which is to address impact needs, namely by providing science-based objectives and targets.

Identifying such frameworks and instruments, as well as related or complementary ones at the regional and/or national level, and striving for alignment with them, is therefore an important part of the bank’s target-setting process.

PRB Reporting & Self-Assessment Template:

2.2 Target Setting (Key Step 2)

a) **Alignment:** which international, regional, or national policy frameworks to align your bank’s portfolio with have you identified as relevant? 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 other relevant international, national, or regional frameworks.

In effect, this step is the prolongation of the context analysis and needs assessment conducted during the impact identification phase (see Section 2 above). The frameworks and instruments will serve to inform the choice of indicators and metrics, as well as the level of ambition. As illustrated in the example below, this can be done at the global, regional or country level, depending on what is available.



4.2 Baseline

At this point the performance assessment previously conducted (see Section 3 above) should be referred to in order to put the bank's performance into perspective vis a vis the chosen policy goals and targets identified for [alignment](#) (see above).

This will serve as the bank's baseline, which is the starting point for establishing meaningful [targets](#).

4.3 Setting targets

With the [alignment](#) choices made and the bank's baseline understood, the targets themselves can be set. These should be specific, measurable, realistic and time-bound (SMART), using indicators from the performance measurement and assessment stage (see Section 3).

Targets can fall into two broad categories:

- Targets relating to the bank's practice ('practice targets')
- Targets focused directly on the bank's impacts ('impact targets')

As per the progressive approach to target-setting described above, banks may not always or immediately be in a position to set [impact targets](#), in which case practice targets are a first step.

However, the bank should always have a clear impact objective in relation to its practice targets, i.e. it should be directed at a specific [impact area/topic](#), and even linked to a specific impact indicator (e.g. climate stability could be the impact area, climate change mitigation and specifically the reduction of GHG emissions could be the impact objective).

In many cases [practice](#) targets can be viewed as KPIs for the achievement of the [impact targets](#).

Practice targets

These can focus on most of the four categories of [actions](#) a bank can pursue to manage its impacts, as per the [theory of change](#) outlined in the Introduction and further outlined in Section 3 on Performance Measurement and Assessment.

PRB Reporting & Self-Assessment Template:

2.2 Target setting (Step 2)

b) **Baseline:** Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

PRB Reporting & Self-Assessment Template:

2.2 Target setting (Step 2)

c) **SMART targets** (incl. key performance indicators (KPIs): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

Portfolio composition and financial flows

This category of targets aims to redirect flows of lending and investments to sectors, activities or projects related to the prioritised [impact areas/topics](#) (in the case of institutional banking portfolios), and/or away from harmful sectors. In the case of consumer banking portfolios, banks can set [targets](#) related to specific types of customers e.g., low-income customers or female entrepreneurs. Such targets should be part of broader transition plans. They can be supported by the development of specific services and products (see more under [client engagement](#)).

Examples

- Disburse USD 500 million for renewable energy projects by 2025, equivalent to 30% of the bank's total energy portfolio (baseline 2020: renewables portfolio is currently 10% of the energy portfolio and annual disbursement is USD 50 million)
- Increase by 25% the volume of loans awarded to low-income customers based on alternative risk score/policies by 2025 (baseline 2020: 10% of the current consumer banking portfolio is for low-income customers, totalling USD 500 billion)
- In the real estate and agriculture corporate portfolio, raise by 20% financial flows directed at activities substantially contributing to resource efficiency and the circular economy (i.e. screened positively against a given circular economy business mode) by 2025.

Client engagement

Engagement targets involve engaging relevant clients and customers on one or more [impact areas/topics](#)—the success of banks in meeting their impact objectives and targets is contingent on the success of their clients in reaching theirs, as investment and divestment strategies alone will not suffice. The purpose of [client engagement](#) is to support clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels, ranging from awareness raising campaigns, to engaging specific clients on their impact profile and transition pathways/plans, and to structuring tailored financing solutions for clients' transition.

Examples:

- Engage 90% of corporate clients in carbon intense sectors to set net-zero targets, and support them in developing transition plans by 2025
- Engage 90% of key clients in the waste treatment and plastics/packaging sectors by 2025 (baseline 2020: 20% of key clients were engaged)
- To improve the financial health, facilitate financial education training for low-income customers, increasing by 50% the number of customers with financial and digital skills by 2025, equivalent to will represent 60% of our low-income clients.

