

Understanding and Managing Interlinkages

Supporting document to the UNEP FI Interlinkages Mapping

December 2024



Table of Contents

- 1. Introduction 1**
- 2. Interlinkages and why they matter 2**
 - What are interlinkages? 2
 - Why do interlinkages matter for the private sector and financial institutions? 3
 - Interlinkages in the context of the Principles for Responsible Banking 4
 - Interlinkages in the context of evolving policy and regulatory frameworks 4
- 3. The UNEP FI Interlinkages Mapping 6**
 - Methodology 6
 - Contents and structure 7
 - Main interlinkages 10
 - Relationship to the PRB Core Priorities 15
- 4. Managing Interlinkages 16**
 - Identification 17
 - Assessment 19
 - Target setting 20
 - Action plans 21
- 5. Going Further 23**

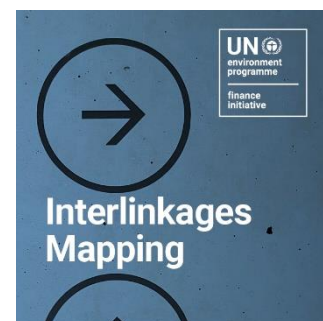
1. Introduction

Understanding and managing interlinkages is at the heart of the UNEP FI holistic Impact approach, which was constructed specifically bearing in mind the interconnected and indivisible nature of different sustainability topics. As part of the suite of Impact Mappings that UNEP FI has developed to help financial institutions implement the holistic approach, UNEP FI has developed an Interlinkages Mapping.¹

This mapping aims to explore how actions on one sustainability issue can have both positive and negative impacts on other sustainability areas. By mapping the interlinkages between impact areas and topics, it is intended to help impact/sustainability managers avoid potential 'unintended consequences' of tackling one issue, but also pursue multiple positive impacts at once in a more deliberate and cost-effective way.

The UNEP FI Interlinkages Mapping is based upon the 12 Impact Areas and 34 Impact Topics of the UNEP FI Impact Radar (2022 edition)², and reflects internationally recognised standards and research. It has benefitted from early trialling and refinement as part of the ongoing development process of the UNEP FI Impact Analysis & Management Tools.³

The UNEP FI Impact Analysis & Management Tools are a suite of resources designed to help financial institutions identify, assess, and manage their impacts across environmental, social, and economic dimensions. These tools provide a structured framework for banks to align their operations with sustainability goals. The first Interlinkages Mapping was embedded within these tools, enabling users to explore connections between Impact Areas and Topics. User feedback from the tools has been critical in refining the different mappings, ensuring they address real-world challenges and meet the practical needs of financial institutions.



¹ Impact Mappings, UNEP FI (n.d.) <https://www.unepfi.org/impact/impact-radar-mappings/impactmappings/>

² Impact Radar, UNEP FI (2022) <https://www.unepfi.org/impact/impact-radar-mappings/>

³ Tools for Holistic Impact Analysis, UNEP FI (n.d.) <https://www.unepfi.org/impact/unep-fi-impact-analysis-tools/>

2. Interlinkages and why they matter

What are interlinkages?

Interlinkages in the context of sustainable development refers to the multiple connections and interactions between various sustainability topics contained within the three pillars of sustainable development (Social, Socio-economic and the Environment).

The 17 Sustainable Development Goals (SDGs) were adopted acknowledging that progress regarding one goal often affects other goals—positively and/or negatively. Their interconnected and indivisible nature requires all entities responsible for their implementation to treat them as an integrated whole rather than as a menu of individual goals to pick and choose from.⁴

For instance, advancements in clean energy (SDG 7) not only can mean more affordable and sustainable energy but can also spur economic growth and innovation (SDG 8) if jobs are created and energy costs are brought down. In addition, clean energy solutions play a key role in mitigating climate change (SDG 13), which in turn has far-reaching effects on natural ecosystems (SDG 15), water quality (SDG 6), and agricultural productivity (SDG 2). This demonstrates how interventions aimed at one goal can generate synergies across multiple SDGs, amplifying overall progress.

However, the interlinkages between goals also present potential trade-offs. For example, initiatives to boost food production (SDG 2) could strain water resources (SDG 6) and contribute to issues such as deforestation, highlighting the need for careful planning that balances competing priorities.



Exhibit 1: Visual containing the Sustainable Development Goals (SDGs)

⁴ Transforming our world: the 2030 Agenda for Sustainable Development, United Nations General Assembly (2015) <https://documents.un.org/doc/undoc/gen/n15/291/89/pdf/n1529189.pdf>

Why do interlinkages matter for the private sector and financial institutions?

In the context of sustainability management “interlinkages” can be defined as the positive and/or negative impacts that an action on one topic may have on one or more other topics.

In the context of sustainability management by the private sector and by financial institutions in particular, understanding and managing interlinkages is key to:

- Avoid unintended consequences and the risks associated with them
- Leverage positive interlinkages and reap the co-benefits

Avoiding unintended consequences.

First and foremost, avoiding unintended consequences of strategic choices is fundamental in not undermining progress within different SDGs. For example, a bank might invest in affordable housing projects (SDG 11), but without considering interlinkages, this could inadvertently lead to negative outcomes such as increased carbon emissions (SDG 13) if the housing is not energy efficient. By understanding the broader impacts associated with their clients and their activities, financial institutions can design more integrated solutions, such as financing building practices that address both social and environmental goals simultaneously. This approach not only ensures compliance with regulatory frameworks, such as the EU taxonomy for sustainable activities and / or the Corporate Sustainability Reporting Directive (CSRD), but also helps institutions unlock long-term value by building more resilient portfolios that can withstand systemic risks related to climate change, social inequality, and resource depletion.

Leveraging positive interlinkages

Moreover, embracing interlinkages allows financial institutions to contribute meaningfully to multiple SDGs at once, maximising the impact of their investments and activities. For example, financing MSMEs and promoting sector diversity can drive economic growth (SDG 8), create jobs (SDG 8), and strengthen local economies, which in turn supports numerous social SDGs, such as reducing inequalities (SDG 10) and improving access to health and education (SDG 3 and SDG 4), both of which rely on the foundation of a healthy economy. Leveraging these interlinkages ensures that financial institutions are not only mitigating risks but also capturing opportunities for innovation and growth.

Recognising and actively managing the interlinkages between the SDGs is critical for advancing sustainable development, allowing for more effective resource allocation and innovative solutions to complex sustainability issues.

Interlinkages in the context of the Principles for Responsible Banking

In the context of UNEP FI's finance sector frameworks, interlinkages are important for meeting the Principles for Responsible Banking (PRB). The PRB encourages banks, through Principle 2 on Impact Analysis, to assess the broader impacts of their financing activities, recognising that actions in one area can have ripple effects across other sustainability goals. This is specified in the PRB Implementation Journey⁵:

“As banks progress on their responsible banking journeys, the PRB Implementation Journey encourages banks to incorporate aspirational and leading practices for each principle into their strategies and to expand their sustainability priorities. Banks can do this by taking steps to address four inter-related priorities, as described by the UNEP FI Priorities for a Global Responsible Banking Sector, and by identifying interlinkages between Impact Areas.”

Interlinkages play a crucial role at each stage of the PRB Implementation Journey. The process beginning with identifying the relevant interlinkages as part of impact analysis, followed by developing action plans that effectively integrate these interlinkages, and culminates in managing and actively leveraging positive interlinkages to maximise impact (See “Managing Interlinkages” section).

Interlinkages in the context of evolving policy and regulatory frameworks

Understanding and managing interlinkages is also increasingly relevant to align with the growing body of policy and regulatory frameworks surrounding sustainability management by the private sector.

In the context of **sustainable finance taxonomies**, such as the EU taxonomy for sustainable activities⁶, interlinkages enable institutions to classify economic activities as sustainable considering multiple dimensions of impact. A key aspect of this classification is the "Do No Significant Harm" (DNSH) criterion, which ensures that while an economic activity may contribute to one sustainability objective, it does not negatively impact others. China's Green Bond Endorsed Projects Catalogue⁷ does not explicitly address the concept of *interlinkages* between environmental objectives in the same detailed manner as the EU taxonomy. However, the broader framework does highlight interconnected goals within its categories; it structures policies in ways that align multiple objectives, similar to how interlinkages are understood in other taxonomies such as the EU's. Additionally in a comparable way, the ASEAN Taxonomy for Sustainable Finance (Version 3)⁸ incorporates principles and methodologies that implicitly acknowledge the interconnected nature of sustainability topics.

