



Methodology for the 2026 Financial System Benchmark

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Executive summary

The UN Sustainable Development Goals (SDGs) are revolutionary in their recognition of the role of business alongside governments and civil society for sustainable development. This recognition is crucial at a time where some of the world's largest companies hold more power than entire countries (UNCTAD 2024). With only five years remaining to achieve the global goals and with sustainability ambitions being challenged, we urgently need more action from business. Specifically, financing challenges are at the heart of the current sustainable development crisis and currently imperil the SDGs and climate action – but finance is also a potential catalyst for both meeting the SDGs and preventing further climate breakdown. The window to rescue the SDGs and prevent a climate catastrophe is still open but closing rapidly. In this situation financial institutions could and must play a pivotal role as facilitators and intermediaries to distribute resources within planetary boundaries and serve the needs of people and the society, while also being mindful to act themselves in line with established sustainability principles. While some financial institutions have begun this journey, and are leading the way, many have not.

Understanding where the financial system is in this process, the Financial System Benchmark assesses 400 leading financial institutions (including asset owners, asset managers, banks and insurers) on their readiness to address global sustainability transitions and their contribution to the 2030 Agenda for Sustainable Development. This methodology builds on extensive global consultations, learnings of the first round of assessments, feedback received from the Expert Review Committee and other stakeholders, and the development in key areas. The methodology provides the basis for assessing a wide range of the key topics which stakeholders, including regulators and policymakers, expect financial institutions to act on. Building on existing standards and initiatives, the methodology is intended as a system-level tool for regulators and stakeholders to hold financial institutions to account, as well as a roadmap that could assist financial institutions in establishing and enhancing sustainable practices.

This document lists and describes the indicators and elements that form WBA's Financial System Benchmark, together with the sources that have been considered during the development of this benchmark. Moreover, it provides details regarding the assessment scope and structure, as well as the details of scoring.

Adapting to a developing world and integrating learning over time, the benchmark balances between providing comparability between iterations and continuously enhancing the quality and accuracy of results. As those familiar with the previous revision of this methodology may see, changes this time are limited and incremental only. To support those familiar with our 2025 Benchmark we provide a [supplement](#) to provide a cross-mapping the indicators and elements.



Introduction

About WBA and the seven systems transformations

Benchmarking for a better world

The World Benchmarking Alliance measures how the 2,000 most influential businesses are impacting people and planet. Its research is freely available so that, together, we can hold companies accountable for contributing to sustainable development. The benchmarks and methodologies serve as a roadmap for companies to understand the changes they need to make to put our planet, society and economy on a more sustainable path.

The independent, non-profit organisation acts as a centre for advancing corporate accountability. It supports its Allies, UN agencies, governments and other stakeholders in the broader corporate accountability ecosystem to understand how they can establish clear consequences for corporate inaction.

Seven systems transformations

WBA has identified seven systems that, if transformed, have the greatest potential to put our society, planet and economy on a more sustainable and resilient path. These are the transformation of our social system, our agriculture and food system, our decarbonisation and energy system, our nature system, our digital system, our urban system and our financial system. (Figure 1). Guided by WBAs guiding principles (see Annex 1), the transformations offer a strategic framework to develop benchmarks and identify keystone companies that are vital for achieving the SDGs.

WBA focuses on keystone companies (the [SDG2000](#)) with the greatest potential to positively or negatively impact the systems in which they operate. The SDG2000 span public, private and state-owned companies and represent USD 48 trillion in collective revenues. The companies are spread across 83 economies and directly employ over 99 million people.



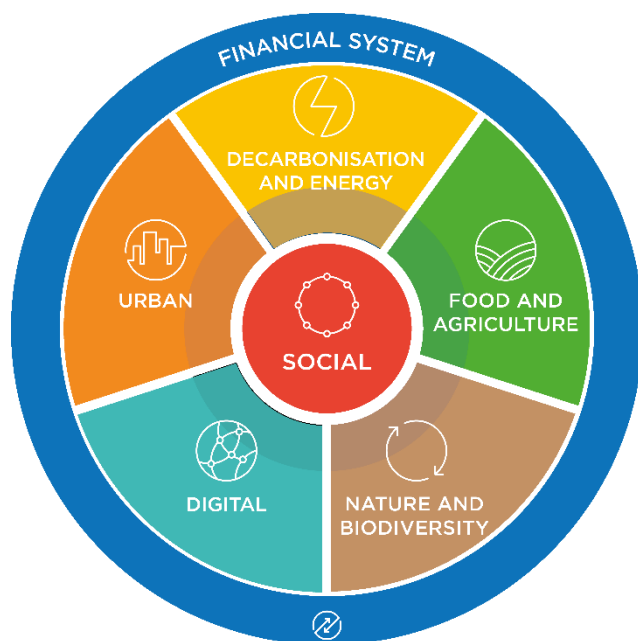


Figure 1: Seven systems transformations

Financial institutions play a dual role in this systems transformation framework. The first is the need for them to undergo their own transformation, which is the focus of this benchmark. The second is in terms of their influence on companies operating in the other six systems. To this end, and in addition to our benchmark methodologies and results being freely available for all to use, WBA works with investors to engage companies, using the insights provided by our benchmarks, including through cross-sector coalitions aimed at positively influencing corporate behaviour change.

The pivotal role of the financial system

The key transitions ahead and the urgency to address climate change and accelerate progress towards the SDGs require a holistic approach to the financial system.

The financial system is at the heart of our economy. It serves as a facilitator and intermediary for encouraging, mobilising and allocating funds towards their most productive use and plays a critical role in mitigating risk. Financial institutions are part of a system that would, ideally, distribute resources within planetary boundaries and serve the needs of people and the society.

Financial institutions are uniquely positioned to help put economic activity on a sustainable path, in line with planetary boundaries and societal conventions. They wield great power through their business activities and the decisions they make on what to finance, what to insure and under which conditions, and which businesses to invest in or lend to. They can widen access to usually excluded groups, they can divest, engage with companies and vote in favour or against board directors and company policies.

In addition, they can be instrumental in the way they engage with and lobby policymakers. They can engage with the political process, individually or collectively, and can even influence the 'rules of the game'. This can have significant impact. Furthermore, financial institutions often have a privileged seat at the table, given their hugely influential role in driving economic activity.



