UNEP FINANCE INITIATIVE

IMPACT

THE IMPACT RADAR

A tool for holistic impact analysis

Principles for Positive Impact Finance
Implementation Guidance

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TABLE OF CONTENTS

THE PRINCIPLES FOR POSITIVE IMPACT FINANCE

01
DEFINITION

PRINCIPLE ONE: Definition

Positive Impact Finance is that which serves to finance Positive Impact Business. It is that which serves to deliver a positive contribution to one or more of the three pillars of sustainable development (economic, environmental and social), once any potential negative impacts to any of the pillars have been duly identified and mitigated. By virtue of this holistic appraisal of sustainability issues, Positive Impact Finance constitutes a direct response to the challenge of financing the Sustainable Development Goals (SDGs).

02
FRAMEWORKS

PRINCIPLE TWO: Frameworks

To promote the delivery of Positive Impact Finance, entities (financial or non financial) need adequate processes, methodologies, and tools, to identify and monitor the positive impact of the activities, projects, programmes, and/or entities to be financed or invested in.

03
TRANSPARENCY

PRINCIPLE THREE: Transparency

Entities (financial or non financial) providing Positive Impact Finance should provide transparency and disclosure on:

The activities, projects, programs, and/or entities financed considered Positive Impact, the intended positive impacts thereof (as per Principle 1);

The processes they have in place to determine eligibility, and to monitor and to verify impacts (as per Principle 2);
The impacts achieved by the activities, projects, programs, and/or entities financed (as per Principle 4).

04
ASSESSMENT

PRINCIPLE FOUR: Assessment

The assessment of Positive Impact Finance delivered by entities (financial or non financial), should be based on the actual impacts achieved.

1. INTRODUCTION

Holistic impact analysis is the cornerstone of the approach to financing sustainable development enshrined in the Principles for Positive Impact Finance (PI Principles). Positive Impact (PI) finance is one that delivers a positive contribution to one or more of the three pillars of sustainable development, once any potential negative impacts to any of the pillars have been duly identified and addressed (Principle 1).

To implement this approach, financial institutions are faced with two challenges:

1. Operating the transition from sustainable goals (macro) to finance targets (micro)

The SDGs offer a universal, common vision of development. Financial institutions committed to financing the SDGs will have to work from a global, policy-framed agenda to micro-objectives applicable in business. While directly referring to certain SDGs provides focus to businesses, this approach may also lead to gaps in impact identification vis-à-vis the other SDGs, and differences in understanding of impact vis-à-vis peers in the market.

2. Conducting a holistic impact analysis, as proposed by the PI Principles

As recognized in their preamble, the SDGs are integrated and indivisible, balancing the three dimensions of sustainable development: social ('people'), environmental ('planet') and economic ('prosperity'). While businesses increasingly recognize the interrelatedness of SDGs, they may find it difficult to analyze impacts across the 169 targets of 17 SDGs. An intermediation step between the SDGs and finance targets is needed for a holistic analysis.