⁵ Principles for Responsible Banking Implementation Journey – Defining Responsible Banking, UNEP FI (2024)

<https://www.unepfi.org/industries/banking/principles-for-responsible-banking-implementation-journey/>

⁶ EU taxonomy for sustainable activities, European Commission (n.d.) https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en

⁷ Green Bond Endorsed Projects Catalogue, People's Bank of China (PBOC), the National development and Reform Commission (NDRC) and the China Securities Regulatory Commission (CSRC) (2021) <http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/4342400/2021091617180089879.pdf>

⁸ ASEAN Taxonomy for Sustainable Finance Version 3, ASEAN Taxonomy Board (ATB) (2024) <https://www.theacmf.org/images/downloads/pdf/ASEAN-Taxonomy-Version-3.pdf>

Reporting standards, such as the EU Corporate Sustainability Reporting Directive (CSRD)⁹ and the accompanying European Sustainability Reporting Standards (ESRS)¹⁰, requires organisations to disclose how they manage sustainability impacts, risks, and opportunities across environmental, social, and governance dimensions. Recognising interlinkages between these factors is crucial for providing a holistic view of sustainability performance, as explicitly acknowledged in the ESRS framework. ESRS 1 General Requirements mandates preparers to consider the connectivity of information and the interactions between sustainability matters, while specific standards such as ESRS E1 (Climate Change) highlight how addressing climate-related issues can also impact sustainability issues like biodiversity, human rights, and labour conditions (ESRS S1-S4), and vice versa.

Understanding and managing interlinkages can also help financial institutions align with investor-focused reporting standards such as the International Financial Reporting Standards (IFRS) S1¹¹, which emphasises the connectivity of information by requiring entities to provide a comprehensive view of how different sustainability factors interact and influence enterprise value¹². Similarly, IFRS S2¹³ mandates the assessment and disclosure of the current and anticipated effects of climate-related risks and opportunities on an entity’s business model, strategy, and value chain. This requirement inherently necessitates an understanding of interlinkages, as climate risks often cascades into further forms of risk across multiple sustainability topics such as human health and food security, for example.

⁹ COMMISSION DELEGATED REGULATION (EU) 2023/2772, European Union (2023) https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=OJ%3AL_202302772

¹⁰ Ibid

¹¹ IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information, IFRS (2023) <https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/ifrs-s1-general-requirements/>

¹² “Another entity might need to explain how its use of natural resources or changes within its supply chain could amplify or, in contrast, reduce its sustainability-related risks and opportunities. The entity might need to link the information about its use of natural resources or changes within its supply chain to information about current or anticipated financial effects on the entity’s production costs, its strategic response to mitigate those risks and its related investment in new assets. The entity might need to link narrative information to the related metrics and targets and to information in the related financial statements” – Appendix B: B43 of International Financial Reporting Standards S1

¹³ IFRS S2 Climate-related Disclosures, IFRS (2023) <https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/ifrs-s2-climate-related-disclosures/>

3. The UNEP FI Interlinkages Mapping

The UNEP FI Interlinkages Mapping explores how actions on one sustainability issue can have both positive and negative impacts on other sustainability areas, in alignment with the unique UNEP FI Holistic impact approach.¹⁴

The Mapping is intended as an initial reference point to help practitioners avoid unintended consequences when addressing one issue, while also enabling them to pursue multiple positive outcomes in a more strategic and cost-effective manner.

Methodology

Choice of sustainability topics

The UNEP FI Interlinkages Mapping is built upon the 12 Impact Areas and 34 Impact Topics outlined in the 2022 edition of the UNEP FI Impact Radar.¹⁵

The Impact Radar (see right) provides a comprehensive set of Impact Areas and Topics across the three pillars of sustainable development (economic, environmental, and social). While closely related to the SDGs, the Impact Areas and Topics were developed so as to be specific and distinguishable from each other, as a means of operationalising the global SDG framework in the specific context of impact management practice by private finance and business.



Exhibit 2: Visual containing the UNEP FI Impact Radar (2022 edition)

Construction of the mapping

The Interlinkages Mapping, using the Impact Radar, was constructed through a comprehensive process that began with a review of existing research on interlinkages, including any resources developed in relation with the Sustainable Development Goals (SDGs) and other cross-cutting sustainability standards.

The interlinkages were categorised by their nature and whether they are universally applicable, acknowledging that some are more direct than others. Since all topics are interconnected to some degree, it is essential to focus on the most critical interlinkages to effectively manage and leverage them in practice. To this end, criteria were developed to classify the different interlinkages as “Moderate” or

¹⁴ As per this approach, sustainability topics are considered holistically in order to factor in their interconnected nature. This means that the three pillars of sustainable development are considered, and that both positive and negative impact associations are considered (but never netted out). Further information is available here: https://www.unepfi.org/wordpress/wp-content/uploads/2023/10/SDGs-and-Impact-2023_Flyer.pdf

¹⁵ Impact Radar, UNEP FI (2022) <https://www.unepfi.org/impact/impact-radar-mappings/>

“Strong”, which can be seen below (and is additionally found in the “Methodology” worksheet of the Interlinkages Mapping):

Strength of interlinkage	Definition
“0” No interlinkage or weak interlinkage	It is unlikely that actions taken on one Impact Topic will affect another, as the Impacting Topic is generally unrelated to the Impacted Topic
“1” Moderate interlinkage	It is likely that actions taken on one Impact Topic will affect another but this is dependent on additional factors: - Nature of the action (which sectors are involved and the steps taken) - Additional action/s needed by other players which can enable the conditions for the interlinkage to occur In the latter case, the interlinkage can be thought of as being “indirect”
“2” Strong interlinkage	It is certain or almost certain that actions taken on one Impact Topic will affect another, as the Impacting Topic is inherently connected with the Impacted Topic. There is a direct relationship between the two, meaning that action on one will systematically affect the other.

Table 1: Showing the criterion for the “Strength of interlinkage” column within the Interlinkages Mapping

The mapping includes direct references to literature and research that were used to come to the list of interlinkages. The vast majority of these references are to reports, publications and articles created by UN agencies including the WHO, UNFCCC, UNSIDR among others. Other sources include bodies such as the OECD and the EU (e.g. the European Commission’s SDG Interlinkages Tool¹⁶). In addition, an internal review process from topical experts from within UNEP FI were also sought to further refine the mapping.

Once the interlinkages were identified and categorised, the SDGs were layered into the map from a distinct SDGs Mapping¹⁷ which charts the Impact Areas and Topics of the UNEP FI Impact Radar (2022 edition) to the Sustainable Development Goals (SDGs).¹⁸

Contents and structure

The Interlinkages Mapping consists of two components:

- Interlinkages Map (heat-map): This provides a visual overview of all the interlinkages, with boxes coloured in blue (for positive interlinkages) and orange (for negative interlinkages)
- Individual worksheets based on Impact Area: These provide a look at the interlinkages as per Impact Area, across the three pillars (Social, Socio-economic, Environmental). Within each worksheet, there exists two tables, one for when acting on an Impact Topic and another for how other Impact Topics have interlinkages with the chosen Impact Topic (the reverse)

¹⁶ Uncovering SDG Interlinkages: interconnectedness and policy coherence for sustainable development, European Commission (n.d.) <https://knowsdgs.jrc.ec.europa.eu/interlinkages>

¹⁷ SDG Mapping, UNEP FI (2023) <https://www.unepfi.org/impact/impact-radar-mappings/sdg-mappings/>

¹⁸ These were determined utilising the target and indicator levels of the SDG framework as a guide. Once the main and other equivalences were mapped at the goal level, the corresponding SDG targets and indicators were then mapped to the Impact Topics. All 17 Goals are mapped to at least one Impact Topic.

In addition, there is an interactive search functionality (My Search) to help users navigate the interlinkages in a more accessible manner, by selecting the specific topics they are interested in.