Internal policies and processes

Setting up, amending or implementing internal policies and processes can also be an object of target-setting. This kind of targets serves to integrate [impact management](#) deep into the bank's systems. It can involve a variety of types of policies and processes, such as: policies for certain sectors or activities (including but not limited to exclusion policies); thematic policies; credit policies for specific sectors or types of clients (e.g., low-income customers, innovative projects); due diligence processes, risk management systems, KYC processes, etc.

Examples

- Integrate circularity data points in due diligence procedures for 2 key sectors in the corporate portfolio (baseline 2020: no data points for any sectors)
- Expand the scope of human rights due diligence for key sectors in middle-market portfolios and train front-office and back-office staff accordingly.

Impact targets

Banks should ultimately set [impact targets](#), in alignment with the relevant science-based policy frameworks and international agreements. As pointed out at the beginning of this section, for a number of reasons impact targets may need to be introduced progressively, depending on the impact areas/topics and on the bank's level of expertise.

Examples

- As part of an overarching net zero by 2050 target, reduce emissions related to the power sector by 72% by 2030 (baseline 2020: 11.4 Mt CO₂e, representing 33% of in-scope assets, in line with the IEA NZE 2050 scenario)
- As part of a zero deforestation target, increase conversion/restoration activities by 40% in the bank's agriculture portfolio in the Amazon by 2030 (baseline 2020: 40% of the agricultural portfolio is in the Amazon with 20% of forest coverage)
- Decrease the number of customers with a low a financial health score by 50% by 2030 (baseline 2020: 30% of clients are classified as having a "low level of financial health"; 50% as "medium level" and 20% as "high level")

4.4 Action plans

Once [targets](#) have been set, defining an action plan is necessary in order to operationalize them.

As discussed above, the bank's impact management practices are its conduit to impact. If [practice](#) targets have been set, these will form the de facto backbone of the implementation plan; they become the KPIs and milestones for the achievement of the bank's impact objectives and targets.

If the bank has set [impact targets](#) but no practice targets, it should consider the [KPIs and milestones](#) it can set vis a vis the four broad categories of actions (as per the Theory of Change in Figure 2):

- The steering of portfolio composition and financial flows
- [Client engagement](#)
- Integration into internal policies and process, and
- [Advocacy](#) and partnerships

In either case, the bank's completed action plan should also consider two key implementation points:

- Human resource needs, including capacity-building as well as the definition of roles, responsibilities and reporting lines
- Data collection and data analytics needs

PRB Reporting & Self-Assessment Template:

2.2 Target setting (Step 2)

d) Action plan: which actions including milestones have you defined to meet the set targets? Please describe.

5. Monitoring progress

[Impact management](#), like all management processes, is an on-going process that needs to be reviewed on a regular basis to monitor whether it is producing the expected and desired results and to consider what adjustment might be needed.

This means reviewing the [targets](#) and their corresponding [action plans](#) to see if the latter have been duly implemented, and whether they have delivered the expected outcomes and [impacts](#). This should include a review of the bank's [practice](#) and impact in relation to the [impact areas/topics](#) linked to the prioritised, [most significant impact areas](#). This effectively amounts to repeating the 'Measuring and Assessing Performance' step as per Section 3 above.

The other steps of the process should also be reviewed regularly:

- Scoping: if not all bank activities were initially included in the scope of the impact management process, can/should the scope be expanded going forward? To cover which aspects of the bank's [business activities](#)?
- [Impact identification](#): have there been any changes to the bank's portfolio composition and or geographies of operation and exposure that might affect its currently identified [most significant impact areas](#)? Note that an expansion of the scope might also affect the identification results.
- Target-setting: were the [indicators](#) and [action plans](#) established fit for purpose? If no [impact targets](#) were set, can these now be set?

PRB Reporting & Self-Assessment Template:

2.3 Target implementation and monitoring (Key Step 2)

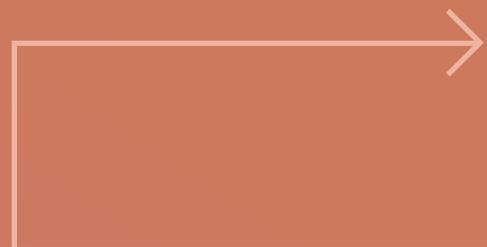
For each target separately: Show that your bank has implemented the actions it had previously defined to meet the set target.

[...]

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.