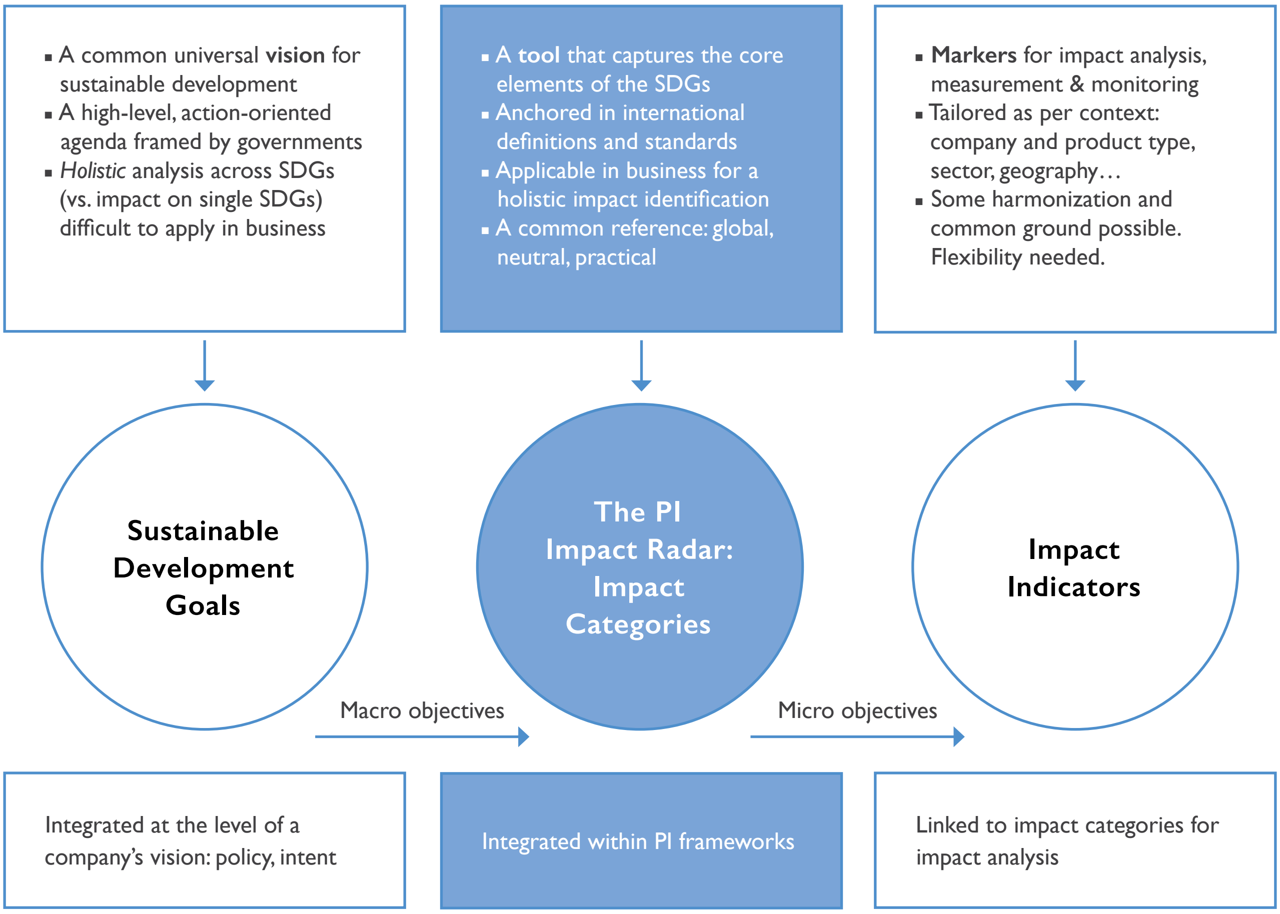
The current paper proposes the Impact Radar, a tool that enables financial institutions to carry out impact identification as they seek to holistically understand their impacts on sustainable development.

The Impact Radar aims to offer a credible and comprehensive set of impact categories that can be integrated with the tools developed to deliver PI finance and contribute to a common frame for the assessment of PI products in the industry. The impact categories:

- Capture the sustainable development needs that underpin the SDGs (macro) while offering a basis against which indicators can be used to frame and measure financial contributions to sustainable development (micro); and
- Enable financial institutions to identify negative and positive impacts across the three pillars of sustainable development, allowing them to conduct a holistic impact analysis.

Figure 1 illustrates the intermediation role of impact categories between macro and micro objectives, to allow for a holistic impact identification, and shows how these categories relate to PI frameworks.

Figure 1: The Impact Radar: an intermediation tool for holistic impact identification



The paper limits itself to proposing impact categories (and related definitions) for impact identification. It does not address impact analysis methodologies and indicators.

The Impact Radar should be considered in conjunction with the PI guidance on frameworks. It builds on the findings of the PI Initiative landscaping paper on impact categories and indicators (October 2017).

A preliminary consideration of how the Impact Radar relates to frameworks, methodologies and indicators is provided in Section 4.

2. METHODOLOGY

To equip financial institutions with a simple and credible means to consider impacts across the three pillars of sustainability, **the impact categories in the Impact Radar seek to capture the core elements of a generally accepted definition of sustainable development, while responding to two key criteria:**

1. **they can be anchored in internationally recognized norms and definitions**; and
2. they are **already in use, hence tested by finance practitioners** for impact analysis.

The widely accepted definition of sustainable development is that of 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs' (UN World Commission on Environment and Development, Our Common Future report, 1987).

This definition rests on the notion that the satisfaction of human needs and aspirations is the major objective of development, and that the strategy for sustainable development will promote harmony among human beings, and between humanity and nature. It embeds two key concepts: (a) the concept of 'needs'; and (b) the idea of 'limitations' imposed on the environment's ability to meet humanity's present and future needs. Development, understood as economic development, serves to meet human needs within the confines of our environment.

The impact categories in the Impact Radar derive from these core elements, which reflect the three dimensions of sustainable development articulated by the SDGs ('people', 'planet', 'prosperity'):

- Human needs (the social pillar – people);
- Environmental conditions or constraints (the environmental pillar – planet); and
- Economic development (the economic pillar – prosperity)

To reflect the three core elements of sustainable development, **the impact categories frame**:

a. **Objective, neutrally formulated impacts rather than actions aimed at the achievement of those impacts**, to allow their use for both positive and negative impact assessment; and

b. **Concepts that are universally valid and relevant, to allow their use by all financial institutions**, regardless of their type, size, structure and operational context; and for all types of financial products and services.

