



08/11/2023

UNEP Finance Initiative

PRB Financial Health and Financial Inclusion Target Setting: Part 1

Asia Pacific



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PRB Financial Health and Inclusion Programme

For signatories' bank of the PBRs, in order for relevant people to:

- Identify the **context of financial inclusion and financial health** in the country in which they operate.
- Build **knowledge and skills to select the best indicators** and methodologies to set targets that are aligned with PRB's best practices.
- Understand **how to develop SMART targets** that are aligned with local needs and commitments, as well as with the institution's profile
- Getting started with the action plans to implement the targets

	Date
Session 1: Foundation of PRB Climate Target Setting for FH&I	8th November 2023
Session 2 : Implementing the targets	29th November 2023

Session 1: Foundation of PRB FH&I Target Setting

- **Introduction and Recap of the Principles**
- **Common Framework for Financial Inclusion and Financial Health (UNEP FI)**
- **Steps for setting financial inclusion and financial health targets**
 - Step 1. Understand your context
 - Step 2. Set baselines and identify priorities
 - Step 3. Set SMART targets
- **Homework: Case study exercise**



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Recap on the Principles

A recap on the Principles



PRINCIPLE 1:
ALIGNMENT

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



PRINCIPLE 2:
IMPACT & TARGET SETTING

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



PRINCIPLE 3:
CLIENTS & CUSTOMERS

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



PRINCIPLE 4:
STAKEHOLDERS

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



PRINCIPLE 5:
GOVERNANCE & CULTURE

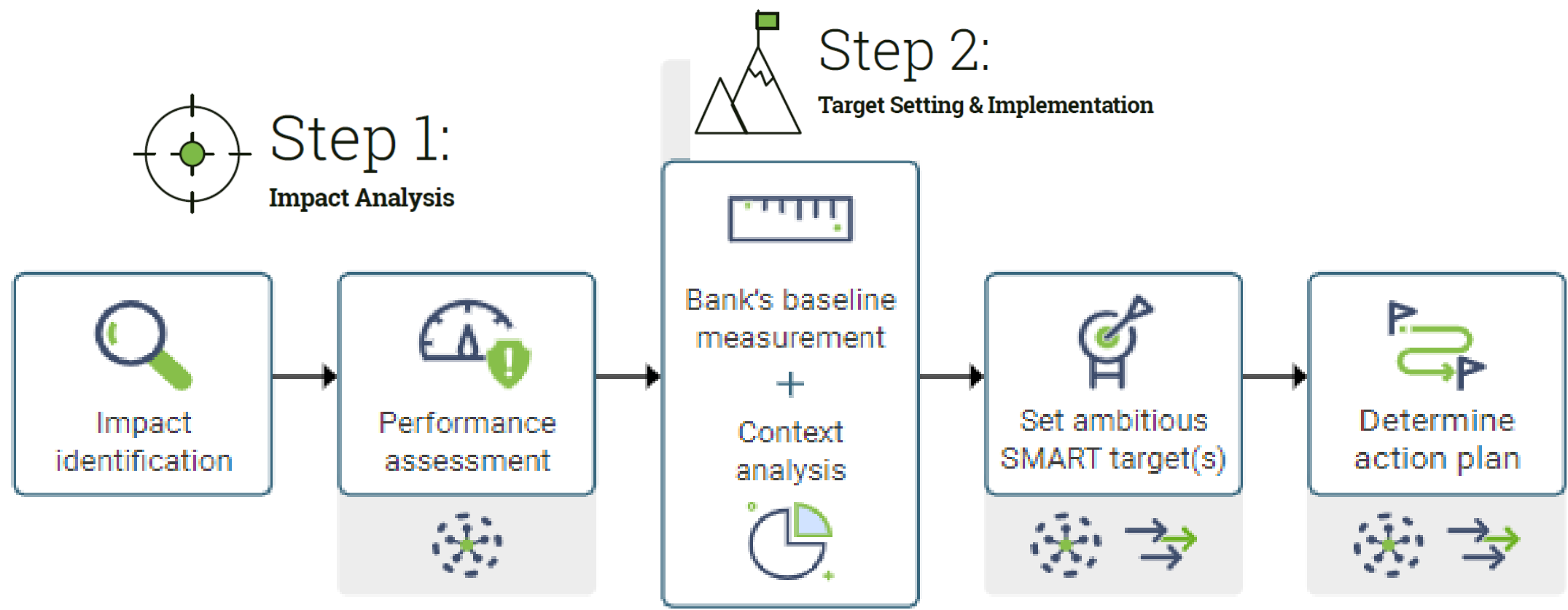
We will implement our commitment to these Principles through effective governance and a culture of responsible banking.



PRINCIPLE 6:
TRANSPARENCY & ACCOUNTABILITY

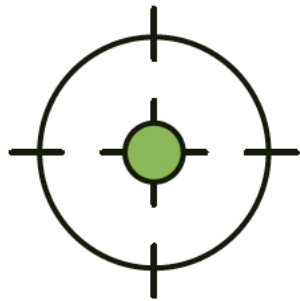
We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

Target Setting & Implementation



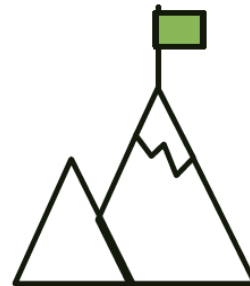
Important to align targets with business departments, Executive Committee and Board of Directors. Targets, KPIs and actions should be approved by them and should relate to the business strategy.

Initial 4-year Journey



Analyzing your bank's Impact on Planet & People

4 requirements: *scope, context, portfolio composition and performance measurement*



Setting & Implementing Targets

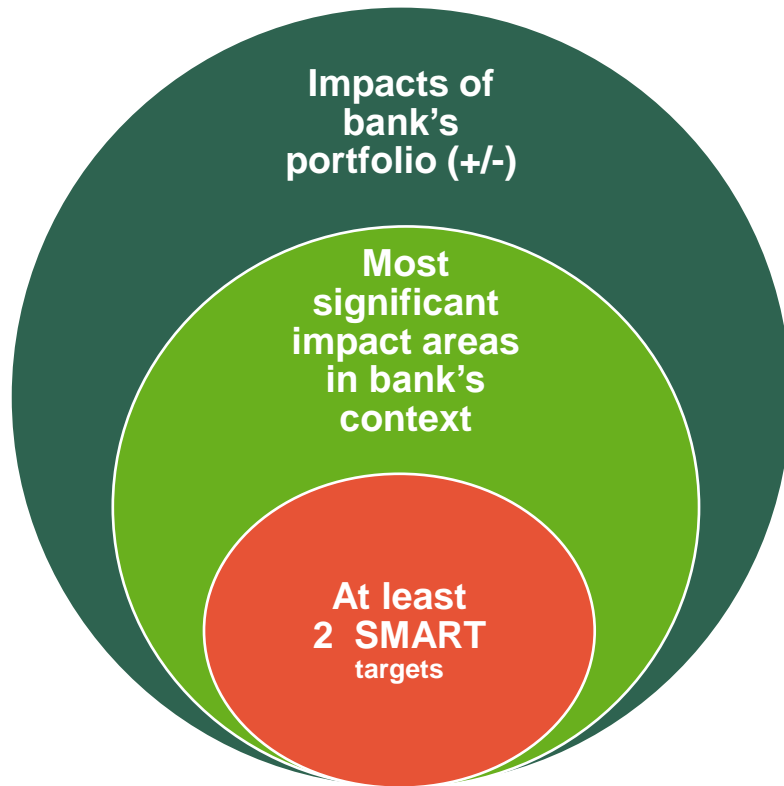
Set at least 2 SMART targets (*specific, measurable, achievable, relevant, time-bound*)



Accountability & Measuring Progress

Using our PRB template and in line with your Annual Reporting cycle

How did we get here? Recap Principle 2



- **Define the most significant impact areas:**
Climate adaptation, Climate mitigation, Financial Health and Inclusion, Waste, Nature, etc..

- **Measure performance**

- **Set SMART targets:**

Climate: reduce GHG emission from the commercial real estate sector within its corporate loan portfolio 56% per square meter by 2030 from a 2020 base year

Financial Health and inclusion: By 2025 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.

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-in- come customers and microentrepreneurs, by 2025.

Resource efficiency: increase in % renewable and regeneratively/sustainably sourced or secondary resources (% of total)

- Reduction of waste generated (t p.a. or %)
- Waste and by-products reuse / recycling / remanufacturing rate (%)

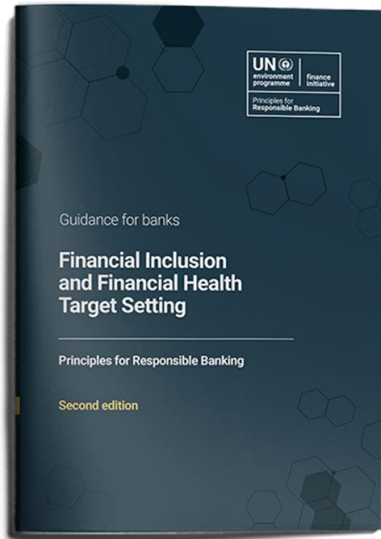
[Or you signed the Financial Health & Inclusion Commitment – United Nations Environment – Finance Initiative \(unepfi.org\)](https://www.unepfi.org/)



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Understanding the common framework for action on Financial Inclusion and Financial Health (FI and FH)

Elements of the framework



Definitions



Pathway to Impact



Indicators

[PRB-Guidance-Financial-Inclusion-2.pdf \(unepfi.org\)](https://unepfi.org/PRB-Guidance-Financial-Inclusion-2.pdf)



Definitions



Pathway to Impact



Indicators

Based on the definitions available in the Guidance for Target Setting on Financial Health and Inclusion and the Commitment on Financial Health and Inclusion

Financial Health

*A state in which an individual, household, micro, small or medium-sized enterprise can **smoothly manage their current financial obligations** and **have confidence in their financial future***

This includes four elements:

1. managing day-to-day finances to meet short term needs
2. capacity to absorb financial shocks (resilience)
3. capacity to reach future goals
4. feeling secure and in control of finances (confidence)

These can be achieved through the three main drivers of financial health:

1. **increased access to and improved usage of suitable products and services,**
2. **the provision of transparent advisory services, and**
3. **the strengthening of the financial skills of individuals and businesses.**

Financial Inclusion

*The creation of **opportunities for everyone** to engage with the financial sector **through the provision** of responsible saving, lending, investment, insurance, and advisory **services** (as relevant) that are **available** and **accessible**, that enables people to continue to benefit further into the future.*

With the goal to leave no one behind while keeping a financial health approach.

