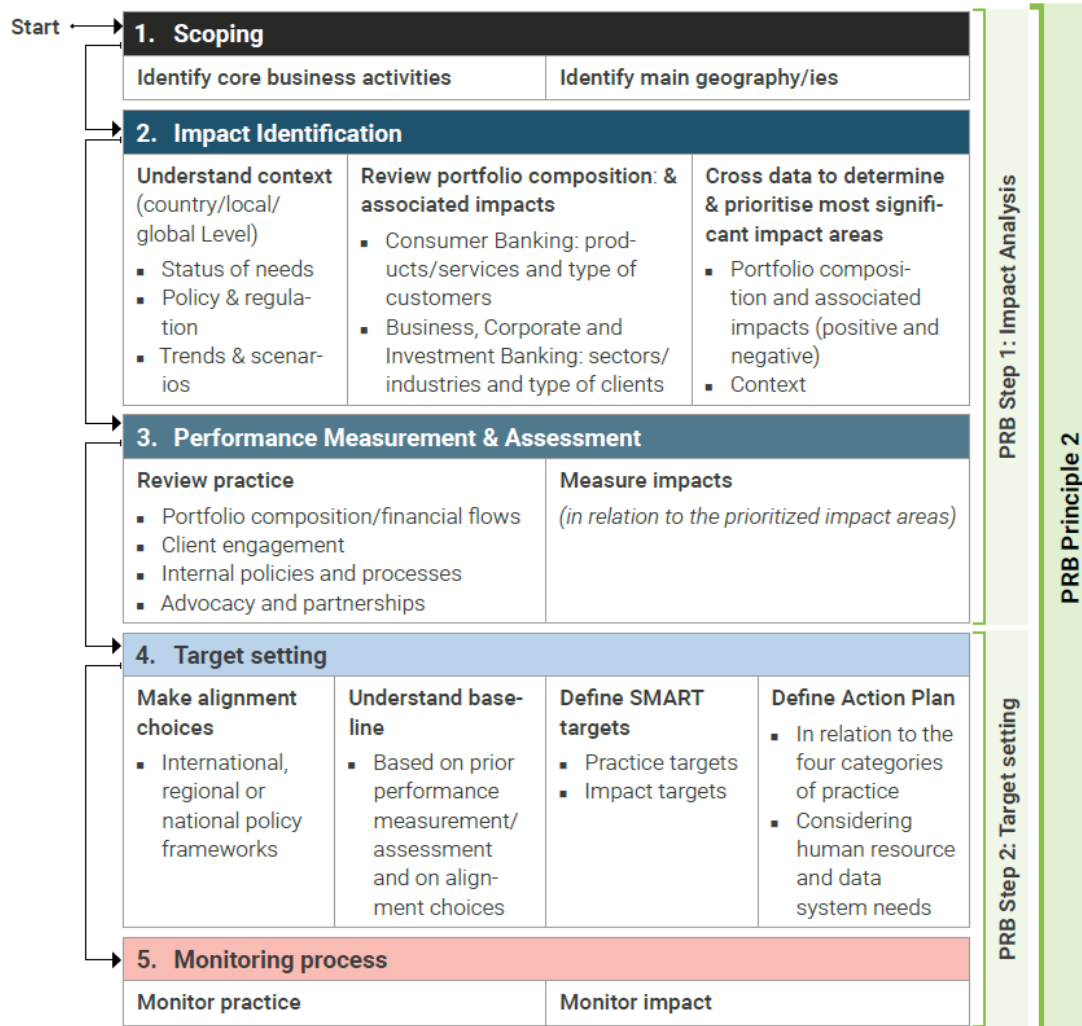# UNEP FI Impact Analysis Implementation Support Session North America

Agenda

1. Recap on UNEP FI Impact Methodology & Toolkit

2. Policy/Regulatory context

3. Explanation of the Needs Analysis component of Impact Analysis

4. Canada & US Impact Needs

5. Opportunity for collaboration

1. Recap on UNEP FI Impact Methodology & Toolkit

UNEP FI Impact Methodology

Start →

1. Scoping	
Identify core business activities	Identify main geography/ies

2. Impact Identification		
Understand context (country/local/global Level) • Status of needs • Policy & regulation • Trends & scenarios	**Review portfolio composition: & associated impacts** • Consumer Banking: products/services and type of customers • Business, Corporate and Investment Banking: sectors/industries and type of clients	**Cross data to determine & prioritise most significant impact areas** • Portfolio composition and associated impacts (positive and negative) • Context

