

**Principles for
Responsible Banking:
Guidance for banks**

UN 
environment
programme

finance
initiative

Principles for
Responsible Banking

Providing Limited Assurance for Reporting

Version 2 (updated in October 2022), to be used with V2 of the Reporting and Self-Assessment Template (from September 2022)—where banks make use of the transition period and use V1 of the Reporting and Self-Assessment Template, V1 of the Assurance Guidance is to be applied

The content of this document was developed based on version 1 of this guidance, which was based on discussions and work undertaken in the Principles for Responsible Banking assurance working group, as well as feedback from different assurance providers.

Published by UNEP Finance Initiative
in November 2022

UNEP Finance Initiative
International Environment House
11–13 Chemin des Anémones
CH-1219 Châtelaine, Geneva
Switzerland



Contents

Introduction	4
Assurance requirements and timeline	5
Items to be checked when assuring the Template	7
Frequently asked questions	11
Annex—resources to assist assurance providers	13



Introduction

This guidance is intended for assurance providers and aims to:

1. assist assurance providers to undertake limited assurance on the Principles for Responsible Banking (the Principles) Reporting and Self-Assessment Template (Template); and
2. to harmonise the assurance approach and procedures for signatory banks to foster transparency and robustness in signatory disclosures.

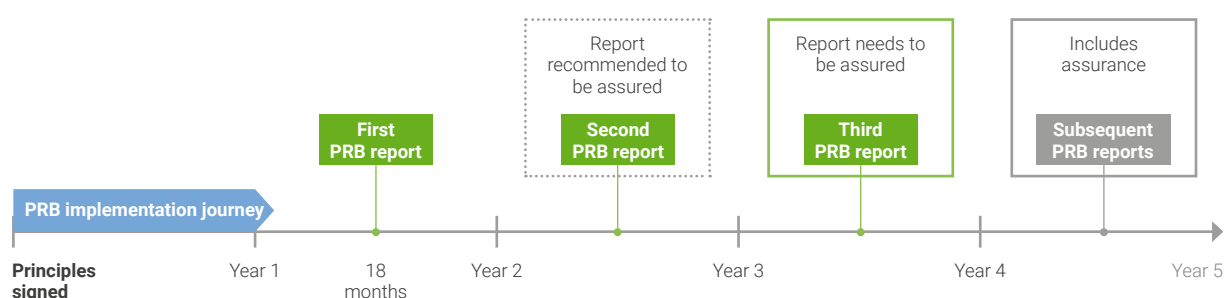
The Template outlines the reporting requirements for the signatories of the Principles. Within the Template, there are four key areas requiring limited assurance. These are the areas that relate to the 3 key steps to be implemented by Signatories (Impact Analysis, Target Setting and Reporting):

- 2.1 Impact Analysis
- 2.2 Target Setting
- 2.3 Target Implementation and Monitoring
- 5.1 Governance Structure for Implementation of the Principles

Assurance requirements and timeline

Signatory banks need to report on an annual basis. It is a Principles requirement to publish their first Template before the 18-month mark of signing the Principles. This gives banks an opportunity to align their Principles reporting with their reporting cycle. After the first Template has been published, following reports must be published annually within 12 months of the prior report.

Assurance should be in place within four years of signing the Principles, which means that in most cases, at least the third Template needs to be assured. Banks are encouraged to have assurance in place well before that and have earlier Templates assured. Please refer to the timeline below:



The assurance provider is expected to review the bank's Template and to confirm the accuracy of the data and the traceability of the process followed and documented by the bank. This includes linked documents where they relate to an assurance check outlined in the assurance checklist (see following). The bank needs to be open and transparent as to where it is in its Principles implementation journey and clear on next steps; with disclosure to allow stakeholders to understand the bank's progress and methodology used for their impact analysis. Progress shall be shown year-on-year as the bank evolves in its reporting.

Assurance checks shall be data and evidence based. Where judgement is needed, the assurance provider shall ensure that the statement is factually correct but does not need to apply a judgement to the outcome. For example, if the bank states that the Board discussed several significant impacts to their business and selected climate and biodiversity as their two most significant impacts, the assurance provider shall check that the Board discussion occurred and confirm the numbers displayed in the bank's reporting but does not need to apply a judgement as to the quality of the outcome. This part of the process is performed by the UNEP FI Secretariat as part of the Individual feedback and support process. Where possible, quantitative data (for example, metrics) should

be subject to limited assurance. If the signatory is not ready for assurance on certain metrics, the bank should disclose clearly in the Template when it is going to obtain assurance.

The assurance provider is only performing assurance of the accuracy of the disclosed content. This means that the assurance provider should evaluate if the bank's description of processes, activities and their outcomes sufficiently reflects actions taken by the bank, rather than evaluating the applied approach itself. This individual assessment of whether the bank is aligned with the requirements of the Principles and is meeting its commitments will be undertaken by a sustainability expert within the UNEP FI Secretariat (the Review Expert).