Interlinkages heat-map

To visualise the multiple interlinkages that exist across Impact Areas, Impact Topics and Pillars, a heat-map was created, as illustrated in Exhibit 3 below.

The map starts from the top left-hand corner (see "Start Here" indication). All Impact Areas/Topics of the UNEP FI Impact Radar are listed both vertically and horizontally to map the interlinkages between them. These interlinkages are signalled in colour (blue for positive interlinkages, orange for negative interlinkages). To make navigation and searching easier, filters can be applied by Impact Area/ Topic, and/or by the type of interlinkage (positive/negative).

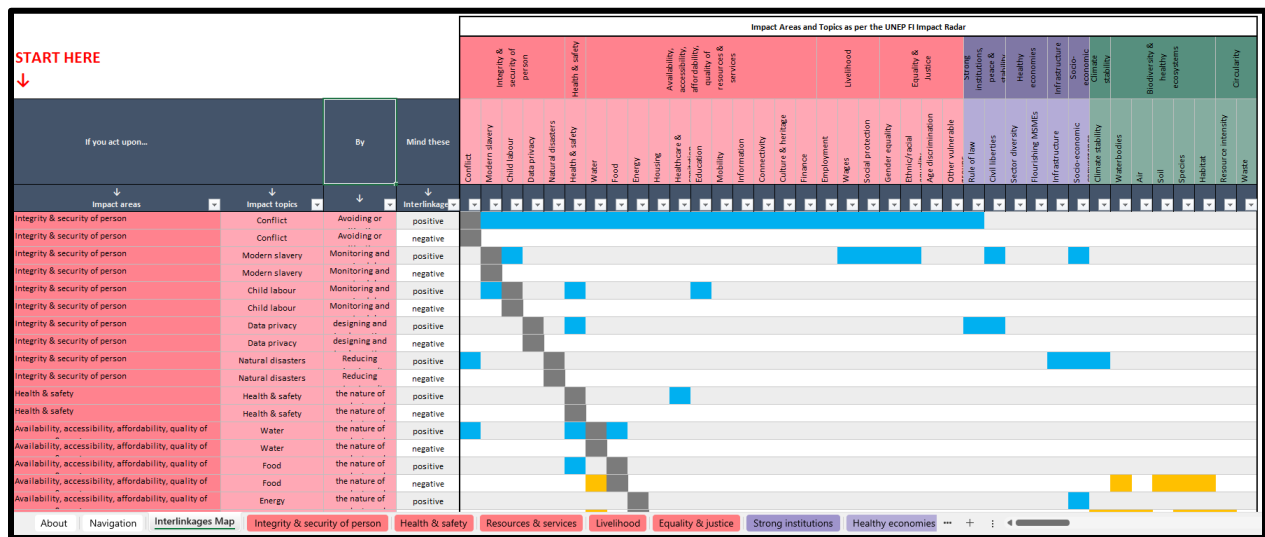


Exhibit 3: An extract from the Interlinkages Mapping showing the visualised map

Maps per impact topic

In addition to the heat-map, there are worksheets for each Impact Area, which provide two tables on the specific interlinkages relevant to that area, offering further insights and facilitating a detailed understanding of how these interlinkages manifest in practice. The first table demonstrating the Interlinkages when acting on an Impact Topic, and the second table showing which interlinkages are affecting the chosen topic.

"Livelihood" interlinkages

Click on the + sign on the left to show the Impact Area/Topics definitions as per the UNEP FI Impact Radar (2022 edition)

This worksheet contains a comprehensive list of the positive and negative interlinkages identified between the "Impact Topics" of the "Livelihood" Impact Area and all other Impact Areas/Topics contained in the UNEP FI Impact Radar.

Table 1 displays, illustrates and explains which topics are (positively or negatively) affected when acting on a "Livelihood" Impact Topic (i.e. the focus is on the impacted Topics)

Table 2 displays, illustrates and explains which topics (positively or negatively) affect the "Livelihood" Impact Topics (i.e. the focus is on the impacting Topics)

How to read and use the table:

- *Use the filters in columns C and D to view specific topic interlinkages, and the filters in columns E and F for SDGs interlinkages
- *Use the filter in column G to focus on positive or negative interlinkages only
- *Use the filter in column H to filter by the strength of interlinkage
- *Read the content under column I for a description and explanation of the interlinkages
- *Go to column J to view and consult the associated reference(s)

- Social pillar of the Impact Radar
- Socio-economic pillar of the Impact Radar
- Environmental pillar of the Impact Radar

Table 1: Interlinkages for when acting on "Livelihood" Impact Topics

Impacting Topic	Impacted Topic	Impacting SDG	Impacted SDG	Nature of interlinkage	Strength of interlinkage	Text of interlinkage	Reference
Employment	Modern slavery	1- No Poverty, 8 - Decent Work and Economic Growth	8 - Decent Work and Economic Growth, 16 - Peace, Justice and Strong Institutions	Positive	Moderate	Acting on employment by increasing access to formal employment opportunities can help reduce modern slavery by offering individuals secure and legitimate means of earning a living, reducing their vulnerability to exploitation, and thereby diminishing the opportunities to exploit vulnerable individuals.	ILO (2022), Forced Labour and Forced Marriage.
Employment	Child labour	1- No Poverty, 8 - Decent Work and Economic Growth	8 - Decent Work and Economic Growth, 16 - Peace, Justice and Strong Institutions	Positive	Moderate	Acting on employment by increasing access to decent employment opportunities for women can help reduce child labor by enabling families to earn sufficient income under fair and respectful working conditions, without relying on the labor of children, thereby allowing children to attend school and access opportunities for education and personal development. See also the "Wages - Child	ILO (2022), Forced Labour and Forced Marriage.
Employment	Health & safety	1- No Poverty, 8 - Decent Work and Economic Growth	3 - Good Health and Well-Being	Positive	Moderate	Access to stable employment can improve human health by providing individuals with secure income, access to healthcare benefits, and opportunities for social integration and personal fulfillment, all of which are linked to better physical and mental well-being. See "Wages" interlinkages.	UN Global Compact (2023), Nine Business Practices for Improving Safety and Health Through Supply Chains and Building a Culture of Prevention and Protection.
Employment	Water	1- No Poverty, 8 - Decent Work and Economic Growth	6 - Clean Water and Sanitation	Positive	Moderate	Acting on employment by increasing access to employment opportunities can positively affect access to water by providing individuals with the financial means to afford clean and reliable water sources.	UNEP (nd.) Livelihood
Employment	Food	1- No Poverty, 8 - Decent Work and Economic Growth	2 - Zero Hunger	Positive	Moderate	Acting on employment by increasing access to employment opportunities can positively affect access to food by empowering individuals to purchase nutritious and sufficient food for themselves and their families.	UNEP (nd.) Livelihood
Employment	Energy	1- No Poverty, 8 - Decent Work and Economic Growth	7 - Affordable and Clean Energy	Positive	Moderate	Acting on employment by increasing access to employment opportunities can positively affect access to energy by enabling individuals	UNEP (nd.) Livelihood

Welcome Navigation My Search Interlinkages Map Integrity & security of person Health & safety Resources & services Livelihood Equality & justice Strong institutions Healthy

Exhibit 4: An extract from the Interlinkages Mapping showing one of the individual worksheets per Impact Area

Search functionality

To make navigating the interlinkages more user-friendly, a search functionality has been created, allowing users to select an Impact Area or Impact Topic and automatically generate the relevant information in the tables below. This includes the information on the strength of the interlinkage, related SDGs, the nature of the interlinkage and what drives them and accompanying references to explain the interlinkages.

My Search: Interlinkages

The Interlinkages Explorer enables users to select a specific Impact Area/Topic and visualize its related interlinkages. It displays both the Impact Areas/Topics that might be positively or negatively affected when seeking to address any one Impact Area/Topic, as well as those that can have positive or negative effects on it.

