

Impact Analysis Regional Implementation Support Session Europe: Focus on ESRS

27th September 2023

Agenda

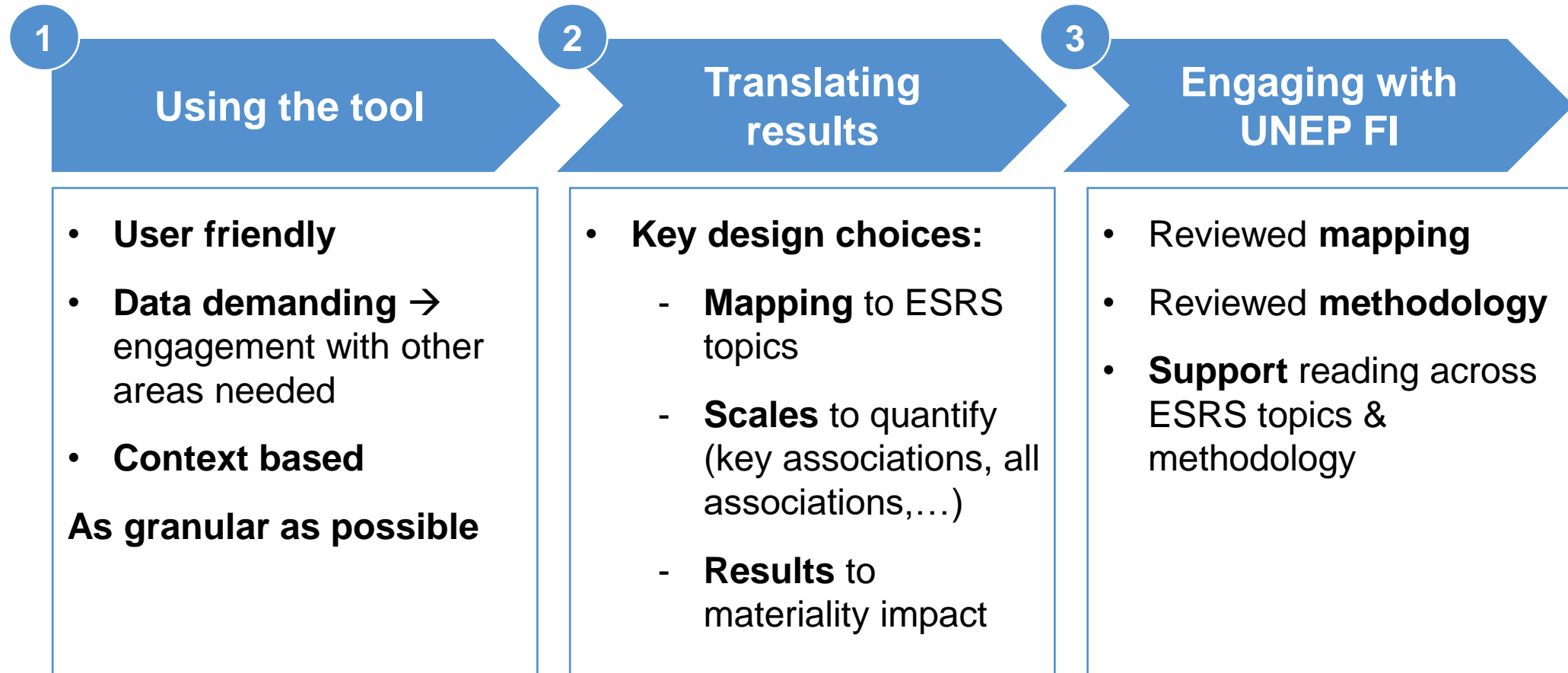
- 1. Case study:** Banco Santander's experience of coupling UNEP FI impact analysis & ESRS impact materiality assessment
Marta Garcia De Oteyza Kindelan, Director, Responsible Banking, Banco Santander
- 2. Demo** - Comparing ESRS 1+2 to PRB Requirements / UNEP FI holistic impact methodology & Translating UNEP FI impact analysis results into ESRS impact materiality disclosures
Careen Abb, Alexander Stopp and Costanza Ghera, Impact Team, UNEP FI
- 3. Call for interest:** WG to develop an ESRS module within the UNEP FI Impact Analysis Tool for Banks
Careen Abb & Daniel Bouzas, Regional Coordinator for Europe, UNEP FI

1. Case Study: Banco Santander

Background & rationale

- Preparing ahead the **Materiality assessment** requirements in **CSRD** (2024FY)
- Understanding of **key evolutions needed** over NFRD & GRI materiality assessments:
 - 1 ESRS topic taxonomy
 - 2 Quantitative assessment when possible – scale
 - 3 Robust model with defined parameters (scale, scope, irremediability, thresholds,...)
- Seek **resources** (tools & databases) to support **quantification at topic level**
- **Impact tool UNEP FI** for calculating impact materiality → also useful for PRB

