

29 November 2023

UNEP Finance Initiative

# Financial Health and Inclusion Target Setting Part 2

Principle for Responsible Banking  
APAC



# Before we begin

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Event # 4236720

- **Questions:** Slido Q&A or unmute
- **Recordings** and material will be made available on the UNEP FI Members' area [Target Setting – United Nations Environment – Finance Initiative \(unepfi.org\)](https://www.unepfi.org/banking/unep-fi-banking-members-space/capacity-building-activities)
- **PRB Capacity Building calendar & registration:** <https://www.unepfi.org/banking/unep-fi-banking-members-space/capacity-building-activities>

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**Please tell us about yourself: your name (optional), bank name and your country**

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# PRB Financial Health and Inclusion Programme

- Main purpose: support PRB signatories in setting targets in the Financial Health and Inclusion area
- Addressed to all relevant people in the bank working on Financial Health and Inclusion (Sustainability Team, Product, Risk, Strategy etc..) and PRB implementation

	Date
<p><b>Part 1: Foundation of PRB Climate Target Setting for Financial Health &amp; Inclusion</b></p> <ul style="list-style-type: none"> <li>•Get familiar with the UNEP FI framework for FH&amp;I</li> <li>•Identify the <b>context of financial inclusion and financial health</b> in the country in which they operate</li> <li>•Build <b>knowledge and skills to select the best indicators</b> and methodologies to set targets that are aligned with PRB's best practices</li> </ul>	8th November 2023
<p><b>Part 2 : Implementing the targets</b></p> <ul style="list-style-type: none"> <li>•Understand <b>how to develop SMART targets</b> that are aligned with local needs and commitments, as well as with the institution's profile</li> <li>•Getting started with the action plans to implement the targets</li> </ul>	29th November 2023

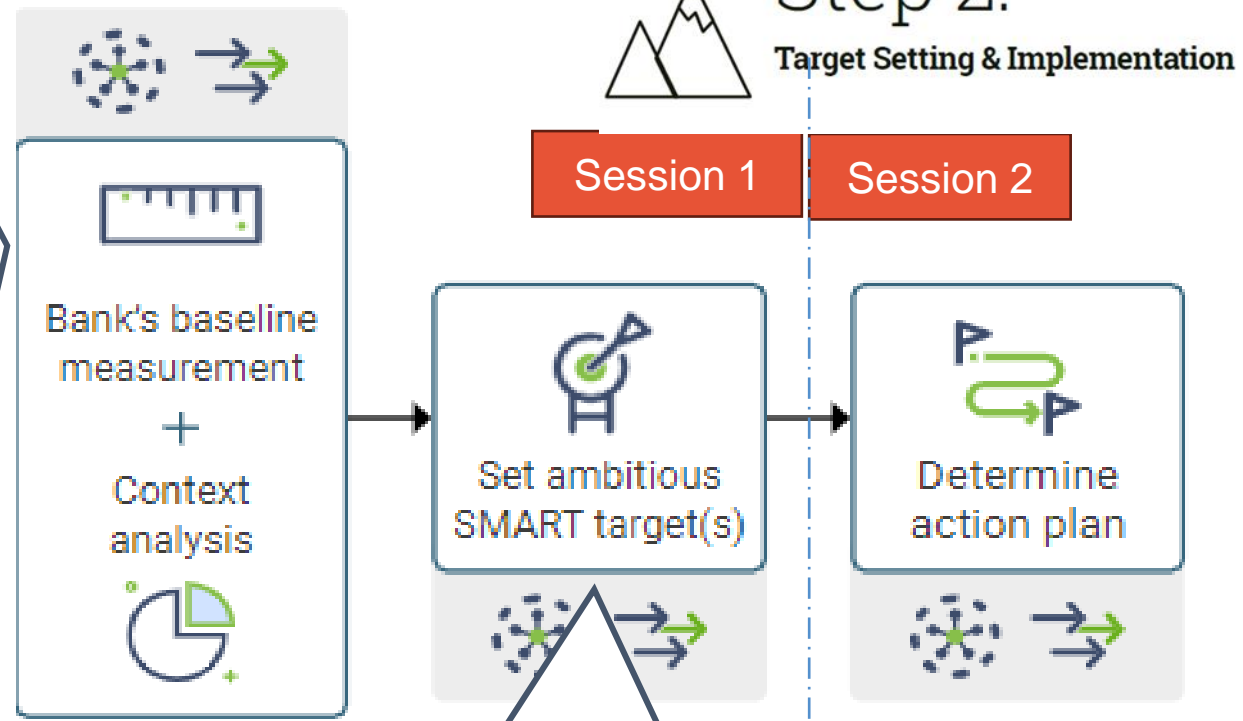


—  
Recap Part 1  
Practical exercise

# Setting Targets

Analyze the bank's baseline data in light of context analysis. Seek alignment with the country's priorities.

1. Complete **country/regional analysis** regarding area of impact
2. Complete a **baseline of as many core indicators** as possible



Context analysis

International frameworks | Regional frameworks | National frameworks

SDG 16: Access to essential services. Everyone has the right to access essential services of good quality, including water, sanitation, energy, transport, financial services and digital communications. Support for access to such services shall be available for those in need.

ECAP

	Low income (%)	Middle income (%)	High income (%)	Male (%)	Female (%)	Vulnerable groups (%)	Age (18-30)	Age (30-60)	Age (60+)
Consumer bank portfolio (70% of Bank Adu)									
Number of banking accounts	20	50	30	52	48	2	20	50	30
Volume of credit	10	38	52	83	17	0.05	10	70	20
Clients in overindebt	30	20	5	51	49	20	15	5	20
Volume of savings accounts	5	10	85	80	20	3	5	65	30
Level of financial resilience (1-10)	2	5	7	5	5	1	2	6	5
Volume of home loans	5	60	40	80	20	1	5	75	20
Others	5	30	65	60	40	1	20	60	20
National context	30% without banking account, low level of credit for women, 30% of the population do not save money, low level of final education, low financial resilience								

1. **Identify priority groups** (if applicable) Prioritize groups and areas of work
2. **Determine the reference year for your target** (starting point)

3. **Set a SMART impact target** (review pathway to see impacts and core indicators to see how to measure it)



## Agenda Part 2

- Case study exercise feedback Part 1
- Setting targets - continued
  - Set SMART targets – continued
  - Define key indicators (reporting)
  - Determine measures and actions (action plan)
- Examples
- Practical Case study exercise discussion - Part 2

**Link to calendar:** <https://www.unepfi.org/banking/unep-fi-banking-members-space/capacity-building-activities>



# Homework: Case study exercise

Based on the information on the following slides, practice on:

1. **Context analysis:** What are the priorities and goals of the country Genovia
2. **Baseline analysis:**
  - Which are the groups that the bank should prioritize?
  - Taking into account the organic growth of the indicators, and the country's goals, which should be the bank's goal and for which target year?
3. **What questions arise from the process?**

# Policies and agreements - GENOVIA

INTERNATIONAL	SDG	<p><b>SDG 8. Decent work and economic growth</b>            SDG 8.1: Maintain per capita economic growth in accordance with national circumstances and, in particular, gross domestic product growth of at least 7 per cent per annum in the least developed countries. As of 2019, there is a 0.40% advance.            ODS 8.10: Proportion of adults (15 years and older) with an account at a bank or other financial institution or with a mobile money service. By 2021 the figure is 84%.</p> <p><b>SDG 10: Reduction of inequalities:</b>            Achieve and sustain income growth for the poorest 40% of the population at a rate higher than the average income of the richest 10%.</p>
	Maya Declaration	At the moment, the country has no goals in progress.
NATIONAL	National Alliance for Financial Inclusion	<ul style="list-style-type: none"> <li>• Expand and improve access to financial services at GENOVIA;</li> <li>• Promote financial accountability and improve access to financial services information</li> <li>• Ensure that 100% of the population over 15 years of age has access to a basic bank account and the financial system without obstacles.</li> </ul>

# Baseline – Bank Banovia

The bank has a financial inclusion area that focuses on low-income groups and has 5 products available. It has financial education programs that it delivers with partners and in which it measures the performance of the participants. Otherwise, it has no more initiatives or intentional actions, so the growth you see below is achieved without much effort from the bank. The bank has 60% of Genovia's urban people market and 40% of the rural market. Bank B cannot disaggregate by gender.