Prioritized Groups

A group that due to certain socio-economic characteristics is **more likely to need support from banks** to achieve Financial Health and/or Financial Inclusion.

Amongst the prioritized groups that banks can select, **a special focus should be put, as much as possible, on the unbanked, underbanked, and formerly-banked individuals and businesses as well as those sections of the population that are most vulnerable.**

The financial institution must identify which client groups to prioritize.

Prioritized Groups

Examples of prioritized groups are:

- Groups vulnerable **due to gender**:
 - Rural women, female-led MSMEs
 - Female entrepreneurs
 - Gender-based violence (GBV) victims / survivors of abuse
- Groups vulnerable **due to age**:
 - Elderly
 - Youth
- Groups from a certain **geographical** areas or locations:
 - Rural
 - Urban
 - Peri-urban
- Customers who have **low-income or are in financial distress**

The 6 key factors that can increase the risk of vulnerability



1. Physical and mental health

Disabilities or illnesses that affect the ability to carry out everyday tasks.



2. Life Events

Grief, job loss, migration, financial, mental and physical abuse. The homeless and former inmates are also considered.



3. Resilience

Low ability to withstand financial or emotional shocks.



4. Education and capacity

Little knowledge of financial issues or financial education, low capacity in other relevant areas such as literacy or digital skills.



5. Digital and financial access

Low ability to access beneficial services and products.



6. Culture and demography

Geographies or ethnic groups, such as travelling communities, with less access to financial services.

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Financial inclusion creates opportunities to

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Select the main drivers for achieving financial health

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What is your bank's definition for Financial Inclusion and Health, if you have one?

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Definitions



**Pathway to
Impact**

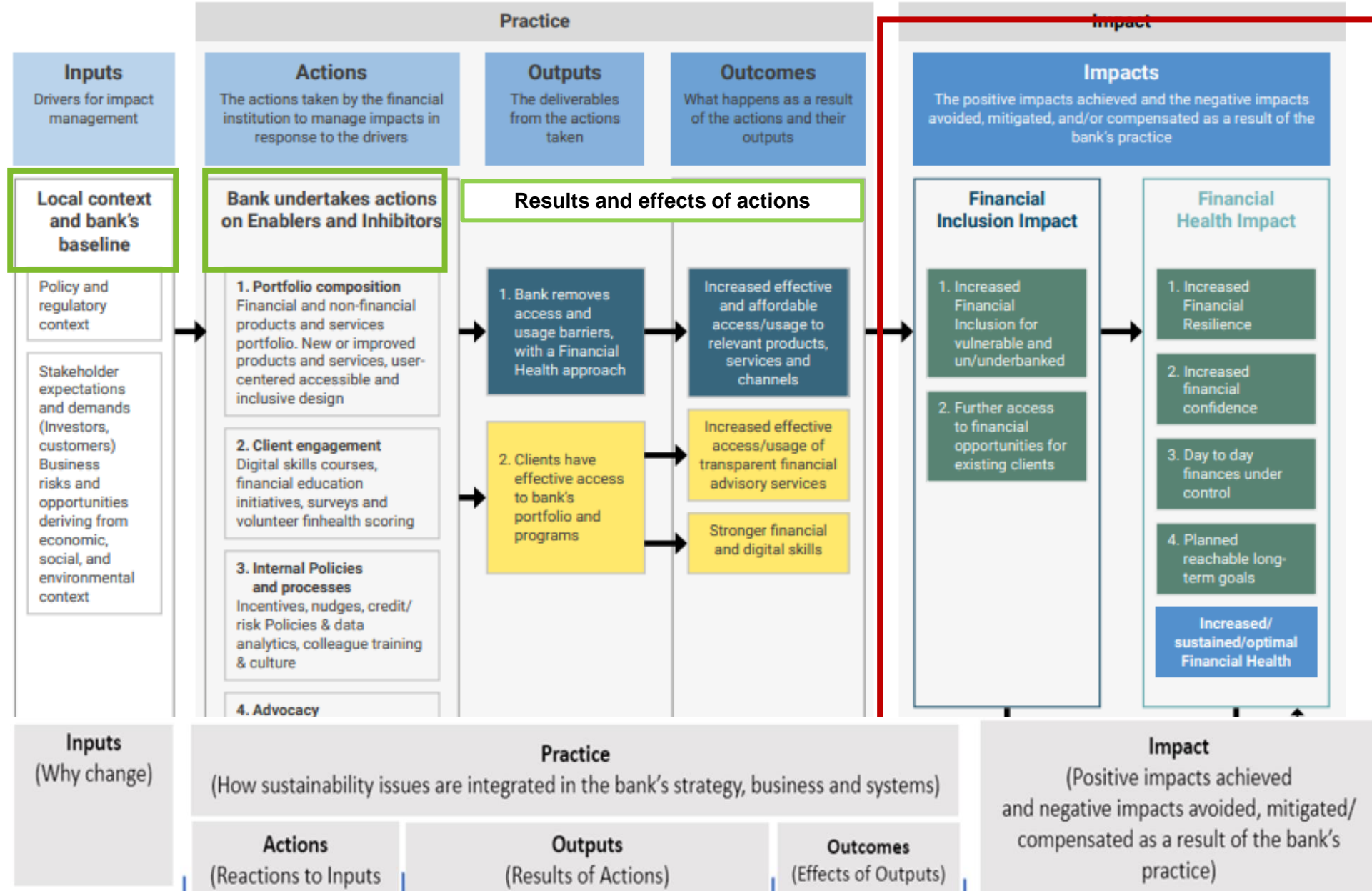


Indicators

Defines the work path to generate the desired impacts on financial health and inclusion based on the definitions

Combined Pathway to Impact

Impact Target





Definitions



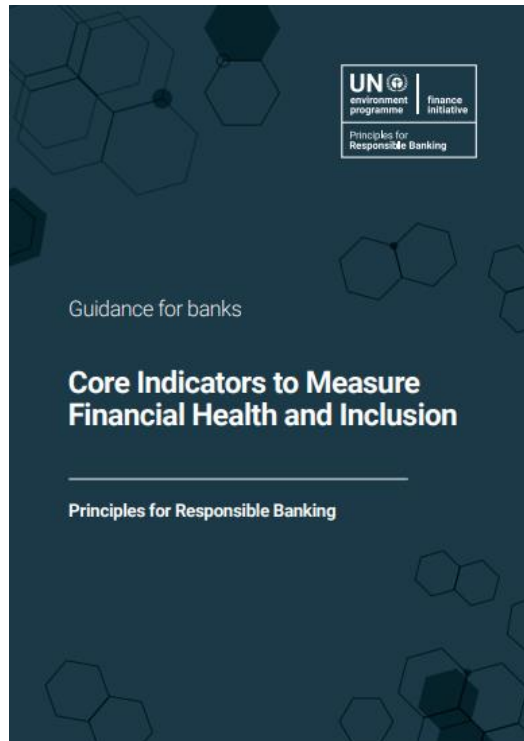
Pathway to Impact



Indicators

Understanding the destination and route, indicators allow you to measure the starting point and progress

Indicators



Core 20 indicators that work for baseline measurement, target setting and monitoring progress

- 10 specifically for Financial Health
- 5 for Financial Inclusion
- 5 that apply for both impact areas

Additional [database of indicators for financial health and inclusion](#) with recommendations on financial health scores, as well as optional indicators to be used with the core set

Pathway level	Financial Inclusion	Financial Health	Both
Actions	# of products and services in the portfolio with a focus on financial inclusion	# of products and services in the portfolio with a focus on financial health	# of active partnerships to achieve financial health and inclusion targets
			⊖ % of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health
Output	⊖ # of new customers per month		⊖ # of individuals supported with dedicated and effective financial and/or digital education initiatives
	⊖ % of customers with effective access to a basic banking product		
Outcome	⊖ % of customers supported with dedicated customer journey/advisory services	⊖ % of customers showing an increase or stable amounts in savings, deposit and/or investment account balances, quarter on quarter.	⊖ % of customers actively using the online/mobile banking platform/tools
		⊖ % of customers with a non-performing loan	
		⊖ % of customers using overdraft regularly	⊖ % of individuals with a good and/or very good level of financial skills (see Annex C)
		⊖ % of customers who use the bank's services to create a financial action plan with the bank	
Impact	% of customers with 2 or more active financial products, from different categories, with the bank	⊖ % of customers with a high level of financial health (see Annex C)	<ul style="list-style-type: none"> Impact target Client engagement target Business/financial target Related to gender
		⊖ % of customers for which spending exceeded 90% of inflows for more than 6 months last year	
		⊖ % of customers that feel confident about their financial situation in the next 12 months	
		⊖ % of customers with products connected to long-term saving and investment plans	
		% of customers that would struggle to raise emergency funds or cover with insurance a major unexpected expense	

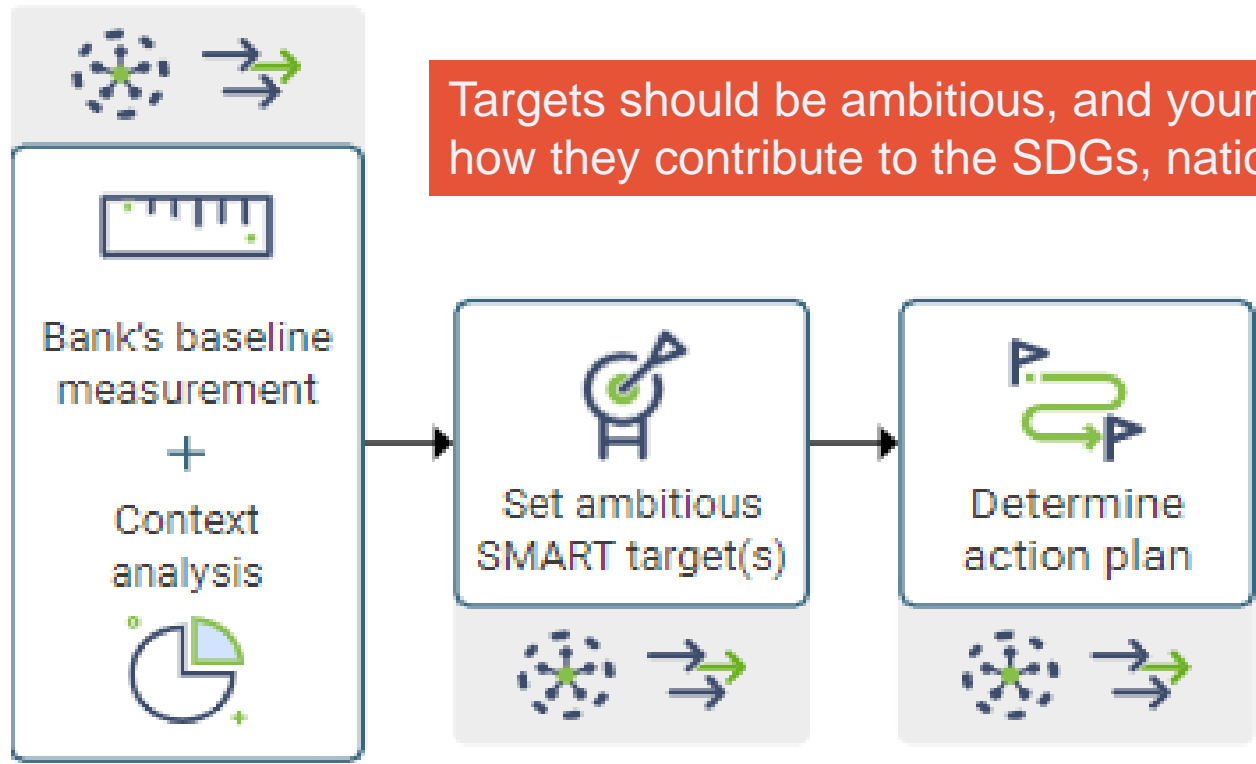


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Using the framework in practice