The impact categories in the Impact Radar result from a partial review of impact areas that financial institutions use (developed in-house or proposed by industry initiatives) to identify and/or assess and/or measure the impacts of the financing they provide, and which link to, or lend themselves to be linked to corresponding international norms and standards.

While each category is attributed to a sustainability pillar for easy reference, in practice these may be transversal. What matters is not the affiliation of an impact category to a certain pillar but rather that the impact categories are considered holistically.

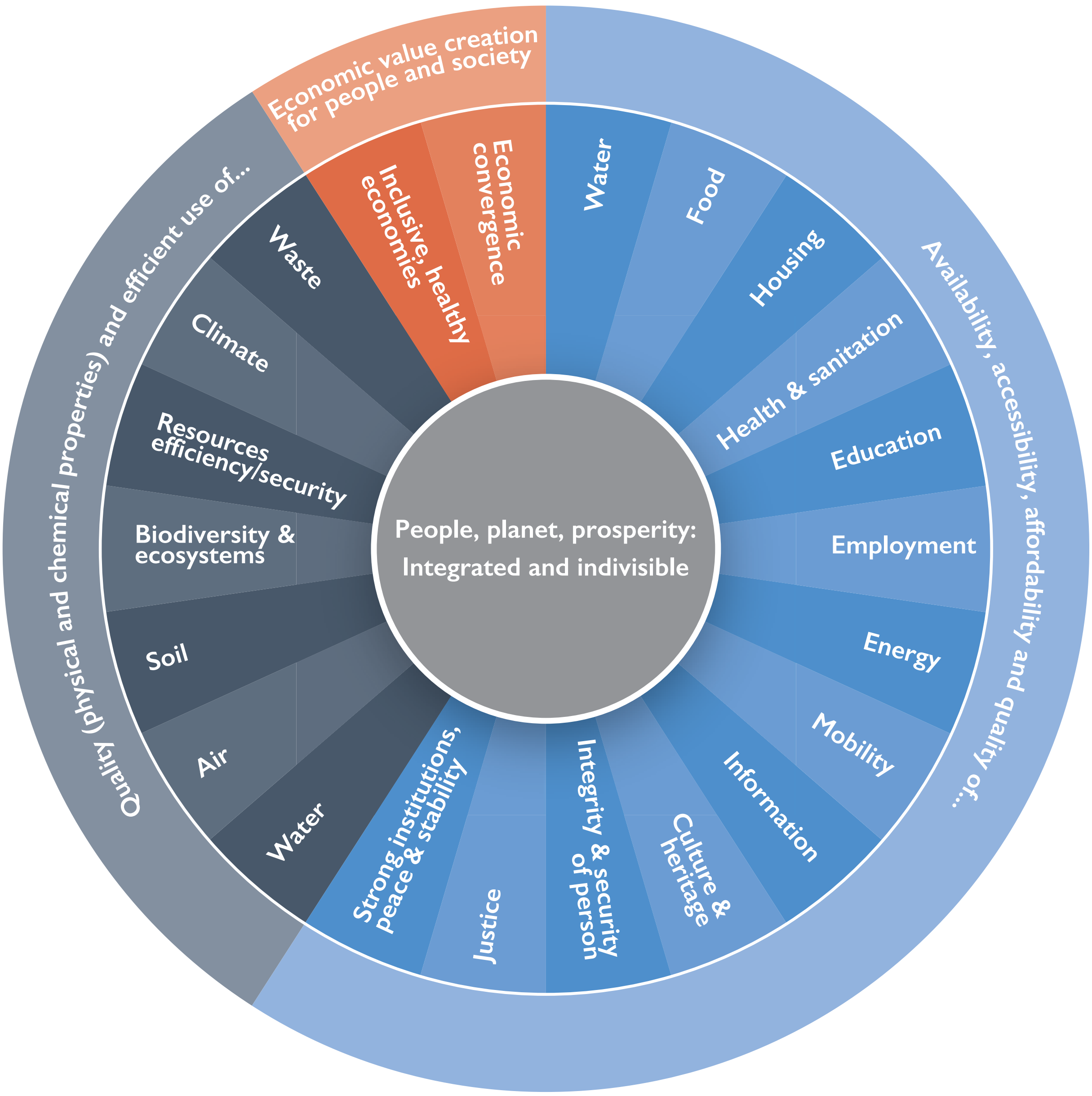
The definitions that back the impact categories derive from (referenced) international sources and were simplified to facilitate their application in business.

The Impact Radar builds on a series of multi-stakeholder consultations and is proposed as a live tool, to be tested by the industry and stakeholders, and adjusted as needed.