Financial Inclusion Indicators	Year		
	2019	2020	2021
Relevant data			
Number of products and services with a focus on financial inclusion	5/50	5/54	5/57
Number of individuals who have participated in financial education programs	350,000	400,000	450,000
Employees trained to facilitate the inclusion of people/businesses	30%	40%	50%
% of individuals with high financial skills	60%	65%	70%
% of rural customers with <b>effective</b> access to a basic financial product	20%	40%	35%
% of (rural) customers with two or more active financial products, of different categories, with the bank	17%	20%	23%
% of customers who actively use the bank's digital platforms and services	45%	70%	80%
% of clients supported with personalized strategies/advisory services	25%	30%	35%

Financial Health Indicators	Year		
	2019	2020	2021
Relevant Financial Health Data			
% of clients with a good level of financial health	39.3%	43.4%	42.7%
% of customers who feel confident about their finances in the next 12 months	45%	27%	35%
Non-performing loan index	47%	44%	41%
Number of products and services with a financial health focus	2/50	2/54	10/57
Employees trained to facilitate the financial health of individuals/businesses	-	-	-
% of customers with long-term savings/investment products	20%	25%	30%
% of clients who materialize a financial wellness plan created with the bank's advisor	-	-	-
% of customers who regularly overdraw	25%	40%	30%

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**What are the priorities and goals of the country Genovia?**

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# Policies and agreements - GENOVIA

INTERNATIONAL	SDG	<p><b>SDG 8. Decent work and economic growth</b>            SDG 8.1: Maintain per capita economic growth in accordance with national circumstances and, in particular, gross domestic product growth of at least 7 per cent per annum in the least developed countries. As of 2019, there is a 0.40% advance.            ODS 8.10: Proportion of adults (15 years and older) with an account at a bank or other financial institution or with a mobile money service. By 2021 the figure is 84%.</p> <p><b>SDG 10: Reduction of inequalities:</b>            Achieve and sustain income growth for the poorest 40% of the population at a rate higher than the average income of the richest 10%.</p>
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The country has a clear priority, and it is financial inclusion beyond a basic bank account for 100% of the population over 15 years old

## Indicators - GENOVIA

Financial Inclusion Indicators	Year		
	2014	2017	2021
Relevant data	2014	2017	2021
Account (% age 15+)	68.1	70.0	84.0
Account, rural (% age 15+)	19.2	25.3	32.8
Account, female (% ages 15 and over)	64.8	67.5	70.1
Account, male (% age 15+)	71.7	72.9	87.1
Income account, 40% poorer (% over 15 years)	57.2	56.6	82.0
% of adults with financial products by age range (18-25 years)	-	-	30.9
% of adults with financial products by age range (> 65 years)	-	35.7	40.8
National Financial Inclusion Index (0 – 100)	25.9	32.4	48.7

Financial Health Indicators	Year		
	2017	2019	2021
Relevant Financial Health Data	2017	2019	2021
% low-income population	26.7	26.05	29.60
% Household savings	-	22.4	24.6
Savings for old age, women (% of ages 15 and over)	-	8.9	15.9
Savings for old age, men (% over 15 years)	13.1	17.5	24.3
Create emergency funds: not possible, women (% over 15 years)	-	10.1	11.4
Create emergency funds: not possible, men (% over 15 years)	-	4.9	5.2
Score for Financial Education (0 – 21)	-	11.5	16.7
National Financial Health Index (0 – 100)	-	25.9	32.4

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**What are the groups that the bank should give a closer look to?**

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# Indicators - GENOVIA

Financial Inclusion Indicators ar	Year		
	2014	2017	2021
Relevant data			
Account (% age 15+)	68,1	70,0	84,0
Account, rural (% age 15+)	19,2	25,3	32,8
Account, female (% age 15+)	64,8	67,5	70,1
Count, male (% age 15+)	71.7	72.9	87.1
Account, income, 40% poorest (% age 15+)	57.2	56.6	82.0
% of adults with financial products by age range (18-25 years)	-	-	30,9
% of adults with financial products by age range (> 65 years)	-	35,7	40,8
National Financial Inclusion Index	25,9	32,4	48,7

Financial Health Indicators	Year		
	2017	2019	2021
Relevant financial health data			
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% Household savings	-	22,4	24,6
Savings for old age, women (% age 15+)	-	8,9	15,9
Savings for old age, men (% age 15+)	13,1	17,5	24,3
Create emergency funds: not possible, women (% age 15+)	-	10,1	11,4
Create emergency funds: not possible, men (% age 15+)	-	4,9	5,2
Score in Financial Education	-	11,5	16,7
National Financial Health Index	-	25,9	32.4

Groups to prioritize: rurality and women to achieve 100% in bank account. And to all groups, obstacle-free access to more financial products. Financial health indicators are the clear result of a country with a low index of financial inclusion. Given that the country has no financial health targets, the bank could focus on inclusion while maintaining financial well-being lenses.



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**Taking into account the organic growth of the indicators, and the country's targets, what should be the bank's target and for which year?**

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# Baseline – Bank B

The bank has a financial inclusion area that focuses on low-income groups and they have 5 products available. It has financial education programs that is delivered with allies and in which it measures the performance of participants. Otherwise, it has no more initiatives or intentional actions, so the growth you see below is achieved without much effort from the bank. The bank has 60% of the urban people market in Genovia and 40% of the rural market. Bank B cannot disaggregate by gender

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% of rural customers with <b>effective</b> access to a basic financial product	20%	40%	35%
% of customers (rural) with two or more active financial products, of different categories, with the bank	17%	20%	23%
% of customers who actively use the bank's digital platforms and services	45%	70%	80%
% of clients supported with customized strategies/advisory services	25%	30%	35%

Financial Health Indicators	Year		
	2019	2020	2021
Relevant financial health data			
% of customers with good financial health	39,3%	43,4%	42,7%
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Non-performing loans ratio	47%	44%	41%
Number of products and services with a focus on financial health	2/50	2/54	10/57
Employees trained to facilitate the financial health of individuals/businesses	-	-	-
% of customers with long-term savings/investment products	20%	25%	30%
% of customers who have a financial well-being plan created with the bank advisor	-	-	-
% of customers who regularly use overdrafts	25%	40%	30%

The bank could initially focus on financial inclusion. Taking into account the organic growth of the impact indicator for inclusion, it could have a target between 45% and 50% by 2025 (ambitious). In parallel, the bank could monitor financial health indicators to ensure that negative impacts are not generated, and can eventually set a financial health target.

Context analysis: What are the priorities and target of the country Genovia

Financial inclusion of rural communities and women. Understood as access to all financial products without barriers.

# Let's remember Exercise Session 1

Baseline analysis:

- What are the groups that the bank should prioritize?

Rural clients and having specific initiatives for women

Taking into account the organic growth of the indicators, and the country's targets, what should be the bank's target and for which year?.

The bank could initially focus on financial inclusion. Taking into account the organic growth of the impact indicator for inclusion, it could have a target of between 45% and 50% by 2025 (ambitious). In parallel, the bank could monitor financial health indicators to ensure that negative impacts are not generated, and could eventually set a financial health target.




# Lessons learned and good practices

## Steps 1-3

# 1

Understand the context of the country



### Good practices

- Even with the expectation of limited data, banks managed to gather a robust amount of information to map their country's profile, choose their priority groups and areas of work.
- Several banks have been able to find data on financial behaviors and other complementary areas that are also important for the characterization of the initial context.
- Analyzing societal problems such as over-indebtedness.

### Lessons learned

- Most banks do not cover varied businesses (e.g. SMEs and MSMEs, investments, insurance), and tend to cover mostly savings account data. Don't cover just savings accounts!
- In some cases, data collected was not consistent with the group selected to prioritize, which misaligns with targets set from the priorities of the context.
- In some cases, there could be more segmentation in the data by ethnicity, location or age, according to identified vulnerable groups.
- It is important to establish a multidisciplinary work team in the bank if this area has been prioritized

# Lessons learned and good practices

## Steps 1-3

### Lessons learned

- Many of the banks were successful in covering indicators for all levels of the theory of change.
- The more components of the theory of change are measured at baseline, the easier it will be to complete the stages that follow.

### Good practices

- Even when the focus is on financial inclusion, banks should also include financial health, for example in the form of a negative impact, as this is important to measure, as part of sustainable financial inclusion
- In some cases banks have not set indicators to evaluate implemented programs, which is essential to know how successful are the efforts.
- Put together an internal multidisciplinary work team.
- A robust context analysis help to identify indicators that the bank must measure for its own performance - we should not limit ourselves to the Excel list.
- Always double check to understand why a core indicator looks the way it does

**2** Set baselines and identify priorities



# Lessons learned and good practices

## Steps 1-3

### 2 Set baselines and identify priorities



#### Good practices

To complete the baseline, it is important to align the entire team regarding definitions of the indicators to be measured, especially on the below:

- Effective access: access after first use
- Active: use at least once a month or with the intended periodicity of the product / service
- Regularly: at least 4 months in a year, shows regularity in negative behavior such as overdraft

Link: [20220919\\_FINHEALTH-WG\\_DATABASE-AND-CORE-SET\\_FV-2.xlsx \(live.com\)](#)