Moreover, financial institutions have impact through their own operations, in the way they treat their employees, contractors and suppliers or manage their community relations. Although this is often considered to be financial institutions' least significant area of impact, determinants of organisational influence start at corporate headquarters. The way financial institutions approach their ecosystem is embedded in their culture, governance and leadership and drives practice across operations and business strategies and, ultimately, outputs, outcomes and impact.

However today, despite many companies taking important steps forward, with important environmental and social aspects being still externalities, the financial system does not yet systematically operate in support of a sustainable real economy. As a result, economic activity continues to operate outside planetary boundaries, contributing to multiple negative impacts on people and planet, increasing systematic risks for the economy and for financial institutions themselves. While, encouragingly, some financial institutions are incorporating sustainability topics into their strategies, often this is only from a financial risk perspective and does not consider impact.

Our vision for the financial system transformation is one in which financial institutions act in ways that not only respect our finite planetary resources and leave no one behind but also offer and drive solutions. This is aligned with UNEP FI's view that the purpose of the financial system is to be a facilitator of economic activity in ways which support an inclusive and sustainable real economy (UNEP FI 2015).

According to UN Trade and Development (UNCTAD 2024), the financing gaps for sustainable development is large and growing – at around \$4 trillion additional investment needed annually for developing countries. This represents more than 50% increase over the pre-pandemic estimates. Meanwhile, the finance divide has not been bridged, with developing countries paying around twice as much on average in interest on their total sovereign debt stock as developed countries. Many countries lack access to affordable finance or are in debt distress. Simultaneously, while annual climate finance flows have ramped up and reached almost USD 1.3 trillion in 2021/2022, climate finance must increase by at least five-fold annually, as quickly as possible, to avoid the worst impacts of climate change (CPI 2023). At the same time, UN Environment Programme concludes that US\$7 trillion per year in nature negative finance flows vastly overshadow efforts to increase finance for Nature-based solutions, currently at US\$200 billion per year needing to triple targets (UNEP 2023). To put it simple: challenges are enormous, but so are the opportunities.

An important aspect of the financial system transformation is the inter-connectedness of the different actors along the value chain. Asset owners entrust asset managers with the management of their assets. Often, asset owners are advised by investment consultants. Asset owners also invest in banks and insurance companies, which – as well as receiving deposits and insurance premiums, respectively, to help manage and mitigate risk – aggregate these resources to finance the economy. Furthermore, insurance companies insure assets and companies that investors invest in and that



banks lend to. This interconnectedness means that risks and impacts similarly flow throughout the system. This interconnectedness is also why, for system transformation to happen, all elements of the system need to transition, integrating consideration of their impacts – positive and negative, intended and unintended – into their actions.

In addition, many financial institutions undertake multiple financial activities, across industries, that share common characteristics. The first shared characteristic is that they are all intermediaries of one form or another, managing assets and liabilities. The second is that, in this capacity, they all impact people and planet, directly through their own operations, and – more significantly, often – indirectly, through their political engagement and business activities. Hence, our assessment across different sub-sectors provides a snapshot of the finance sector’s global readiness for the sustainability-driven transitions underway.

Using the Financial System Benchmark

The Financial System Benchmark aims to influence financial system transformation and incentivise action by assessing and ranking keystone financial institutions, identifying the areas where progress and leadership is happening, as well as those where improvements are needed both with regards to the individual institution and at a sector and sub-sector level. In doing so, the benchmark – like all WBA benchmarks – provides an accountability mechanism for financial institutions.

Being public and available to all, the benchmark enables stakeholders, legislators, regulators and clients to hold financial institutions accountable for their commitments and practices. Policymakers, regulators and supervisory bodies can use the insights generated to inform their policy and regulatory dialogue and choices. Here, WBA actively engaging with policymakers to inform their thinking and debates around the priority areas in need of change.

The benchmark also provides a road map for financial institutions on how to improve their sustainability profile and their contribution to the wider financial system transformation. Financial institutions will be able to use the assessments to see how their readiness to operate within planetary boundaries and societal conventions compares to their peers. It will also help them to identify best practices. In this regard, WBA also engage actively with the financial institutions, individually and in different collaborative efforts such as working with WBA Allies, initiating Community of Practices, and establishing Collective Impact Coalitions). Beyond this, given that many of these globally influential financial institutions are also each other’s clients in various ways, the benchmark offers an opportunity for financial institutions to hold each other to account, with asset owners and allocators having a particularly powerful role to play.



Assessment scope and structure

Our sector scope

In order to investigate the current state of the financial system, the Financial System Benchmark looks at the influence of the 400 keystone financial institutions across sub-sectors, including asset owners, asset managers, banks and insurers. See Figure 2.

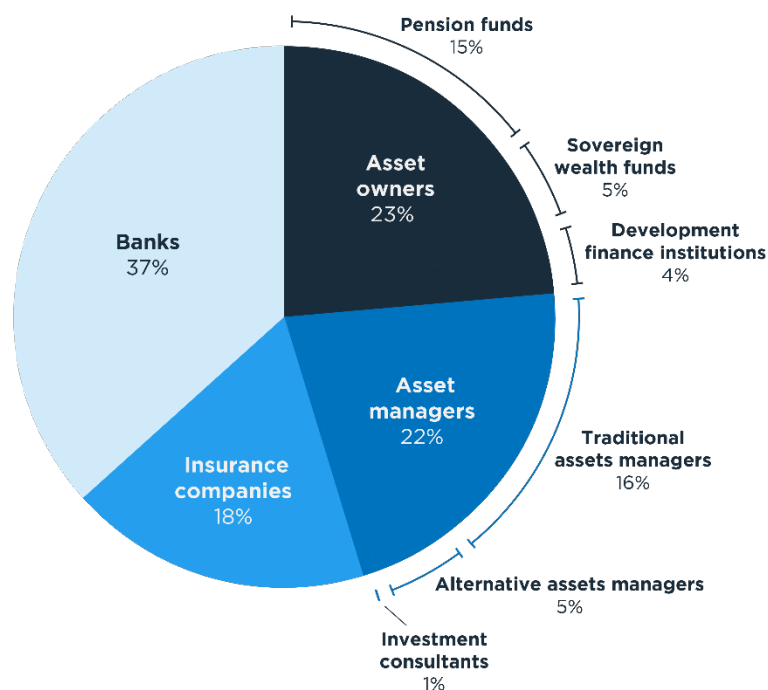


Figure 2: Financial sector scope

Our methodology focuses on the characteristics that are common across these industries.