Table 1 displays, illustrates and explains which topics are (positively or negatively) affected when acting on the selected Impact Area/Topic

Table 2 displays, illustrates and explains which topics (positively or negatively) affect the selected Impact Area/Topic

How to use the Explorer:

- *Choose the Impact Area/Topic you wish to explore by selecting it in CB
- *Quickly see an overview of the number of interlinkages related to the selected Impact Area/Topic, including the count of positive and negative interlinkages, as well as the number of strong and moderate connections in the Summary Tab
- *To make navigation and searching easier, filters can be applied by Impact Area/Topic, and/or by the type of interlinkage (positive/negative)

Please select your Impact Area/Topic from the list below:

Water

Summary Table 1: Topics affected when acting on Water

Total	3
Number of positive interlinkages	3
Number of negative interlinkages	0
Number of strong interlinkages	2
Number of moderate interlinkages	1

Table 1: Topics affected when acting on Water
[Click here to view Table 1](#)

Summary Table 2: Interlinkages affecting Water Impact Topics

Total	14
Number of positive interlinkages	11
Number of negative interlinkages	3
Number of strong interlinkages	7
Number of moderate interlinkages	7

[Click here to view Table 2](#)

Impacting Topic	Impacted Topic	Impacting SDG	Impacted SDG	Nature of interlinkage	Strength of interlinkage	Text of interlinkage	Reference
Water	Conflict	6 - Clean Water and Sanitation	16 - Peace, Justice and Strong Institutions	Positive	Moderate	Acting on water by improving access can help reduce conflict by addressing underlying tensions over scarce resources, promoting equitable management practices, fostering cooperation among stakeholders, and mitigating disputes, thus enhancing peacebuilding efforts in water-stressed regions.	UN-Water (n.d.), Water and Peace

Exhibit 5: An extract from the Interlinkages Mapping showing the "My Search" worksheet which enables users to more easily navigate the Interlinkages Mapping

Main interlinkages

The Interlinkages mapping identifies 311 interlinkages among the various Impact Topics in the Impact Radar, which demonstrates how interlinked sustainability topics are to one another in both a positive and negative dimension.

As Diagram 1 below shows, for all the Impact Areas & Topics, there is a much higher prevalence of positive interlinkages than negative interlinkages. This means that a positive action on one topic is more likely to have positive effects on other topics than negative effects and highlights the importance of understanding both positive and negative interlinkages in the pursuit of the SDGs. Additionally, Diagram 1 also shows how there are fewer strong interlinkages than moderate ones. The difference between a “moderate” and “strong” is important to consider as many of the interlinkages are conditional. Having a further understanding of the “strong” interlinkages, can help the process of determining the most significant Impact Areas associated with an organisation or an activity.

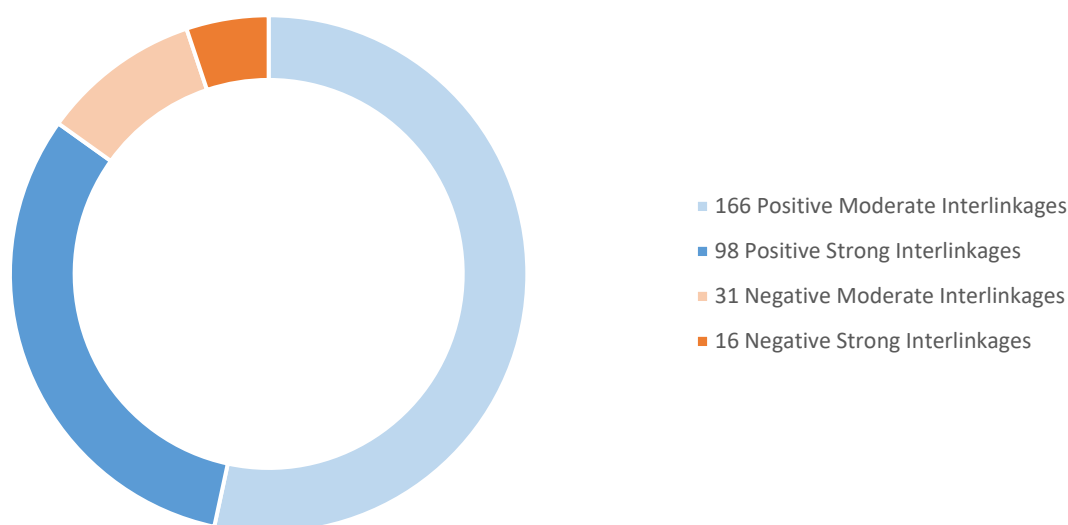


Diagram 1: Showing the distribution of positive and negative interlinkages including the strength of interlinkages

Table 2 shows the Impact Topics with largest numbers of strong interlinkages. The table demonstrates that the Environmental Impact Topics tend to have the biggest number of strong interlinkages present, this mostly reflects how strongly interlinked the different environmental topics are with each other:

Impact Topic	No. of “Strong” interlinkages	Interlinked Impact Areas/Topics (positive + strong)	Interlinked Impact Areas/Topics (negative + strong)
Waste	11	Health & safety, Water, Food, Healthcare & sanitation, Climate stability, Waterbodies, Air, Soil, Species, Habitat, Resource intensity	-
Infrastructure	9	Natural disasters, Water, Energy, Healthcare & sanitation,	Habitat, Resource intensity

		Mobility, Connectivity, Socio-economic convergence	
Climate stability	8	Natural disasters, Health & safety, Waterbodies, Air, Soil, Species, Habitat	Water
Habitat	7	Natural disasters, Health & safety, Climate stability, Waterbodies, Air, Soil, Species	-
Housing	5	-	Climate stability, Species, Habitat, Resource intensity, Waste

Table 2: Showing the number of strong interlinkages by Impact Topic

To further breakdown the information contained within the Mapping, Diagram 2 shows the topics which have the most positive and negative interlinkages attached to them (both moderate and strong interlinkages). This means that acting on these Impact Topics can potentially leverage a significant number of positive outcomes in other Impact Topics and conversely, certain Impact Topics may carry more unintended risks.

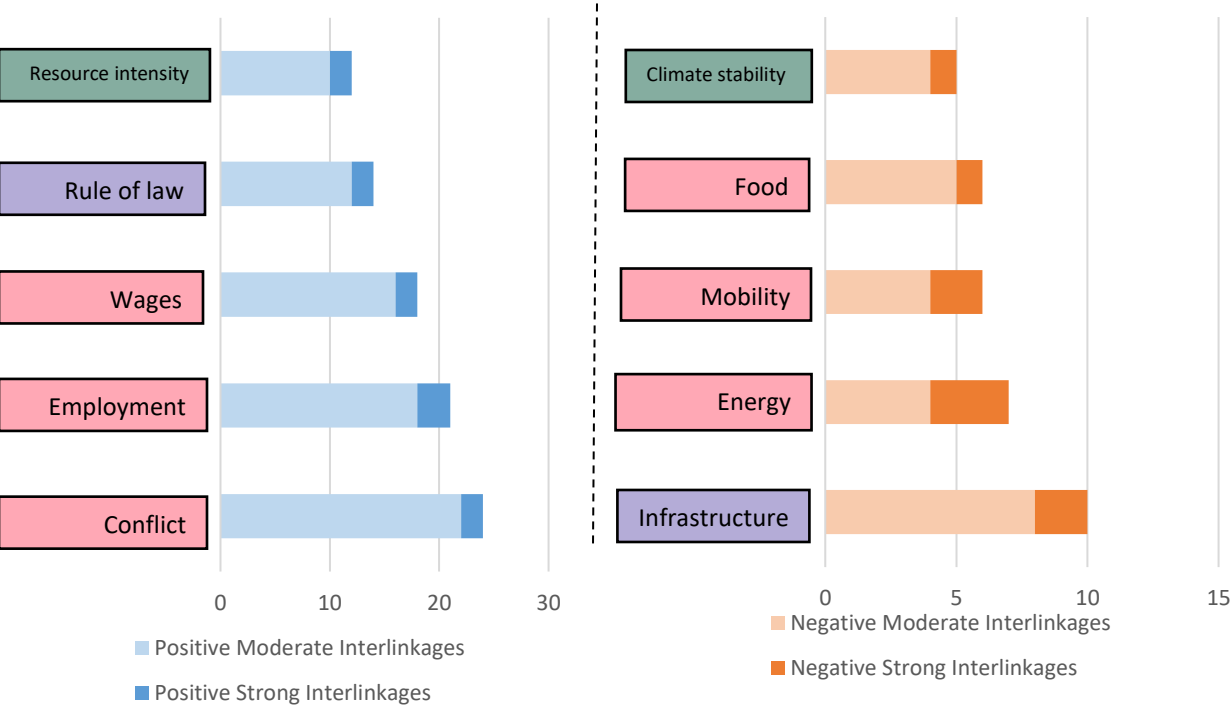


Diagram 2: Demonstrating the Impact Topics with the most positive and negative interlinkages including the strength of the interlinkages

Based on Diagram 2 above, some further trends can be observed, per sustainability pillar (Social, Socio-economic, Environmental).