SECTION C:
**Getting ready for
impact analysis
and management**



Impact analysis and management requires a significant amount of data to be collected from a variety of sources within the bank and therefore requires some preparation. Your first steps:

Understand the implications for your bank

The level of complexity and the results of your impact analysis can vary considerably depending on the nature of your bank. Impact analysis for a bank focused mostly on consumer banking, or on a single industry and/or limited to a single country, will be more straightforward than for a bank involved with multiple client types, sectors and geographies. It will also yield a narrower set of [significant impact areas](#) and related impact topics. Figure 7 below provides examples of bank typologies with different levels of complexity, as well high-level ('default') impact profiles by bank typology, in order to illustrate what users might expect to find out of their analysis depending on the nature of their bank.

It is also important to consider your bank's level of expertise and readiness when setting out to proceed with your impact analysis. Thorough impact analysis requires ability and effort to organize teams and data-sets, something which may take time to put in place depending on your current set-up.¹⁰

Set up a multidisciplinary team

You will need support from various departments in the bank to compile the necessary data. Identify and involve these as you are defining the scope of your analysis. Ideally the group would include the representatives from main departments of the bank, in particular: finance/treasury, risk, business units, economic research, strategy, public affairs, IT. All should make this part of their objectives and dedicate time to the effort. Setting up the team is an important opportunity to communicate the strategic objectives of the analysis, and to ensure uptake and continuity once the analysis is completed and actions need to be taken to implement strategies and meet targets.

This multidisciplinary team should dialogue with high level executives (e.g. Sustainability Committee, Executive Committee or Board of Directors) to share results and to make decisions together about the impact areas prioritization and target setting, as well as to secure senior level sponsorship and support in general. It's also important to engage internal and external stakeholders for a credible and robust impact analysis process.

Optimise your data-gathering process by leveraging from other processes, frameworks, and disclosures

Your bank will need to gather data for the impact analysis, however some of it has likely already been gathered for other purposes, e.g. for the bank's financial statements, GRI reporting, Integrated Reporting, jurisdictionally required disclosures, etc. Your bank can draw from these sources, and gradually compile what's still missing for holistic impact analysis and management. Conversely, impact analysis can also serve to feed into the

¹⁰ For an appraisal of your bank's level of expertise and readiness specifically in relation to circularity issues, please see UNEP FI's [Guidance on Resource Efficiency and Circular Economy Target Setting](#) (2021)

different frameworks and disclosures the bank is involved with. The outputs and data visualisations of the UNEP FI Impact Analysis Tools can a specific support in this regard.

Align the timing of your updates and review with the timing of your existing reviews

Your impact analysis can be reviewed (and updated as necessary) on an annual basis, as should your resulting action plan/s and targets (adjustments to the latter should be documented and explained). It is recommended to increase the scope and granularity along the years. Longer intervals and a more gradual increase in scope and granularity may be needed for banks with less capacity, experience and expertise. You can optimise your process by aligning with the timing of your financial and risk reviews.

Figure 7: Bank typologies and levels of complexity

What is the level of complexity of your bank?		
Low level of complexity: Low diversity (single business line focus, in a single location), Limited to consumer banking or focused on a single sector (e.g., agriculture)	Medium level of complexity: Some diversity (several business line/small number of locations), includes multi-sector business banking	High level of complexity: High diversity (multiple business line in multiple locations), involves corporate/ investment banking activities
<p>Consumer Banking Default Impact Profile</p> <ul style="list-style-type: none"> Narrow range of impacts Mostly positive impacts: access to finance, justice & equality, healthy economies, economic convergence Potential negative impacts: debt overburden, lack of access, lack of inclusiveness Levers for action: tailoring for better access and inclusiveness and to avoid debt-overburden <p>'Thematic' Banking Default Impact Profile</p> <ul style="list-style-type: none"> Range of impacts limited to specific thematic focus Positive & negative impacts dependent on the focus (e.g., agriculture, infrastructure, etc.) Levers for action: tailoring for better access and inclusiveness/to further stimulate economic convergence 	<p>'Middle Market' Banking Default Impact Profile</p> <ul style="list-style-type: none"> SMEs as a client type is per se a driver of positive impact (healthy economies) Very wide range of impacts Scale of impacts high through volume of companies rather than per company Levers for action: tailoring for better access and inclusiveness/to further stimulate healthy economies 	<p>Corporate focused Default Impact Profile</p> <ul style="list-style-type: none"> Large corporates as a client type can per se be drivers of positive and/or negative impact (e.g. (healthy economies and economic convergence)) Very wide range of impacts Scale of impacts high per company rather than through volume of companies Levers for action: individual engagement and impact targets <p>HNWI Banking—Default Impact Profile</p> <ul style="list-style-type: none"> Comprise multiple impact drivers due the very diverse set of products and services encompassed by private banking (personal, business support, investments, philanthropy) As a result, a very wide range of impacts, though significant volumes of capital are likely to be 'distant' from the impacts. On the other hand: pockets of 'deep' impact exist (impact investing portfolios). Levers for action: individual engagement and impact targets



ANNEX:
**Key concepts
and terminology**



The key concepts and terminology used in the Protocol are defined below. These definitions are specifically adapted to the banking use-case.