Process



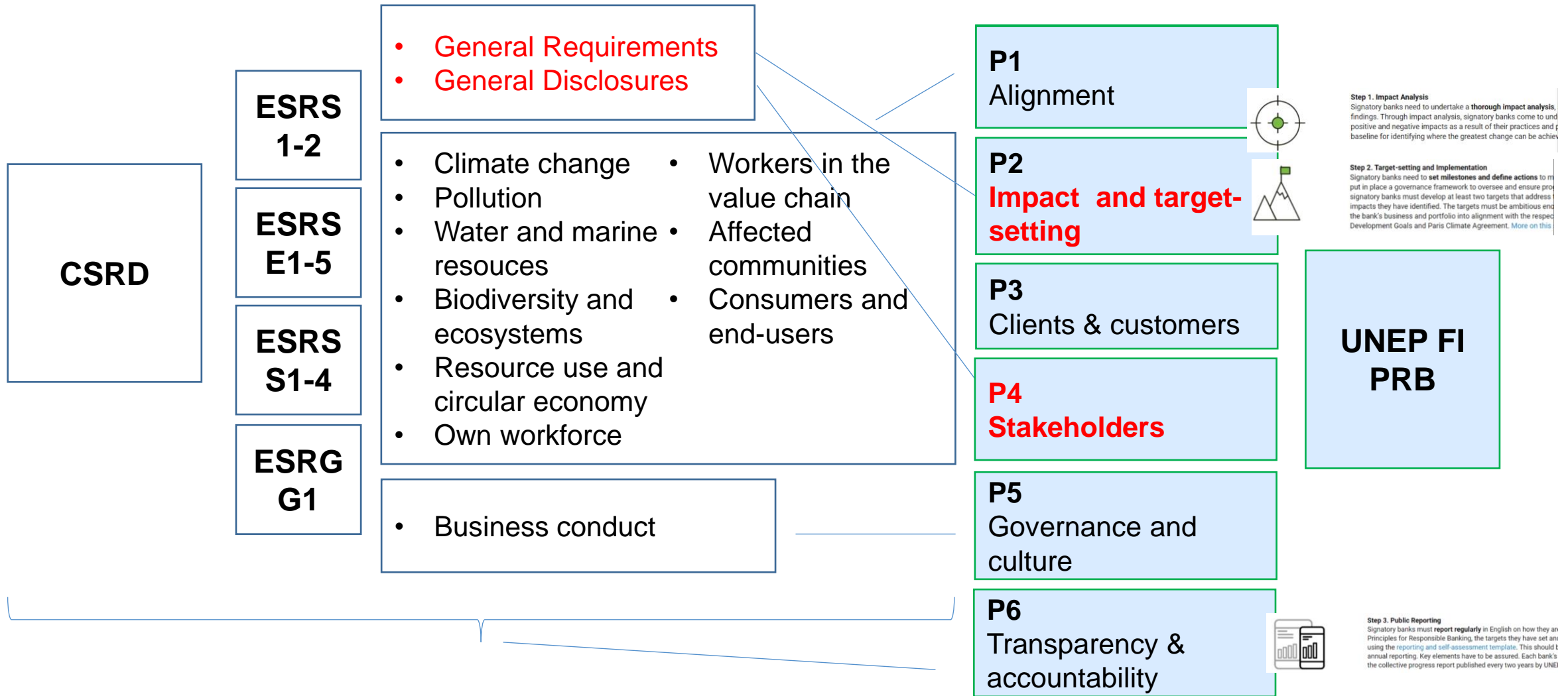
Results & conclusions

- **1st results** on impact materiality assessment
 - *Coherence with previous understanding*
 - *Usefulness by providing the total picture and understanding on the relative relevance of the rest of the topics*
- **Starting conversations with auditors, some questions** arises:
 - *Components of the model – what is behind? (scale, scope irremediability)*
 - *Mapping – how is it made?*

It would be ideal to validate Impact tool for the usage to calculate impact materiality. This would ease CSRD implementation for banks, while promoting consistency. To foster convergence in terms of impact calculation across all corps, it could be useful to engage with other sectorial organizations and understand approaches

2. Demo: Comparing ESRS 1+2 to PRB Requirements / UNEP FI holistic impact methodology & Translating UNEP FI impact analysis results into ESRS impact materiality disclosures

Overview of CSRD vs PRB



Weight of impact materiality analysis relative to financial materiality analysis?

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

43. A sustainability matter is “material” when it meets the criteria defined for **impact materiality** [...] or **financial materiality** [...] or both.

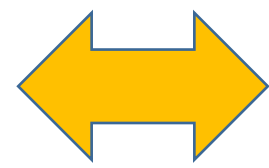
32. If the undertaking concludes that climate change is not material and therefore omits all disclosure requirements in ESRS E1 *Climate change*, it shall disclose a detailed explanation of the conclusions of its **materiality** assessment [...] including a forward-looking analysis of the conditions that could lead the undertaking to conclude that climate change is material in the future. If the undertaking concludes that a topic other than climate change is not material and therefore it omits all the Disclosure Requirements in the corresponding topical ESRS, it may briefly explain the conclusions of its materiality assessment for that topic.

Zooming in on Impact Materiality Analysis



**ESRS 1
General Requirements**

**ESRS 2
General Disclosures**



UNEP FI Holistic Impact Methodology

- Impact Protocol for Banks
- Impact Radar & Mappings
- Impact Management Tool



Key segments of ESRS 1 +2

ESRS 1 – General Requirements

3. Double materiality as the basis for sustainability disclosures
- Stakeholders and their relevance to materiality
 - Impact materiality
 - Level of disaggregation

ESRS 2 – General Disclosures

3. Strategy
- Strategy, business model, value chain
 - Interests & views of stakeholders
 - Material impacts, risks and opportunities and their interaction with strategy & business model
4. Impact, Risk and Opportunity Management
- Processes to identify and assess material impacts, risks and opportunities
 - Policies adopted to manage material matters
 - Actions and resources in relation to material matters
5. Metrics and targets
- Metrics in relation to material matters
 - Tracking effectiveness of policies and actions

ESRS 1 – General Requirements

(pp.1-35)

ESRS 1 - FAQ 1/5

- 3. Double materiality as the basis for sustainability disclosures
 - 3.1 Stakeholders and their relevance to the materiality assessment process
 - 3.2 Material matters and materiality of information
 - 3.3 Double materiality
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Scope of impact analysis / company activities

Observations:
 For banks this means that disclosure is *not* limited to operations, the bulk of impacts being associated to its portfolio. This make the UNEP FI methodology and resources (focused specifically on portfolios) uniquely adapted to the requirements.

39. In identifying and assessing the **impacts, risks** and **opportunities** in the undertaking's **value chain** to determine their **materiality**, the undertaking shall focus on areas where impacts, risks and opportunities are deemed likely to arise, based on the nature of the activities, business relationships, geographies or other factors concerned.

63. The information [...] shall be extended to include information on the material impacts, risks and opportunities connected with the undertaking through its direct and indirect business relationships in the upstream and/or downstream value chain [...].