For the **Social pillar**, the number of positive interlinkages attached to the Impact Topic of “Conflict” unsurprisingly reflects how damaging potential conflict can be and hence the extent to which decreasing tensions favours most if not all impact topics. Although this flags the importance for companies to conduct their activities in consideration of the “Rule of Law” topic (which covers issues such as

corruption which can be connected to conflict), the reduction of tensions is of course not solely in the hands of companies. Interestingly however, “Employment” and “Wages” (both contained within the “Livelihood” Impact Area), have among the highest number of interlinkages overall, including positive interlinkages relative to “Conflict”. Acting on “Employment” and “Wages” (as seen in Diagram 3 below) gives individuals the means to access a wide array of resources and services, therefore these topics have numerous positive interlinkages relating to Impact Topics such as “Energy”, “Healthcare & sanitation”, “Education” and others. This suggests that the Impact Area of “Livelihood” and the impact topics within are a particularly strategic pursuit.

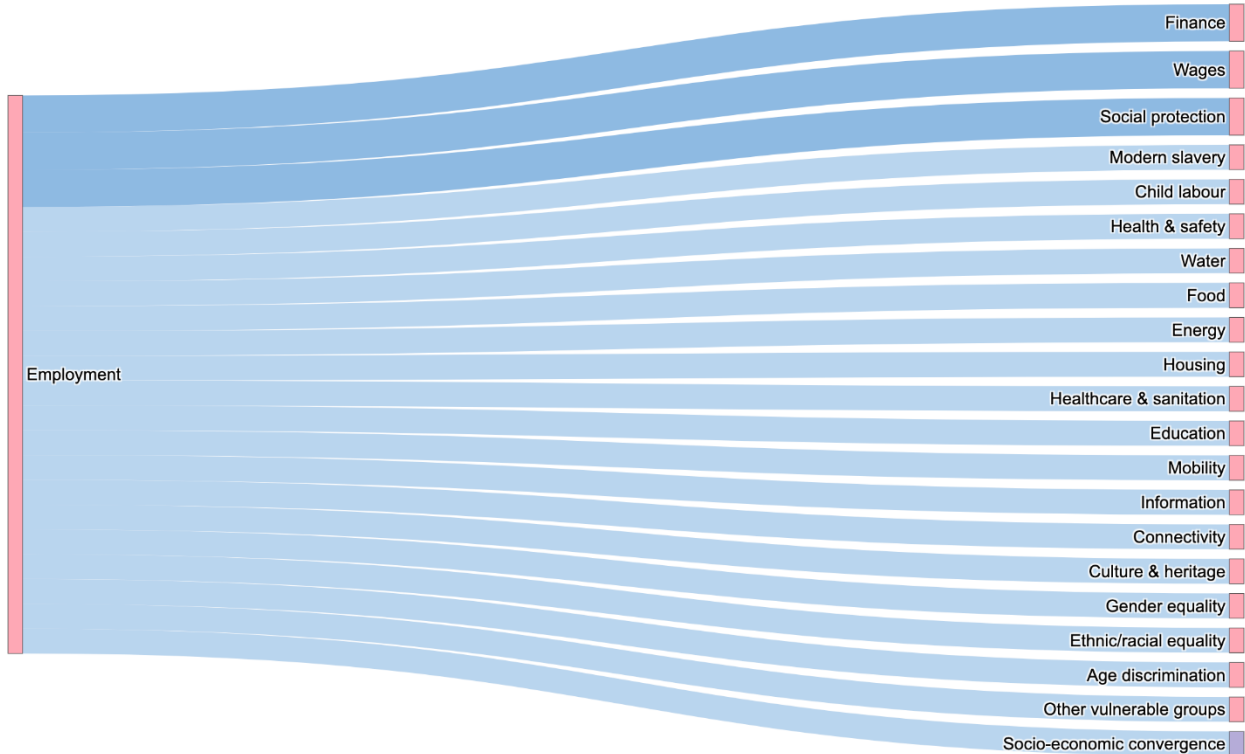


Diagram 3: Demonstrating the interlinkages present for Employment. The blue lines represent positive interlinkages when acting on the topic on the left, the darker lines show where the interlinkages is strong.

For the **Socio-economic pillar**, Diagram 4 below signals the critical importance of “Healthy Economies” as a driver for sustainable development. A thriving economy, underpinned by “Sector diversity” and “Flourishing MSMEs”, ensures economic resilience and inclusive growth. Banks can play a pivotal role in fostering healthy economies by providing the financial support needed for businesses to grow, innovate, and create jobs. This directly links to the Impact Topic of “Employment” (seen above in Diagram 3), as stable and well-paying jobs empower individuals to access essential resources and services such as “Water,” “Food,” “Energy,” and “Housing”. By actively supporting healthy economies, banks can leverage the positive interlinkages that extend into the social pillar.

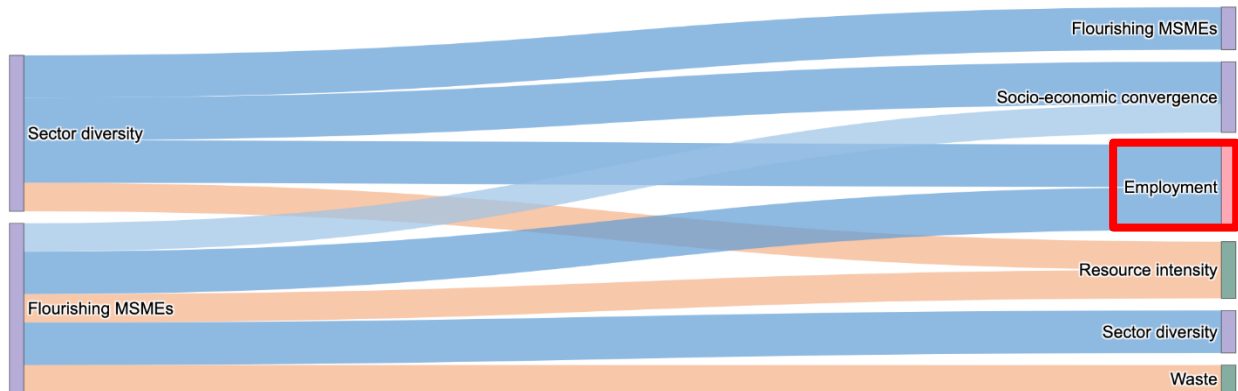


Diagram 4: Demonstrating the interlinkages present for the “Healthy economies” Impact Area which contains the Impact Topics “Sector Diversity” and “Flourishing MSMEs”. The blue lines represent positive interlinkages when acting on the topic on the left, with orange lines representing negative interlinkages (darker shades of both colours show where the interlinkage is considered strong). The red box highlights the important interlinkage to the “Employment” Impact Topic.

For the **Environmental pillar**, the “Circularity” Impact Area (which contains “Resource intensity” & “Waste”) as seen in Diagram 5 below, emerges as a strategic pursuit for banks to address topics such as climate and biodiversity (demonstrated with red boxes). Circularity promotes sustainable resource use and minimises waste generation, which in turn supports ecosystem stability and reduces greenhouse gas emissions. For instance, reducing resource intensity not only preserves finite natural resources but also mitigates land degradation and deforestation, which are critical for maintaining biodiversity and natural carbon sinks.

The strong interlinkages between “Circularity”, “Biodiversity & ecosystems” and “Climate stability” demonstrates that transitioning portfolios to circular economy practices can help banks achieve multiple environmental objectives simultaneously. By enabling resource efficiency and waste reduction, banks can directly contribute to reduced emissions and pollution levels, fostering healthier ecosystems. This also aligns with biodiversity goals by minimising habitat destruction caused by traditional extractive and linear economic models. Circularity’s broad network of positive interlinkages, particularly with biodiversity and climate, makes it a strategic priority for financial institutions aiming to create systemic, long-term sustainability impacts.