Setting Targets

Targets should be ambitious, and your banks should be clear about how they contribute to the SDGs, national targets and/or priorities

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



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

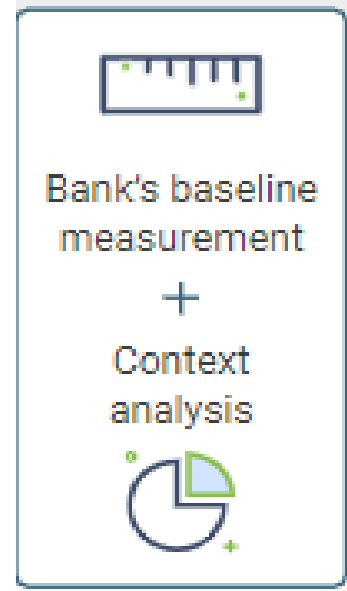
1. Complete **country/regional analysis** regarding area of impact
2. Complete a **baseline** of as many core indicators as possible

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)

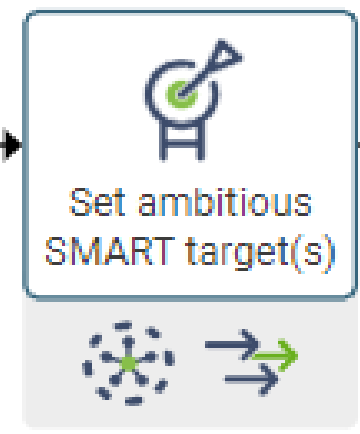
Setting Targets

Session 1

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

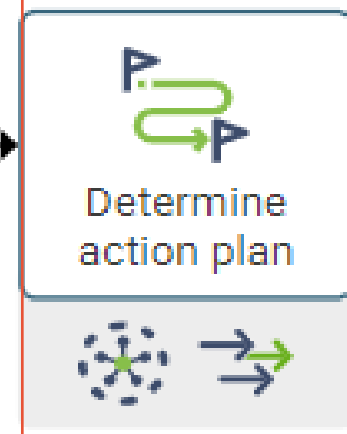


1. Complete **country/regional analysis** regarding area of impact
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1. Identify priority groups (if applicable) . Prioritize groups and areas of work
2. Determine the reference year for your target (starting point)
3. Set a SMART impact target (review **pathway** to see impacts and **core indicators** to see how to measure it)

Session 2



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

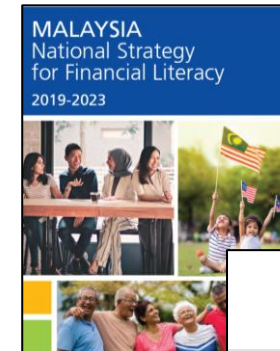
Using the **core indicators**: define KPIs you will use to track progress and set milestones for them

Context analysis

International frameworks

Regional frameworks

National frameworks

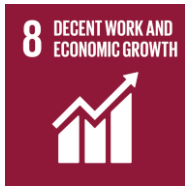




Goal 1: End poverty in all its forms everywhere (1.4 and 1.5)



Goal 5: Achieve gender equality and empower all women and girls



Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation (9.3)



Goal 10: Reduce income inequality within and among countries (10.1, 10.2, 10.3 and 10c)



Goal 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development (17.16)

1. Context analysis

- Identify relevant targets and priorities at national, regional and global levels.
- Have a good overview of available statistics and databases on financial inclusion and health
- Understand key indicators and the global perspective

Context analysis ... In practice

- Does the country have policies, frameworks, commitments, agreements on Financial Health and Inclusion?

Malaysia

- Has the country set goals in Financial Health and Inclusion?

INTERNATIONAL	Maya Declaration	Bank Negara Malaysia has been entrusted to drive the implementation and monitoring of the 4 strategic outcomes , to achieve the vision of financial inclusion and achievement of desired outcomes characterized by convenient accessibility, high take-up, responsible usage and comprehensive offerings of financial products and services.
	SDG	<ul style="list-style-type: none"> • SDG 1: No poverty - Target 1.5: By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters • SDG 5: Gender equality - Target 5.a: Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws • SDG 8: Decent Work and Economic Growth - Target 8.10: Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all • SDG 9: Industry, Innovation and Infrastructure - Target 9.3: Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets
NATIONAL	Malaysia's Financial Inclusion Framework	<ul style="list-style-type: none"> • Encourage FIs to establish an extensive branch network across Malaysia to ensure sufficient access to financial services. As at June 2015, there were 1.5 bank branches per 10,000 adults and 5.2 automated teller machines (ATMs) per 10,000 adults in Malaysia. • Facilitate the development of a broader range of micro financial products, including the development of flexible micro financing; long-term contractual micro-savings with low committed periodical savings and favourable terms; and microinsurance. • Development a set of key performance indicators and a financial inclusion index (FII) to track the progress and estimate the impact of policies to intensify the outreach of the financial sector. • Enhance greater access to digital financial services, as well as to enable the underserved to benefit from increased convenience, greater efficiency and lower cost.
	Malaysia National Strategy for Financial Literacy (2019-2023)	<ul style="list-style-type: none"> • Inculcate good financial values as a foundation for financially responsible Malaysians. • Provide timely and relevant financial education information, tools and resources to Malaysians through various delivery channels and touchpoints. • Empower targeted groups to make informed and responsible financial decisions and enable them to be resilient, adaptable and be financially prepared for various life events. • Educate Malaysians on long-term financial planning and empower them to plan for their retirement. • Enable Malaysians to make informed financial decisions after clarifying and understanding the nature, risks and benefits of various investment products and also enable them to diversify their investments.

Understanding the context

Data sources

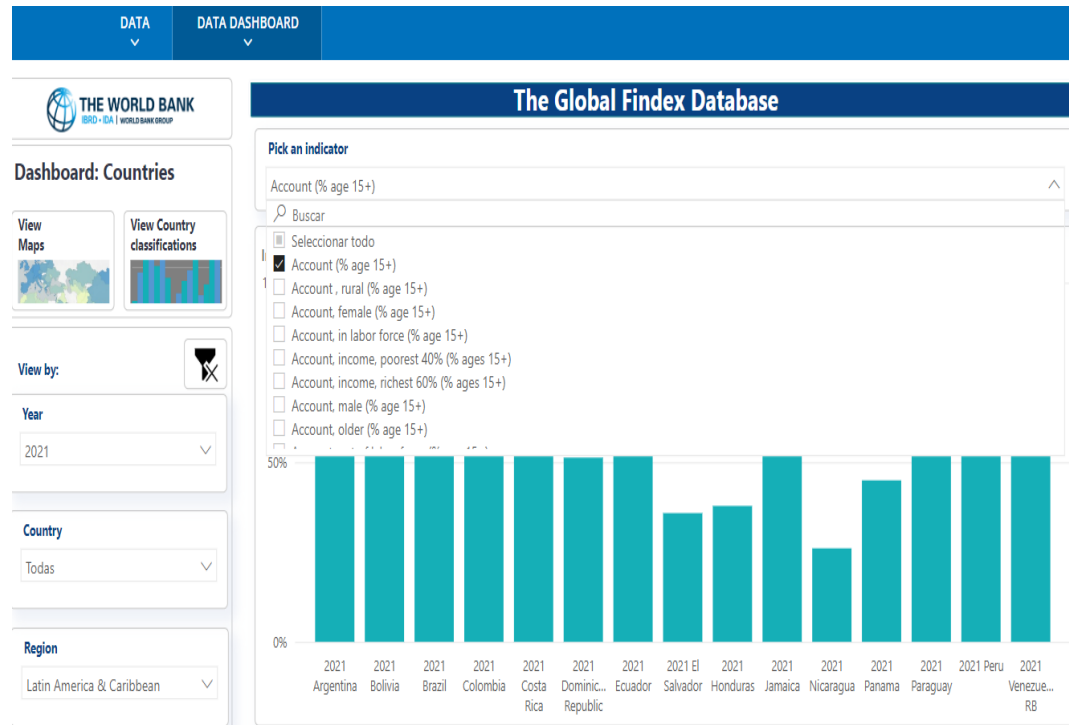
Databases for inclusion and financial health

The platform provides national financial inclusion goals, global policy resources, regulations and financial inclusion outcomes built by its 76 member countries under the Maya Declaration framework.

Source: Targets of the Maya Declaration of the Alliance for Financial Inclusion portal
Link: [Maya Declaration | Alliance for Financial Inclusion \(afi-global.org\)](https://afi-global.org/maya-declaration)

Understanding the context

Data sources



Source: World Bank Global Findex 2021 Database
 Link: <https://databank.worldbank.org/source/global-financial-inclusion>

Databases for financial health and inclusion

The Global Findex Database - Measuring Financial Inclusion and the Fintech Revolution compiled data on financial inclusion using nationally representative surveys of more than 150,000 adults aged 15 and over in more than 140 economies

It is possible to filter by Database, Country, Series and Time. Together with other databases, your bank can extract relevant data to understand your main gaps and opportunities.

