World Benchmarking Alliance



Scoring guidelines for the 2024 Financial System Benchmark

October 2024

Table of contents

Introduction 3

General principles 4

A: Strategy, governance and stewardship 7

1. Impact materiality and strategy 7

2. Impact targets and plans 9

3. Governance and incentives 12

4. Stewardship policy and reporting 13

5. Responsible lobbying and political engagement fundamentals 16

6. Applying responsible lobbying principles 18

B. Respecting climate and nature 20

I. Financing climate and nature protection and restoration 20

II. Environmental footprints 34

C. Respecting individuals and society 39

I. Inclusive finance 39

II. Responsible Business conduct (Core Social Indicators) 47

Abbreviations 69

Definitions 69

References 69

Appendix A. List of potential sustainability topics 70

Introduction

This document contains the guidelines for assessing and scoring the financial institutions as part of the World Benchmarking Alliance benchmark on the financial sector 2024. The aim of the document is to inform stakeholders, to support the research team during the assessment and to enable a fair assessment across financial institutions.

The document is not a stand-alone document but refers back to the Methodology for the 2024 Financial System Benchmark. Hence, for details on the methodology, scoring calculations, definitions and references refer to the methodology document.

Note: As part of the benchmarking process, these guidelines may be subject to updates if the consistency review identifies a need for further clarifications.

General principles

This section covers some general principles:

1. Assessment based on publicly available information for transparency
The assessment refers publicly disclosed information available in English.
Other information may be used for consistency check if deemed necessary by WBA, but it will not be counted as evidence. Evidence for an element may occur in one place or be distributed. If provided by the financial institution during the feedback period, information in other languages may be referred to after translation, if publicly available and linkable in original language and sufficiently detailed. Another consequence of the transparency principle is that we only accept CDP information if republished by the assessed entity on their web as we do not accept information behind paywall.

1. The cut-off date is July 15, 2024. This date refers to both assessments and feedback from financial institutions. I.e. we only accept feedback published before that date unless an exemption is granted. By having one cut-off date the data set will be more consistent, and the assessment period will be easier to described.
For performance data to count referred data shall not be more than 3 years old, while there is no similar age limit for such as policies if they are publicly available and in force at the time of assessment. In case evidence is found in reports of different age, or published before the assessment period this should be highlighted.
Note: WBA currently considers shortening the time period for which performance data is seen as relevant.

2. The assessment scope is group level.
The evidence, whether addressing e.g. provision of products, services and capital, or stewardship, shall refer to all activities of the assessed entity, unless the indicator or element explicitly introduces a more restricted scope. Financial institutions are hence expected to use their full leverage with regards to sustainability. Specifically, commitments, policies etc need to exist and be valid at the group level, while multiple documents at subsidiary level may be sufficient for some other types of documents (mainly examples, this is specified in the individual case).
Financial institutions (FIs) often talk about their impact investing strategies, which is not sufficient if these represent a minor share of the overall business. For conglomerates, group level refers to the overall operations in the financial sector, but the analysis is not covering businesses in other sectors or subsidiaries.
In such cases, evidence at group level may still be considered together with subsidy specific information if relatable to the assessed entity. Such evidence may e.g. include a groupwide policy or performance data if allocated to the assessed entity

3. The focus is on sustainability impacts not financial risks

A financial institution that recognises its responsibility to people and planet, acknowledges its impacts on the economy, society and the environment, and goes beyond assessing sustainability issues through a lens of risk to the financial value of the enterprise. However, many initiatives focus mainly on the financial risks (e.g. TCFD). Our lens is another one: the environmental and social impacts due to the financial activities. This is the same lens as applied in double materiality analyses when referring to impact materiality. Initiatives focused on risks may still provide useful data, but the difference in scope must be kept in mind. In particular, if financial institutions refer to ESG it needs to be checked whether they consider impacts within that framing.

4. Contextual scoring

The indicators and elements of this benchmarks exist in a context of holding financial institutions accountable in relation to global agendas for sustainable development. Following this, scores cannot be given for activities that have an adverse impact on this development even if the element or indicator is met by the letter. This refers in particular to indicators focused on disclosure. In particular, there may be a tension between providing products, services and capital to underrepresented group (e.g. Indicators 17-19) and adverse environmental impacts, which need to be considered during the assessment.

5. Levers of impact and transformation

From a transformation perspective the main role of the finance sector is to move the flow of products, services and capital towards more sustainable targets. Hence, impact is not disconnected from financial targets, rather the main impact lever often happens through the provision of products, services and capital. Hence, monetary strategies and targets belong to the financial institution´s sustainability toolbox but needs anchoring in actual impact to be considered a ground for scoring.

6. Being a signatory of an initiative is not automatically evidence.

Being a signatory or member may sometimes provide the evidence for an element but is usually insufficient. During the assessment period, before assuming pledges and memberships to be sufficient evidence, those need to be reviewed with regards to scope, accountability mechanisms and governance before considering signing or membership as sufficient evidence.

7. Measurability refers to both physical measurements and other methods to calculate the performance

Targets are requested to be measurable. Measurability could be associated with direct measurements reflecting such as assets under management or electricity used. However, for many sustainability topics, especially when referring to value chain impacts, such direct measurements are often not available. An example is emissions of greenhouse gases (GHG) which need to be calculated from use of energy and fuels using emission factors. Another example is scope 3 emissions for products in use which may include measured data combined with modelled customer or user behaviour. For this reason,

"measurability" in this benchmark is a wider concept than just direct measurements of a physical parameter, but often include a combination of directly measurable parameters and models.

8. Datapoints are collected to structure and supplement evidence. Data points will support insight creation and give a better basis for explaining individual scores and helping financial institutions to see where they can improve. Datapoints helps structuring evidence for a met in a way that simplifies post-processing, and helps to more clearly show what is lacking in case of an unmet.

9. Provision of products, services and capital. This refers to different parts of the portfolios across subsectors that financial institutions may leverage for sustainability purposes. This includes such as but not limited to debt instruments, funds, insurances.

A: Strategy, governance and stewardship

1. Impact materiality and strategy

Indicator: The assessed entity identifies its material sustainability impacts and has a strategy to address them.

Note: Sustainability impacts include social and environmental topics

Key search words: impact; sustainability; sustainable development; responsible; strategy; environment; social; society; impact materiality; double materiality; material; materiality; materiality assessment; materiality matrix, assessments, value chain map

Element details

a) The assessed entity transparently identifies and prioritises its material sustainability impacts across its value chain based on objective criteria and/or supportable evidence. GEC_00548
• This element refers to *how* the impact materiality is derived. • As the materiality analysis sets the foundation for the sustainability work this is one of the most fundamental elements, but also a complex one. • Impact materiality analyses at this point are often subjective and based on unclear criteria. As such they open for intentional or unintentional greenwashing. For this reason, it is important to consider the quality of the impact materiality assessment, not only its existence. • The element refers specifically to impact materiality, i.e. impact on nature and society due to the assessed entity´s value chain activities. • As such it is agnostic to whether the assessed entity has also performed a financial materiality analysis associated with financial or reputational risks • Impact materiality covers but is not limited to negative impacts. • The nature of the impact shall be clear from the text, but words like "negative" or "adverse" need not be present. • A mapping of stakeholder interest could be useful as a first step towards understanding expectations and the impacts currently in focus. However, it is **not** considered evidence for impact. • Inclusion of feedback from external stakeholders is not by itself guaranteeing a solid process - this would depend on the expertise and belonging of these stakeholders. The assessed entity may also gain the same knowledge from such as scientific literature.

- Reference to size of business in a certain area can be used to show the association with the impacts in that area, but not as evidence of the impact itself.
- When prioritizing impacts, clarity on why an identified impact is **not** prioritized is as important as why an impact is prioritized.

Checkpoints include:

- Does the assessed entity describe their process for arriving at the prioritized material impacts?
- If the assessed entity refers to a framework such as ISO 26000, is there a clear description for their selection of impacts from such a framework based on significance to their business?
- Does the assessed entity state which types of impact they have considered?
- Does the assessed entity refer to the full value chain or provide a significance-based rational for considering only parts of it?
- Does the assessed entity present objective criteria for *identification* of impacts?
- Does the assessed entity present objective criteria for *prioritization* of impacts?
- Does the assessed entity present supportable evidence for their prioritization of impacts?

Supportable evidence with regards to materiality can refer to scientific articles, reports by expert organizations, life cycle assessments, human rights assessments, risk assessments, environmental and social impact studies, supplier environmental assessments etc. etc.

Referring to impacted stakeholders for a review of impacts is considered good practice but is not a requirement.

ii) The assessed entity provides the basis and rationale for its identified and prioritized material impacts.
GEC_00549

- This element refers to what comes out of the impact materiality and how it is presented.
- The assessed entity shall present the factual base used to assess the impact as well as the rational for prioritizing it.
- A prioritization means *not* prioritizing something else which shall be clear in the basis for prioritization.
- In most cases it is unlikely that the assessed entity can score on this element if it has not scored on a). However, there might potentially be cases where the assessed entity has a rigorous process in place which is not referred to as a materiality analysis.

iii) The assessed entity has a sustainability strategy covering its material impacts.
GEC_00550

- The assessed entity has defined its strategy.
- The strategy covers its material sustainability impacts.

- This element cannot be met if the material sustainability impacts has not been identified in a reasonable way.
- In most cases it is unlikely that the assessed entity can score on this element if it has not scored on a) as this specifically refers to material impacts. However, there might potentially be cases where the assessed entity has a rigorous process in place which is not referred to as a materiality analysis.

For a list of potential topics refer to Appendix A.
This indicator is at this point not assuming alignment with any specific framework. However, GRI1 and GRI3 (in particular GRI3) outlines the different steps that could be expected to be covered by a quality materiality analysis and may as such provide useful background reading.

Note: The assessed entity´s own measurements and analysis are important for them to understand the connection of their different activities to environmental and social impacts. However, they need also to link their analysis to established knowledge and non-internal sources on sustainability. An assessment of risks to the assessed entity itself is not considered sufficient evidence.

2. Impact targets and plans

Indicator: The assessed entity sets targets and plans for improving its material sustainability impacts.

Key search words: impact; sustainability; sustainable development; responsible; target; goal; objective; environment; society; social.

Elements details

i) The assessed entity has time-bound and measurable targets for improving its identified material sustainability impacts. GEC_00551
• The targets shall fulfil several criteria to be considered. • Besides being time-bound and measurable, the target shall be associated with a base year and a baseline value. • A standalone value of current performance is not considered a target. • Similarly, a stated value claimed to represent a met target that has not been communicated earlier cannot be a basis for scoring. I.e. a target which is set for the reported year is only accepted if there is an earlier baseline year and if the target has been communicated at an earlier point. • Since the intention of this element is to establish a link to the materiality assessment and strategy this element cannot be met unless FSB2024.1.a and/or FSB2024.1.c is met.

- In case the assessed entity has targets that fulfil the above criteria it may also have other targets that are less well specified. In such cases the entity may still score but it shall be made clear that such targets are not considered evidence.

Checkpoints include:

- Are the targets covering all impacts prioritized for Indicator 1?
- Are the targets time-bound?
- Are the targets quantitative?
- Are the targets measurable (see General principle 6)
- Are the targets associated with base years?
- Are the targets associated with baseline values?
- Are the targets forward-looking (at least one year ahead)?
- Targets either represent a sustainability impact target (outcome-focused) or provision of resources (input target)
- There are pros and cons associated with both types of targets. For input targets it is important that the assessed entity establishes how the target links to the impact it aims to improve

Input Targets	**Impact Targets**
$ in loans provided to green investments	renewable energy produced, CO_2 emissions reduced

ii) The assessed entity has a plan for aligning its portfolio and offerings with its targets.
GEC_00552

- A plan defines what actions will be taken and by when.
- A plan must define activities for the year of assessment or, in case of a new target, at least for the year after the target is set.
    - Example: It is not sufficient to postpone activities towards a net-zero target until after 2030
- It is important to distinguish between whether an assessed entity is aligning its entire portfolio and offerings with its targets or only offering sustainability or ESG-themed products within its wider portfolio and offerings which would not be sufficient to score.
- This element can be met even when element i) is not met.

iii) The assessed entity has a plan for aligning its stewardship activities with its targets.
GEC_00553
Note: Stewardship includes client engagement as well as advocacy and partnerships

- A plan defines what actions will be taken and by when.
- A plan must define activities for the year of assessment or, in case of a new target, at least for the year after the target is set.
- Example: It is not sufficient to postpone activities towards a net-zero target until after 2030

- The entity shall explain how its proposed stewardship plan will contribute towards achieving its targets.
- This element can be met even when element i) is not met.

iv) The assessed entity progresses in line with its targets.
GEC_00554

Per target:

- To show progress, the assessed entity shall have published its current status during the assessed year, and at least one earlier report of the performance (including the baseline value)
- The values shall represent an interval of about one year.
- If there is an improved performance for the second data point relative to the first one, we consider the entity to have made progress but cannot yet conclude whether this represents progress in line with the target.
- Next, this progress must be checked towards the expected target progress for the element to be considered met.
- To assess if progress is sufficient, it is checked if the change compared to the baseline value represents a reasonable share of the expected change during the target period. A smaller change is only accepted if the assessed entity provides a reasonable rational and shows that sufficient progress can be made in the time remaining to the target year. A smaller change is not allowed without explanation or if it postpones the target date.
    - *Example Baseline year 2020 – target year 2030 - total reduction of emissions 50%*
      2024 status: at least 4/10 of the reduction shall have happened (i.e. 20% reduction) or the assessed entity shows how it can still reach its target and why the current progress is sufficient.
- This element can only be considered met if element i) is met.

v) The assessed entity conducts third-party assurance or verification of its target reporting.
GEC_00555

- The assessed entity transparently refers to such a process.
- The assurance statement shall either explicitly cover the target reporting or the full report where the target reporting occurs.
    - In case targets are reported in e.g. the annual report, a statement which covers the overall report is sufficient.
- The assessed entity provides a link or reference to the external assurance report(s) or assurance statement(s).
- It is also important that the assurer has no affiliation/is independent from the organisation to ensure that the assurance conducted is impartial.
- This element can be met even when element i) is not met.
- CDP refers to this topic in 10.2a, GRI in 2-5

3. Governance and incentives

Indicator: The assessed entity assigns responsibility for its sustainability strategy and makes sustainability performance consequential to executives.