3. THE IMPACT RADAR

The Impact Radar proposes *impact categories* that derive from the core elements of sustainable development, and that financial institutions are invited to consider, to detect the impacts they might generate, positive and negative, through their products and services:

- **Availability, accessibility, affordability and quality (degree to which a set of inherent characteristics fulfills needs) in domains essential to human dignity and development:** water; food; housing; health and sanitation; education; employment; energy; mobility; information; culture and heritage; integrity and security of person; justice; strong institutions, peace and stability;
- **Quality (physical and chemical composition and properties) and/or efficient use of our environment**: water; air; soil; biodiversity and ecosystems; resource efficiency/security; climate; waste;
- **Economic value creation for people and society as a means for meeting human needs within the confines of our environment**: inclusive, healthy economies; economic convergence.



The definitions proposed below explain the meaning of each impact category. They describe the areas that financial institutions may impact, positively or negatively, through their products and services.

For the purpose of this tool, impact is understood as the effect or change produced by a project, activity or financed entity – negative or positive – on the content area as defined in each category.

CATEGORY	DEFINITION
Availability, accessibility, affordability and quality (degree to which a set of inherent characteristics fulfils needs) of…	
Water	Population's accessibility to sufficient, safe, acceptable and affordable water for personal, domestic and economic uses. Safe water is water free from micro-organisms, chemical substances and radiological hazards that constitute a threat to a person's health. International source: United Nations Office of the High Commissioner for Human Rights (OHCHR), UN-Water
Food	Population's accessibility, physical, social and economic, to sufficient, safe and nutritious food which meets their dietary needs and food preferences for an active and healthy life. International source: Food and Agriculture Organization of the United Nations (FAO)
Housing	Population's accessibility to adequate, safe and affordable housing: a place where to live in security, peace and dignity. International source: OHCHR, UN-Habitat
Health and sanitation	Population's ability to live in a state of physical, mental and social well-being, including but not limited to the absence of disease or infirmity. This includes the ability to access quality essential health-care services and effective, quality and affordable essential medicines and vaccines. It also includes sanitation, which refers to population's accessibility to facilities and services that ensure privacy and dignity, ensuring a clean and healthy living environment for all. International source: World Health Organization (WHO), UN-Water
Education	Population's ability to access quality education and lifelong learning opportunities in an inclusive and equitable way. This refers to accessibility for all to elementary education, free and compulsory; and to technical, professional and higher education, as made available, equally accessible to all on the basis of merit. International source: Universal Declaration of Human Rights; United Nations Educational, Scientific and Cultural Organisation (UNESCO)
Employment	Population's accessibility to full and productive employment and decent work, which delivers a fair income, security in the workplace, social protection for families, and involves prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment. International source: The International Labour Organisation

Energy	Population's accessibility to modern energy, to include: household access to a minimum level of electricity and to safer and more sustainable cooking and heating systems; access to energy enabling productive economic activity, and to modern energy for public services, such as health facilities, schools and street lighting. International source: Organisation for Economic Co-operation and Development (OECD), International Energy Agency (IEA)
Mobility	Population's accessibility to safe, affordable, inclusive, efficient and sustainable mobility and transport systems and infrastructure. International source: The World Bank
Information	Population's accessibility to information and ideas through any media regardless of frontiers. This includes universal and affordable access to information and communications technology. International source: Universal Declaration of Human Rights, UNESCO, United Nations General Assembly
Culture and heritage	Population's ability to access and participate in cultural life, to enjoy the arts and to share in scientific advancement and its benefits. This includes the safeguarding and promotion of cultural heritage in all its forms: tangible and intangible, cultural and natural, movable and immovable. International source: UN General Assembly, Universal Declaration of Human Rights, UNESCO
Integrity and security of person	Population's ability (read as ability of the person) to enjoy freedom from injury to the body and mind; freedom from torture and cruel, inhuman or degrading treatment or punishment; freedom from slavery and servitude. It also includes data security, data privacy and protection. International source: United Nations General Assembly, Universal Declaration of Human Rights, United Nations Human Rights Committee, United Nations Development Group
Justice	Population's ability to access justice in an equal and inclusive way. International source: United Nations General Assembly
Strong institutions, peace and stability	Population's ability to benefit from effective, accountable and inclusive institutions, which support the expansion of rule of law, and overall political and economic stability. Protection from corruption and bribery in all their forms, illicit financial and arms flows, all forms of organized crime and interference with rule of law; and recovery and return of stolen assets. International source: United Nations General Assembly, Human Rights Council, OECD
Quality (physical and chemical composition and properties) and/or efficient use of…	
Water	Quality, understood as the physical, chemical, biological, and taste-related properties of water, as well as the quantity of surface water and groundwater. International source: United Nations, European Commission, International Monetary Fund, OECD, World Bank