Actions

The actions banks can take to manage their (positive and negative) impacts.

Four categories of actions are identified in the Protocol: the steering of the bank's portfolio composition and financial flows; the engagement of its clients; the development and tailoring of the bank's internal policies and processes; advocacy and the establishment of partnerships (see below). Together these actions constitute the bank's 'practice' (see below).

Action plan

The plan established by the bank in order to meet its impact objectives and targets. This might involve one or more categories of actions (see above). It includes information about the human resources, data systems, and any other relevant resources that the bank will mobilise to implement the actions.

Advocacy

The bank's individual public statements and commitments, as well as the positions it adopts and defends collectively, for example as part of an industry association or an initiative.

Alignment

Consistency between global policy goals and objectives, as enshrined by frameworks such as the Sustainable Development Goals, and the bank's business, as a result of its actions (see above).

It is important to note that alignment of a bank's portfolio composition and financial flows (one of the actions) may not amount to the reduction of negative impacts and/or increase of positive impacts pursued by the above-mentioned policy frameworks, if the activities and clients with the negative impacts find themselves merely transferred to the portfolio of another bank. Client engagement, the adjustment of internal processes and policies, advocacy and partnerships (the three other actions) are key to preventing this situation.

Business activities

The activities of the bank that are revenue-generating and that involve clients, as opposed to its internal operations, its philanthropic activities and its investments.

A list of bank business activities is provided in Figure 8 below. The nomenclature used in Figure 8 is the one used in the present Protocol, however, business activities may be named and organized differently from bank to bank.

Figure 8: Business activities of banks

Note: Items in red denote activities not covered by the present Protocol.

Business activity		Description	Clients	Products and services
Banking	Consumer banking (sometimes also called personal or retail banking)	Provision of products and services to individuals.	Individuals	<p>Generic: Consumer credit & overdraft Credit cards Current accounts Savings accounts Certificates of deposits/Term investments Specialised (purpose): Home loans and other housing-related credit Education-related loans Access to justice-related loans Health-related loans Leasing Other</p> <p>Specialised (type of client): Student accounts & loans Professional activities* Running of associations* Other (e.g. gender, minorities, elderly, etc.)</p> <p>Specialised (income-level of client): Microcredit Wealth Planning/Family Offices (e.g. estate, art, family, etc.) Securities backed lending (Lombard loans) Structured lending and risk solutions Investments (direct/indirect, custodian/discretionary/advisory, research) Other</p>
	Business banking (sometimes also called commercial banking)	Provision of products and services to local businesses and government. Local means from the country where the bank or bank subsidiary is incorporated.	Professionals,* SMEs, cooperatives, associations,* corporates	<p>Generic: Credit & overdraft Current accounts Savings accounts Payment services Specialised (purpose): Leasing Property lending Other</p> <p>Specialised (type of client): e.g. farmer financing</p>
			FIs	Interbank loans Letters of credit Correspondent accounts
		Municipalities, regions	Loans Other	

Business activity		Description	Clients	Products and services
	Corporate banking	Provision of products and services to larger clients and/or clients beyond the bank's country/ies of incorporation	Corporates, Multinationals, SPVs	Generic: Corporate credit & overdraft Payment services (e.g. cash management) Specialised (purpose): Use of proceeds ¹¹ Project finance Trade finance Export credit Asset finance (e.g. ships, aircraft, fleets, property, etc.) Other
			Sovereigns	Specialised (purpose): Project finance Trade finance Export credit Asset finance (e.g. ships, aircraft, fleets, property, etc.) Other
			FIs	Interbank loans Other
	Investment banking	Provision of access to capital markets & raising of capital on capital markets and related services	Corporates, multinationals	Primary capital markets—debt (bond issuances) Primary capital markets—equity (IPOs) Advisory services (e.g. M&A, ratings, project finance, etc.) Other (e.g. Custodian banking)
			Sovereigns	Primary capital markets—debt Other
Investment				
Insurance				

*customers/clients that may be serviced both by consumer and business banking departments.