Other databases useful for understanding the national context

Organization	Relevant topics	Links
World Bank	Reports that provide an overview, complementary to other sources: Ex. SME gaps, alternative data that transform SME financing	https://www.worldbank.org/en/topic/smeifinance
OCDE/ World Bank	OECD and World Bank reports providing an overview of the SME sector.	https://www.oecd.org/cfe/smes/financing-smes-and-entrepreneurs-23065265.htm
Discrimination and Vulnerable Groups	National perspectives for discrimination and vulnerable groups	https://www.dlapiperintelligence.com/goingglobal/employment/index.html?t=09-discrimination
CGAP	Reporting on how the COVID-19 pandemic affected the microfinance sector globally and regionally with the CGAP Global Pulse Survey of Microfinance Institutions. Other issues such as gender issues, financial innovation, SMEs, and more.	https://www.cgap.org/pulse
OECD Financial Literacy	2017 OECD/INFE International Survey on Adult Financial Education Competencies in G20 Countries.	https://www.oecd.org/daf/fin/financial-education/g20-oecd-infe-report-adult-financial-literacy-in-g20-countries.htm
Centre for Financial Inclusion	Reports on Health and Financial Inclusion - Financial Health Framework	https://www.centerforfinancialinclusion.org/beyond-financial-inclusion-financial-health-as-a-global-framework
<u>CREDICORP</u>	Credicorp Financial Inclusion Index Report (LATAM)	https://www.grupocredicorp.com/indice-inclusion-financiera/

1. Understanding the context... In practice

Baselines | Malaysia

Financial Inclusion Indicators	Year			
	2011	2014	2017	2021
Relevant data	2011	2014	2017	2021
Account (% age 15+)	66.2	80.7	85.3	88.4
Account, female (% age 15+)	63.1	78.1	82.5	87.5
Account, male (% age 15+)	69.2	83.0	87.9	89.2
Account, primary education or less (% age 15+)	39.7	58.6	70.0	71.7
Income account, poorest 40% (% age 15+)	47.8	75.3	80.5	83.0

Financial Health Indicators	Year			
	2011	2014	2017	2021
Relevant Financial Health Data	2011	2014	2017	2021
Savings for old age, women (% over 15 years)	-	56.4	43.1	50.7
Savings for old age, men (% over 15 years)	-	51.8	40.7	54.0
Create emergency funds: not possible, women (% over 15 years)	-	-	-	10.8
Create emergency funds: not possible, men (% over 15 years)	-	-	-	13.8
% of individuals who paid off all credit card balances in full by the due date (% over 15 years)	-	-	-	-

1. Understanding the context... In practice

Baselines | Malaysia

Living costs	Year				
	2011	2014	2017	2021	2022
Relevant data					
Consumer Price Index (2010 = 100)	103.17	110.46	119.61	123.05	-
Inflation, consumer prices (annual %)	3.17	3.14	3.87	2.48	-
Domestic private health expenditure per capita, PPP (current international \$)	341.13	419.15	475.09	-	-
Electricity prices for households, June 2022 (kWh, U.S. Dollar)	-	-	-	-	0.052
GDP per capita, PPP (current international \$)	21308.22	24012.83	25935.14	28929.47	-

1. Understanding the context... In practice

Malaysia What is relevant about this information?

What is the country's needs?



- Increase the financial skills of Malaysians, including digital literacy
- Increase access to financial services
- Expand the supply of financial innovative products
- Facilitate access to affordable financial advice
- Improve financial health (saving for old age, financial resilience for vulnerable/ underserved groups)
- Develop more structured financial institutions and infrastructure

Strategy of my bank



- In strengthening financial skills and digital literacy in people
- In access to affordable and innovative financial advice and services
- In financial health of clients (mainly vulnerable groups)

QUESTIONS

2. Set baseline and identify priorities

- Establish metrics to :
 - determine your baseline – current performance
 - define targets
 - monitor progress throughout the year
- Understand gaps and needs of customers or their current performance in relation to national priorities
- Identifying which indicators should start being measured if they are not all available.
- UNEP FI provides core indicators

2. Set baseline

a. Define indicators

1. what quantifiable metrics are already available?
2. what are the critical metrics required to measure on the way to impact?
3. which data your bank should start to collect – if not available?

It is possible and encouraged to utilize representative transactional data or to run specific surveys to set baselines, which can also enable your bank to understand gaps, client needs or your current performance in relation to national priorities.

We recommend measuring as many core indicators as possible to get a more complete picture of the state of your customers for establishing baselines

b. Set a baseline against a specific year



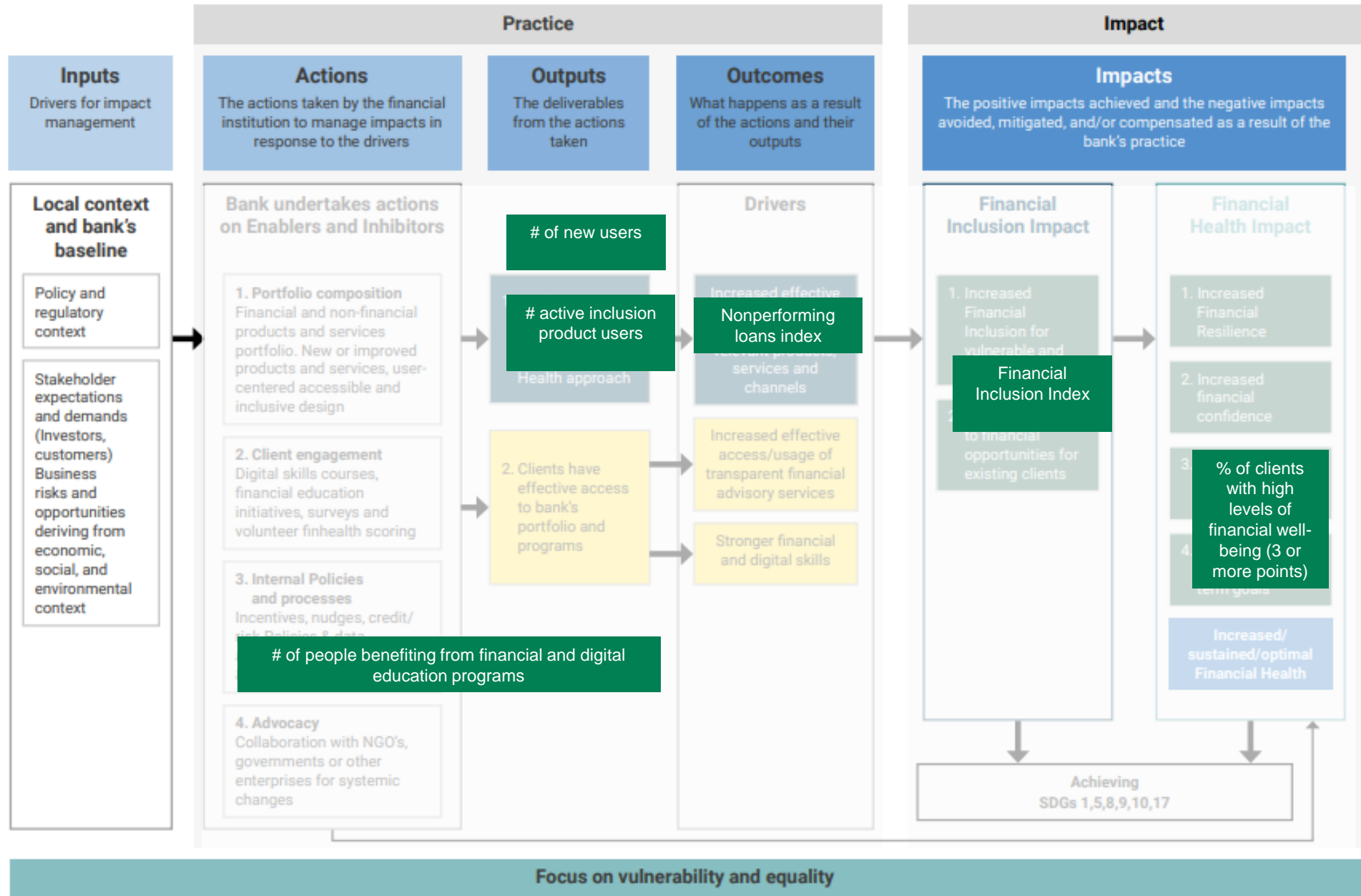
[Potential indicators to set baselines and targets](#)

Review as far as possible how to disaggregate the indicator: income level, gender, age, location.

What quantifiable metrics are already available?

Existing Indicators

Bank A Indicators

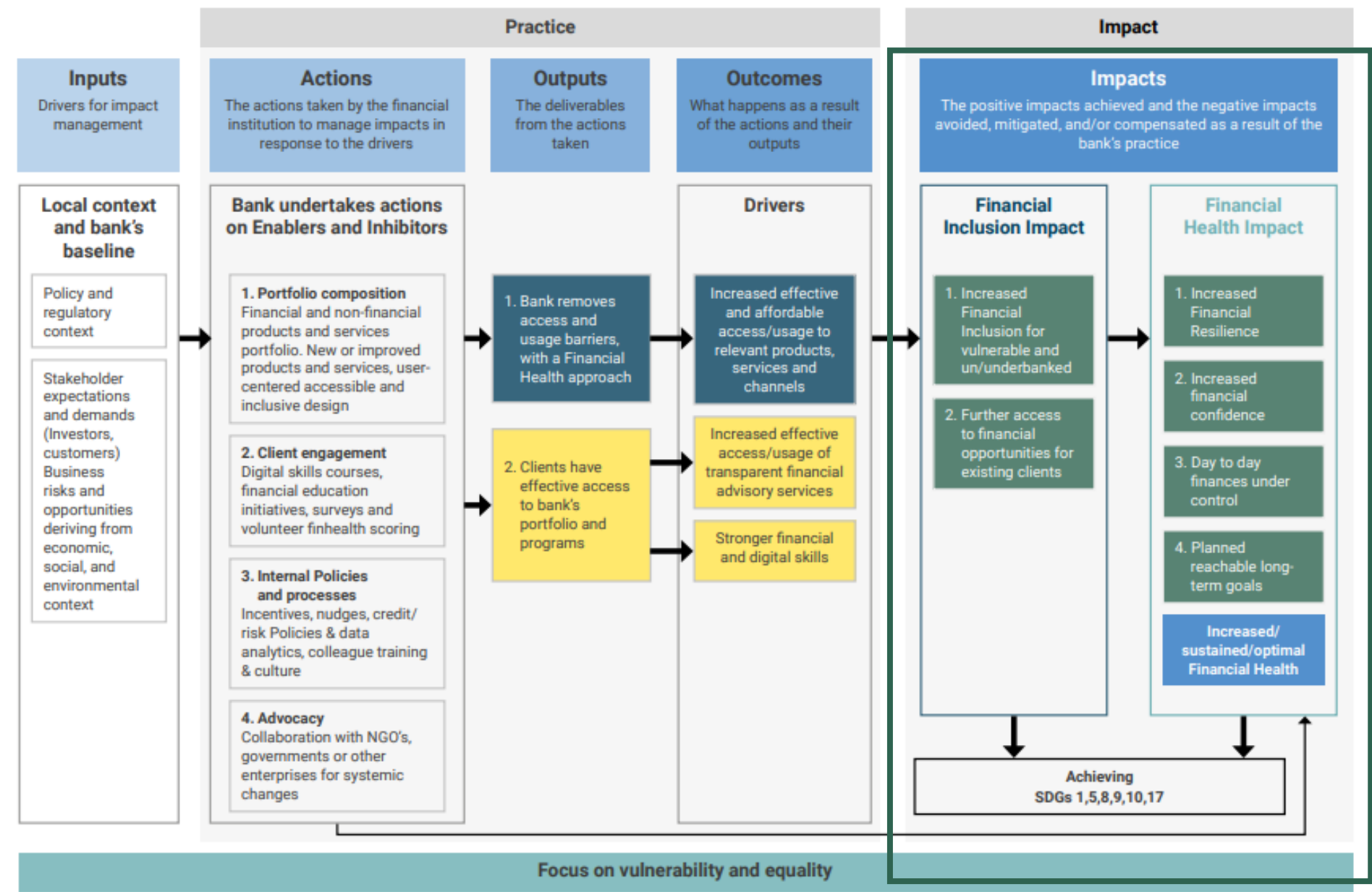


What are the critical metrics required to measure on the way to impact?