# Using the framework in practice Part 2

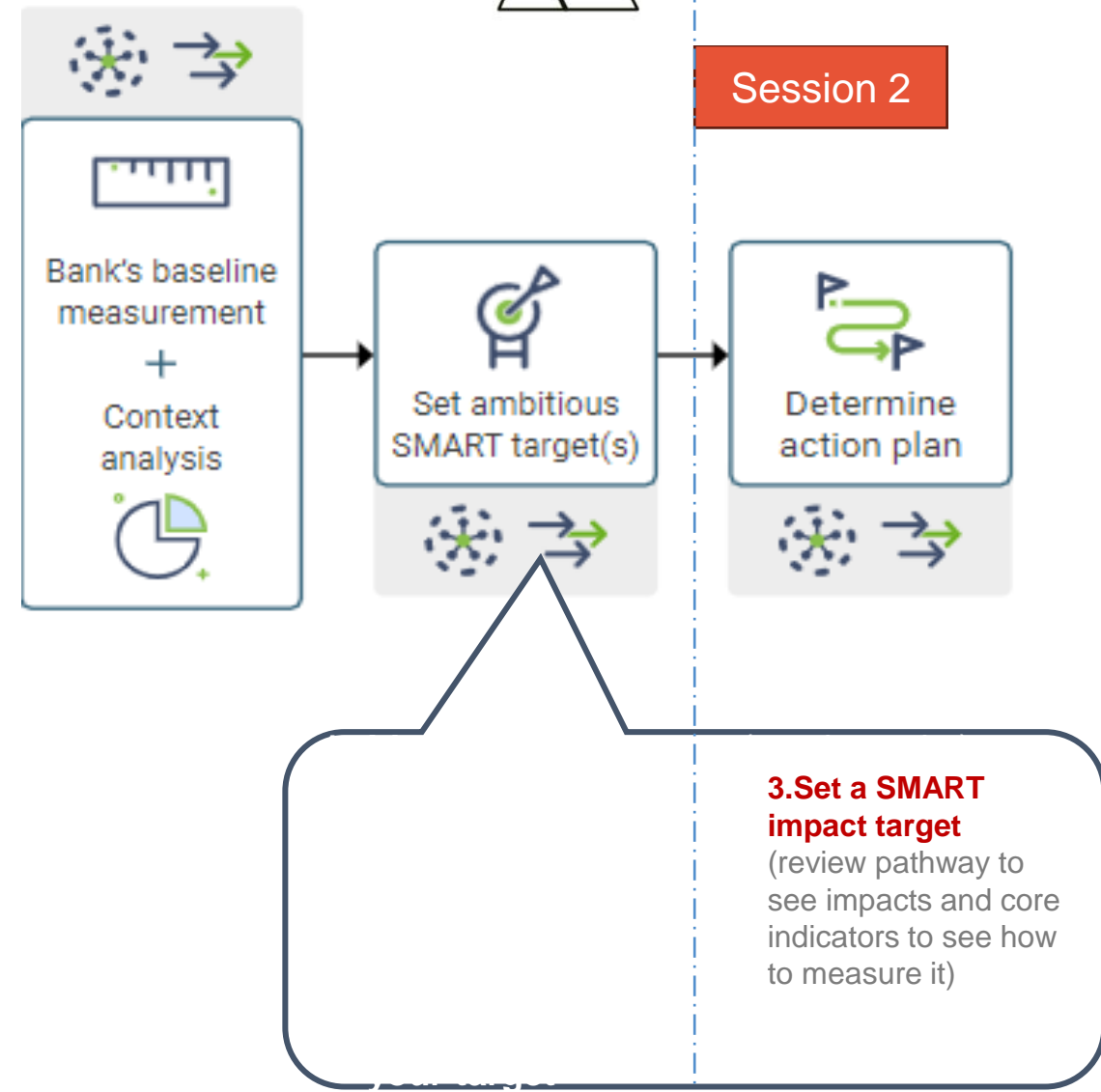


# Setting SMART Targets



## Step 2: Target Setting & Implementation

Session 2



# Set **SMART** targets

Set a SMART impact target  
(review **pathway** to see impacts and **core indicators** to  
see how to measure it)


# Requirements of the Principles for Responsible Banking for setting targets

- **Ambitious**, and your banks should be clear about how they contribute to the SDGs, national targets and/or priorities
- Set at **impact level** - resulting from your bank's activities and provision of products and services, as identified through your bank's impact analysis
- Be Specific, Measurable, Achievable, Relevant and Time-bound (**SMART**).
- Include defined **actions and milestones** to meet the target
- Include definitions of **key performance indicators (KPIs)** to measure and monitor progress against the targets




Important to align targets with business departments, Executive Committee and Board of Directors  
 Targets, KPIs and actions should be approved by them and should relate to the business strategy  
 Any changes in these definitions, and any rebasing of baselines should be transparent

# Re-Cap on the requirements of the Principles for Responsible Banking for setting targets



**Measurable**


- Where I want to go/ goal.
- How do I measure it?
- How much?
- I must think of a quantifiable indicator.



**Relevant**

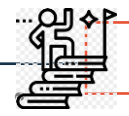
- Why?
- For what?
- Is it applicable to my environment? Is it related to my bank's country and reality?

# S M A R T




**Specific**

- What I want to achieve/achieve.
- Who would be involved?
- Why do I want to get it?



**Attainable**

- It's possible/realistic
- How can I reach it?



**Time-based**

- When?
- How long will it take?

# SMART Target example for Financial Health

- **Baseline:** December 2020
- **Priorities and targets:** National context taken into account for 2025

## SMART goal defined for 2025:

Work with clients from vulnerable groups (showing a low level of financial security and elderly clients (+60)) to increase the percentage of clients with recurring savings, minimum emergency funds and long-term savings plans by 25%.



S	M	A	R	T
Work with clients from vulnerable groups (showing a low level of financial security and elderly clients (+60))	Increase by 25%	To determine the ambition here, it is important to know the organic growth that this indicator has. Assuming that the indicator's annual organic growth is 3% per year, the bank is proposing to double that annual growth. This is ambitious.	Vulnerable groups prioritized by the bank because the baseline showed that they are the ones who most need support from the bank	Base year: 2020 and target year: 2025
Specific	Measurable	Attainable	Relevant	Time-based

\* This target is aligned with SDGs 8 (Decent Work and Economic Growth) and 10 (Reduced inequalities), as well as the relevant country's National Financial Well-being Strategy.

## SMART Target example for Financial Inclusion

- **Baseline:** December 2020
- **Priorities and targets:** National context taken into account for 2025

### Defined SMART target- 2025:

**Increase loan allocation for customers (individuals and microentrepreneurs) with previous rejections by 20% each, disbursing USD 300 bn on loans for low-income clients and microentrepreneurs (2020–2025); and substantially decrease the level of over-indebtedness for low-income customers and microentrepreneurs**



S	M	A	R	T
Increase the allocation of loans for customers (individuals and microentrepreneurs) While substantially reducing the level of over-indebtedness	Increase by 20% the placement of loans in prioritized groups and reduce over-indebtedness from 45% to 35%	20% means disbursing USD 300 billion in loans and going from 45% to 35% means reducing by 10% the percentage of over-indebted people in 3 years	For low-income clients and microentrepreneurs because the baseline showed that the problem is in access to credit	Baseline 2020 and target year 2025
Specific	Measurable	Attainable	Relevant	Time-based

\* The target is aligned with SDGs 1 (End Poverty), 8 (Decent Work and Economic Growth) and 9 (Industry, Innovation and Infrastructure) and the country's National Financial Inclusion Strategy.

# Examples



# Contents

Introduction .....	1
Summary of targets .....	3
Akbank .....	8
Banco Hipotecario .....	9
Bancolombia .....	10
Bank of Industry .....	11
Bank of Ireland .....	12
BBVA .....	14
BNP Paribas S.A. ....	16
CaixaBank .....	18
Commercial International Bank of Egypt (CIB) .....	20
CS Ahorro y Crédito .....	22
De Volksbank .....	24
Erste Group Bank AG .....	25
Gatehouse Bank .....	26
Government Savings Bank .....	28
Industrial Bank of Korea .....	29
ING Group .....	30
La Banque Postale .....	31
Piraeus Financial Holdings SA .....	33
UniCredit SpA .....	34
Yapı ve Kredi Bankası A.Ş. ....	35

# Impact targets - Examples in APAC

Area of Impact	Bank	Targets
Financial Health	Industrial Bank of Korea	Increasing the percentage of customers that are financially resilient, with financial instruments (i.e. reverse mortgages) in the 65+ age group to 7% by 2025. Increasing the percentage of customers that are financially resilient, with financial instruments (i.e. balance greater than KRW 0) in the 30–65 age group to 5% by 2025
	Commonwealth Bank of Australia	Commonwealth Bank of Australia has developed a methodology to assess financial wellbeing and keeps delivering research on the topic here: <a href="http://commbank.com.au/about-us/financial-wellbeing-research.html">commbank.com.au/about-us/financial-wellbeing-research.html</a>
	ANZ (Australia)	ANZ (Australia) has an example to survey client’s behavior <a href="http://anz.com/content/dam/anzcom/shareholder/ANZ-2020-ESG-Supplement.pdf">anz.com/content/dam/anzcom/shareholder/ANZ-2020-ESG-Supplement.pdf</a> —Page 54. As well as their Financial Wellbeing Hub <a href="http://anz.com.au/about-us/esg/financial-wellbeing/">anz.com.au/about-us/esg/financial-wellbeing/</a>
Financial Inclusion	Government Savings Bank of Thailand	A 10% percent increase of customers who can effectively access GSB's loan products to improve their financial health, by 2027. This increase represents a minimum of 2.5 million customers. Grassroots and retail customers; Grassroots and individuals who have difficulty in accessing formal finance



[PRB-Fin-Health-progress-report-1.pdf \(unepfi.org\)](https://www.unepfi.org/prb-fin-health-progress-report-1.pdf)




# Lessons learned and good practices

## Steps 1-3

3

Set SMART targets



### Good practices

- In case of not having a defined target yet, it is good to establish and monitor financial health/well-being indicators, in order to understand the correlation of financial inclusion actions.