Air	Quality of ambient (outdoor) and household (indoor) air as exposed to contaminant or pollutant substances that do not disperse properly and that interfere with human health and welfare, or produce other harmful environmental effects. International source: United Nations Statistics Division, WHO
Soil	Composition of soil and its ability to deliver ecosystem services, in terms of food production, as biodiversity pools and as a regulator of gases, water and nutrients. Exposure to pollutants and factors that may interfere with this ability and soil stability. International source: United Nations Glossary, FAO, European Environment Agency
Biodiversity and ecosystems	Variety of living organisms from all sources including, terrestrial, marine and aquatic ecosystems and the ecosystems they are part of. This includes diversity within species, between species and of ecosystems. International source: United Nations, Convention on Biological Diversity
Resource efficiency/ security	Efficient use of limited, non-renewable natural resources (which cannot be regenerated after exploitation) and renewable natural resources (which can return to their previous stock levels by natural processes of growth or replenishment) in the process of exploiting nature for production and consumption purposes. Can also be read as resource security. International source: United Nations Glossary, International Resource Panel
Climate	Composition of the global atmosphere and its exposure to greenhouse gas (GHG) emissions as a direct factor contributing to climate change. International source: Intergovernmental Panel on Climate Change
Waste	Ability to manage waste, including the control, monitoring and regulation of the production, collection, transport, treatment and disposal of waste, and the prevention of waste production through in-process modifications, reuse and recycling during a project lifecycle. This includes waste reduction. International source: United Nations Glossary, United Nations General Assembly
Economic value creation for people and society as a means for meeting human needs within the confines of our environment	
Inclusive, healthy economies	Development and creation of sustainable, diverse and innovative markets, that add value to society and the economy. This includes under-served social groups' full and fair accessibility to labour markets, finance and entrepreneurship and, more generally, economic opportunity. It also includes, but is not limited to, access to affordable, effective and safe financial services for individuals as well as micro-, small and medium-sized enterprises. International source: European Bank for Reconstruction and Development, OECD, United Nations Special Advocate for Inclusive Finance, United Nations Development Programme, SDGs
Economic convergence	Ability of countries to reduce inequality at the level of average per capita income. International source: United Nations Department of Economic and Social Affairs

4. USING THE IMPACT RADAR

A. KEY CONSIDERATIONS

The Impact Radar serves to enable an identification of impacts as a first step of holistic impact analysis across the three dimensions of sustainable development.

Two actions will be key to ensure that the impact categories are used as per their objective:

- Consider impacts against all impact categories; and
- Consider impacts from a negative and a positive contribution perspective.

These actions (further explained in Section B below) will intervene at the stage of impact identification and will provide the basis for further analysis, monitoring, measurement and reporting on identified impacts. While these actions are required, the 'how-to' is flexible, allowing financial institutions to 'own' the tool. This is illustrated in Table 1.

Table 1: Required actions and flexible 'how-to' to use the Impact Radar

REQUIRED	FLEXIBLE
▪ Consideration of *all* categories ▪ Consideration of *positive* impacts for all categories ▪ Consideration of *negative* impacts for all categories ▪ Consideration of impacts *ex-ante*, in the process of design, and prior to the provision of financial products and services ▪ Using the impact categories to *assess*, *monitor and report* on (identified and potentially new) impacts	▪ *Exact frameworks and processes* mobilized to identify impacts per categories ▪ *Sequencing* of the positive and negative impact identification ▪ *Further to impact identification, type and depth* of analysis per category, as relevant to a specific financial institution, product and service, and operational context ▪ *To a certain extent* indicators* attached to categories, or sub-categories of impacts, *and respective methodologies* to carry out impact analysis *In line with available industry standards

The Impact Radar is a tool to use in the PI frameworks, to inform in-depth impact analysis. The results of the analysis of significant impacts identified through the Impact Radar will shape the financing transaction and its supporting infrastructure. It will inform the process of a financial product and service design and management; the safeguards needed to proceed with, and maintain, the financing; the client and broader stakeholders' engagement strategy and process related to the various aspects of the financing lifecycle. The PI guidance on frameworks illustrates how the Impact Radar can be used.

B. PRACTITIONERS' QUESTIONS AND ANSWERS

The usage of the Impact Radar is further explained through answers to the questions received from finance practitioners and PI stakeholders in the course of the tool development.

1. DO I HAVE TO CONSIDER ALL IMPACT CATEGORIES?

Yes. Impact identification across all the categories might reveal a broader range of connected positive impacts, which financial institutions could grasp or create with relatively low or extra financial and non-financial investment. Importantly, it might also reveal that intended or assumed positive impacts could come at the expense of negative impacts in other categories; these would have to be properly attended to.

Financial institutions will use all impact categories to identify their significant impacts, a step which informs them in prioritizing further impact analysis, in line with industry standards and practice for negative and positive impact assessment. While the Impact Radar is proposed as a common tool for all to initiate impact identification, the in-depth analysis of impacts will be sensitive to the type of finance product and service (bond, loan, equity…), underlying (corporate, sovereign counterpart, SME, specific asset, project…), operational context (sector, geography, company size), and require tailoring according to the specificity of these respective scenarios.