Financial institutions are assessed at group level, not just with regards to certain business units or offerings, and across the spectrum of their financial activities, whether that is investing, lending, investment banking, insurance underwriting or advising.

Moreover, financial institutions have impact through the entirety of its activities, meaning that the assessment covers not only business activities but includes stewardship, lobbying and political engagement to look at the coherence between those and sustainability commitments and strategies.



For sectors with activities across sub-sectors we define a main sector, mainly, based on the size of business and complementary considerations, while also taking note of their additional sub-sector associations. See Annex 2 for details.

This methodology was designed to capture the activities of financial institutions irrespective of their industry and business model. From this perspective, despite the different roles of different types of financial institutions we want to focus on broader themes and see it as important to hold the financial institutions to the same standard, indicators are hence considered applicable across sub-sectors. However, in the future, indicators may address individual sub-sectors more specifically to provide a more detailed understanding of the specificities of the different sub-sectors.

Our measurement areas

Financial institutions' impact on climate and nature comes from all parts of their value chain – from their supply of products and services, via their internal operations, to their business activities and their provision of products, services and capital. Of these, the latter is associated with their most substantial impacts, but also represent the most transformative opportunities to support the transition to an economy that underpins the sustainable development of society and nature.

With this cross-cutting impact in mind, integration of sustainability into the basics of company operation including its strategy, governance and its wider activities in society is pivotal for this perspective to gain sufficient attention.

Following the structure of previous iteration, the indicators are organised into five distinct measurement areas (A, B, C, D and E) within three major domains (I, II, III) listed below and in Figure 3¹. The measurement area weights are balanced to emphasize the importance of impacts emerging from the provision of products, services and capital. This has led us to organising our indicators as five distinct measurement areas (A, B, C, D and E) within three major domains (I, II, III) listed below and in Figure 3:

- I. Strategy, governance and stewardship**
 - A Strategy, governance and stewardship
- II. Respecting climate and nature**
 - B Financing climate and nature protection and restoration
 - C Environmental footprints
- III. Respecting welfare of individuals and society**
 - D Inclusive finance
 - E Responsible business conduct (Corporate Human Rights responsibility, Decent work, Business ethics)

¹ While labeling has changed compared to previous iteration to align with other WBA Benchmarks the measurement areas remain the same.



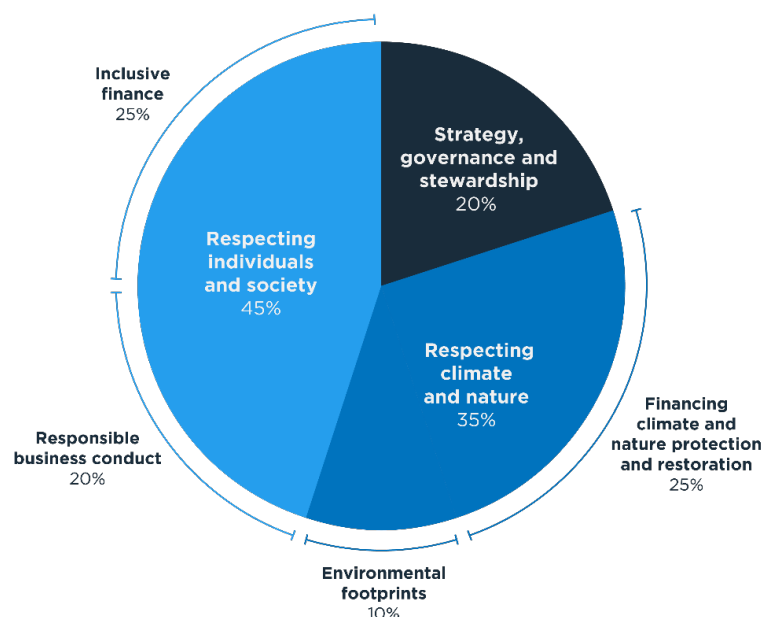


Figure 3: Measurement areas

Our indicators

In its third iteration (See Annex 3), the Financial Sector Benchmark consists of 39 indicators across, governance, environmental and social themes. Of these, 21 indicators are specifically developed to assess the financial system, while the remaining 18 represents WBA's Core Social Indicators (CSI). Those indicators are applied across all WBA benchmarks, focusing on the fundamentals of responsible business conduct.

The set-up of the initial set of indicators referred to a detailed assessment of the state-of-the-art of sustainability initiatives and industry specific standards and benchmarks and the ambition to create a globally applicable, sector-wide benchmark applicable for assessing keystone financial institutions. Starting from this set of indicators, draft second iteration indicators were developed taking into account experiences gained during the first assessment, feedback from our Expert Review Committee and key developments in the sustainable finance domain. These draft indicators were shared with the financial institutions and WBA Allies which further developed the indicators. For the present third iteration, only minor and incremental changes have been made and hence no further consultations have been undertaken. The indicators are outlined in further detail in section "Indicators" and a comparison with the previous iteration is given in a [supplement](#).

(A) Strategy, governance and stewardship 20%	(B) Respecting climate and nature 35%		(C) Respecting welfare of individuals and society 45%	
	Financing climate and nature protection and restoration 25%	Environmental footprints 10%	Inclusive finance 25%	Responsible business conduct 20%
A 01 Impact materiality and strategy				
A 02 Impact targets and plans	B 01 Approach to fossil fuel and high-emitting sectors	C 01 Organisation carbon footprint	D 01 Resources for underrepresented groups	E 01 Commitment to respect human rights (CSI)
A 03 Governance and incentives	B 02 Resources for climate mitigation solutions	C 02 Net zero and 1.5°C aligned climate targets	D 02 Resources for underrepresented businesses and enterprises	E 02 Commitment to remedy (CSI)
A 04 Stewardship policy and reporting	B 03 Climate engagement alignment		D 03 Resources for low-income and lower-middle income countries	E 03 Identifying human rights risks and impact (CSI)
A 05 Responsible lobbying and political engagement fundamentals (CSI)	B 04 Nature-related impacts strategy		D 04 Downstream impacts on fundamental rights of work	E 04 Assessing human rights risks and impacts (CSI)
A 06 Applying responsible lobbying principles	B 05 Reduction of negative impacts on nature		D 05 Downstream living wages policy and strategy	E 05 Integrating and acting on human rights risk and impact assessments (CSI)
	B 06 Resources for nature protection and restoration		D 06 Just transition risk mitigation and stewardship	E 06 Grievance mechanisms for external individuals and communities (CSI)
	B 07 Nature-related engagement activities			E 07 Commitment to respect the human rights of workers (CSI)
	B 08 Resources for climate adaptation and resilience			E 08 Health and safety fundamentals (CSI)
				E 09 Living wage fundamentals (CSI)
				E 10 Grievance mechanisms for workers (CSI)
				E 11 Working hours fundamentals (CSI)
				E 12 Collective bargaining fundamentals (CSI)
				E 13 Workforce diversity disclosure fundamentals (CSI)
				E 14 Gender equality and women's empowerment fundamentals (CSI)
				E 15 Personal data protection fundamentals(CSI)
				E 16 Responsible tax fundamentals (CSI)
				E 17 Anti-bribery and anti-corruption fundamentals (CSI)