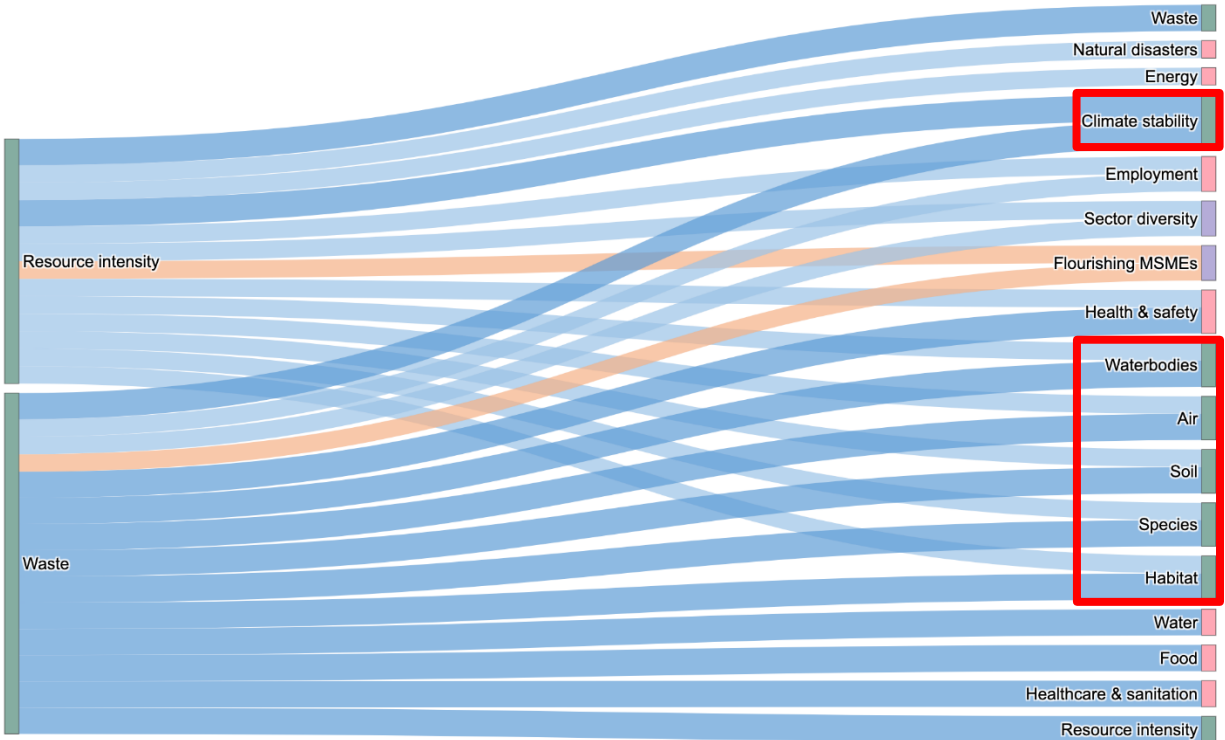


Diagram 5: Demonstrating the interlinkages present for the “Circularity” Impact Area which contains the Impact Topics of “Resource intensity” and “Waste”. The blue lines represent positive interlinkages when acting on the topic on the left, with orange lines representing negative interlinkages (darker shades of both colours show where the interlinkage is considered strong). The red boxes highlight the “Climate stability” Impact Area and the “Biodiversity & healthy ecosystems” Impact Topics.

Strategically prioritising sustainability pursuits in a way that factors in the interlinkages between topics enables banks to amplify their positive impact across multiple sustainability areas while managing potential trade-offs effectively. As seen above, by focusing on key sustainability issues such as "Employment," "Healthy Economies," and "Circularity," banks can leverage these interconnected areas to address broader environmental, social, and economic challenges. By carefully leveraging strategic interlinkages, banks can maximise their contribution to the SDGs, enhance their long-term value creation, and better align their operations with global sustainability priorities.

Relationship to the PRB Core Priorities

In the specific context of the PRB framework UNEP FI has defined four core priorities for signatory banks to consider: Climate change, Nature and biodiversity, Healthy and inclusive economies, and Human rights.¹⁹ Table 3 below explores how the core priorities compare and relate to the key topics identified above, namely: “Circularity”, “Healthy economies”, and “Employment” and “Wages”.

PRB Core Priorities	Impact Areas / Topics with strategic interlinkages	Observations
Climate change	“Circularity” (Impact Area which includes the Impact Topics “Resource intensity” & “Waste”)	By promoting “Circularity” (i.e. circular business models)—that involve practices such as waste reduction, resource efficiency, and the reuse and recycling of materials—financial institutions can contribute to reducing greenhouse gas emissions associated with resource extraction, production, and waste disposal, thus directly contributing to climate mitigation efforts and the corresponding PRB core priority “Climate change”.
Nature & biodiversity	“Resource intensity” & “Waste”	Simultaneously, circular practices help alleviate pressure on natural ecosystems by reducing both pollution and the demand for raw materials, thereby minimising habitat destruction and biodiversity loss – the objects of PRB core priority “Nature & biodiversity”.
Healthy and inclusive economies	“Healthy economies” (Impact Area which includes the Impact Topics “Sector diversity” & “Flourishing MSMEs”)	The “Healthy Economies” Impact Area includes the Impact Topics are almost a direct match to the PRB core priority of “Healthy & Inclusive Economies”. It points specifically to the topics of sector diversity and flourishing SMEs – these are important drivers for the achievement of the financial health objectives pursued under the PRB core priority. While financial health can be promoted by appropriate consumer protection and financial literacy policy, it is first and foremost dependant on the ability of the economy to offer employment opportunities for all. By fostering sector diversity and MSMEs, banks can contribute to an economy that drives employment, and improves wages, leading to poverty reduction and greater social equity.
Human rights	Employment Wages	Human rights are associated with all the SDGs and are therefore not named as a standalone Sustainable Development Goals. Similarly, Human rights are considered to be associated with all the Impact Areas and Topics and are therefore not isolated as a standalone Impact Area/Topic in the Impact Radar ²⁰ . However, a specific focus of the PRB core priority on human rights is decent work – the focus of the “Employment” and “Wages” Impact Topics. Other aspects of the PRB core priority, namely salient human rights issues such as modern slavery and child labour, are less interlinked.

Table 3: Showing the PRB Core Priorities and how they relate to strategic interlinkages with additional observations

¹⁹ Principles for Responsible Banking Implementation Journey – Defining Responsible Banking, UNEP FI (2024) <https://www.unepfi.org/industries/banking/principles-for-responsible-banking-implementation-journey/>

²⁰ Further explanations on how to map the impact radar to human rights are available in the Impact Radar’s FAQ document: https://www.unepfi.org/wordpress/wp-content/uploads/2024/03/Mar_24_Impact-Radar-Frequently-Asked-Questions.pdf

4. Managing Interlinkages

As seen in the previous sections, the interconnectedness between sustainability topics means that they cannot be addressed in isolation; a holistic approach to impact management is therefore needed to ensure the risks associated with interlinkages are averted and the opportunities that they may offer are leveraged.

This section considers how interlinkages are relevant to different stages of the impact management process, as described in the UNEP FI Impact Protocol²¹. This section also illustrates how interlinkages are embedded and considered in the UNEP FI Impact Analysis tool for Banks²², in the Identification and Assessment Modules.

As per the Impact Protocol, impact management includes 5 key steps²³. Interlinkages are relevant throughout the process; however they are of particular relevance to the following three steps:

- **Identification:** What impact topics are interlinked with the bank’s most significant Impact Areas and Topics? How does this relate with the needs on the ground?
- **Assessment:** What practices does the bank already have in place to address interlinkages (e.g. risk management, due diligence? Does the bank have impact performance data for interlinkages?)
- **Target-setting:** Are there relevant policies / regulations regarding interlinked impact topics to consider? What measures and KPIs should be included in the Action Plan?

Each of these steps is explored in further detail below.



