



UNEP
FINANCE
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PRINCIPLES FOR
RESPONSIBLE
BANKING

PRINCIPLES FOR RESPONSIBLE BANKING

Guidance Document



Acknowledgments

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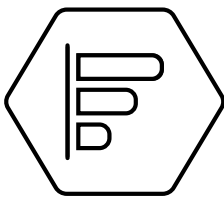

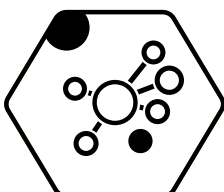
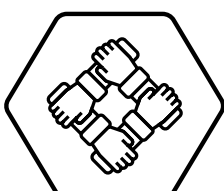

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CONTENTS

	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.	P.3
	PRINCIPLE 2: IMPACT AND 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.	P.8
	PRINCIPLE 3: CLIENTS AND 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.	P.14
	PRINCIPLE 4: STAKEHOLDERS We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.	P.19
	PRINCIPLE 5: GOVERNANCE AND CULTURE We will implement our commitment to these Principles through effective governance and a culture of responsible banking.	P.23
	PRINCIPLE 6: TRANSPARENCY AND ACCOUNTABILITY We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.	P.27
	ASSESSMENT OF COLLECTIVE PROGRESS	P.28
	EXAMPLE IMPLEMENTATION OF THE PRINCIPLES	P.29

INTRODUCTION TO THIS GUIDANCE DOCUMENT

The Principles for Responsible Banking and their mechanisms for implementation and accountability are captured in three primary documents: [The Principles Signature Document](#), [the Key Steps to be Implemented by Signatories](#), and [the Reporting and Self-Assessment Template](#). These are referred to as the Principles for Responsible Banking Framework Documents.

The purpose of this Guidance Document is to support the implementation of the Principles by providing non-binding guidance to banks on measures they can take to implement each Principle.¹

Each section of the document begins with the Principle, an introductory paragraph that sets out the intention of the Principle and a summary of what the Principle requires from a signatory. This is followed by suggested measures banks can employ to implement each Principle, key resources banks can use, and examples that provide some concrete ideas.

The document ends with a high-level example of what implementation of the Principles could look like in the first four years.

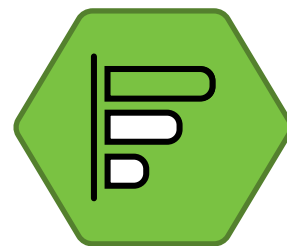
See pages 29–33



This Guidance Document will be updated periodically to include resources that offer practical guidance on implementing the Principles. In addition to the support provided in this document, signatories will benefit from an annual feedback and support meeting with the UNEP FI Secretariat. As UNEP FI members, signatories to these Principles will also have access to a wealth of support, tools, expertise and peer learning.

¹ The suggestions provided in this document are general in nature and do not take into account any specific institution's circumstances. Nothing in this document should be read or construed to imply that any bank is obliged to act contrary to any applicable law, regulation or rule, or contrary to its internal governance framework.

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.

Strategic alignment means gearing a bank's business strategy towards being consistent with, and contributing to, the [Sustainable Development Goals](#) (SDGs),² the [Paris Climate Agreement](#) and other relevant national, regional or international frameworks, such as the UN Guiding Principles on Business and Human Rights, **where a bank is best positioned to do so through its business**. These frameworks articulate globally agreed goals and challenges for building a more **sustainable future**. By aligning its strategy with society's goals, the bank shows that its business, and the products and services it provides, can support a sustainable future while achieving long-term business benefits. It signals that the bank accepts its **shared responsibility** for shaping and securing our future.

The **SDGs and the Paris Climate Agreement** identify the most pressing societal, environmental and economic needs of our time. Banks have a pivotal role to play in enabling them to be delivered. While the SDGs and the Paris Climate Agreement are directed at governments, they are underpinned by a series of specific targets and programme areas where banks can make substantial contributions and, by doing so, align themselves clearly with the needs of society, their countries, clients and customers.

Principle 1: Requirements set out in the Framework Documents

In line with the Principles for Responsible Banking Framework Documents, banks are required to describe how they are aligning their business strategy with the SDGs, Paris Climate Agreement, and other frameworks that are most relevant to their operating contexts. The bank's business strategy may be articulated in one or across several of its strategy documents. What should be clear is how the bank intends to contribute towards the achievement of the SDGs, the Paris Climate Agreement and other relevant national, regional or international frameworks.

How your bank can work towards Principle 1

- Ensure that your bank, notably the Board and appropriate departments and committees, including those that deal with strategy, have a comprehensive understanding of the [SDGs](#), [the Paris Climate Agreement](#), the [UN Guiding Principles on Business and Human Rights](#) and other relevant national, regional or international frameworks that are relevant to your bank, and how your bank, through its business, can contribute to these frameworks.
- Focus on the SDGs that are most relevant to your bank's operating context, which may require focusing on specific targets and indicators underlying those SDGs.
- Use climate targets and SDGs as a framework to evaluate and adapt your bank's value creation model and strategy:
 - Identify if any current activities, portfolio focus areas, products or services to clients and customers are inconsistent with the SDGs and of the Paris Climate Agreement.
 - Assess current misalignment with society's goals, and where your bank can contribute to society's goals and seize business opportunities at the same time.

² Report "Business Reporting on the SDGs: An Analysis of the Goals and Targets", by UN Global Compact, GRI and PWC; "Rethinking Impact to Finance the SDGs" by UNEP FI's Positive Impact Initiative.

- Integrate the SDGs, the Paris Climate Agreement and other relevant national, regional or international frameworks explicitly into your business strategy and key business decisions, including your product development and capital allocation decisions.
- Management and Board commitment is crucial to aligning your business strategy with the SDGs, the Paris Climate Agreement and other relevant national, regional or international frameworks, and for effectively implementing this strategy across the business (see detailed guidance under Principle 5).
- Regularly consult and engage with relevant stakeholders to ensure full understanding of their expectations and their relevant ideas and suggestions, with an aim to further increase your contribution to society's goals (see Principle 4).

Some key resources

- [SDG Compass](#): this is a tool developed by GRI, the UN Global Compact and the World Business Council for Sustainable Development (WBCSD), which provides guidance for companies on how they can align their strategies with the SDGs, and measure and manage their contribution towards realizing them.
- European Commission's [Action Plan: Financing Sustainable Growth](#): this sets out the strategy for a financial system that supports the EU's climate and sustainable development agenda. It provides a roadmap setting out the role of finance in achieving a well-performing economy that delivers on environmental and social goals. The Action Plan also called for the development of a taxonomy of sustainable activities ([see report under consultation](#)), which the banking sector should foster to align with societal goals. The report contains technical screening criteria for 67 activities across 8 sectors that can make a substantial contribution to climate change mitigation. It sets out the basis for a future EU taxonomy in legislation.
- [Addis Ababa Action Agenda](#) (AAAA): this is the key international agreement that provides a global framework for financing sustainable development, by setting out the role of private finance and business in achieving the sustainable development goals, including specifically banking.
- [Rules of the Game: A brief introduction to International Labour Standards, 2014](#): the Standards will help banks better understand the ILO Conventions and Recommendations, and how international labour standards are applied and supervised. They provide clear rules to ensure that economic progress occurs together with social justice, prosperity and peace for all.
- [Science Based Targets Initiative](#) (SBTi): the SBTi provides nascent tools and methodologies that enable banks to set financing strategies that are consistent with what science requires to keep global temperature rise under the 2°C threshold.
- Nationally Determined Commitments (NDCs): to translate their commitment under the Paris Climate Agreement into national targets, plans and priorities, countries have published NDCs. This provides a valuable starting point for banks wishing to understand the local priorities and the scale of action required at country level. Where NDCs are not yet fully in line with the level of CO2 reduction required to keep global warming well below two degrees, banks can consult available "2°C scenarios" developed by institutions such as the [International Energy Agency \(IEA\)](#), the Potsdam Institute for Climate Impact Research (PIK) and the International Institute for Applied Systems Analysis (IIASA).
- [Principles for Mainstreaming Climate Change](#): a large coalition of the world's leading financial institutions have signed the five voluntary Principles, which support and guide financial institutions in the process of adapting to and promoting climate smart development. They were launched in 2015 under the umbrella of the World Bank.
- [ISO14097 standard](#): this is currently under development. It will tackle climate issues for the financial sector and will be designed to integrate with other ISO standards.
- Many of the main ESG rating agencies and data providers (e.g., MSCI, ISS Oekom, Sustainalytics, RobecoSam, Vigéo Eiris, Ethifinance, etc.) use the SDGs as a reference to assess the sustainability performance of corporates and financial institutions. Their questionnaires and methodologies can be a valuable source of guidance and inspiration to banks that wish to align their business strategies with the SDGs.

EXAMPLES

a. How an African Founding Bank expresses its strategy

This African banking group's strategy is underpinned by the understanding that the profitability of the banking group in the long-term depends on the stability and wellbeing of the African continent (where it has operations in 20 countries), and that its pursuit of profit should produce outcomes that are beneficial to the societies, economies, and environments in which it does business. Its purpose and strategy are to drive sustainable and inclusive growth across Africa by meeting the needs of Africa's people, its entrepreneurs, and businesses; these needs overlap with the SDGs. As such, positively impacting on the achievement of the SDGs is integrated into the bank's strategy. Positive impact is both a driver of sustainable financial value, and an outcome of doing the right business, the right way. The bank has identified seven areas in which it will drive impact: health; education; infrastructure; financial inclusion; climate change; jobs & enterprises; and African trade & investment. Click [here](#) for more information.

b. A European Founding Bank's climate strategy

This European bank, recognizing that it has a crucial role to play in financing the transition to a low carbon economy, has developed a [comprehensive climate strategy](#). It developed the [Terra approach](#), which is an open and transparent initiative to steer its €600 billion lending portfolio towards the Paris Climate Agreement's well-below two-degree goal, using science-based scenarios, and considering the technology shift needed across certain sectors to follow that path. The bank will focus on the sectors in its loan book that are responsible for most greenhouse gas emissions, which include energy, automotive, shipping and aviation, steel, cement, residential mortgages and commercial real estate. The bank aims to double its funding to sectors and companies that contribute to a low carbon economy by 2022, which involves funding projects that advance renewable energy, the circular economy and help combat climate change. Its own operations have been carbon neutral since 2007 (i.e. reducing and offsetting the GHG emissions arising from its buildings and transportation).

c. The SDGs and Islamic Banking

Activities supported by Islamic banks are in line with Islamic law, which emphasizes the maximization of benefits to individuals and society and the minimization of harm (see, for example, [Bank Negara Malaysia's strategy paper on value-based intermediation](#)). The main areas of consideration tend to be the protection of morality and life, family, intellect and wealth. These elements form the primary basis of the business screens used by Islamic banks. As the SDGs address the most necessary elements of the majority of these considerations, they could augment existing screens and form a useful yardstick for Islamic banks for managing both the positive and negative impacts of their activities.