Key search words: impact; sustainability; sustainable development; responsible; targets; governance body; executive; strategy implementation

Element details

i) The assessed entity assigns decision-making and oversight responsibility for its sustainability strategy to the highest governance body. GEC_00556
• Highest governance body refers to such as board of directors or supervisory board. *Note: 'Supervisory board' is more commonly applied in civil services* • A clear statement referring to responsibility and/or oversight is sufficient. • It is not required that the interaction between the board and the organization is clarified. • This element focuses on the assignment on responsibility, as such it does not require indicator 1 to be met. • CDP refers to this topic in C1.1, (C1.2), C1.2a Key search words: governance, board, committee, decision making, oversight, sustainability, management, board AND sustainability
ii) The assessed entity links performance criteria for remuneration at the senior executive level to specific sustainability targets. GEC_00557
• Senior executive level may also be referred to as executive team, C-level, C-suite. This includes such as Chief Executive Officer (CEO) Chief Investment Officers (CIO), Chief Marketing Officers (CMO etc). • If the assessed entity reports according to GRI, check GRI 102-28. • Within CDP monetary reward is addressed in 1.3a Key search words: remuneration AND sustainability, compensation AND sustainability, executive compensation, executive remuneration, incentives, monetary reward, bonus
iii) The assessed entity maintains a gender balance (between 40 -60%) at the highest governance body. GEC_00354
• The assessed entity can provide evidence from any type of public document or webpage belonging to the assessed entity. Diagrams and pictures that display the proportion of women are accepted. Key search words: women; female; supervisory board, board of directors

iv) The assessed entity maintains a gender balance (between 40 -60%) at the senior executive level. (Aligned with Gender) GEC_00355
• The assessed entity can provide evidence from any type of public document or webpage belonging to the assessed entity. Diagrams and pictures that display the proportion of women are accepted. • This element refers to the C-suite, see also element ii) Key search words: women; female; management, leadership; executive committee; executive officers; women executives
v) The assessed entity assigns responsibility for implementing its sustainability strategy to functions, teams or committees within the company. GEC_00558
• Responsibility shall be assigned to functions rather than individuals. However, a function may refer to a particular role (e.g. CMO) which is held by one individual only. Having responsibility assigned to functions/roles rather than individuals shows that the responsibility has been institutionalized and is considered less vulnerable. • It is sufficient to list the functions, teams and committees that are assigned responsibility but the allocation between them need not be specified. • It is not sufficient to only refer to the function chairing a committee, but participating functions shall be stated. • This element focuses on the assignment of responsibility, as such it does not require indicator 1 to be met. Key search words: governance, sustainability management, sustainability structure

4. Stewardship policy and reporting

Indicator: The assessed entity has a stewardship policy that promotes environmental and social sustainability and discloses its application.

Key search words: engagement; escalation; stewardship; voting, partnership; stewardship policy, active owner policy.

Element details

i) The assessed entity has a stewardship policy that promotes environmental and social sustainability in line withs its sustainability strategy. GEC_00559
• This element checks the existence of a stewardship policy and its alignment with, and promotion of, the sustainability strategy. The stewardship policy shall specify:

- how its stewardship activities align with the assessed entity´s sustainability strategy, detailing the sustainability topics to engage on.
- aim and/or objectives of the stewardship.

- Normally a policy would be a stand-alone document. If integrated with the report it must be clear what the assessed entity is supposed to do as opposed to a description of what it has done. A strong wording would also be expected.
- GRI addresses this topic in GRI 2021 Disclosure 2-29

Key search words: stewardship policy; active owner policy

ii) The stewardship policy covers client and other stakeholder engagement as well as advocacy and partnerships.
GEC_00560

Note: Other stakeholders include, inter alia, those affected of specific projects, communities, civil society, employees and knowledge partners

- The stewardship policy shall detail stewardship activities for engagement as well as for advocacy and partnerships.
- It shall also detail the categories of stakeholders it engages with (e.g. clients, civil society, employees, knowledge partners).
- If the stewardship policy covers the prescribed stakeholder groups, this element can be met whether the policy refers to the sustainability strategy or not.
- Though the element refers to one policy, stewardship and advocacy approaches may be addressed in different documents as they follow different standards.
- If there is no stewardship policy covering how an assessed entity engages in all types of stewardship activities, it might have standalone stewardship policies for different stakeholders such as a client engagement strategy, a supplier engagement strategy, a document detailing the list of organisations it is a member of and partners with etc.
- Note that there is a tendency that reporting focuses on listing engagement activities (see element d), rather than on the policy or strategy which is required for this element.
- CDP addresses this topic in sections C12.1 and 12.5.
- GRI Disclosure Standard addresses this topic in disclosure 2-28

Key search words: client, customer, value chain, education, information sharing, collaboration, innovation, compensation, marketing, policy

iii) The stewardship policy includes criteria for what is considered a successful stewardship result, escalation routes if unsuccessful and defines when escalations should happen. GEC_00561

• The stewardship policy - or alternative sources mentioned for b) - shall cover
  ○ criteria for what is considered a successful stewardship result.
  ○ defined escalation routes.
  ○ definition of when escalation should happen.
• The escalation route refers to what happens in a relationship between the assessed entity and the company it provides products, services or capital to when a certain level of engagement is not reaching its intended result. The engagement process usually follows the following process: voting, company engagement, collective engagement, divestment.
 	
Note: PRI provides the following guidance on common escalation strategies to trigger corporate reaction. Depending on the jurisdiction they belong to, these strategies might follow different orders. Strategies include:
• *communicating with the board: expressing concerns to corporate representatives or non-executive directors, either directly or in a shareholders' meeting;*
• *collaborating with other investors to increase pressure on the company;*
• *issuing a public statement and organising a media campaign;*
• *submitting shareholder resolutions in relation to the sustainability issues of concern;*
• *voting against the re-election directors who are responsible for the topic of engagement (i.e. risk and audit committee members);*
• *voting against the board of directors or the annual financial report;*
• *submitting one or more nominations for election to the board;*
• *seeking legal remedies or arbitration; and threatening to reduce exposure or divest.*

iv) The assessed entity publishes an engagement/stewardship report describing the outcome of engaging on sustainability impact topics. GEC_00562
The report shall detail • the extent of coverage (e.g. a list of companies or sectors/industries and other stakeholders it has addressed as part of its stewardship activities). • steps/actions undertaken on environmental and social topics OR types of such stewardship activities it has partaken in. • The report shall be on group level (Subsidiary level accepted in 2022 but the element was differently phrased) <u>Key search words:</u> engagement report; stewardship; stewardship report; engagement

5. Responsible lobbying and political engagement fundamentals

Indicator: The assessed entity has an approach to lobbying and political engagement and has related controls in place. (CSI18+)

Element details

i) The assessed entity has a publicly available policy statement(s) (or policy(ies)) setting out its lobbying and political engagement approach. GEC_00333 (CSI18)
The assessed entity discloses a policy on lobbying and political engagement which applies to the whole assessed entity in all locations of operation, not to a specific subsidiary, region or jurisdiction. The assessed entity describes its political engagement and lobbying approach by including at least two of the following: • The types or ways the assessed entity engages politically • The topics/issues covered in the assessed entity's political engagement • The basis or intention of the assessed entity's political engagement • The internal authorisation process or policies that must be followed to engage politically • Whether personal political engagement is prohibited/restricted • The types of stakeholders who the assessed entity engages with politically • Internal management or oversight of political engagement • Legal and reporting compliance around political engagement • Political contributions and exceptions to it • Political affiliation or neutrality.
ii) The assessed entity has a publicly available policy statement that specifies that it does not make political contributions. GEC_00334 (CSI18)
The assessed entity discloses a policy statement that it does not make political contributions which applies to the whole assessed entity in all locations of operation, not to a specific subsidiary, region or jurisdiction. Moreover, it must be clear that it prohibits all political contributions, not just specific types of political contributions e.g. unlawful/improper payments. It is not sufficient if the assessed entity only has a statement that its workers may not make political contributions. Where a assessed entity allows political contributions, it must only allow them by exception and clearly state the criteria for making them: • It is not an exception if the assessed entity allows political contributions where the law allows or where there is approval from internal department e.g. Public Affairs or senior management • An exception must be an exceptional circumstance e.g. a one off scenario

• An exception must include expressions of corporate responsibility and/or support of the genuine democratic process.
iii) The assessed entity discloses its expenditures on lobbying activities. GEC_00335 (CSI18)
The assessed entity either: • Discloses its expenditures on lobbying activities covering all locations of operation • Discloses its expenditure on lobbying activities in some locations of operation where it lobbies and explains that it only lobbies in these specific locations • Discloses that it does not engage in any lobbying activities.
iv) The assessed entity requires third-party lobbyists to comply with its lobbying and political engagement policy (or policies). GEC_00336 (CSI18)
The assessed entity either: • Discloses that it requires third-party lobbyists to comply with its lobbying and political engagement policy (or policies) • Disclose that it does not use third party lobbyists. • Discloses that it does not engage in any lobbying activities. • 'Third party lobbyists' refers to any third party which may lobby on the assessed entity's behalf.
v) The assessed entity discloses a list of the trade associations of which it is a member. GEC_00563
• The element applies for all jurisdictions in which the assessed entity operates so that it cannot score based on some jurisdiction while using membership in other jurisdictions to counteract it. • The evidence shall include a comprehensive list of trade associations (including also engagement in groups without sustainability focus) to avoid that the assessed entity cherry picking those with more favourable sustainability positions • CDP12.3b addresses this topic. • If the assessed entity reports according to the GRI, 2-28 (former GRI 102-13) provides information regarding Memberships of associations. • Information may also be available in EU transparency registry, see indicator 6 for guidance. • Make sure the list of membership is not outdated. However, there is no "best before date" as such memberships are considered quite stable over time – i.e. the list need not occur in the annual report.

6. Applying responsible lobbying principles

Indicator: The assessed entity aligns its lobbying and political engagement activities with responsible lobbying principles.

Element details

i) The assessed entity commits to not use its lobbying and political engagement power to impact in directions that would lead to adverse sustainability impacts. GEC_00564
• A commitment is essential and must be explicit. • The commitment shall occur in an official document from the assessed entity or by signature by an authorized representative. • Usually, it is found in the sustainability report or stewardship investment policy in the governance section. • Examples of lobbying which could lead to adverse sustainability impact is counteracting e.g. stricter climate policies or reporting transparency. • Raising relevant request for clarity is not in itself to lobby against a policy, however, formal complaints may be used to slow down policy making. • However, a general statement shall be sufficient for a mark, the entity need not specify the lobbying it will not perform. Key search words: association AND member, membership, trade association, trade organisation, industry association, industry organisation, political engagement.
ii) The assessed entity discloses the positions it takes in its lobbying and political engagement activities on sustainability topics. GEC_00565
• This element refers to disclosing the *positions* on sustainability topics that the assessed entity refers to in any lobbying and political engagement. • This can include the assessed entity´s position on certain laws, regulations, policies etc. • Though the element is about disclosure, entities that do not align their positions with responsible lobbying principles cannot score. • Usually, this information does not seem to be disclosed in the Political Statement Policy which deals more with indicator 5 on political engagement. • This element may be met even if there is no formal commitment requested by element i). Key search words: public positions; lobbying, political lobbying, public_(+space), regulatory, policymaker, policy maker, policy, public advocacy'

iii) The assessed entity discloses specific actions taken to align its lobbying and public policy engagement with its sustainability strategy. GEC_00566
• This element refers to disclosing the *activities and engagements* on sustainability topics that the assessed entity engages in as part of their lobbying and political engagement. • This can include the assessed entity´s activities in relation to influencing laws, regulations, policies etc. • To meet the element, it is important that the assessed entity does not only disclose that it is involved in x/y/z but it has to mention explicitly how it is involved – e.g. what working group they are part of. • Though the element is about disclosure, entities that does not align their positions with responsible lobbying principles cannot score. • Usually, this information does not seem to be disclosed in the Political Statement Policy which seems more relevant to indicator 5. • Answers to CDP 12.3a may provide relevant information. • This element may be met even if there is no formal commitment requested by element i). Key search words: public positions; lobbying, political lobbying, public_ (+space), regulatory, policymaker, policy maker, policy, public advocacy.

B. Respecting climate and nature

From a climate perspective, the indicators refer to the Paris agreement´s central aim to strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5°C[1], as well as the more recent scientific underpinning of the importance of not risking an increase above 1.5°C[2]. Though keeping within *1.5*°C seems increasingly challenging, the importance prevails, and so is the importance of the climate mitigation and emission reduction scenarios associated with it. For this reason, to score against the indicators on climate in this benchmark, it would not be sufficient to refer to the Paris agreement in general or alignment with 2°C, but assessed entities are expected to align with the *1.5*°C ambition.

Note: Aligning with a 1.5°C trajectory means aligning referred activities (e.g. provision of products, services and capital targets and stewardship activities) with IPCC or IEA net zero greenhouse gas emissions modelled pathways that limit warming to 1.5°C with no or limited overshoot, and being consistent with a fair share of declining global emissions by 50% by 2030 (as compared to 2018), reaching net zero CO_2 emissions by 2050 and net zero greenhouse gas emissions soon after. If financial institutions disclose that they align with all of this, they may be 1.5°C aligned despite not using this term.

I. Financing climate and nature protection and restoration

7. Approach to fossil fuel and high-emitting sectors

Indicator: The assessed entity adjusts its activities in fossil fuel and high-emitting sectors to align with 1.5°C trajectories.

Note: The term fossil fuel covers coal, coal products, natural gas, manufactured gas, crude oil and petroleum products and non-renewable wastes[3]. Petroleum products include but are not limited tar sands oil, offshore oil, as well as fracked and conventional oil.

Key search words: fossil; high emitting; coal; oil; gas; fossil fuel; carbon; energy; phase out; retirement; transition.; mining; LNG; frack, 1.5°C, 1.5 degrees C, 1.5 degrees Centigrade.