²¹ Impact Protocol, UNEP FI (2022) <https://www.unepfi.org/impact/impact-protocol/>

²² Portfolio Impact Analysis Tool for Banks, UNEP FI (2024) <https://www.unepfi.org/impact/unep-fi-impact-analysis-tools/portfolio-tool/>

²³ The UNEP FI Impact Protocol outlines five key steps for financial institutions to implement holistic impact management: (1) Scoping, determining the institution’s scope of analysis, including geographic and sectoral components; (2) Impact Identification, understanding the institution's core activities and their social, environmental, and economic impacts; (3) Performance Measurement & Assessment, evaluating the scale and significance of these impacts; (4) Target setting, defining strategic goals to address priority impact areas; and (5) Monitoring progress, tracking progress and transparently communicating results.

Identification

A key step in applying the UNEP FI Impact Protocol is Identification, which involves determining a bank's most significant Impact Areas and Topics based on its activities, products, and services. This step consists in understanding how a bank's operations influence different aspects of sustainable development and helps to prioritise key areas of focus accordingly.

Understanding interlinkages at this stage is crucial because, as seen in the preceding sections, sustainability topics are interlinked, and understanding the interlinkages of the topics associated with the banks business activities is an important factor in establishing strategic priorities. For example, if a bank's impact analysis reveals "Circularity" as a significant Impact Area, the following topics are interlinked: "Climate stability" and "Biodiversity & ecosystems". As a result, the bank may consider making circular economy approaches an overarching sustainability priority.

The consideration of interlinkages is also important as part of the efforts to contextualise the bank's priorities within the needs associated with specific geographies. By connecting interlinkages to local or regional priorities—such as addressing water scarcity, reducing inequality, or improving public health—banks can ensure that their strategy and actions are responsive to specific, tangible needs within their countries of operation. For example, if a bank's impact analysis reveals "Water" as a significant Impact Area, the following topics are interlinked: "Resource intensity" and "Waste". If the geography in which the bank operates in is prone to water scarcity, the bank may consider making resource efficient technologies an overarching sustainability priority to address both issues.

Within the UNEP FI Holistic Impact Tools for Banks

In the Identification Modules, interlinkages are visually mapped to show how different Impact Areas & Impact Topics are connected, this helps the banks prioritise their most significant Impact Areas/Topics, by leveraging the connection between them. By consulting these interlinkages, banks can pinpoint where their actions have the greatest positive and negative interlinkages, ensuring that the selection of Impact Areas & Topics reflects both the primary effects of their activities and the ripple effects across related Impact Areas & Topics.

b. Prioritisation of significant impact areas/topics

This section enables you to prioritise significant impact areas/topics based on the different outputs and visualisations. You should prioritise based on the following considerations:

- impact areas that correspond to the main priorities in the applicable geographies
- impact areas associated with large parts of the bank's portfolio
- impact areas/topics driven by key sectors
- impact areas associated with countries and/or sectors where the bank is a market leader
- impact areas which, if addressed will enable other impact areas to be addressed (leveraging interlinkages)

You are encouraged to use the 'Comments' column of the table to explain the basis on which your selection has been made. Extra space if available in the 'Notes' column, if needed.

Once you have selected priority impact areas/topics in the table, associated impacts (i.e. other impact areas likely to be positively or negatively affected) will automatically display. Also, the table on the far right provides an automatically generated read-across to the SDGs.

Prioritised impact areas/topics	Associated impacts (positive)	Associated impacts (negative)	Comments
Climate stability	Natural disasters, Health & safety, Waterbodies, Air, Species, Habitat, Resource intensity	Energy, Other vulnerable groups, Socio-economic convergence	
Biodiversity & healthy ecosystems	Health & safety, Water, Infrastructure, Socio-economic convergence, Climate		
Circularity	Natural disasters, Health & safety, Water, Food, Energy, Healthcare & sanitation, Sector	Flourishing MSMEs	

Prioritised SDGs	
SDG 1	SDG 2
SDG 3	SDG 4
SDG 5	SDG 6

The extract below demonstrates the interlinkages attached to the relevant Impact Areas & Topics as per the portfolio. This information is also displayed in the crucial step of prioritising the most significant Impact Areas & Topics for the bank, seen below:

Positive associations				
Impact areas	Impact topics	Proportion of portfolio	Associated impacts (positive)	Associated impacts (negative)
Climate stability	Climate stability	87.50%	Natural disasters, Health & safety, Waterbodies, Air, Species, Habitat, Resource intensity	Energy, Other vulnerable groups, Socio-economic convergence
Circularity	Resource intensity, Waste	87.50%	Natural disasters, Health & safety, Water, Food, Energy, Healthcare & sanitation, Sector diversity, Climate stability, Waterbodies, Air, Soil, Species, Habitat, Resource	Flourishing MSMEs

Both extracts are from the Institutional Banking (Identification) Module, boxes in red demonstrate the interlinkage information

Assessment

The assessment step of the UNEP FI Impact Protocol involves evaluating the bank’s current practices to determine how effectively it addresses the Impact Areas and Topics associated with its business activities. This includes examining existing internal policies and processes, such as risk management and due diligence processes, to identify whether they incorporate considerations of the key topics.

Interlinkages are important to this step as interlinked topics should also be factored into internal policies and processes. For example, for a bank focusing on the climate of climate change mitigation; does the bank’s risk management and due diligence processes take into account how actions targeting climate stability might affect (or be affected by) the interlinked topics of biodiversity, resource use, or livelihoods?

As part of this step, it is important to review practice and performance data related to both the bank’s most significant impact topics and to interlinked impact topics. Does the bank collect and track data that captures the systematic effects of its activities? For instance, does it measure how efforts to reduce emissions influence social equity or economic inclusion? If such data is not yet available, this step may highlight gaps in the bank’s monitoring systems and the need to establish metrics or methodologies to better understand and address interlinkages.

Within the UNEP FI Holistic Impact Tools for Banks

The interlinkages information can be additionally found in the Assessment Modules, as they are important to consider when assessing performance, selecting indicators and setting targets. In this step, banks must define which international, regional or national policy frameworks to align with and which are the most important vis a vis the context of their operation.

As seen below, the contextual information is paired with the interlinkages information to provide a deeper understanding of the main interlinked areas and topics banks should focus on, when assessing their performance vis a vis their most significant Impact Areas/Topics. For example, interlinked areas that correspond to high needs in the country should be prioritised.

Positive interlinked areas/topics	Natural disasters	Health & safety	Water	Food	Energy	Healthcare & sanitation	Sector diversity	Climate stability
High need and/or priority			X	X		X		X
Negative interlinked areas/topics	Flourishing MSMEs							
High need and/or priority								

An extract from the Institutional Banking (Assessment) Module, showing a summary of present interlinkages in the portfolio, and the contextual needs information

Target-setting

Target-setting within the UNEP FI Impact Protocol is a crucial step in ensuring that the bank's impact strategy is action oriented and effective for the purpose of aligning with broader sustainability frameworks. This process involves identifying and integrating relevant policies and regulations that pertain to interlinked impact topics. Policies such as national climate action plans (e.g. NDCs under the Paris Agreement), biodiversity strategies, or labour rights regulations could directly influence how targets are set and prioritised. A thorough understanding of these policies ensures that the bank's targets are compliant and aligned with evolving sustainability expectations.

As part of this, it is important to determine the metrics and KPIs (Key Performance Indicators) that will be included in the Action Plan to address any significantly interlinked topics. For example, a KPI for reducing greenhouse gas emissions (to tackle the topic of climate change) might be complemented by metrics on improved air quality, enhanced community health outcomes, or reduced resource use in production processes. For more information on metrics and target-setting, UNEP FI has developed a suite of target-setting guidances for different themes such as nature, financial health and inclusion, gender equality amongst others.²⁴

Within the UNEP FI Holistic Impact Tools for Banks

Interlinkages are again demonstrated within the Assessment module of the Holistic Impact Analysis Tool within the crucial step of target-setting, with specific questions being asked for each of the four types of actions that banks can take (as per the Impact Protocol). Below is an example of the interlinkages and questions related to portfolio composition. The table enables banks to capture any strategies and processes in place to address the consequences of the portfolio adjustments undertaken to address the Impact Area/Topic under analysis. These strategies might include growing the proportion of the portfolio in additional or alternative sectors that might help compensate for any positive impacts 'lost' and addressing any negative impacts created.