Items to be checked when assuring the Template

Assurance checklist (intended for assurance providers)

- 2.1 **Impact analysis**
 - Confirm that the Template clearly describes the bank's business areas, products, and services across their main geographies of operation and that the numbers provided are accurate. If areas of the bank's activities are not included in the scope of the bank's impact analysis, these exclusions should be referenced in the bank's Template and confirmed by the assurance provider (the bank can take a progressive approach starting with its most relevant businesses and geographies, the important check is that areas not in scope are disclosed and the reason for exclusion is clear).
 - Confirm that the portfolio composition disclosed by the bank is accurate, by reconciling to source data.
 - Confirm that there is evidence that the bank has analysed its context (for example, by confirming that national challenges and/or priorities with regards to sustainable development are referred in strategy documents, decision-making notes, internal papers).
 - Where performance has been measured, confirm that performance measurement data supplied is accurate, including measurement method(s) and metric(s) used at portfolio, asset class or sector level. Where there are assumptions and limitations inherent in the methodology, ensure that they are disclosed and include the reason for estimating such data as well as the assumptions made, and the percentage of data covered that has been estimated. Confirm that the indicators used for performance measurement broadly make sense. For example, if an impact area is climate, that the indicator should be greenhouse gas emissions. If the signatory is not ready for assurance on certain metrics, the bank should disclose clearly in the Template when it is going to obtain assurance. Ideally, the bank would have an internal roadmap and the actions to achieve this.

□ **2.2**
Target setting

- Confirm that a methodology was followed to prioritise the bank's significant impacts and select its two most significant impacts for setting targets. It is the assurance providers' responsibility to decide that the methodology used to undertake impact analysis and set targets, is clearly disclosed in a fair, balanced, and understandable way (the appropriateness of the methodology will be assessed by the Review Experts). If the impact analysis is not complete, this should be disclosed by the bank.
- Confirm that the stated governance process is followed. For example, if the impact analysis was discussed by the Board as part of a quarterly reporting cycle, confirm that the discussion occurred as documented in the Board minutes.
- Where targets have been set, confirm that they link to the significant impacts the bank has identified in its impact analysis. For Net-Zero Banking Alliance members, there is a disclosure checklist which banks should follow. For climate targets more generally, the process should be consistent with the Guidelines for Climate Target Setting (that is, sectoral approach, emissions baseline, coverage of carbon-intense sectors, taking a progressive approach) considering differing transition pathways.
- Where targets have been set, confirm that the bank has identified international, regional, or national frameworks to align with and explained how their targets will lead to a greater contribution achieving outcomes linked to the UN Sustainable Development Goals, the Paris Climate Agreement and national context (the appropriateness of the alignment will be assessed by the Review Experts).
- Where targets have been set, confirm that the reported baseline is reasonable considering the following: (i) the base year for climate targets shall be no more than two full reporting years prior to the year when the targets have been set (unless exceptional economic circumstances), and (ii) for other impact areas, the baseline is expected to be close (one or two full reporting years) to the year when the targets have been set unless explained. Test that the current year (that is, progress year) performance measurement data is accurate (where possible).

- Where targets have been set, confirm that they are Specific, Measurable (quantitative or qualitative), Achievable, Relevant and Time-bound (SMART). The Review Expert will challenge the substance of the targets, the assurance requirement should focus on the disclosure (that is, does the bank disclose a target that is specific, measurable, relevant and time bound). Achievable is forward looking and best assessed by the bank making the public commitment.
 - Where an action plan is established, confirm that the stated process, including governance, is followed. For example, disclosed actions to achieve the targets, processes of remedial action if the bank does not achieve targets/milestones, or detects unexpected negative impacts, are followed. This is focused on the assessment that established action plans are actively being monitored and that this process can be evidenced.
 - Where targets have been set, confirm that the bank has analysed and disclosed whether there are potential significant negative impacts that the bank’s targets might have on other UN Sustainable Development Goals and how it is planning to mitigate these to the best extent possible. For example, when financing and advising on renewable energy projects, consider the potential negative impacts in terms of end-of-life recycling, human rights, and biodiversity.
- **2.3 Target Implementation and Monitoring**
 - Confirm that the bank has implemented actions reported in the Template and that stated progress towards achieving set targets using relevant Key Performance Indicators (KPIs) is accurate. This point tends to be more relevant for banks in more advanced stages of the Principles implementation journey; banks in the beginning of the Principles journey are not expected to have implemented actions.
- **5.1 Governance Structure for Implementation of the Principles**
 - Confirm that the bank’s governance system includes oversight of the bank’s impact analysis, target setting, and target implementation and monitoring. Confirm that the structure is coherent with existing governance structures already in place and evidence this (for example, confirm that discussions related to the Principles implementation are occurring at operational, business, management, and strategic levels within the bank, including at the Board level). Where there is divergence, this should be disclosed and explained.
 - Confirm that information to the bank’s senior management includes a clear view of impact, metrics, and targets, and that it is being shared on an appropriately regular basis for review.

- Confirm that information disclosed is accurate, for example, governance meetings are occurring at the disclosed frequency, training is occurring as stated and remuneration impacts are real. Ideally, banks will have performed an analysis of training gaps, have a strategy to address them and progress implementing the Principles will be considered in remuneration.