Presentation of the results

The performance of all financial institutions in scope will be summarised in an overall ranking. This will show aggregate company performance within and across the measurement areas and help identify leading practices as well as key risks and opportunities.

Reporting on the outcome of the assessment include key findings on the main trends, leading approaches and notable conclusions, tied to the industry rankings and individual scorecards for all assessed financial institutions. Acknowledging that assessed entities would like to understand how they are performing against their peers, the overall ranking is presented in a way that allows peer-to-peer, sub-sector and sector comparisons. Moreover, WBA presents the benchmark data in several ways, such as by measurement area, topic and geography, highlighting best practice through different lenses.



Scoring

Note: The scoring approach remains the same as in the 2025 benchmark.

Scoring individual elements and indicators

Each indicator is scored against a set of predefined criteria related to its elements. The elements for each indicator spell out what is expected of the financial institution and what it will be assessed and scored on. The number of elements per indicator is decided by the aspects of interest and the maturity of the indicator topic.

Each indicator gets a score between 0 and 1 that equals the sum of its element scores.

The exact score depends on the number of elements per score, and each element within an indicator contributes equally to the score. Each element is scored individually and gets either its full score (See Table 1) or a zero. There are no partially met elements, nor elements with a higher weight within an indicator, however due to different number of elements per indicator the weight of elements differ between indicators.

Table 1: Indicator and element scores

Number of Elements	Element score	Possible indicator scores ¹
1	1/1	0; 1
2	1/2	0; 1/2; 1
3	1/3	0; 1/3; 2/3; 1
4	1/4	0; 1/4; 2/4; 3/4; 1
5	1/5	0; 1/5; 2/5; 3/5; 4/5; 1
6	1/6	0; 1/6; 2/6; 3/6; 4/6; 5/6; 1

¹ Mathematically, the score per element equals the inverse of the number of elements of the indicator (1/#indicator elements).

Aggregation at the measurement area level

After scoring the indicators and elements individually, the individual scores are aggregated per measurement area, with an equal weight applied for each indicator within the measurement area. Due to different number of indicators per measurement area the weight per indicator differs between measurement areas (see Table 2).

Each measurement area is normalised so that a full score is set to 100.



Table 2: Measurement areas, number of indicators and weight per indicator.

Reference	Name	Number of indicators	Indicator weight before normalisation ¹
I	Strategy, governance and stewardship	6	
A	Strategy, governance and stewardship	6	1/6
II	Respecting climate and nature	10	
B	Financing Climate and Nature protection and restoration	8	1/8
C	Environmental footprints	2	1/2
III	Respecting welfare of individuals and society	23	
D	Inclusive finance	6	1/6
E	Responsible Business Conduct	17	1/17 ²
TOTAL		39	

¹Mathematically, the score per indicator before normalisation equals the inverse of the number of indicators within the measurement area (1/#indicator), and (100//#indicator) after normalisation.

²E includes CSI 1-17 as well as some extra elements specific to the financial sector. An equal element weight will be applied for all elements within an indicator including these extra elements. CSI18 is part of measurement area A and is scored as such.

Aggregation of the total score

Each measurement area has its own weight, as shown in Table 3. A financial institution's total score is the weighted sum of the normalised scores received for each measurement area leading to an overall score between 0 and 100.

Table 3: Measurement areas and weight per area.

Reference	Name	Weight (% of total score)
I	Strategy, governance and stewardship	20%
A	Strategy, governance and stewardship	20%
II	Respecting climate and nature	35%
B	Financing Climate and Nature protection and restoration	25%
C	Environmental footprints	10%
III	Respecting welfare of individuals and society	45%
D	Inclusive finance	25%
E	Responsible Business Conduct	20% ¹
TOTAL		100%



¹ Measurement area E which includes CSI 1-17 will get the 20% assigned to CSI across benchmarks while CSI18 is part of measurement area A and scored as such.

The weight of each area considers the importance of each area as well as the number of indicators per area, and also seeks to find a balance between operational aspects and the provision of products, services and capital.

Compared to the first iteration we put more emphasize on impact-oriented indicators, especially those that focus on the impact of the provision of product, services and capital which reflects the transformative aspect of the financial sector. Expanding on these aspects means that the relative weight of the more process-oriented measurement area A. *Strategy, Governance and Stewardship* was reduced in the second iteration. This also gives a better balance between measurement areas at the indicator level. For the present third iteration this balance is maintained.



General assessment principles

This section outlines the general principles that guides the assessment work of this benchmark. Key scoring information per indicator is presented together with the indicators. More comprehensive scoring information will be published separately and made available together with the draft assessment results.

The general principles guiding the assessment include:

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 document 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, linkable in original language and sufficiently detailed.

2. The assessment scope is group level.

The evidence, whether addressing e.g. provision of products, services and capital, or stewardship, shall refer to the overall 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 at the group level, while multiple, complementary documents at subsidiary level may be sufficient for some other types of documents.

For conglomerates, group level refers to the overall operations within the financial sector, but the analysis is not covering businesses or subsidiaries in other sectors.

3. The focus is on sustainability impacts not on 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. Our lens is another one: the environmental and social impacts due to the financial activities, often referred to as impact materiality. Initiatives focused on financial risks may still provide useful data, but the difference in scope shall be kept in mind. Similarly, ESG disclosures may or may not give sufficient evidence depending on the perspective taken.

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.



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 in more sustainable directions. Consequently, 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 FI sustainability toolbox but needs anchoring in actual impact to be considered a ground for scoring.