INTERLINKAGES		Impact area/topics	
		Positive interlinkages	Natural disasters, Health & safety, Water, Food, Energy, Healthcare & sanitation, Sector diversity, Climate stability, Waterbodies, Air, Soil, Species, Habitat, Resource intensity, Waste
Negative interlinkages	Flourishing MSPEs		(please select)

An extract from the Institutional Banking (Assessment) Module, showing how interlinkages should be thought about per action category of the UNEP FI Impact Protocol

²⁴ Target Setting, UNEP FI (n.d.) <https://www.unepfi.org/target-setting/>

Action Plans

Once targets have been set, defining an action plan is necessary in order to operationalize them. As per the Impact Protocol, actions are grouped into four key categories, each designed to guide banks in systematically addressing their Impact Areas/Topics and interlinkages: portfolio composition & financial flows, client engagement, internal policies and processes, advocacy and partnerships. Below each category is considered in further detail.

Portfolio Composition & Financial Flows

This action category speaks to the changes made to the proportion of the bank's portfolio, and hence of financial flows, to sectors, activities or projects positively or negatively related to the bank's prioritised Impact Areas/Topics and/or away from harmful sectors.

It is important to understand the potential negative consequences that might arise from dropping or taking on clients or sectors to drive performance on one topic, as these changes can impact others. For example, when setting a portfolio composition target aimed at reducing GHG emissions (such as decreasing fossil fuel production), consider the exit strategies for managing negative interlinkages. This might involve addressing the impact on workers or the broader community when clients' behaviours change, or when divesting from a company, ensuring the divested entity's operations and impacts are accounted for.

Internal Policies & Processes

This action category speaks to the setup, amendment or implementation of internal policies and processes. This serves to integrate the management of the previously identified significant impact topics deep into the bank's systems, involving a variety of types of policies and processes. The following should be considered in relation to interlinked topics:

- Integration into policies: Ensure that internal policies, such as sustainability policies, sector policies, and topic-specific policies, account for interlinkages between Impact Areas and Topics. While the focus should be on priority areas, it is important to acknowledge both the positive and negative interlinkages. For example, if climate change mitigation is a priority, policies should consider positive interlinkages with resource efficiency and nature, and negative impacts on jobs or cost of living.
- Integration into key processes: Key processes such as Know Your Customer (KYC), environmental and social (E&S) risk management, and due diligence should integrate the analysis of interlinked topics, enabling more comprehensive decision-making that accounts for potential cross-cutting impacts.

Client engagement

This action category speaks to engaging relevant clients and customers on one or more of the banks' significant Impact Areas/Topics. This can be through supporting clients towards transitioning their business models in line with sustainability goals, strategically accompanying them through a variety of customer relationship channels, ranging from awareness raising campaigns, to engaging specific clients

on their impact profile and transition pathways/plans, and to structuring tailored financing solutions for clients' transition. The following should be considered in relation to interlinked topics:

- Awareness of Positive and Negative Consequences: Clients should be made aware of the potential positive and negative consequences when adopting new activities or adjusting current practices. This includes ensuring that interlinkages are incorporated into any advisory services or transition products offered. For example, clients should understand how their shift towards more sustainable practices in one area may affect other areas, whether positively or negatively.
- Leveraging Business Opportunities: Clients should also be engaged on the business opportunities that might arise from dropping or taking up new activities or adjusting current practices. For key clients in key sectors, interlinkages analysis should be part of the business model advisory services to help them identify strategic opportunities tied to sustainability transitions.

Advocacy & Partnerships

This action category speaks to the bank's public position on key sustainability issues, through advocating in favour of certain sustainability issues or active participation in sustainability-focused initiatives. As regards interlinked topics, banks can advocate for new sectors, business activities, and technologies that leverage interlinkages, and build partnerships that promote the same.

Within the UNEP FI Holistic Impact Tools for Banks

Contained within the Holistic Impact Tools for Banks, and within the "Action plan" section of the Assessment modules, interlinkages are considered to help banks understand their current efforts across the four categories of actions outlined above. The tool enables banks to analyse how their activities influence interconnected sustainability issues and identify areas where current practices are addressing interlinkages effectively, as well as where gaps may exist. This understanding forms the basis for future planning, helping banks design comprehensive action plans that maximise positive interlinkages while mitigating unintended negative consequences.

Interlinkages		Practice		
		Portfolio composition & financial flows	Client engagement	Internal policies & processes
Positive interlinkages	Natural disasters, Health & safety, Water, Food, Energy, Health care & sanitation, Sector diversity, Climate stability, Waterbodies, Air, Soil, Species, Habitat, Resource intensity, Waste	N/A	N/A	We plan to have policies in place by 2026 that address circular economy principles.
Negative interlinkages	Flourishing MSMEs	N/A	N/A	N/A

Interlinkages		Impact
Positive interlinkages	Natural disasters, Health & safety, Water, Food, Energy, Health care & sanitation, Sector diversity, Climate stability, Waterbodies, Air, Soil, Species, Habitat, Resource intensity, Waste	N/A
Negative interlinkages	Flourishing MSMEs	We are setting a target for SME expansion in the portfolio.

An extract from the Institutional Banking (Assessment) Module, showing how interlinkages are currently being considered within the bank, and to state if there are future actions relating to interlinkages.

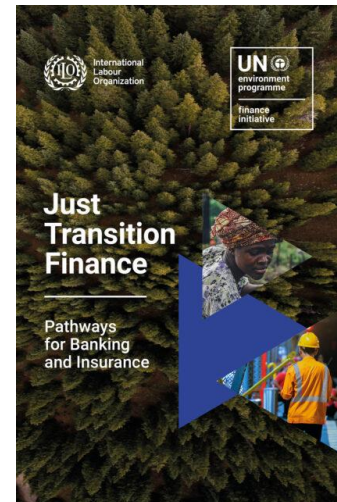
5. Going Further

UNEP FI has begun developing resources to support the understanding of interlinkages and guide their effective management—both in terms of addressing negative interlinkages and leveraging positive ones. These pieces of guidance are designed to operationalise the concept of interlinkages, helping institutions integrate them into decision-making processes, set aligned targets, and respond effectively to interconnected sustainability challenges.

Just transition Finance: Pathways for Banking and Insurance²⁵

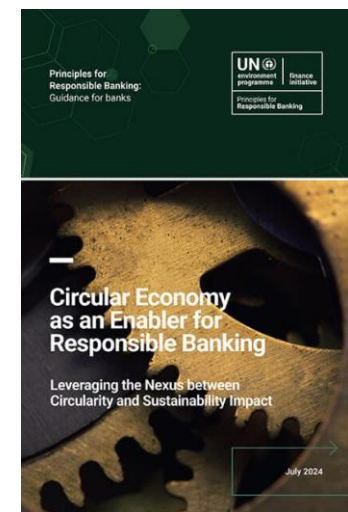
This report outlines the social and economic impacts of the low-carbon transition and supports banks and insurance companies in taking part in the achievement of a just transition. It provides financial institutions with practical recommendations and examples of emerging practices on how to embed just transition considerations in financial products and business operations

A just transition to sustainable and resilient economies will be critical to protect vulnerable populations and maximise the social and economic interlinkages to climate and environmental action.



Circular Economy as an Enabler for Responsible Banking²⁶

The “Circular Economy as an Enabler for Responsible Banking” series of resources helps banks around the world operationalise the interlinkages between the circular economy and climate, nature, pollution and healthy and inclusive economies. This report shows how circular economy is an enabler in meeting the broader sustainability agenda. It provides insights on how banks can understand and manage the interlinkages between circular economy and environmental and social impact areas in their Principles for Responsible Banking journey, and the initial actions banks can take to support the transition to a circular economy.



²⁵ Just Transition Finance: Pathways for Banking and Insurance, UNEP FI (2023)

<https://www.unepfi.org/publications/just-transition-finance-pathways-for-banking-and-insurance/>

²⁶ Circular Economy as an Enabler for Responsible Banking: Leveraging the Nexus between Circularity and Sustainability Impact, UNEP FI (2024) <https://www.unepfi.org/industries/banking/circular-economy-enabling-responsible-banking/>