

2 April 2024

Leveraging UNEP FI / PRB processes &
resources EU CSRD / ESRS Implementation

Interoperability Guide V.1



Disclaimer

This Interoperability Guide was developed to help UNEP FI members leverage their PRB implementation work, namely via the UNEP FI Impact Protocol and Impact Management Tools, for CSRD /ESRS compliance purposes.

This first iteration (V1) is intended for piloting, in the early years of implementation of the ESRS framework and will be reviewed / updated based on learnings from reporting institutions. Revisions will also be informed by the further evolution of the ESRS framework (further standards and guidance are still under construction) and any amendments to the PRB framework and UNEP FI Impact Protocol and Impact Management Tools (which also undergo regular reviews and updates).

For further information and to provide feedback, please contact us via:
<https://www.unepfi.org/impact/contact-us/>

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3. Leveraging UNEP FI / PRB in practice

- PRB Reporting
- Impact Analysis Tool

This section indicates how to use UNEP FI materials and process for ESRS compliance

4. Peeking into the interoperability kitchen

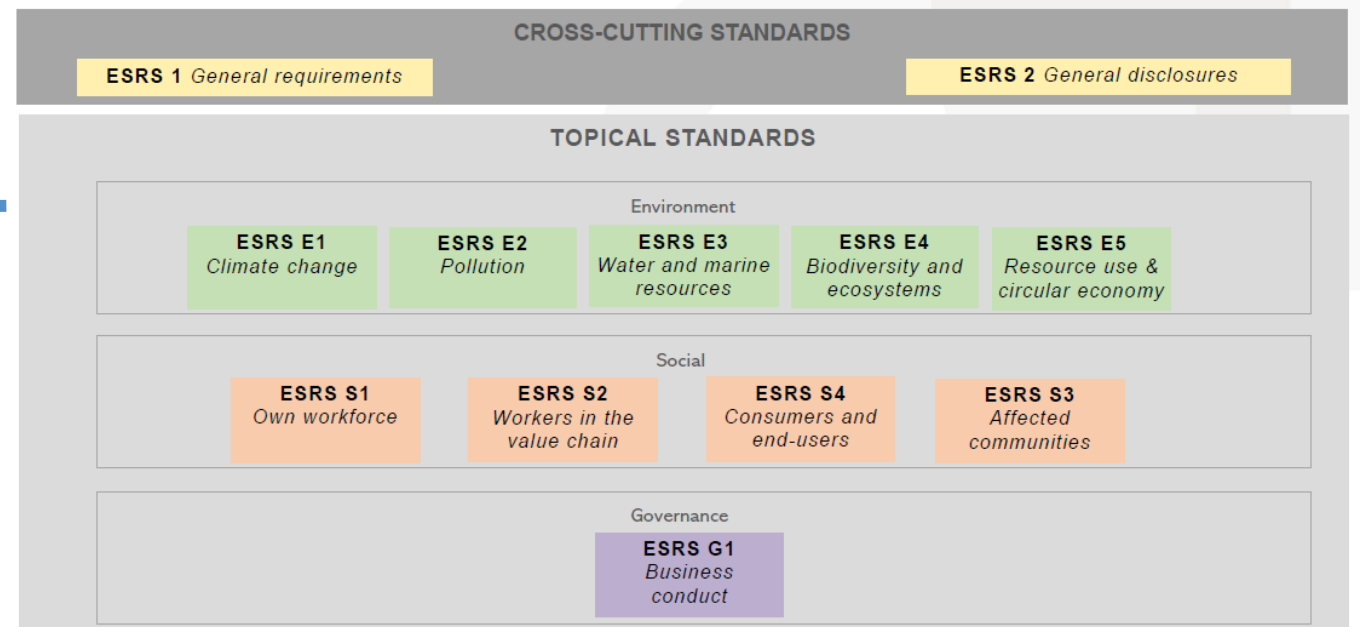
- Terminology
- Sustainability topics
- Materiality thresholds
- Other concerns

This section provides insights into the technical interpretations behind the proposed interoperability solutions

— 1. Background & Objectives

The Corporate Sustainability Reporting Directive (CSRD)

- The Corporate Sustainability Reporting Directive (CSRD) modernises and strengthens the rules concerning the social and environmental information that companies have to report. The first companies will have to apply the new rules for the first time in the 2024 financial year, for reports published in 2025.
- The CSRD requires that sustainability reporting shall be based on **double materiality assessment**. A sustainability matter can be material from an **impact perspective** or from a **financial perspective** or from both
- For each material matter, the undertaking determines the information to be reported in accordance with the cross-cutting or topical standards



UNEP FI / PRB requirements and impact management methodology

- With over 330 signatory banks representing over half of the global banking industry, the **Principles for Responsible Banking** are the world's foremost sustainable banking framework.
- Through the Principles, banks take action 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 fulfil their commitment to the Principles, banks are required to undertake a holistic **impact analysis** of their portfolios, **set targets** in relation to their most significant impact topics and **report publicly** on their actions and progress.
- 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.

 <p>PRINCIPLE 1: ALIGNMENT</p> <p>We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.</p>	 <p>PRINCIPLE 2: IMPACT & TARGET SETTING</p> <p>We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.</p>	 <p>PRINCIPLE 3: CLIENTS & CUSTOMERS</p> <p>We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.</p>
 <p>PRINCIPLE 4: STAKEHOLDERS</p> <p>We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.</p>	 <p>PRINCIPLE 5: GOVERNANCE & CULTURE</p> <p>We will implement our commitment to these Principles through effective governance and a culture of responsible banking.</p>	 <p>PRINCIPLE 6: TRANSPARENCY & ACCOUNTABILITY</p> <p>We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.</p>



Leveraging UNEP FI / PRB processes & resources for CSRD compliance and ESRS implementation

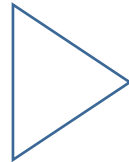
Building on the strong alignment between CSRD/ESRS and UNEP FI / PRB requirements and impact management methodology, this guidance has been developed to facilitate implementation of CSRD/ESRS by banks using UNEP FI / PRB content.

Leveraging these resources is a **unique opportunity** to:

1. Create a **level playing field** for reporting banks
2. Promote the production of **comparable, meaningful and reliable data** for users based on a **clear audit trail**
3. Promote further **convergence and alignment** between UN / PRB impact management methodology and EU standards, as sector-specific ESRS are developed
4. **Drive progress** in managing impact and progressing the SDGs

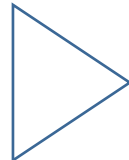
How to use this Guidance

[Alignment between CSRD/ESRS and UNEP FI / PRB](#)



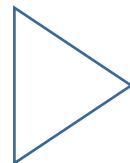
Read this to:
Gain a **high-level understanding** of how the frameworks relate to each other

[Leveraging UNEP FI / PRB in practice](#)



Read this to:
Understand the **specific disclosure requirements and data points** for which PRB/UNEP FI resources can help you with ESRS compliance, and see what **interoperability tools** are available to facilitate this.

[Peeking into the interoperability kitchen](#)



Read this to:
Deep-dive and understand **how key ESRS concepts** (e.g. materiality criteria and thresholds) **are addressed** by PRB/UNEP FI resources and the interoperability tools.

The background of the slide is a low-angle, upward-looking photograph of several modern skyscrapers with glass facades, creating a sense of height and urban density. The sky is a clear, pale blue. On the far left, there is a vertical orange bar with a pattern of small white dots.

— 2. Alignment between CSRD/ESRS and UNEP FI / PRB

Mapping CSRD/ESRS to PRB & the UNEP FI Impact Methodology

- **Objectives** – What is the purpose of the respective frameworks, how do they compare?
- **Scope** – What do they each cover? Which topics are in scope? What aspects of banking activity?
- **Approach** – How do the underlying methodologies compare?

Find out in the following slides

Objectives

CSRD/ESRS is a regulatory **reporting** framework

EU law requires all large companies and all listed companies (except listed micro-enterprises) to disclose information on what they see as the risks and opportunities arising from social and environmental issues, and on the impact of their activities on people and the environment.

This is intended to **help investors, civil society organisations, consumers and other stakeholders to evaluate the sustainability performance of companies**, as part of the [European green deal](#).

PRB / UNEP FI methodology is a **management** framework with an accountability mechanism

With over 330 signatory banks representing over half of the global banking industry, the UN Principles for Responsible Banking are the world's foremost sustainable banking framework..

Through the Principles, **banks take action 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](#).

- Both frameworks are seeking sustainability results
- Their respective focus on reporting and management means PRB/UNEP FI can be an input to and support CSRD/ESRS

Scope / Topics

The ESRs focus on a specific set of **Environmental, Social and Governance issues** but require reporting entities to consider **all material sustainability issues**

The PRB / UNEP FI methodology requires a **holistic consideration of sustainability topics** across the **environmental, social and socio-economic pillars** of sustainable development.

Sustainability matters to be included in the materiality assessment

AR 16. When performing its **materiality** assessment, the undertaking shall consider the following **sustainability matters** covered in the topical ESRs. When, as a result of the undertaking's materiality assessment (see ESRs 2 IRO-1), a given sustainability matter in this list is determined to be material, the undertaking shall report according to the corresponding requirements of the relevant topical ESRs. Using this list is not a substitute for the undertaking's determination of material matters. This list is a tool to support the undertaking's assessment. The undertaking still needs to consider its own specific circumstances when determining its material matters. The undertaking, where necessary, also shall develop specific disclosures on material **impacts**, **risks** and **opportunities** not covered by those described in paragraph 11 of this Standard.

Topical ESRs	Sustainability matters covered in topical ESRs		
	Topic	Sub-topic	Sub-sub-topics
ESRS E1	Climate change	<ul style="list-style-type: none"> Climate change adaptation Climate change mitigation Energy 	
ESRS E2	Pollution	<ul style="list-style-type: none"> Pollution of air 	



The [UNEP FI Impact Radar](#) deconstructs the SDGs into 32 discrete impact topics and forms the basis of UNEP Fi's [Impact Mappings](#) and [Tools](#).

- Both frameworks aim for a holistic approach, UNEP FI's resources are more comprehensive
- Differences in nomenclature & categorisation exist; an interoperability mapping is available online

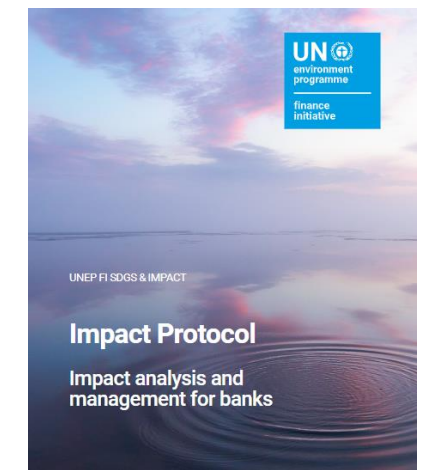
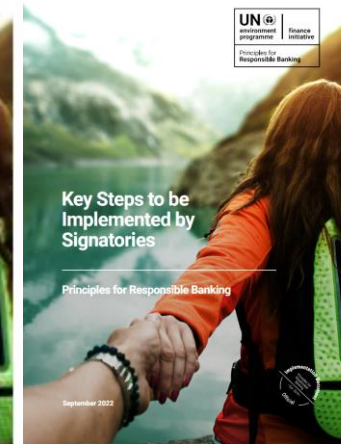
Scope / Banking Activities

The scope of ESRS is:

- Aligned with the scope of financial reporting
- Inclusive of both the undertaking's direct and indirect **business relationships** in the upstream and/or downstream **value chain**

The scope of the PRB / UNEP FI is the banking entity as a whole but with a specific focus on the entity's **portfolio**.