3. Performance Measurement & Assessment	
Review practice • Portfolio composition/financial flows • Client engagement • Internal policies and processes • Advocacy and partnerships	**Measure impacts** *(in relation to the prioritized impact areas)*

PRB Step 1: Impact Analysis

4. Target setting			
Make alignment choices • International, regional or national policy frameworks	**Understand baseline** • Based on prior performance measurement/assessment and on alignment choices	**Define SMART targets** • Practice targets • Impact targets	**Define Action Plan** • In relation to the four categories of practice • Considering human resource and data system needs

5. Monitoring process	
Monitor practice	Monitor impact

PRB Step 2: Target setting

PRB Principle 2

UNEP FI SDGS & IMPACT

Impact Protocol

Impact analysis and management for banks

The UNEP FI Impact Management Toolkit for banks

PRB Principle 2
[Impact Analysis & Target-Setting]

➢ The requirements

1. Impact Protocol
➢ The methodology

2. Impact Analysis Tools
➢ Collecting and analysing data to implement the methodology

3. Reference Materials
➢ The definitions and mappings underpinning the Tools, also available for the development of your own, in-house, systems

4. Interactive guidance & case studies
➢ Illustrating the methodology in the context of PRB implementation

Target-Setting Guidance

➢ Indicators & measurement approaches for specific impact areas & topics

Generic guidance, tools & resources for impact management as a whole

Thematic guidance, specifically for target-setting

2. Policy/Regulatory Context in Canada and US

Policy & Regulatory landscape - Canada

1. The **Office of the Superintendent of Financial Institutions (OSFI)** released guidelines in March 2023 that lists **expectations related to banks management of climate-related risks.**

2. Draft legislation **(Climate-Aligned Finance Act) to align** the activities of federal financial institutions and federally-regulated entities **with Canada's climate commitments**

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3. Forthcoming enactment of **Modern Slavery Act,** which imposes obligation on all companies to **report on measures taken to prevent and reduce the risk of forced or child labour in their value chains.**

The current regulatory landscape for sustainable finance in Canada is mostly climate focused (referred to as "Climate stability" in the Impact Radar).

UNEP FI's Impact methodology allows for a holistic view of social, socio-economic and environmental topics including Modern Slavery/Child Labour (also considered under the Impact Radar).

Policy & Regulatory landscape - US

1. **All three US bank regulators have now issued (proposed) rules on climate-related financial risk**.

   ➤ December 2021: **OCC** *Principles for Climate-Related Financial Risk Management for Large Banks*
   ➤ March 2022: **FDIC** *Statement of Principles for Climate-Related Financial Risk Management for Large Financial Institutions*
   ➤ December 2022: **Fed** *Principles for Climate-Related Financial Risk Management for Large Financial Institutions*

2. **Fed announced in January 2023 that it is conducting a pilot climate scenario analysis (CSA) exercise**

3. **In March 2022, the SEC proposed new rules for climate change disclosures by listed companies (including listed banks)**

The current regulatory landscape for sustainable finance is very climate focused in the US, (referred to as "Climate stability" in the Impact Radar).

UNEP FI's Impact methodology allows for a holistic view of social, socio-economic and environmental topics. This will also capture developments in other topics, whether that be corporate regulation, policy etc.

How does this tie up with the methodology?

Understand context:
Policy & regulation directly feeds into understanding the impact needs of your context.

Review portfolio composition & associated impacts:
Policy & regulation may be more relevant to your portfolio on reviewing the composition.

Cross data to determine & prioritise most significant impact areas:
The choice of significant impact areas will be affected by the regulatory/policy of the jurisdictions of where you operate.

Make alignment choices:
In target-setting, local policy & regulation has to be taken into account to ensure alignment.

Start →

1. Scoping

Identify core business activities	Identify main geography/ies

2. Impact Identification

Understand context (country/local/global Level)	Review portfolio composition: & associated impacts	Cross data to determine & prioritise most significant impact areas
■ Status of needs ■ Policy & regulation ■ Trends & scenarios	■ Consumer Banking: products/services and type of customers ■ Business, Corporate and Investment Banking: sectors/industries and type of clients	■ Portfolio composition and associated impacts (positive and negative) ■ Context

3. Performance Measurement & Assessment

Review practice	Measure impacts
■ Portfolio composition/financial flows ■ Client engagement ■ Internal policies and processes ■ Advocacy and partnerships	(in relation to the prioritized impact areas)