### Lessons learned

- If there are no targets at country level, check if there are similar countries, try to make your target match the best possible way .
- An overarching target can be set covering all prioritized groups but when reporting, progress must be shown for each prioritized group - how your bank is closing the gaps for them
- Take into account all your product portfolio and categorize products to better understand participation of each prioritized group in your portfolio

# Lessons learned and good practices

## Steps 1-3

# 3

### Set SMART targets



### Inclusion targets

- Impact targets to 2025-2026 with progressive targets for 2023 and 2024 + monitoring of financial health indicators to avoid negative impacts.
- Sub-targets for each product/service category starting from baseline, i.e., we have an overarching target about how full financial inclusion of the prioritized group should look like, and sub-targets by product category that will help to achieve the overarching target.
- Sub-targets usually concern supply/demand/rejections of products that are relevant for greater financial health in the target group. This is why it is important to analyze rejection rates, participation in products from other categories, etc.
- A very important sub-target is banking the un-banked and this must be in line with the national targets and the bank's market share.

# Lessons learned and good practices

## Steps 1-3

# 3

### Set SMART targets



### Financial Health targets

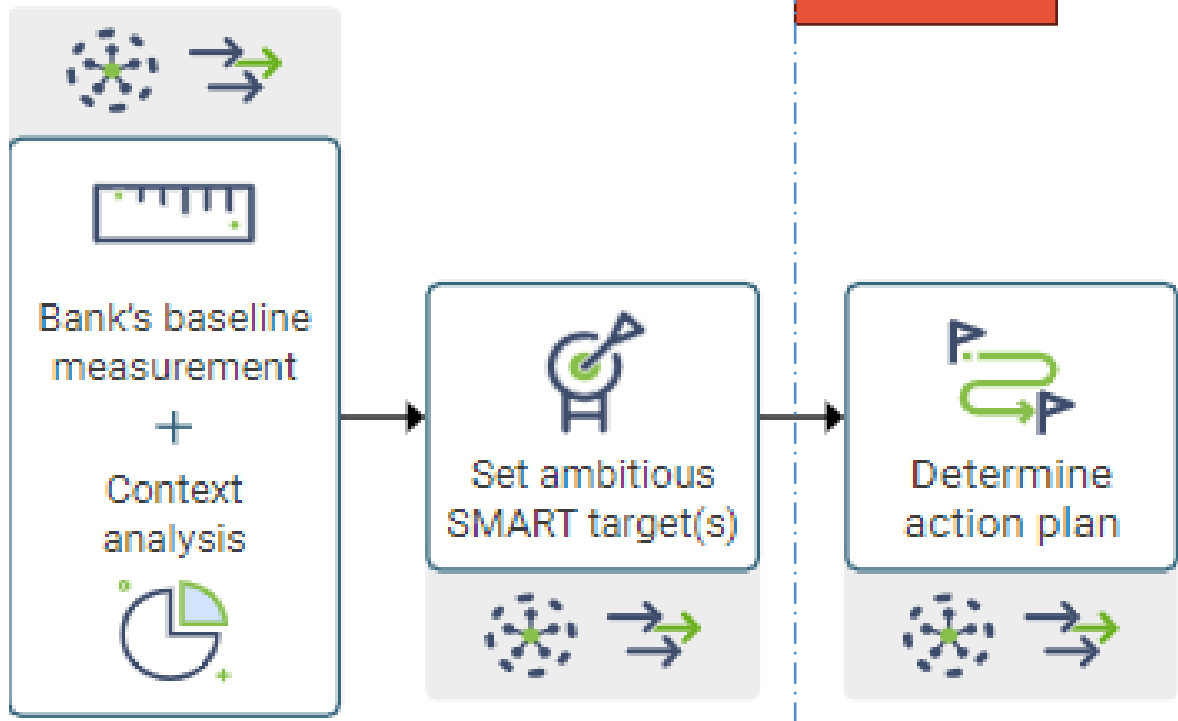
- Impact target to 2030. If it is not holistic (i.e., measuring all components of financial health), it is recommended that the target addresses financial resilience, given current macroeconomic conditions.
- Sub-target suggested in indicators that measure savings habits: over-indebtedness (overdue credits or non-performing loans), access to products of other categories for customers who already have savings habits, among others. Another important sub-target is inclusion for banks in countries that still have gaps.
- It is important to identify whether the bank's product portfolio has products aimed at encouraging savings and financial resilience to cover emergencies.

# Target Setting & Implementation



## Step 2: Target Setting & Implementation

Session 2



Using the **pathway to impact**: **define an action plan to achieve your impact target** while mitigating any possible negative impacts

Using the **core indicators**: **define KPIs you will use to track progress** and set milestones for them

# Questions and comments

# Defining (KPI's) Key performance indicators

## But how to define KPIs?

These indicators are what will show us that the bank is on track to deliver its targets and sub-targets. Simply put, it is ***the short- and medium-term indicators*** that are critical for the bank's targets to be achieved.

## Should I set targets for KPIs?

Of course! Especially the short-term ones because these will determine whether you will achieve the medium-term results. For example, if we do not achieve a critical mass of banked individuals, we will not achieve the targets of effective access and then access to a second product. This is what is known as ***Milestones***.

# Defining (KPIs) Key performance indicators

## Set a target in Financial Inclusion?

As financial inclusion is a means to an end, a good practice is to monitor financial health indicators to make sure your bank is not generating a negative impact.

*For example, if you want to increase access to loans then monitor NPLs, arrears, overdrafts, and severely diminished saving capacity. These are all indicators that the loan is actually generating financial distress.*

# Defining key performance indicators

When you have the target and a clear action plan, then the implementation and reporting process starts.

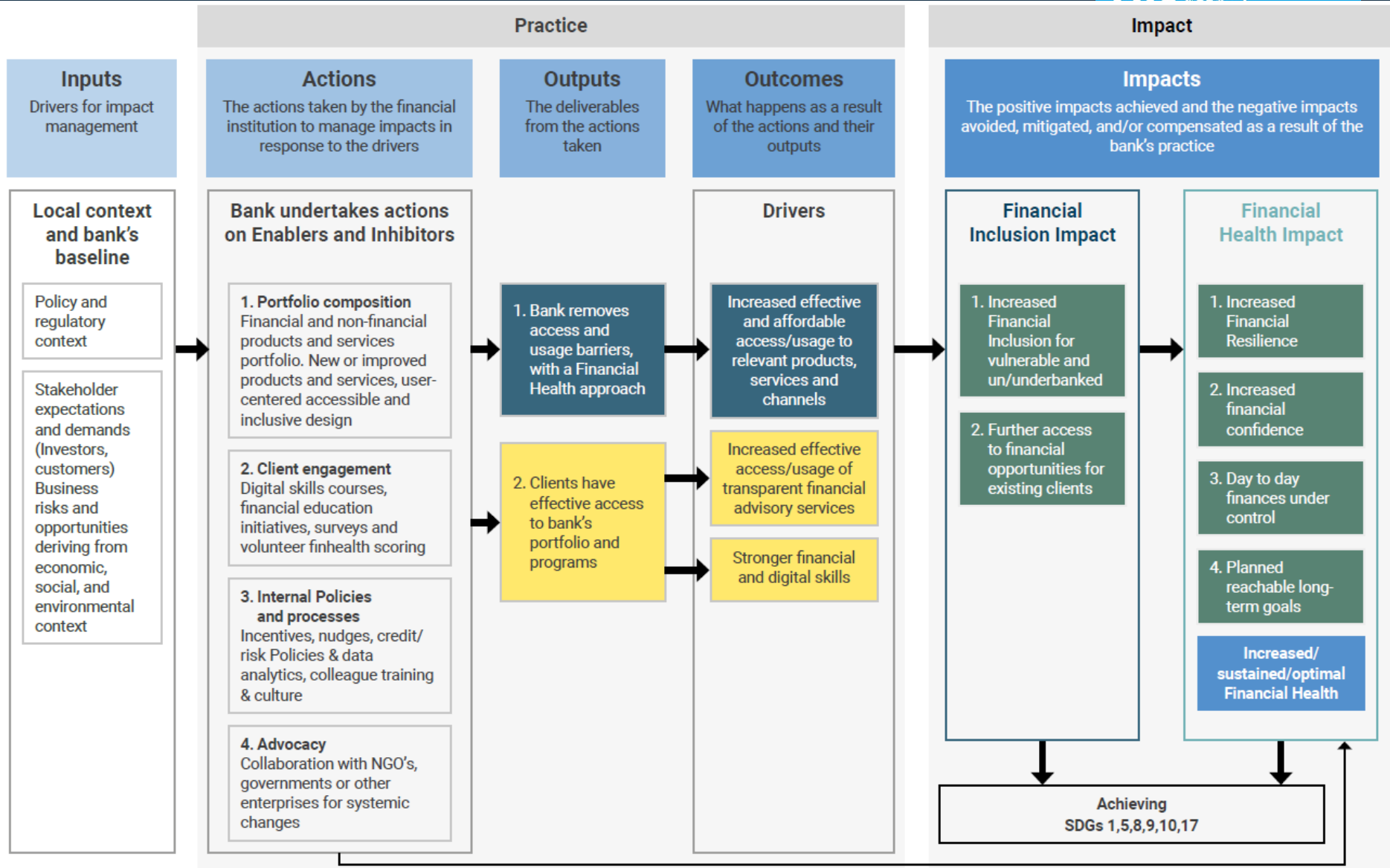
For the fulfillment of the report, under the Principles for Responsible Banking, the bank must report:

- Baseline of key indicators used to set targets and sub-targets
- Progress towards the delivery of targets and sub-targets through key performance indicators (KPIs) and milestones achieved in these indicators
- To understand the effectiveness of the bank in its progress, it is good practice to reveal the starting point of the KPI, whenever possible



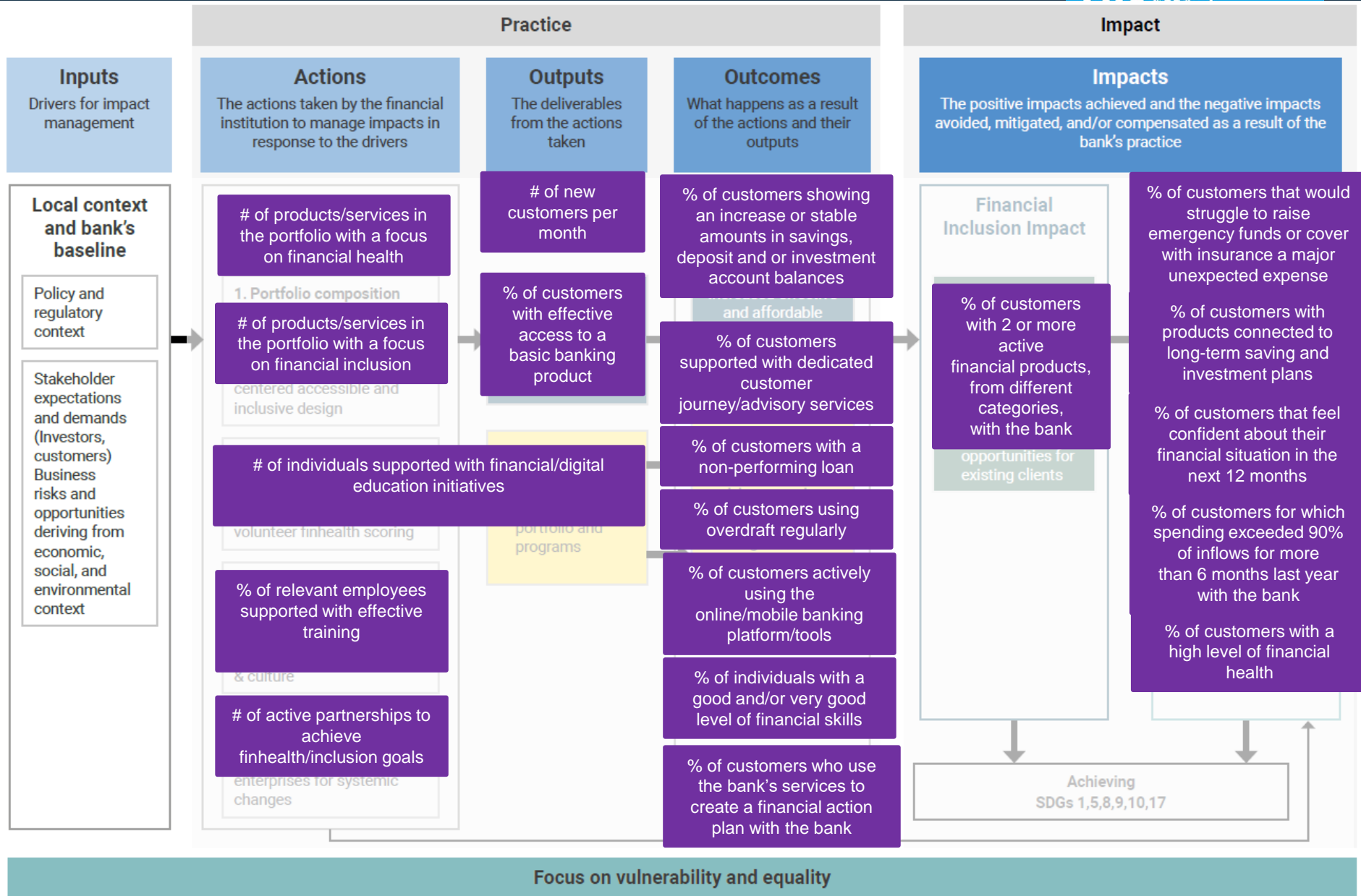
# Pathway to Impact

- Impact target
- Client engagement target
- Business/financial target
- Related to gender



