From ESG risk management to impact creation: PRB one year on

Yuki Yasui
Asia Pacific Region Coordination Manager
UN Environmental Programme Finance Initiative

yuki.yasui@un.org
UNEP Finance Initiative 355 members (at 30 Sep 2020)

<table>
<thead>
<tr>
<th>Region</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking</td>
<td>229</td>
</tr>
<tr>
<td>Insurance</td>
<td>87</td>
</tr>
<tr>
<td>Investment</td>
<td>39</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>355</strong></td>
</tr>
</tbody>
</table>
Regulatory and investor demand on ‘alignment’ and ‘impacts’
Regulatory demand on alignment and impacts


The Bank of Thailand (BOT) has recognised the role of the financial sector in driving Thailand’s sustainable growth.


Bangko Sentral recognizes the critical role of the financial industry in pursuing sustainable and resilient growth by enabling environmentally and socially responsible business decisions consistent with the aspirations set out for the Filipinos under the Philippine Development Plan.


Intermediation function that aims to deliver the intended outcomes of Shariah through practices, conduct and offerings that generate positive and sustainable impact to the economy, community and environment, consistent with the shareholders' sustainable returns and long-term interests.
Investor demand on alignment and impacts

CORPORATE GOVERNANCE

Business Roundtable Redefines the Purpose of a Corporation to Promote ‘An Economy That Serves All Americans’

AUG 19, 2019

Updated Statement Moves Away from Shareholder Primacy, Includes Commitment to All Stakeholders


Danone to pioneer French “Entreprise à Mission” model
to progress stakeholder value creation

2020 Annual General Meeting (AGM) to be held on June 26th, 2020

- Danone to become first listed company to adopt French legal framework of “entreprise à mission” and so further lead the way to create and share sustainable value for all stakeholders
- Confirmed dividend payment for 2019, in line with original recommendation
- Chairman and CEO’s fixed remuneration and Directors’ compensation to be reduced for rest of 2020, to fund the Dan’Cares program

Supported by 99% of Danone’s shareholder
Launch of the Principles for Responsible Banking
22 September 2019, UN at NY
199 signatories collectively worth $53 trillion (as at Nov 2020)
40% of the banking industry and serving more than 1.6 billion people worldwide
Comprehensive global framework for sustainable banking

6 PRINCIPLES
SHAPING OUR FUTURE

Alignment
Impact & target setting
Clients & customers
Stakeholders
Governance & culture
Transparency & accountability
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.”

Ana Botín, Executive Chairman, Santander
“Every business has a responsibility to tackle today’s global challenges.”

Shayne Elliott, CEO, Australia and New Zealand Banking Group Limited
“Through our customer relationships and the products and services we offer, we want to make our contribution to solving society’s social and environmental challenges.”

Mike Corbat, CEO, Citi
“We remain laser focused on incorporating sustainability principles into everything we do to help ensure business success, improve our operations and contribute to a strong global economy. Our clients, colleagues and stakeholders expect no less.”
What are negative and positive impacts in bank's loan portfolio and finance products?

How do you set targets aligned to societal goals?
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.”
PRB Peer Learning Working Group: Engaging with Customers and Various Stakeholders subgroup

Successful cases
Articulating initiatives with impacts

Milk & Dairy Derivatives
Efficient machinery and equipment for processing milk to develop derivatives – cheese

- Water - savings: 15,829 m3 per year
- Waste – savings: 5.8 tons per year
- Diesel – savings: 26,876 gallons per year
- Energy savings: 595,200 KWh per year
- Water savings: 3,168 m3 per year
- LPG savings: 34,560 kg per year
- Diesel savings: 6,174 gallons per year

Processed food industry
Replacement of machinery and chemicals in the freezing process of fruits.