ESRS 1 - FAQ 2/5

- 3. Double materiality as the basis for sustainability disclosures
 - 3.1 Stakeholders and their relevance to the materiality assessment process
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Scope of impact analysis: sustainability matters

Observations:
 While the list of ESRS topics (as per AR16) is less comprehensive than those covered by the UNEP FI Impact Radar, ESRS 1 clearly states that topics beyond AR16 are not outside scope. UNEP FI’s resources can therefore play an important role in ensuring there are no gaps here.

30. When the undertaking concludes that a sustainability matter is material as a result of its **materiality** assessment, [...] it shall:

- (a) disclose information according to the Disclosure Requirements [...] related to that specific sustainability matter in the corresponding topical and sector-specific ESRS; and
- (b) **disclose additional entity-specific disclosures [...] when the material sustainability matter is not covered by an ESRS or is covered with insufficient granularity.**

Draft ESRS-Impact Radar Map V3

About:

This worksheet presents the mapping between the European Sustainability Reporting Standards (ESRS) with its subsequent structure and the Impact Topics and Impact Areas of the UNEP FI Impact Radar (2022 edition). The mapping is presented from the ESRS "Sub-topic" level to the "Impact topic" level of the UNEP FI Impact Radar. These are determined through the "Topic", "Sub-topic" and the "Sub-sub topic" of the ESRS to the closest association of the "Impact topic" level of the Impact Radar. To note, the "Sub-sub topic" is not presented in the mapping below, but was used to inform for the translation to the UNEP FI Impact Radar.

European Sustainability Reporting Standards (ESRS)			Main equivalences		
Draft ESRS	Topic	Sub-topic	Maps to...		
E1	Climate change	Climate change adaptation	→	Natural disasters	Integrity and security of person
		Climate change mitigation	→	Climate stability	Climate stability
		Energy	→	Resource intensity	Circularity
E2	Pollution	Pollution of air	→	Air	Biodiversity & healthy ecosystems
		Pollution of water	→	Waterbodies	Biodiversity & healthy ecosystems
		Pollution of soil	→	Soil	Biodiversity & healthy ecosystems
		Pollution of living organisms and food resources	→	Habitat	Biodiversity & healthy ecosystems
		Substances of concern	→	Waste	Circularity
		Substance of very high concern	→	Waste	Circularity

Observation:

Radar is broader than list of EU topics, but EU pre-acknowledges the non-exhaustive nature of their list and the need to factor this into impact materiality analysis

Not covered by ESRs topics and subtopics

Impact topic	Impact area
Healthcare & sanitation	Availability, accessibility, affordability, quality of resources & services
Connectivity	Availability, accessibility, affordability, quality of resources & services
Mobility	Availability, accessibility, affordability, quality of resources & services
Finance	Availability, accessibility, affordability, quality of resources & services
Sector diversity	Healthy economies
Flourishing MSMEs	Healthy economies
Infrastructure	Infrastructure
Socio-economic convergence	Socio-economic convergence

In sum:

- Broader social issues scope
- Consideration of enabling economic considerations

ESRS 1 - FAQ 3/5

- 3. Double materiality as the basis for sustainability disclosures
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Starting point for impact materiality analysis & the role of stakeholders

24. Engagement with affected **stakeholders** is central to the undertaking’s on-going due diligence process (see chapter 4 *Due diligence*) and sustainability **materiality** assessment. **This includes its processes to identify and assess actual and potential negative impacts, which then inform the assessment process to identify the material impacts for the purposes of sustainability reporting** (see section 3.4 of this Standard).

Observations:
 While tone appears to align with traditional GRI approach to materiality analysis (different to UNEP FI Holistic Impact Methodology), it is apparent that stakeholder identification and engagement is not considered the single basis / starting point for impact materiality analysis

ESRS 1 - FAQ 4/5

- 3. Double materiality as the basis for sustainability disclosures
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Determination of impact materiality

Observations:
 In the UNEP FI Sector / Impact Map likelihood, scale & irremediable character are treated via the 1 (not key) & 2 (key) rankings, while scope is addressed once the Map is overlaid with the banks sector exposures via the Identification Module.

45. [...] For actual negative impacts, materiality is based on the severity of the impact, while **for potential negative impacts it is based on the severity and likelihood of the impact. Severity is based on** the following factors:

- (a) the **scale**;
- (b) **scope**; and
- (c) **irremediable character** of the impact.

ESRS 1 - FAQ 5/5

- 3. Double materiality as the basis for sustainability disclosures
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How granular to go?

Observations:
 One of the specificities of the UNEP FI Holistic Impact Methodology is its significant level of disaggregation: by geography, by business lines and sectors contained within, by positive / negative impact associations.

56. Where data from different levels, or multiple locations within a level, is aggregated, **the undertaking shall ensure that this aggregation does not obscure the specificity and context necessary to interpret the information.** The undertaking shall not aggregate material items that differ in nature.

ESRS 2 – General Disclosures

pp. 35-66

ESRS 2 – Relevant features & data points 1/5

- 3. Strategy
 - Disclosure Requirement SBM-1 – Strategy, business model and value chain
 - Disclosure Requirement SBM-2 – Interests and views of stakeholders
 - Disclosure Requirement SBM-3 - Material impacts, risks and opportunities and their interaction with strategy and business model
- 4. Impact, risk and opportunity management
 - 4.1 Disclosures on the materiality assessment process
 - Disclosure Requirement IRO-1 - Description of the processes to identify and assess material impacts, risks and opportunities
 - Disclosure Requirement IRO-2 – Disclosure requirements in ESRS covered by the undertaking’s sustainability statement

Materiality assessment process

Observations:

Using the UNEP FI Methodology and resources provides an opportunity to drive consistency in data for data users as well as a level playing field for data producers.

51. **The undertaking shall disclose its process to identify its impacts**, risks and opportunities and to assess which ones are material.

[...]

(a) a **description of the methodologies and assumptions** applied in the described process;

(b) an **overview of the process** to identify, assess, prioritise and monitor the undertaking’s potential and actual **impacts** on people and the environment [...]