[1] https://unfccc.int/most-requested/key-aspects-of-the-paris-agreement
[2] https://www.ipcc.ch/sr15/
[3] https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Fossil_fuel

Element details

i) The assessed entity discloses the amount and/or share (in monetary terms) of its provision of products, services and capital linked to high-emitting sectors and fossil fuel sectors. GEC_00567
• Check sources for information regarding financing activities, products, services and capital in association with fossil fuels and high emitting sectors. • The assessed entity shall present one or more values that, alone or jointly, refer to its total provision of products, services and capital in monetary terms. • In case a percentage number is presented it must be specified what it refers to. • The assessed entity shall describe what this disclosure covers but need not detail specific contracts ad similar details. • Evidence that only consider high emitters other than the fossil fuel sectors is not sufficient (unless it is clear that the assessed entity has no business related to fossil fuel sectors). • In this iteration, the focus is on fossil fuel sectors for all elements of this indicator. Hence, for element i) the assessed entity must disclose information regarding 'fossil fuel sectors' but may score even if there is no disclosure regarding other high-emitting sectors. This may change in next iteration and disclosures regarding additional sectors may be expected. • For Development Financial Institutions "commitment" is considered sufficient. • Disclosures on CDP C-FS14.0 on carbon-related assets may include disclosures related to this element.
ii) The assessed entity does not provide products, services or capital, neither to new fossil fuel projects nor to clients and investees undertaking such projects. GEC_00568
• Check for statements expressing that the assessed entity is NOT providing products, services or capital to new fossil fuel projects or clients and investees (whether new or old) undertaking such projects. • The assessed entity must abstain fully from such provision, i.e. also investments below a certain investment threshold. • If the assessed entity has investment banking among its business activities, this must be included in the abstaining of investing in new fossil fuel.
iii) The assessed entity has a time-bound strategy to phase out the provision of products, services and capital to existing fossil fuel projects, clients and investees across the fossil fuel value chain, which lack a well-defined strategy aligned with a 1.5°C trajectory. GEC_00569
• The assessed entity shall have a time-bound strategy to phase out provision of products, services and capital to existing fossil fuel projects, as well as clients and investees across the fossil fuel value chain which lack a well-defined strategy to align with 1.5°C.

- A well-defined strategy aligned with 1.5°C includes substantial emission reduction this decade.
- It is not sufficient to focus only on one or a subset of fossil fuels such as coal.
- A strategy shall be explicitly described as such and forward-looking.
- If the assessed entity has investment banking among its business activities, this activity must be included in the strategy.

8. Resources for climate mitigation solutions

Indicator: The assessed entity provides products, services and capital for climate mitigation solutions and has targets for this.

Note: Applicable climate solutions align with established frameworks such as EU Taxonomy or other relevant taxonomy, Climate Bonds Initiative

Key search words: net zero; climate; renewable; renewable energy; SDG7; SDG13; green bonds; green funds; ESG funds; green; financed; low carbon; solutions; GHG; commitments; sustainable finance; solutions; mitigate.

Element details

i) The assessed entity discloses the aggregate amount and/or share (in monetary terms) of its provision of products, services and capital devoted to specified mitigation-oriented climate solutions.
GEC_00570

- The assessed entity shall present one or more values that, alone or jointly, refer to its total provision of products, services and capital in monetary terms.
- In case a percentage number is presented it must be specified what it refers to.
- The assessed entity shall describe what this disclosure covers but need not detail specific contracts and similar details.
- Relevant information may be found in disclosures regarding SASB: FN-IN-420b (for insurer), SASB FN-CB-410a.2 (for investors), and GRI 103.
- Companies must specify *how* they provide products, services and capital (i.e. the financial mechanism) for the climate solutions for the overall amount or share referred to, by specifying the lever (e.g. use of green bonds)
- In this iteration it is not required that the assessed entity specify how they define 'renewable energy'. However, this will be required in the future. Moreover, concepts like 'new energy' are not accepted as evidence as 'new' could cover both renewable and other sources of energy.
- Concepts like 'green' or 'sustainable' may include but are not the same as 'climate mitigation' so data need to be specified to an extend that it can be allocated to climate mitigation specifically.
- Climate solutions included shall align with internationally adopted frameworks referred to by the assessed entity. Framework examples include:

- Overarching frameworks: EU Taxonomy; Low Carbon Investment Registry (by IIGCC).
- For bonds: Climate Bonds Initiative (CBI); ICMA Green Bonds Principles.
- For real estate: GRESB, LEED, BREEAM (UK), MINERGIE (Switzerland & Liechtenstein), NABERS (Australia).

Note: For broader frameworks referring to 'environment' or 'green' (such as ICMA Green bonds) the solutions must be detailed in a way that makes clear the solutions taken into account are addressing climate mitigation.
Note: Though listed as such by some framework fossil/natural gas is NOT considered a climate solution and will not be counted as evidence.

- For Development Financial Institutions "commitment" is considered sufficient.

Note: For general guidance on climate solutions refer to NZAOA-Target-Setting-Protocol-Second-Edition.pdf (unepfi.org) (p 99) and Climate solutions - Exponential Roadmap Initiative

ii) The assessed entity has time-bound and measurable targets for provision of products, services and capital for these climate solutions.
GEC_00571

- The target shall be specified.
- Targets shall be time-bound and measurable.
- Besides being time-bound and measurable, the target shall be associated with a base year and a baseline value.
- A standalone value of current performance is not considered a target.
- Similarly, a stated value claimed to represent a met target that has not been communicated earlier cannot be a basis for scoring. I.e., a target which is set for the reported year only is accepted if there is an earlier baseline year and if the target has been communicated at an earlier point.
- The targets are usually be communicated in monetary terms or as share of assets under management (AUM) or revenue.
- For targets expressed as emission reduction a transparent and reasonable model must link the emission reduction to the provision of products, services and capital.
- In case of a wider target referring to such as "green" investment the climate solution share needs to be specified. See 8i).

iii) The assessed entity progresses in line with its target.
GEC_00572

- To show progress, the assessed entity shall have published its current status during the assessed year, and at least one earlier report of the performance (including the baseline value)
- The values shall represent an interval of about one year.
- If there is an improved performance for the second data point relative to the first one, we consider the entity to have made progress but cannot yet conclude whether this represents progress in line with the target.

- Next, this progress must be checked towards the expected target progress for the element to be considered met.
- To assess if progress is sufficient, it is checked if the change compared to the baseline value represents a reasonable share of the expected change during the target period. A smaller change is only accepted if the assessed entity provides a reasonable rational and shows that sufficient progress can be made in the time remaining to the target year. A smaller change is not allowed without explanation or if it postpones the target date.
- A single performance data point is not sufficient to get a mark.

9. Climate engagement alignment

Indicator: The assessed entity engages with clients, investees, and other stakeholders, to promote alignment with 1.5°C trajectories.

Key search words:
climate AND engagement; net zero; sector; engage; 1.5; Paris; high emit; require.

Element details

i) The assessed entity transparently identifies the key sectors, clients and investees to engage with on climate issues. GEC_00573
• This element asks if the assessed entity identifies a select number of clients and investees to engage with. • The assessed entity may also refer to the sectors it prioritises to engage with if they refer to general engagement with clients and investees in those sectors. • If presenting the specific clients and investees, the priority sectors need not be identified. • There is no upper limit to the number of clients and investees to engage with - to explicitly state that engagement is undertaken with all clients and investees counts as evidence towards this element. • If the assessed entity has a public CDP report, reports on C-FS12.1c or C-FS3.7a may be of relevance. • For the identification, the assessed entity need not to refer to 1.5°C. However, it shall be clear that the identification of clients and investees refers to promotion of climate mitigation.
ii) The assessed entity engages with these clients and investees to influence and support their alignment with 1.5°C trajectories. GEC_00574
• This indicator focuses on the engagement between the assessed entity and companies it provides products, services and capital to, e.g., clients, investees, etc. • It shall be disclosed that the engagement aim to support clients and investees to align with 1.5°C trajectories (engaging on climate in general is not sufficient).

- The assessed entity shall engage with those sectors, clients and customers identified in i) but it is not required that the assessed entity engages with all sectors, clients and investees.
- This element goes deeper than element i) and needs evidence that engagement actually takes place with regards to such as voting policy, stewardship policy etc.
- Common types of engagement include:
  - meetings/calls/discussions with companies
  - voting
  - monitoring company performance
- If the assessed entity provides finance to fund managers, e.g., invests in investment funds managed by fund managers, or appoints a third party to engage on its behalf, the indicator can be met if the entity explains that it engages with fund managers and the third party on the topic of 1.5°C trajectory.
- Disclosures (if public) on CDP C-FS12.2 and C-FS12.2A on voting rights may provide relevant evidence.

iii) The assessed entity engages in partnerships to support the alignment of clients and investees with 1.5°C trajectories (e.g. through Climate Action 100+).
GEC_00575

- This refers to engagement in collaborative partnerships set up to take action, or drive alignment.
- This is different from business partnerships.
- This may refer to membership in the Climate Action 100+ and/or refers to other initiatives that supports their clients and investees to align with a 1.5°C agenda.
- Examples of other initiatives considered relevant include but are not limited to Net-Zero Asset Owner Alliance (NZAOA), Net Zero Asset Managers Initiative, Net Zero Banking Alliance Germany (NZBAG) and Japan Climate Initiative
- For ClimateAction100+ membership check for participants marked with an asterix (*). https://www.climateaction100.org/whos-involved/investors/
- Information regarding CDP C12.5 (if public) would indicate the collaborative frameworks, initiatives and/or commitments for which an assessed entity is a signatory/member.
- If the initiative (like Climate Action 100+) is only addressing a specific sub-sector, it is sufficient that the engagement involves only the applicable subsidiary or part of the assessed entity, not the full group.
- The assessed entity needs to be members of the partnership, a general statement that they support it is not sufficient.
- This element can be given a met although ii) is unmet.
- The assessed entity needs to provide the specific organizations to verify that it engages together with others such as other financial institutions, supply chain actors or in cross-sector initiatives.
- If the assessed entity has a public CDP report, check C-FS12.1c, C-FS12.2 or C-FS3.7a.

10. Nature-related impacts strategy

Indicator: The assessed entity identifies and prioritizes its positive and negative impacts on nature and has a protection and restoration strategy in place.

Key search words: biodiversity; ecosystem; nature; natural capital; ecosystem services; adverse impact statement; nature-positive; deforestation; afforestation; use of materials; rare earth metals; waste; pollution; eutrophication; land-use; desertification; and ecosystem conversion; ocean; sea; regenerative; TNFD; SBTN

Element details

i) The assessed entity transparently identifies the nature-related impacts associated with its provision of products, services and capital. GEC_00576
• The assessed entity shall disclose that it is identifying its impact on nature. • The assessed entity discloses which nature-related dimensions it includes in its assessment. • The assessed entity shall describe how it assesses its provision of products, services and capital to arrive at any conclusion on how it impacts nature. • The evidence for element 1.i) is likely to contain some of the evidence for this indicator. • Impacts mentioned may be such as use of materials, waste, pollution, eutrophication, land-use (deforestation, desertification…) and ecosystem conversion, impact on ocean and sea but for this round we do not specify which types of impact to consider. • Impacts considered may be both negative and positive, but the assessed entity cannot refer to positive impacts only. • Impacts could be both intended and unintended. • Assessments for TNFD, SBTN or similar may be relevant if taking an impact perspective but need to be transparently described, not only referred.
ii) The assessed entity transparently identifies and prioritizes sectors and areas for nature-related impacts, i.e. sectors and areas associated with the highest impact on nature stemming from its provision of products, services and capital. GEC_00577
• This element refers to showing how impacts are associated with sectors and geographic areas representing the assessed entity´s highest impact. • There shall also be a rationale which explains why those are identified as the highest impacting ones.   ○ Typically, this would refer to the size of business in different sectors and areas, as well as the significance of impact from those sectors and areas. • Considering both may be important as a low exposure to a high-impact area may overall give a higher impact than a high exposure to a low impact area.

iii) The assessed entity has a strategy for the protection and restoration of nature covering at least its priority sectors and areas. GEC_00578
• Having assessed its impacts and identified its priority sectors and areas, the assessed entity defines a strategy for the protection and restoration of nature covering at least those. • Impacts considered may be both negative and positive, but the assessed entity cannot refer to positive impacts only. • The strategy focuses on how to adjust their provision of products, services and capital to reduce negative impacts and amplify positive impacts. • A strategy that focuses on reducing financial risks only is not sufficient to meet this element. • A strategy shall be explicitly described as such and forward-looking • A policy may qualify as evidence if the above criteria are met.

11. Reduction of negative impacts on nature

Indicator: The assessed entity monitors its exposure to the sectors and areas representing its highest negative impact on nature and sets targets to address this impact.

Key search words: biodiversity; ecosystem; nature; natural capital; ecosystem services; adverse impact statement; nature-positive; deforestation; afforestation; use of materials; rare earth metals; waste; pollution; eutrophication; land-use; desertification; and ecosystem conversion; ocean; sea; regenerative; TNFD; SBTN

General guidance:

- Given the complexity and novelty of integrating impacts on nature into business priorities it cannot be expected that outcomes will be perfect, but the financial institutions shall demonstrate a serious attempt to address this topic.
- It is not sufficient to refer to climate impacts only, although climate has a strong impact on nature.

Element details

i) The assessed entity discloses the amount and/or share (in monetary terms) of its provision of products, services and capital linked to its priority sectors and areas representing its highest negative impact on nature. GEC_00579
• The assessed entity shall present one or more values that, alone or jointly, refer to its total provision of products, services and capital in monetary terms. • In case a percentage number is presented it must be specified what it refers to. • The assessed entity shall describe what this disclosure covers but need not detail specific contracts ad similar details.

- As this indicator is about disclosure, also a small value counts.
- Note that the focus is on provision to these sectors and areas in general – the values as such need not be specifically linked to sustainability.
- Development Financial Institutions commit first and are obliged to spend the committed money during the project period which often last several years. Actual spending reported per project and hard to assess and aggregate. Hence, for those "commitment" is considered sufficient.

ii) The assessed entity has time-bound and measurable targets for reducing its negative impact on nature.
GEC_00580

The assessed entity may refer to one overarching target spanning several dimensions, or assign specific targets to such as land use, resource exploitation, biodiversity, and ecosystem integrity.
Per target:

- The target shall be specified.
- Targets shall be time-bound and measurable.
- Besides being time-bound and measurable, the target shall be associated with a base year and a baseline value.
- A standalone value of current performance is not considered a target. I.e. a target which is set for the reported year only is accepted if there is an earlier baseline year and if the target has been communicated at an earlier point.
- Similarly, a stated value claimed to represent a met target that has not been communicated earlier cannot be a basis for scoring.
- The targets are usually be communicated in monetary terms or as share of assets under management (AUM) or revenue.
- For targets expressed as emission reduction a transparent and reasonable model must link the emission reduction to the provision of products, services and capital.