ESRS 1 GENERAL REQUIREMENTS	
Table of contents	
Objective	
1.	Categories of ESRS Standards, reporting areas and drafting
1.1	Categories of ESRS Standards
1.2	Reporting areas and minimum content disclosure requirements and metrics
1.3	Drafting conventions
2.	Qualitative characteristics of information
3.	Double materiality as the basis for sustainability disclosure
3.1	Stakeholders and their relevance to the materiality assessment
3.2	Material matters and materiality of information
3.3	Double materiality
3.4	Impact materiality
3.5	Financial materiality
3.6	Material impacts or risks arising from actions to address material matters
4.	Due diligence
5.	Value chain
5.1	Reporting undertaking and value chain
5.2	Estimation using sector averages and proxies



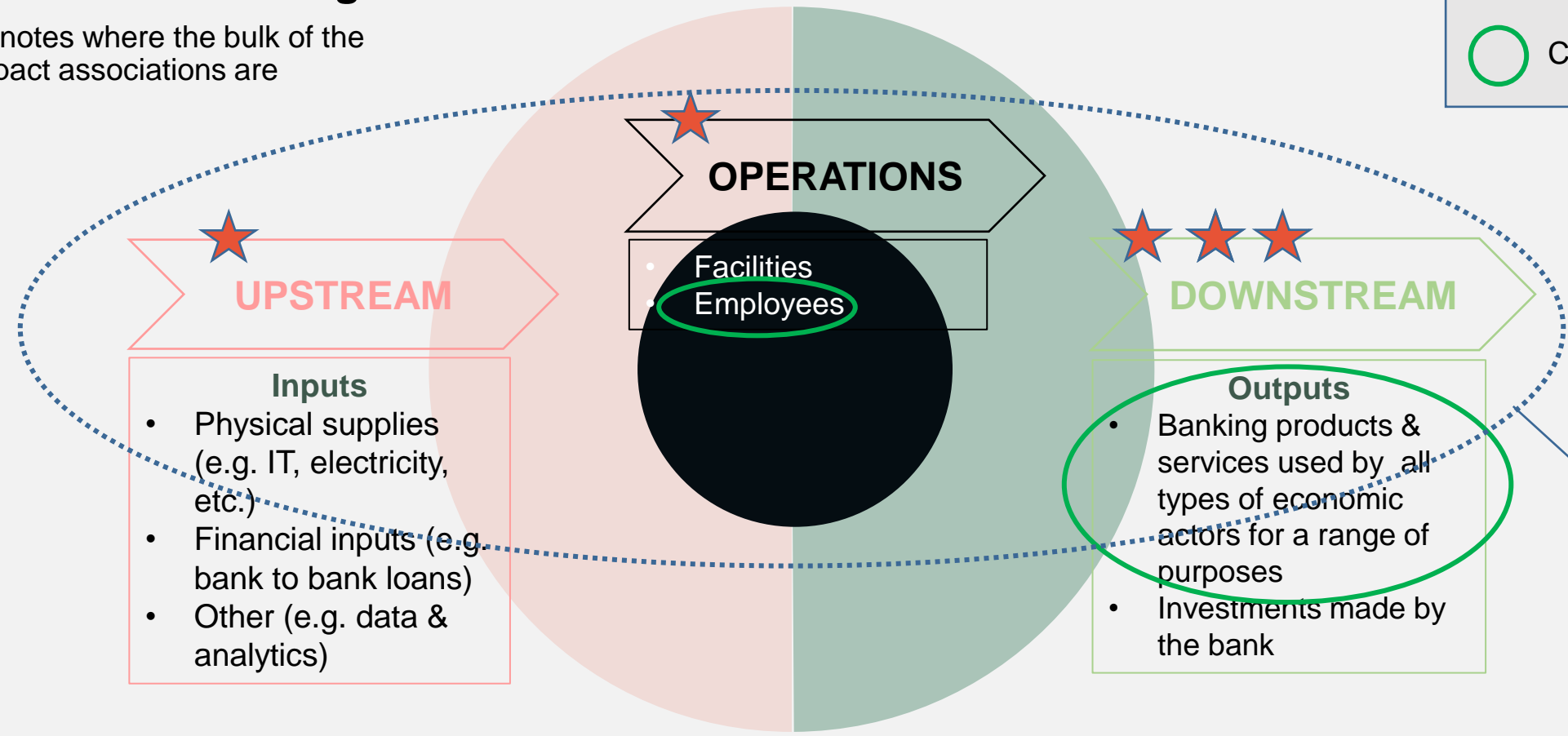
- Both frameworks are placed at the institution-wide level, however PRB focuses most strongly on portfolio analysis and management (i.e. downstream impacts as opposed to impacts linked to operations)

Scope of CSRD/ESRS & PRB UNEP FI at a glance

Impacts in the Banking Value Chain

★ Denotes where the bulk of the impact associations are

○ Covered by ESRS
 ○ Covered by PRB



Contingent on value chain and materiality assessment

Approach

Materiality assessment, covering both financial and impact materiality, is the basis for CSRD/ESRS disclosures.

Impact analysis is the founding step for PRB implementation.

**ESRS 1
GENERAL REQUIREMENTS**

Table of contents

Objective

1. Categories of ESRS Standards, reporting areas and drafting conventions
 - 1.1 Categories of ESRS Standards
 - 1.2 Reporting areas and minimum content disclosure requirements and metrics
 - 1.3 Drafting conventions
2. Qualitative characteristics of information
3. Double materiality as the basis for sustainability disclosure
 - 3.1 Stakeholders and their relevance to the materiality assessment
 - 3.2 Material matters and materiality of information
 - 3.3 Double materiality
 - 3.4 Appendix D: Structure of the ESRS sustainability statement
 - 3.5 This appendix is an integral part of ESRS 1 and has the same authority as the other parts of ESRS 1 with respect to reporting in four parts as outlined in paragraph 115.
 - 3.6

ESRS 2 GENERAL DISCLOSURES

Table of contents

Objective

1. Basis for preparation
 - Disclosure Requirement BP-1 – General basis for preparation of sustainability disclosures
 - Disclosure Requirement BP-2 – Disclosures in relation to specific circumstances
2. Governance
 - Disclosure Requirement GOV-1 – The role of the administrative, management and supervisory bodies
 - Disclosure Requirement GOV-2 – Information provided to and sought from the administrative, management and supervisory bodies
 - Disclosure Requirement GOV-3 – Integration of sustainability-related matters into business processes
 - Disclosure Requirement GOV-4 – Statement on due diligence
 - Disclosure Requirement GOV-5 – Risk management and internal control systems
3. Strategy
 - Disclosure Requirement SBM-1 – Strategy, business model and business strategy
 - Disclosure Requirement SBM-2 – Interests and views of stakeholders
 - Disclosure Requirement SBM-3 – Material impacts, risks and opportunities
4. Impact, risk and opportunities
 - 4.1 Disclosures on the materiality assessment process
 - Disclosure Requirement IRO-1 – Description of the processes for identifying, assessing and managing material impacts, risks and opportunities
 - Disclosure Requirement IRO-2 – Disclosure requirements for identifying, assessing and managing material impacts, risks and opportunities
 - 4.2 Minimum disclosure requirement on policies and actions
 - Minimum disclosure requirement – Policies MDR-P – Policies and actions on sustainability matters
 - Minimum disclosure requirement – Actions MDR-A – Actions on material sustainability matters
5. Metrics and targets
 - Minimum disclosure requirement – Metrics MDR-M – Metrics on sustainability matters
 - Minimum disclosure requirement – Targets MDR-T – Tracking of actions through targets

Appendix D: Structure of the ESRS sustainability statement

This appendix is an integral part of ESRS 1 and has the same authority as the other parts of ESRS 1 with respect to reporting in four parts as outlined in paragraph 115.

Part of the management report	ESRS codification	Title
1. General information	ESRS 2	General disclosures, including information provided under the Requirements of topical ESRS 2 Appendix C.
2. Environmental information	Not applicable	Disclosures pursuant to Art 8 of the Regulation (EU) 2020/852 (SFDR)
	ESRS E1	Climate change
	ESRS E2	Pollution
	ESRS E3	Water and marine resources

PRINCIPLE 1: ALIGNMENT

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

PRINCIPLE 2: IMPACT & TARGET SETTING

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

PRINCIPLE 3: CLIENTS & CUSTOMERS

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

PRINCIPLE 4: STAKEHOLDERS

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

PRINCIPLE 5: GOVERNANCE & CULTURE

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

Step 1. Impact Analysis

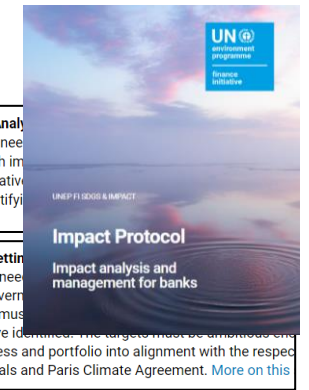
Signatory banks need to conduct impact analysis to identify findings. Through impact analysis, banks can identify positive and negative impacts to establish a baseline for identifying and managing impacts.

Step 2. Target-setting

Signatory banks need to put in place a governance framework to ensure that signatory banks manage their positive and negative impacts they have identified. The targets must be ambitious and aligned with the bank's business and portfolio into alignment with the respective Sustainable Development Goals and Paris Climate Agreement. [More on this](#)

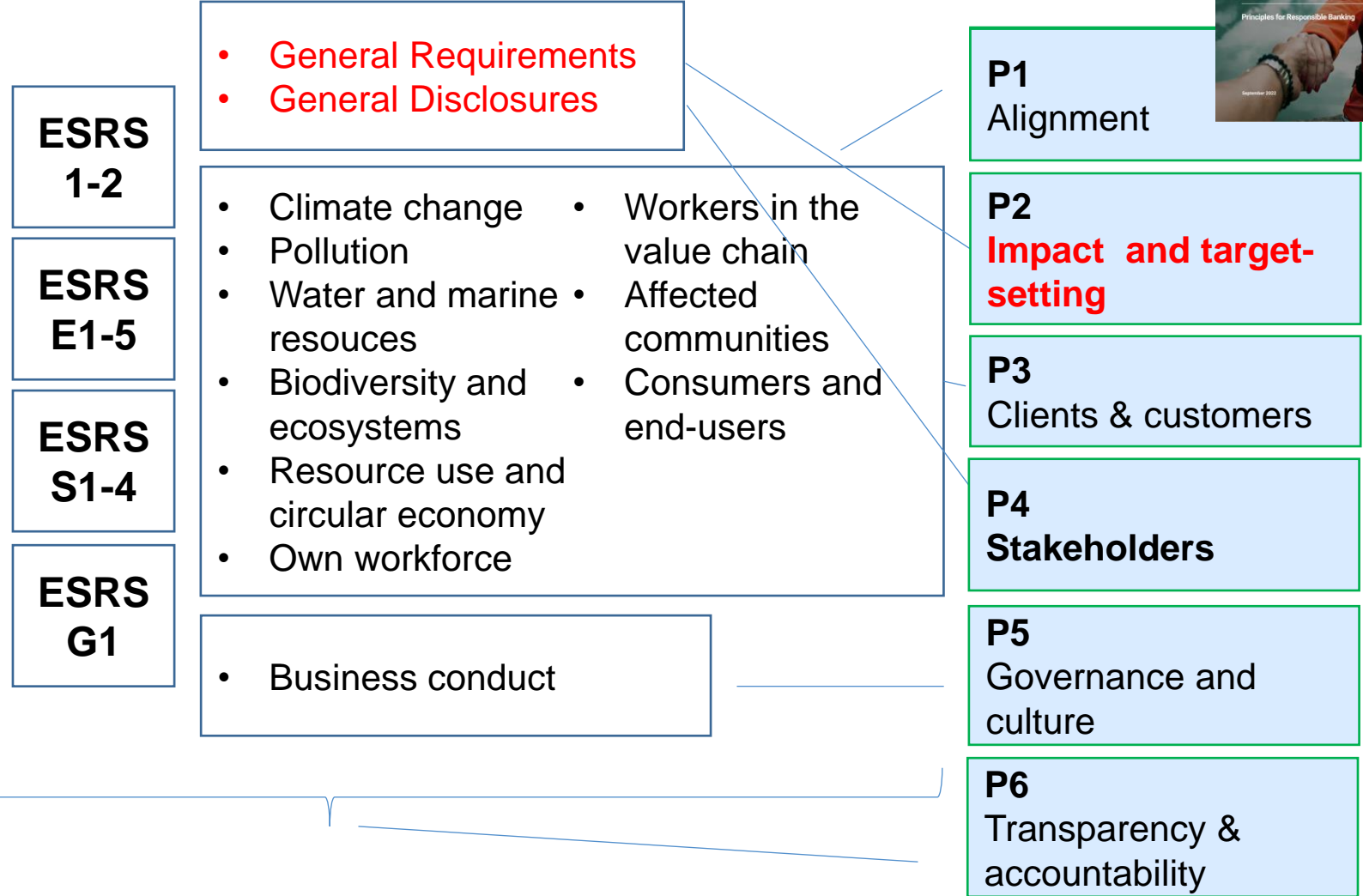
Step 3. Public Reporting

Signatory banks must report regularly in English on how they are implementing the Principles for Responsible Banking, the targets they have set and the progress made. This should be included in annual reporting. Key elements have to be assured. Each bank's progress will be included in the collective progress report published every two years by UNEP FI.

