



UNEP  
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# PRINCIPLES FOR RESPONSIBLE BANKING

SHAPING OUR FUTURE

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## Presentation to Armenian Banks

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# Principles for Responsible Banking



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.

# Principles for Responsible Banking

## The Principles and Framework Documents

- Principles for Responsible Banking Signature Document (click [here](#))
- Key Steps for implementing the Principles (click [here](#))
- Reporting and Self-Assessment Template (click [here](#))

PRB webpage (click [here](#))

List of Signatories to the Principles for Responsible Banking and reporting (click [here](#))

# Principles for Responsible Banking

## What are the benefits for Signatory Banks?

- **Providing one comprehensive framework** for effectively responding to the emerging sustainable development economy across your bank's entire business—at the strategic, portfolio *and* transactional levels.
- **Enabling your bank to seize new business opportunities** created by the emerging sustainable development economy, while enabling your bank to effectively identify and address related risks—and mitigate any negative impacts of your bank's activities.
- **Strengthening trust in your bank** and ensuring that it remains relevant and competitive in this new era, and increases its value to those that it serves by demonstrating its alignment with the transition to a sustainable economy. This includes responding to the evolving needs and rising expectations of clients, customers, regulators and investors.
- **Gaining direct access to expert knowledge, tools, resources** to strengthen your bank's positioning, capacities and readiness for the emerging sustainable development economy.

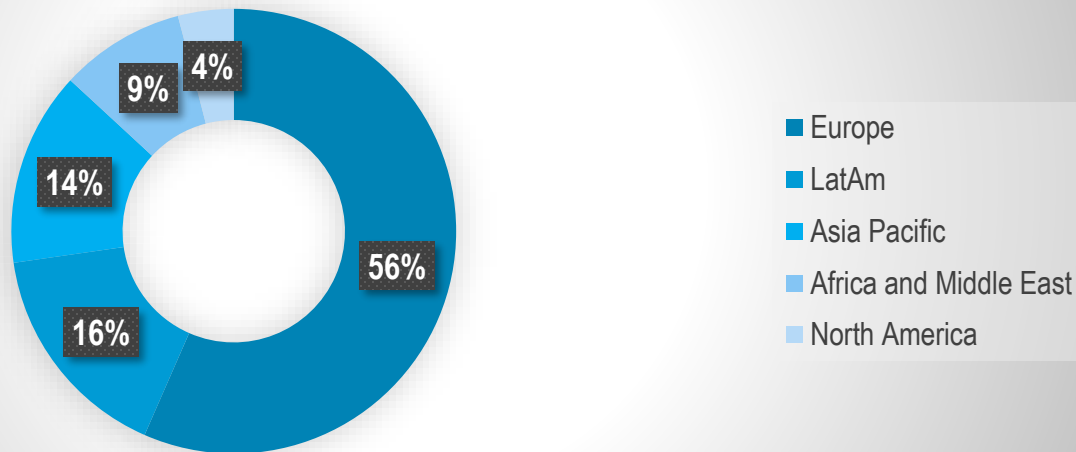
# Principles for Responsible Banking

**223 Signatories | 68 Countries**

**USD 57 trillion in assets**

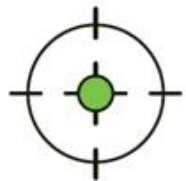
**Approx. 40% of the global banking industry**

## Signatories



# Principles for Responsible Banking

The Principles for Responsible Banking require a bank to take **three key steps** designed to ensure the effective implementation of the Principles, and to enable your bank to continuously improve its impact and contribution to society:



Step 1:  
Impact Analysis



Step 2:  
Target Setting & Implementation



Step 3:  
Accountability

# Step 1: Impact analysis

Analyse where your bank has significant positive and negative impacts on society, the environment and the economy. Then identify where your bank can realize the greatest positive impacts and reduce significant negative impacts.

## Your impact analysis should:

Cover your core business areas

- Take into account the following elements:
  - **Scale of your bank's activities** with regards to specific industries, technologies and geographies
  - **Context**, i.e. the most relevant challenges and priorities related to sustainable development in the countries/regions in which your bank operates
  - **The scale and intensity/salience** of the social, economic and environmental impacts identified
- Based on this analysis, identify strategic business opportunities to increase positive and decrease negative impacts

# Step 2: Target setting

Set SMART targets that address the significant impacts your bank has identified, and work towards achieving them.

## **Set and publish ambitious targets:**

Minimum of two targets that address at least two of your bank's most significant (potential) positive and negative impacts.

- Targets drive alignment with appropriate Sustainable Development Goals, the goals of the Paris Agreement, relevant national frameworks
- Specific, measurable (quantitative or qualitative), achievable, relevant and time-bound (SMART)

## **Implement the targets:**

- Set milestones, define and implement actions to meet the targets
- Measure and monitor progress and put in place governance and oversight structure



# Step 3: Accountability

In your bank's existing reporting, describe how your bank is implementing the Principles for Responsible Banking. Provide an assured assessment of the progress that your bank is making.