2. DO I HAVE TO CONSIDER NEGATIVE IMPACTS FOR ALL CATEGORIES?

Yes. The PI Principles expect that in financing sustainable development, negative impacts across the three pillars of sustainable development are identified, avoided, mitigated and remediated. This implies that negative impacts should be identified in all categories, and that impacts identified in one category cannot be offset by positive impacts in another category.

To conduct the identification and assessment of negative impacts across categories, financial institutions are called to use existing industry standards and guidelines (eg. OECD MNE Guidelines for Multinational Enterprises – Responsible Business Conduct for the finance sector, IFC Performance Standards, in-house ESG risk management frameworks, etc.), completing and strengthening these as needed.

3. WHAT IS UNDERSTOOD BY IMPACT?

The Impact Radar understands impact as *change effected* by a financing activity, project or entity on people, the environment and the economy. This effect may or may not be financially material and can only be captured when analyzed in a given setting (economic, social, cultural, political, legal, etc.).

As described in the PI Finance Initiative landscaping paper on impact categories (2017), understanding impact is closely tied to the ability to access information that is quantitatively and qualitatively processable and credible. In practice, financial institutions might need to rely on the use of proxies, predictive scenarios and a mix of impact analysis approaches while perfecting their ability to understand and capture impact. They may also refer to peer initiatives working on the notion of impact. The Impact Management Project, aiming to create a shared understanding around five dimensions of impact, is a useful reference in this regard.

4. WHY USE THE IMPACT RADAR AND NOT REFER DIRECTLY TO THE SDGS?

Financial institutions are encouraged to refer to the SDGs as they articulate their commitment towards sustainable development and set specific targets to which they seek to contribute.

The novelty of the Impact Radar is that it is a suitable tool for a holistic impact identification across the SDGs, by translating their essence into impact categories that financial institutions can relate to and immediately use. Financial institutions that have already started measuring their contribution to one or several SDGs can apply the respective impact analysis methodologies to the pertinent impact categories of the Impact Radar. They will then seek to fill in the gaps for the remaining impact categories, by identifying positive and negative impacts as per available industry standards and practice.

5. HOW DO I CONCILIATE THE IMPACT RADAR WITH IN-HOUSE IMPACT THEMES AND TOOLS?

Financial institutions may already use specific investment themes, and/or impact identification tools. They will continue to use these and refer to the Impact Radar to make sure that there are no gaps in the identification of impacts of their products as they embark on a holistic impact analysis.

Through using the Impact Radar, financial institutions will expand impact identification to a broader spectrum of issues across the three interrelated pillars of sustainable development and will ensure that there is 'no harm' associated with financial products and services that are designed to 'do good'.

Financial institutions may also wish to develop sub-categories for impact categories that are particularly pertinent to their areas of activities, and overall to adjust the Impact Radar to a level of sophistication that matches their expertise, practice and capacity.

6. HOW DO IMPACT CATEGORIES IN THE IMPACT RADAR RELATE TO IMPACT INDICATORS?

The impact categories are global, which makes them applicable to all PI users, but also confine them to stay high-level. To conduct, and tailor the impact analysis to a specific financing and operational context, financial institutions will use impact indicators.

Currently, there is a great diversity in the methodologies used to develop indicators, and for certain impact categories, namely in the social field, appropriate impact indicators may be lacking. For certain impact categories and certain types of products or assets, a common ground for indicators may exist, is in process of, or in need of development.

As per the PI guidance on frameworks, financial institutions are expected to be transparent on the selection and application of indicators used.

Financial institutions are encouraged to refer to indicators proposed by recognized industry initiatives and tools tackling specific thematic issues, and for specific types of financial institutions and instruments (eg. climate and natural capital metrics for financial sector use, which are fairly advanced research areas). Practitioners may also use in-house developed indicators. An indicative, non-comprehensive list of sources of indicators is provided in Table 2.