ESRS 2 – Relevant features & data points 2/5

3. Strategy

- Disclosure Requirement SBM-1 – Strategy, business model and value chain
- Disclosure Requirement SBM-2 – Interests and views of stakeholders
- Disclosure Requirement SBM-3 - Material impacts, risks and opportunities and their interaction with strategy and business model

4. Impact, risk and opportunity management

4.1 Disclosures on the materiality assessment process

- Disclosure Requirement IRO-1 - Description of the processes to identify and assess material impacts, risks and opportunities
- Disclosure Requirement IRO-2 – Disclosure requirements in ESRS covered by the undertaking's sustainability statement

Strategy, business model, value chain

Observations:

Included in the UNEP FI Impact Analysis tools:

- Breakdown by business line
- Breakdown by country
- Breakdown of sectors within each business line per country
- Breakdown of products/services and customer groups per country (for consumer banking)

40. The undertaking shall disclose [...]

(a) a description of:

- i. **significant groups of products and/or services offered**, [...];
- ii. **significant markets and/or customer groups served**[...];
- iii. headcount of **employees** by geographical areas; and
- iv. where applicable and material, products and services that are banned in certain markets;

Strategy, business model, value chain

Breakdown by country

Italy

Total volume of your Mix of Business and Corporate Banking portfolio (outstanding loans)	28 000 000 000
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Australia	
Volume of Mix of Business and Corporate Banking portfolio in the country (outstanding loans)	
4 000 000 000,00	
Indicator: outstanding loans	
amount	% of country Mix of Business and Corporate Banking portfolio
Australia	Australia
2 000 000 000,00	50,00%

a. Client type

SMEs <i>(including professionals)</i>	Indicator: outstanding loans
2 000 000 000,00	50,00%

b. Sector exposure

Sectors (ISIC)	My sectors	Key sectors	EU Taxonomy	General purpose (amount)	General purpose (%)	Dedicated (amount)	Dedicated (%)
<i>(use the filter to tailor this list)</i>	<i>(optional: use this column to filter)</i>	<i>(use the filter to filter)</i>	<i>(use the filter to filter)</i>	Australia	Australia	Australia	Australia
Total volume and proportion of portfolio under analysis				3 500 000 030,00	87,50%	0,00	0,00%
A Agriculture, forestry and fishing							
01 Crop and animal production, hunting and related service activities							
011 Growing of non-perennial crops			X				
0111 Growing of cereals (except rice), leguminous crops and oil seeds			X				
0112 Growing of rice			X				
0113 Growing of vegetables and melons, roots and tubers			X				
0114 Growing of sugar cane			X				

Institutional Banking/Identification Module – Portfolio composition tab

Breakdown of sectors

Breakdown of products/services

Breakdown of customer groups

Volume of consumer banking portfolio in the country →	Indicator 1- credit: amount (outstanding loans)	Indicator 1-current accounts & savings: amount	Indicator 2: number of products - not selected	Indicator 3: number of customers
30 000 000 000,00	40 000 000 000,00			20 000 000,00

Types of products & services (as per ISIC industry classification)		Indicator 1: € amount		Indicator 2: number of products - not selected		Indicator 3: number of customers	
Names of products & services (as named in your bank)		Volume	% (automatically generated)	Volume	% (automatically generated)	Volume	% (automatically generated)
644 Consumer banking	<i>(unhide the rows and indicate the names of your products)</i>		0,00%				0,00%
6441 Current accounts	<i>(unhide the rows and indicate the names of your products)</i>		0,00%				0,00%
64411 Current accounts with payment services (cheques, debit cards)	<i>(unhide the rows and indicate the names of your products)</i>	20 000 000 000,00	50,00%			6 000 000,00	30,00%
	Easybanking	5 000 000 000,00	12,50%			1 500 000,00	7,50%
	Premium	5 000 000 000,00	12,50%			1 500 000,00	7,50%
	Evergreen	5 000 000 000,00	12,50%			1 500 000,00	7,50%
	InfinityPlus	5 000 000 000,00	12,50%			1 500 000,00	7,50%
64412 Current accounts without payment services	<i>(unhide the rows and indicate the names of your products)</i>		0,00%				0,00%
6442 Savings	<i>(unhide the rows and indicate the names of your products)</i>		0,00%				0,00%
64421 Savings accounts	<i>(unhide the rows and indicate the names of your products)</i>	10 000 000 000,00	25,00%			3 000 000,00	15,00%
64422 Certificates of deposit	<i>(unhide the rows and indicate the names of your products)</i>		0,00%				0,00%
6443 Credit	<i>(unhide the rows and indicate the names of your products)</i>		0,00%				0,00%
64431 Credit cards	<i>(unhide the rows and indicate the names of your products)</i>		0,00%				0,00%
64432 Consumer loans & overdraft	<i>(unhide the rows and indicate the names of your products)</i>	10 000 000 000,00	33,33%			3 000 000,00	15,00%
64433 Securities-backed/ Lombard / Structured loans	<i>(unhide the rows and indicate the names of your products)</i>		0,00%				0,00%

Income									
Low-income populations			Middle-income populations			High-income population			
Indicator 1: € amount		Indicator 2: number of products - not selected	Indicator 3: number of customers		Indicator 1: € amount		Indicator 2: number of products - not selected	Indicator 3: number of customers	
Volume	% (automatically generated)	Volume	% (automatically generated)	Volume	% (automatically generated)	Volume	% (automatically generated)	Volume	% (automatically generated)

Consumer Banking/Identification Module – Portfolio composition tab

ESRS 2 – Relevant features & data points 3/5

3. Strategy

- Disclosure Requirement SBM-1 – Strategy, business model and value chain
- Disclosure Requirement SBM-2 – Interests and views of stakeholders
- Disclosure Requirement SBM-3 - Material impacts, risks and opportunities and their interaction with strategy and business model

4. Impact, risk and opportunity management

4.1 Disclosures on the materiality assessment process

- Disclosure Requirement IRO-1 - Description of the processes to identify and assess material impacts, risks and opportunities
- Disclosure Requirement IRO-2 – Disclosure requirements in ESRS covered by the undertaking's sustainability statement