6. Indicators referring to the provision of products, services and capital refers to the business activities of the financial institution. Consequently, contributions associated with the assessed entity's own operation or supply chain does not count as evidence for such indicators. Moreover, information related to donations, philanthropy, charities and foundations is not a ground for scoring such indicators.

7. Being a signatory or member of an initiative is not sufficient evidence.

Being a signatory or member of an initiative may sometimes provide the evidence for an element but is usually insufficient as sole evidence.

8. Measurability refers to both physical measurements and other methods used 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.

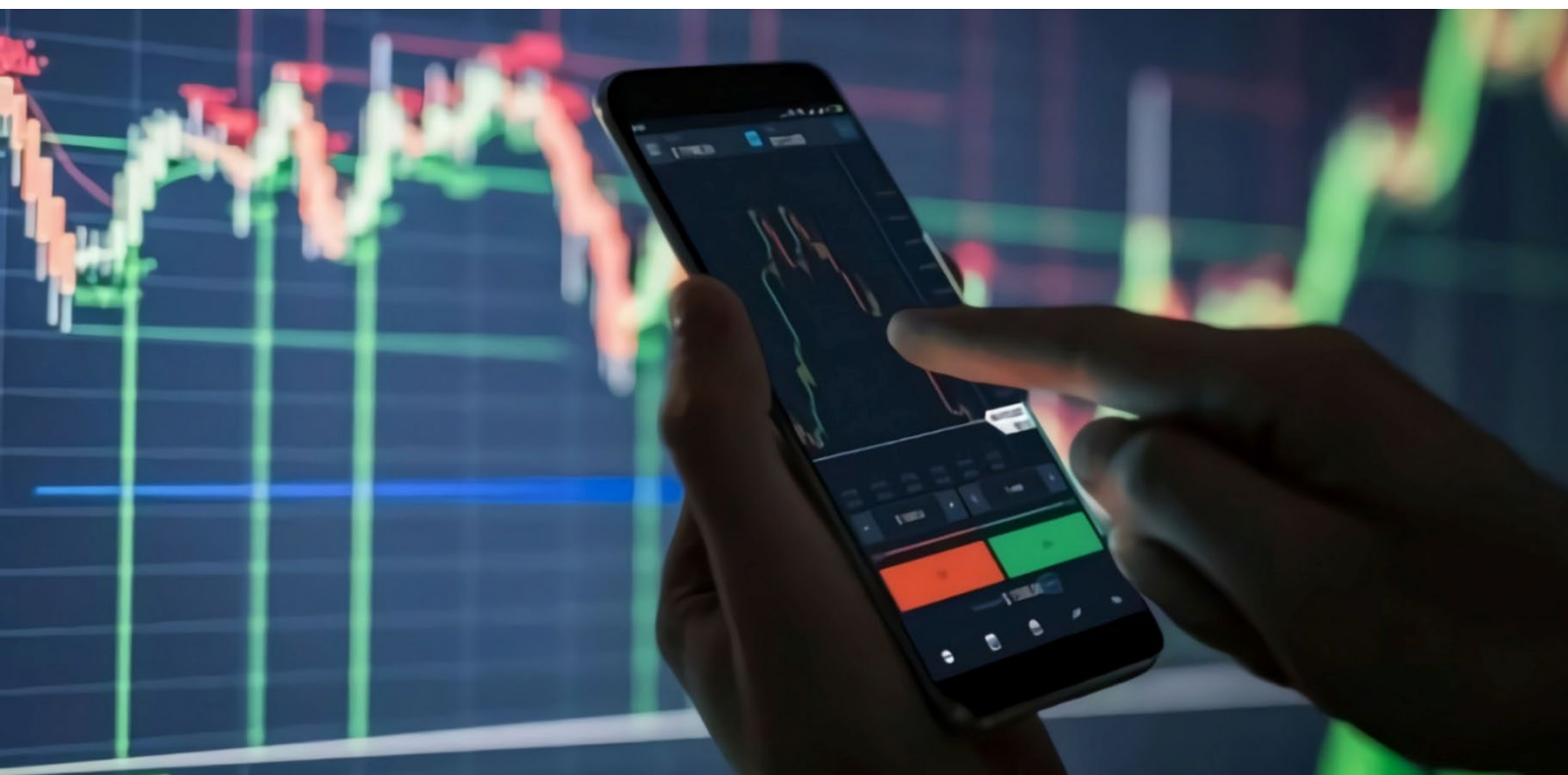


Indicators

Structure

This section reflects the measurement area structure and introduces each indicator with regards to.

- *Topic*: a short title of the issue/topic.
- *Indicator*: outlines the indicator text
- *Rationale*: sets out the reason why the topic is included in the benchmark and why it is considered important for this benchmark.
- *Elements*: sets out the specific elements that companies will be assessed against under this indicator. Each element is identified by its WBA identifier (GEC).
- *Sources*: These refers to sources applicable and referred to when developing and/or revising the indicator (see also Annex 3 for further information and the Reference section for detailed references).
- *Scoring note*: These notes provide details regarding the interpretation of the element and expectations on evidence for a mark to be awarded. Scoring notes are only reflecting topics where clarifications are considered necessary. More comprehensive scoring information will be made available separately together with the draft assessments.



I: Strategy, governance and stewardship

This measurement area focuses on the integration of sustainability into the strategy and operation of the financial institutions. This is also referred to as impact management (IMP 2021). This measurement area looks at the process that the financial institutions have in place to identify and prioritise their positive and negative (adverse), intended and unintended, impacts on society and the environment, and its strategy and targets used for addressing material sustainability impacts. It also covers governance and incentives, and how the responsibility for implementing the sustainability strategy has been assigned. Finally, it examines how financial institutions approach stewardship, responsible lobbying and political engagement.

A.01. Impact materiality and strategy

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

Note: sustainability impacts in focus include social and environmental topics.

Rationale: All impact management and credible sustainability work needs a robust and fact-based identification and prioritisation of impacts based on their materiality, using objective criteria and relevant evidence. For this reason, the assessed entity needs to assess its positive and negative, intended and unintended, societal and environmental impacts, prioritise those based on their materiality, and define a strategy to mitigate negative impacts and increase positive ones. The financial institution shall thus go beyond self-defined concepts of sustainability and consider sustainability as defined in international standards, following internationally recognised processes. Moreover, with a relevant sustainability strategy in place the assessed entity needs to connect its implementation to its governance and incentive structures, and integrate it within their stewardship, lobbying and political engagement activities (see indicators 3-6).