Note: As this area is less mature than climate from a corporate perspective this element does not mandate specific targets in this iteration.

iii) The assessed entity progresses in line with its targets.
GEC_00581

Per target:

- To show progress, the assessed entity shall have published its current status during the assessed year, and at least one earlier report of the performance (including the baseline value)
- The values shall represent an interval of about one year.
- If there is an improved performance for the second data point relative to the first one, we consider the entity to have made progress but cannot yet conclude whether this represents progress in line with the target.
- Next, this progress must be checked towards the expected target progress for the element to be considered met.
- To assess if progress is sufficient, it is checked if the change compared to the baseline value represents a reasonable share of the expected change during

the target period. A smaller change is only accepted if the assessed entity provides a reasonable rational and shows that sufficient progress can be made in the time remaining to the target year. A smaller change is not allowed without explanation or if it postpones the target date.
- A single performance data point is not sufficient to get a mark.

12. Resources for nature-positive solutions

Indicator: The assessed entity provides products, services and capital for nature-positive solutions and has targets for this.

Note: Applicable nature-positive solutions align with established criteria defined by such as MDB Common Principles for tracking nature-positive finance

Key search words: biodiversity; ecosystem; nature; natural capital; nature-positive; forestry policy; land governance policy; afforestation; regenerative; ecosystem conservation; nature conservation; TNFD; SBTN

General guidance:

- Given the complexity and novelty of integrating impacts on nature into business priorities it cannot be expected that outcomes will be perfect, but the financial institutions shall demonstrate a serious attempt to address this topic.
- It is not sufficient to refer to climate impacts only, although climate has a strong impact on nature.

Element details

i) The assessed entity discloses the aggregate amount and/or share (in monetary terms) of its provision of products, services and capital devoted to specified nature-positive solutions.
GEC_00582

- This shall refer to provision of products, services and capital, not to the assessed entity´s own operation or supply chain or philanthropy, charities and foundations.
- Examples of nature-based/ regenerative solutions include provision of products, services and capital to such as reforestation, sustainable agriculture, ocean conservation, and the restoration of degraded land.
- The assessed entity shall present one or more values that, alone or jointly, refer to its total provision of products, services and capital in monetary terms.
- In case a percentage number is presented it must be specified what it refers to.
- The assessed entity shall describe what this disclosure covers but need not detail specific contracts ad similar details.
- For Development Financial Institutions "commitment" is considered sufficient.

ii) The assessed entity has time-bound and measurable targets for provision of products, services and capital for nature-positive solutions. GEC_00583
The assessed entity may refer to one overarching target spanning several dimensions, or assign specific targets to such as land use, resource exploitation, biodiversity, and ecosystem integrity. Per target: • The target shall be specified. • Targets shall be time-bound and measurable. • Besides being time-bound and measurable, the target shall be associated with a base year and a baseline value. • A standalone value of current performance is not considered a target. • Similarly, a stated value claimed to represent a met target that has not been communicated earlier cannot be a basis for scoring. I.e. a target which is set for the reported year only is accepted if there is an earlier baseline year and if the target has been communicated at an earlier point. • The targets are usually be communicated in monetary terms or as share of assets under management (AUM) or revenue. • For targets expressed as emission reduction a transparent and reasonable model must link the emission reduction to the provision of products, services and capital. *Note: As this area is less mature than climate from a corporate perspective this element does not mandate specific targets in this round.*
iii) The assessed entity progresses in line with its target. GEC_00584
Per target: • To show progress, the assessed entity shall have published its current status during the assessed year, and at least one earlier report of the performance (including the baseline value) • The values shall represent an interval of about one year. • If there is an improved performance for the second data point relative to the first one, we consider the entity to have made progress but cannot yet conclude whether this represents progress in line with the target. • Next, this progress must be checked towards the expected target progress for the element to be considered met. • To assess if progress is sufficient, it is checked if the change compared to the baseline value represents a reasonable share of the expected change during the target period. A smaller change is only accepted if the assessed entity provides a reasonable rational and shows that sufficient progress can be made in the time remaining to the target year. A smaller change is not allowed without explanation or if it postpones the target date. • A single performance data point is not sufficient to get a mark.

13. Nature-related engagement activities

Indicator: The assessed entity engages with clients, investees and other stakeholders on nature-protection and restoration.

Key search words: biodiversity; ecosystem; nature; natural capital; adverse impact statement; nature-positive; deforestation; afforestation; use of materials; rare earth metals; waste; pollution; eutrophication; land-use; desertification; and ecosystem conversion; ocean; sea; regenerative; TNFD; SBTN; stewardship policy; engagement policy; collective engagement/action.

General guidance:

- Given the complexity and novelty of integrating impacts on nature into business priorities it cannot be expected that outcomes will be perfect, but the financial institutions shall demonstrate a serious attempt to address this topic.
- It is not sufficient to refer to climate impacts only, although climate has a strong impact on nature.

Element details

i) The assessed entity transparently identifies key sectors, clients and investees to engage with on nature-related impacts. GEC_00585
• This refers to engagement in collaborative partnerships set up to take action, or drive alignment. • This is different from business partnerships. • Guidance is similar to element 9i) however this indicator refers to nature-related impacts other than climate impacts. • This element asks if the assessed entity identifies a select number of clients and investees to engage with. • The assessed entity may also refer to the sectors it prioritises to engage with if they refer to general engagement with clients and investees in those sectors. • If presenting the specific clients and investees the priority sectors need not be identified. • There is no upper limit to the number of clients and investees to engage with - to explicitly state that engagement is undertaken with all clients and investees counts as evidence towards this element.
ii) The assessed entity engages with these clients and investees to influence and support them to set strategies for nature-protection and restoration. GEC_00586
• Guidance is similar to element 9ii), however the engagement must focus on nature-related impact other than climate. • This indicator focuses on the engagement between the assessed entity and companies it provides products, services and capital to, e.g., clients, investees, etc.

- The assessed entity shall engage with those sectors, clients and customers identified in i) and does not require that the assessed entity engages with all sectors, clients and investees.
- This goes deeper than element i) and needs evidence that engagement actually takes place with regards to such as voting policy, stewardship policy etc.
- Common types of engagement include:
  - meetings/calls/discussions with companies
  - voting
  - monitoring company performance
- If the assessed entity provides finance to fund managers, e.g., invests in investment funds managed by fund managers, or appoints a third party to engage on its behalf, the indicator can be met if the assessed entity explains that it engages with fund managers and the third party.
- Disclosures (if public) on CDP C-FS12.2 and C-FS12.2A on voting rights may provide relevant evidence.
- Common engagement includes net zero deforestation and biodiversity engagement

iii) The assessed entity engages in partnerships to influence and support sectors, clients and investees to act on their nature-related impacts.
GEC_00587

- The assessed entity needs to be member of the partnership, a general statement that they support it is not sufficient.
- Applicable partnerships include such as TNFD, which focus on impacts (not only financial and reputational risks).
- The assessed entity needs to provide an example verifying that it engages together with others such as other financial institutions, supply chain actors or in cross-sector initiatives.
- If the initiative is only addressing a specific sub-sector, it is sufficient that the engagement involves only the applicable subsidiary or part of the assessed entity, not the full group.
- To be a member but not disclose any engagement if that is required by the partnership is not seen as sufficient for a met.

14. Resources for climate adaptation and resilience

Indicator: The assessed entity has a strategy for provision of products, services and capital for climate adaptation and resilience.

General guidance:

- Given that climate adaptation and resilience is a less mature topic than climate mitigation from a corporate perspective, this indicator is less prescriptive than those on climate mitigation.
- The main goal of including it in this round is to understand the maturity level of financial institutions in relation to this topic.

- Measures associated with climate adaptation and resilience may involve activities in both society and nature aiming for society to be better prepared for the inevitable - though not fully predictable in detail - effects of climate change.

Element details

i) The assessed entity has a strategy for providing of products, services and capital to support the climate adaptation and resilience of society. GEC_00588
• As a less mature and standardised topic than climate mitigation this element is not mandating the content of a strategy but refers to its existence • To count as a strategy the assessed entity is expected to refer to climate adaptation and resilience, and its intended strategy to address this. • A strategy shall be explicitly described as such and be forward-looking. • The strategy needs to refer to the provision of products, services and capital and need to be supportive of climate adaptation and resilience.
ii) The assessed entity provides at least one example of how its products, services and capital supports the climate adaptation and resilience of society. GEC_00589
• Whether the assessed entity has a strategy on climate adaptation and resilience in place or not, it shall disclose information regarding provision of products, services or capital that helps society to manage climate adaptation and resilience. • As this indicator is about understanding the assessed entity´s awareness and consideration of climate adaptation and resilience, measures that may be beneficial from this perspective but not somehow referred to climate adaptation and resilience will not count. • This limits the evidence to what is intentionally addressing this space. • However, the measures may serve other purposes as well (e.g. strengthening sewage water infrastructure to manage heavier rainfall may have additional positive effects.) • For this iteration, services like guidance on this topic to investees are considered evidence for this element • Examples presented at group level but referring to a subsidiary count as evidence for this element.

II. Environmental footprints

15. Organization carbon footprint

Indicator: The assessed entity monitors its carbon footprint including its financed GHG emissions.

Key search words: carbon footprint, GHG emissions, organizational carbon footprint, PCAF, GHG protocol, scope 1, scope 2, scope 3, financed emissions, facilitated emissions, insurance-associated emissions.

Element details

i) The assessed entity monitors its scope 1-2 emissions. GEC_00590
• The assessed entity assesses and discloses their scope 1-2 emissions according to the GHG Protocol. Due to the scope-concept being defined by the GHG protocol an explicit reference to the GHG protocol is not needed if the evidence is otherwise clear. • The GHG protocol requires emissions data to be reported separately for each scope. • The assessed entity reports these emissions at an annual basis. • Disclosing the information in an annual document is considered evidence for "monitoring". • Scope 2 may be presented as market-based or location-based. Both are considered valid but need to be stored as separate data points. • Entities shall specify whether values are market-based or location-based. • Disclosure for CDP-C6.1 and C6.3 (if public) may provide relevant information.
ii) The assessed entity monitors the emissions resulting from its associated financing activities (Scope 3 category 15). GEC_00591
• The assessed entity assesses and discloses their financed emissions as defined by the GHG protocol and further detailed by PCAF in the (Part A-C). • Different parts apply for different sub-sectors. • Disclosures for CDP-C14 (if public) may provide relevant information. • Applicable financed emissions include the assessed entity´s portfolio, not only to its own assets (See PCAF). • The assessed entity shall disclose all its absolute financed emissions, except those for which exclusions are accepted according to the standards. Exclusions shall be stated or recalculated into percentage of emissions. • The assessed entity shall disclose the percentage in monetary terms of their activities covered by their financed emissions inventory (see PCAF page 124).

- Insurers are considered with regards to their own capital, but they shall also cover their commercial line and vehicle insurances. This is in line with the standards.

iii) The assessed entity monitors other scope 3 categories, by category.
GEC_00592

- The assessed entity assesses and discloses their other scope 3 emissions according to the GHG Protocol
- The disclosure is made by category.
- The assessed entity reports these emissions at an annual basis.
- Scope 3 categories (except category 15) include:
    1. Purchased goods and services.
    2. Capital goods.
    3. Fuel- and energy-related activities.
    4. Upstream transportation and distribution.
    5. Waste generated in operations.
    6. Business travel.
    7. Employee commuting.
    8. Upstream leased assets.
    9. Downstream transportation and distribution.
    10. Processing of sold products.
    11. Use of sold products.
    12. End-of-life treatment of sold products.
    13. Downstream leased assets
    14. Franchises
    15. Investments (a k a financed emissions, addressed in b)
- Typically, any type of service company is associated with category 1-7 and 9 while 10-12 is associated with physical products, and 8,13 and 14 depend on the business setup.
- Category 3 is directly linked to scope 2 emissions as it represents the value chain of energy and fuels reported as scope 2.
- Scope 3 categories excluded from the inventory shall be stated together with a justification following the GHG protocol.
- Disclosure for CDP- C6.5 (if public) may provide relevant information.
- At least five of category 1-14 are required to be quantified for a met.

iv) The assessed entity transparently details the methodology applied in its footprint calculation.
GEC_00593

The assessed entity details the methodology applied to derive its scope 1-3 emissions (including its financed emissions) and total footprint. This shall at least cover:

- emissions coverage for each category. This includes stating to what extent the provision of products, services and capital is covered by its reported financing activities.
- Types of data used in different parts of the calculation (measured, calculated, from public source etc)
- Type of data also refer to use of entity specific data and/or industry averages.

- Information regarding sources for applied emission factors.
- Detailing the methodology also includes a reference to the applied standard and disclosing deviations from the standard.
- This element could not be met unless other elements are met but need still to be assessed individually.

16. Net zero and 1.5°C aligned climate targets

Indicator: The assessed entity has established a net zero target and aligns its financed emissions with a 1.5°C trajectory.