□ Disclosure

- Disclose the scope and boundary of the assurance provided. Confirm that the assurance work has been carried out following the requirements laid out in this document, for example, “Our work has been carried out in accordance with the requirements laid out in the Assurance Guidance to undertake limited assurance on Principles reporting, issued by UNEP FI”.
- Ensure that the assurance provider has the specialised knowledge needed for Template assurance, and that no conflict of interest exists. It is acceptable to have a specialist provider supply assurance over specific aspects of the bank’s Template, just make this clear in the disclosure.
- If the assurance provider assesses that material information has been omitted when completing the checks outlined in this checklist, please disclose it as part of the assurance report and notify the UNEP FI Secretariat where a material update to this guidance is needed.

Frequently asked questions

1. What is the purpose of assurance (also in comparison to the Individual feedback and support process undertaken by the UNEP FI Secretariat)?

The purpose of assurance is confirmation that the information disclosed by the bank is reliable for both external stakeholders as well as UNEP FI Review Experts to conduct their feedback meetings and draw conclusions on the implementation of the Principles. By information, this refers to any data disclosed related to the activities of the bank's (portfolio composition, for example) as well as the actions undertaken (governance mechanisms, impact analysis, etc.). In other words, the feedback meetings provide a qualitative assessment of the status of Principles implementation, while the assurance provides comfort on whether the facts disclosed in the Template are accurate.

2. What is the scope of the Assurance?

In general, all sections of the Template that require assurance are in scope. That means, that the assurance must cover the information in the given reporting period (in many cases the bank's fiscal year). As per the Principles' requirements, assurance is mandatory from the third report (included) onwards (it is also encouraged for the first and second Template, but not mandatory), which means that information disclosed in the previous years may not have been assured. For these cases, the scope of the assurance depends on the proportionality of expanding the scope to previous years, as well as on what the assurance provider considers reasonable and necessary.

For the first assurance period, all named areas in the Template (that is, 2.1 Impact Analysis, 2.2 Target Setting, 2.3 Target Implementation and Monitoring and 5.1 Governance Structure for Implementation of the Principles) are subject to limited assurance. For the later assurance period(s), if the responses for certain areas remain consistent as previously assured responses, then the bank may refer to the earlier period's/periods' assured responses and no added assurance needed. For instance, the bank has previously set the targets and linked the targets to its impact analysis results, which are assured during the first assurance period. For the subsequent period, the bank decided that a full refresh of the impact analysis was not necessary (due to no significant changes year-on-year), and targets remain the same, then the bank may refer to the previously assured responses in the specific target setting section of the Template. Accordingly, this section would not have to be assured again. However, the bank must consistently assess all the responses for each reporting period to decide if such responses still are valid

given any significant changes of market developments, regulatory requirements, national priorities, portfolio composition and context, etc. In any instance where the previously assured responses are to be updated, then the updated responses are subject to limited assurance. In general, the expectation is that most areas that require updated responses, will require assurance on an ongoing basis. After the initial four years of implementation, the assurance can focus more on target implementation and monitoring.

References and links: It is recommended that the assurance provider builds on any synergies found with current financial audits conducted with the bank. All links related to the direct requirements (impact analysis and target setting) of the Template must be assured. For example, there is no need to assure any country policies or national frameworks. If the bank has embedded the national frameworks and policies (for example Nationally Determined Contributions, National Adaptation Plans, etc.) into its strategy, only the fact whether such policies have been integrated needs to be assured.

3. What are good practices from assurance providers?

Assurance providers are recommended to be as transparent as possible, even if it means disclosing the inability of supplying assurance for certain aspects. For example, if an impact analysis does not include the required elements of an impact analysis, the assurance providers can declare that they were unable to perform the assurance due to insufficiency in meeting the Template requirements. Examples of assurance statements can be found in signatories' Templates on the Principles signatories page.

4. What is the definition of a most significant impact area?

Most significant impact areas should be established based on specific criteria set by the banks (and clearly explained in the banks' Template); 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 (using interlinkages).

Therefore, the bank must be able to prove that there was a process to prioritise the impact areas, whether it be through performance indicators, a scoring system, or other approaches. Please refer to the Impact Protocol for more information.



Annex—resources to assist assurance providers

Links to key documents at the time of publication of this guidance are included below:

Resources

- 1 [Reporting and Self-Assessment Template \(Version 2\)](#)
- 2 [Key Steps to be Implemented by Signatories](#)
- 3 [Net-Zero Banking Alliance \(NZBA\) intermediate target disclosure checklist](#)
- 4 [Individual feedback and support process](#)
- 5 [Impact Protocol—Impact management explained, step by step](#)
- 6 [Signatories](#)
- 7 [UNEP FI Principles for Responsible Banking Secretariat](#)



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.

unepfi.org



 unepfi.org

 info@unepfi.org

 [/UNEPFinanceInitiative](https://www.facebook.com/UNEPFinanceInitiative)

 [UN Environment Programme Finance Initiative](https://www.linkedin.com/company/UNEPFinanceInitiative)

 [@UNEP_FI](https://twitter.com/UNEP_FI)