Table 2: Examples of sources of indicators in use by the financial industry

METHODOLOGIES FOR IMPACT ASSESSMENT, INCLUDING INDICATORS WHERE AND AS RELEVANT:	INDICATORS, KPIS, METRICS (OR SCENARIOS) FOR THEMATIC IMPACT AREAS:
▪ A Practical Guide to Measuring and Managing Impact, European Venture Philanthropy Association (EVPA) ▪ 'In Search of Impact – measuring the full value of capital', Investment Leaders Group, University of Cambridge (2016) ▪ The Toniic E-Guide to Impact Measurement (2012) ▪ 'Guidebook for Impact Investors: Impact Measurement', Purpose Capital (2012) ▪ 'The Good Investor - a Book of Best Impact Practice', Investing for Good (2012) ▪ The Future-Fit Business Benchmark (2017) ▪ The Sustainability Accounting Standards Board (SASB) sustainability framework ▪ The Impact Management Project ▪ WBCSD 'Measuring socio-economic impact: A guide for business' (2013) ▪ RobeccoSAM 'Measuring Intangibles: RobeccoSAM's corporate sustainability assessment methodology'	▪ Global Impact Investing Network (GIIN) IRIS metrics & 'Getting Started with IRIS guide' ▪ Vigeo Eiris ESG performance assessment ▪ Oekom SDG Impact Assessment for Investors ▪ MSCI ESG Sustainable Impact Metrics & Factsheet and the MSCI ESG Ratings Methodology ▪ The B-Lab / B Impact Assessment (and GIIRS rating) case studies on impact performance ▪ PRISM Framework, Methodology, Metrics ▪ Solactive, SDGs methodology for the Sustainable Development Goals World Index ▪ UN Global Compact SDG Compass & SDG Industry Matrix - Financial Services ▪ UN global indicator framework, UN Inter-Agency and Expert Group on SDG Indicators & Revised list of global Sustainable Development Goal indicators ▪ Sustainable Development Solutions Network, Indicators and a Monitoring Framework for Sustainable Development Goals: Launching a data revolution for the SDGs ▪ Harmonized Indicators for Private Sector Operations (HIPSO) Initiative ▪ PRI Impact Investment Market Map ▪ World Benchmarking Alliance for Sustainability

7. CERTAIN CATEGORIES SEEM TO BE OVERLAPPING OR SOUND UNFAMILIAR. HOW DO I USE THEM?

Given the interrelatedness of sustainability issues, it is nearly impossible to fully avoid content overlaps between impact categories. It is important however that clear indicators are established for impact analysis. Establishing, using and being transparent on these indicators will also help financial institutions to avoid the double counting of impacts. Practice should also lead to further refinement of the impact categories.

Certain impact categories reflect needs articulated in the SDGs agenda that the private sector is called to contribute to. The exploration of how businesses may impact these categories is nascent. The Impact Radar includes these categories at the practitioners' request and to open the door for the industry to consider how it may impact them, positively or negatively.

Overlaps

Water: The category appears twice in the Impact Radar. The perspective of the analysis will be nuanced from a social perspective and an environmental perspective. From a social perspective, the analysis will focus on *the availability of, accessibility to and affordability* of water to satisfy human needs; from an environmental perspective, the analysis will focus on modification of the physical properties of water (which may or may not affect the population's access to water).

Air, water, soil, biodiversity and ecosystems: These categories relate to the need for responsible management of these renewable natural resources (managing footprint on their quality and quantity).

Resource efficiency/security: This category relates to the preservation of both renewable and non-renewable natural resources from depletion; it refers to efficient, circular use of natural resources.

Waste: Waste is not part of our natural environment; rather, waste management and reduction are means to preserve and restore our environment. The Impact Radar includes this category given its priority in the sustainable development agenda and anchorage in financial institutions' practice.

Emerging topics

Justice: Although this topic is globally associated with the efficiency of public institutions, financial institutions are deploying efforts to understand their impact on justice, too. This relates to practice on enabling remediation for adverse impacts in the context of the corporate responsibility to respect human rights (due diligence being strongly connected with remediation of impacts), or more generally, through initiatives (e.g. public-private partnerships) conducive to greater access to justice.

Integrity and security of person: This category relates to the protection of people against any type of bodily and mental harm. It relates to freedom from torture, slavery and servitude, trafficking, gender violence, violence against children, etc. It places focus on the individual as opposed to corporate impact on the political stability of a country.

Strong institutions, peace and stability: This category relates to the protection of national institutions and governance systems from corporate behavior that can undermine peace, political stability and, generally, rule of law. It relates to practices that could be associated with undue economic pressure to influence political decision-making, practices associated with corruption and bribery, arms trafficking, proliferation of conflict, etc. It focuses on impact on systems rather than individuals.

8. HOW DO HUMAN RIGHTS FIT IN THE IMPACT RADAR?

The SDGs "seek to realize the human rights of all". "Human rights" cut across all the SDGs and inform their overall implementation, therefore are not a stand-alone impact category.

Many impact categories find resonance in international human rights standards, and their use should increase financial institutions' ability to promote the enjoyment of human rights, but also help them meet their responsibility to respect human rights. The use of the Impact Radar does not replace and, on the contrary, calls for conducting human rights due diligence as articulated by the UN Guiding Principles on Business and Human Rights. Practitioners are invited to refer to available guidance for the industry on human rights due diligence, such as the OECD Guidance on Responsible Business Conduct for the finance sector[1] and interpretative guidance provided on the implementation of the UN Guiding Principles on Business and Human Rights by the UN Office of the High Commissioner for Human Rights[2] and the UN Working Group on Business and Human Rights.[3]

Two impact areas often stand out in business practice. While bearing in mind that human rights are indivisible and interdependent, financial institutions are called to pay heightened attention to the:

- Respect and protection of the rights of children, indigenous peoples, migrant workers, persons with disabilities, women; and
- Application of the equality and non-discrimination principle.