Key search words: net zero target, interim target, near-term target, climate target, emissions target, financed emissions target, 2050

Element details

i) The assessed entity has a long-term target to reach net zero emissions by latest 2050 across its scope 1-3 emissions, including its financed emissions. GEC_00594
• The indicator refers to targets at the group level. • A long-term target refers to emission reductions of scope 1-3 emissions (including financed emissions). • A long-term target shall cover the entire business as well as the full value chain • The target may aggregate all scopes or refer to separate targets for different scopes. • Offsetting is not allowed as part of a net-zero target. • Removals are only allowed for the final residual emissions at net zero. • The target shall cover all financing activities the assessed entity is active in. • Targets shall be time-bound to 'by 2050' or before. • We are not requesting SBTi approved targets at this point but consider applicable SBTi approved targets sufficient evidence. However, an assessed entity that lacks an SBTi approved target does not get a "met" by only referring to its target as being SBTi aligned without specifying it further. *Refer to ISO Net Zero guidelines and Science-Based Targets Initiative (SBTi) for further details regarding Net Zero targets.* *Note: Carbon neutrality targets based on offsetting are not considered net zero targets.*
ii) The assessed entity has one or more interim targets for latest 2030 (e.g. 2025 and 2030) aligned with a 1.5C trajectory. GEC_00595
• The target shall be specified. • The assessed entity may refer to one combined target or separate targets for different categories of emissions (scope 1-3, scope 3 category 15 etc)

- Targets shall be time-bound and measurable.
- Besides being time-bound and measurable, the target shall be associated with a base year and a baseline value.
- A standalone value of current performance is not considered a target.
- Similarly, a stated value claimed to represent a met target that has not been communicated earlier cannot be a basis for scoring. I.e. a target which is set for the reported year only is accepted if there is an earlier baseline year and if the target has been communicated at an earlier point.
- Offsetting is not counted as part of aligning with 1.5°C.
- In case the entity refers to SBTi note the difference between being committed to set a target and having an approved target.
- We are not requesting SBTi approved targets at this point but consider applicable SBTi approved targets sufficient evidence. However, an assessed entity that lacks an SBTi approved target does not get a "met" by only referring to its target as being SBTi aligned without specifying it further.
- To align with a 1.5 °C trajectory the target shall typically be to reduce emissions, including financed emissions, by 45% or more (e.g., 50%, 55%) by 2030.
- The assessed entity does not need to have a net zero target to meet this element which is assessed independently.
- This element can be met even if element i) is not met.
- We are only accepting absolute emission targets– intensity-based targets may be explored for future iterations

iii) The assessed entity has established a transition plan covering its own operations, supply chain and portfolio.
GEC_00596

- The assessed entity has a time-bound action plan that clearly outlines how the assessed entity will pivot its existing assets, operations, and entire business model towards its interim and net zero targets.
- The transition plan covers all scope 1-3 emissions.
- The transition plan covers phase out of stranded assets.
- The transition plan considers just transition.
- The plan is less than five years old.
- This transition plan assumes the existence of a net-zero and interim targets.
- In case there is no explicit target, but implicit targets are clearly stated as part of the plan there might be cases when the plan itself is clear enough to make it sufficient for a met. To be discussed if such a case occurs.

Some background reading: *High-level_expert_group_n7b.pdf (un.org),* CDP_technical_note_-_Climate_transition_plans.pdf, A Tool for Developing Credible Transition Plans: Public edition for asset owner pilot-testing(unepfi.org), Assessing Transition Plans Collective

iv) The assessed entity´s scope 1-3 emissions reduce in line with its interim targets. GEC_00597
• To show progress, the assessed entity shall have published its current status during the assessed year, and at least one earlier report of the performance (including the baseline value) • The values shall represent an interval of about one year. • If there is an improved performance for the second data point relative to the first one, we consider the entity to have made progress but cannot yet conclude whether this represents progress in line with the target. • Next, this progress must be checked towards the expected target progress for the element to be considered met. • To assess if progress is sufficient, it is checked if the change compared to the baseline value represents a reasonable share of the expected change during the target period. A smaller change is only accepted if the assessed entity provides a reasonable rational and shows that sufficient progress can be made in the time remaining to the target year. A smaller change is not allowed without explanation or if it postpones the target date. • A single performance data point is not sufficient to get a mark. • This element cannot be met unless ii) is met.

C. Respecting individuals and society

I. Inclusive finance

17. Resources for underrepresented groups

Indicator: The assessed entity discloses how much products, services and capital it contributes to specific groups that traditionally receive less such services.

Key search words: clients; beneficiaries; investees; distribution: allocation; underrepresented; unbanked; underbanked; under-insured; under-financed; unprivileged; economically disadvantaged; low-income workers; indigenous; black; Asian; elderly; women; minorities; rural; poverty; inclusive

Element details

i) The assessed entity discloses the breakdown of clients and/or beneficiaries by income group. GEC_00598
• The focus of the indicator is on the provision of products, services and capital. • Any information related to donations, philanthropy, charities and foundations are recorded only separately and is not a ground for this element to be met. • The breakdown shall be well-defined and reasonable with regards to selection of groups and income interval. • Note that this indicator refers to people not industries.
ii) The assessed entity discloses the amount and/or share (in monetary terms) of products, services and capital provided to usually excluded group, defined by the assessed entity itself. GEC_00600
• This shall refer to provision of products, services and capital, not to the assessed entity´s own operation or supply chain or philanthropy, charities and foundations. • This element is about financial inclusion/giving usually excluded group financial agency and means, which is different from providing general financing of specific services (e.g. education) that may be beneficial to such groups. • The usually excluded groups shall be well-defined and reasonable. • The assessed entity shall present one or more values that, alone or jointly, refer to its total provision of products, services and capital in monetary terms. • In case a percentage number is presented it must be specified what it refers to. • The assessed entity shall describe what this disclosure covers but need not detail specific contracts and similar details.

- Note that the assessed entity may refer to microloans as part of its provision and that it needs to be checked whether receivers of such loans are individuals rather than SMEs to count for this indicator.
- If the assessed entity discloses qualitative information but not quantitative evidence, it will not meet the element.
- This element refers to the aggregated provision so disclosure in relation to a specific cause is not sufficient to score.
- For Development Financial Institutions "commitment" is considered sufficient.

18. Resources for underrepresented businesses and enterprises

Indicator:

The assessed entity discloses how it directs products, services and capital to businesses and enterprises that traditionally receive less such services.

Key search words: industry; industries; sector; SMEs; small enterprises; medium enterprises; small and medium-sized enterprises; women; women-owned; small banks; microcredit-loans (applicable for banks); lending profile (if applicable)

Element details

i) The assessed entity discloses the breakdown of clients and/or beneficiaries by company size (e.g. by number of employees/revenue). GEC_00601
• The focus of the indicator is on the provision of products, services and capital. • The breakdown shall be well-defined and reasonable with regards to selection of company size intervals. • The breakdown parameter shall reflect aspects of the company, i.e. allocation based on the entity´s own investments does not count as evidence. • Information related to donations, philanthropy, charities and foundations is not considered evidence.
ii) The assessed entity discloses the amount and/or share (in monetary terms) products, services and capital provided to small-and medium-sized enterprises. GEC_00602
• This shall refer to provision of products, services and capital, not to the assessed entity´s own operation or supply chain or philanthropy, charities and foundations. • Such as a fund dedicated to SME investments count as evidence if other criteria are fulfilled. • The assessed entity shall present one or more values that, alone or jointly, refer to its total provision of products, services and capital in monetary terms. • In case a percentage number is presented it must be specified what it refers to. • The assessed entity shall describe what this disclosure covers but need not detail specific contracts ad similar details.

- It is not required that the evidence refers to all parts of their business (such as lending AND investments) as the provision may only occur in specific segments. However, the disclosure shall be at a group level, i.e. not at the subsidiary level.
- Disclosure referring to micro and small sized enterprises considered sufficient even if medium-sized enterprises is not referred to.
- Note that the assessed entity may refer to microloans as part of its provision and that it needs to be checked whether receivers of such loans are SMEs rather than individuals to count for this indicator.
- If the entity discloses qualitative information but not quantitative evidence it would not meet the element.
- This element refers to the aggregated provision so disclosure in relation to a specific sub-group is not sufficient to score.
- For Development Financial Institutions "commitment" is considered sufficient.
- Development Financial Institutions and some pension funds (sometimes in collaboration) may operate through a middleman or in partnerships. In such cases indirect contributions count.

iii) The assessed entity discloses the amount and/or share (in monetary terms) of products, services and capital provided to women-owned businesses.
GEC_00599

- This shall refer to provision of products, services and capital, not to the assessed entity´s own operation, supply chain or philanthropy, charities and foundations.
- Women-owned businesses are defined as businesses where 51% or more is owned by one or more women.
- The assessed entity shall present one or more values that, alone or jointly, refer to its total provision of products, services and capital in monetary terms.
- In case a percentage number is presented it must be specified what it refers to.
- The assessed entity shall describe what this disclosure covers but need not detail specific contracts ad similar details.
- The amount can be aggregated or divided into separate categories but shall in either case cover women-owned businesses overall, not just one type of business e.g. women-owned SMEs.
- If the assessed entity discloses qualitative information but not quantitative evidence, it will not meet the element.
- For Development Financial Institutions "commitment" is considered sufficient.

19. Resources for low-income and lower-middle income countries

Indicator: The assessed entity discloses how it directs products, services and capital to low-income and lower-middle income countries.

Search words: low-income country; lower-middle income country, emerging markets; developing countries; social impact; development finance.

Element details

i) The assessed entity discloses its operation by country (e.g. by number of employees or revenue). GEC_00603
• The focus of the indicator is on the provision of products, services and capital. • Any information related to donations, philanthropy, charities and foundations are recorded only separately and is not a ground for this element to be met. • It is acceptable if the assessed entity refers to data for countries at a project level if providing a comprehensive project list. • Ideally, we would like to see a full list of countries, however it is acceptable if a smaller amounts/percentage is collected into an "other LLMIC" or "other" category. • In case the entity operates in only one country applicable overall data would be considered sufficient for a "met". *Note: Jurisdiction of taxation is not considered evidence for this element.*
ii) The assessed entity discloses the amount and/or share (in monetary terms) products, services and capital provided to low-income and lower-middle income countries. GEC_00604
• Low-income countries/economies and lower-middle income countries/ economies are defined by the World Bank[4] • The assessed entity shall present one or more values per country that, alone or jointly, refer to its total provision of products, services and capital in monetary terms. • In case a percentage number is presented it must be specified what it refers to. • The assessed entity shall describe what this disclosure covers but need not detail specific contracts ad similar details. • If the assessed entity discloses qualitative information but not quantitative evidence, it will not meet the element. • If the assessed entity is only present in either low incomed or lower-middle income countries, they would be assessed only in relation to those. • For Development Financial Institutions "commitment" is considered sufficient. *Note: Since geographical reach of provision of products, services and capital differ from operational presence this element is evaluated independent of boundaries in operational presence identified in relation to i)*

[44] https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups

iii) The assessed entity discloses its processes for avoiding divestment from low-income and lower-middle income countries as unintended consequences of its sustainability strategies and targets. GEC_00605
• As a less mature and standardised topic this element is not mandating the content of a strategy but refers to its existence • The strategy shall refer to the provision of products, services and capital and shall be supportive of supportive of implementing sustainability strategies and targets. • A strategy which means avoiding adjustments of the provision of products, services and capital in line with sustainability strategies and targets, does not count as way to meet this element. Instead that assessed entity shall have a strategy based on complementary efforts to not leave these economies behind when performing such adjustments.
iv) The assessed entity specifies its prioritized markets for provision of products, services and capital to low-income and lower-middle income countries. GEC_00606
• The assessed entity specifies its prioritized markets among low-income countries/economies and lower-middle income countries/economies as defined by the World Bank[5]

20. Downstream impacts on fundamental rights of work

Indicator: The assessed entity considers the ILO fundamental rights of work in relation to its provision of products, services and capital.

Search words: ILO fundamental rights at work; due diligence; workers.

Element details

i) The assessed entity´s risk assessment process includes risks associated with the ILO fundamental rights at work for those impacted by its provision of products, services and capital. GEC_00607
• This refers to a general reference to risks associated with ILO´s fundamental principles and rights of work, or a specific reference to each of them (i.e. freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced or compulsory labour; the effective abolition of child labour; the elimination of discrimination in respect of employment and occupation; and a safe and healthy working environment) • The assessed entity shall disclose that risks of breeches against these principles and rights are integrated in applicable due diligence processes for the provision of products, services and capital.

[55] https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups

- The evidence needs to consider people who are, or may potentially be, impacted by the entity´s activities. Hence it is not sufficient to focus only on handling of known breaches.
- The evidence shall refer to all the principles (explicitly or in combination).

Note: The concept 'modern slavery' may be used to collectively refer to forced labour and child labour. However, as it may also be used with a different meaning, this wording is not considered sufficient evidence for consideration of these two categories without further specification.

ii) The assessed entity has a process for mitigating such risks when identified.
GEC_00608

- The assessed entity states that it has a process for mitigating identified risks.
- The assessed entity describes how it mitigates these risks.
- The process may be a separate one or integrated with other processes. However, if integrated into another process the consideration of risk mitigation in relation to ILO fundamental rights shall be specifically referred to.

21. Downstream living wages policy and strategy

Indicator: The assessed entity adopts a living wages policy for its provision of products, services and capital.

Note: The definition of a 'living wage' shall be based on international norms and standards, and explicitly demands to: i) cover the basic needs of the worker and their family, ii) be earned in a standard work week of no more than 48 hours and iii) provides some discretionary income

Search words: ILO fundamental rights at work; due diligence; workers.

Element details

i) The assessed entity has established a living wages policy which considers those affected by its provision of products, services and capital.
GEC_00609

- The process shall focus on living wages effects associated with the provision of products, services and capital.
- The element refers to workers involved in implementing any project which is enabled by this provision.
- This often refers to third parties rather than the employees of the client or investee.
- The definition of a 'living wage' shall be in line with international norms and standards.
- Specifically, living wages, by common definition considers i) cover the basic needs of the worker and their family; ii) is earned in a standard work week of no more than 48 hours; and iii) provides some discretionary income.

Note that the assessed entity may also refer to 'living income' which is a broader concept covering any income earner, while 'living wages' often focus more on hired workers.

Some background reading: To get familiar with this topic refer to Good Work Coalition and the Platform for Living Wage Financials (PLWF) for further background.

ii) The assessed entity has a time-bound strategy to reduce risks of non-living wages associated with its provision of products, services and capital.
GEC_00610

- The assessed entity discloses a stand-alone or integrated strategy detailing its intended way forward to reduce risks of non-living wages in association with its provision of products, services and capital.
- To qualify as a strategy the description must be time-bound and specific regarding what it aims to do or what it aims to achieve.
- A strategy shall be explicitly described as such and be forward-looking.

iii) The assessed entity demonstrates progress in this area.
GEC_00611

- The assessed entity shows progress in how it integrates this perspective with its provision of products, services and capital.
- This could in this round refer to either general developments or specific examples that demonstrate that this perspective has been considered.

22. Just transition risk mitigation and stewardship

Indicator: The assessed entity considers just transition in its provision of products, services and capital.

Note: Though close to concepts such as 'transition finance' and 'transition plan', 'just transition' is a different concept that focuses on the social effects of the transition

Key search words: just transition, net zero transition AND social, green economy transition, low-carbon transition, just, transition finance

Some background reading: Just Transition Finance - Pathways for banking and insurance (ILO, UNEP FI), Financing a Just Transition (UN Global Compact, 2022)

Element details

i) The assessed entity has a process for identifying the social risks associated with its provision of products, services and capital in relation to the net zero transition.
GEC_00612

- The assessed entity states that it considers social transition risks associated with its provision of products, services and capital for the transition to a low-carbon/net zero economy.
- The assessed entity describes how it assesses these risks.