11 Also known as 'dedicated' finance or loans. Refers to the intended use of any proceeds (funds) by a borrower. Known Use of Proceeds relates to investments and loans for specific (corporate or consumer) purposes (i.e., the financial institution knows for what activity the money is used). The opposite concept (Unknown use of proceeds) refers to investments and loans for general (corporate or consumer) purposes (i.e., the financial institution does not know exactly for what activity the money is used, which holds for general purposes loans).

Client engagement

The practice of interacting with clients in relation to sustainability impacts as part of the bank's impact management strategy and process. It is one of the four categories of action (see above) that banks can take to manage their (positive and negative) impact (see above).

Client engagement can take various forms, such as awareness-raising, advisory services, or even the development of tailored products and financing solutions.

Countries of operation

Countries where the bank is incorporated, or has an otherwise registered presence.

Country exposures

Countries to which the bank is exposed by virtue of its portfolio composition, i.e. the countries in which the clients of the bank operate and/or in which the activities financed by the bank are taking place.

Holistic approach to impact management

An approach that involves the systematic consideration of both positive and negative impacts across the three pillars of sustainable development (environmental, social, socio-economic), i.e. at all stages of the impact management process. It is undertaken with a view to managing and leveraging the interconnectedness of impact areas, i.e. to avoid unintended consequences of acting on one impact area on another impact area, and to maximise the number of impact areas that can be positively impacted by acting on any given impact area.

(Sustainability) Impact/s

The effects of the bank's business activities on the environment, people, and economies.

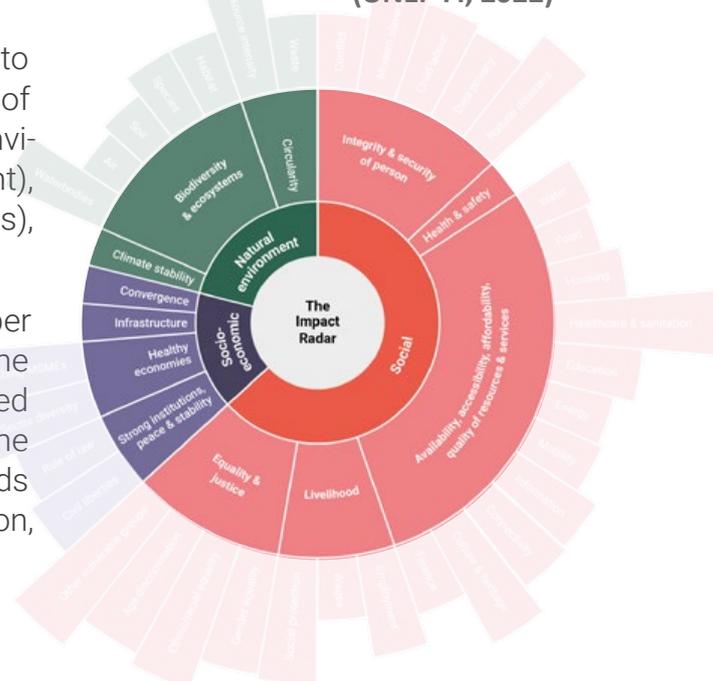
Impact areas and topics

The themes of the impacts.

At the highest level, sustainability impacts fall into three categories, as pertaining to the objects of the three pillars of sustainable development: environmental (impacts to the natural environment), social (impacts to individuals and communities), socio-economic (impacts to economies).

Within these three categories, there are number of distinct impact areas; these represent the objectives that are relevant and that are pursued for each of the three pillars. They respond to the question: 'what is the goal or objective that needs to be achieved?' (e.g. integrity & security of person, healthy economies, climate stability, etc.).

Figure 9: The Impact Radar (UNEP FI, 2022)



Some impact areas can be further broken down into impact topics. These respond to the question: ‘what are the constitutive parts of the goals/objectives, or, what is their achievement a function of?’ (e.g. under the impact area of livelihood, there are the following constitutive elements: employment, wages, and social protection).

The UNEP FI Impact Radar, shown in Figure 9, shows the different impact areas and impact topics within the three pillars of sustainable development.

Impact drivers

The factors that determine the bank’s environmental, social, and socio-economic impacts. These are:

1. Sectors (i.e. the types of economic activities that the bank supports, including technological variations)
2. Client types (e.g. individuals, SMEs, corporates, sovereigns, etc.)
3. Geography (i.e. the countries in which the bank and its clients operate)

Impact drivers should not be confused with the drivers for impact management; as per the Theory of Change outlined in the present Protocol, these are the motives (or inputs) for which banks need to perform impact management.