PRINCIPLE 2: IMPACT AND 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.

In the Preamble to these Principles, banks have defined their purpose as helping to develop sustainable economies and to empower people to build better futures. To put this purpose into practice, banks need to **identify, assess and improve the impact on people and environment** resulting from their activities, products and services. For the banks to **continuously increase positive impact while reducing negative impact** on people and environment, they need to incorporate assessment of risks and impacts on all three dimensions of sustainability (environmental, social and economic) into business decision-making at strategic, portfolio and transaction levels. **Setting targets** is an essential component to scaling up banks' contributions to society's goals.

Principle 2: Requirements set out in the Framework Documents

In line with the Principles for Responsible Banking Framework Documents, this Principle requires banks to undertake an analysis of their impacts on society, the environment and the economy, to identify their most significant impacts and to set a minimum of two targets that address at least two of the identified significant impacts. Your bank's impact analysis should be based on (1) scope: the bank's core business areas, products/services across the main geographies that the bank operates in; (2) scale of exposure: where the bank's core business/major activities lie in terms of industries, technologies and geographies; (3) context and relevance: the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates; (4) the scale and intensity/salience of (potential) social, economic and environmental impacts resulting from the bank's activities and provision of products and services. The bank should engage with relevant stakeholders, including civil society, to inform aspects of the analysis. See the [Reporting and Self-Assessment Template](#) for more guidance.

Targets may be qualitative or quantitative. The targets, and their level of ambition, should be linked to the SDGs, Paris Climate Agreement and other relevant national, regional or international frameworks. Banks are required to establish milestones/KPIs for monitoring progress against their targets. When setting and monitoring progress against targets, banks should be conscious of any negative impacts that may result from this process, and should address these if they arise.

Targets should be SMART:

- **Specific:** It should be clear what activity is the subject of the targets, how the objectives and targets relate to individuals' needs and society's goals, what improvements in performance and in impact are being sought.
- **Measurable:** It should be clear how performance and impact are being measured or assessed.
- **Achievable:** The targets should be attainable.
- **Relevant:** The targets should focus on areas where the bank has the greatest impact. They should clearly link to one or more of the Sustainable Development Goals, the Paris Climate Agreement and other relevant national, regional or international frameworks.

- **Time-bound:** It should be clear when the targets are to be met, and the timeframes should be at least as ambitious as those expressed in the Sustainable Development Goals, the Paris Climate Agreement and other relevant national, regional or international frameworks.

How your bank can work towards Principle 2

Impact analysis and risk assessment

- Conduct an impact analysis of your bank's significant impacts based on the requirements detailed under (1) scope, (2) scale of exposure, (3) context and relevance, (4) the scale and intensity/salience of impacts, in the [Reporting and Self-Assessment Template](#). One of the tools available for conducting the impact analysis is the Positive Impact Initiative [Impact Identification Tool](#), which may be used to identify significant impact areas at the portfolio level. This tool also provides guidance on how the outcome of the analysis can be used to set targets (see 'Some key resources').
- Undertake a forward-looking assessment that analyses your bank's dependency on nature, and the associated risks. One of the tools available for this is the ENCORE Tool and the Finance Sector Supplement to the Natural Capital Protocol (detailed under 'Some key resources' below).
- Assess, monitor and be transparent about your bank's portfolio exposure to technologies, business models and sectors with significant sustainability impacts.
- Develop and publish increasingly quantitative and forward-looking assessments of your bank's positive and negative impacts, and risks and opportunities.
- Based on the outcome of the impact analysis, develop strategies, policies and KPIs to address, reduce and mitigate negative impacts and to realise opportunities to continuously expand and scale up positive impacts, and put in place processes and systems to manage risks, to people and the environment. Actions should include:
 - Integrating the results of the impact analysis into strategy decisions and portfolio-allocation decisions, and defining strategic opportunities to increase positive impact, e.g., by expanding in certain sectors or segments.
 - Defining overarching lending policies (e.g. sectoral) and developing and monitoring KPIs for portfolio adjustments over time to increase positive and reduce significant negative impacts.
 - Establishing management systems and processes (e.g. policies, procedures, monitoring) to identify and manage social and environmental risks and negative impacts. For client analysis your bank could use the Positive Impact [Corporate Impact Analysis Tool](#), to understand the impact profile of its clients and help them progress on their impact journey (see 'Some key resources').
 - Introducing key questions on sustainability risks in your bank's know-your-client processes.
 - Integrating environmental and social risk into your bank's overall risk assessment. This could include integrating the TCFD framework into your bank's risk management strategy.
- Build capacity and expertise on sustainability risk and impact assessment in credit committees, among client relationship managers and other relevant business committees.
- Harness technology to mitigate identified risks, seize opportunities, and enable better monitoring of impacts.
- Invest in innovation and strategic development of new client/customer segments, sectors/technologies and innovative product offerings.

Target setting

- Once your bank has identified its areas of most significant impact, assess which of those areas should be prioritized, and set targets in those areas.

- Determine the activities or sectors to prioritise, and establish your bank's baseline/starting point in those activities or sectors. Then set SMART targets against the determined baselines.
- Define measures to achieve your bank's targets, such as working with clients and customers (see Principle 3: Clients and Customers), and proactively working to expand/reduce your bank's exposure to certain sectors, etc. Allocate resources and responsibilities to ensure that the targets can be met.
- Set processes to monitor and review progress against the targets, including setting KPIs.
- Analyse whether there are any actual or potential negative impacts associated with your targets (eg. damage to ecosystems) and take corrective precautions or measures to address these.
- Establish mechanisms to periodically review targets with the objective of ratcheting them up over time.
- Frequently report on progress to the Board of Directors and executive team to ensure their buy-in.
- Link internal functions, such as marketing and communication, training, human resources, innovation and compliance to the targets to ensure internal coherence.
- Link the achievement of targets and progress relating to your bank's sustainability objectives to remuneration and incentive systems throughout the organization.

Some key resources:

- [Impact Identification Tool](#) manual: this tool has been developed by the UNEP FI Positive Impact Initiative together with a group of UNEP FI member banks. It provides guidance on how banks can identify the significant impact areas associated with their portfolios. Using the Tool, the bank generates an objective overview of its significant impact areas through a Sector/Impact Map, based on the Positive Impact Initiative's Impact Radar, which maps out significant impact areas for each country the bank operates in, per sector/economic activity. This is followed by an assessment to determine how the bank is performing with regard to the impact areas identified, and consequently which impacts it should prioritise, as informed by the impact needs of the countries it operates in, and engagement with relevant stakeholders. The outcome of this assessment, together with considerations of which sectors constitute the core business of the bank, and the possible systemic importance of the bank to its country/ies of operation, will inform its target-setting. The tool will be available on the UNEP FI website from early November.
- [Corporate Impact Analysis Tool](#) manual: this tool has also been developed by Positive Impact Initiative. It will assist banks to understand their corporate clients' impact status and possibilities. Based on the company's typology, sectors and geographies of activity, the tool uses the above-mentioned Sector/Impact Map to generate its impact profile (overview of its significant impact areas). After this initial identification stage, an assessment phase follows, in which the company's impact management capabilities and impact performance is reviewed. Based on the outcomes of the two phases, the bank can make a number of business decisions, including, for example, the inclusion of impact performance targets in its lending covenants. The tool will be available on the UNEP FI website from early November.
- The [UN Guiding Principles on Business and Human Rights](#): these are the globally recognized and authoritative framework for the respective duties and responsibilities of Governments and business enterprises to prevent and address adverse impacts on people resulting from business activities in all sectors, including the banking sector. To meet their responsibility to respect human rights, banks are required to exercise human rights due diligence to identify, prevent, mitigate and account for how they address impacts on human rights; and provide remediation for adverse impacts, which the enterprise has caused or contributed to. The [UN Office of the High Commissioner for Human Rights](#), the [UN Working Group on Business and Human Rights](#), and the [OECD](#) provide Guidance on the implementation of the UN Guiding Principles. The online [Business and Human Rights](#) offers a useful compendium of guidance documents and tools.
- The [UNEP FI Human Rights Guidance Tool for the Financial Sector](#): this provides financial practitioners with information on human rights risks, specifically focusing on human

rights issues relevant to the assessment of business relationships and transactions. This tool assists finance sector professionals to identify human rights risk and possible risk mitigation measures, as particularly relevant for lending operations. It also contains references to existing human rights standards, banking practice and further resources to help practitioners operationalize human rights due diligence.