• The process may be a separate one or integrated in the general process for assessing social risks. However, if integrated into the wider risk assessment the consideration of a just transition shall be specifically referred to.
ii) The process considers workers and other concerned stakeholders. GEC_00613
• The assessed entity shall disclose that its process for assessing transition related risks considers the effect on workers from a justness perspective (other wording may be used). • Workers refers to workers in industries directly or indirectly affected by the provision of products, services and capital. • The assessed entity shall disclose that its process considers the effect on other listed stakeholder categories.
iii) The assessed entity has a process for mitigating such risks. GEC_00614
• The assessed entity states that it has a process for mitigating identified risks. • The assessed entity describes how it mitigates these risks. • The process may be a separate one or integrated with other processes. However, if integrated into another process the consideration of a just transition risk mitigation shall be specifically referred to. • Risk mitigation includes such as supporting local economic transition or re-skilling and up-skilling of workers.
iv) The assessed entity has a process for enabling social opportunities of the transition associated with its provision of products, services and capital. GEC_00615
• The assessed entity states that it has a process for identifying social opportunities associated with its provision of products, services and capital for a low-carbon or net zero economy. • The assessed entity describes how it enables these opportunities. • The process may be a separate one or integrated with other processes. However, if integrated into another process the consideration of just transition opportunities shall be specifically referred to. • Enabling opportunities includes such as supporting local economic transition and access to green and decent jobs.
v) The assessed entity includes just transition in its stewardship activities. GEC_00616
• The assessed entity discloses that just transition is identified and prioritized as an engagement topic. • The assessed entity may alternatively provide evidence of stewardship activities undertaken to support a just transition. This may include engagement with clients and/or other stewardship activities.

II. Responsible Business conduct (Core Social Indicators)

a. Corporate human rights responsibility

23. Commitment to respect human rights

Indicator: The assessed entity publicly commits to respecting all internationally recognised human rights across its activities. (CSI1+)

ELEMENT DETAILS

i) The assessed entity has a publicly available policy statement committing it to respect human rights, which is approved by the highest governance body. GEC_00291 *Note: This refers to activities across its operation, supply chain and financial activities*
The assessed entity discloses a policy statement on respecting human rights. For example, it can: • Commit to respect human rights, • Commit to respect the rights in the Universal Declaration of Human Rights, • Commit to respect the rights in the International Bill of Human Rights, • Commit to respect all internationally recognised human rights. The commitment and the policy shall cover all the assessed entity's activities and shall be standard across all locations regardless of law. The commitment has strong wording. Examples of strong wording are: • Commits to respect XX convention • We adhere to the XX convention • We uphold the XX right/convention, etc. • We are committed to respecting the rights under the XX convention • We recognise our obligation to respect XX • We abide by XX • Comply with • Aligned with A commitment to the ten principles of the UNGC and a modern slavery statement are not considered sufficient as well as weak wording such as: • We follow the principles of the XX convention • We support the right to XX • Consistent with XX • In line with • Informed by • Striving to ensure rights are upheld • Recognises the principles of XX (acknowledgement of an obligation is not a commitment) • Guided by • Based on • Comply with

24. Identifying human rights risks and impact

Indicator: The assessed entity proactively identifies its human rights risks and impacts. (CSI3+)

ELEMENT DETAILS

i) The assessed entity describes the process(es) to identify its human rights risks and impacts in specific locations or activities covering its own operations. GEC_00294
The assessed entity discloses the first step of a human rights due diligence process for its operations, namely the identification of all its human rights risks and impacts. It shall provide evidence of a clear identification process which can include but is not limited to at least two of the following: • Desk-based research and human rights risk analysis • Using specialist research platforms or databases to identify/assess human rights risks • Engagement with rightsholders to identify human rights risks • Risk analysis of human rights risks across locations, sectors, commodities etc. • Partnership with a human rights expert to conduct risk analysis • Human Rights Impact Assessment (HRIA) • Engagement with internal entity functions and/or suppliers to understand human rights risks. The process covers the assessed entity's whole operations and involves identifying risks to people, not risks to business (e.g. reputation or financial). • Furthermore, it shall not only reference a specific human right risk (e.g. modern slavery or discrimination).
ii) The assessed entity describes the process(es) to identify its human rights risks and impacts in specific locations or activities through relevant business relationships. GEC_00295
The assessed entity discloses the first step of a human rights due diligence process for its supply chains, namely the identification of its human rights risks and impacts in its supply chain. It shall provide evidence of a clear identification process which can include but is not limited to at least two of the following: • Desk-based research and human rights risk analysis • Using specialist research platforms or databases to identify/assess human rights risks • Engagement with rightsholders to identify human rights risks • Risk analysis of human rights risks across locations, sectors, commodities etc. • Partnership with a human rights expert to conduct risk analysis • Human Rights Impact Assessment (HRIA) • Engagement with internal entity functions and/or suppliers to understand human rights risks. The process covers the assessed entity's whole operations and involves identifying risks to people, not risks to business (e.g. reputation or financial). • Furthermore, it shall not only reference a specific human right risk (e.g. modern slavery or discrimination).

iii) The assessed entity describes the process(es) used to identify the specific human rights risks and impacts associated with its provision of products, services and capital. GEC_00617 (*Financial System Benchmark specific element*)
In describing the 'process' of identifying human rights risks and impacts, the assessed entity shall describe in detail at least one of the following activities (or similar) from 'Research' and at least one the following activities (or similar) from 'Engagement' below: Research • Screening clients or investees for human rights or social risks or; • Mapping human rights or social risks associated with clients or investees or; • Conducting research or investigations into clients or investees to identify human rights or social risks; • Identifying human rights or social risks in clients or investees' policies or human rights due diligence processes. Engagement • Requiring clients or investees to provide information on human rights or social risks e.g. through questionnaires, site visits, environmental and social assessments or; • Actively engaging with clients or investees to understand human rights or social risks or; • Engaging with third party experts to understand human rights or social risks related to its clients or investees or; • Establishing early warning mechanisms through which stakeholders can report human rights or social risks related to its clients or investees. If the assessed entity discloses that it has an ESG or sustainability risk identification/management/monitoring process (e.g. an Environmental and Social Management System (ESMS)), it must explain how it identifies human rights or social risks related to impacts to its clients, companies or investees as part of this process. Where an assessed entity places an obligation to identify human rights issues on its clients or investees, it must describe how this is integrated into its own human rights risk identification process(es). *Note: Development Finance Institutions can demonstrate this by identifying human rights risks through applying an environmental and social policy to a specific project* The process to identify risks (GEC_00617) can be closely linked to the system by which an assessed entity prevents, mitigates or remediates its human rights risks (GEC_00620) e.g.: • Research or screening (i.e. risk identification) conducted as part of a voting policy which is then used to direct investment (i.e. risk mitigation or prevention). • Engaging with clients to require a risk assessment (i.e. risk identification) which feeds back into the assessed entity´s own risk management process as part of active ownership (i.e. risk mitigation or prevention).

Note: i) and ii) focuses on own operations and direct suppliers respectively

Note: iii) refers to having a due diligence process or similar to make sure that the provision products, services or capital doesn´t cause human rights risk to anyone.

25. Assessing human rights risks and impacts

Indicator: Having identified its human rights risks and impacts, the assessed entity assesses them and then prioritises its salient human rights risks and impacts. (CSI4+)

ELEMENT DETAILS

i) The assessed entity describes its process(es) for assessing its human rights risks and discloses what it considers to be its salient human rights issues. This description includes how relevant factors are taken into account, such as geographical, economic, social and other factors. GEC_00296
The assessed entity discloses an assessment of human rights risks which is the second step of the human rights due diligence process and follows the identification of human rights risks. The assessment shall determine and disclose its salient human rights risks meaning the ones with most severe negative impacts on people in the assessed entity's operations and supply chain. ○ The assessed entity discloses the process for assessing its human rights risks and impacts by describing how it has determined which of its human rights risks are most salient, including the social, economic, geographical or other factors considered in the assessment. • A materiality assessment alone is not sufficient as this is different to a saliency assessment.
ii) The assessed entity describes its process(es) for assessing its human rights risks and discloses what it considers to be its salient human rights issues of the products, services and capital it offers. This description includes how relevant factors are taken into account, such as geographical, economic, social and other factors. GEC_00618 (*Financial System Benchmark specific element*)
• The assessed entity explains how it determines the salient human rights risks relating to its provision of products, services or capital, including the social, economic, geographical or other factors considered in the assessment. The factors could include: ○ Scale: the gravity of the impact ○ Scope: the number of individuals who are or could be affected ○ Remediability: any limits on the ability to restore those affected to a situation at least the same as, or equivalent to, their situation before the adverse impact. • The assessed entity discloses the salient salient human rights risks relating to its provision of products, services or capital. • An audit or materiality assessment are not sufficient for human rights risk assessment.

• Disclosure of the risk level(s) of a specific project, investment, client or company is not accepted as evidence of salient human rights risks.
OR
iii) The assessed entity publicly discloses the results of its assessments, which may be aggregated across its operations and locations. GEC_00297
• The assessed entity discloses an actual report or statement which outlines the results of its salient human rights assessment in its operations and supply chain.
iv) The assessed entity publicly discloses the results of its assessments of the products, services and capital it offers, which may be presented in an aggregated way. GEC_00619 (*Financial System Benchmark specific element*)
• The assessed entity discloses an actual report or statement which outlines that it has done a human rights impact assessment relating to its provision of products, services or capital and the outcome i.e. its salient risks. • An audit is not sufficient for a human rights risk assessment.

Note: i) and iii) focuses on internal operations and direct suppliers while ii) and iv) refers to downstream activities

26. Integrating and acting on human rights risk and impact assessments

Indicator: The assessed entity integrates the findings of its assessments of human rights risks and impacts into relevant internal functions and processes by taking appropriate actions to prevent, mitigate or remediate its salient human rights issues. (CSI5+)

ELEMENT DETAILS

i) The assessed entity describes its global system to take action to prevent, mitigate or remediate its salient human rights issues, AND this includes a description of how its global system applies to its supply chain. GEC_00298
• The assessed entity discloses the third step of the human rights due diligence process which follows the identification and assessment of human rights risks. It refers to a global system across the whole entity, not just in particular locations. There is a distinction between corrective action plan (often created a part of audits) which are created to address a specific negative impact that has occurred, and developing a global system for taking action more broadly to prevent and mitigate negative impacts across business activities. This means that having only a corrective action plan alone is not sufficient to meet element. • The global system shall cover the assessed entity´s operation and its supply chain. Only one of them is not sufficient to score.

ii) The assessed entity describes its global system to take action to prevent, mitigate or remediate its salient human rights issues of the products, services and capital it offers. GEC_00620 (*Financial System Benchmark specific element*)

• The assessed entity must meet GEC_00618 to meet this element.
• The assessed entity's global system to prevent, mitigate or remediate the salient human rights risks in its products, services shall include a description of at least 3 of the following:
  ○ Explicitly and systematically including human rights or social issues in analysis and decisions on providing products, services or capital.
  ○ Screening for human rights risks associated with clients or investees.
  ○ Applying exclusionary criteria in relation to human rights or social risks associated with products, service or capital offered.
  ○ Defining conditions or providing incentives in relation to human right or social risks for accessing products, services or capital offered.
  ○ Incorporating expectations around human rights into contractual documents or other written statements/commitments.
  ○ Providing training on human rights or social risks for the assessed entity, client or investee' staff, management or suppliers.
  ○ Assigning relevant senior responsibility to oversee implementation of preventive or mitigation measures related to human rights.
  ○ Developing or facilitating access to resources on human rights or social risks for clients or investees.
  ○ Providing technical assistance on human rights or social issues to clients or investees.
  ○ Participating in geographic or issue-specific initiatives that seek to prevent and mitigate adverse human rights impacts associated with the products, services and capital offered.
  ○ Improving human rights practices and outcomes through stewardship/active ownership i.e. where investors use their influence to determine investee activities or to engage with policymakers. (related to investment)
  ○ Exercising voting rights on management or shareholder resolutions on human rights or social issues. (related to investment)
  ○ Monitoring compliance gaps in clients' human rights or social assessment or management systems e.g. Environmental and Social Management Systems (ESMS) or Environmental and Social Action Plans (ESAP). (related to project finance)

OR

iii) The assessed entity provides an example of the specific conclusions reached and actions taken or to be taken on at least one of its salient human rights issues as a result of assessment processes in at least one of its activities/operations in the last three years. GEC_00299
• The assessed entity describes an example of the specific actions taken or to be taken on at least one of its salient human rights risks and the action is taken as a result of assessment processes in at least one of its activities/operations in the last three years. *NOTE: The assessed entity can meet this element even if it does not meet indicator 25, but it must be clear that the example is a salient human rights risk (i.e. the assessed entity has some sort of disclosure on its salient risks but not necessarily enough to meet indicator 25).*
iv) The assessed entity provides an example of the specific conclusions reached and actions taken or to be taken on at least one of its salient human rights issues of it's the products, services and capital it offers as a result of assessment processes in at least one of its activities in the last three years. GEC_00621 (*Financial System Benchmark specific element*)
• The assessed entity provides an example of the specific conclusions reached and actions taken or to be taken on at least one of its salient human rights issues of it's the products, services and capital it offers as a result of assessment processes in at least one of its activities in the last three years.

Note: i) and iii) focuses on internal operations and direct suppliers while ii) and iv) refers to downstream activities

27. Engaging with affected and potentially affected stakeholders

Indicator: As part of identifying and assessing its human rights risks and impacts, the assessed entity identifies and engages with stakeholders whose human rights have been or may be affected by its activities. (CSI6)

ELEMENT DETAILS

i) The assessed entity discloses the categories of stakeholders whose human rights have been or may be affected by its activities. GEC_00300
• The assessed entity engaged with stakeholders as part of the identification and assessment of its human rights risks and impacts. Therefore, it must be clear that the stakeholders affected are those identified as part of the due diligence process and not of a materiality assessment.

ii) The assessed entity provides at least two examples of its engagement with stakeholders whose human rights have been or may be affected by its activities (or their legitimate representatives or multi-stakeholder initiatives) in the last two years. GEC_00301
• Engaging with potentially and actually affected stakeholders means engaging in a dialogue with the stakeholders who might be, or are, impacted by the assessed entity's activities and/or with its legitimate representatives and/or with multi-stakeholder initiatives. Depending on the nature of the assessed entity's operations, stakeholders can include (but are not limited to) workers, their families, local communities and any other person or group of people whose life and environment may be impacted.