A separate note clarifies the human rights approach to SDGs financing, including how the UN Guiding Principles relate to the PI Principles, and the practical implications of that relationship.

9. DO I HAVE TO USE THE IMPACT RADAR TO BE 'PI'?

Financial institutions may directly adopt the Impact Radar or refer to it further to using their internal tools to fill any gaps, providing transparency on the holistic impact analysis as per its use requirements.

The usage of the PI Radar will harmonize practice in applying the PI Principles and contribute to coherence in assessment of PI products and services. The PI Radar was developed to be relevant for financial institutions no matter their type, size, sector of focus and geographic context (see Section 2 on Methodology). It proposes impact categories as a common language for holistic impact management for PI products and services. Its application should lead to greater robustness of impact analysis in the industry, and, combined with the requirement for transparency on impacts, should drive impact data collection.

10. THE IMPACT RADAR IS PROPOSED AS A LIVE TOOL. WHAT DOES THIS MEAN?

The impact categories and definitions are subject to discussion with practitioners and stakeholders, and to revision following external feedback on their use. They can be adjusted as societal needs and expectations, policy and regulatory norms and industry practice evolve.

As financial institutions advance in their PI journey, they should strive to consolidate the frameworks, processes, methodologies and indicators that bring the Impact Radar to life and ensure a rigorous holistic impact analysis. Financial institutions are encouraged to keep abreast of the evolving body of knowledge and global expectations for the industry as specific to each impact category. This will contribute to sound and credible PI finance products and services, healthy business models and institutional approaches, a strong positioning vis-à-vis peers and stakeholders, and, overall, the creation of a convergence towards the top in the market.

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1. mneguidelines.oecd.org/rbc-financial-sector.htm
2. www.ohchr.org/EN/Issues/Business/Pages/Resources.aspx
3. www.ohchr.org/Documents/Issues/Business/GenericConceptNote-CorporateHRdueDiligence.pdf

11. CAN YOU EXPLAIN THE IMPACT RADAR IN A FEW SECONDS?

A snapshot of the key features of the Impact Radar are illustrated in Table 3.

Table 3: Impact Radar essentials

THE IMPACT RADAR IS PROPOSED TO BE:	THE IMPACT RADAR SHOULD NOT BE UNDERSTOOD AS:
▪ An impact identification tool, to allow holistic impact analysis across SDGs ▪ Universal: it captures the fundamental development needs across geographies ▪ Objective: it defines impact as opposed to actions oriented towards fulfilling impacts ▪ Relevant across all categories of financial instruments and the business activities that underpin them ▪ Relevant to any sector, to initiate a negative and positive impact analysis ▪ Applicable for ex-ante impact identification (predictive models, due diligence, etc.), and ex-post analysis, as relevant (monitoring, measuring & reporting on identified impacts; pursuing impact identification as an ongoing process)	▪ A menu to choose from: all categories are to be considered * ▪ A list of impact categories directly based on economic sectors** ▪ A means for calculating trade-offs between impacts in different categories, or between impacts within the same category *The type and depth of impact analysis per category will vary according to identified significant impacts, as per context and existing industry standards **Although certain sectors may be associated with certain types of impacts

5. ACKNOWLEDGEMENTS

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FINANCE
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UN Environment – Finance Initiative is a partnership between UN Environment and the global financial sector created in the wake of the 1992 Earth Summit with a mission to promote sustainable finance. More than 200 financial institutions, including banks, insurers, and investors, work with UN Environment to understand today's environmental, social and governance challenges, why they matter to finance, and how to actively participate in addressing them.

www.unepfi.org

IMPACT

UNEP FI's Positive Impact Initiative explores solutions to the financing gap for sustainable development and the Sustainable Development Goals (SDGs). The Initiative helps move the financial sector towards a more thorough and deeper integration of impact analysis in decision-making. This improved understanding of impacts will ultimately also drive more impactful business models and investments. Based on the Principles for Positive Impact Finance, lenders and investors and a range of stakeholders are building on existing impact frameworks to develop guidance and tools for holistic impact analysis across a range of financing instruments. The Initiative is also engaging with the public sector to explore impact-based requests for proposals which can stimulate the private sector to develop impact-based business models. The initiative is championed by a core group of UNEP FI Members and a wide group of other stakeholders in the public and private sectors.

We invite all stakeholders to participate in UNEP FI's Positive Impact Initiative to collaborate on best practice and help build the impact ecosystem. For more information::

www.unepfi.org/positive-impact/positive-impact/

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