4. Target setting

Make alignment choices	Understand baseline	Define SMART targets	Define Action Plan
■ International, regional or national policy frameworks	■ Based on prior performance measurement/assessment and on alignment choices	■ Practice targets ■ Impact targets	■ In relation to the four categories of practice ■ Considering human resource and data system needs

5. Monitoring process

Monitor practice	Monitor impact

PRB Step 1: Impact Analysis

PRB Step 2: Target setting

PRB Principle 2

3. Explanation of the Needs Analysis component of Impact Analysis

Impact Needs Analysis - Context

PRB requirement: 2.1.c. Context

Key highlights:

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

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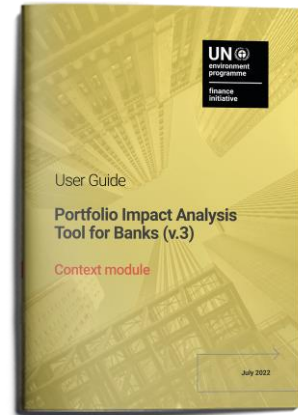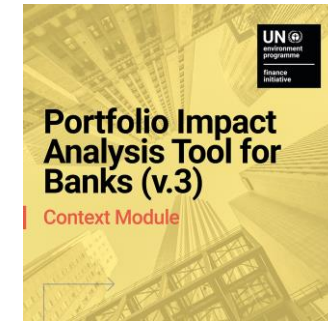
Impact Needs Analysis – Structure

- Understanding context is key to identifying a bank's significant impact areas.

- It can form part of the PRB Requirement Impact and Target Setting (Principle 02). The Needs Assessment has three levels:

  - Global level
  - Country level
  - Local level

- The Needs Assessment is a fundamental part of the Impact Analysis Tools, but can be used separately from the tools.

- The Needs Assessment helps to identify the level of need vis a vis the impact areas of the Impact Radar.

Impact Needs Analysis – Structure

Needs Analysis:
Within each of the levels (Global, Country, Local) there are three segments. Here we are looking at the "Country" level.

Statistics:
This part speaks to the quantitative indicators that exist for all of the impact areas/topics. There are international resources from reputable organisations/agencies that have been compiled by UNEP FI and there is space for more regional/country-specific resources. There is also a scoring system contained within of 1-4 (1 being of the lowest impact need, and 4 being the highest impact need).

Policy Documents:
This part contains information pertaining to policy documents and policy decisions often taken by countries. This could be from a Voluntary National Review (VNR), National Development plans and those kind of policy documents. This information allows us to identify what the priorities are of policy.

Trends & Scenarios:
This part is forward looking, by looking at the trends of impact topics and identifying particularly where they may be deteriorating. Within the international resources you have World Bank resources looking at climate risk trends for other topics and some scenario data.

Impact Needs Analysis – Social pillar (1/2)

Impact Areas	Impact Topics	Sources of statistics
Integrity & security of person	Conflict	Heidelberg Conflict Barometer
	Modern slavery	Sustainable Development Report
	Child labour	Sustainable Development Report
	Data privacy	DLA Piper Data Protection Index
	Natural disasters	INFORM Global Risk Index
Health & safety	-	Sustainable Development Report, WHO
Availability, accessibility, affordability, quality of resources & services	Water	WRI, UN Global SDG Database
	Food	Sustainable Development Report, Economist Intelligence Global Food Security Index
	Energy	Sustainable Development Report
	Housing	UN Global SDG Database, OECD Affordable Housing Database
	Healthcare & sanitation	Sustainable Development Report, Global Health Security Index
	Education	UNDP HDI Database, Sustainable Development Report
	Mobility	Sustainable Development Report, TomTom Congestion Index
	Information	Reporters without Borders
	Connectivity	Sustainable Development Report, ITU
	Culture & heritage	N/A
	Finance	Sustainable Development Report

Impact Needs Analysis – Social pillar (2/2)

Impact Areas	Impact Topics	Sources of statistics
Livelihood	Employment	ILO
	Wages	World Bank
	Social protection	ILO
Equality & Justice	Gender equality	UNDP Gender Inequality Index
	Ethnic/racial equality	N/A
	Age discrimination	Lancet
	Other vulnerable groups	N/A

Impact Needs Analysis – Socio-economic pillar

Impact Areas	Impact Topics	Sources of statistics
Strong institutions, peace & stability	Rule of law	World Justice Project, Transparency International
	Civil liberties	World Bank
Healthy economies	Sector diversity	Harvard Growth Lab
	Flourishing MSMEs	World Bank
Infrastructure	-	World Bank
Socio-economic convergence	-	WEF, World Bank