28. Grievance mechanisms for external individuals and communities

Indicator: The assessed entity has one or more channel(s)/ mechanism(s) (its own, third party or shared) through which individuals and communities who may be adversely impacted by the assessed entity can raise complaints or concerns, including in relation to human rights issues. (CSI8)

ELEMENT DETAILS

i) The assessed entity indicates that it has one or more channel(s)/ mechanism(s), or participates in a shared mechanism, accessible to all external individuals and communities who may be adversely impacted by the assessed entity (or individuals or organisations acting on their behalf or who are otherwise in a position to be aware of adverse impacts), to raise complaints or concerns. GEC_00303
The assessed entity discloses one or more formal channel(s)/mechanism(s) that can be used also to raise human rights complaints or concerns related to the assessed entity and which is accessible to all external stakeholders. Moreover, the channel must ensure both anonymous and non-anonymous reporting. Grievances can be made via a webpage, phoneline, online portal, or by mail or email, or a combination. The complainant can report on all aspects of human rights, not only specific rights (e.g. discrimination). It is sufficient for the assessed entity to state that its grievance channel/mechanism(s) are open to 'anyone' or the public. It must be clear it is open to all stakeholders, not only specific groups e.g. suppliers. • The mechanism is to be available in all appropriate languages: e.g. if the channel is only available in one language, the assessed entity shall indicate the reason behind that choice.

b. Decent work

29. Commitment to respect the human rights of workers

Indicator: The assessed entity publicly commits to respecting the principles concerning fundamental rights at work in the eight ILO core conventions as set out in the ILO Declaration on Fundamental Principles and Rights at Work. (CSI2)

ELEMENT DETAILS

i) The assessed entity has a publicly available policy statement committing it to respecting the human rights that the ILO has declared to be fundamental rights at work, which is approved by the highest governance body. GEC_00292
The assessed entity discloses a formal policy commitment covering its operations – either as public document or webpage- which references: • the ILO and the fundamental rights at work collectively, also known as the ILO core labour standards or the ILO conventions on the fundamental rights at work OR • the individual fundamental rights at work named freedom of association and the effective recognition of the right to collective bargaining; elimination of all forms of forced or compulsory labour; abolition of child labour; and elimination of discrimination in respect of employment and occupation. A commitment to collective bargaining 'as permitted by the law' or in line 'with local or national laws' is not considered sufficient for this element as an entity shall respect the rights to freedom of association and collective bargaining everywhere regardless of local laws. The commitment has strong wording. Examples of strong wording are: • Commits to respect XX convention • We adhere to the XX convention • We uphold the XX right/convention, etc. • We are committed to respecting the rights under the XX convention • We recognise our obligation to respect XX • We abide by XX • Comply with • Aligned with A commitment to the ten principles of the UNGC and a modern slavery statement are not considered sufficient as well as weak wording such as: • We follow the principles of the XX convention • We support the right to XX • Consistent with XX • In line with • Informed by • Striving to ensure rights are upheld • Recognises the principles of XX (acknowledgement of an obligation is not a commitment) • Guided by / Based on / Comply with

ii) The assessed entity has a publicly available statement of policy that expects its direct business relationships to commit to respecting the human rights that the ILO has declared to be fundamental rights at work. GEC_00293
The assessed entity discloses a formal policy commitment covering its suppliers – either as public document or webpage- which references: • the ILO and the fundamental rights at work collectively, also known as the ILO core labour standards or the ILO conventions on the fundamental rights at work. OR • the individual fundamental rights at work named freedom of association and the effective recognition of the right to collective bargaining; elimination of all forms of forced or compulsory labour; abolition of child labour; and elimination of discrimination in respect of employment and occupation. A commitment to collective bargaining 'as permitted by the law' or in line 'with local or national laws' is not considered sufficient for this element as an entity shall respect the rights to freedom of association and collective bargaining everywhere regardless of local laws. The commitment has strong wording. Examples of strong wording are: • Commits to respect XX convention • We adhere to the XX convention • We uphold the XX right/convention, etc. • We are committed to respecting the rights under the XX convention • We recognise our obligation to respect XX • We abide by XX • Comply with • Aligned with A commitment to the ten principles of the UNGC and a modern slavery statement are not considered sufficient as well as weak wording such as: • We follow the principles of the XX convention • We support the right to XX • Consistent with XX • In line with • Informed by • Striving to ensure rights are upheld • Recognises the principles of XX (acknowledgement of an obligation is not a commitment) • Guided by • Based on • Comply with

Note: i) and ii) focuses on internal operations and direct suppliers. Fundamental rights at work in relation to provision of products, services and capital are addressed in indicator 20.

30. Health and safety fundamentals

Indicator: The assessed entity publicly commits to respecting the health and safety of workers and discloses relevant data. It also places health and safety expectations on and monitors the performance of its suppliers. (CSI9)

ELEMENT DETAILS

i) The assessed entity has a publicly available policy statement committing it to respect the health and safety of workers. GEC_00304
The assessed entity's policy statement includes a commitment to providing a healthy and safe workplace, respecting the health and safety of its workers or equivalent language. A commitment to comply with health and safety laws is not by itself sufficient to meet the element. The commitment must cover occupational health and safety in a broad sense, not a specific aspect of health and safety e.g. security, discrimination or use of hazardous materials. If the commitment language is weak, it is accepted if it is supported by evidence of the assessed entity's process(es) or system(s) for ensuring a healthy and safe work environment. Examples of accepted weak language is: • We strive to ensure • We work to ensure • We promote • We encourage
ii) The assessed entity discloses quantitative information on health and safety for its workers. GEC_00305
The assessed entity discloses health and safety information in line with GRI 403-9: • The number and rate of fatalities as a result of work-related injuries • The number and rate of high-consequence work-related injuries (excluding fatalities) • The number and rate of recordable work-related injuries • The main types of work-related injuries • The number of hours worked.
iii) The assessed entity has a publicly available statement of policy that expects its suppliers to commit to respecting the health and safety of their workers. GEC_00306
The assessed entity discloses a policy statement which expects its suppliers to commit to providing a healthy and safe workplace, respecting the health and safety of their workers, or the equivalent. The commitment shall be in a policy document (e.g. policy/code of conduct) and the language must be strong e.g.: • Suppliers should commit to respect • We expect suppliers to respect • Suppliers shall adhere to • Suppliers are expected to abide/comply with

Weak commitment language is not accepted e.g.: • Suppliers are encouraged to • Suppliers are directed to A commitment to comply with health and safety laws is not by itself sufficient to meet the element. • The commitment must cover occupational health and safety in a broad sense, not a specific aspect of health and safety e.g. security, discrimination or use of hazardous materials.
iv) The assessed entity discloses how it monitors the health and safety performance of its suppliers. GEC_00307
The assessed entity discloses how it monitors its suppliers' performance on health and safety. For instance, it can state in its supplier code of conduct (or another equivalent policy document that includes health and safety expectations) that it audits its suppliers on it. • Only 'reserving the right' to conduct an audit or view supplier documents (or similar) is not sufficient.

Note: Health and Safety of workers in relation to provision of products, services and capital are addressed in indicator 20.

31. Living wage fundamentals

Indicator: The assessed entity is committed to paying its workers a living wage and supports the payment of a living wage by its suppliers. (CSI10)

ELEMENT DETAILS

i) The assessed entity discloses a time-bound target for paying all workers a living wage or that it has achieved paying all workers a living wage. GEC_00308
The assessed entity discloses that it pays a living wage to its employees or, where the assessed entity does not use the term 'living wage', it must disclose that the wage provides: • A decent standard of living or basic needs for employees and • The employees' family and/or dependents and • It includes some discretionary income. OR • The assessed entity discloses a target for paying a living wage across its operations which includes the year in which an entity intends to achieve the goal. • A commitment to pay wages in line with national legal standards or industry benchmark standards alone is not sufficient.

ii) The assessed entity describes how it determines a living wage for the regions where it operates. GEC_00309
The assessed entity shall at least disclose how it has determined the living wage in those locations where it already pays living wage or is planning on paying a living wage. It is sufficient to disclose the planned methodology too. The assessed entity describes: • how it works with relevant trade unions (or equivalent worker bodies where the right to freedom of association and collective bargaining is restricted under law) to determine a living wage • OR the methodology it uses to determine a living wage (e.g. the Anker Methodology for Estimating a Living Wage, the Massachusetts Institute of Technology Living Wage Calculator). • The BSR methodology is accepted but the ETI Base Code is not accepted.
iii) The assessed entity describes how it works to support the payment of a living wage by its suppliers. GEC_00310
The assessed entity either: • Requires its business relationships to pay their workers a living wage i.e. it is a contractual requirement OR • Expects its business relationships to pay their workers a living wage AND provides a description of how it works with its business relationships. • 'Working with' goes beyond having a written expectation of a living wage in workers' codes or policy documents and can include interacting with suppliers through training, sharing expertise and collaborative working, as well as other activities.

Note: Living wages in relation to provision of products, services and capital are addressed in indicator 21.

32. Grievance mechanisms for workers

Indicator: The assessed entity has one or more channel(s)/ mechanism(s) (its own, third party or shared) through which workers can raise complaints or concerns, including in relation to human rights issues. (CSI7)

ELEMENT DETAILS

i) The assessed entity indicates that it has one or more channel(s)/ mechanism(s), or participates in a third-party or shared mechanism, accessible to all workers to raise complaints or concerns related to the assessed entity. GEC_00302
The assessed entity discloses one or more formal channel(s)/mechanism(s) that can be used also to raise human rights complaints or concerns related to the assessed

entity and which is accessible to all workers. Moreover, the channel must ensure both anonymous and non-anonymous reporting.
Grievances can be made via a webpage, phoneline, online portal, or by mail or email, or a combination.

- The complainant can report on all aspects of human rights, not only specific rights (e.g. discrimination).

Note: The assessed entity can score partially met if one or more of the following parts are met: -

- The assessed entity discloses data about the practical operation of the channel(s)/mechanism(s), including the number of grievances about human rights issues filed, addressed or resolved
- The assessed entity indicates that the channel(s)/ mechanism(s) is available in all appropriate languages
- The workers in its supply chain have access to either: The assessed entity's own channel(s)/ mechanism(s) to raise complaints or concerns about human rights issues at the assessed entity's suppliers or the assessed entity expects its suppliers to establish a channel/mechanism for their workers to raise such complaints or concerns

The assessed entity expects its suppliers to convey the same expectation on access to grievance channel(s) / mechanism(s) to their own suppliers.

33. Working hours fundamentals

Indicator: The assessed entity does not require workers to work more than the regular and overtime hours and places equivalent expectations on its suppliers. (CSI11)

ELEMENT DETAILS

i) The assessed entity publicly states that workers shall not be required to work more than 48 hours in a regular work week or 60 hours including overtime. GEC_00311
The assessed entity either: • Discloses that workers shall not be required to work more than 48 hours in a regular work week OR • Discloses that workers shall not be required to work more than 48 hours in a regular work week and 60 hours including overtime. • If the assessed entity commits to national legislation on working hours, it is only accepted where the national legislation requires workers to work no more than 48 hours in a regular work week in all locations of operation.
ii) The assessed entity publicly states that all overtime work must be consensual and be paid at a premium rate. GEC_00312
• The assessed entity states that all overtime work must be consensual and that all overtime work is paid at a premium rate (or equivalent language).

iii) The assessed entity has a public expectation that its suppliers shall not require workers to work more than 48 hours in a regular work week or 60 hours including overtime. GEC_00313
The assessed entity either: • States that it expects its suppliers to require that their workers shall not be required to work more than 48 hours in a regular work week. OR • States that it expects its suppliers to require that their workers shall not be required to work more than 48 hours in a regular work week and 60 hours including overtime. • An expectation that suppliers commit to national or local laws on working hours is not sufficient.

34. Collective bargaining fundamentals

Indicator: The assessed entity discloses information about collective bargaining agreements covering its workforce and its approach to supporting the practices of its suppliers in relation to freedom of association and collective bargaining. (CSI12)

ELEMENT DETAILS

i) The assessed entity discloses the proportion of its total direct operations workforce covered by collective bargaining agreements. GEC_00314
• It is not sufficient for the assessed entity to disclose the proportion of its total direct operations workforce that are part of a union or another workers' group as this element refers specifically to *collective bargaining agreements* - written agreements regarding working conditions and terms of employment concluded between one or more employers or employers' organizations, on the one hand, and one or more representative workers' organizations or duly elected and authorised representatives of the workers (according to national laws and regulations), on the other.
ii) The assessed entity describes how it works to support the practices of its suppliers in relation to freedom of association and collective bargaining. GEC_00315
The assessed entity discloses how it supports suppliers to facilitate freedom of association and collective bargaining by, for example: • Providing training to suppliers • Conducting joint projects to support suppliers • Supporting unionisation, workers' groups or worker empowerment • Doing more than observing or monitoring its business relationships in relation to freedom of association and collective bargaining.

Note: Collective bargaining rights of workers in relation to financing activities are addressed in indicator 20

35. Workforce diversity disclosure fundamentals

Indicator: The assessed entity discloses the percentage of employees for each employee category by at least four indicators of diversity. (CSI13)

ELEMENT DETAILS

i) The assessed entity discloses the proportion of its total direct operations workforce for each employee category by age group. GEC_00316
The employee category breakdown can be by level (such as senior management, middle management) and/or function (such as technical, administrative, production). In accordance with GRI 405, the suggested age groups for reporting on this disclosure are: under 30 years old, 30-50 years old and over 50 years old. It is sufficient for the assessed entity to disclose: • Total workforce disclosure breakdown • Two employee categories • The assessed entity shall include total workforce if it does not include categories that cover the entire total workforce. Reporting on the 90% of total workforce is sufficient.
ii) The assessed entity discloses the proportion of its total direct operations workforce for each employee category by gender. GEC_00317
The employee category breakdown can be by level (such as senior management, middle management) and/or function (such as technical, administrative, production). It is sufficient for the assessed entity to disclose: • Total workforce disclosure breakdown • Two employee categories • The assessed entity shall include total workforce if it does not include categories that cover the entire total workforce. Reporting on the 90% of total workforce is sufficient.
iii) The assessed entity discloses the proportion of its total direct operations workforce for each employee category by race or ethnicity. GEC_00318
The employee category breakdown can be by level (such as senior management, middle management) and/or function (such as technical, administrative, production). It is sufficient for the assessed entity to disclose: • Total workforce disclosure breakdown • Two employee categories The assessed entity shall include total workforce if it does not include categories that cover the entire total workforce. Reporting on the 90% of total workforce is sufficient. • It is sufficient to report on one country or region of operation only (not at the group level), if the breakdown by race/ethnicity and employee category covers only one country e.g. US, Latin America, South Africa.