- Connecting Finance and Natural Capital, a [Finance Sector Supplement](#) to the Natural Capital Protocol: this provides a framework for financial institutions to assess the natural capital impacts and dependencies of their investments and portfolios.
- The [ENCORE](#) (Exploring Natural Capital Opportunities, Risks and Exposure) Tool: is a step-by-step guide to incorporating natural capital into bank's risk management processes. This tool enables comprehensive risk analysis across all ecosystem services and economic sectors, using drivers of change of environmental assets such as climate change, natural disasters and human degradation.
- The Natural Capital Credit Risk Assessment in Agricultural Lending: is a framework, developed by the Natural Capital Finance Alliance, that enables financial institutions to conduct natural capital credit risk assessment across different agricultural sectors and geographies, taking into account factors such as water availability, use and quality; soil health; biodiversity; energy use and greenhouse gas emissions. The agricultural sector is one of the sectors most exposed to environmental risk caused by climate change and human degradation of ecosystems. The new sector-specific guide is consistent with the leading international standard for including natural capital in business decision-making, the Natural Capital Protocol, and complements the Natural Capital Finance Alliance's ENCORE tool.
- The [Science Based Targets Initiative](#) helps companies to set greenhouse gas emission reduction targets that are in line with the reductions needed to keep global temperature rise 2°C above pre-industrial levels. Companies can submit their targets for validation and verification against established criteria.
- [Paris Agreement Capital Transition Assessment](#) (PACTA): this is a free online tool from 2 Degrees Investing Initiative (2°i) that analyses exposure to transition risk in equity and fixed income portfolios over multiple climate scenarios. It is being adapted for lending portfolios.
- Many banks publish lists of the activities that they will not finance.³ These are a useful resource for banks looking to develop their own lists, although it is noted that banks adopting such lists need to account for local regulations and societal expectations.
- Sectoral policies have already been adopted and published by several global banks. These list the binding and evaluation criteria that their clients must meet to be eligible for capital allocation. These criteria are generally made public,⁴ which is key for banks that aim to develop their own internal policies that are adapted to their operational contexts and market positions.
- The Equator Principles: this is a risk management framework that guides banks in determining, assessing and managing environmental and social risk in projects. The framework requires banks to consider risks to society and the environment as well as to the bank, and sets out a framework for assessing and managing social and environmental risk in project finance.
- The [Task Force on Climate-related Financial Disclosures](#) (TCFD), provides corporations with a framework for assessing and reporting on their climate-related risk management strategy.

3 A few helpful examples among many others:
www.sc.com/en/sustainability/position-statements/prohibited-activities/
www.abnamro.com/en/images/Documents/040_Sustainable_banking/060_Strategy/ABN_AMRO_Exclusion_list.pdf

4 A few helpful examples among many others:
www.hsbc.com/our-approach/risk-and-responsibility/sustainability-risk
www.db.com/cr/en/docs/DB-ES-Policy-Framework-English.pdf
group.bnpparibas/en/financing-investment-policies
www.citigroup.com/citi/sustainability/policies.htm
www.westpac.com.au/about-westpac/sustainability/our-positions-and-perspectives/sustainable-lending-investment/

Many corporates throughout the world, including banks, issue an annual TCFD Report⁵ where they disclose their climate-related risk in consistency with TCFD guidelines. The TCFD has been at the core of the [Action Plan for Financing Sustainable Growth](#).

- The [UNEP FI TCFD Banking Pilot](#): working with 16 leading banks from around the world, UNEP FI has published two reports setting out an approach and methodology for scenario-based forward-looking assessment of transition-related risks and opportunities ([Extending our Horizons](#)) and approaches and methodologies for forward-looking, scenario-based assessment of risks and opportunities from the physical impacts of climate change ([Navigating a New Climate](#)).
- The [IFC Performance Standards](#): these Standards outline responsibilities for managing environmental and social risks, and can be used to understand sector-specific ESG risks.
- Strategic risk assessment studies such as [those produced annually by the World Economic Forum](#) or other think tanks could assist banks when engaging stakeholders and assessing risk to their own strategies, operations, and their stakeholders as well as the natural environment.
- The [Green Bond Principles](#): these are voluntary guidelines that provide a framework for transparency and disclosure for the issuers of Green Bonds. As such, they are primarily designed to aid investors by ensuring availability of information necessary to evaluate the environmental impact of Green Bond investments.
- [Exploring Metrics to Measure the Climate Progress of Banks](#): this is a report co-published by UNEP FI, which assesses the various metrics that can be used to assess a bank's contribution to climate change and makes recommendations for choosing climate metrics by asset class. The report also addresses the potentially conflicting aims of transition financial risk and climate policy goals.
- Initiatives like the [Science Based Targets Initiative](#), the [CDP](#) (a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions on climate issues) or the [ISO14097](#) framework, currently under development, are key resources regarding climate-related impacts.
- The Dutch Platform Carbon Accounting Financials (PCAF) has proposed a harmonized carbon accounting approach for the financial sector. The [report](#) outlines the carbon footprinting methodologies per asset class.
- The World Wildlife Fund (WWF) provides a free-to-use [water risk filter](#).
- The [Soft Commodity Risk Platform](#) (SCRIPT): this is a freely available system to help financial institutions understand and mitigate the deforestation risks associated with financing companies in soft commodity supply chains.
- [African Development Bank Group \(AfDB\) Integrated Safeguards System](#): this is the AfDB's strategy to promote growth that is socially inclusive and environmentally sustainable. Safeguards are a powerful tool for identifying risks, reducing development costs and improving project sustainability, thus benefiting affected communities and helping to preserve the environment.
- [IFC Operating Principles for Impact Management](#): Impact investing has emerged as a significant opportunity to mobilize both public and private capital into investments that target measurable positive social, economic or environmental impact alongside financial returns. The objective is to establish a common discipline and market consensus around the management of investments for impact and help shape and develop this nascent market.
- NGO reports, which highlight the social or environmental impacts of lending activities are useful for ensuring a comprehensive mapping of issues and facilitating understanding of civil society expectations.

5 www.citigroup.com/citi/sustainability/data/finance-for-a-climate-resilient-future.pdf
www.societegenerale.com/sites/default/files/documents/Document%20RSE/climate-disclosure-societe-generale-tcf-report-june.pdf
www.anz.com.au/content/dam/anzcomau/documents/pdf/aboutus/wcmmigration/2018-anz-sustainability-review.pdf (see page 36)

EXAMPLES

a. Internalizing environmental costs

A major Chinese financial institution issued a [paper](#) that discusses the impact of internalizing environmental costs onto a firm's balance sheet and the consequent risks this creates for commercial banks. A relevant theoretical framework, transmission mechanisms and analytical methodologies are established to assess the impact of tightening environmental protection standards and climate change policies, joint and several liabilities that banks are exposed to via their customers' activities and changes in the bank's reputational standing in the eyes of its shareholders and depositors. Two industries, namely thermal power and cement production, are selected for stress testing against a range of high, medium and low stress scenarios and the impact on their financial performance and credit ratings is assessed as a result. Actionable responses to this analysis are put forward. The steel industry has also been assessed under the same approach.

In Europe, some banks use a range of carbon prices to stress test the business model of their main clients in the high greenhouse gas emitting sectors such as energy, steel, cement, glass, transportation, agriculture, and real estate. The objective is to assess the effect on the company's financial performance (and consequently on its credit risk) of different carbon prices and regulatory scenarios.

b. Enhancing energy transition and social issues in line with the country's needs

A leading South African bank gave effect to its commitments to sustainable development finance in 2017 through numerous activities including: approximately US\$ 1.3 billion in utility-scale renewable energy finance that added a further 2100 MW to the national grid; through designing a "Smart Living Solutions" product to educate clients and give them access to revolving or advance facilities for financing renewable energy solutions for their homes; through providing approximately US\$ 9 million in new funding for green buildings; through its Green Savings Bond which attracted US\$ 700 million in new savings in 2017 (US\$ 352 million since inception) as well as investing in ensuring greater access to finance for black entrepreneurs previously underrepresented in the economy; increasing its financing of affordable housing, providing circa US\$ 58 million in 2017; student accommodation and student loans. Progress is reported in its [Annual Integrated Report](#), which is third party assured.



PRINCIPLE 3: CLIENTS AND 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.

Banks are vital economic intermediaries and as such can make their most significant contributions to society's goals by **creating synergies** with customers and clients, **encouraging sustainable practices** and **accompanying their customers and clients in their transition towards more sustainable business models, technologies and lifestyles**. In addition to contributing towards shared prosperity for current and future generations, **enabling sustainable economic activities** in this way presents a clear business case for banks: clients that are shifting to sustainable business models and technologies are better prepared for emerging regulations, and better positioned to succeed in our changing economy and society. Accompanying their clients in their own journeys to contribute to society's goals enables **stronger relationships with customers and clients**; and positions the bank as the **partner of choice**. Further, getting to know the bank's customers and clients better drives **business growth** and supports **improved risk management**. A strong relationship between the banks and its client and customers—built on trust—is crucial for any bank's success. Responsible conduct is the foundation of trust.

A bank's most significant impacts on society, the economy, and the environment, are indirect. They are associated with the activities of the bank's clients and customers. Partnering with clients and customers is an essential element in assessing the bank's impacts, understanding risks and opportunities, and achieving targets.

Responsible conduct means **treating clients and customers fairly**, understanding their needs and providing products and services that meet these needs, giving them key product information to enable comparison shopping, transparent pricing, and putting in place customer complaints and dispute resolution mechanisms.

Principle 3: Requirements set out in the Framework Documents

In line with the Principles for Responsible Banking Framework Documents, banks are required to report—at a high-level—on how their policies and practices promote responsible conduct, encourage sustainable practices, and enable sustainable economic activities.

How your bank can work towards Principle 3

These steps can be taken for all of your bank's client and customer segments

- Systematically identify where your bank can support its customers and clients in reducing their negative impacts, and increasing their positive impacts, through adopting new technologies, business models, and practices. Based on your analysis of your clients, develop a strategy, identify steps to take. Such steps can include:
 - Raising awareness, engaging customers and clients and providing advice.
 - Developing new products and services that encourage and support more sustainable business models, technologies, practices, and lifestyles.
 - Incentivising more sustainable investments and choices.