Focus on vulnerability and equality

# Core Indicators



# Example Bank

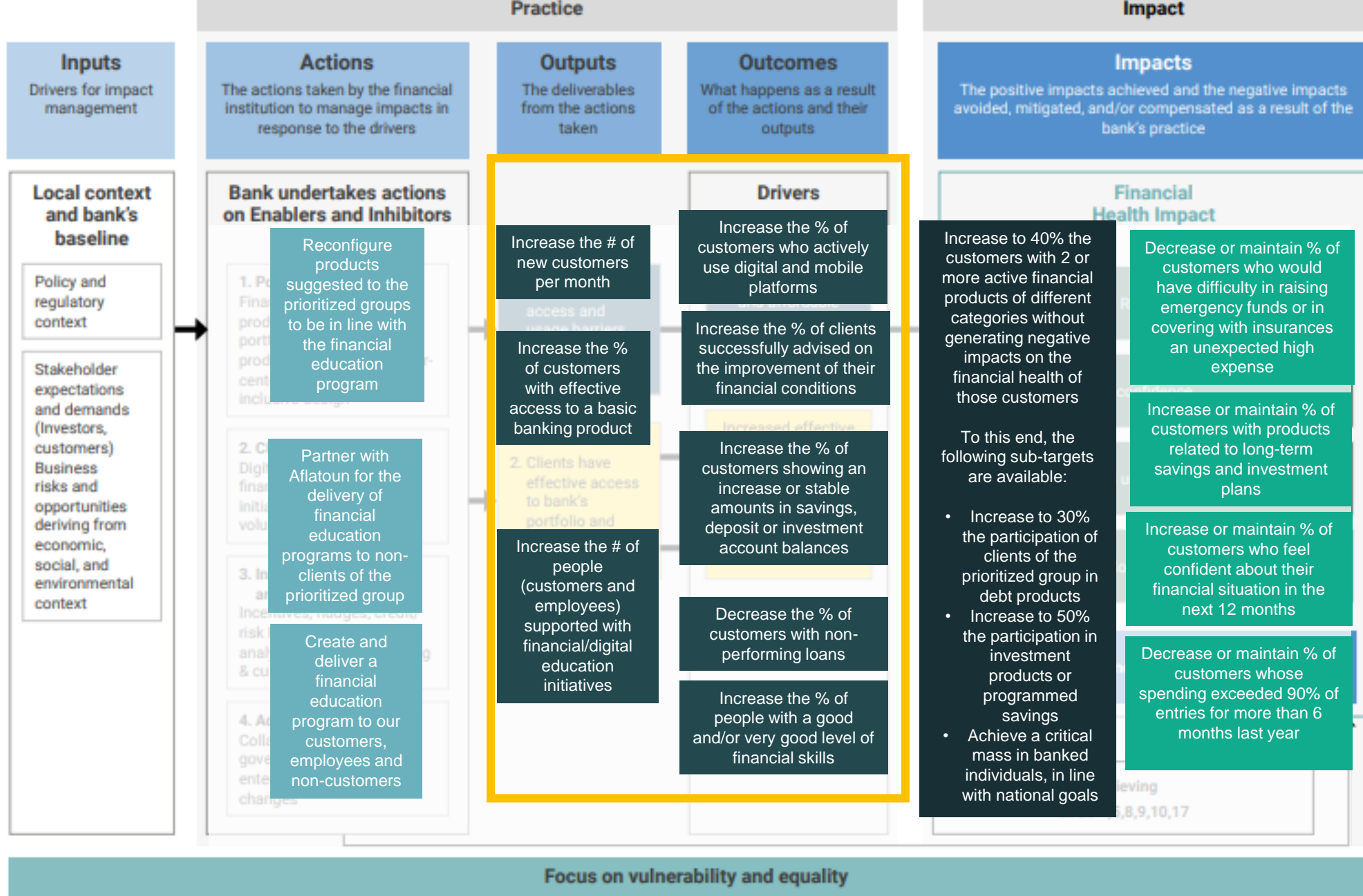
## KPI'S

Monitor

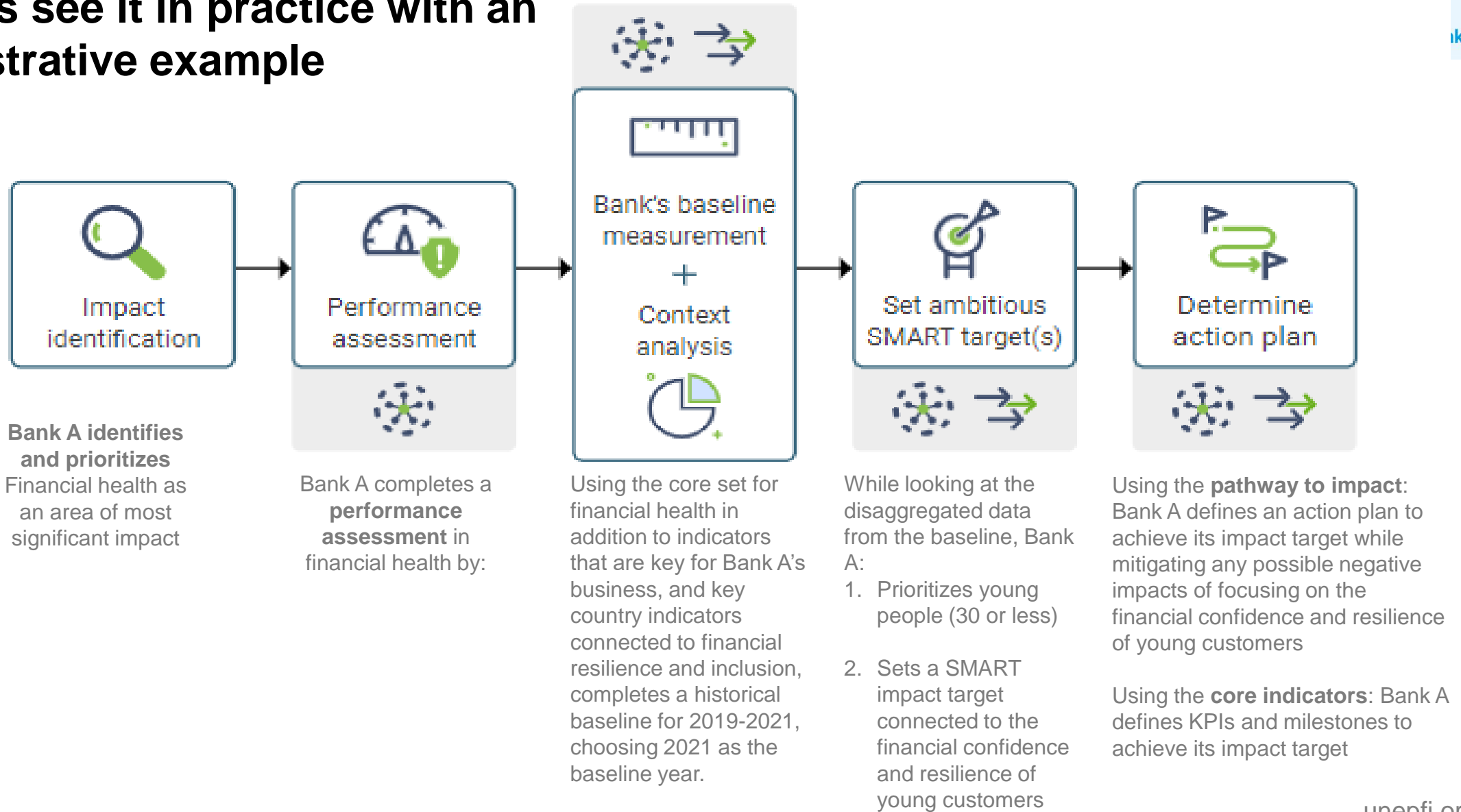
Target and sub-targets

Progressive results

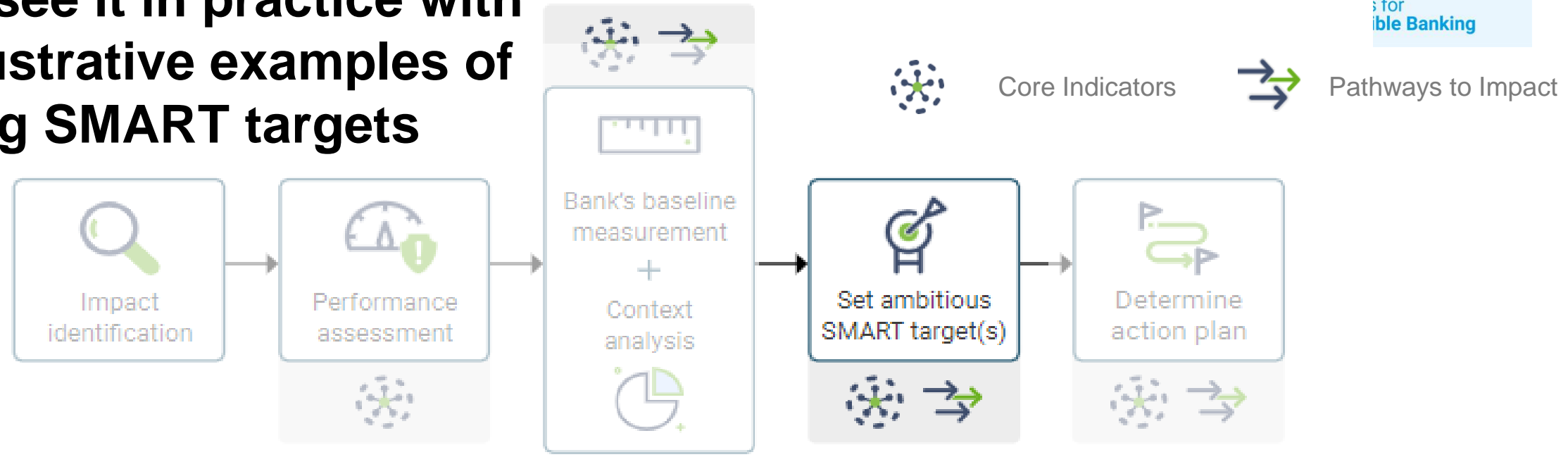
Specific actions



# Let's see it in practice with an illustrative example



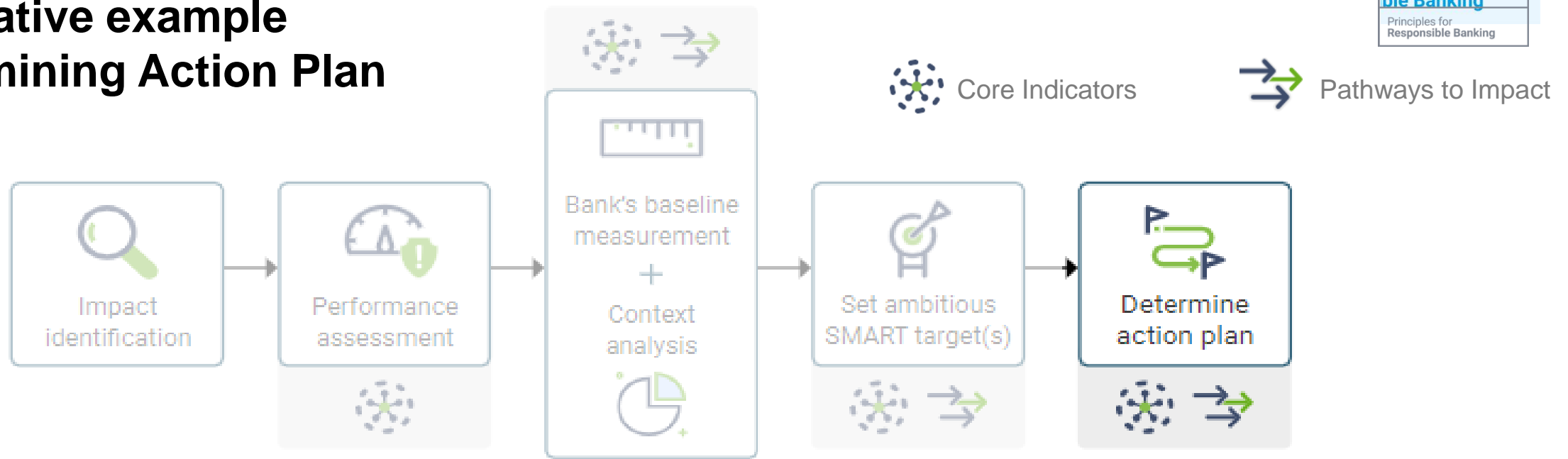
# Let's see it in practice with an illustrative examples of setting SMART targets



Increase the % of young customers that feel confident about their financial situation in the next 12 months, from 30% to 60% by 2025.