Impact identification

The process by which the bank’s significant impact areas (see below) are identified, as a basis for determining strategic priorities. It requires an analysis of the three impact drivers, sectors, client types and geography (see above) as they apply to the bank’s business activities.

The Principles for Responsible Banking require Signatories to identify at least two most significant impact areas.

Impact management

The process by which a bank can manage the effects of its business activities on the environment, people, and economies. This includes:

- Determining the scope of the bank’s impact management process (i.e. which business activities and geographies will be covered), especially if undertaken for the first time.
- Identifying significant impact areas and determining priority impact areas (see above)
- Measuring & assessing the bank’s current practice and impacts (see below)
- Setting targets (see below) and defining an action plan (see above)
- Implementing the action plan
- Monitoring implementation and progress

Impact pathway

The sequence of actions, outputs and outcomes that will enable the bank to manage its (positive and negative) impacts so as to address its drivers for impact management (see above). See also ‘Theory of change’, below.

Impact performance

The (positive or negative) impacts resulting from the bank's business activities and its impact management practice, as measured, and assessed vis a vis a specific benchmark (e.g. a target set by the bank, baselines and targets set by policy or regulation, industry standards).

The bank's impact performance is considered at various stages of its impact management process, either to establish its baseline and set targets for the first time, or to monitor progress and adapt its practice and/or targets accordingly.

Indicators and metrics

Indicators are the gauges that will indicate the state of the bank's impact management practice (e.g. proportion of key negative sectors in the portfolio) and/or its impact performance (e.g. portfolio carbon intensity); they may be qualitative (e.g. integration sustainability impact related questions in due diligence processes) or quantitative (% of clients in key sectors engaged in relation to a given impact area/topic). Metrics are a standard of measurement (e.g. tnCO_2/kwh).

Key sectors

Sectors/activities which are key to one or more impact area/s or topic/s. This means that they are indispensable to the fulfilment of an impact area or topic (referred to as 'key positive'), and/or when they severely undermine an impact area/topic (referred to as 'key negative'). Sectors/activities are deemed key when the probability of the impact associated to the sector/activity materialising is high and/or when the impact is likely to materialise on a large scale, or with a high intensity.

KPIs and milestones

Indicators (see above) to gauge the state of the bank's impact management practice and/or its impact performance at an intermediary moment, as opposed to the moment/time set for the achievement of a target (see below).

Measurement & assessment

The process by which the bank gauges the status its impact management practice and/or its impact performance.

This is done at various stages of its impact management process, either after impact identification (see above), in order to establish the bank's baseline and set targets for the first time, or as part of monitoring progress, with a view to adapt the bank's practice and/or targets accordingly.

Measurement is applied where quantitative indicators have been established; assessment is applied to qualitative indicators. Assessment is applied to both quantitative and qualitative indicators to determine the state of progress (i.e. if applied in the context of monitoring) or to compare the bank's status to a benchmark.

(Impact) Needs

The environmental, social and economic needs of the country/ies in which the bank operates.

Practice

The collection of actions undertaken by the bank to manage its (positive and negative) impacts.

Four categories of actions are identified in the Protocol: the steering of the bank's portfolio composition and financial flows; the engagement of its clients; the development and tailoring of the bank's internal policies and processes; advocacy and the establishment of partnerships (see below).

Significant (and most significant) impact area/topic

An impact area/topic that strongly associated the bank's business activities, as a function of the types of clients and sectors it supports, the types of products and services it offers, and the countries in which it and its clients operate.

Where there is a high level of need vis a vis an impact area in the country/ries of operation of the bank, and where the core business activities of the bank and/or the main sectors it supports are key to this impact area (i.e. the scale, likelihood and intensity of the impacts materialising is high, as is the case, for example 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.

(Impact) Targets and objectives

The specific impact results towards which the bank's impact management efforts are directed. Objectives are high-level expressions of these results (e.g. climate change mitigation, financial health of a vulnerable group in a given country, reduction of pollution by plastics, etc.), while targets involve the use of indicators and metrics (see above) and require the determination of a specific time-frame.

Targets and objectives are also set for the bank's practice, i.e. at the level of its actions such as client engagement or the development of its internal procedures (see above).

The Principles for Responsible Banking require Signatories to set at least two targets. These should be impact targets.

Theory of Change

The sequence of actions, outputs, and outcomes that the bank expects will enable it to manage its (positive and negative) impacts so as to address its drivers for impact management (see above). See also 'Impact pathway', above.



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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