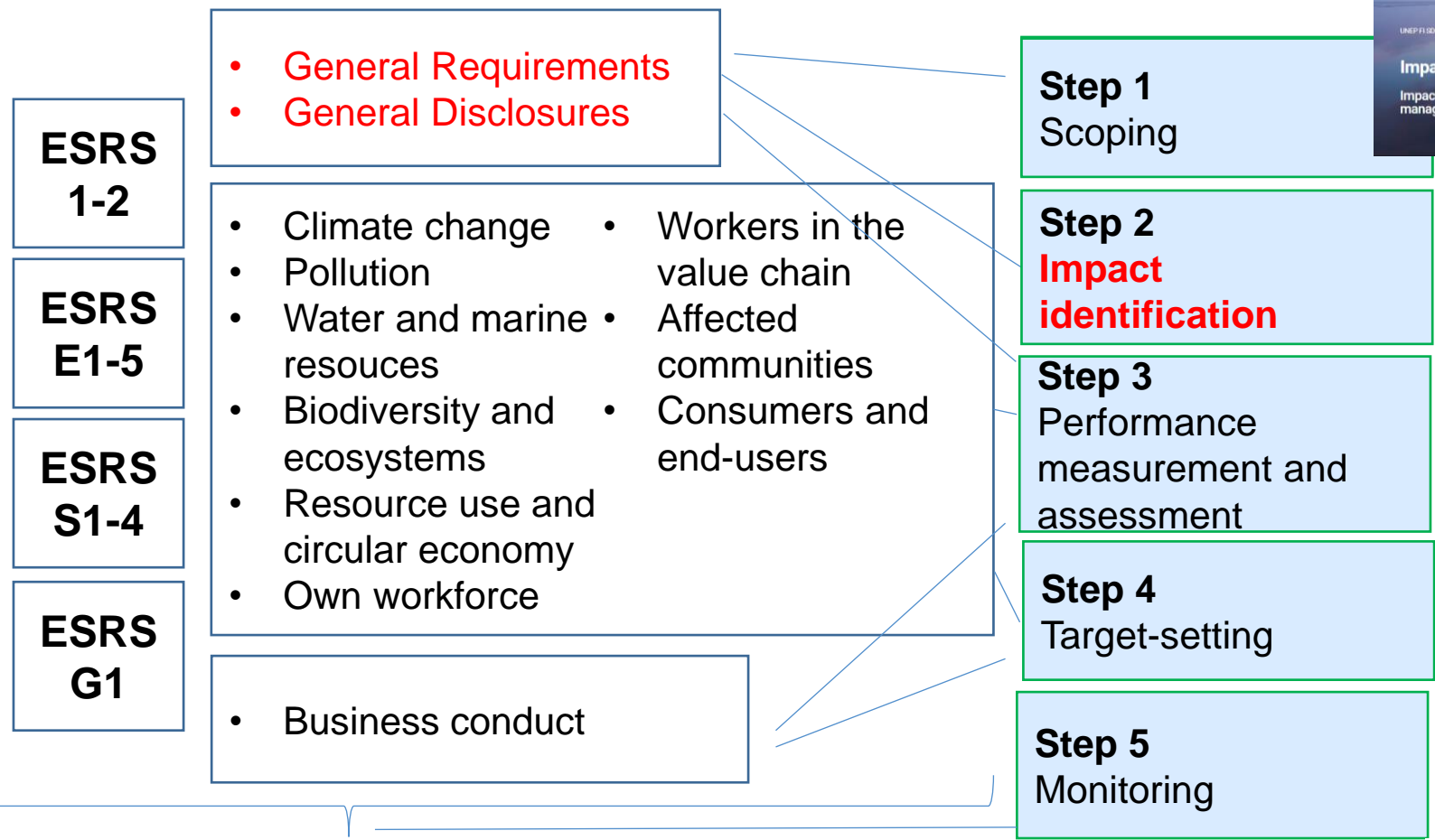


Both frameworks require a holistic review of the company's impacts. ESRS 1 & 2 with a view to identifying material disclosure topics, PRB/ UNEP FI with a view to identifying strategic priorities.

High level mapping of CSRD/ESRS to PRB

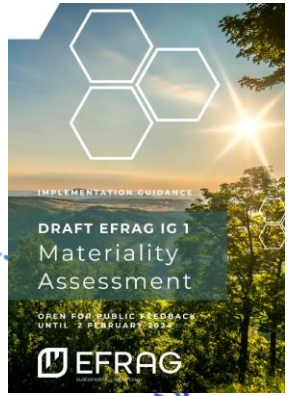
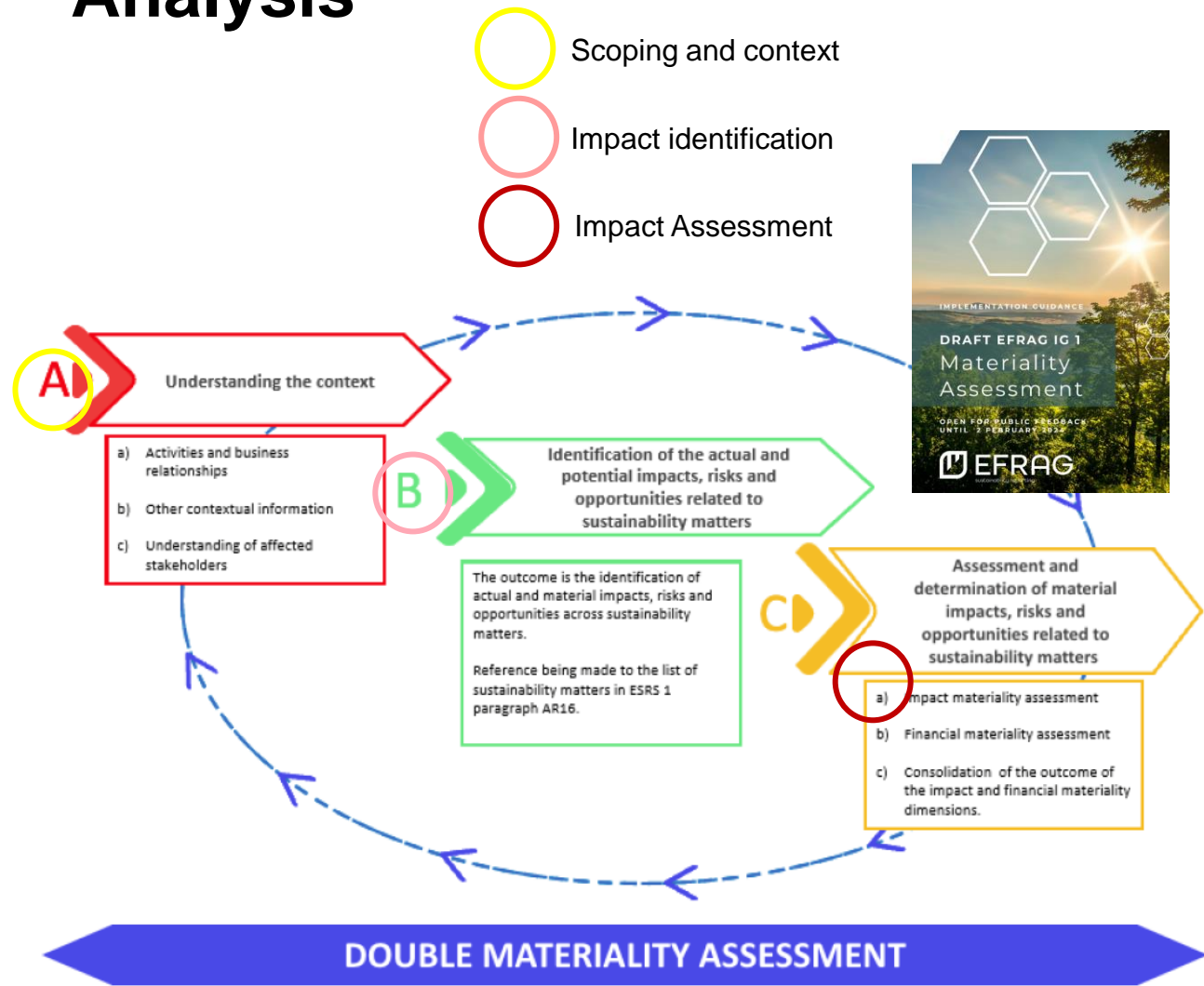


High level mapping of CSRD/ESRS to UNEP FI impact methodology

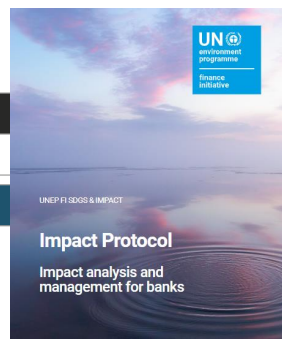


Step 3. Public Reporting
 Signatory banks must report regularly in English on how they are using the reporting and self-assessment template. This should be annual reporting. Key elements have to be assured. Each bank's the collective progress report published every two years by UNEI

Mapping ESRS Materiality Assessment to UNEP FI Impact Analysis



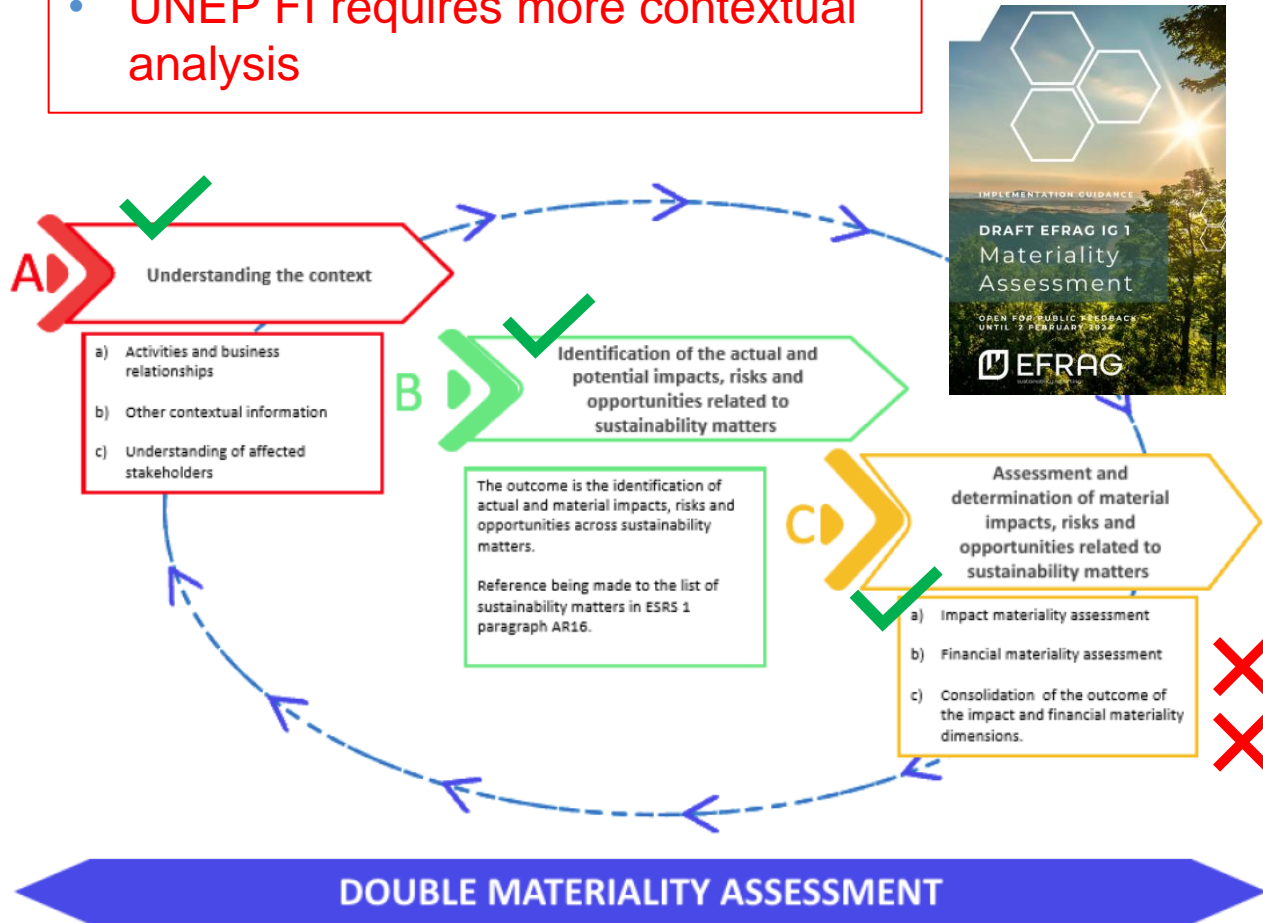
Start	1. Scoping	
	Identify core business activities	Identify main geography/ies
	2. Impact Identification	
	Understand context (country/local/global Level) <ul style="list-style-type: none"> Status of needs Policy & regulation Trends & scenarios 	Review portfolio composition & associated impacts <ul style="list-style-type: none"> Consumer Banking: products/services and type of customers Business, Corporate and Investment Banking: sectors/industries and type of clients
	Cross data to determine & prioritise most significant impact areas <ul style="list-style-type: none"> Portfolio composition and associated impacts (positive and negative) Context 	
3. Performance Measurement & Assessment		
Review practice <ul style="list-style-type: none"> Portfolio composition/financial flows Client engagement Internal policies and processes Advocacy and partnerships 	Measure impacts <i>(in relation to the prioritized impact areas)</i>	
4. Target setting		
Make alignment choices <ul style="list-style-type: none"> International, regional or national policy frameworks 	Understand base-line <ul style="list-style-type: none"> Based on prior performance measurement/assessment and on alignment choices 	
Define SMART targets <ul style="list-style-type: none"> Practice targets Impact targets 	Define Action Plan <ul style="list-style-type: none"> In relation to the four categories of practice Considering human resource and data system needs 	
5. Monitoring process		
Monitor practice	Monitor impact	



PRB Step 1: Impact
PRB Principle 2
PRB Step 2: Target setting

Two main differences...

- ESRS requires financial materiality analysis (in addition to impact)
- UNEP FI requires more contextual analysis



- ✓ Step included in both frameworks
- ✗ Step included in only one framework

Start	1. Scoping Identify core business activities Identify main geography/ies			
	2. Impact Identification			
	Understand context (country/local/global Level) ✗ <ul style="list-style-type: none"> Status of needs Policy & regulation Trends & scenarios 	Review portfolio composition: & associated impacts ✓ <ul style="list-style-type: none"> Consumer Banking: products/services and type of customers Business, Corporate and Investment Banking: sectors/industries and type of clients 	Cross data to determine & prioritise most significant impact areas ✗ <ul style="list-style-type: none"> Portfolio composition and associated impacts (positive and negative) Context 	
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5. Monitoring process				
Monitor practice		Monitor impact		



PRB Step 1: Impact
PRB Principle 2
PRB Step 2: Target setting

In sum...