Decrease the % of customers that would struggle to raise emergency funds or cover with insurance a major unexpected expense, from 70% to 35% by 2030

# Let's see it in practice with an illustrative example determining Action Plan



To achieve the targets by the target year, Bank A has set the following milestones:

- Improve the financial skills of at least 70% of the participants of financial literacy initiatives (which should reach 100% of our customers and at least 10.000 of individuals in communities)
- Increase the % of young customers with a savings account from 3% to 10%
- Increase the % of young customers showing increase or stable amounts in savings, deposit and/or investment account balances, quarter on quarter (saving habit) from 10% to 30%
- Increase the % of young customers with products connected to long-term saving and investment plans, from 5% to 35%

# Let's see it in practice with examples of the five steps

	STEP 1: Understand country context	STEP 2: Set baselines and priorities	STEP 3: Set SMART Targets	STEP 4: Determine measures and actions	STEP 5: Define KPIs
	In the country the bank operates in, there is a considerable financial health gap:	Internally, the bank identified the following regarding its clients (in 2020):	The bank's formulated SMART Target (by 2025):	The bank engaged with relevant internal and external stakeholders to develop a plan to reach its targets by 2025. The plan defined the following measures, actions and KPIs:	
Impact: Day-to-day finance	85% of the adult population in the country have a banking account/ access to financial services	20% of our customer base are considered vulnerable groups (who display a low level of financial security, elderly customers (+60), 50% utilize overdraft credit regularly which is 30% more compared to total customer base	Decrease the regular use of overdraft and over-indebtedness of the vulnerable group (who display a low level of financial security and elderly customers (+60) by 30% by 2025	Improve credit/risk policies to mitigate the adverse use of overdraft by customers who do not benefit from it	Percentage of customers (classified as being from a vulnerable group) using overdraft regularly, decrease this percentage by 6% per year, and decrease over-indebtedness by 4% per year.
	25% of the population in the country regularly use overdraft 10% of the population is over-indebted	25% of the customers in the vulnerable group are over-in-debt « 21% of customers for which spending exceeded 90% of inflows for more than 6 months last year »	Take the percentage of customers for which spending exceeded 90% of inflows for more than 6 months last year, from 21% down to 15%	Integrate early warning indicators to advise customers and clients (e.g. warnings for overdraft, over-indebtedness, etc.)	% of customers for which spending exceeded 90% of inflows for more than 6 months last year % of customers with a non-performing loan, % of customers using overdraft regularly
	30% of the adult population have low level of financial security and elderly individuals are at the top of the list 85% Spend less than or equal to income 71% Pay all bills on time 54% Have a manageable amount of debt 70% Have a prime credit score			Develop specific digital services for the vulnerable group that help to improve their financial situation (e.g. planning and budgeting tools, debt counselling )	

[PRB-Guidance-Financial-Inclusion-2.pdf \(unepfi.org\)](#)

# Let's see it in practice with examples of the five steps

	<b>STEP 1: Understand country context</b>	<b>STEP 2: Set baselines and priorities</b>	<b>STEP 3: Set SMART Targets</b>	<b>STEP 4: Determine measures and actions</b>	<b>STEP 5: Define KPIs</b>
	In the country the bank operates in, there is a considerable financial inclusion gap:	Internally, the bank identified the following regarding its clients (in 2020):	The bank's formulated SMART Target (by 2025):	The bank engaged with relevant internal and external stakeholders to develop a plan to reach its targets by 2025. The plan defined the following measures, actions and KPIs:	
Effective access to Basic Banking (the bank should consider the number and percentage of low-income population and microentrepreneurs in the country in accordance to national definitions)	40% of the country's population can be considered low-income and 50% of adults do not have effective access to a basic banking account	20% of our basic banking accounts are from low-income customers	Increase the percentage of basic bank accounts held by low-income customers by 46% (achieving 30% of the total consumer banking accounts), and business clients that are microentrepreneurs by 40% (achieving 20% of SMEs accounts) by 2025.	Develop a communications strategy, including a digital campaign, to reach potential low-income customers and microentrepreneurs to inform and encourage them to open a basic bank account.	Percentage of low-income customers' basic banking accounts versus total customers' banking accounts, increase by 8% per year (including mobile accounts, fee free accounts and virtual wallets)
	There are 2.5 million SMEs in the country, of which 90% are micro-enterprises and 30% do not have effective access to a basic banking account	15% of our basic business accounts are from micro-entrepreneurs		Launch fee-free digital accounts and virtual wallets.	Percentage of micro-Entrepreneur basic accounts versus total SMEs banking accounts per year, increase by 6% per year (including mobile accounts, fee-free accounts and virtual wallets)

[PRB-Guidance-Financial-Inclusion-2.pdf \(unepfi.org\)](#)



# Let's see it in practice with examples of the five steps

	<b>STEP 1: Understand country context</b>	<b>STEP 2: Set baselines and priorities</b>	<b>STEP 3: Set SMART Targets</b>	<b>STEP 4: Determine measures and actions</b>	<b>STEP 5: Define KPIs</b>
<b>Impact: Further Effective access</b>	40% of low-income individuals in the country have access to credit and of those, 30% are over-indebted	15% of our loan allocation focuses on low-income customers whose over-indebtedness is 40% higher compared to the total individual customer base	Increase loan Allocation for customers (individuals and microentrepreneurs) with previous rejections by 20% each, disbursing USD 300bn on loans for low-income clients and microentrepreneurs (2020–2025); and substantially decrease the level of over-indebtedness for low-income customers and microentrepreneurs, by 2025.	Improve or adapt credit/risk policies for credit lines for low-income customers and micro-entrepreneurs in order to increase access and avoid over-indebtedness (e.g. risk models, behavior and income assumptions, remove biases and increase flexibility where feasible, integrate early warning indicators to advice customers and clients)	Volume of loans for low-income customers and microentrepreneurs per year, including recurrence of use of products), increase by around 4% per year. Disburse approx. USD 60bn per year for both categories.
	70% of microentrepreneurs don't have access to credit	10% of our loan allocation focuses on micro-entrepreneurs whose over-indebtedness is 30% higher compared to the total SMEs customer base		Provide free financial advisory services for low-income customers and microentrepreneurs through digital platforms and external partnerships to address and minimize instances of over-indebtedness amongst customers	

[PRB-Guidance-Financial-Inclusion-2.pdf \(unepfi.org\)](https://www.unepfi.org/prb-guidance-financial-inclusion-2.pdf)

# Questions and comments

# Determine Measures and actions

An action plan is the **roadmap** that indicates the **type of actions** that the bank will take and the **results that these actions should have** in the short, medium and long term **to ensure** that the bank will eventually **deliver the desired impact or target** that it has set

Using the **pathway to impact**: define an action plan to achieve your impact target while mitigating any possible negative impacts

Using the **core indicators**: define KPIs you will use to track progress and set milestones for them



## Determine measures and actions

What are the main components of a robust action plan?



**A clear final target** (sometimes accompanied by sub-targets that disaggregate the final targets in order to increase the effectiveness of the plan)



**Clearly defined and measurable results** in the short, medium and long term



**Specific actions** consistent with the context analysis and the baseline and are aimed at achieving clear results

## Determine measures and actions

### What are the main components of a robust action plan?



**A clear final target** (sometimes accompanied by sub-targets that disaggregate the final targets in order to increase the effectiveness of the plan)

1. Your impact target and sub-targets created when the impact target was disaggregated. If you have not disaggregated your impact target, we recommend doing so.

#### Example:

- *I want to increase the financial health of my clients*
- *I need sub-targets in each of the components against which I measured in my financial health indicator (resilience, confidence, planning, day-to-day management)*

2. Are there progressive targets (for instance: Year 1 we must achieve X, Year 2 we must achieve Y, etc.)?

## Determine measures and actions

### What are the main components of a robust action plan?



**Clearly defined and measurable results** in the short, medium and long term

Results of banks' actions must generate are the outputs (short term) and outcomes (medium and long term).

Starting from indicators from your baseline:

- What needs to happen ("outcomes") and which value does this outcome indicator need to reach in order deliver my sub-targets and target? and to reach sub targets? Are there progressive values (year1, year2, etc)?
- On which actions results ("outputs") do these "outcomes" depend? Which value does this output indicator needs to reach so that I can reach the value I need in the outcome indicator it connects to? Are there progressive values (year1, year2, etc)?

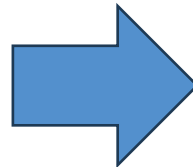
## Determine measures and actions

### What are the main components of a robust action plan?

**ProTip 1:** With progressive values for targets, sub-targets, outcomes and outputs you can generate a clearer timeline of which actions have to happen in each year.

NOTE: In our workshop we will not go into that detail.

*In order to decrease by % of customers who would have difficulty in raising emergency funds or in covering with insurances an unexpected high expense (**TARGET**) I need to increase the % of clients successfully advised on the improvement of their financial conditions (**OUTCOME**)*



*In order to increase the % of clients successfully advised on the improvement of their financial conditions in the next three years (**OUTCOME**) I need to increase the # of people (customers and employees) supported with financial/digital education initiatives (**OUTPUT**) # in year 1, # in year 2, etc ..*

## Determine measures and actions

### What are the main components of a robust action plan?



#### Specific actions

consistent with the context analysis and the baseline and are aimed at achieving clear results

Determine the actions to be carried out once you understand :

- the results that should be achieved to deliver the target
- the baseline of these elements
- the country context in which the bank operates

*What do I need in order to achieve each of the short-term outputs that generate the medium-term outcomes?*

Several needs can be met with a single action.