Combined Pathway to Impact

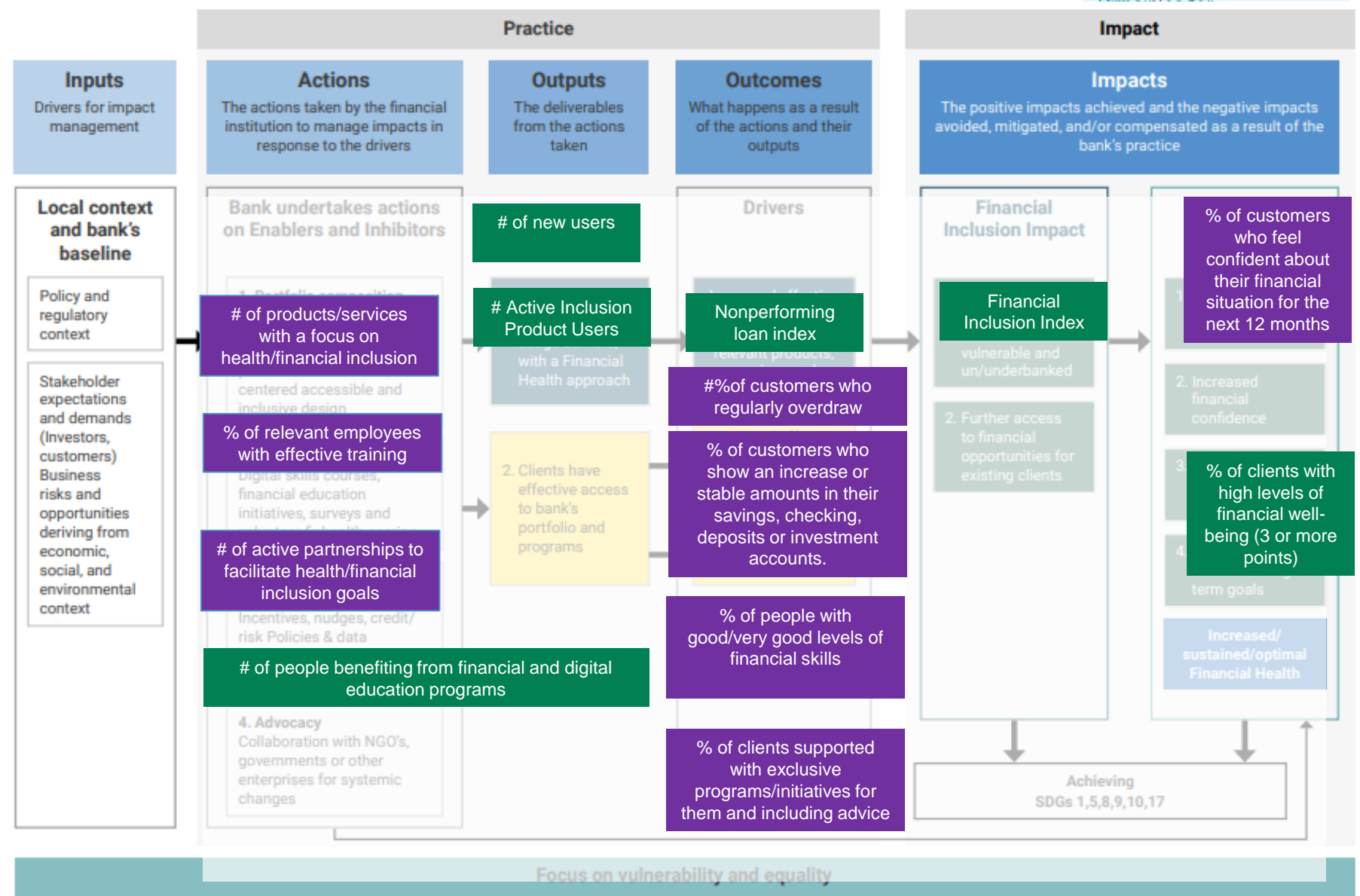
Impact Target

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



What are the critical metrics required to measure on the way to impact?

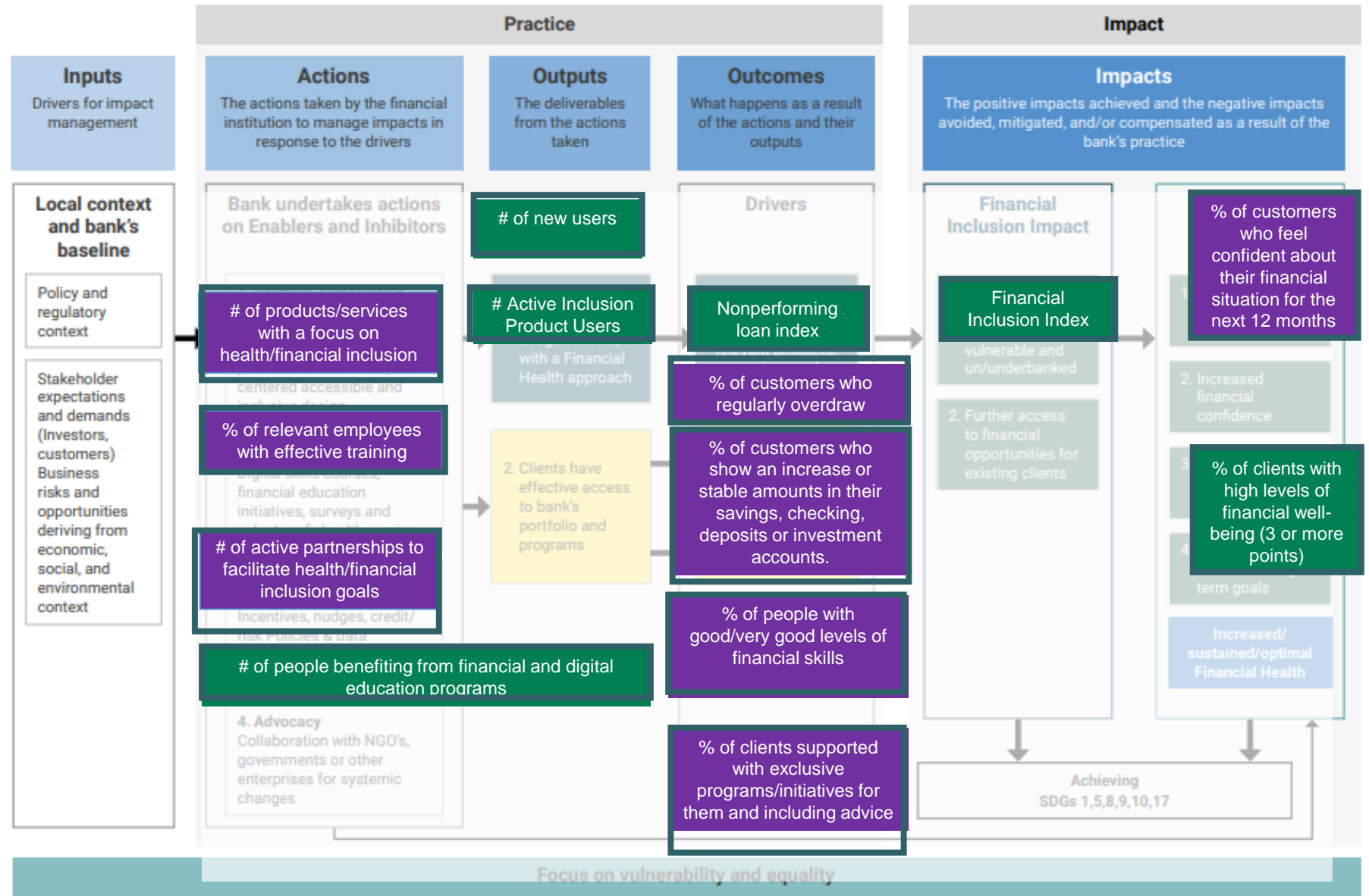
Recommended Indicators



Select your indicators

Recommended Indicators

- Bank A Indicators
- Common Indicators PRB
- Selected (the bank already measures them, you can start measuring them easily, you can generate the necessary infrastructure to measure them in the next 3-6 months)



2. Baseline Analysis: Identify Priorities

In order to define the groups to be prioritized, it is important to be able to disaggregate the data collected when measuring the baseline. Disaggregating by geographical location, gender, ethnicity, educational level, are a few examples.



See more at:

[Target Setting Guide. Annex D- Vulnerability and equality.](#)

Once you identify your priority groups, define the **area of work to prioritize**



Who do I prioritize:



- Which could be the priority group?
- **Who needs more support from the Bank?**
- Who can we help to close the gaps?

Regarding the context of the country and the bank:

- The result of my prioritized group is in line with the country's priorities (Match between steps 1 and 2)
- Alignment with the country's priorities.

2. Baseline Analysis: Data disaggregation example

		Low income (%)	Middle income (%)	High income (%)	Male (%)	Female (%)	Vulnerable groups (%)	Age (18–30)	Age (30–60)	Age (60+)
Consumer bank portfolio (70% of total AUM)	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								

Context and baseline: Frequently asked questions

What should I do if there is no information about financial inclusion/health goals in my country?

Use proxies from similar countries and base the target on national figures, even if there are no targets.

If my target is set for 2025 or 2030, which year should be my baseline?

Due to the impact of COVID19, we recommend measuring baseline from 2019 to 2021/22 and defining the base year after understanding the effect of the pandemic against pre-pandemic figures.