- There is a **high degree of alignment** between the PRB Framework and supporting Impact Protocol and the CSRD / ESRS requirements, in particular as regards the requirement for impact materiality analysis
- The **data from the UNEP FI Impact Analysis Tools can be used to respond to ESRS impact materiality assessment requirements** as regards the bank's value chain (downstream)
- **Many data points from the PRB reporting template correspond with ESRS data points**, including but also beyond the impact materiality analysis

> See [Data Points Mappings and Conversion Tool](#) + [section 4 of this deck](#)

However, neither PRB disclosures nor the Impact Tool will provide data for:

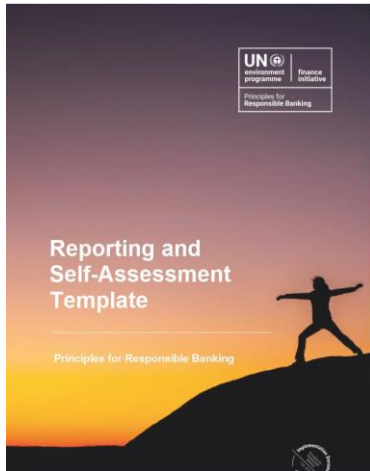
- The impacts of the bank's own operations (facilities, employees, suppliers)
- The impacts of non-business activities (typically philanthropic ventures)

Also the PRB framework and supporting Protocol and Tools provide only partial financial materiality insights.

> See [section 4 of this deck](#)

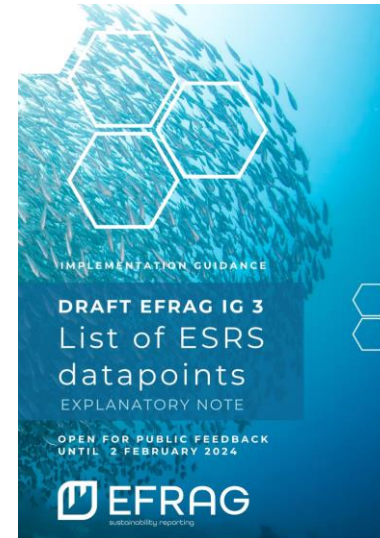
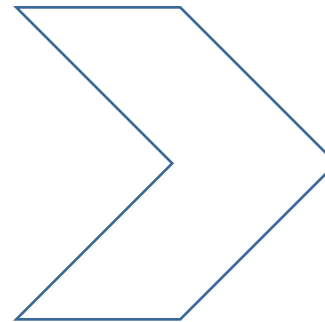
— 3. Leveraging UNEP FI / PRB in practice

Two main sources of data-points can be leveraged:



PRB Reporting Template

(disclosure)



Impact Analysis Tool

(management/implementation)



Mapping of UNEP FI resources to ESRS data points with the UNEP FI-ESRS Data Points Mappings

Scope:

- ESRS 2 and ESRS E1 only for now (further ESR Standards will be mapped over time)
- Both mandatory and voluntary datapoints included

Format:

- The mapping was done directly using EFRAG Implementation Guidance 3 (IG3), an excel-based compilation of all ESRS data points.

See [Excel file](#) for point by point mapping

Methodology:

Two types of matches were identified:

Direct matches are cases where the information disclosed in PRB can be directly reutilized to report to ESRS.

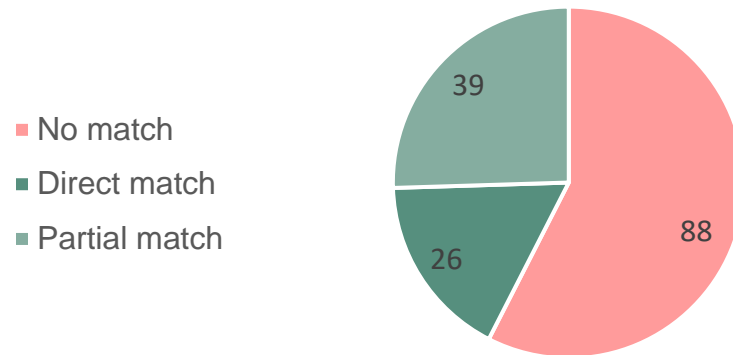
Partial matches on the other hand provide only part of the information and may help companies answer to a specific disclosure requirement, although not covering it.

3.1 PRB Reporting Template



Mapping ESRS 2 (General Disclosures) data points to PRB

Matches ESRS 2 / PRB



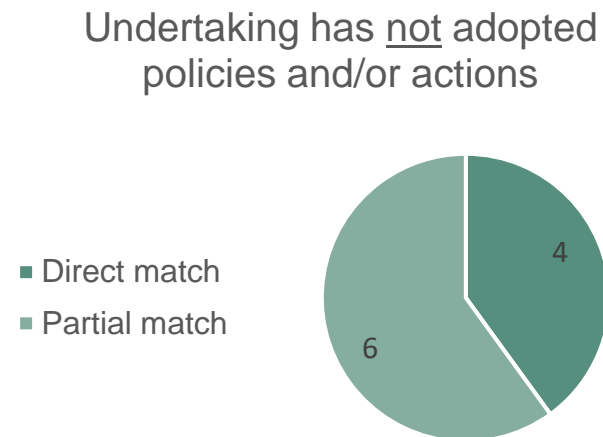
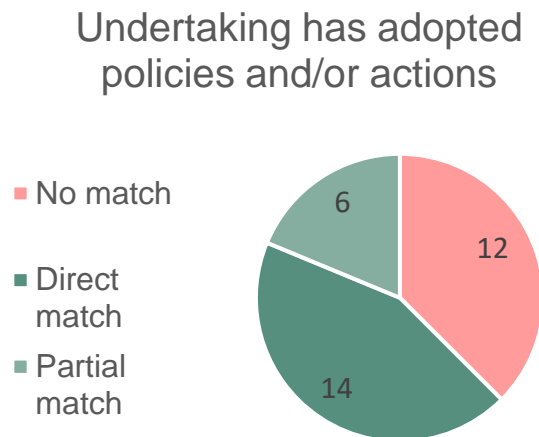
ESRS 2 covers **all the DRs** that apply to all the undertakings regardless of their sector of activity and apply across all sustainability topics.

Covered (direct match)	Data points on the interests and views of stakeholders and the statement on due diligence.
Partially covered (partial match)	Data points on strategy and business model, materials impacts, risks and opportunities and some governance-related disclosure requirements, including integration of sustainability-related performance in incentive schemes.
Left out or mostly left out (no match)	Disclosure requirements specific to the CSRD’s sustainability statement, governance requirements related to description of own workforce and absolute revenue figures in relation to specific sectors.

Mapping ESRS 2 Minimum Disclosure Requirements (MDRs) to PRB

- The PRB reporting template covers most of the MDRs related to targets as well the actions and resources in relation to sustainability matters, except for expenditures (Opex and Capex). It also covers several MDRs on policies and metrics.
- All the data points are at least partially covered in the case where the undertaking has not adopted policies and/or actions or set any measurable outcome-oriented targets are covered.

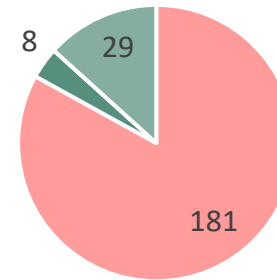
For each **material sustainability matter**, the undertaking should disclose **information prescribed in topical and sector-specific ESRS related to matter AND corresponding MDRs** on policies, actions and targets required under ESRS 2.



Mapping ESRS E1 (Climate Change) data points to PRB

Inclusive of the indicators for climate included in the Annex of the PRB Reporting and Self-assessment Template.

ESRS E1 / PRB



■ No match ■ Direct match ■ Partial match

ESRS E1 focuses on climate change with a **dual objective**: uncovering the undertaking's **impact** regarding climate change and how it is planning to **reduce emissions**, including through a transition plan.

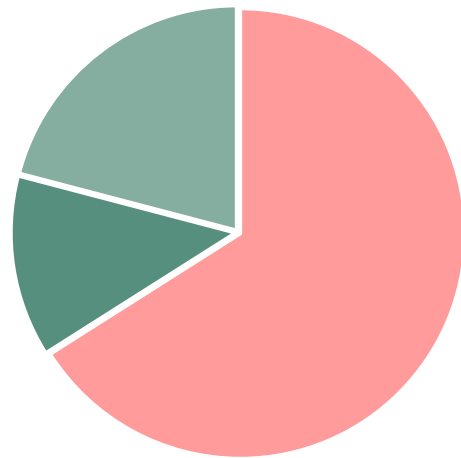
Covered (direct match)	Data points related to the integration of sustainability related performance in incentive scheme.
Partially covered (partial match)	Data points related to the policies, actions and targets related to climate change, greenhouse gas emissions, and the process to identify material impacts.
Left out or mostly left out (no match)	Some specific data points related to climate change, including energy consumption and mix, carbon credits and greenhouse gas removals and internal carbon pricing as well as interaction of climate-related risks and opportunities with strategy and business model and anticipated financial effects from those.

3.2.1 UNEP FI Impact Tool



Mapping ESRS 2 (General Disclosures) data points to UNEP FI Tools

ESRS E2 / UNEP FI Tools

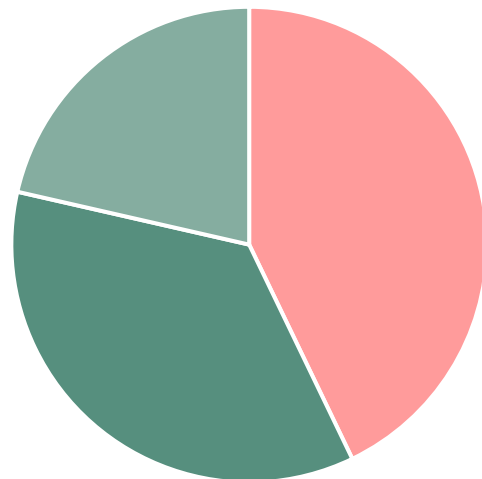


■ No match ■ Direct match ■ Partial match

Covered (direct match)	Business activities & significant markets, sectors, customer groups; materiality assessment process and list of material sustainability matters; link between business model and material topics; metrics, policies and actions related to material topics;
Partially covered (partial match)	Description of business model and value chain; metrics and targets related to material topics; revenue-based data points; topic-specific materiality assessment processes.
Left out or mostly left out (no match)	Data points specific to the sustainability statement; governance; risk assessment process and material risks and opportunities; stakeholder engagement

Mapping ESRS 2 Minimum Disclosure Requirements (MDRs) to UNEP FI Tools

ESRS 2 MDRs / UNEP FI Tools

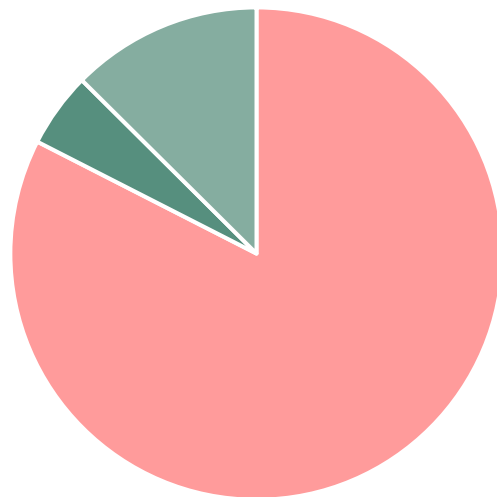


■ No match ■ Direct match ■ Partial match

Covered (direct match)	Baseline, targets and action plans related to material topics.
Partially covered (partial match)	Details about policies, actions and data collection.
Left out or mostly left out (no match)	Opex and Capex; stakeholder engagement; reasons for not having policies and actions; measurement methodologies; assurance; data points related to risks and opportunities.

Mapping ESRS E1 (Climate Change) data points to UNEP FI Tools

ESRS E1/ UNEP FI Tools



■ No match ■ Direct match ■ Partial match

Covered (direct match)	Performance assessment and targets related to climate change.
Partially covered (partial match)	Details about transition plans, actions, policies; revenue-based data points; climate metrics.
Left out or mostly left out (no match)	Scope 1 and 2 GHG emissions; climate scenarios; climate related risks and opportunities; governance; Opex and Capex; data points related to own operations;

Data points in the UNEP FI-ESRS Conversion Tool

UNEP FI- ESRS Conversion Tool

The data points related to the impact materiality assessment process and the prioritization of material topics can be taken directly from the [UNEP FI-ESRS Conversion Tool](#).

This Tool translates the *UNEP FI Portfolio Impact Analysis Tool for Banks* data points into ESRS data points.