- Proactively informing and engaging with clients and customers about your commitment to sustainability and to responsible banking.
- Establishing partnerships with third parties, to deliver solutions for sustainable production and consumption beyond your bank's current customer and client base. These can include technology providers and FinTech firms to leverage digital technology for new solutions that contribute to financial inclusion, greater access to credit, and improved data security. These partnerships can be with firms that provide sustainability-related products and services; social entrepreneurs who drive social innovation to meet society's goals; and renewable energy firms able to support your bank's clients and customers own transition to a low-carbon economy.
- Building capacity among bank employees to better engage with clients and customers about sustainable finance; and establishing internal guidelines and protocols for supporting clients and customers on sustainability considerations.
- Developing policies, and training staff, to ensure that clients and customers are treated fairly. Reviewing specific products and services to ensure they meet their needs – including sustainability needs.
- Assessing employee incentive structures and remuneration policies to ensure that these are not encouraging mis-selling and other unfair practices. Ensuring that account managers' incentives are aligned with your bank's responsible banking strategy and objectives.
- Involving clients and customers as stakeholders in your bank's stakeholder engagements; and systematically engaging customers and clients on sustainability issues.
- Integrating questions on your bank's clients and customers sustainability preferences in the on-boarding process.
- Building expertise within your bank, or through partnerships with other organizations, to effectively advise clients and customers on adopting more sustainable business models, technologies, and lifestyles.
- Developing appropriate incentives for clients and customers to make more sustainable investments and financial decisions. This can be through preferential interest rates, rewards programmes for sustainable consumption choices, etc.
- Offer "sustainability-linked loans" or "positive impact loans", where some of the terms could be linked to corporate progress on sustainability (e.g., discounts could be provided based on the use of the funds or the realization of certain sustainability-related targets).
- Creating a "race to the top" among clients and customers, offering more attractive interest rates, pricing, terms and conditions, and value-added services for more sustainable clients and customers.

These steps can be taken for your bank's retail customers

- Identifying where your bank could encourage and support sustainable behaviour and consumption choices.
- Mapping your bank's retail customers, and for each major segment, identifying the existing and potential sustainability-related behaviours and actions where your bank can provide support and/or incentives.
- Identifying retail customer segments with low financial literacy, and potential retail customer segments that are under-served by banks.
- Based on this analysis of your bank's retail customers, developing a strategy and identifying steps to take. For example, your bank can consider expanding and adapting its current offerings to the "bottom of the pyramid" through microfinance, micro-insurance, low-cost savings products and transactional services. In addition, your bank can finance and incentivise sustainable energy use through "green loans" for home insulation, the use of renewable energy, or carbon offsetting.
- Helping your bank's retail customers acquire the knowledge and skills to effectively manage their finances, e.g. through financial literacy programmes. Your bank can consider working with customer advocacy organisations on such programmes.

These steps can be taken for your bank's entrepreneurs and small enterprise customers

- Mapping your bank's small business customers and identifying the existing and potential sustainability-related activities where your bank can provide further support through new products and services.
- Identifying small enterprises and entrepreneurs who will benefit from greater financial literacy, business development support, and innovative financial products and services that will support the growth of their businesses.
- Providing specialised financial products and services to social enterprises and social entrepreneurs making a positive contribution to sustainable development, for example through innovation hubs, incubators, and supplier development programmes.
- Helping your bank's small business customers improve their knowledge and skills to effectively manage their business finances. Your bank could consider working with small business support organisations on such programmes.
- Using digital platforms to deliver financial products and services more efficiently to small businesses and entrepreneurs, and to help these customers solve many of their business challenges, for example the use of blockchain to facilitate letters of credit for importers and exporters.

These steps can be taken for your bank's corporate and institutional clients

- Mapping your clients according to their economic sector. For each major sectoral grouping, identifying the sustainability impacts, positive and negative, that these clients need to manage and where your bank could play a role in supporting these efforts.
- Asking clients for information on their significant impacts, and environmental and social risks, for consideration when assessing broader credit risks.
- Encouraging clients to improve their own social and environmental impacts and adopt robust sustainability standards.
- Identifying where new or existing financial solutions may play a pivotal role in fostering sustainable business practices by clients. This can be undertaken during various routine client engagements, including client on-boarding, Know Your Client reviews, transaction assessments, etc. Examples of such sustainable practices include:
 - Introducing energy efficiency practices
 - Use of renewable energy sources
 - Transition to lower carbon transportation options
 - Developing energy efficient buildings
 - Investing in smart cities
 - Responsible water and waste management systems
 - Harnessing opportunities in the circular economy
 - Introducing climate-smart agricultural practices
 - Reducing plastic pollution and investing in sustainable packaging
 - Assessing and disclosing financial-related climate risks through the TCFD
 - Increasing female representation in Boards and senior management

Some key resources

- [CGAP Customer-Centric Guide](#): this is a collection of hands-on toolkits and experiments that help design and deliver effective financial services for low-income customers. The Consultative Group to Assist the Poor (CGAP) is a global partnership, under the umbrella of the World Bank, of 34 organizations that seek to advance financial inclusion. CGAP is currently developing the Customer Outcomes Framework, which financial institutions and regulators can apply practically in order to achieve better customer outcomes. This framework will be supported by Customer Outcomes Indicators.
- OECD/G20 [Inclusive Framework on Base erosion and profit shifting](#) (BEPS): OECD has issued an international collaboration to end tax avoidance that has released several documents and tools to understand what tax avoidance is, and how financial players may contribute to resolve this global issue.
- Cambridge Institute for Sustainability Leadership has numerous [useful publications](#) on topics mentioned in this Principle, including:
 - Micro-insurance
 - The circular economy
 - Sustainable packaging
 - Catalysing FinTech for sustainability
 - Resilience in commercial forestry
- The United Nations Global Compact has numerous [publications on Sustainable Finance](#) that provide helpful information relevant to aligning with Principle 3, including:
 - SDG Bonds and Corporate Finance
 - Engagement Guidance on Corporate Tax Responsibility
 - Carbon Markets
- [Banking Conduct and Culture: A Permanent Mindset Change](#): this is a report published by the G30 banks on responsible conduct.
- A recent [World Bank survey of the South African retail banking sector](#) provides useful insights into several responsible conduct topics.
- The [report of the Australian Royal Commission](#) provides comprehensive insight on a range of customer and client conduct-related issues.
- The [UK Financial Conduct Authority](#) has a wealth of guidance of many conduct topics.
- For information on financial inclusion, visit the website of the [Global Partnership for Financial Inclusion](#).
- [The FARMS Initiative](#) has published Responsible Minimum Standards that financial institutions can use to influence and guide meat, milk and egg producers, and other companies in the supply chain, towards responsible treatment of farm animals, including how farm animals are raised, transported and slaughtered.

EXAMPLES

a. Increasing financial literacy for retail customers in developing countries

A bank focused on retail customers in emerging economies might create the most positive impact by increasing financial literacy and access to appropriate and affordable services while also taking care that remuneration incentives within the bank don't unintentionally encourage overselling to people (e.g. to seasonal workers whose livelihoods are uncertain). In an example from Turkey, a bank partnered with the Government to support financial literacy sessions for families and households. Several hundred thousand people have been trained since the inception of the initiative.

b. Enabling financial inclusion through technology

On the messaging application and conversational service of the biggest mobile telecom operator in Turkey, a [bank](#) enables its customers to transfer money to unbanked or underbanked people, solely by entering the receiver's phone number. This enables unbanked/underbanked people to benefit from financial services.

Enabling disabled people to access financial services is a key component of many financial inclusion initiatives. For example, ATMs can be designed for use by visually impaired customers, and many internet banking and mobile banking services have been made compatible with screen reader software, enabling audio transactions for disabled customers.

c. Supporting rural development

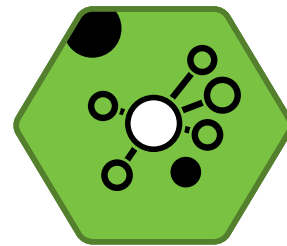
One of the most prominent private sector banks in Bangladesh conducts all banking activities in accordance with Shari'ah law and was the first Shari'ah interest-free bank in the country. Amongst the bank's most established programs is their [Rural Development Scheme](#) (RDS), which is a micro credit system based on financial inclusion strategies geared towards poverty alleviation and economic development. It funds rural housing, income-generating activities, safe drinking-water and sanitation facilities. The bank's objectives include extending investment opportunities to rural areas, financing self-employment, alleviating rural poverty, and providing more education and healthcare opportunities.

d. Seizing opportunities to create sustainable outcomes

[Alipay's Ant Forest Program](#) represents the value of improving and making use of unique bank and retail customer opportunities. Alipay, as an online payment platform, rewards customers with points when they make small sustainable daily choices. These points are to be spent on planting trees near the customer's region, resulting in over 100 million trees planted by 500 million Alipay customers. The Ant Forest Program is exemplary of the potential opportunities when banks and customers work together for a more sustainable future.

PRINCIPLE 4: STAKEHOLDERS

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



The scale of change necessary to meet the objectives of the SDGs, the Paris Climate Agreement and other relevant national, regional or international frameworks requires **collective action and partnerships**. Banks are a crucial part of our economic and social system and can contribute to these important societal goals. By **partnering** with relevant stakeholders (notably peers, investors, clients, customers, regulators, employees, policy-makers, suppliers, scientists, academia, civil society, trade unions and communities), banks can significantly **increase the impact** of their actions and support action at the **scale of change** that is required. **Proactively consulting** stakeholders ensures your bank benefits from their knowledge and subject-matter expertise and enables the correct/legitimate definition of society's goals; it drives legitimacy and capacity to identify positive and negative impacts. **Proactively engaging** stakeholders early on ensures that all relevant interests are taken into account and a bank will not encounter challenges down the line.

Principle 4: Requirements set out in the Framework Documents

Your bank is part of a social system, in which it has to identify its key stakeholders and understand their roles, capabilities and needs. In line with the Principles for Responsible Banking Framework Documents, your bank is required to consult, engage, collaborate and/or partner with relevant stakeholders for the purpose of implementing the Principles, which includes engaging on its impacts. Banks are required to give a high level account of the stakeholders they identified and engaged with, as well as the key issues raised by stakeholders and how they were addressed by the bank.