Material impacts

Observations:

The data visualisations produced by the UNEP FI Impact Analysis tools to determine most significant impact areas/topics (material impacts):

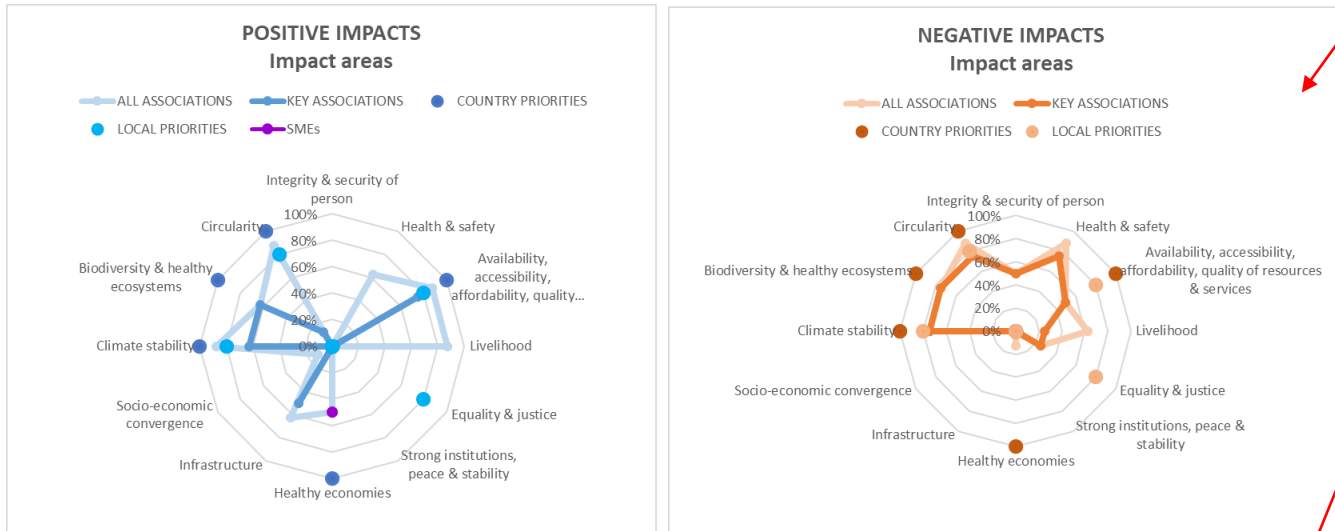
- Spider chart of all associated impact areas
- Heatmap of associations and exposures per business line and country (sector based)
- Summary table to determine most significant areas

46. The undertaking shall disclose *its material impacts*, risks and opportunities and how they interact with its strategy and business model.

48. The undertaking shall disclose:

(a) a brief description of its material *impacts, risks* and *opportunities* resulting from its materiality assessment [...], including a description of where in its *business model*, its own operations and its upstream and downstream *value chain* these material impacts, risks and opportunities are concentrated;

Material impacts



Spider chart of all associated impact areas

Heatmap of associations and exposures per business line and country (sector based)

Determination of most significant impacts (= material impacts)

Sustainable Development Pillars →						
Impact Areas →	Health & safety	Availability, accessibility, affordability, quality of resources & services				Availability, accessibility, affordability, quality of resources & services
Impact Topics →	Health & safety	Water	Food	Energy	Housing	
Corresponding SDG(s) →	SDG 3	SDG 6	SDG 2	SDG 7	SDG 11	

2. Determining areas of most significant impact

a. Overview of significant impact areas/topics

Positive associations

Impact areas	Impact topics	Proportion of portfolio	Associated impacts (positive)	Associated impacts (negative)
Availability, accessibility, affordability, quality of resources & services	Water, Food, Energy, Housing, Healthcare & Modern	87,50%	Conflict, Child labour, Health & safety, Water, Food, Modern	Health & safety, Water, Information, Culture &
Livelihood	Employment, Wages, Social protection	87,50%	slavery, Child labour, Health & Natural	Energy, Other vulnerable groups, Socio-
Climate stability	Climate stability	87,50%	disasters, Health & safety, Waterbodies	disasters, Health & safety, Waterbodies
Circularity	Resource intensity, Waste	87,50%	disasters, Health & safety, Water, Food, Energy, Healthcare & sanitation, Sector	Flourishing MSMEs

Negative associations

Impact areas	Impact topics	Proportion of portfolio	Associated impacts (positive)	Associated impacts (negative)
Health & safety	Health & safety	87,50%	Healthcare & sanitation	
Circularity	Resource intensity, Waste	87,50%	Natural disasters, Health & safety, Water, Food, Natural	Flourishing MSMEs
Climate stability	Climate stability	75,00%	disasters, Health & safety, Waterbodies	Energy, Other vulnerable groups, Socio-
Biodiversity & healthy ecosystems	Waterbodies, Air, Soil, Species, Habitat	75,00%	disasters, Health & safety, Water, Infrastructure, Socio-economic convergence, Climat	

iii. Sectors		ISIC Industry Classification										
Sectors	My sectors	Total % of portfolio	% of general purpose	% of dedicated	EU Taxonomy eligible sectors	Key sectors	Type of association	Filter here for: Health & safety	Filter here for: Water	Filter here for: Food	Filter here for: Energy	Filter here for: Housing
C Manufacturing		0,00%	0,00%				positive impacts					
C Manufacturing		0,00%	0,00%				negative impacts					
351 Electric power generation, transmission and distribution		25,00%	25,00%				positive impacts					
351 Electric power generation, transmission and distribution		25,00%	25,00%				negative impacts					
F Construction		25,00%	25,00%				positive impacts					
F Construction		25,00%	25,00%				negative impacts					
47 Retail trade, except of motor vehicles and motorcycles		0,00%	0,00%				positive impacts					
47 Retail trade, except of motor vehicles and motorcycles		0,00%	0,00%				negative impacts					
H Transportation and storage		25,00%	25,00%				positive impacts					