3.2.2 Conversion Tool (UNEP FI Impact Analysis Tool – ESRS)



UNEP FI-ESRS Conversion Tool

To help you lift the relevant data-points from the UNEP FI Impact Analysis Tool for CSRD reporting, we have created a Conversion Tool which:

- Translates from the UNEP FI Impact Radar topics to the ESRS topics
- Converts significant impact topic identification findings into material impact determinations



UNEP FI-ESRS Conversion Tool: Key Steps

List of Worksheets

	Welcome
	Navigation
	Data IN Context
	Data IN Consumer
	Data IN Institutional
	Additional data
	PRB-ESRS conversion (Inst)
	PRB-ESRS conversion (Cons)
	ESRS material topics (Inst)
	ESRS material topics (Cons)
	ESRS sub-topic - UNEP FI topic Map
	Irremediability Map
	Lists

Step 1:
Input data from Context Module and Identification Modules

Step 2:
Add data on scope of conversion and portfolio projections

Step 3:
The Tool converts data automatically

Step 4:
See ESRS material topics

Translating UNEP FI tool results into ESRS disclosures

- **Step 1-3:** translation of tool «heatmap» (portfolio exposures per impact topic) to heatmap based on ESRS topics

NEGATIVE

Sectors	Total % of portfolio	UNEP FI impact topics →	Conflict	Modern slavery	Child labour	Data privacy	Natural disasters
		country priorities	1				
0112 Growing of rice	10% negative impacts		0	2	2	0	2
0114 Growing of sugar cane	10% negative impacts		0	2	2	0	2
0141 Raising of cattle and buffa	13% negative impacts		0	2	2	0	2
0510 Mining of hard coal	10% negative impacts		2	2	2	0	2
0610 Extraction of crude petroleu	5% negative impacts		2	2	2	0	2
0710 Mining of iron ores	2% negative impacts		2	2	2	0	2
1075 Manufacture of prepared r	3% negative impacts		0	0	0	0	0
1410 Manufacture of wearing ap	1% negative impacts		0	2	2	0	0
26 Manufacture of computer, ele	8% negative impacts		0	2	2	0	0
41 Construction of buildings	5% negative impacts		0	2	0	0	2
49 Land transport and transport	11% negative impacts		0	0	0	0	2
51 Air transport	13% negative impacts		0	0	0	0	2
86 Human health activities	10% negative impacts		0	0	0	0	0

Heatmap based on UNEP FI Radar topics



NEGATIVE

Sectors	Total % of portfolio	ESRS sub-topics →	Climate change adaptation	Climate change mitigation	Energy	Pollution of air	Pollution of water
0112 Growing of rice	10% negative impacts		2	2	2	0	2
0114 Growing of sugar cane	10% negative impacts		2	2	2	0	2
0141 Raising of cattle and buffa	13% negative impacts		2	2	2	2	2
0510 Mining of hard coal	10% negative impacts		2	2	2	2	2
0610 Extraction of crude petroleu	5% negative impacts		2	2	2	2	2
0710 Mining of iron ores	2% negative impacts		2	2	2	2	2
1075 Manufacture of prepared r	3% negative impacts		0	1	2	0	1
1410 Manufacture of wearing ap	1% negative impacts		0	1	2	1	2
26 Manufacture of computer, ele	8% negative impacts		0	1	2	1	1
41 Construction of buildings	5% negative impacts		2	2	2	1	1
49 Land transport and transport	11% negative impacts		2	2	2	2	0
51 Air transport	13% negative impacts		2	2	2	2	0
86 Human health activities	10% negative impacts		0	1	0	0	0

Heatmap based on ESRS topics



Translating UNEP FI tool results into ESRS disclosures

- Step 4-5:** translation of heatmap results into ESRS characteristics of ‘severity’ and ‘likelihood’

POSITIVE							
	ESRS sub-topics →	Climate change adaptation	Climate change mitigation	Energy	Pollution of air	Pollution of water	Pollution of soil
total association		0%	26%	16%	21%	0%	0%
type of association		0	2	1	2	0	0
country priorities			yes	yes		yes	

NEGATIVE							
	ESRS sub-topics →	Climate change adaptation	Climate change mitigation	Energy	Pollution of air	Pollution of water	Pollution of soil
total association		79%	100%	90%	67%	66%	66%
type of association		2	2	2	2	2	2
country priorities			yes	yes		yes	

← Heatmap results

Assessment of Criteria	Severity	
	scale	scope
	type of association & country priority	total impact association
No	0/no, 0/yes	0%
Low	1/no	0-25%
Medium	2/no	25-50%
High	1/yes	50-75%
very high	2/yes	75-100%

Assessment of Criteria	Severity		
	scale	scope	irremediable character
	type of association & country priority	total impact association	type of association & irremediable topics
No	0/no, 0/yes	0%	0/all topics 1/all topics
Low	1/no	0-25%	2/low irremediable topics
Medium	2/no	25-50%	2/medium irremediable topics
High	1/yes	50-75%	2/high irremediable topics
very high	2/yes	75-100%	2/very high irremediable topics

← ESRS characteristics

Translating UNEP FI tool results into ESRS disclosures

- **Step 6:** establishment and application of thresholds to determine materiality of topic

ACTUAL NEGATIVE IMPACTS

Materiality Thresholds		
scale	Severity scope	Irremediable character
High	High	High
High	High	Very high
High	Very high	High
High	Very high	Very high
Medium	Very high	Very high
Very high	Medium	Very high
Very high	High	High
Very high	High	Very high
Very high	Very high	High
Very high	Very high	Very high

Establishment of thresholds



NEGATIVE		ESRS sub-topics →	Climate change adaptation	Climate change mitigation	Energy	Pollution of air
	total association		50%	75%	0%	75%
Assessment of SCOPE criterion			Medium	High	No	High
	type of association		2	2	0	2
	country priorities			X		
Assessment of SCALE criterion			Medium	Very high	No	Medium
Assessment of IRREMEADIABILITY criterion			Very high	High	No	Medium
Materiality determination				Material		

Application of thresholds



Translating UNEP FI tool results into ESRS disclosures

- **Step 7:** visualisation of (impact) material topics 1/2

Material ESRS topics and sub-topics

ESRS TOPICS AND SUBTOPICS										ADDITIONAL UNEP FI TOPICS (NOT COVERED BY ESRS)			
Climate change	Pollution	Water and marine resources	Biodiversity and ecosystems	Circular economy	Own workforce	Workers in the value chain	Affected communities	Consumers and end-users	Business conduct	Sector diversity	Flourishing MSMEs	Infrastructure	Socio-economic convergence
								Social inclusion of consumers and/or					

ESRS TOPICS AND SUBTOPICS										ADDITIONAL UNEP FI TOPICS (NOT COVERED BY ESRS)			
Climate change	Pollution	Water and marine resources	Biodiversity and ecosystems	Circular economy	Own workforce	Workers in the value chain	Affected communities	Consumers and end-users	Business conduct	Sector diversity	Flourishing MSMEs	Infrastructure	Socio-economic convergence
Climate change mitigation	Substances of concern		Direct impact drivers of biodiversity loss	Resources inflows, including resource use	Other work-related rights (own workforce)	Other work-related rights (value chain)	Communities' economic, social and cultural rights		Animal welfare				
			Impacts on the state of species	Resource outflows related to products and services									
			Impacts on the extent and condition of	Waste									

Translating UNEP FI tool results into ESRS disclosures

- **Step 7:** visualisation of (impact) material topics 2/2

Positive and negative impact at the sub-topic level

POSITIVE

Legend →	Low	Medium	High	Very high
----------	-----	--------	------	-----------

Positive Impact	Severity Assessment		Is the impact assessed as material?
	Scope	Scale	
Climate change mitigation	Low	High	No
Pollution of air	Low	Low	No
Pollution of living organisms and food resources	Low	Low	No
Working conditions (own workforce)	High	Low	No
Working conditions (value chain)	High	Low	No
Social inclusion of consumers and/or end-users	High	High	Yes
Flourishing MSMEs	Low	Low	No
Infrastructure	Low	High	No

NEGATIVE

Legend →	Low	Medium	High	Very high
----------	-----	--------	------	-----------

Negative Impact	Severity Assessment			Is the impact assessed as material?
	Scope	Scale	Irremediability	
Climate change adaptation	Low	Low	High	No
Climate change mitigation	Low	High	Low	Yes
Pollution of air	Low	Low	Low	No
Pollution of water	Low	Low	Low	No
Pollution of soil	Low	Low	Low	No
Pollution of living organisms and food resources	High	Low	Low	No
Substances of concern	Low	High	Low	Yes
Substance of very high concern			Low	No
Microplastics			Low	No
Water			Low	No
Marine resources			Low	No
Direct impact drivers of			High	No

A low-angle, upward-looking photograph of several modern skyscrapers with glass facades, reaching towards a clear blue sky. The perspective creates a sense of height and architectural grandeur.

— 4. Peeking into the interoperability kitchen

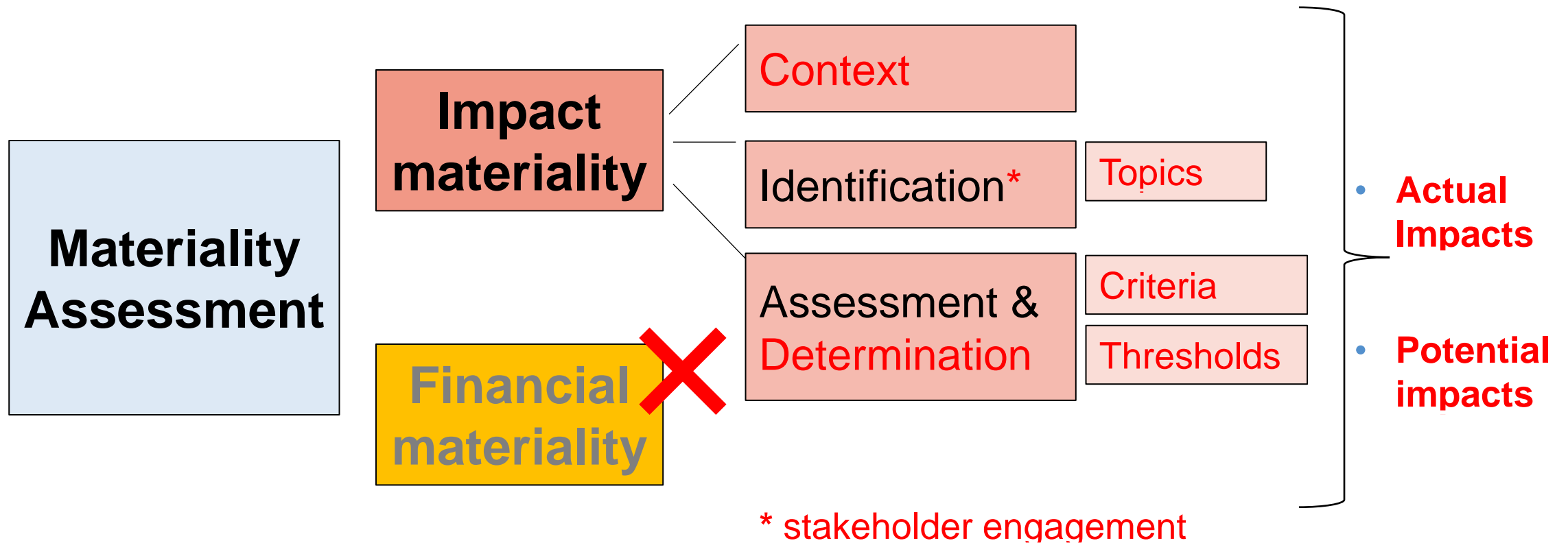
Zooming in ...

- 4.1 Overview of Interoperability challenges
 - 4.1.1 Actual/Potential impacts
 - 4.1.2 Context
 - 4.1.3 Sustainability topics
 - 4.1.4 Stakeholder engagement
 - 4.1.5 Materiality criteria and thresholds
 - 4.1.5a Materiality criteria
 - 4.1.5b Materiality thresholds
 - 4.1.6 Integrating data from other sources
 - 4.1.6a Other segments of the value chain
 - 4.1.6b Financial materiality

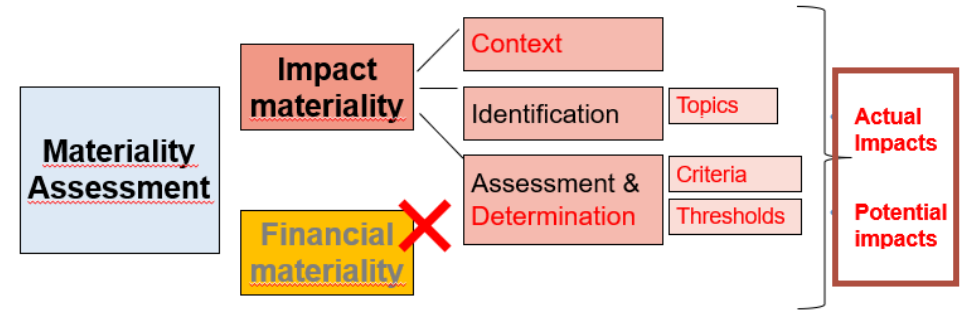
4.1 What are the main interoperability challenges?