How your bank can work towards Principle 4

- Identify and map key external stakeholders such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities and non-profit organizations. Pay special attention to "affected" stakeholders, i.e., those that are affected by your bank's indirect impacts, such as communities or wildlife (represented by NGOs).
- Identify those issues or areas where collaboration could help accomplish results beyond what your bank could deliver on its own.
- Establish multi-disciplinary consultation channels and use digital and connected technologies to facilitate continuous and fruitful engagement with stakeholders.
- Establishing partnerships with third-parties, to deliver solutions for sustainable production and consumption beyond your bank's current customer and client base. These can include technology providers and FinTech firms to leverage digital technology for new solutions that contribute to financial inclusion, greater access to credit, and improved data security. These partnerships can be with firms that provide sustainability-related products and services; social entrepreneurs who drive social innovation to meet society's goals; and renewable energy firms able to support your bank's clients and customers own transition to a low-carbon economy.
- Consult and engage all relevant stakeholders to allow them to express their expectations regarding your bank's impacts, strategy, targets, the role your bank can play in driving sustainability, and your efforts to implement these Principles. Make use of stakeholders' expertise and knowledge.

- Engage with regulators and policymakers to advocate for regulations and policies that are in line with the goals and objectives of the *Principles for Responsible Banking*, and sustainable development more broadly. Be transparent about your bank's policy engagements and activities, and make sure they are in line with your bank's commitments under these Principles.
- Partner with relevant stakeholders that can help your bank reduce negative impacts, achieve or scale up positive impacts and deliver more than you could by working on your own. Create partnerships or relationships that enable your bank to leverage its intellectual and social capital, and develop and implement solutions that make substantial contributions to the goals of the SDGs, the Paris Climate Agreement and other relevant national, regional or international frameworks.
- Work with other banks and financial institutions to facilitate concrete and at-scale change in the sector, taking into account the applicable competition law restrictions that may exist in your jurisdictions.
- Regularly review your stakeholder engagement strategy to ensure that it is comprehensive and include new relevant stakeholders when necessary.

Some key resources

- The IFC has issued a [comprehensive guide](#) to help companies with stakeholder mapping. The guide provides corporations and banks with concrete proposals to enable them to identify their key stakeholders and to establish fruitful relationships with them.
- [AA1000 AccountAbility Stakeholder Engagement Standard](#): a stakeholder engagement standard, issued by the private consulting agency AccountAbility, designed to support organizations in designing, implementing and communicating an integrated approach to stakeholder engagement.
- [BSR \(Business for Social Responsibility\)'s Five Step Approach to Stakeholder Engagement](#): a simple, 5-step guide that provides a toolkit for engaging stakeholders and building trust, including how to develop a stakeholder engagement strategy and conduct stakeholder-mapping exercises.
- [Board-Shareholder Engagement in the New Investor Environment](#): the National Association of Corporate Directors (NACD) has published guidelines on board – shareholder engagement that banks' boards could find helpful in strategically engaging the banks' shareholders on the implementation of these Principles. This resource is only available to members of the NACD.
- [International Integrated Reporting Framework](#): this framework provides organizations with a useful and concrete canvas to manage stakeholder relationships. Integrated Reporting (<IR>) aims to improve the quality of information available to providers of financial capital by communicating the full range of factors, including environmental and social drivers, that materially affect the ability of an organization to create value over time. An integrated report should provide insight into the nature and quality of the organization's relationships with its key stakeholders, including how and to what extent the organization understands, takes into account and responds to their legitimate needs and interests. The International Integrated Reporting Council's (IIRC) view is that value is not created by or within an organization alone, but is created through relationships with others, and that stakeholders provide useful insights about matters that affect the ability of the organization to create value.

- [OECD Principles for Transparency and Integrity in Lobbying](#): these principles help banks that engage with policymakers and stakeholders to change policies in a manner that is transparent so it cannot be mistaken for acting in narrow self-interest. It includes the following points, which should be considered when undertaking the engagement:
 1. Do the bank's rules and guidelines respect the socio-political and administrative context?
 2. Are the rules and guidelines consistent with the wider policy and regulatory frameworks?
 3. Is sufficient information on bank interventions publicly available?
 4. Can stakeholders scrutinize the positions and approaches?
 5. Are those undertaking the work on behalf of business meeting standards of professionalism and transparency?
 6. Are the rules of engagement and compliance with them periodically reviewed?
- [Business and the SDGs: Building Blocks for Success at Scale](#): Business Fights Poverty has published a joint publication series with the Harvard Kennedy School of Business comprised of guides on business partnerships for the SDGs. Their report provides practical knowledge through an analysis of successful case studies, enabling different sectors to develop context specific action plans towards sustainable development. In their report [Business and the United Nations: Working Together towards the SDGs: A Framework for Action](#), a framework is developed building on the series' research and expertise. This framework suggests that core business investments and activities are the most effective means with which a business can implement sustainable development strategies. [Embedding the SDGs into Business](#) provides specific and practical examples of three stakeholder engagements with the SDG's outline steps that can be used by other businesses towards sustainable development, including understanding the SDG's, mapping priorities, setting relevant targets, integrating sustainability strategies, and aligning with existing reporting activities.

EXAMPLES

a. One bank's approach to stakeholder engagement

This South African bank recognises that to be maintain its social licence to operate it must understand the societies in which it does business and respond in a relevant and appropriate way. As such it engages with diverse organisations to inform its thinking, including political parties, communities, professional bodies, think tanks, environmental and human rights organisations, and NGOs. These engagements are guided by several policies and principles to ensure mutual respect, consistency of approach, and an ethos of listening to stakeholders.

The bank proactively engages on public policy issues through discussions with government departments and legislators, and through active participation in trade associations. These engagements are conducted in a transparent and constructive manner, and are aimed at highlighting the potential impact of policy and regulatory changes on customers, other stakeholders, and the economy. This advocacy work is evidence-based and respectful of democratic legislative processes. Its aim is to promote a balanced and proportionate policy and regulatory framework that protects customers, depositors, shareholders, and society.

Click [here](#) for more information.

b. Partnering to scale up

Banks should consider whether, in partnerships with others, they could make a significant contribution to social or environmental issues that are of particular concern to the locations where they operate.

As an example, in 2017 UN Environment and a major European bank have signed an agreement to establish a collaborative partnership aimed at raising capital to drive sustainable economic growth in emerging countries. Both partners will collaborate to identify suitable commercial projects with measurable environmental and social impact, with a target of capital funding amounting to US\$10 billion by 2025 in developing countries. The aim is to support smallholder projects in emerging countries related to renewable energy access, agroforestry, water access and responsible agriculture among other sustainable activities.

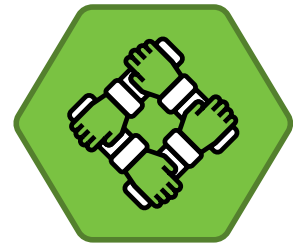
Another fruitful area for partnering is mobile banking in low-income countries. In Africa, where there is an average of five branches per 100,000 adults (vs 32 in North America, source: McKinsey 2015), unbanked communities in rural areas are reached through mobile technologies based on partnerships between banks and local telco operators. Many other brilliant examples in Kenya can be found [here](#).

The [Better Than Cash Alliance](#) is another public-private partnership which aims to transition cash to digital payments as a mechanism for contributing to poverty alleviation and financial inclusion. The Alliance works closely with the UN Secretariat, based in New York, to advise over 70 members comprising of government, private companies and international organizations, on their strategies towards payment digitization. Through support from the United Nations Capital Development Fund, Better Than Cash Alliance provides members with the necessary peer-learning tools, knowledge exchange resources, and development of inclusive ecosystems for digital payments. The Alliance provides research and expertise towards successful transitions to digital payments.

c. Engaging regulators on policies

Banks occasionally come up against policies, laws, regulations and soft law, which unintentionally prevent innovation that is needed to achieve the rapid transformation of the global economy and their local economies. Some years ago, UNEP FI members provided input to the Basel Committee requesting that the Committee address the problem of banking rules that penalized long-term debt. The rule inadvertently increased the difficulty in financing some forms of renewable energy generation, which had longer pay back periods.

PRINCIPLE 5: GOVERNANCE AND CULTURE



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

To be able to respond with the speed and scale necessary to address global challenges requires **leadership**, buy-in and active support of the Board of Directors, the CEO, and senior and middle management. It requires establishing a **daily business culture and practice** in which all employees understand their role in delivering the bank's purpose and integrate sustainability in their work and their decision-making. To deliver on its commitments under these Principles, a bank needs to put in place **effective governance procedures** pertaining to sustainability, including assigning clear **roles and responsibilities**, setting up effective management systems and **allocating adequate resources**.

Principle 5: Requirements set out in the Framework Documents

In line with the Principles for Responsible Banking Framework Documents, banks are required to develop governance structures that enable and support effective implementation of the Principles. This includes having appropriate structures, policies and processes in place to manage its significant impacts and risks, and achieve its targets. Your bank will also be required to disclose measures it is implementing to foster a culture of responsible banking among its employees.

How your bank can work towards Principle 5

- Assign clear and specific roles and responsibilities at the Board level and across all functions of your bank regarding your bank's sustainability agenda and provide adequate resource allocation.
- Build internal expertise on the environmental, social and economic topics relevant to your bank's context, such as climate change, deforestation, pollution, biodiversity, human rights, gender equality, by recruiting specialists supplemented with training of staff on ESG strategies, policies and tools, including providing external guidance through consultants to inform and educate staff.
- Set up a dedicated, specialized team of sustainability experts (e.g., a corporate sustainability department) with strong leadership and clear roles and responsibilities, to facilitate sustainable finance and the implementation of the Principles across all functions of your bank.
- Establish appropriate policies, systems and procedures with effective management systems and controls, including risk, compliance and third-party assurance procedures.
- Integrate sustainability objectives and targets into decision making processes across your bank. Regularly review existing management systems and processes to assess whether these need to be modified or strengthened to enable your bank to deliver on its sustainability-related goals.
- Formally include sustainability criteria into the Terms of Reference or Charter for your Board's nomination, remuneration and audit committees or create a dedicated Board Committee focused on sustainability and responsible banking.
- Integrate sustainability into a clearly communicated statement linking environmental and social issues to the vision and mission of your bank, with clear C-suite endorsement.
- Embed your bank's sustainability targets into its remuneration and incentive as well as its performance management systems. Reward strong sustainability performance and leadership, for example, through promotion decisions.