Impact Needs Analysis – Environmental pillar

Impact Areas	Impact Topics	Sources of statistics
Climate stability	-	Germanwatch, IEA
Biodiversity & healthy ecosystems	Waterbodies	Global SDG Database
	Air	WHO, IQAir
	Soil	N/A
	Species	Sustainable Development Report
	Habitat	OECD
Circularity	Resource intensity	IEA, FAO, Vienna University
	Waste	World Bank

North America

Banking Landscape in the <u>USA</u>

BANKING LANDSCAPE

- 4.706 commercial banks insured by the FDIC, with total assets of $23.6 tri (Q4 2022)
- 90% are community banks with $2.7 tri in total assets (Q4 2022)
- The US is home to the top 5 investment banks globally in terms of revenue (2022)

Sources: FDIC (Q4 2022) / FDIC BankFindSuite / Banking Strategist / Leading investment banks 2022

NEEDS ANALYSIS: Banks like Goldman Sachs or Citi might consider global needs, but if you are a smaller local bank, you might want to go further into local needs

	Type	UNEP FI Members (Banking)	Comments
6 UNEP FI Members	INVESTMENT BANKS	**Goldman Sachs** **Citi**	- Two of the top 5 investment banks globally in 2022 - Market Share (2022): Goldman Sachs revenue accounted for 7.8% of the global investment banking revenue, Citi accounted for over 4%
	UNIVERSAL BANKS	**Citi**	- Two of the largest US banks, holding $2.2 trillion in total assets in Q4 2022
	LOCAL BANKS (middle-market & consumer)	**Beneficial State Bank** **Amalgamated Bank** **Forbright Bank**	- Concentration in the coastal regions - Hold together $16.1 billion in total assets in Q4 2022
	ONLINE BANKS	**Zenus Bank Int. Inc**	- New international digital bank (not FDIC)

North America

Banking Landscape in <u>Canada</u>

BANKING LANDSCAPE

- 6 largest national banks (RBC, BMO, CIBC, TD, Scotiabank, NBC) with C$7.6 trillion in total assets (2022) and other second-tier banks

- 207 credit unions (excluding Desjardins), with C$295.5 billion in total assets, and Desjardins, a federation of 210 unions with C$407.1 billion in total assets (2022)

Sources: Canadian C. U. Ass. Q4 2022 / Reports: RBC TD Scotiabank BMO CIBC NBC Desjardins Vancity First West_Innovation

	Type	UNEP FI Members (Banking)	Comments
10 UNEP FI Members	BIG 6	**Royal Bank of Canada (RBC)** **BMO Financial Group** **Canadian Imperial Bank of Commerce (CIBC)** **TD Bank Group** **Bank of Nova Scotia (Scotiabank)** **National Bank of Canada**	- Hold together C$7.6 trillion in total assets (2022)
	CREDIT UNIONS / CAISSE POPULAIRES	**Desjardins Group** **Vancity** **First West** **Innovation**	- Hold together nearly C$453.5 billion in total assets (Dejardins C$407.1 billion in 2022 and others C$46.5 billion in 2021)

4. Canada & US Impact Needs

North America – Status of the needs analysis

- Both **Canada** and the **US** are mapped and updated with the "Statistics" level in our pre-populated data.

- All "Statistics" have been updated as of March 2023. With the acknowledgement of some data gaps in the "Equality & Justice" and "Soil" Impact Areas
  - ➢ Specifically, on the "Ethnic/Racial equality" and the "Other vulnerable groups" impact topics for "Equality & Justice" in both countries.

- As part of our Q2 update, we are looking to include more information on the "Policy documents" level for both countries.

- There are currently no "local" needs (states/provinces) mapped in either Canada or US.