Text in red to go to relevant sections

Red = main challenges



4.1.1 Actual & Potential Impacts 1/2

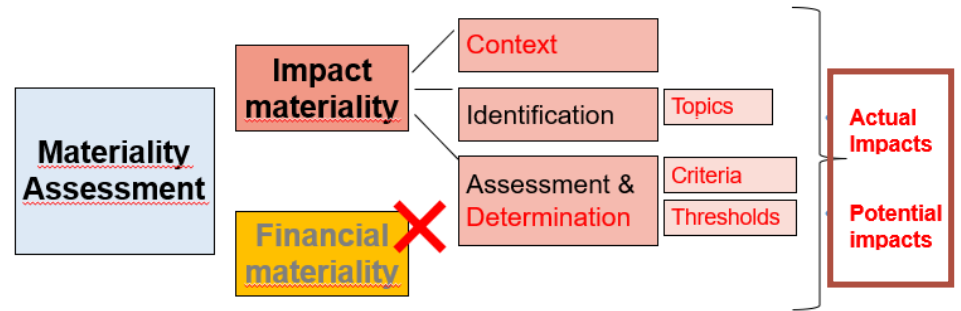


The terms «actual impacts» and «potential impacts» are used differently by EFRAG & UNEP FI:

	ESRS	UNEP FI
Actual impacts	Impacts having taken place in the current reporting period...	Confirmed impacts ..
Potential impacts	...vs impacts that may be expected to materialise in future reporting periods	...vs non-confirmed impacts (based on projections)

Actual & Potential Impacts 2/2

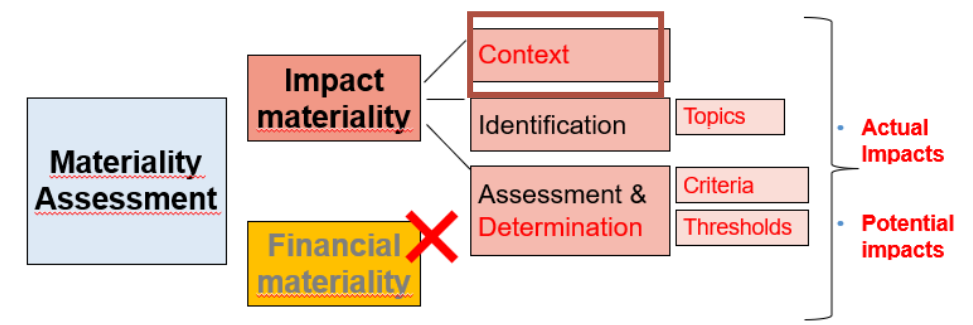
Implications:



In the case of banking, the vast majority of material impacts are downstream in the value chain, and the bank’s connection to the impacts is by «business relationship» (not «directly caused» and usually not «contributed to»). As a result:

- Most impact data banks can report will reflect «potential» rather than «actual» impacts as per UNEP Fis use of those terms.
- Both «actual» (ie current) and «potential» (ie potential future) impact data can be about «potential» (non-confirmed) as opposed to «actual» (confirmed) impacts
- «Potential» impacts as per the ESRS use of the term is covered by considering the business and portfolio projections of the bank.

4.1.2 Context 1/2

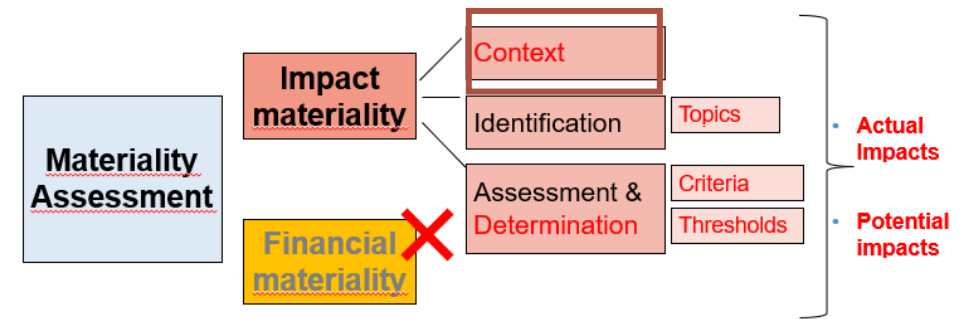


The term «context» is used differently by EFRAG & UNEP FI:

	ESRS	UNEP FI
Context	Undertaking’s business model	Context in which the undertaking operates; sustainability needs and priorities at different geographic levels

Context 2/2

Implications:

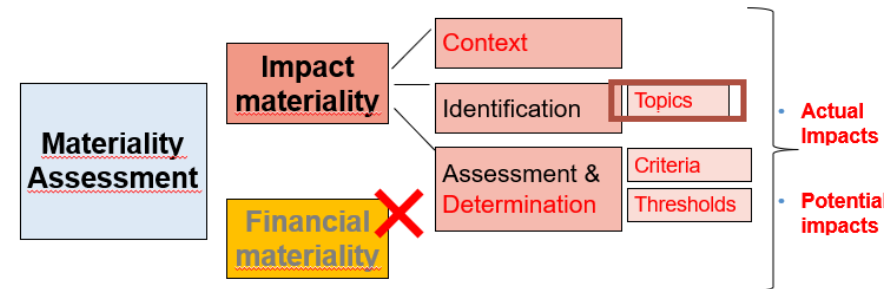


- The business model description required of ESRS is captured by the aspects of the methodology and tool referencing the notion of «business profile»
- ESRS does make some reference to «context» as understood by UNEP FI when pointing to the legal and regulatory context (Section 3.1#68). Moreover, EFRAG guidance points to interoperability with GRI materiality assessment, where the notion of «context» as understood by UNEP FI is more fully referenced (GRI3 Step 1). As a result the context content of UNEP FI’s methodology is considered aligned and retained in the Conversion Tool.

4.1.3 Sustainability Topics

As part of «ESRS 1: Section 1 – General requirements», there contains «Appendix A: Application Requirements» which has a set of «Application requirements (ARs)» for entity specific disclosures.

AR 16 states that «When performing its materiality assessment, the undertaking shall consider the following list of sustainability matters covered in the topical sections of this ESRS. When, as a result of the undertaking’s materiality assessment (see Section 2 Disclosure Requirement 9 (IR-1)), a given sustainability matter in this list is assessed to be material, the undertaking shall report according to the corresponding Disclosure Requirements of the relevant topical sections. Using this list is not a substitute for the process of determining material matters. This list is a tool to support the undertaking’s materiality assessment. The undertaking still needs to consider its own specific circumstances when determining its material matters.»



[draft] topical ESRS	Topic	Sub-topic	Sub-sub-topics
[draft] ESRS E1	Climate change*	Climate change adaptation Climate change mitigation Energy	
[draft] ESRS E2	Pollution	Pollution of air Pollution of water Pollution of soil Pollution of marine resources	
[draft] ESRS E3	Water and marine resources		
[draft] ESRS E4	Biodiversity and ecosystems		
[draft] ESRS E5	Circular economy		
[draft] ESRS S1	Own workforce	Working conditions	Secure employment Working time Adequate wages Social dialogue Freedom of association, etc.
[draft] ESRS S2	Workers in the chain		Measures against violence and harassment in the workplace Diversity Other work-related rights Child labour Forced labour Adequate housing Water and sanitation Privacy Adequate food Water and sanitation Land-related impacts Security-related impacts Freedom of expression Freedom of assembly Impacts on human rights defenders Rights of indigenous communities Free, prior and informed consent Self-determination Cultural rights
[draft] ESRS S3	Affected communities	Communities' economic, social and cultural rights Communities' civil and political rights	Information-related impacts for consumers and/or end-users Freedom of expression Access to (quality) information Privacy Freedom of expression Access to (quality) information Health and safety Security of a person Protection of children Non-discrimination Access to products and services Responsible marketing practices
[draft] ESRS S4	Consumers and end-users	Information-related impacts for consumers and/or end-users Personal safety of consumers and/or end-users Social inclusion of consumers and/or end-users	Privacy Freedom of expression Access to (quality) information Health and safety Security of a person Protection of children Non-discrimination Access to products and services Responsible marketing practices
[draft] ESRS G1	Business conduct	Corporate culture Protection of whistle-blowers Animal welfare Political engagement Management of relationships with suppliers including payment practices Corruption and bribery	Prevention and detection including training

- AR 16 provides for a list of sustainability matters (see right), designed to quantify the different topics that need to be covered for each ESRS.
- They state that the list is not exhaustive, therefore, entities are expected to disclose on material impacts (and risks) not covered by AR 16.

Mapping the Impact Radar to AR 16 (1/4)

The UNEP FI Impact Radar holistically compiles impact topics across environmental, social and socio-economic concerns. As such it includes all topics of AR16* and goes beyond AR16, aiding with the ESRS requirement to consider all material topics regardless of explicit referencing in AR16.

A detailed mapping between Impact Areas/Topics of the Impact Radar and ESRS AR 16 has been produced. The [UNEP FI-ESRS Topics Mappings](#) include:

- A mapping showing the read-across from Impact Areas/Topics to ESRS items.
- A reverse mapping of the ESRS items mapped against the Impact Areas/Topics.
- A version of the above mappings that is designed for use in the UNEP FI-ESRS Conversion Tool.

* Except Animal Welfare



AR16 has up to four levels (topic to sub-sub-topic level), whereas the Radar presents a maximum of three levels (pillar, area, topic).

All AR16 levels were used to inform the mappings.

Mapping the Impact Radar to AR 16 – Environmental Pillar (2/5)

Full mapping available online [here](#)

UNEP FI Impact Radar		European Sustainability Reporting Standards (ESRS) AR16		
Impact Area	Impact Topic	Maps to...	Topic	Sub-sub-topic
Climate stability	-	→	Climate change	Climate change adaptation Climate change mitigation Energy
			Waterbodies	→
Air	→	Water & marine resources		
		Soil	→	Pollution
Biodiversity & ecosystems				
				Climate change Land-use change, fresh water-use change and sea-use change Direct exploitation

- AR 16 has a large focus on Biodiversity & ecosystems as well as Circularity.
- All UNEP FI Environmental Impact Areas/Topics have matches with AR 16.

Mapping the Impact Radar to AR 16 – Social Pillar (3/5)

Full mapping available online [here](#)

Livelihood	Wages	→	Own workforce	Working conditions	Secure employment
		→	Workers in the value chain	Working conditions	Working time
				Working conditions	Adequate wages
				Working conditions	Social dialogue
				Working conditions	Freedom of association, the existence of works councils and the information, consultation and participation rights of workers
				Working conditions	Collective bargaining, including rate of workers covered by collective agreements
				Working conditions	Work-life balance
				Working conditions	Health and safety
				Equal treatment and opportunities for all	Gender equality and equal pay for work of equal value
				Equal treatment and opportunities for all	Training and skills development
				Equal treatment and opportunities for all	Employment and inclusion of persons with disabilities
				Equal treatment and opportunities for all	Measures against violence and harassment in the workplace
				Equal treatment and opportunities for all	Diversity
				Other work-related rights	Child labour
				Other work-related rights	Forced labour
				Other work-related rights	Adequate housing
				Other work-related rights	Privacy
				Working conditions	Secure employment
				Working conditions	Working time
				Working conditions	Adequate wages
				Working conditions	Social dialogue
				Working conditions	Freedom of association, including the existence of works councils
				Working conditions	Collective bargaining
				Working conditions	Work-life balance
				Working conditions	Health and safety
				Equal treatment and opportunities for all	Gender equality and equal pay for work of equal value
				Equal treatment and opportunities for all	Training and skills development
				Equal treatment and opportunities for all	Employment and inclusion of persons with disabilities
				Equal treatment and opportunities for all	Measures against violence and harassment in the workplace
				Equal treatment and opportunities for all	Diversity
				Other work-related rights	Child labour

- On social topics, AR 16 can be matched to all UNEP FI Social Impact Areas & Impact Topics.
- The AR 16 sub-topic of social inclusion contains a larger number of matches with our Impact Topics than other sub-topics.

Mapping the Impact Radar to AR 16 – Socio-economic Pillar (4/5)

Full mapping available online [here](#)

Strong institutions, peace & stability	Rule of law	→	Business conduct	Corporate culture Protection of whistle-blowers Animal welfare Political engagement Management of relationships with suppliers including Corruption and bribery Corruption and bribery	Prevention and detection including training Incidents
	Civil liberties	→	Affected communities	Communities' economic, social and cultural rights	Adequate housing
				Communities' economic, social and cultural rights	Adequate food
				Communities' economic, social and cultural rights	Water and sanitation
				Communities' economic, social and cultural rights	Land-related impacts
				Communities' economic, social and cultural rights	Security-related impacts
				Communities' civil and political rights	Freedom of expression
				Communities' civil and political rights	Freedom of assembly
				Communities' civil and political rights	Impacts on human rights defenders
Rights of indigenous communities	Free, prior and informed consent				
Rights of indigenous communities	Self-determination				
Rights of indigenous communities	Cultural rights				
→	Consumers and end-users	Information-related impacts for consumers and/or end users	Privacy		
		Information-related impacts for consumers and/or end users	Freedom of expression		
		Information-related impacts for consumers and/or end users	Access to (quality) information		
		Personal safety of consumers and/or end-users	Health and safety		
		Personal safety of consumers and/or end-users	Security of a person		
		Personal safety of consumers and/or end-users	Protection of children		
		Social inclusion of consumers and/or end-users	Non-discrimination		
Social inclusion of consumers and/or end-users	Access to products and services				
Social inclusion of consumers and/or end-users	Responsible marketing practices				

- On socio-economic topics, there are fewer topics within AR 16.
- There are a number of UNEP FI Socio-economic Impact Topics that are not included in AR 16 (see next slide).