- Communicate internally and externally (see Principle 6) on your bank's sustainability approach and performance. Actively communicate top-level buy-in from CEOs and the C-suite with statements, quotes and interviews in internal and external media, and regularly address sustainability-related topics to raise awareness, understanding, knowledge and interest among staff.
- Educate and train employees on your bank's sustainability strategy and targets in general, and in particular on sustainability issues pertaining to their respective area of work to develop appropriate awareness and expertise at all levels.
- Embed sustainability values and ethos into day-to-day operations of your bank and its culture through policies, processes and everyday practices such as gender equality and pay equity, climate-friendly transport options, sustainable and inclusive procurement practices, etc.
- Build an internal community of sustainability champions that includes all the employees who have a clear contribution and responsibility towards the achievement of your sustainability goals and targets. Manage and strengthen this community with frequent engagements, such as webinars, meetings and seminars, and newsletters. Honor and publicly recognize sustainability leaders.
- Align lending policies with scientific and robust approaches, which may be developed via a multi-stakeholder process. Where available, use sustainability standards and certification systems developed via multi-stakeholder processes such as the ISO and [ISEAL](#) standards.

Some key resources

- [UNEP FI Integrated Governance: A New Model of Governance for Sustainability](#): this 2014 report sets out a new model of governance that puts sustainability at the heart of governance and corporate boards' strategic agendas. The report makes a compelling case for the development and execution of sustainable strategies in corporations and illustrates why the current state of governance is not well suited to advancing sustainability effectively.
- [Sustainability and the board: What do directors need to know in 2018?](#): this report, gives an updated and concise view on the issues, questions and references that directors should have in mind or address when discussing sustainability at board level.
- [Corporate Governance Principles for Banks](#): the Basel Committee on Banking Supervision (BCBS) issued set of principles for enhancing sound corporate governance practices at banking institutions. The principles provide guidance on (1) the role of the board of directors in overseeing the implementation of effective risk management systems, (2) emphasise the importance of the board's collective competence, and (3) provide guidance on risk governance, including the risk management roles played by business units, risk management teams, and internal audit and control functions (the three lines of defence), as well as underline the importance of a sound risk culture to drive risk management within a bank.
- [OECD Corporate Governance Principles](#): these principles aim at helping policymakers evaluate and improve the legal, regulatory, and institutional framework for corporate governance. They also provide guidance for stock exchanges, investors, corporations, and others that have a role in the process of developing good corporate governance. First issued in 1999, the Principles have been adopted as one of the Financial Stability Board's Key Standards for Sound Financial Systems and endorsed by the G20.
- [G30—Banking Conduct and Culture—A Call for Sustained and Comprehensive Reform](#): this report addresses the governance challenges facing the world's largest banks, their boards, their management, and the supervisors who oversee the health of the financial system as a whole, and the economic sustainability and strength of the individual firms.
- [Financial Conduct Authority: Transforming culture in financial services](#): this discussion paper from the UK's Financial Conduct Authority (FCA) presents views from academics and industry thought leaders on transforming culture in financial services. The paper is intended to provide a basis for stimulating further debate on transforming culture in the sector.

- [Earth On Board](#): this organization is an ecosystem of sustainability actors dedicated to helping organizations achieve an Earth Competent Board, where board members are proficient in sustainability, with the right governance, asking management the right questions, recognizing that peer exchange is key to driving transformation.
- [WWF Sustainable Banking Assessment \(SUSBA\) Tool](#): an interactive tool for banks to assess and benchmark their Corporate Governance (CG) and Environmental, Social, Governance (ESG) integration performance to accelerate their efforts to stay competitive, resilient and relevant in a resource constrained, low carbon future.
- [The International Social and Environmental Accreditation and Labeling Alliance \(ISEAL\)](#): this organization provides a database of sustainability certification standards which can be incorporated into banks' policies and client assessment criteria.
- [Banking Conduct and Culture: A Permanent Mindset Change](#): the Group of Thirty (G30) Banking Conduct and Culture Working Group has published a report that examines the progress made by banks on conduct and culture, shares findings from interviews with over 50 financial sector leaders, and reiterates guidance on the areas where additional efforts and attention are still required.
- [Strengthening Governance Frameworks to Mitigate Misconduct Risk: A Toolkit for Firms and Supervisors](#): this report, issued by the Financial Stability Board, provides a toolkit for use by firms and supervisors to strengthen the ability of governance frameworks to mitigate misconduct risk.
- [OECD Due Diligence Guidance for Responsible Business Conduct](#): this will help financial institutions to implement the diligence recommendations set forth by the United Nations Guiding Principles on Business and Human Rights.

EXAMPLES

a. Linking sustainability objectives to remuneration

More and more banks are incorporating sustainability-related considerations into the performance assessment and remuneration of staff throughout the organization, including for their executive committees and board members. Aligning remuneration programmes with the sustainability agenda of the bank creates awareness, delivers action, and demonstrates credibility.

For example, a major European bank measures the share of its lending portfolio that strictly contributes to at least one of the 17 SDGs. This indicator is embedded in a set of sustainability-linked KPIs (e.g. exposure to renewable power sector, operational carbon footprint, number of individuals that have benefited from a financial education session provided by the group, etc.). Part of the long-term compensation for the bank's 5000 top managers across the group is linked to these criteria.

b. Governance structure to support implementation of the Principles

[A European Founding Bank](#) has a Corporate Responsibility Committee (CRC), chaired by its CEO, which has the overall oversight of the implementation of the Principles for Responsible Banking. The CRC reports directly to Board Ethics Committee and Executive Committee. High-level "Ambassadors for Responsible Banking" have been appointed by the CEO, which include top executive managers and a working group coordinated by the CRC, to develop an Implementation Action Plan. The Bank is in the process of incorporating the Principles into its Sustainability Policy and in other policies (e.g. credit, risk, human resources).

c. Dedicated board committee on sustainability

Another European bank has set up a "responsible banking, sustainability and culture committee" to assist the board of directors in fulfilling its oversight responsibilities with respect to the responsible business strategy and sustainability issues of the company. This committee:

- Advises the board of directors on issues such as the strategy on responsible business practices and sustainability, and on potential changes to the organization's approach on these issues.
- Reports periodically to the board of directors on the group's sustainability performance and the progress made.
- Liaises with the remuneration committee on the alignment of remuneration with the organization's culture and values.
- Liaises with the risk supervision, regulation and compliance committee in its review of the alignment of the risk appetite and its assessment and evaluation of the company's non-financial risks.
- Advises the board of directors on the Group's strategy on relations with stakeholders, including, employees, customers and local communities and on the quality of its engagement with these stakeholders.

PRINCIPLE 6: TRANSPARENCY AND ACCOUNTABILITY



We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

Banks are **accountable** to their employees, investors and society as a whole. Public disclosure is critical because it enables internal and external stakeholders to **assess your banks' contribution to society, and the progress it is making**. This, in turn, helps build confidence in your bank's sustainability-related commitments and helps to distinguish your bank from its competitors. **Making targets public and reporting progress** significantly increases the potential for success in achieving them. Progress reports are key to ensuring the effectiveness of your approach, to motivating employees, competing with peers, driving innovation, and strengthening reputation and trust.

Principle 6: Requirements set out in the Framework Documents

In line with the Principles for Responsible Banking Framework Documents, banks are required to provide information on their implementation of the Principles for Responsible Banking, in their existing public reporting, within the first 18 months of becoming a signatory, and every year thereafter.

The [Reporting and Self-Assessment Template is a crucial part of reporting](#). Banks are required to complete the Template by providing references/links to where in their public reporting the relevant information on their implementation of the Principles for Responsible Banking can be found. In the same Template, banks will assess their progress against six criteria: (1) impact analysis, (2) target setting, (3) plans for target implementation and monitoring, (4) progress on implementing targets, (5) governance structure for implementation of the Principles, (6) progress on Implementing the Principles. Limited assurance of your self-assessment on these six criteria is required. The outcome of this assurance process should be included in the bank's reporting. Where third-party assurance is not feasible, an independent review may be conducted.

Banks are also required to show they have considered existing and emerging international/regional good practices, and how they are working to integrate these into their existing practices.

Your bank will benefit from the annual feedback and support meeting with the UNEP FI Secretariat, where guidance on how your bank can advance in implementing the Principles will be provided.

How your bank can work towards Principle 6

- Publish an annual transparent, balanced account (in your existing reports) of your bank's significant positive and negative impacts, its risks, and the progress it is making in implementing the Principles, focusing on outcomes and impacts, rather than process.
- Integrate disclosures relating to the implementation of the Principles into your bank's existing reporting (e.g., annual report, sustainability report, company website, etc.). Where your bank cannot provide certain information yet, include a description on how your bank is planning to work towards obtaining and publishing that information.
- Align disclosures with the requirements of sustainability disclosure frameworks commonly used in the banking sector, such as the GRI, Sustainable Accounting Standards Board (SASB), and Integrated Reporting (IR) frameworks.

- If the report does not meet the current best practice norms for reporting, allocate adequate resources and take steps to close the gap and bring your public reporting in line with the reporting requirements.
- Disclose at aggregated level, engagements with clients and other stakeholders to deliver this industry and market-shifting initiative.
- Demonstrate that your bank has, through consistent processes linked to its own governance mechanisms, determined its most significant impacts, identified where it can have the most impact in terms of contribution to the SDGs, the Paris Climate Agreement, and other relevant frameworks, and the targets it has set in this regard.
- Disclose at aggregated level strategic risks and opportunities and how these are integrated into your bank's own governance processes and strategy.