ESRS 2 – Relevant features & data points 4/5

- 4.2 Minimum disclosure requirement on policies and actions
- Minimum disclosure requirement - Policies MDR-P – Policies adopted to manage material sustainability matters
 - Minimum disclosure requirement - Actions MDR-A – Actions and resources in relation to material sustainability matters
5. Metrics and targets
- Minimum disclosure requirement – Metrics MDR-M – Metrics in relation to material sustainability matters
 - Minimum disclosure requirement – Targets MDR-T – Tracking effectiveness of policies and actions through targets

Policies, Actions

Observations:

The UNEP FI Impact Protocol and all UNEP FI topical target-setting guidance sets out four categories of actions banks can take to manage their impacts:

- Policies and processes
- Portfolio composition
- Client engagement
- Advocacy & partnerships

64. [...] provide an understanding of the **policies** that the undertaking has in place to prevent, mitigate and remediate actual and potential **impacts**, to address **risks** and to pursue **opportunities**.

67. [...] provide an understanding of the **key actions** taken and/or planned to prevent, mitigate and **remediate** actual and potential **impacts**, and to address **risks** and **opportunities**, and where applicable achieve the objectives and **targets** of related **policies**.

Policies, Actions

2. BASELINES AND TARGETS (PRACTICE & IMPACT)

b. Practice

i. Portfolio composition & financial flows

Sectors	General Purpose				
	Proportion of portfolio (default indicator)				
ISIC Industry Classification	Baseline	Baseline year	Target	Target year	Comments
<i>This column shows the sectors under analysis, as validated in the 'my'</i>	<i>This column shows the % of the portfolio</i>	<i>Please specify the year of the</i>	<i>Use this column to indicate your</i>	<i>Use this column to indicate your</i>	<i>Use this column to capture</i>
All selected sectors	87,60%	N/A	N/A	N/A	N/A
107 Manufacture of other food products	6,67%				
1074 Manufacture of macaroni, spaghetti, couscous and similar	1,33%				

ii. Client engagement

Sectors	Data collection					
	Indicator	Baseline	Baseline year	Target	Target year	Comments
<i>This column shows the sectors under analysis, as validated in the 'my'</i>	<i>Use this column to capture relevant</i>	<i>Use this column to capture your</i>	<i>Please specify the year of the</i>	<i>Use this column to indicate your</i>	<i>Use this column to indicate your</i>	<i>Use this column to</i>
Cross-cutting	Total weight or volume	1,500,000 t	2022	1,000,000 t	2026	
107 Manufacture of other food products						
1074 Manufacture of macaroni, spaghetti, couscous and similar						

iii. Internal policies & processes :

Sector/theme policies					
Indicator	Baseline	Baseline year	Target	Target year	Comments
<i>Use this column to</i>	<i>Use this column to</i>	<i>Please specify</i>	<i>Use this column</i>	<i>Use this column</i>	<i>Use this</i>
Description of the man	High level assessment	2022	Expanded risk disc	2023	

iv. Advocacy & partnerships :

Proactive advocacy efforts					
Indicator	Baseline	Baseline year	Target	Target year	Comments
<i>Use this column to</i>	<i>Use this column to</i>	<i>Please specify</i>	<i>Use this column</i>	<i>Use this column</i>	<i>Use this</i>
(1) List of priority raw mat	No disclosure on colle	2022	Disclose combined	2025	

PRACTICE:

Assess current practice & set targets; 4 categories of actions to manage impacts may be considered

ESRS 2 – Relevant features & data points 5/5

- 4.2 Minimum disclosure requirement on policies and actions
 - Minimum disclosure requirement - Policies MDR-P – Policies adopted to manage material sustainability matters
 - Minimum disclosure requirement - Actions MDR-A – Actions and resources in relation to material sustainability matters
- 5. Metrics and targets
 - Minimum disclosure requirement – Metrics MDR-M – Metrics in relation to material sustainability matters
 - Minimum disclosure requirement – Targets MDR-T – Tracking effectiveness of policies and actions through targets

Metrics & Targets

Observations:

The PRB and the UNEP FI Impact Protocol require the identification of indicators and the setting of targets vis a vis at least 2 most significant impact areas/topics. The UNEP FI Impact Analysis Tool /Assessment Module enables the determination and tracking of multiple metrics and targets.

74. [...] provide an understanding of the **metrics** the undertaking uses to track the effectiveness of its **actions** to manage material **sustainability matters**.

79. [...] provide for each material **sustainability matter** an understanding of:
 (a) whether and how the undertaking tracks the effectiveness of its **actions** to address material **impacts, risks** and **opportunities**, including the **metrics** it uses to do so;
 [...]

Metrics & Targets

ii) Client engagement

Baseline and targets

Sectors	Engagement practices																							
	Data collection						Awareness-raising						Advisory services & tailored products						Other		Circular financing			
	Indicator	Baseline	Baseline year	Target	Target year	Comments	Indicator	Baseline	Baseline year	Target	Target year	Comments	Indicator	Baseline	Baseline year	Target	Target year	Comments	Indicator	Baseline	Baseline year	Target	Target year	Comments
<i>This column shows the sectors under analysis, as validated in the 'my parameters' worksheet. Each sector has a jump link to the overview table of section 'a' where more</i>	<i>Use this column to capture relevant</i>	<i>Use this column to capture your current</i>	<i>Please specify the year of the data</i>	<i>Use this column to indicate your target</i>	<i>Use this column to indicate your target</i>	<i>Use this column to capture any further</i>	<i>Use this column to capture relevant</i>	<i>Use this column to capture your current</i>	<i>Please specify the year of the data</i>	<i>Use this column to indicate your target</i>	<i>Use this column to indicate your target</i>	<i>Use this column to capture any further</i>	<i>Use this column to capture relevant</i>	<i>Use this column to capture your current</i>	<i>Please specify the year of the data</i>	<i>Use this column to indicate your target</i>	<i>Use this column to indicate your target</i>	<i>Use this column to capture any further</i>	<i>Use this column to capture relevant</i>	<i>Use this column to capture your current</i>	<i>Please specify the year of the data</i>	<i>Use this column to indicate your target</i>	<i>Use this column to indicate your target</i>	<i>Use this column to capture any further</i>
Cross-cutting	which relevant	20%	2023	40%	2026		Key clients w	50%	2023	60%	2026		Increase in n	100	2023	150	2025							
107 Manufacture of other food products							Key clients w	15%	2023	30%	2026													
291 Manufacture of motor vehicles																			Increase of fi	5%	2023	10%	2026	
3211 Manufacture of jewellery and related articles																								
41 Construction of buildings																								
42 Civil engineering																								
7212 Research and experimental development for non-polluting and resource																								