Mapping the Impact Radar to AR 16 (5/5)

Not covered by ESRS topics & subtopics

Full mapping available online [here](#)

Impact Topic	Impact Area
Sector diversity	Healthy economies
Flourishing MSMEs	Healthy economies
Infrastructure	Infrastructure
Socio-economic convergence	Socio-economic convergence

- There are a number of socio-economic Impact Topics that are not covered under the ESRS.
- The ESRS still expects these to be addressed if material.

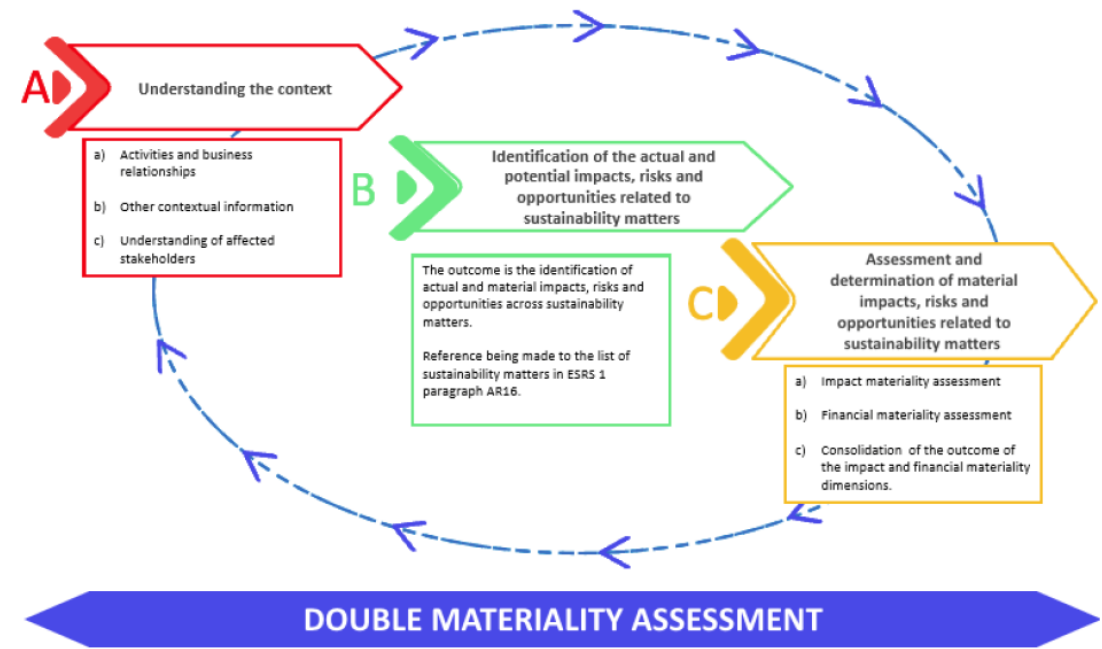
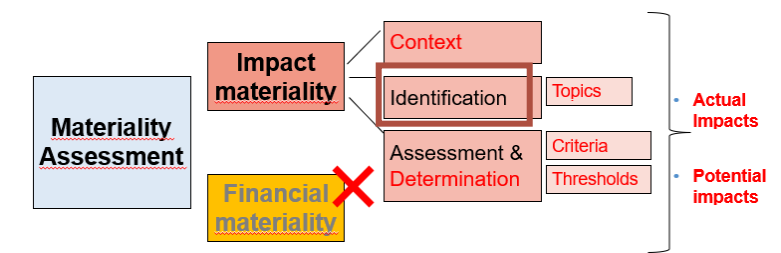
4.1.4 Stakeholders & Stakeholder Engagement

- 3. Double materiality as the basis for sustainability disclosures
 - 3.1 Stakeholders and their relevance to the materiality assessment process
 - 3.2 Material matters and materiality of information
 - 3.3 Double materiality
 - 3.4 Impact materiality
 - 3.5 Financial materiality
 - 3.6 Material impacts or risks arising from actions to address sustainability matters
 - 3.7 Level of disaggregation

IG1 - 3. How is the materiality assessment performed? & 5.4 FAQs on stakeholder engagement

Two Key Requirements:

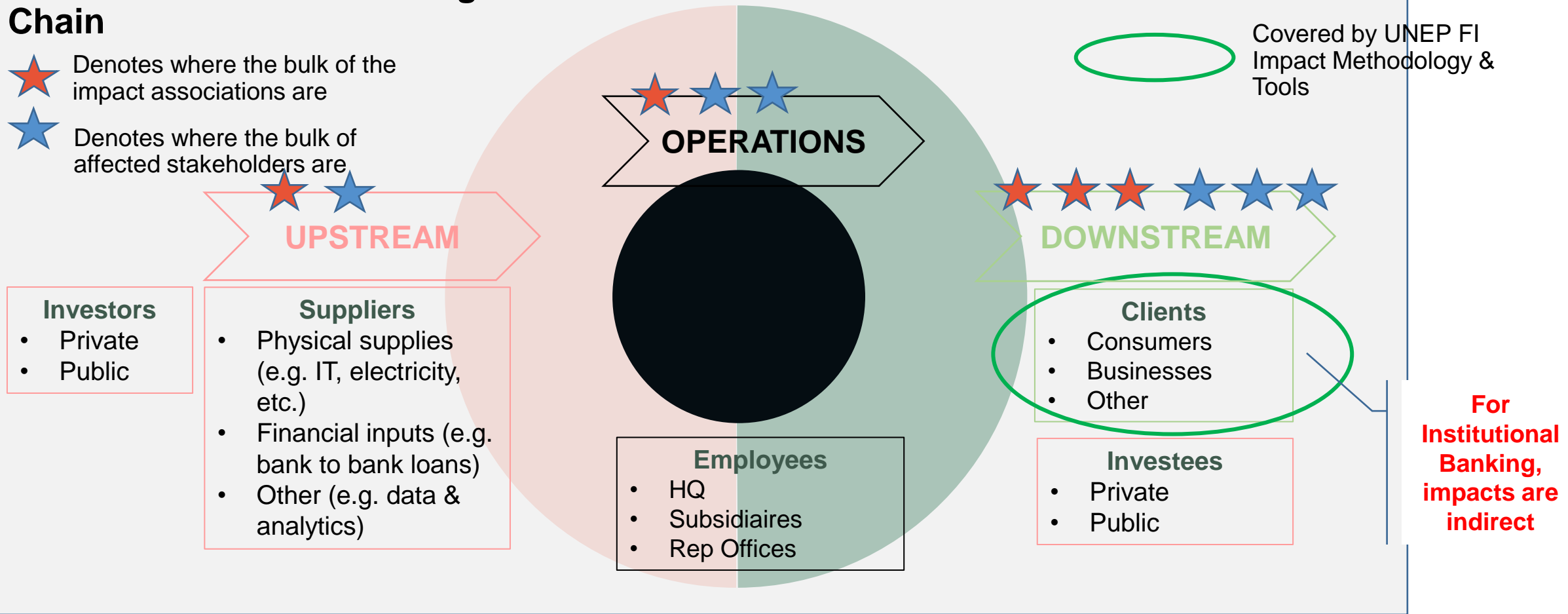
- Understanding context (Step A) > who are the stakeholders
- Identification of material topics (Step B) & determination of material impacts (Step C) > stakeholder engagement



Understanding the context (Step A) – What are the banks key affected stakeholders?

Stakeholders in the Banking Value Chain

- ★ Denotes where the bulk of the impact associations are
- ★ Denotes where the bulk of affected stakeholders are



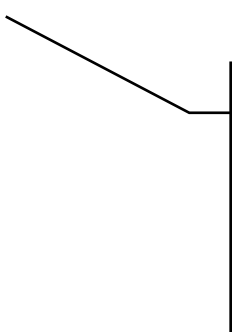
Zoom on downstream stakeholders

<p>Consumers</p> <ul style="list-style-type: none"> ➤ Directly affected • E.g. ability to finance housing, education, etc. (positive impact) • E.g. over-indebteness / lack of financial health (negative impact) 	<p>Institutional Clients</p> <ul style="list-style-type: none"> ➤ Directly affected • E.g. ability to finance business development (positive impact) • E.g. over-indebteness / lack of financial health (negative impact) 			
	<p>Supply chain of Clients</p> <ul style="list-style-type: none"> > Indirectly affected • E.g. potential human rights abuses 	<p>Clients of Clients</p> <ul style="list-style-type: none"> > Indirectly affected • E.g. product safety and/or environmental-freindliness 	<p>Clients' affected Communities</p> <ul style="list-style-type: none"> > Indirectly affected • E.g. health hazards 	<p>Environment</p> <ul style="list-style-type: none"> > Indirectly affected • E.g. pollution

Stakeholder engagement for the identification of material topics (Step B) and determination of material impacts (Step C) 1/4

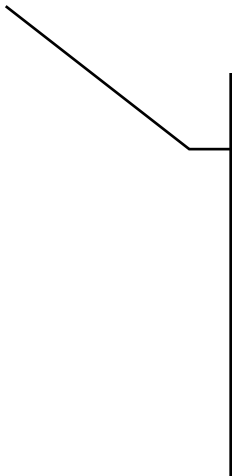
IG1 - 5.4 FAQs on stakeholder engagement

- FAQ 15: Do the ESRS mandate to actively engage in dialogue with affected stakeholders for the materiality assessment process?
- 186. The ESRS require disclosure on the assessment and its outcomes but **do not mandate specific behaviour on stakeholder engagement** or the due diligence process.
- 187. [...] In addition, ESRS 1 paragraph 24 points to **affected stakeholders' engagement as central to the materiality assessment**. [...]

- 
- **OK For Consumer Banking (clients are end-users)**
 - **For Institutional Banking, impacts are indirect**

Stakeholder engagement for the identification of material topics (Step B) and determination of material impacts (Step C) 2/4

- IG2 - FAQ 3: How should the MA process be organised to properly capture material IROs in the VC?
- 2. Materiality assessment steps
- [...]
- *Step B. and Step C: Identification of actual and potential IROs as well as Assessment and determination of the material IROs*
- [...]
- **89. The undertaking should aim to gather reliable data from actors in its VC. If this is not possible after having made reasonable efforts, it may rely as appropriate on sources of secondary data. [...]**

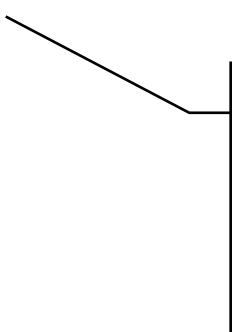


Stakeholders are viewed as a source of data to inform materiality assessment. Therefore IG2 guidance on data availability in the value chain is a helpful guide of how to deal with stakeholder engagement in the case of banks

Stakeholder engagement for the identification of material topics (Step B) and determination of material impacts (Step C) 3/4

IG2 - FAQ 7: How to assess and quantify the impacts of the VC resulting from business relationships?

- 131. [...] **Estimates and proxies may currently be the only available solution to quantify impacts** in certain cases, due to unreasonable efforts required to collect data. Examples include **tier 2 or tier N suppliers; tier 1 suppliers when they are excessively high in number**; customers when they are not end-users (e.g., when the undertaking delivers products or services that are further transformed before contributing to the delivery of products and services to the end-users).



These examples are based on complications with upstream data collection but are relevant for downstream data collection too

Stakeholder engagement for the identification of material topics (Step B) and determination of material impacts (Step C) 4/4

IG2 - FAQ 8: What is 'reasonable effort' to collect VC data?

- 136. [...] using free and publicly available information may in some cases be considered a reasonable effort. In determining whether an action is beyond 'reasonable effort' and/or beyond 'undue cost and effort', the undertaking shall balance the reporting burden of obtaining direct data and the potential lower quality of the information resulting from not undertaking that action.
- 137. For VC data, **a good starting point is a deep understanding of what, where and how the inputs for its products and/or services are sourced upstream and/or its products and services are brought to market downstream.**

IG2 - FAQ 9: How can estimates be developed when primary data cannot be collected from VC counterparties?

144. Secondary data include data from indirect sources, sector-average data, sample analyses, market and peer groups data, other proxies, or spend-based data.

Examples of external data sources

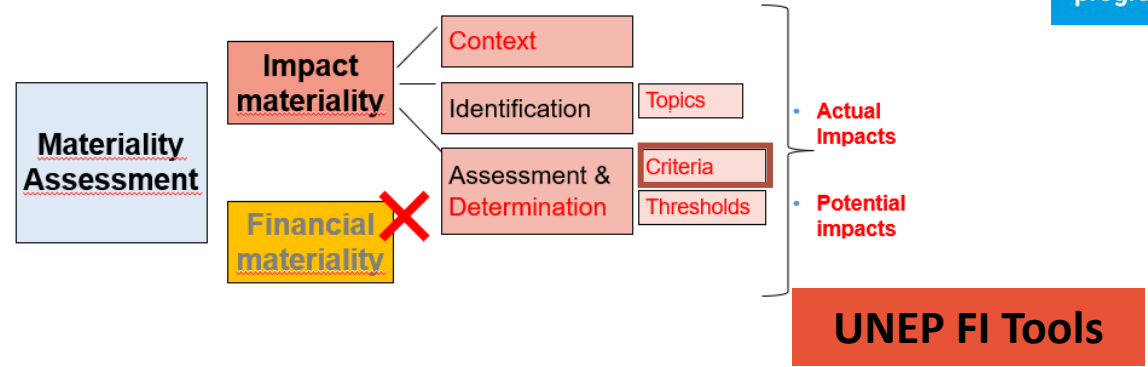
- Academic institutions
- Government bodies
- Non-profit organisations

In sum...