Some key resources

- International reporting frameworks (or local frameworks with equivalent level) such as:
 - The [Integrated Reporting <IR> Framework](#), to enhance transparency on your bank's material issues regarding the SDGs and the Paris Climate Agreement
 - The [GRI Standards](#) and [Financial Sector Supplement](#)
 - [SASB \(Sustainability Accounting Standards Board\) financial sector standards](#)
- Benchmarking conducted for the Dow Jones Sustainability Index (DJSI) and the FTSE Russell index series, as well as ratings and assessments produced by organizations such as MSCI, CDP, Sustainalytics, ISS-oekom and VigéoEiris. These benchmarks and ratings enable stakeholders to compare the performance of different companies on a range of sustainability-related issues. They also provide a useful reference framework for companies on the data and information that are of interest to investors and other stakeholders.
- The recommendations of the Financial Stability Board's (FSB's) [Task Force on Climate-related Financial Disclosures](#) (TCFD): these recommendations provide a reference framework for companies, including those in the financial sector, to report on their climate-related risk management strategies. In 2018, UNEP FI released two guidance documents for banks wishing to report on the climate transition risks ([Extending our Horizons: Assessing Credit Risk and Opportunity in a Changing Climate](#)) and on the climate physical risks ([Navigating a New Climate: Assessing Credit Risk and Opportunity in a Changing Climate](#)) associated with their loan books, in line with the TCFD's recommendations. The [UNEP FI TCFD Investor Pilot](#) with 20 investors published a report, [Changing Course](#), a methodological guidance on such forward-looking scenario-based assessments of climate-related risks and opportunities for listed equities, corporate bonds and property, in May 2019.
- The [Materiality Map](#) of the Sustainability Accounting Standards Board (SASB) provides suggestions for accounting metrics for sustainability issues that affect a number of specific industries, including the banking industry.
- [Integrating the Sustainable Development Goals into Corporate Reporting: A Practical Guide](#): this document outlines a three-step process to embed the SDGs into existing business and reporting processes. It helps business to better report their impact on the SDGs and address the information needs of relevant stakeholders. This Guide follows an approach that is aligned with the UN Guiding Principles on Business and Human Rights and the GRI Standards.
- [Business Reporting on the SDGs: An Analysis of the Goals and Targets](#): this document is an inventory of possible disclosures per SDG, at the level of the 169 targets. To facilitate transparency, a set of disclosures were developed – both qualitative and quantitative – based on globally accepted disclosure frameworks for business. Any business can use these disclosures to report on their efforts towards achieving the SDGs.

EXAMPLES

a. France's binding framework for asset owners and institutional investors to disclose ESG performance

Article 173-VI of France's Law on Energy Transition for Green Growth (LTECV) requires asset management companies and institutional investors to report on how they incorporate environmental, social and quality of governance (ESG) objectives into their investment and risk management policies. There is a particular focus on their exposure to climate risk and on the steps they have taken to play a part in achieving the objectives of the energy and ecological transition (including limiting the rise in global temperatures to well-below 2 degrees Celsius). The French Association of Asset Management (AFG) has published a [guidebook](#) to support financial institutions with their reporting.

b. EU Directive on Non-Financial Reporting

This [Directive](#) requires large companies to disclose certain information on the way they operate and manage social and environmental challenges. This helps investors, consumers, policy makers and other stakeholders to evaluate the non-financial performance of large companies and encourages these companies to develop a responsible approach to business. Companies are required to include non-financial statements in their annual reports from 2018 onwards and to publish reports on the policies they implement in relation to:

- environmental protection,
- social responsibility and treatment of employees,
- respect for human rights,
- anti-corruption and bribery,
- diversity on company boards (in terms of age, gender, educational and professional background).

The recently published [guidelines on climate reporting](#) are a supplement to the general non-binding [Guidelines on Non-financial Reporting adopted by the Commission](#) in 2017, and can both be used to guide reporting in line with the Directive.

c. South Africa's private-led initiative to foster transparency on non-financial aspects in reporting

The [King Code of Corporate Governance](#) in South Africa, now in its fourth iteration, was developed under the auspices of the membership-based Institute of Directors in South Africa. It has been incorporated into the rules of the Johannesburg Stock Exchange, and some aspects have been incorporated into company law. The King IV Code of Corporate Governance is a set of voluntary principles and leading practices, drafted to apply to all organizations. It asks organizations to be transparent in the application of their corporate governance practices and to fully integrate material non-financial considerations into their decision making. Sector supplements explain how the Code should be applied by certain sectors.

ASSESSMENT OF COLLECTIVE PROGRESS

Based on the signatory banks' aggregated individual reporting, signatories will take stock of their collective progress, and publish the outcome of the assessment through UNEP FI every two years.

The results will be published in the form of a short report which will include:

- A list of new signatories and a list of banks that have left the initiative.
- An assessment of the collective progress of all of the signatories against the Principles, and of their aggregate contribution to society's goals.

The periodic review of collective progress will support continuous improvement, enable banks to share lessons learned, and establish the credibility of the Principles, signatory banks, and of the sector as a whole.

EXAMPLE IMPLEMENTATION OF THE PRINCIPLES

The following is an example of the steps taken by a fictitious signatory bank. Its purpose is to provide guidance on the steps a bank can take to implement the Principles. It is not binding or prescriptive.

1st Year of Implementing the Principles Understanding where the bank stands and making a plan	P.30
2nd and 3rd year of Implementing the Principles Developing the bank's foundation	P.31
Examples of target setting	P.32
4th Year of Implementing the Principles Build on the foundation	P.34

1ST YEAR OF IMPLEMENTING THE PRINCIPLES:

Understanding where the bank stands and making a plan

The bank begins with an assessment of where/how far it is in its sustainability journey. It also gets a sufficiently detailed view of its portfolio including sectors, client and customer types.

<p>P1.</p> <p>The bank works to get an understanding of the Sustainable Development Goals and the Paris Agreement, as well as other relevant national, regional and international frameworks.</p> <p>It identifies which of the goals set out in these frameworks are of specific relevance to the society/ies in which it operates. In its country of operation, climate change, air and water pollution, gender inequality, and economic inequalities across different regions, are high priority issues.</p> <p>The bank considers how its business is relevant to the goals set out in these frameworks and starts to develop an understanding of how it can strategically contribute to society's priority goals and challenges as set out in national and international frameworks through its business activities and, with that, seize strategic business opportunities. It also identifies where it's current strategy may be inconsistent with and run counter to the achievement of these objectives.</p> <p>To assist this process, the bank undertakes an impact analysis (see Principle 2). The bank realizes that its current growth strategy in the energy sector and in several industrial sectors is not taking into account the required transition towards renewable energy and pollution control. It also identifies significant opportunities to encourage gender equality.</p>	<p>P2.</p> <p>The bank undertakes an impact analysis (see pages 6 & 7 for guidance) of its portfolio to identify its significant impacts (both positive and negative). The analysis is informed by its core business areas; its products/services across the main geographies that the bank operates in; its major activities in terms of industries and technologies, the most relevant challenges and priorities related to sustainable development in the countries/regions it operates in, and the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting from the bank's activities, products and services.</p> <p>The impact analysis gives the bank a detailed view of the impacts associated with its business by sector, geographies, and where applicable, technologies and client & customers types.</p> <p>The bank does not have all of the data that is required to undertake a very accurate assessment at this stage, but is able to obtain an objective understanding of its significant impacts, which it can refine as more data becomes available.</p> <p>Based on this, the bank is able to identify the areas in which it can have the most significant impacts. The bank has substantial exposure to the energy and transport sector. It operates in a country with ambitious climate goals. Gender inequality is a significant challenge which is expressed as a priority in government policies. Gender imbalance is a pervasive challenge amongst its clients. The bank identifies Climate and Gender as its two areas of most significant impact.</p>	<p>P3.</p> <p>The bank assesses how clients engaged in sectors and activities associated with significant impacts could transition towards more sustainable and resilient business models, adapt to the changing social, economic and environmental context, and reap efficiency gains as well as new business opportunities.</p> <p>This assessment helps the bank plan how it can support its clients in their transition. The bank also explores opportunities for developing products and services that will help its clients and customers deliver sustainable outcomes.</p>	<p>P4.</p> <p>The bank undertakes a stakeholder mapping exercise to identify key external stakeholders (see page 17), and starts developing a stakeholder engagement strategy, which details its relevant stakeholders, what to engage them on, who engages them, how, and when. This helps to identify which stakeholders it should engage in order to get a better understanding of its significant impacts, and for guidance when developing strategies for addressing these impacts.</p>	<p>P5.</p> <p>The bank assesses which teams and stakeholders internally need to be involved in implementing the Principles, and dedicates resources as needed.</p> <p>It considers whether its governance structure is adequate for supporting implementation of the Principles. It determines what the reporting lines should be, who is accountable for implementation, and which committees will have oversight of these processes. It establishes a dedicated committee which is responsible for overseeing the implementation of the Principles, and periodically reporting to the board on progress, therefore ensuring that the CEO and senior management are included in the governance processes that support the Principles, and are regularly briefed.</p> <p>The bank maps and considers existing and emerging international/regional good practices that are relevant for its implementation of the Principles, and determines its priorities and ambitions to align with good practice.</p>	<p>P6.</p> <p>Within 18 months from becoming a signatory to the Principles, the bank communicates its progress on implementing the Principles in its public reporting. It completes the sections of the Reporting and Self-Assessment Template that it is able to at this stage, and publishes this as well.</p>
<p>To go further:</p> <p>The bank is in a position to include its self-assessment in its existing assurance process. Therefore it obtains limited assurance of its self-assessment, which determines the accuracy of the information that the bank relied upon in completing its self-assessment.</p> <p>The bank engages with the UNEP FI Secretariat for guidance and support on how it can build on its current achievements going into Year 2.</p>					

2ND AND 3RD YEAR OF IMPLEMENTING THE PRINCIPLES:

Developing the bank's foundation

The Bank develops the structures and processes to support target setting and implementation.