Ex: a financial education program can address the need for more educated people, more banked people, and more people with effective access to basic financial products. Furthermore, it also helps with behavioral changes, strengthening skills and getting more people to use the bank's dedicated advisory services. Instead of creating an action for each of those elements, it is possible to create one to cover all.



**ProTip 2:** If you do not know the needs, then you must investigate, survey, or search transactional data to respond to the existing gaps (it also applies to the sub-targets). Therefore, the more complete the baseline, the easier it will be to build the action plan.

**ProTip 3:** Be clear about progressive targets because not all actions can be completed in year 1.

# Determine measures and actions

## Actions

**Actions** should address several needs at the same time in order to increase their level of effectiveness.

4 categories – eventually bank has actions in all 4 categories:

**Portfolio composition**

**Client engagement**

**Improved internal policies and processes**

**Corporate citizenship, alliances and partnerships**

# Determine measures and actions

<b>Portfolio composition</b>	Create digital solutions that improve motivation, skills and digital access	Reconfigure or develop products and services aimed at prioritized groups that do generate the desired results	Create platforms that meet the specific needs of specific groups, such as underbanked groups, entrepreneurs or the rural population	
<b>Client engagement</b>	Develop educational programs, informational material and digital and/or financial advice	Allow customers to test their financial knowledge with surveys or games with recommendations	Have financial health measurement tools that customers can use at any time and that give them recommendations for improvement	
<b>Improved internal policies and processes</b>	Improve the methodology for credit risk and over-indebtedness risk analysis	Incorporate early warning systems linked to financial behaviors that harm financial health	Improve the remuneration strategies of commercial teams so that they are linked to the improvement of the financial health of the clients	Improve risk models and behavior anticipation with transactional and/or survey data
<b>Corporate citizenship, alliances and partnerships</b>	Support the government in developing policies or regulations that promote financial inclusion and health and set clear targets and roles	Hire third parties with missions and purposes aligned with those of the bank and who are able to report on impact indicators	Alliances between banks, fintechs, NGOs and other organizations that participate in the financial life of people and companies and that help amplify the positive impact	

# Library of Initiatives

Looking for inspiration?

You can access the library of initiatives on the financial health and inclusion microsite.



**Examples of how some banks (in the Working Group) are approaching financial health**

**Examples of how some banks (in the working group) are approaching financial inclusion**

To access and download the latest version of the database, click [here](#).

UN   
environment  
programme

## Responsible Banking: Towards Real-world Impact

The second biennial progress report on  
implementation of the UN Principles for  
Responsible Banking

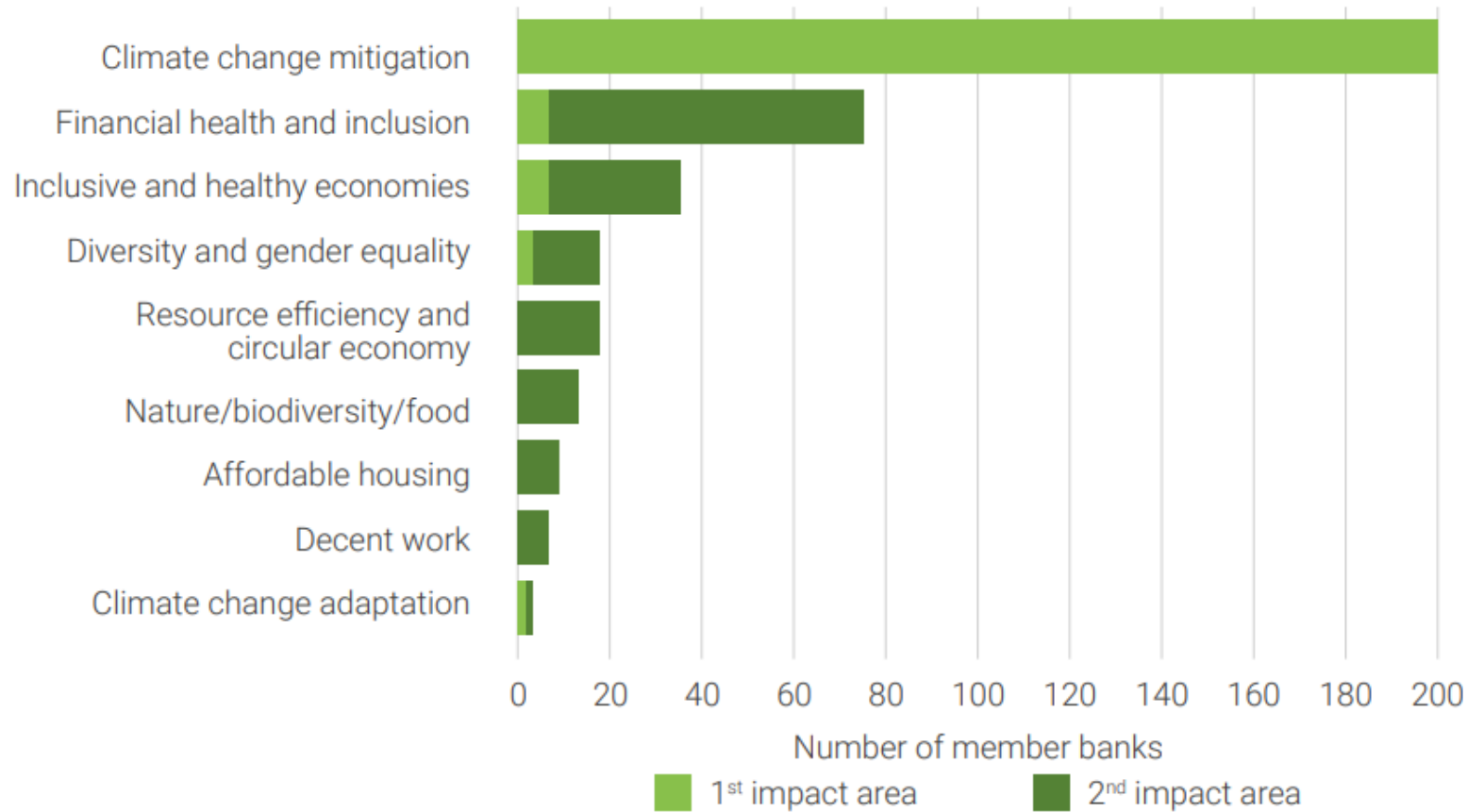
September 2023

The latest PRB Progress Report  
September 2023 shows that signatory  
banks are making progress towards their  
commitment –

- embedding sustainability in their core business
- strengthening their impact analysis
- setting targets that respond to the most pressing needs of their societies
- putting in place effective governance from the most senior level of their organisations

<https://www.unepfi.org/wordpress/wp-content/uploads/2023/09/PRB-Second-Progress-Report-2023.pdf>

# Second PRB Progress Report September 2023: Impact areas



Majority of member banks in North America (100%), Europe (95%) and Asia Pacific (91%) prioritise climate change mitigation as their main impact area.

Figure IV: Member banks' identified areas of significant impact | Source: UNEP FI

# Questions and comments

# Practical Case study Exercise Discussion Part 2

Returning to Genovia and Bank B, let's build the action plan and prioritize indicators to report.

By the way: Remember to take note of questions that arise from the process.



# After hearing the case study Discussion

- 1) Which key internal stakeholders do you believe should be involved in the work from the very beginning to facilitate steps 1-5?
- 2) What is the main takeaway from the case study and discussion?
- 3) Questions that arose from the process the bank went through?
- 4) Could you implement the five steps in your own organization?

# slido



**Which key internal stakeholders do you believe should be involved in the work from the very beginning to facilitate steps 1-5?**

① Start presenting to display the poll results on this slide.

slido



**What is the main takeaway from the case study and discussion?**

① Start presenting to display the poll results on this slide.

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**Questions that arose from the process the bank went through?**

① Start presenting to display the poll results on this slide.

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**Could you implement the five steps in your own organization?**

① Start presenting to display the poll results on this slide.

# Learning Objectives: How to use the framework

## To measure your bank's baseline:

- Use core indicators - Benchmark to identify gaps that your bank can work on.
- Whenever possible, include historical data that can be disaggregated.

## To set ambitious SMART goals:

- At least an ambitious impact-based target using some of the main indicators
- Analyze the bank's baseline data and seek to align with the country context.
- Determine priority groups (if applicable).
- Determine the baseline year for your goal (starting point).
- Set your goal in a way that is SMART and impact-driven.

## To define an action plan:

- Use the Pathway to Impact to determine actions and measures to achieve your goal.
- Milestones/goals/stages can be set to show progress, using core indicators.
- Your bank can use the basic indicators, customized for your priority groups.

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Please fill in the survey

① Start presenting to display the poll results on this slide.

## We hope that the learning objectives have been met

- ✓ **Identify good practices** when completing stages 1-5
- ✓ Understand the basis for **building a robust action plan**.
- ✓ Learn to define the **key performance indicators** against which progress towards SMART targets should be reported.



# Contact

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