Context and baseline: Frequently asked questions

If my bank does not have disaggregated information, what can I do?

Sometimes local laws prohibit collecting certain data from financial consumers. In such a case, it is impossible to disaggregate based on some characteristics, but you will surely be able to do it with others attributes. In cases where the bank cannot disaggregate the information, even if it is legal, because it does not have it, the recommendation is to start collecting that information from customers. Otherwise, you will need to rely on national figures to build a profile of your customers (which will deliver inaccurate results).


What should I consider to define my target area?

Is financial inclusion still far from the national goal and can the bank have a direct impact on closing that gap, especially looking at the bank's current customer inclusion figures? If so, the focus should be on financial inclusion. If the problem is not access but use of financial products and build financial resilience, then the bank should focus on financial health.

QUESTIONS

3. Set SMART targets

Ideally set at impact level



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

- Whe?
- 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

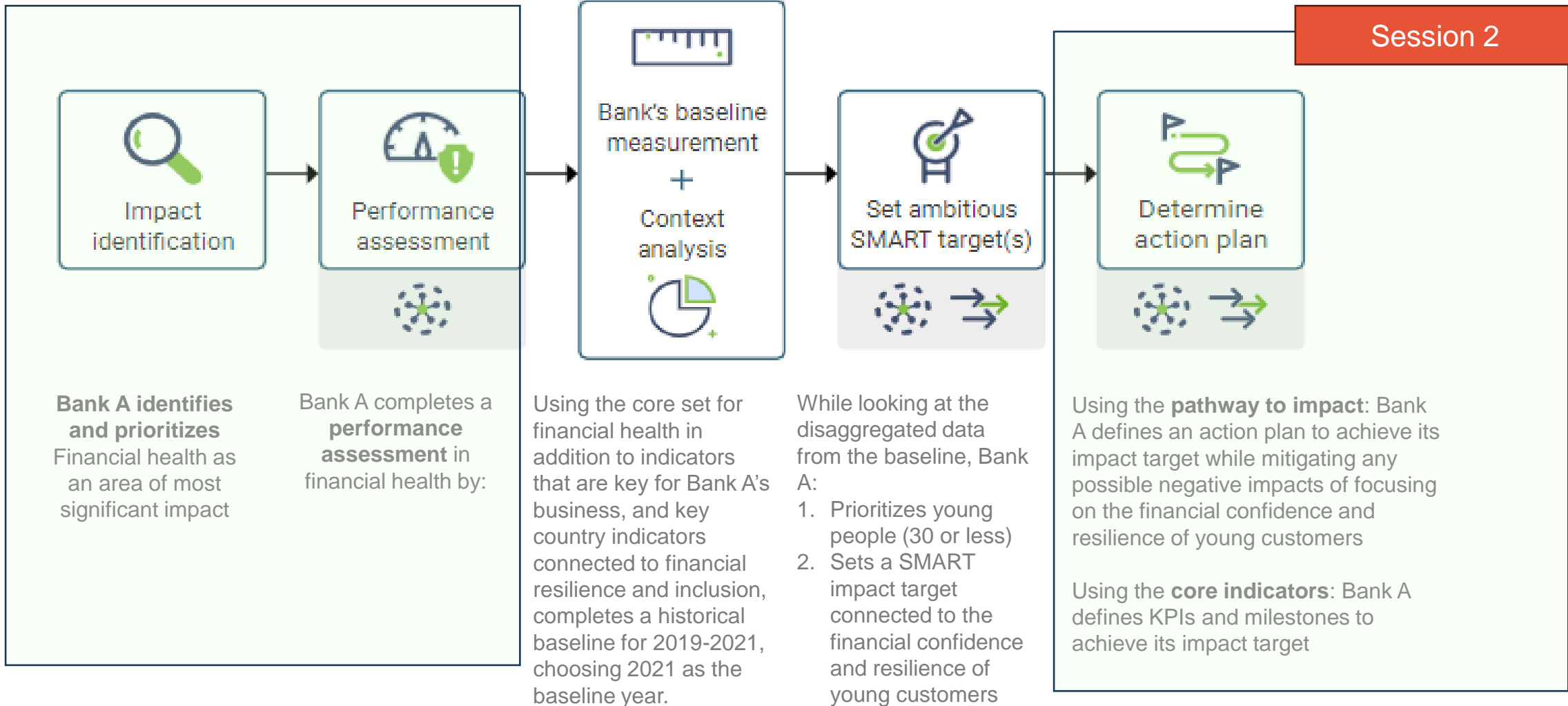


S	M	A	R	T
Increase the allocation of loans for customers (individuals and microentrepreneurs) While substantially reducing the level of over-indebtedness	Increase by 20% the placement of loans in prioritized groups and reduce over-indebtedness from 45% to 35%	20% means disbursing USD 300 billion in loans 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

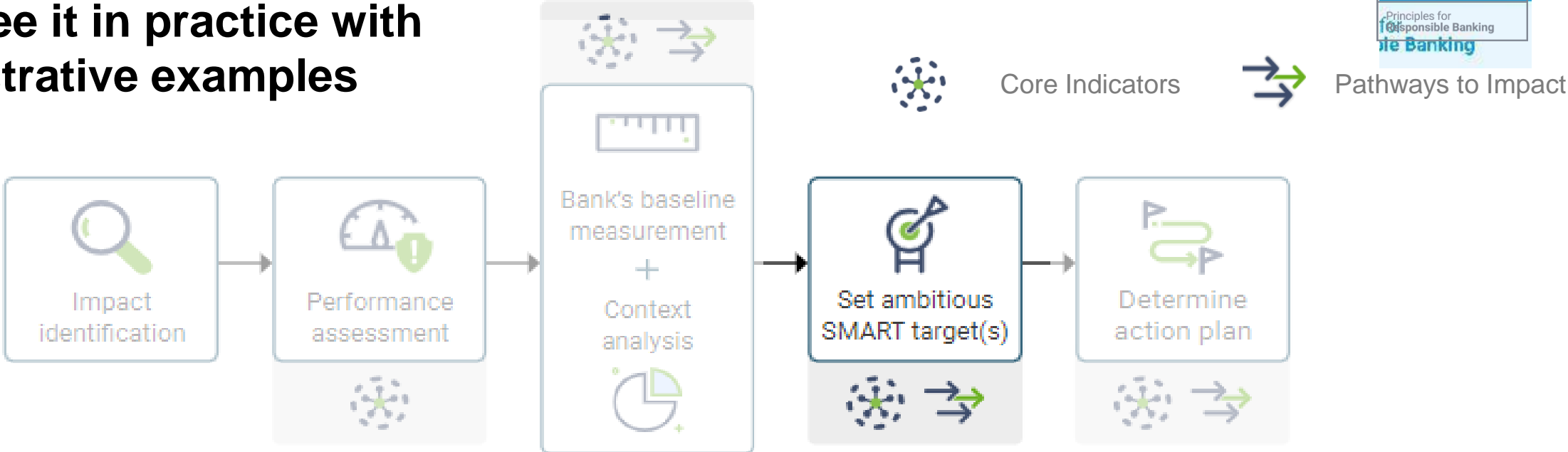
* The target is aligned with SDGs 1 (End Poverty), 8 (Decent Work and Economic Growth) and 9 (Industry, Innovation and Infrastructure) and the country's National Financial Inclusion Strategy.

Let's see it in practice with an illustrative example

Session 2



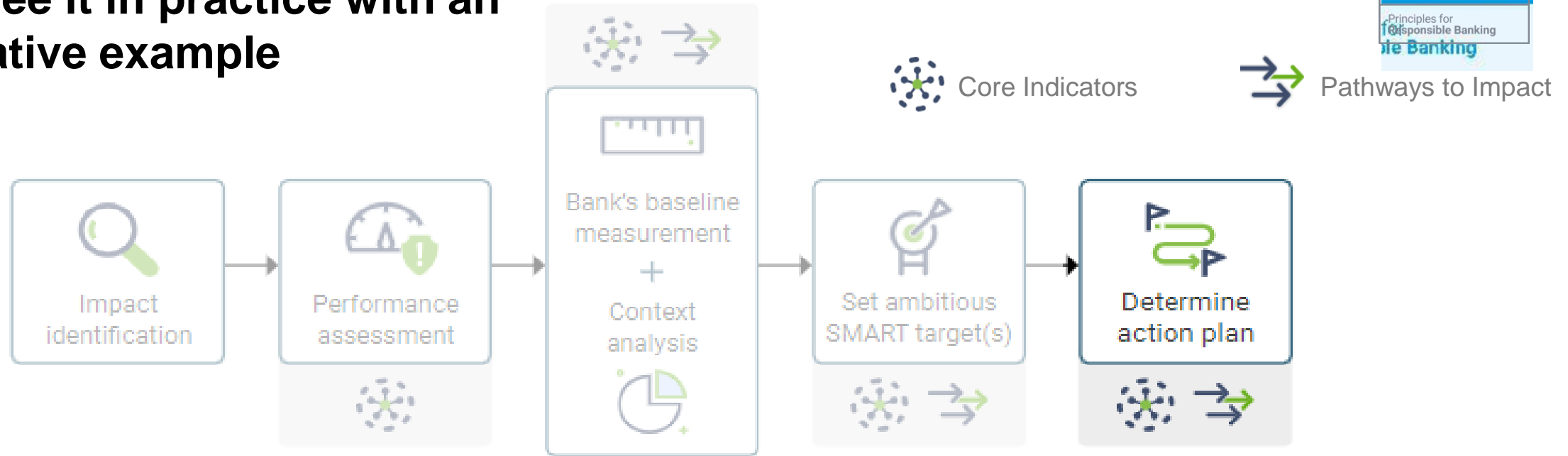
Let's see it in practice with an illustrative examples



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



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

	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 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)

Let's see it in practice with examples

	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)	

Let's see it in practice with examples

	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
Impact: Further Effective access	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	

Let's see it in practice with examples



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QUESTIONS

Homework: Case study exercise (optional but strongly recommended)

Click on this link to answer the questions on Slido:
<https://bit.ly/3SPPTA7>

To discuss together in
Session 2

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>SDG 8. Decent work and economic growth 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>SDG 10: Reduction of inequalities: 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	Expand and improve access to financial services at GENOVIA; Promote financial accountability and improve access to financial services information. Ensure that 100% of the population over 15 years of age has access to a basic bank account and the financial system without obstacles.

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

slido



Feedback form

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

Baseline – Bank B

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 effective 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	Año		
	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%

Summary of Session 1 FH&I Foundations

- ✓ Identify **the context of financial health and inclusion** in the country in which they operate.
- ✓ Have **knowledge and skills to select the best indicators** and methodologies to establish goals that are aligned with the good practices foreseen by PRB.
- ✓ Understand **how to develop SMART targets** that are aligned with local needs and commitments, as well as the profile of the institution.