Impact Needs Analysis - Canada
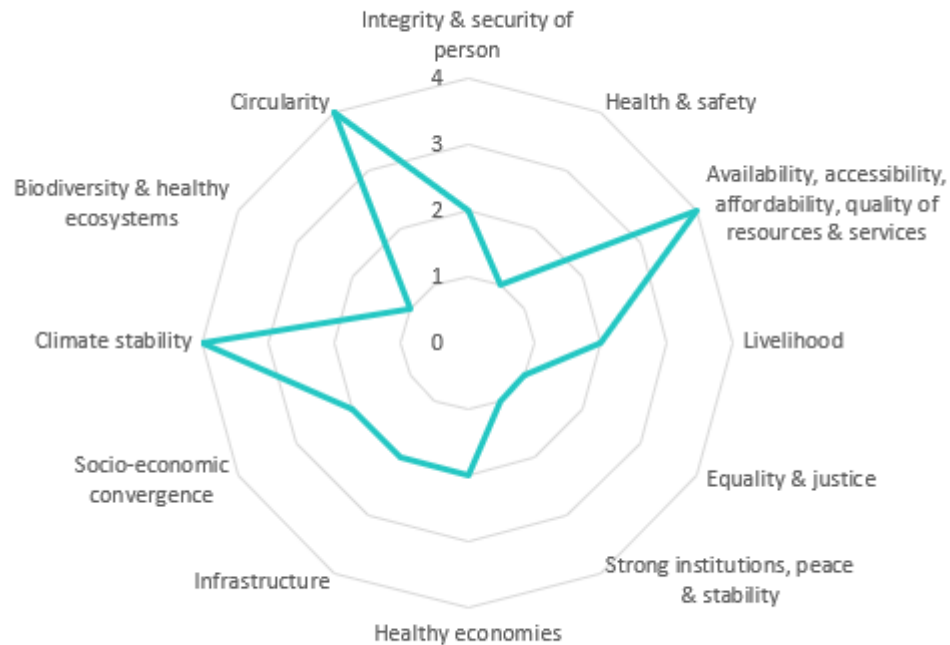
Impact areas identified as priorities	Impact topics identified as a high level of need
Availability, accessibility, affordability, quality of resources & services	Food Housing Mobility
Climate stability	-
Circularity	Resource intensity Waste

*Scoring is based on 1 being of lowest impact need, 4 being highest, and is solely based on statistics from international, reputable organisations and agencies

Impact Needs Analysis - US

Impact areas identified as priorities	Impact topics identified as a high level of need
Integrity & security of person	Conflict
Availability, accessibility, affordability, quality of resources & services	Food Housing
Socio-economic convergence	-
Climate stability	-
Biodiversity & healthy ecosystems	Waterbodies Species Habitat
Circularity	Resource intensity Waste

*Scoring is based on 1 being of lowest impact need, 4 being highest, and is solely based on statistics from international, reputable organisations and agencies

5. Opportunity for collaboration

Impact Needs Analysis – Opportunity for collaboration

- We would like to enrich the database, filling in any gaps and potentially expanding our information on local needs.

- As part of this we want to put forward a proposal for joint collaboration:

  - This would contain two meetings in a **one month** period.
  - First call commencing on the week 10th April to understand the scope of the exercise. (Canada, US, any local needs)
  - Second call commencing on the week 8th May to discuss findings.

- We would encourage peer-to-peer work during this one-month period to share information.

- If you would be interested, please contact alexander.stopp@un.org by **7th April**.

A range of resources & implementation support services:

Resources

Impact Protocol
Portoflio Impact Analysis Tool for Banks + user guides + brief presentations + demo versions   • Context Module   • Identification Modules (Consumer Banking/Institutional Banking)   • Assessment Modules (Consumer Banking/Institutional Banking)
Impact Radar
Impact Mappings   • Sector mappings   • Interlinkages mapping   • Needs mapping
Indicator Library
Case studies

Services

Implementation Support Sessions

Implementation Support Sessions by Business Model

- A session for each business model
- Focus on the challenges faced by banks with regard to each specific business line
- Walk through of the Portfolio Impact Analysis Tool through the lens of a specific business model
- Case study

16 March 2023	Corporate Banking (8.30 am CET | 4.00 pm CET)
26 April 2023	Business Banking (8.30 am CET | 4.00 pm CET)
12 July 2023	Consumer Banking (8.30 am CET | 4.00 pm CET)
•25 October 2023	Investment Banking (8.30 am CET | 4.00 pm CET)

Implementation Support Sessions by Region

- A session for each region
- Focus on the locally determined aspects of the impact analysis (needs assessment, industry classification codes and taxonomies)
- Walk through of the Portfolio Impact Analysis Tool through the lens of a specific region
- Case study

29 March 2023	North America (4.00 pm CET)
31 May 2023	Asia Pacific (8.30 am CET)
21 June 2023	Africa & Middle East (10.00 am CET)
27 September 2023	Europe (10.00 am CET)
29 November 2023	Latin America & Caribbean (4.00 pm CET)

Thank you

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