<p>P1.</p> <p>The bank decides to include gender equality, climate transition and pollution as strategic focus areas. It identifies strategic business opportunities that will enable both the bank and society to develop sustainably.</p>	<p>P2.</p> <p>Based on the outcome of its impact analysis, the bank assesses how it is currently addressing its significant positive and negative impacts, and develops strategies for improving existing measures to address these impacts and manage risk arising from negative impacts (where they were not previously being addressed). The strategy includes:</p> <ul style="list-style-type: none"> ■ working with peers to develop new tools and methodologies that will assist with setting targets and developing KPIs; ■ setting two SMART targets, that address two distinct most significant (potential) impacts identified in the impact analysis; ■ developing milestones to meet the targets, as well as measures to monitor progress against the targets; <p>The bank ensures that its decision-making committees and bodies are aware of actual and potential risks and impacts associated with the bank's activities, and incorporates them in their processes.</p>	<p>P3.</p> <p>The bank identifies which clients it needs to work with to achieve the targets, and begins to engage with them. The bank integrates questions about its clients and customers' sustainability preferences into its on-boarding process, as well as questions about their significant impacts, and environmental and social risks.</p> <p>Through engagement with its clients and customers, amongst other stakeholders, the bank is able to deliver an innovative product that supports and incentivizes more sustainable practices.</p>	<p>P4.</p> <p>The bank systematically engages its stakeholders in line with its stakeholder engagement strategy. Based on these engagements, the bank gets a better understanding of how it can contribute to the needs of its society through its business. Through this process, it is able to identify stakeholders it can partner with to accelerate its impacts.</p> <p>The bank engages with peer banks on the implementation of the Principles through UNEP FI, by participating in working groups and peer learning sessions. In order to share views and best practices, and to combine advocacy efforts for the banking sector in its country, the bank works with other banks through its banking association. During this process, the bank is mindful of competition laws, and the extent to which banks are able to share information with each other.</p>	<p>P5.</p> <p>The CEO, Board of Directors, the appropriate Executive Committees, as well as senior management who will be responsible for implementing the strategy, communicate their buy-in clearly and regularly. The bank makes further changes to its governance structures and processes in order to facilitate the effective implementation of the Principles. These include integrating sustainability objectives into decision making processes across the bank, including sustainability criteria in the Terms of Reference of the Board's nomination policy, and ensuring that existing policies (such as credit policies, customer treatment/engagement policies, procurement policies) are consistent with its strategy.</p> <p>The bank engages with internal stakeholders to determine what a SMART target could look like for the business, how it could be achieved, the business areas that need to be involved, and how much time the bank will need to achieve the target. In addition, the bank develops a strategy for fostering a culture of sustainability to ensure employees are on board. It trains staff on their roles and functions in implementing the Principles, and more broadly on their role in achieving the bank's sustainability strategy. The bank begins to work on aligning with the good practices it identified, and elected to prioritize. The bank decides to adopt a human rights screen process in order to ensure that it does not enable human rights abuses. It also decides to become a signatory to the Equator Principles, which will guide the bank with assessing and managing the social and environmental risks associated with its project finance portfolio.</p>	<p>P6.</p> <p>The bank reports on the progress it has made this far in its implementation of the Principles, this includes reporting on the targets it has set. It completes the Reporting and Self-Assessment Template, providing as much information as it is able to at this stage, and publishes it.</p>
<p>See next page for examples of target setting</p>					
<p>To go further:</p> <p>The bank is in a position to include its self-assessment in its existing assurance process. Therefore it obtains limited assurance of its self-assessment, which determines the accuracy of the information that the bank relied upon in completing its self-assessment.</p> <p>The bank gets feedback and guidance from UNEP FI on its targets, and support for how any gaps relating to the targets could be addressed, in addition to getting feedback on other aspects of implementation.</p>					

EXAMPLES OF TARGET SETTING

The bank decides to set a target that contributes to the goal set out in the Paris Agreement – to keep global warming to well below 2°C, striving for 1.5°C.

While undertaking its impact analysis, the bank assessed its portfolio, and was able to identify the sectors that it should focus on. These were energy, transport and agriculture. Within these sectors, the bank identified the technologies it has exposures to, and its exposure to key clients in those sectors. This enabled it to determine its baseline (its starting point).

With the use of scenarios, the bank was able to establish what aligning the identified sectors with a well below 2°C goal, striving for 1.5°C, would require in its country of operation. With this knowledge, the bank was able to set its target:

- **To align the bank's funding and investment to the energy, transport and agricultural sectors with a well below 2°C goal, striving for 1.5°C within X years.**

The bank determines the measures it will have to take to achieve its target from its starting point. These measures include:

- Working with key clients in the identified sectors towards achievement of the target;
- Identifying new technologies the bank could expand into
- Engaging with policy-makers, government transport agencies, and other stakeholders to understand how the bank can contribute effectively to making transport systems more sustainable
- Developing methodologies with peers and experts that will guide the bank, and ensure it achieves its target

Based on the scenarios the bank used, it establishes KPIs to monitor progress against its target:

- Reduce exposure to carbon intensive technologies by 60% within X years
- Increase funding and investment in renewable energy by X% annually
- Introduction of conditions in loan agreements requiring methods of agriculture that result in reduced GHG emissions, by X year.
- Partnership with government transport agencies to support public transport infrastructure by X year

The bank also assesses whether there are potential negative impacts that may arise as a result of its targets, and puts measures in place for mitigating them

The bank identifies gender equality as an area where it could have significant impact. It intends to set a target to contribute to the achievement of Gender Equality (SDG 5, with particular focus on Indicator 5.5.2: 'Proportion of women in managerial positions') in its country

The bank begins with determining its baseline by assessing the proportion of its commercial lending portfolio that is attributed to companies with equal gender representation at the board and senior managerial level. It also assesses the proportion of women in board and senior managerial positions within the bank, as well as in its primary procurement partners. Once it has established its baseline, the bank sets its target:

- **50% allocation of corporate lending to companies with an equal gender representation at board level and in management functions within X Years**

The bank establishes the measures it will take to meet its target. These include identifying existing clients to work with, and developing incentives to encourage existing and prospective clients to work towards gender equality. The bank recognizes that it must ensure that it is living up to this standard within its own organization in order to ensure that it has the requisite credibility to encourage other companies, therefore the bank will also work towards creating gender equality within its organization. It also puts measures in place for mitigating negative impacts that could result from the activities associated with the achievement of its target.

The bank establishes KPIs to monitor progress against the target:

Outside the organization

- X% increase in loans provided to companies with an equal gender representation at board level and senior management level per year
- Engagement with X% of identified existing corporate clients to encourage them to develop gender equal policies within X years
- Provision of X% of loans in the corporate portfolio by X year linked to incentives for corporate clients who achieve equal gender representation at board level.

Within the organization

- X% of all procurement from companies with gender equal representation at board level and senior management level by X date
- Policies have been revised to facilitate and ensure gender equality at board level and within the organization within X years
- X% increase in the number of training opportunities and bursaries available to women within the bank in X years
- The gender pay gap closed within X years
- Equal representation of women and men in senior managerial positions, including the board, within the next X years.

Please note: This is merely an example, and does not prescribe what targets a bank should set

4TH YEAR OF IMPLEMENTING THE PRINCIPLES: Build on the foundation

The bank builds on the progress made in the previous years in order to ensure continuous and effective implementation of the Principles .

<p>P1.</p> <p>Building on its analysis in year one, and the bank revises its overall strategy to align with society's goals, ensuring that the bank's business strategy doesn't run counter to the achievement of society's goals.</p>	<p>P2.</p> <p>The bank monitors the progress it is making in implementing its targets to ensure that it is on the right track with respect to its KPIs. It assesses whether there are any negative impacts created in the process of working towards its targets, and takes relevant steps and actions to mitigate them as far as is feasible. Recognizing that it should have two targets at all times, as the bank enters the remaining two years to achieving one of its targets, it re-evaluates its significant impacts and identifies the next area of most significant impact, in order to begin the process of working on developing the next target.</p>	<p>P3.</p> <p>The bank continues to work closely with its clients in the achievement of its targets. Based on the information gathered from client on boarding process, the bank is able to better structure its existing products and manage its risks, while assisting its clients and customers to choose more sustainable practices and business models.</p>	<p>P4.</p> <p>The bank develops and implements a strategy to work in partnership with the identified stakeholders in order to benefit from their expertise, accelerate its impact. The bank engages with its policy-makers and regulators on various aspects of the Principles, in order to share its perspective and advocate for policies that create an enabling environment for implementation of the Principles, and contributing to sustainable development more generally. The bank also engages with government agencies more broadly to establish how it could support government policies in the areas it has set targets in, as well as to determine how government priorities could influence the bank's next target, therefore ensuring that it is able to contribute significantly to society's needs and goals.</p>	<p>P5.</p> <p>The bank reviews employee incentive structures, and revises them in order to ensure they facilitate fair treatment of customers and clients. The bank also ensures that incentives facilitate the effective implementation of the Principles, and the bank's sustainability strategy more broadly, by including KPIs in employee contracts. Now that the bank has adopted a human rights screening process and the Equator Principles, it starts the process of mapping and assessing other existing and emerging international/regional good practice, and establishes which practices it intends to start working towards integrating into existing practices during the following year. The bank also integrates sustainability into a clearly communicated statement that links environmental and social issues to its vision and mission.</p>	<p>P6.</p> <p>The bank ensures that its reporting reflects the progress it has made over the year. Its report includes disclosures of its significant impacts, its risks, the targets it has set, the KPIs that are used to measure progress, the progress made so far, and the governance measures in place to ensure ongoing success in implementation. At this point the bank is able to report on the good practices it has adopted, and how these practices have made or are making changes to its business. The bank is able to fully complete the Reporting and Self-Assessment Template, indicating that it is in line with its commitments under the Principles, and provides evidence to support this, which is assured by a registered assurance provider that the bank works with, and includes this in its report.</p>
<p>To go further: The bank gets feedback from UNEP FI on measures that it can take for the next year in order to maintain continued improvement and provide leadership towards the implementation of the Principles throughout the banking sector.</p>					



United Nations Environment Programme – Finance Initiative (UNEP FI) is a partnership between United Nations Environment and the global financial sector created in the wake of the 1992 Earth Summit with a mission to promote sustainable finance. More than 200 financial institutions, including banks, insurers, and investors, work with UN Environment to understand today’s environmental, social and governance challenges, why they matter to finance, and how to actively participate in addressing them.

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