Note: If the assessed entity explains it is unable to meet element iii) because of legal restrictions on the collection of ethnic or racial data in certain jurisdictions, it can still fully meet this indicator by satisfying elements i) ii) and iv).
iv) The assessed entity discloses the proportion of its total direct operations workforce for each employee category by one or more additional indicators of diversity (e.g. disability, marital and family status, etc). GEC_00319
The employee category breakdown can be by level (such as senior management, middle management) and/or function (such as technical, administrative, production). It is sufficient for the assessed entity to disclose: • Total workforce disclosure breakdown • Two employee categories • The assessed entity shall include total workforce if it does not include categories that cover the entire total workforce. Reporting on the 90% of total workforce is sufficient.

36. Gender equality and women's empowerment fundamentals

Indicator: The assessed entity publicly commits to gender equality, promotes gender equality and discloses quantitative information on gender equality and women's empowerment. (CSI14+)

Rationale: Empowerment of women and equality is an integrated part of the Sustainable Development Goals. An important aspect is to ensure equal opportunities in working life.

ELEMENT DETAILS

i) The assessed entity has a public commitment to gender equality and women's empowerment. GEC_00320
The assessed entity can provide evidence from any type of public document or webpage belonging to the assessed entity. The assessed entity either: • Is a signatory to the UN Women's Empowerment Principles in all locations of operation • Commits to gender equality and women's empowerment in a broad sense not only in a specific setting, location, or function • Discloses at least one programme/initiative/target on gender equality and at least one programme/initiative/target on women's empowerment. Being a signatory to other external initiatives or programs as well as disclosure related to external gender equality or women's empowerment rankings or scores is not sufficient for this element. Key search words: gender equality AND commitment; women AND commitment; female AND commitment; UN women empowerment principles; commitment; women´s empowerment; women empowerment principles

ii) The assessed entity discloses one or more time-bound targets on gender equality and women's empowerment. GEC_00321
The assessed entity discloses one or more targets on gender equality or women's empowerment e.g.: • Representation (e.g. gender equality in leadership) • Closing the gender pay gap • Improving women's health and well-being • Preventing violence and harassment. The target(s) is time-bound, forward-looking or was achieved in the reporting year of the assessment, and can be at the subsidiary level. Key search words: gender equality and target, women and target; female and target
iii) The assessed entity discloses the ratio of the basic salary and remuneration of women to men in its total direct operations workforce for each employee category, by significant locations of operation. GEC_00323

• The assessed entity discloses the ratio of the basic salary or remuneration of women to men in its total direct operations workforce for each employee category, by locations of operation.
• The assessed entity can refer to 'employees' or 'workers' instead of 'total direct operations workforce'.
  ○ 'Employee category' refers to seniority or function.
  ○ 'Function' can be defined in the assessed entity's own terms e.g. technician, production, administrative.
  ○ 'Seniority' can be defined in the assessed entity's own terms e.g. junior, senior management, middle management.
  ○ 'Locations of operation' must include all countries of operation.
 	
Key search words: gender, women; salary; pay gap

iv) The assessed entity discloses that it takes action to address any pay gaps. GEC_00622 (*Financial System Benchmark specific element*).
• Usually, any steps taken at group level to address the pay gap will be stated after revealing the pay gap • A pay gap analysis for just one country is not sufficient if the entity has presence in more countries. • Monitoring its pay gap on reasonable grounds and confirming that payment is equal, and stating that action would otherwise be taken is also considered sufficient evidence • A target on women representation is not a target on addressing pay gap and will not count as a met.   ○ Example: "*Our gender pay gap reflects a representation gap brought about by having unequal numbers of men and women at each level,*

with a greater proportion of men in more senior positions. We seek to hire, promote and retain ore women across the firm, aspiring to increase the percentage of women at Director level and above to 30% by 2025. At the end of 2020, 26.0% of all employees in roles at Director level and above were women, up from 25.2% in 2019, and we are on track to achieve our target." (UBS)

Key search words: gender, women; salary; pay gap

c. Business ethics

37. Personal data protection fundamentals

Indicator: The assessed entity publicly commits to protecting personal data and has a global approach to data privacy. (CSI15)

ELEMENT DETAILS

i) The assessed entity has a public commitment to protect personal data. GEC_00324
The assessed entity discloses a commitment to respecting the right to data privacy, or a commitment to protecting personal data or information. A commitment to protect personal data shall relate to all stakeholders whose personal data is being processed by the assessed entity which include at a minimum employees and customers. • The commitment must be part of a policy document and needs to be global so applicable to all of the group/assessed entity activities.
ii) The assessed entity has a global publicly available privacy statement in relation to the collection, sharing and access to personal data. GEC_00325
The commitment must be part of a policy document and needs to be global so applicable to all of the group/assessed entity activities. A policy is not global if it has different location-specific privacy laws cited which are not consistently applied to the highest standard across all locations. Furthermore, it shall apply at minimum to employees and customers. The assessed entity at least: • Discloses the types of user information it collects • Discloses the types of third parties that user information is shared with, and • Allows a user to retrieve a copy of user information collected by the assessed entity.

Note: This includes data personal data across all stakeholders including employees.

38. Responsible tax fundamentals

Indicator: The assessed entity has a public global tax approach and discloses its corporate income tax payments on a country-by-country basis. (CSI16)

ELEMENT DETAILS

i) The assessed entity has a publicly available global tax strategy, which is approved by the highest governance body. GEC_00326
The assessed entity discloses a global tax strategy which can include details on, among other things: • Tax oversight/governance • Tax risk management • Financial/tax auditing processes • Approach to dealing with tax authorities • The policy applies to the whole assessed entity at the global level, not to a specific subsidiary, region or jurisdiction
ii) A governance body or executive-level position is tasked with accountability for compliance with the assessed entity's global tax strategy. GEC_00327
• The assessed entity discloses that a governance body or executive-level position is tasked with accountability for compliance with the assessed entity's global tax strategy.
iii) The assessed entity clearly discloses the amount of corporate income tax paid for each tax jurisdiction where the assessed entity is a resident for tax purposes. GEC_00328
The assessed entity shall report 100% taxes paid in each jurisdiction they are resident for taxes purposes and if the disclosure contains an 'other' category, the assessed entity shall disclose the tax jurisdictions and taxes paid per jurisdiction, even if the tax paid is zero. • Disclosure of taxes per region instead of per tax jurisdictions (countries) is not accepted. Tax jurisdictions are identified according to where the entities included in the organization's audited consolidated financial statements or in the financial information filed on public record, are resident for tax purposes.

39. Anti-bribery and anti-corruption fundamentals

Indicator: The assessed entity publicly prohibits bribery and corruption and takes steps to identify and address bribery and corruption risks and incidents. (CSI17)

ELEMENT DETAILS

i) The assessed entity has a publicly available policy statement prohibiting bribery and corruption. GEC_00329
• The assessed entity discloses a policy commitment on prohibiting bribery or corruption, or it states that it has 'zero tolerance for bribery and corruption'. The policy applies to the whole assessed entity at the global level, not to a specific subsidiary, region or jurisdiction. If the assessed entity only discloses that it complies with national legislation on anti-bribery and anti-corruption, this is not sufficient because it is not clear then if all locations of operation have such legislation and the same standard applies globally. However, if companies include reference to compliance with legislation alongside a statement prohibiting bribery or corruption, then is sufficient.
ii) The assessed entity describes the process(es) to identify its bribery and corruption risks and impacts in specific locations or activities covering its own operations. GEC_00330
• The assessed entity describes the process(es) to identify its bribery and/or corruption risks and impacts in specific locations or activities covering its own operations. A 'process to identify risks' must include an explanation and details of how the assessed entity identifies risks of bribery and/or corruption.
iii) The assessed entity includes anti-bribery and anti-corruption clauses in its contracts with direct business relationships. GEC_00331
The assessed entity either: • Discloses a contract it has with its suppliers which includes anti-bribery and anti-corruption clause(s) • Discloses in any kind of public document belonging to the assessed entity that its suppliers must sign and/or agree to a contract that includes anti-corruption and anti-bribery clause(s) • Discloses that it prohibits bribery and/or corruption in a policy document that outlines its requirements of its supplier (e.g. supplier code of conduct), and that the relationship with the supplier will be subject to review or terminated if the supplier is in breach of the same policy document.
iv) The assessed entity indicates that it has a confidential and anonymous channel/mechanism accessible to all stakeholders to raise bribery and corruption concerns and complaints without fear of reprisals. GEC_00332
• The assessed entity provides evidence of a grievance mechanism(s) in which stakeholders can report bribery and/or corruption concerns against the assessed entity via a webpage, phoneline, online portal, or by mail or email, or

a combination. The complainant can report on all aspects of bribery and/or corruption with the option to make reports anonymously.

- Anyone internal and external to the assessed entity can access and make reports through the grievance mechanism and reports can be made against the assessed entity itself.
- The channel must enforce a "non-retaliation" principle whereby individuals can report without fear of reprisals.

Abbreviations

AUM Assets Under Management

CSI Core Social Indicator

GHG Greenhouse Gases

Definitions

Please refer to the methodology description

References

Please refer to the methodology description

Appendix A. List of potential sustainability topics

This appendix gives examples of sustainability topics that could be relevant to cover in an impact materiality analysis. It is not claimed to be an extensive list and at this stage we are not requesting coverage of particular topics.

Following this, element 1i) (GEC_00548) is not assessing if the list of aspects considered is comprehensive enough or requesting that specific topics are covered. However, the aspects listed in this appendix might help to understand if the aspects identified for the impact materiality analysis by the financial institution are relevant.

Assessed entities are expected to transparently identify and prioritize their sustainability impacts based on their materiality, covering applicable sustainability topics as a basis for their sustainability strategy (Indicator 1).

Additionally, this benchmark assesses how financial institutions address specific topics from different perspectives. These are topics that are expected to have general relevance. They include:

- Climate mitigation and adaptation (indicator 7-9, 14-16)
- Nature-related impacts (indicator 10-14) including biodiversity and ecosystems
- Inclusive finance/Access to resources (indicator 17-19)
- Downstream impact on workers conditions (indicator 20-21)
- Just transition (indicator 22)
- Corporate Human Rights (indicator 23-28/CSI)
- Decent work (indicator 29-36)
- Business ethics (indicator 37-39)

Other topics of potential relevance include such as

- Environmental topics: Use of chemicals, use of material and energy resources, waste, pollution, eutrophication, land-use (deforestation, desertification…) and ecosystem conversion, impact on ocean and sea…
- Social topics: Poverty reduction, Gender equality, Education, Work, Health, Financial inclusion, Sanitation, Water, Electricity, community engagement and development, indigenous rights…

The most broadly accepted list of sustainability topics is the UN Sustainable Development Goals (SDGs) focused on 17 main goals representing different topics, which are divided into 169 targets:

1 No poverty
2 Zero hunger
3 Good health and well-being
4 Quality education
5 Gender equality
6 Clean water and sanitation
7 Affordable and clean energy
8 Decent work and economic growth
9 Industry innovation and infrastructure
10 Reduced inequality
11 Sustainable cities and communities
12 Responsible consumption and production
13 Climate action
14 Life below water
15 Life on land
16 Peace, justice and strong institutions
17 Partnership for the goals

Though organizations are more commonly referring to the goals for reporting their positive contributions, the goals and targets may be used as a starting point for identifying negative impacts. However, the SDGs are not directly applicable at a company level.

ISO 26000 contains another established list of topics that an assessed entity may refer to. However, this list seems more focused on the company operation and may as such not fully consider impacts on third parties.

TOPICS REFERRED TO BY ISO26000

Core subject: Human rights

Issue 1: Due diligence

Issue 2: Human rights risk situations

Issue 3: Avoidance of complicity

Issue 4: Resolving grievances

Issue 5: Discrimination and vulnerable groups

Issue 6: Civil and political rights

Issue 7: Economic, social and cultural rights

Issue 8: Fundamental principles and rights at work

Core subject: Labour practices

Issue 1: Employment and employment relationships

Issue 2: Conditions of work and social protection

Issue 3: Social dialogue

Issue 4: Health and safety at work

Issue 5: Human development and training in the workplace

Core subject: The environment

Issue 1: Prevention of pollution

Issue 2: Sustainable resource use

Issue 3: Climate change mitigation and adaptation

Issue 4: Protection of the environment, biodiversity and restoration of natural habitats

Core subject: Fair operating practices

Issue 1: Anti-corruption

Issue 2: Responsible political involvement

Issue 3: Fair competition

Issue 4: Promoting social responsibility in the value chain

Issue 5: Respect for property rights

Core subject: Consumer issues

Issue 1: Fair marketing, factual and unbiased information and fair contractual practices

Issue 2: Protecting consumers' health and safety

Issue 3: Sustainable consumption

Issue 4: Consumer service, support, and complaint and dispute resolution 6.7.6 Issue 5 : Consumer data protection and privacy

Issue 6: Access to essential services

Issue 7: Education and awareness

Core subject: Community involvement and development

Issue 1: Community involvement

Issue 2: Education and culture

Issue 3: Employment creation and skills development

Issue 4: Technology development and access

Issue 5: Wealth and income creation

Issue 6: Health

Issue 7: Social investment

Potentially financial institutions may refer to sector-specific guidance.

World Benchmarking Alliance

Our funding partners



COPYRIGHT

This work is the product of the World Benchmarking Alliance. Our work is licensed under the Creative Commons Attribution 4.0 International License. To view a copy of this license, visit: www.creativecommons.org/licenses/by/4.0/

DISCLAIMER

Information available on our website, visit: www.worldbenchmarkingalliance.org/disclaimer

WORLD BENCHMARKING ALLIANCE

Prins Hendrikkade 25, 1021 TM Amsterdam The Netherlands. www.worldbenchmarkingalliance.org