Elements:

- A) The assessed entity identifies actual and potential material sustainability impacts across its operations and value chain.
- B) The assessed entity identifies and prioritises its most material impacts.
- C) The assessed entity discloses the stakeholders and experts consulted in determining its material impacts.
- D) The assessed entity discloses a sustainability strategy covering its material impacts.

Sources: GISD (2021); IMP (2021, fig. 1); OECD/UNDP (2021); UNEPFI (2017b), GRI (n.a.); CDSB (n.a.).

Scoring note: *This indicator sets the sustainability strategy in relation to the materiality of sustainability impacts. Hence, rather than focusing on the risks posed to the financial institution's activities, the indicator examines the impact emerging from the financial*



institution's value chain impacts. As such this indicator focuses on the quality and focus of the materiality analysis. The assessment of the materiality analysis shall consider objective criteria and supportable evidence such as scientific thresholds and international frameworks.

While jointly covering the same scope the elements have been redistributed so that element A covers identification of impacts, while B covers the prioritization. This is in contrast to last iteration where i) focused on the analysis process and ii) on its outcome. Note also that element C is new. These changes are performed to align with other WBA Benchmarks.

A.02. Impact targets and plans

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

Rationale: This indicator sees targets as one of the key mechanisms for addressing sustainability impacts. Establishing targets to address sustainability impacts demonstrates that the assessed entity is making intentional efforts to address their impact as an integrated part of their operation. More specifically, targets shall be time-bound and measurable and clearly referable to the material impact to demonstrate the ambition of the financial institution. Moreover, targets as such are not sufficient but need to be accompanied by plans for how to achieve them, and the progress towards them needs monitoring.

Elements:

- A) The assessed entity sets targets covering all its priority material impacts.
- B) The assessed entity reports against all the targets covering its priority material impacts.
- C) The assessed entity conducts third-party assurance or verification of its target reporting
- D) The assessed entity discloses action plans for implementing its sustainability strategy and targets.
- E) The plan covers its provision of products, services and capital
- F) The plan covers its stewardship activities.
- G) The assessed entity allocates resources to implement its sustainability strategy.

Sources: GISD (2021); IMP (2021, fig. 1); OECD/UNDP (2021); UNEPFI (2017b); CDSB (n.a.).

Scoring note: *The indicator rewards targets that align with good target setting practice and also considers how identified targets address the material impacts. The financial institution needs also to demonstrate that it is progressing in line with its targets. To score fully against this indicator action-oriented plans are required. Plans need to include near-time activities.*



Compared to previous iteration, element A focuses on priority impacts and element B on transparency rather than the progress as such, moreover the planning dimension is divided into three elements (previously two), and a new element on resource allocation has been added. Those changes are made to align with other WBA Benchmarks.

A.03. Governance and incentives

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

Rationale: Sustainability impacts need embedding in the governance and incentives system in line with other key corporate accountabilities. This includes the responsibilities of the highest governance body and the senior executive level. A specific aspect is the composition of these groups as decision-making power is highly concentrated within the financial industry which may cause suboptimal business and financial outcomes, as diversity has been proven to mitigate risk and enhance financial returns. While recognising that diversity is multifaceted, as a start this indicator considers female representation in these groups. Lastly, the decision-making and strategy oversight perspective is complemented by an element on how responsibility for implementation of the strategy is assigned within the organisation.

Elements:

- A) The assessed entity assigns decision-making and oversight responsibility for its sustainability strategy to the highest governance body.
- B) The assessed entity's highest governance body has expertise with respect to its material sustainability topics.
- C) The assessed entity links senior executive remuneration to its sustainability targets .
- D) The assessed entity maintains a gender balance (between 40 -60%) at the highest governance body.
- E) The assessed entity maintains a gender balance (between 40 -60%) at the senior executive level.
- F) The assessed entity discloses the functions, teams or committees that are responsible for the implementation of its sustainability plans.

Sources: PRI (2021) sections 6, 7, 8.2; GRI (n.a.) disclosure 102-22, 102-26, 102-35; FRC (2020) principle 2; WEF (2020) remuneration, governance body composition; FFG (2020); UN (2011) sections A1.1, A2.2; CA100+ (2021) item 8.1, 8.3; ShareAction (2018a) question G1.1; ShareAction (2018b) questions G1.1,G1.2; ShareAction (2020a) question G1.2; ShareAction (2020b) questions 46, 47; CDP (n.a. b) indicators D.1, D.2, D.3; WRI (2019); EU (2024).

Scoring note: *Marks will be awarded to financial institutions that disclose information that clearly shows that the different elements are addressed. For example, for the implementation responsibility, the financial institutions need to refer to functions, teams*



and committees which have been assigned responsibility, i.e. it is not sufficient to state that responsibility has been assigned without specifying to whom.

To align between WBA Benchmarks an element on governance body expertise has been added.

A.04. Stewardship policy and reporting

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

Rationale: As responsible stewards of assets, financial institutions are expected to be transparent about their approach to managing assets and disclose their policies for responsible management. This includes their impact and dependency on the society and the environment. Financial institutions manage assets and liabilities in different capacities and addresses these impacts in different ways. As responsible stewards, financial institutions shall engage with clients on these topics but also address them in their advocacy activities and partnerships. They are also expected to be transparent about their client engagement, advocacy and partnership activities over the reporting period.

Elements:

- A) The assessed entity has a stewardship policy that promotes environmental and social sustainability in line with its sustainability strategy.
- B) The stewardship policy covers client and other stakeholder engagement as well as advocacy and partnerships.
- C) The stewardship policy includes criteria for what is considered a successful stewardship result, escalation routes if unsuccessful and defines when escalations should happen.
- D) The assessed entity publishes an engagement/stewardship report describing the outcome of engaging on sustainability impact topics. GEC_00562

Note: Stewardship includes client engagement as well as advocacy and partnerships

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

Sources: GISD (2021); PRI (2021); FRC (2020); ICGN (2020); PRI (n.a. a); PRI (n.a. b); EU (2024); InvestorForum (2019).

Scoring note: Marks will be awarded to stewardship policies that align with the sustainability strategy. The financial institution needs to address engagement, advocacy and partnership. However, the information may be disclosed in different documents. A company that only provide a descriptive report but not a policy can get a mark for element D) only.