## **Transparency and Reporting:**

Report on how you are implementing the Principles for Responsible Banking, the targets you have set for your bank and the progress you have made

- Be transparent about your significant impacts—positive and negative—and your contribution to society
- No need to produce an additional report for the Principles for Responsible Banking. Include the required information in your existing public reporting

## **Self-Assessment and Assurance:**

Provide self-assessment of your progress in the [Reporting and Self-Assessment Template](#)

- Assurer needs to provide limited assurance of your self-assessment

# PRB Implementation Support

## Working Group Structure to Support PRB Implementation

Working groups have been developed to support Signatory Banks with their implementation of the PRB. The communities of practice are designed to provide peer support and facilitate collaborative development of tools, methodologies and guidance.

1. Impact Analysis Working Groups: 1) Portfolio Impact Analysis Tool 2) Peer Exchange
2. Target Setting Working Groups: 1) Biodiversity 2) Financial inclusion 3) Resource efficiency 4) Climate (under the Collective Commitment to Climate Action)
3. Reporting & Assurance Working Groups

# PRB Implementation Support

## Analyze impact on people and planet

### Impact Analysis Guidance and Tools

- The [Guidance on Impact Analysis](#) provides detailed explanations of how to undertake impact analysis
- Signatories and the Secretariat have developed the [Portfolio Impact Analysis Tool for Banks](#), designed to guide banks through an analysis of their portfolios.
- Two additional impact analysis tools under development: Investment Portfolio (May 2021) & Real Estate (June 2021).

## Setting Targets in the areas of most significant impact

**Gender Equality:** The [Guidance on Gender Equality Target Setting](#) delivers practical insight into how to set a gender equality target, and guidance on measures banks can put in place to ensure gender-sensitive practices and processes are embedded in their organizations.

### Guidance Under Development

- Standards for Climate Action Targets (April 2021)
- Biodiversity Target Setting (May 2021)
- Financial Inclusion Target Setting (May 2021)
- Resource Efficiency Target Setting (Work to start in April 2021)

# PRB Implementation Support

## Publicly report on progress

### Guidance on Reporting

- The [Reporting Guidance](#) supports signatories of the PRB with reporting on their implementation of the Principles.

### Guidance on Assurance

- PRB Assurance Working Group is developing the Guidance for Assurance Providers for undertaking limited assurance on PRB reporting.

# Climate Action

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**38 leading banks are signatories to the Collective Commitment to Climate Action, and have committed to**

- Align with the Paris Agreement and limit global warming to well-below 2, striving for 1.5 degrees
- Focusing on the most carbon-intensive and climate-vulnerable sectors within their portfolios
- Within three years of signing, set and publish sector-specific targets
- Drive and facilitate the necessary transition in the real economy through their client relationships, products and services

They are developing Guidelines for setting climate action targets, to be published in April

**Future Collective Commitments are likely to be in the areas of**

- Financial inclusion
- Biodiversity

# TCFD Banking phase III: advancing climate risk assessments and disclosures

**In Phase III, 45 global banks and investors from 6 continents will work to fully explore climate risks**

Program objectives:

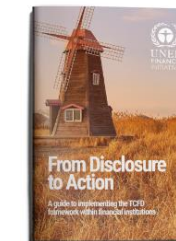
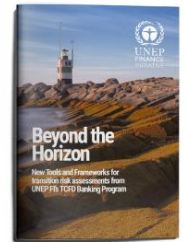
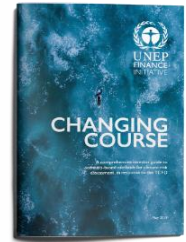
- Provide financial institutions with industry leading approaches for assessing climate risks and opportunities
- Through this program, firms will be able to disclose the quantitative and qualitative results of their climate practices in a comprehensive TCFD report
- Help financial institutions consolidate best practices in climate risk management and help standardize climate disclosures across the industry

**Previous phases:**

- Phase 1 banking pilot: 16 global banks took part to develop transition and physical assessment models and metrics
- Phase 2 banking pilot: 39 global banks took part to enhance their climate risk toolkits and improve their climate risk disclosures

Click [here](#) for more on the TCFD work with banks

Outputs from the previous phases



# PRB Processes in 2021

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## **Collective Progress Review and Report**

Every 2 years Signatories to the Principles report on their collective progress.

Therefore

- Measuring the progress PRB signatories are making together
- Showcasing highlights, global best practice, as well as challenges
- Detailing how Signatories are delivering on their commitments

## **Individual Progress Review**

- Signatories will have access to individual feedback and support provided by the UNEP FI Secretariat annually to support Signatories through individualized, substantive and actionable feedback and advice

# Civil Society Advisory Body

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A **unique** forum for constructive, collective and meaningful engagement between the banking industry and wider civil society.

- As a key element of the PRB governance, the Body will help ensure the Principles:
  - 1) Maintain ongoing relevance with evolving sustainability needs and societal demands.
  - 2) Maintain a high level of ambition.
  - 3) Are effectively and transparently implemented by their Signatories
- 12 members, represent areas of expertise, geographies and key banking stakeholders



# Body Members



# Principles for Responsible Banking

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## Questions