- CO2 savings: -261.43 tons
- CO2 savings: -583.7 tons

Produbanco
Grupo Promerica
**First PRB reports**

### Target setting

- **Net zero CO2 target by 2050 aligned to Paris Agreement**
- **£150bn social & environmental financing (2018-2030)**
- **Barclays Impact Eligibility Framework – set E&S inclusion criteria, screen and track**

<table>
<thead>
<tr>
<th>Reporting and Self-Assessment Requirements</th>
<th>High-level summary of bank’s response (limited assurance required for responses to highlighted items)</th>
<th>Reference(s)/Link(s) to bank’s full response/relevant information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2.2 Target Setting</strong></td>
<td>To align with the Paris Agreement, Barclays has set an ambitious target of being net zero by 2050, including our Scope 1 and Scope 2 operational emissions, as well as all Scope 3 emissions including financed emissions. Full details are set out on pages 10-13 of this report. In 2018, Barclays published its £150bn social and environmental financing commitment by 2025. This year, we have also set a further target of providing £100bn green financing by 2030. Our financing volume is tracked and screened using Barclays’ Impact Eligibility framework, which provides clear environmental and social inclusion criteria to track and categorise financing volumes and a 2019 progress update is provided in this report (pages 22-28). The performance reported is also subject to independent third party assurance (page 111).</td>
<td>Barclays PLC 2019 ESG Report Social and environmental financing Pages 22-28</td>
</tr>
</tbody>
</table>

Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Impact Analysis.
We continue to make progress in assessing our significant positive and negative impacts and we are focused on ensuring this assessment covers all our core business activities as a financial institution. We will continue to work with UNEPFI, our peers and other organisations to enhance the tools and methodologies available to better understand our impacts on society and our environment.
PRB Target Setting WG: Financial Inclusion Subgroup

Step 1: Framework
- Concepts
- Financial Inclusion
- Financial Health

Step 2: Country Needs
- Defined KPI's
- World Bank Database
- Setting Priorities

Step 3: Setting Baselines
- Understanding your gaps
- Defining ways to set baselines

Step 4: Targets and KPI's
- Setting a Dashboard
- Define examples of Goals, targets and KPIs

Step 5: Scale up
- Example of practices and models
- Root Causes >> Potential Solutions
Framework For Financial Inclusion (individuals and MSMEs)

FINANCIAL ACCESS
- Bank Account Access
- Digital Access
- Multi channel Access
- Effective Access

FINANCIAL HEALTH
- Current financial well being
- Long term financial security
- Day to day behavior
- Planning ahead behavior

Enablers and inhibitors

Vulnerability considerations: equality gaps - regional, gender, disability, age, minority, vulnerable groups and wider inclusion activity.

Transversal initiatives: Financial education and financial consumer protection

Internal Processes: Incentives, nudges at bankline, credit/risk Policies, colleague training & culture

Country needs and Public policies can guide banks strategies
- Data, Insight and Measurement Requirements
- Partnership and Collaboration Opportunities
<table>
<thead>
<tr>
<th>Pillar I. Strategic alignment</th>
<th>Alignment with global E&amp;S standards</th>
<th>YES</th>
<th>Global framework aligned to other global standards</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Alignment to NDCs and with national/regional targets</td>
<td>YES</td>
<td>Signatories commit to alignment. Undertake impact analysis and target setting to implement the commitment.</td>
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<td></td>
<td>Multi-stakeholder collaboration</td>
<td>YES</td>
<td>Collaboration among PRB signatories ongoing</td>
</tr>
<tr>
<td>Pillar II. Climate and green finance</td>
<td>Green products &amp; services definitions</td>
<td>NO</td>
<td>Does not define it. Relies on others, such as the EU Green Taxonomy and China Green Bond Catalogue.</td>
</tr>
<tr>
<td></td>
<td>Climate &amp; green investment reporting requirement</td>
<td>YES</td>
<td>Signatories set targets on their most significant positive/negative impacts and annually report on their implementation. UNEP FI developing methodologies &amp; frameworks on target setting for financial inclusion and ecosystems</td>
</tr>
<tr>
<td></td>
<td>Measurement requirements on impacts and risks</td>
<td>YES</td>
<td></td>
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<td></td>
<td>Incentives to promote green finance</td>
<td>NO</td>
<td>Relies on others.</td>
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<tr>
<td>Pillar III. ESG integration</td>
<td>Governance of ES risk &amp; performance</td>
<td>YES</td>
<td>Disclosue requirements on governance, polices and procedures as well as on fostering culture of responsible banking in the bank</td>
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<tr>
<td></td>
<td>E&amp;S risk management policy</td>
<td>YES</td>
<td></td>
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<td>Regulatory enforcement</td>
<td>NO</td>
<td>Voluntary principles developed by the banks</td>
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