—
Available resources and support

UNEP FI Members Online Portal

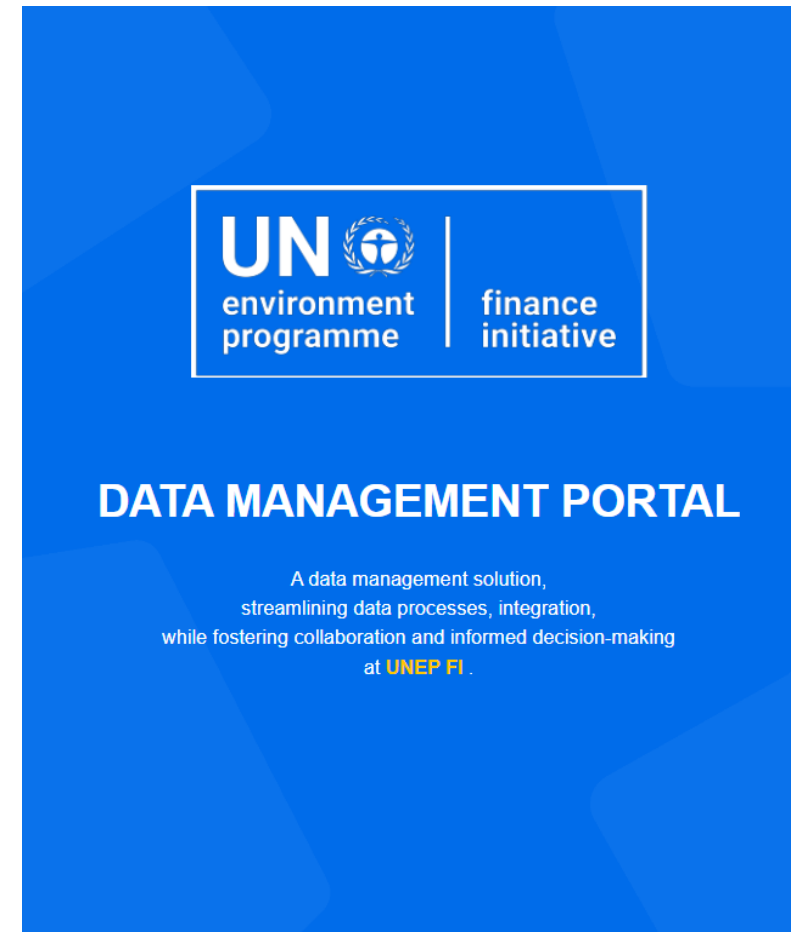
Through the UNEP FI Members Portal, our members can directly manage their institutional contacts, update them or register new ones.

Key steps:

- 1) Create your account on the portal.
- 2) Activate your account using the activation email you will receive.
- 3) Obtain verification from a team member.
- 4) Register and edit your institutional contact details.

To create your account and start registering your contacts, please access the Portal [here](#).

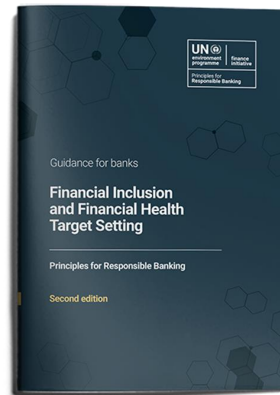
Check the user guide detailing the steps to follow for user creation and registration [here](#).



Guide available for setting goals

The Financial Health and Inclusion working group has updated the guideline for target setting and includes a database of indicators for health and financial inclusion with recommendations on measures of financial health, as well as optional indicators for use with the core set. In addition, it provides a detailed view of each indicator, periodicity, measurement, among others.

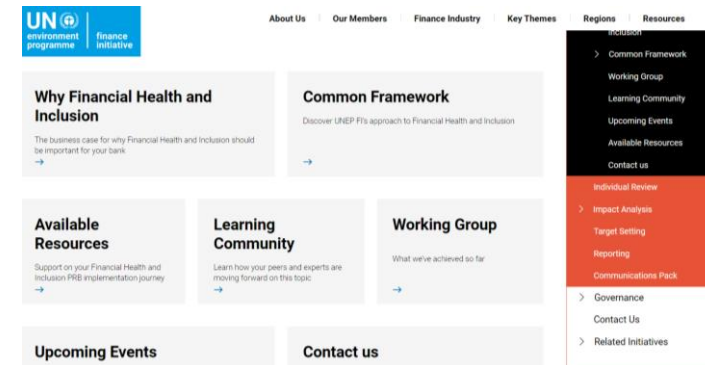
* For more information click [here](#).



Financial Health and Inclusion Microsite

The microsite where you can find all the information and resources for financial health and inclusion can be accessed [here](#).

Password: unepfi



PRB requirements

- The Official Principles Framework Documents:
 - ✓ the [Key Steps to Be Implemented by Signatories](#), detailing the requirements for signatory banks.
 - ✓ the [Reporting & Self-Assessment Template](#), to report on your progress implementing the Principles.
- [The PRB Guidance Documents](#) to guide you on impact analysis, target setting in key impact areas, and reporting.



Regional Coordinators

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Different support formats included for PRB implementation

Website Members area (password: unepfi)

[https://www.unepfi.org/banking/bankingprinciples/unep-fi-banking-members-space/ Members Area – United Nations Environment – Finance Initiative \(unepfi.org\)](https://www.unepfi.org/banking/bankingprinciples/unep-fi-banking-members-space/ Members Area – United Nations Environment – Finance Initiative (unepfi.org))

- The Target-Setting Guidances [here](#) – links in the following slides
- The Impact Protocol is available [here](#)

Workshops & trainings

- On-boarding /Impact analysis workshops/ Target-setting workshops - [Calendar available on the website](#)
- [PRB Academy and Capacity Building – United Nations Environment – Finance Initiative \(unepfi.org\)](#)
- Contact: gabor.gyura@un.org; flora.petrucci@un.org

Impact analysis implementation support

- Group sessions by business community
- Group sessions by geographic region
- Email-based support
- One-on-one meetings
- Contact: costanza.ghera@un.org; alexander.stopp@un.org

Individual Review/ Reporting

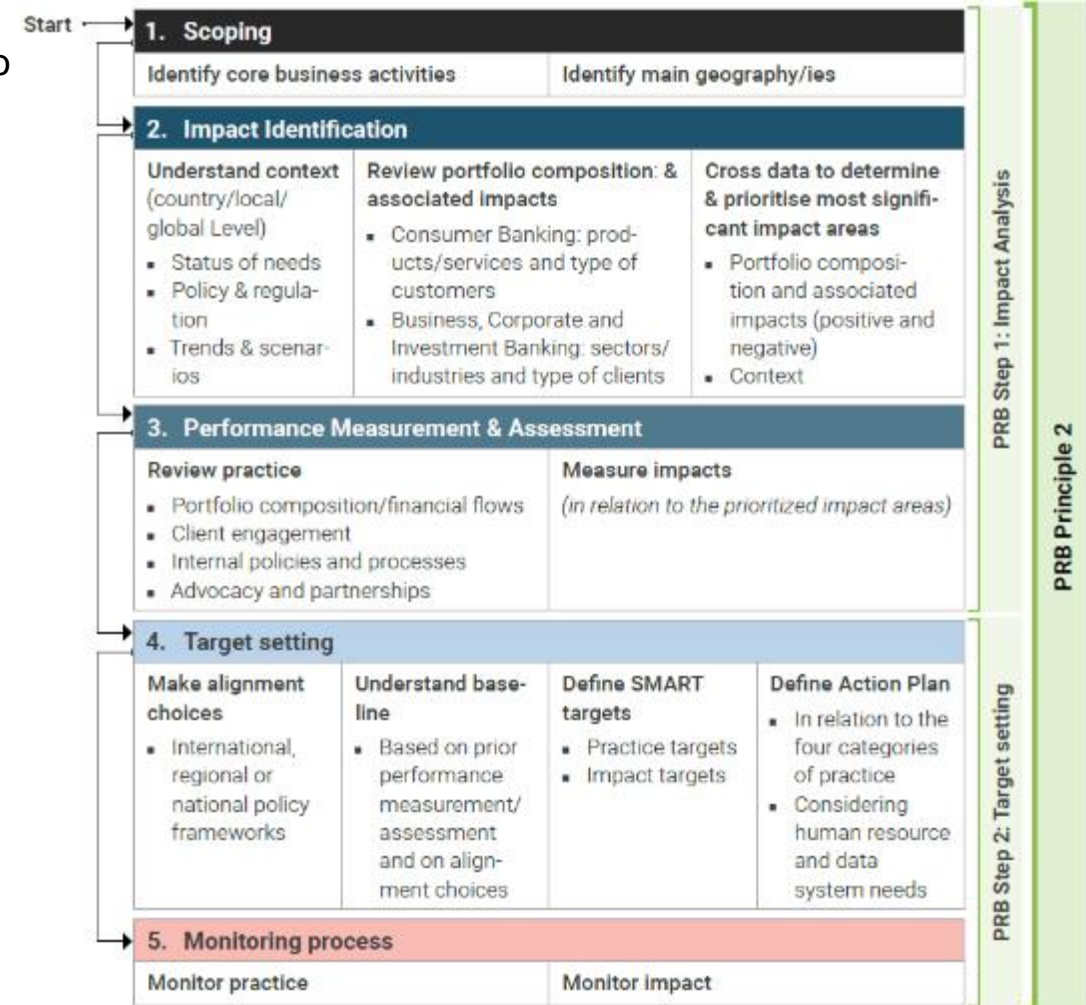
- Contact: prbreporting@unepfi.org

Impact Analysis Methodology

The UNEP FI Holistic Impact Analysis Methodology is a five-step process to understand and manage potential and actual positive and negative impacts across the spectrum of environmental, social and economic issues.