A.05. Responsible lobbying and political engagement fundamentals (CSI 18+)

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

Rationale: A financial institution's impact on the environment and society goes beyond its business activities, as it plays a direct or indirect role in shaping the rules and regulations that create boundaries and incentives for the private sector. Seeing its wider role, the financial institution shall disclose its political contributions. It shall also make its approach to lobbying and political engagement public and apply it both inhouse and with third-party lobbyists in its service. Moreover, it shall be transparent about its lobbying expenditures and its membership in trade associations.

Note: Elements i) to iv) represents WBA's Core Social Indicators (CSI) which applies across benchmarks, while element v) is specific to this benchmark.

Elements:

- A) The assessed entity has a publicly available policy statement(s) (or policy(ies)) setting out its lobbying and political engagement approach.
- B) The assessed entity discloses the total monetary value of financial and in-kind political contributions made *directly* by the organisation by country and by recipient/beneficiary.
- C) The assessed entity discloses the total monetary value of financial and in-kind political contributions made *indirectly* by the organisation by country and by recipient/beneficiary, including its lobbying expenses.
- D) The assessed entity requires third-party lobbyists to comply with its lobbying and political engagement policy (or policies).
- E) The assessed entity discloses a list of the trade associations of which it is a member (Benchmark specific).

Sources: TI (2015) recommendations 5, 8, 9.

Scoring note: Marks will be awarded to entities that have a public policy in place covering own operation and third-party lobbyists. The assessed entity should disclose the monetary value of its direct and indirect political contributions including its lobbying expenses. A comprehensive list of all trade associations is expected covering all jurisdictions.

Note: Element ii) from previous iteration has been split into element B and C to address direct and indirect contributions separately.

A.06. Applying responsible lobbying principles

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

Rationale: Having made its overall approach to lobbying and political engagement known, as well as its lobbying expenditures and trade association memberships,



financial institutions need to ensure coherency between sustainability and its influential power by aligning its activities with its sustainability strategy and overarching sustainability goals and agreements. It shall also be transparent about how it interacts with public policy and policy-influencing processes and organisations, and disclose the positions taken and the lobbying and political engagement activities performed with regards to promoting a sustainable development.

Elements:

- A) The assessed entity commits to not use its lobbying and political engagement power to impact in directions that would lead to adverse sustainability impacts.
- B) The assessed entity discloses the positions it takes in its lobbying and political engagement activities on sustainability topics.
- C) The assessed entity discloses specific actions taken to align its lobbying and public policy engagement with its sustainability strategy.

Sources: CDP (n.a. b) indicator C12.3; FinanceMap (n.a); CPA (n.a.); CA100+(n.a) indicator 7.3; PRI (2021) 23.2; WEF (2021) alignment of strategy and policies to lobbying; UNEPFI (2011); ShareAction (2018b) question G2.4; ShareAction (2020a) questions G3.1, G3.3 and RM1.1; ShareAction (2020b) questions 31a and 34a; TI (2015).

Scoring note: Marks will be awarded to entities that have made an explicit commitment to not use its influential power to counteract beneficial sustainability outcomes. While element A) need not be detailed, element B) asks for specific positions and element C) asks for specific actions.



II. Respecting climate and nature

The exponential change of global average temperature since the industrial revolution and the importance of a stable climate for the stability of society and the economy has a strong scientific underpinning, and the cost for climate-related impacts is enormous and growing². At the same time, the ecosystem services provided by nature are severely threatened due to human economic activity. Monitored wildlife populations – including mammals, birds, amphibians, reptiles and fish – have seen a devastating 69% drop on average since 1970 (WWF 2022), while land degradation has reduced the productivity of nearly one-quarter of the global land surface, impacted the wellbeing of about 3.2 billion people and cost about 10% of annual global gross domestic product in lost ecosystem services (UNCCD 2019). According to the World Economic Forum, as much as US\$44 trillion is dependent on these ecosystem services (WEF 2020). Moreover, investments in nature-based solutions, currently at US\$200 billion (82% thereof provided by governments), will need to at least triple by 2030 if the world is to meet its climate change, biodiversity and land degradation targets (UNEP 2023)

Though loss of biodiversity and ecosystems is interlinked with climate change - as are global goals addressing them - their relationship is a complex one and preserving nature does not follow automatically from solutions to reduce carbon emissions – in contrast there are cases when mitigation of climate change may lead to adverse effects on ecosystems and biodiversity. For this reason, it is necessary to keep a close eye on both. Hence, for the purposes of the benchmark's methodology, we present them as two distinct themes. However, financial institutions that integrate both themes into their strategy and business models, while understanding the interconnectedness between the two themes would be at the forefront of their sector.

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°C³, as well as the more recent scientific underpinning of the importance of not risking an increase above 1.5°C⁴. 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

² Newman and Noy (Nature, 2023) recently found that USD 143 billion per year of the costs of extreme events alone are attributable to climatic change. The majority (63%), of this is due to human loss of life. Their findings are based on data from Extreme Event Attribution (EEA) studies. As EEA is a relatively new research field it seems reasonable to assume that this number would increase as more studies becomes available.

³ <https://unfccc.int/most-requested/key-aspects-of-the-paris-agreement>

⁴ <https://www.ipcc.ch/sr15/>

benchmark, it would not be sufficient to refer to the Paris agreement or alignment with 2°C but financial institutions 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 (IPCC 2018) or the International Energy Agency (IEA) net zero greenhouse gas emissions (IEA n.a.) 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 CO₂ emissions by 2050 and net zero greenhouse gas emissions soon after.

B. Financing Climate and Nature protection and restoration

This measurement area focuses on the impact from the financial institutions' business activities (i.e. their provision of products, services and capital) and stewardship activities relating to climate and nature. Overall, there are three indicators focusing on climate mitigation, four focusing on nature and one on climate adaptation and resilience which is closely linked to both the previous ones.

B.01. 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 (EU n.a. a). Petroleum products includes but are not limited tar sands oil, offshore oil, as well as fracked and conventional oil.