Institutional Banking/ Assessment Module – Impact Area tab

Translating UNEP FI tool results into ESRS disclosures

(identification & context modules)

- Step 1-3: translation of tool «heatmap» (portfolio exposures per impact topic) to heatmap based on ESRS topics
- Step 4-8: translation of heatmap results into ESRS characteristics of «likelihood» and «severity» (negative impacts) & «likelihood», «scale», «scope» (positive impacts) + inclusion of contextual information
- Step 9-10: visualisation of (impact) material topics

step 1						
POSITIVE						
Sectors	Total % of portfolio	UNEP FI impact topics — country priorities	Conflict	Modern slavery	Child labour	
			1			
0112 Growing of rice	10%	positive impacts	0	0	0	0
0114 Growing of sugar cane	10%	positive impacts	0	0	0	0
0141 Raising of cattle and buffaloes	13%	positive impacts	0	0	0	0
0510 Mining of hard coal	10%	positive impacts	0	0	0	0
0610 Extraction of crude petroleum	5%	positive impacts	0	0	0	0
0710 Mining of iron ores	2%	positive impacts	0	0	0	0
1075 Manufacture of prepared meals & snack foods	3%	positive impacts	0	0	0	0
1410 Manufacture of wearing apparel, footwear and leather goods	1%	positive impacts	0	0	0	0
26 Manufacture of computer, electronic and optical products	8%	positive impacts	0	0	0	0
41 Construction of buildings	5%	positive impacts	0	0	0	0
49 Land transport and transport via pipelines	11%	positive impacts	0	0	0	0
51 Air transport	13%	positive impacts	0	0	0	0
86 Human health activities	10%	positive impacts	0	0	0	0
NEGATIVE						
Sectors	Total % of portfolio	UNEP FI impact topics — country priorities	Conflict	Modern slavery	Child labour	
			1			
0112 Growing of rice	10%	negative impacts	0	2	2	2
0114 Growing of sugar cane	10%	negative impacts	0	2	2	2
0141 Raising of cattle and buffaloes	13%	negative impacts	0	2	2	2
0510 Mining of hard coal	10%	negative impacts	2	2	2	2
0610 Extraction of crude petroleum	5%	negative impacts	2	2	2	2
0710 Mining of iron ores	2%	negative impacts	2	2	2	2
1075 Manufacture of prepared meals & snack foods	3%	negative impacts	0	0	0	0
1410 Manufacture of wearing apparel, footwear and leather goods	1%	negative impacts	0	2	2	2
26 Manufacture of computer, electronic and optical products	8%	negative impacts	0	2	2	2
41 Construction of buildings	5%	negative impacts	0	2	0	0
49 Land transport and transport via pipelines	11%	negative impacts	0	0	0	0
51 Air transport	13%	negative impacts	0	0	0	0
86 Human health activities	10%	negative impacts	0	0	0	0
step 2						
POSITIVE						
Sectors	Total % of portfolio	ESRS sub-topics	Climate change adaptation	Climate change mitigation	Energy	
			Natural disasters	Climate stability	Resource intensity	

Zoom on translation of «likelihood» and «severity»

STEP 4 Exposures per ESRS topic and key sector associations

Key Sectors =

- Highly likely
- Typically on a large scale, possibly irremediable

Exposures = scope

NEGATIVE						
Sectors	ESRS sub-topics →	Climate change adaptation	Climate change mitigation	Energy	Pollution of air	
total association (ESRS scope)	negative impacts	79%	100%	90%	67%	
key association (ESRS likelihood, scale & irremediable character)		yes	yes	yes	yes	

STEP 5 Division into quintiles to match the proposed 1-5 scoring system i.e. the higher the exposure, the higher the ranking

scores	interval size (positive)	cutoff points (positive)	interval size (negative)	cutoff points (negative)
0	20%	0%	20%	0%
1		20%		20%
2		40%		40%
3		60%		60%
4		80%		80%
5		100%		100%

STEP 6 Translate sector %s into the 5 scores considering the quintiles

NEGATIVE						
	ESRS sub-topics →	Climate change adaptation	Climate change mitigation	Energy	Pollution of air	
total association (ESRS scope)	negative impacts	4	5	5	4	
key association (ESRS likelihood, scale & irremediable character)		yes	yes	yes	yes	

Visualisation of material (ESRS) topics (most granular level)

STEP 9

Establishing the threshold: if a topic has at least a 3 score (either positive or negative), it is considered to be material

materiality assessment	scores		UNEP FI main parameters		
			total association (ESRS scope)	key association (ESRS likelihood, scale & irremediable character)	Context (country priorities)
not material	0	No impact	0/no		no
not material	1	Minimal	1/no		yes
not material	2	Informative	1/yes, 2/no, 2/yes, 3/no		yes
material	3	Important	4/no, 5/no		yes
material	4	Significant	3/yes, 4/yes		yes
material	5	Critical	5/yes		yes

POSITIVE									
	ESRS sub-topics →	Climate change mitigation	Energy	Pollution of water	Pollution of living organisms and food	Substances of concern	Substance of very high concern	Water withdrawals	Water consumption
	positive impacts	2	1	0	0	0	0	1	1
	key association (ESRS likelihood, scale & irremediable character)	yes							
	country priority	yes	yes	yes	yes	yes	yes	yes	yes
	scores	2	1					1	1
	Materiality assessment								
NEGATIVE									
	ESRS sub-topics →	Climate change mitigation	Energy	Pollution of water	Pollution of living organisms and food	Substances of concern	Substance of very high concern	Water withdrawals	Water consumption
	negative impacts	5	5	4	4	5	5	5	5
	key association (ESRS likelihood, scale & irremediable character)	yes	yes	yes	yes	yes	yes	yes	yes
	country priority	yes	yes	yes	yes	yes	yes	yes	yes
	scores	5	5	4	4	5	5	5	5
	Materiality assessment	material	material	material	material	material	material	material	material