- Stakeholders linked to the banks **own operations** are out of scope of the UNEP FI Tools
- Stakeholders linked to the banks **value chain** are mostly down-stream.
 - For retail banking linked to consumers (physical persons) stakeholder engagement is possible in the form of client engagement; one of the practices tracked by the PRB Framework, UNEP FI Impact Protocol and the Impact Tools.
 - For all other banking activities (i.e. linked to moral persons) stakeholder engagement to understand the impacts of clients' operations, supply chains and downstream activities is complex; the value chain presents characteristics (tier 2/tier N, high numbers) suggesting alternative (i.e. secondary) sources of data for materiality assessment should be used. The UNEP FI Impact Tools draw from multiple secondary, in alignment with ESRS requirements.

4.1.5a Materiality criteria

ESRS



- **Severity** (determined by the following characteristics):
 - **Scale:** how grave the impact is (i.e., extent of infringement of access to basic life necessities or freedoms (e.g., education, livelihood etc.)
 - **Scope:** how widespread the impact is (i.e., number of individuals affected or the extent of the environmental damage)
 - **Irremediable character:** the extent to which the impact can be remediated (e.g., through compensation or restitution; whether the people affected can be restored to their exercise of the right in question).
- **Likelihood:** the probability of the impact happening

- Strength of impact association (0,1,2)
- Country priority (yes, no)
- Total impact association (proportion of portfolio)
- Strong impact association (key sectors / 2)
- Degree of irremediability associated to the topic
- Degree of confidence in portfolio projection

Treatment of materiality criteria in the Conversion Tool 1/2

ACTUAL POSITIVE IMPACTS

Assessment of Criteria	Severity	
	scale	scope
	type of association & country priority	total impact association
No	0/no, 0/yes	0%
Low	1/no	0-25%
Medium	2/no	25-50%
High	1/yes	50-75%
very high	2/yes	75-100%

The **scale criterion** rises as the strength of the impact association increases, particularly when the topic is considered a priority in the country

The **scope criterion** rises as the total of impact association increases

ACTUAL NEGATIVE IMPACTS

Assessment of Criteria	Severity		
	scale	scope	irremediable character
	type of association & country priority	total impact association	type of association & irremediable topics
No	0/no, 0/yes	0%	0/all topics 1/all topics
Low	1/no	0-25%	2/low irremediable topics
Medium	2/no	25-50%	2/medium irremediable topics
High	1/yes	50-75%	2/high irremediable topics
very high	2/yes	75-100%	2/very high irremediable topics

The **irremediable character criterion** links to key negative associations and rises as the degree of irremediability associated with the topic increases

Treatment of materiality criteria in the Conversion Tool 2/2

POTENTIAL POSITIVE IMPACTS

Assessment of Criteria	Likelihood
	confidence in portfolio projection
No	
Low	Low
Medium	Medium
High	High
very high	Very high

The **likelihood criteria** rises as degree of confidence in portfolio projection increases

POTENTIAL NEGATIVE IMPACTS

Assessment of Criteria	Likelihood
	confidence in portfolio projection
No	
Low	Low
Medium	Medium
High	High
very high	Very high

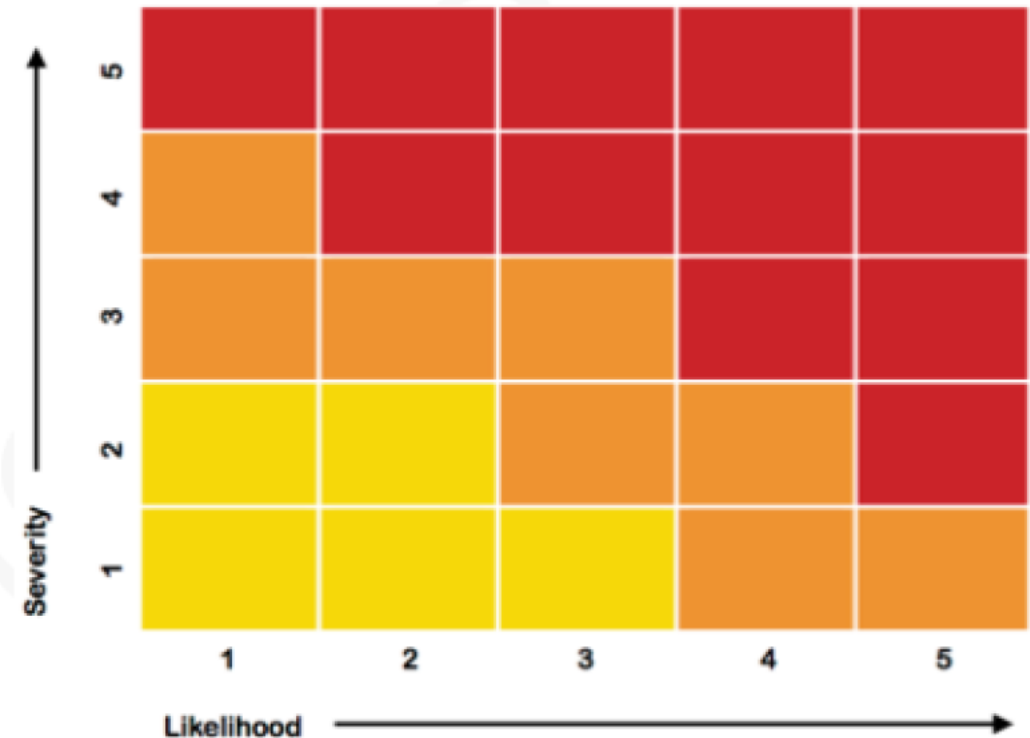
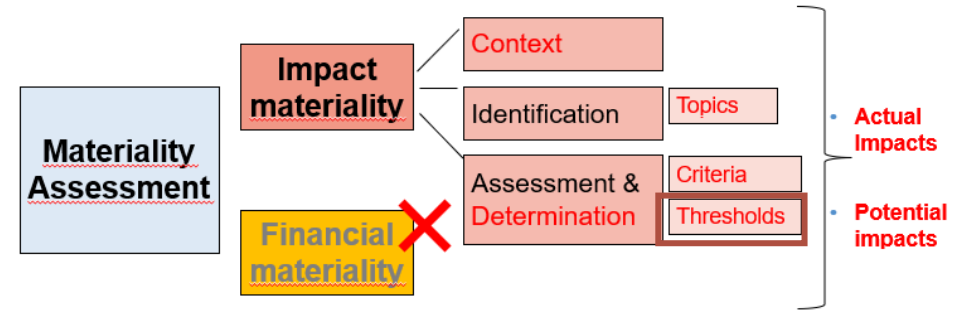
4.1.5b Materiality thresholds

IG1 (Section 3.6)

- The undertaking should use appropriate **qualitative and/or qualitative thresholds** to assess the materiality of a sustainability matter.
- IG1 (para 114) Severity of impact is determined by the following characteristics that inform the basis for determining thresholds: **scale, scope and irremediable character**.

Negative impact	Severity assessment			Is the impact assessed as material?
	Scale	Scope	Irremediability	
Impact 1	Medium	Medium	Low	No
Impact 2	Medium	High	Low	Yes
Impact 3	High	Medium	Medium	Yes
...				
Impact N	High	Low	Medium	Yes

Colour coding:



Treatment of Thresholds in the Conversion Tool 1/2

POSITIVE IMPACTS

ACTUAL IMPACTS

Materiality Thresholds	
Severity	
scale	scope
High	High
High	Very high
Very high	High
Very high	Very high

POTENTIAL IMPACTS

Materiality Thresholds		
Severity		Likelihood
scale	scope	
High	High	Very high
High	Very high	Very high
Very high	High	Very high
Very high	High	High
Very high	Very high	Very high
Very high	Very high	High

The combination of these criteria determine the **materiality** of sustainability topics.

NEGATIVE IMPACTS

ACTUAL IMPACTS

Materiality Thresholds		
scale	Severity	
	scope	Irremediable character
High	High	High
High	High	Very high
High	Very high	High
High	Very high	Very high
Medium	Very high	Very high
Very high	Medium	Very high
Very high	High	High
Very high	High	Very high
Very high	Very high	High
Very high	Very high	Very high

POTENTIAL IMPACTS

Materiality Thresholds			
scale	Severity		Likelihood
	scope	irremediable character	
High	High	High	Very high
High	High	Very high	Very high
High	Very high	High	Very High
High	Very high	Very high	Very high
Medium	Very high	Very high	Very high
Very high	medium	Very high	Very high
Very high	High	High	Very high
Very high	High	High	High
Very high	High	Very high	Very high
Very high	High	Very high	High
Very high	Very high	High	Very high
Very high	Very high	High	High
Very high	Very high	Very high	Very high
Very high	Very high	Very high	High

For actual impacts, only severity is taken into account, for potential impacts both severity and likelihood are considered

Treatment of Thresholds in the Conversion Tool 2/2

POSITIVE

Legend →	Low	Medium	High	Very high
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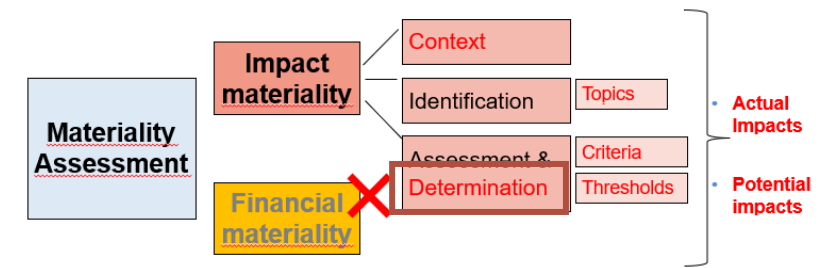
Positive Impact	Severity Assessment		Is the impact assessed as material?
	Scope	Scale	
Climate change mitigation	Low	High	No
Pollution of air	Low	Medium	No
Pollution of living organisms and food resources	Low	Medium	No
Working conditions (own workforce)	High	Medium	No
Working conditions (value chain)	High	Medium	No
Social inclusion of consumers and/or end-users	High	High	Yes
Flourishing MSMEs	Medium	Low	No
Infrastructure	Low	High	No

NEGATIVE

Legend →	Low	Medium	High	Very high
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Negative Impact	Severity Assessment			Is the impact assessed as material?
	Scope	Scale	Irremediability	
Climate change adaptation	Low	Medium	High	No
Climate change mitigation	Low	High	Medium	Yes
Pollution of air	Low	Medium	Low	No
Pollution of water	Low	Medium	Low	No
Pollution of soil	Low	Medium	Low	No
Pollution of living organisms and food resources	High	Medium	Low	No
Substances of concern	Low	High	Low	Yes
Substance of very high concern			Low	No
Microplastics			Low	No
Water			Low	No
Marine resources			Low	No
Direct impact drivers of biodiversity loss	Low	Medium	High	No

4.1.6a Determination: How to integrate UNEP FI data with data coming from other sources? 1/2



For data regarding other segments of the bank’s value chain:

Even when a topic comes up in both spheres, they will not be driven by the same activities. Therefore, the impact topics identified as material linked to the bank’s own operations and those linked to its value chain (downstream) are **additional**. **Data on these must be accounted for independently, not aggregated.**

Material topics linked to own operations

- E.g. **own work force (i.e. bank’s work force)**



Material topics linked to value chain (portfolio)

- E.g. **own work-force (i.e. of clients)**, consumers & end-users (of the banks’ products and of clients’ products), climate change (linked to clients), circular economy (linked to clients), business conduct (linked to clients)

4.1.6b Determination: How to integrate UNEP FI data with data coming from other sources? 2/2

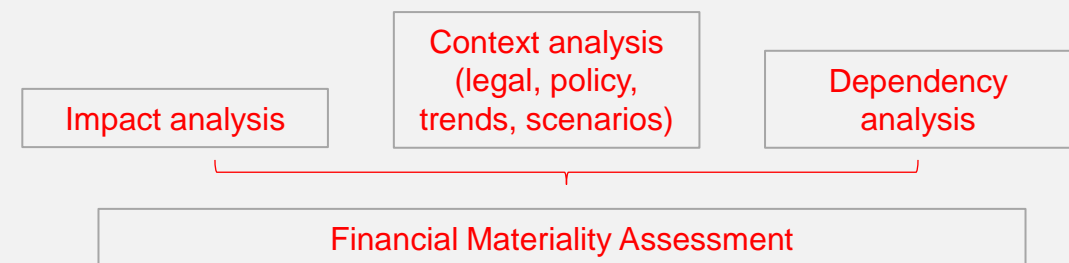
For data regarding financial materiality:

Impact topics identified as financially material, and the data supporting the financial materiality assessment (even for topics that are also material from an impact perspective), are also **additional / require their own coverage**.

However, it is worth noting that UNEP FI impact analysis, by virtue of its methodology can provide a valuable basis for financial materiality analysis.

Relevance of UNEP FI Impact Analysis to financial materiality assessment

UNEP FI Impact Analysis is directly based on a detailed and contextualised review of portfolio composition, as a result it can contribute to financial risk and opportunity analysis alongside other inputs such as dependency analysis.



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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