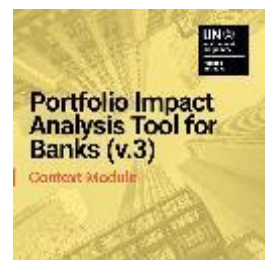
The Impact Protocol is available [here](#)



UNEP FI Impact Analysis Tool for banks

Collecting and analysing data to implement the methodology

The [*Portfolio Impact Analysis Tool for Banks*](#) is an easy-to-use input-output tool to assist throughout your impact management process, one module at a time



- Download the Tool Modules, User Guides and brief presentations [here](#)
- Watch a walk-through of the Tool Modules:
 - Context and Identification Modules – watch [here](#)
 - Assessment Modules – watch [here](#)
- Download the demo versions of the Tool Modules:
 - Context Module – demo version [here](#)
 - Consumer Banking / Identification Module – demo version [here](#)
 - Institutional Banking / Identification Module – demo version [here](#)
 - Consumer Banking / Assessment Module – demo version [here](#)
 - Institutional Banking / Assessment Module – demo version coming soon

Target setting Guidance Indicators & measurement approaches for specific impact areas and topics

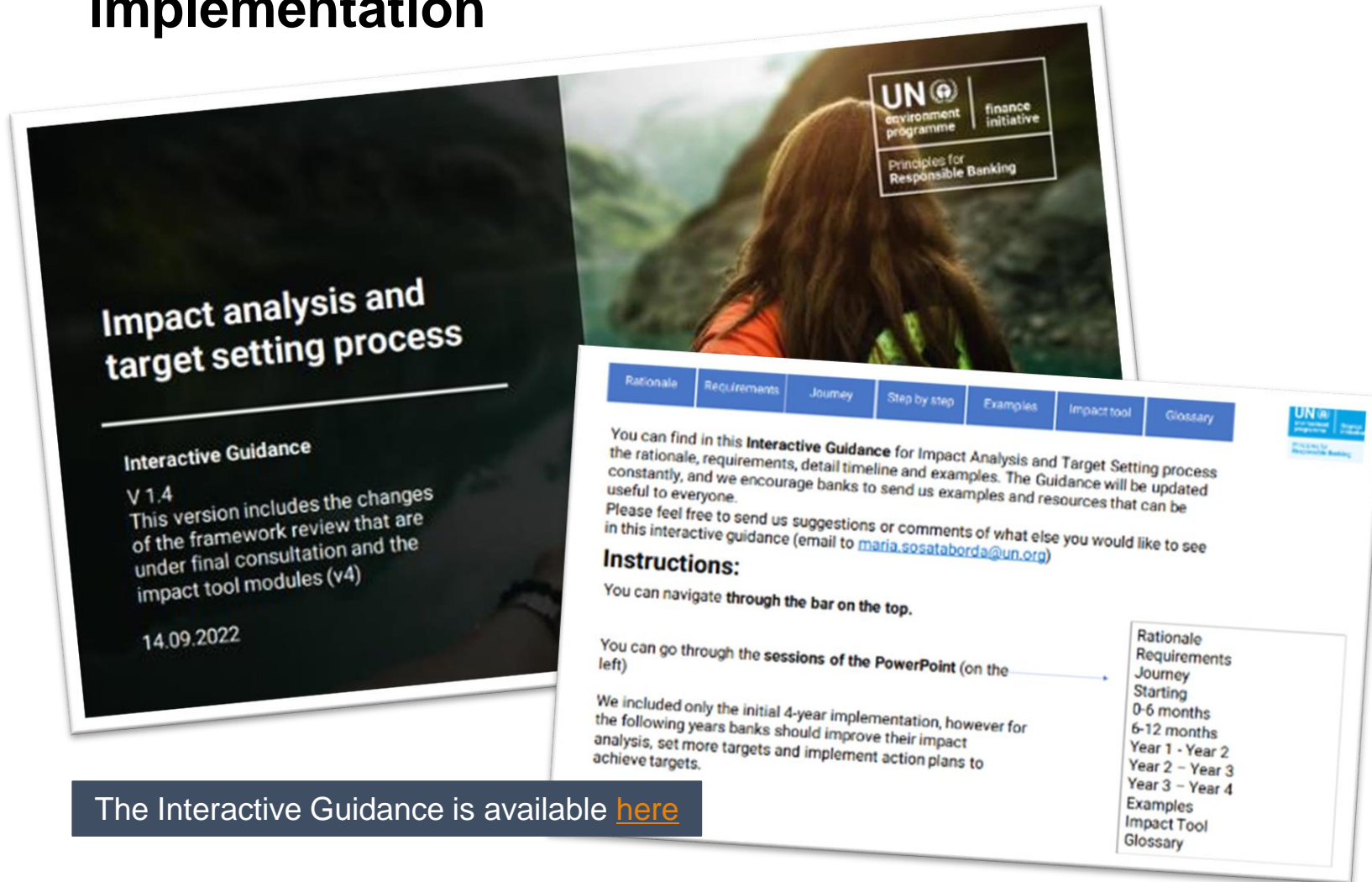


These guidance documents provide a deep-dive on target-setting for: biodiversity, climate change mitigation, financial inclusion and health, gender equality, resource efficiency and circular economy.

The Target-Setting Guidances are available [here](#)

Interactive Guidance & Case Studies

Illustrating the methodology in the context of PRB implementation



The Interactive Guidance is available [here](#)



Case studies about three banks' experience in performing impact analysis and target-setting.

The Case Studies are available [here](#)

Principles for
Responsible Banking

academy

On demand support : PRB Academy

- The Academy offers training to banking institutions and professionals globally, with the aim of empowering banks to adopt sustainable business models and upscale responsible banking products and services.
- The PRB Academy is a unique global academy to support PRB implementation and provide mainstream training on responsible banking to the banks' employees.
- Four online courses: Getting Started in Responsible Banking, Climate Change, Clients and Customers, Responsible Banking for Board Members and Executives.
- Discount price for PRB banks.
- For more information visit: <https://prbacademy.com/>

Other on demand support : UNEP FI online courses and tailored in-person workshops

- [Environmental & Social Risk Analysis \(ESRA\) Training Programme](#)
- [Climate Change and TCFD: Risks and Opportunities for the Banking Industry Online Course](#)
- [Corporate Ecoefficiency in Financial Institutions \(CEFI\) Online Course](#)

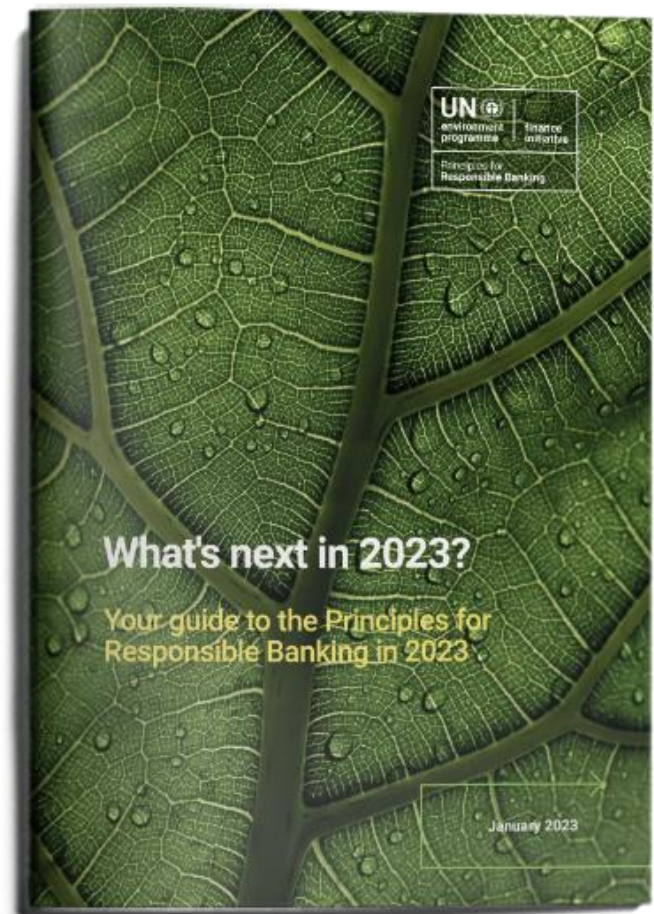
The following workshops can be tailored to suit the needs of your organisation:

- [Green, Social, Sustainable & Sustainability-Linked Bonds](#)
- [Ecosystems & Sustainable Finance](#)
- [Green Hydrogen Financing](#)
- [Implementing Net-Zero Commitments](#)
- [Responsible Investment](#)
- [Sustainable Finance](#)
- [Sustainable Finance for Cooperatives of Saving & Credit](#)
- [Deforestation risks for banks](#)
- [University Diploma in Sustainable Finance](#)

Offering in [Spanish](#), [Portuguese](#), [French](#) or [Chinese](#)
For more information please [contact us](#).

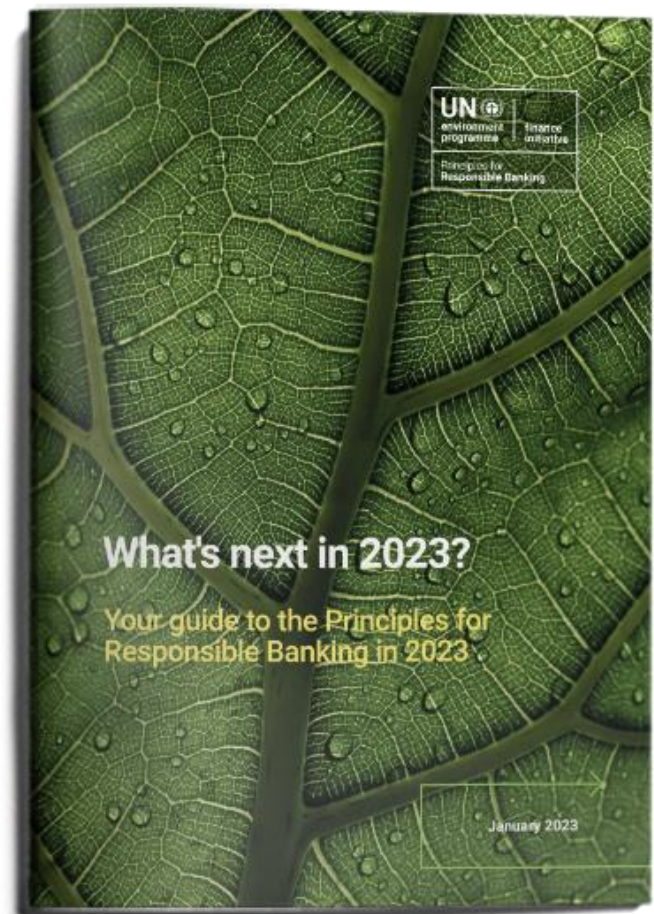
5. Join our Principles for Responsible Banking Activities

- We have developed an Implementation Structure to help each bank deliver on its commitments and implement the Principles for Responsible Banking.
- Through **thematic working groups and regular events**, you will learn from and with your peers and collectively develop effective tools, guidance, and common standards to implement the Principles.
- We highly encourage you to join at least one working group. You can find an overview of our different working groups in the [2023 Banking Programme](#) and in the [Members' area](#) (password: unepfi)



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Have questions?

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Please take 2 minutes to evaluate the session on Slido. This is important for us to further develop the programme.

Follow this link to access the survey: <https://bit.ly/3SyGsVp>