STEP 10

Material ESRS topics: driven by negative associations (orange) or by positive associations (blue)

Climate change mitigation	Energy	Pollution of water	Pollution of living organisms and food resources	Substances of concern	Substance of very high concern	Water withdrawals	Water consumption	Water use	Water discharges in waterbodies and in the oceans	Habitat degradation and intensity of pressure on marine	Direct impact drivers of biodiversity loss	Impacts on the state of species	Resources inflows, including resource use	Waste	Communities' economic, social and cultural rights	Animal welfare	Communities' economic, social and cultural rights
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Work in progress

- Treatment of **actual impacts**
- Relatedly, use of **due diligence data**
- Materiality **scoring system** (1-5)
- **Level of aggregation** (disaggregated data (positive and negative), geographies and business line)
- Up-dating of **Indicator Library** of with ESRS metrics

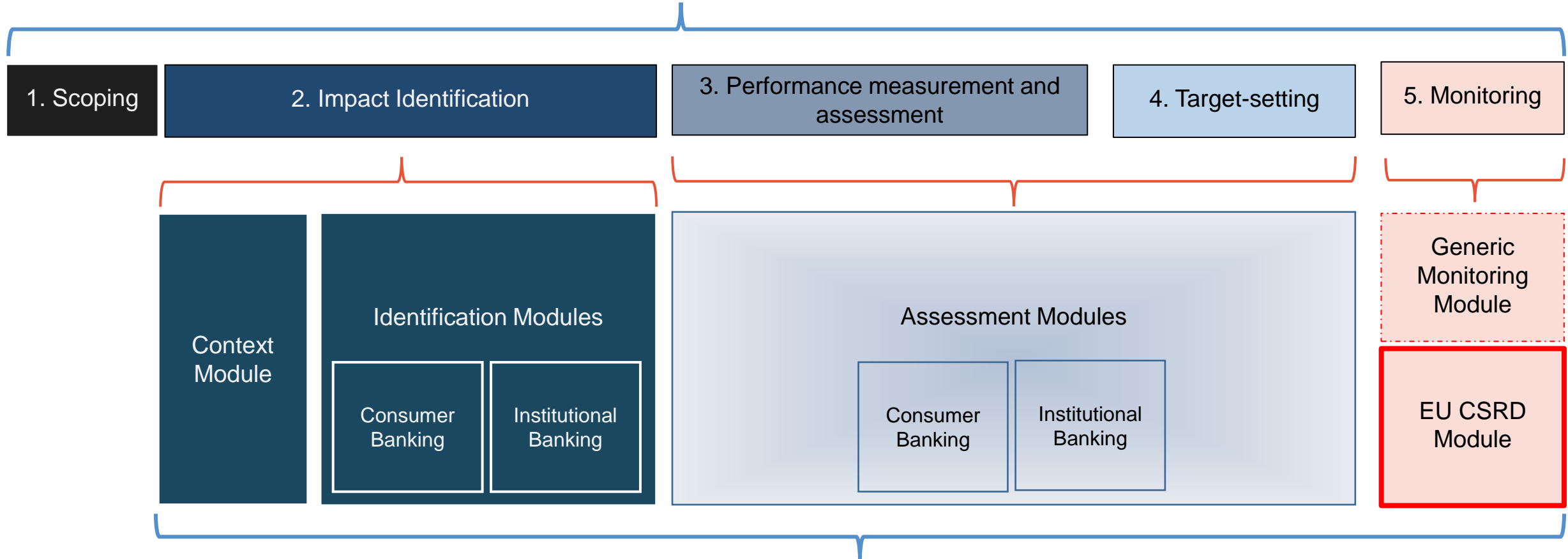
- Work is still underway to issue further guidance on materiality assessment (EFRAG indicative content)
- UNEP FI Secretariat is exchanging with EFRAG to cross-check approaches
- UNEP FI Secretariat has submitted an application to join the Banking Expert Panel

3. Call for interest: WG to develop an ESRS module within the UNEP FI Impact Analysis Tool for Banks

Develop an ESRS module within the Portfolio Impact Analysis Tool for Banks?



Impact management process



Portfolio impact analysis tool

Objectives

- **Facilitate implementation** of EU CSRD ESRS 1&2 requirements, especially as regards impact materiality assessment
- **Facilitate usage of FI resources** and tools for the purpose
- **Create a level playing field** for banking producers and enable reliability and comparability of information for users

Key features

The Module could:

- Collect all ESRS relevant data from the different modules in one place
- Translate the UNEP FI Impact Radar areas and topics into the ESRS topics (where applicable)
- Translate UNEP FI Impact Analysis results into the corresponding ESRS disclosure points
- Enable further input and explanations as needed

An accompanying User Guide would be developed and would include a transparent description of the underlying comparative analysis (UNEP FI / ESRS).

Working Group ToR Outline

Work with the UNEP FI Secretariat to:

- Refine the underlying comparative analysis
- Review, test and comment on mock-ups and iterations of the module
- Review and comment on the accompanying User Guide
- Promote the Module and User Guide once completed, among peers and internally among colleagues

Estimated time commitment:

- WG meetings (virtual): max 10 sessions, between 45-75 minutes each (variable)
- Document review (User Guide): 2 rounds, approx 1h each
- Tool review and testing: 3 rounds, approx 1.5h each

Questions

- Is the idea of a dedicated Module appealing? Why / why not?
- If yes, what would be the best time frame in which to complete the module (start and finish)?
- Who else do you think should be involved beyond UNEP FI Secretariat and Members?

—
Thank you

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