Rationale: Financial institutions are expected to adjust their financing activities associated with fossil fuels and high emitting sectors across their value chain to align with 1.5°C trajectories. This includes being transparent regarding their business dependency on such sectors, not providing products, services and capital to new fossil fuel projects in line IEA Net Zero by 2050 Scenario (IEA n.a.), and set a time-bound strategy to phase out their provision of products, services (such as investing, lending, investment banking, advisory and insurance underwriting) and capital to projects, client and investors lacking a well-defined defined strategy aligned with a 1.5°C trajectory.

Elements:

- A) The assessed entity discloses the amount and/or share (in monetary terms) of its provision of products, services and capital linked to fossil fuel sectors.
- B) The assessed entity does not provide products, services or capital, neither to new fossil fuel projects nor to clients and investees undertaking such projects.

- C) The assessed entity has a time-bound strategy to phase out the provision of products, services and capital to existing fossil fuel projects and clients and investees across the fossil fuel value chain, which lack a well-defined strategy aligned with a 1.5°C trajectory.
- D) 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.

Sources: CSLN (2020); CSLN (2021); FFG (2020); IOF (2020); IEA (n.a.); RAN (2021); ShareAction (2021b); ShareAction (2020b) questions 4, 9, 11; NZAOA (n.a.); GISD (2021); WRI (2019); CPI (2021); CPI (n.a.).

Scoring note: *In this iteration, the assessment covers high emitting sectors as well fossil fuel sectors. For this reason element D has been added. All evidence needs to be explicit – not referring to fossil fuel projects is not considered evidence. Moreover, for fossil fuels evidence shall refer to all types of fossil fuels, phasing out only e.g. coal is not sufficient. Alignment with a 1.5°C trajectory is defined in this document, in particular it demands near-term action and cannot only consider a 2040-2050 timeline.*

Note: High emitting sectors is defined as cement, power generation, steel, automotive, aviation, shipping and buildings.

B.02. 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 taxonomies such as Climate Bonds Initiative taxonomy (CBI 2021), EU Taxonomy for sustainable activities (EU n.a. e) or other relevant taxonomy,

Rationale: To support the development towards an economy that respects climate and nature restrictions, financial institutions are expected to increase their positive impact by investing in climate solutions. Hence, financial institutions committed to aligning their business strategy with 1.5°C trajectories towards Net Zero shall tailor their provision of products, services and capital accordingly and disclose their financing of climate solutions regularly. Besides, environmental effects, increasing financing into climate solutions can contribute to improving the liquidity and lowering the cost of capital for green activities. It can also lead to the increase in resilience of the economy, contributing not only to mitigation of climate change risks but also to adaptation to any other related risks that may arise.

Elements:

- A) 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.



- B) The assessed entity has time-bound and measurable targets for provision of products, services and capital for these climate solutions.
- C) The assessed entity progresses in line with its target.

Sources: CBI (2021); CSLN (2021); EU (n.a. e); FFG (2020); ICMA (n.a.); IIGCC (2021); PCAF (2022a, 2022b, 2023); SBTi (n.a.); ShareAction (2020b) question 19; UNEPFI (n.a. a; n.a.b); GISD (2021); WRI (2019); CPI (2021).

Scoring note: *In addition to aligning with established climate solutions frameworks, entities need to state the levers through which they provide the products, services and capital for which data is presented. As for other target related indicators the entity needs to follow target-setting best practices and demonstrate that they progress in line with their targets.*

B.03. Climate engagement alignment

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

Rationale: Financial institutions aiming to align their provision of products, services and capital with 1.5°C aligned net zero trajectories are also expected to coherently incorporate this perspective in their engagement with clients and investees, hence using their leverage as intermediaries and facilitators to support climate change mitigation. Increasing financing for climate solutions can contribute to improving the liquidity and lowering the cost of capital for green activities. It can also increase economic resilience, contributing not only to mitigation of climate change risks but also to adaptation to any risks that may arise.

Elements:

- A) The assessed entity transparently identifies the key sectors, clients and investees to engage with on climate issues.
- B) The assessed entity engages in supporting improvements in climate performance of those sectors, clients or investees by directly or partnership engagement.
- C) The assessed entity engages with these clients and investees to influence and support their alignment with 1.5°C trajectories.
- D) 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+).

Sources: FinanceMap (n.a.); IIGCC (2021); IOF (2020); GFANZ (n.a.); ShareAction (2018b) question G2.4; ShareAction (2020b) question 16; ShareAction (2018a) question RM1.1; RMI (n.a.); CPI (2021); CPI (n.a.).

Scoring note: *This indicator is specifically about alignment with 1.5°C trajectories, for this reason evidence for C) and D) need to be clearly referable to such trajectories and*



ambitions, i.e. engagement in other activities that refer to climate or net zero is not rewarded by this indicator unless embedding engagement on aligning with 1.5°C trajectories.

Note: Compared to previous iteration, element B has been added to address climate engagement which is not specifically referring to 1.5°C.

B.04. Nature-related impacts strategy

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

Rationale: Financial institutions are expected to develop approaches to assessing and monitoring their impact on nature across their provision of products, services and capital. Acknowledging that the metrics for biodiversity and ecosystems in finance are still being developed, this indicator focuses on identifying and prioritising such impacts in a transparent manner and setting a strategy, at least for those sectors and areas representing the financial institutions highest impact on nature. Acknowledging the ongoing work of initiatives such as TNFD (TNFD n.a.) and SBTN (SBTN n.a.), over time this is expected to be complemented by more specific elements, while keeping in mind that the perspective here is, as for other indicator, about the impact from the assessed entity, not the financial risks it is exposed to.

Elements:

- A) The assessed entity transparently identifies the nature-related impacts associated with its provision of products, services and capital.
- B) The assessed entity transparently identifies and prioritises 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.
- C) The assessed entity has a strategy for the protection and restoration of nature covering at least its priority sectors and areas.

Sources: Capitals Coalition (n.a.); CPI (2021); FfB (n.a.); IPBES (n.a.); IUCN (n.a.); SBTN (n.a.); ShareAction (2020a) question BS1.1; TNFD (n.a.); UNEPFI (2021); DFF (2021); UNCBD (2022); BfN (n.a.); TNFD (n.a.); ENCORE (n.a.); NCFA (n.a.); PBAF (n.a.).

Scoring note: *For the purposes of evaluating and scoring, element A) the entity shall disclose how it assesses its provision of products, services and capital to arrive at its conclusion on relevant impacts. Element B) expects entities to be explicit about the sectors and geographical areas representing their highest impacts while also providing a rationale for this conclusion. The strategy, element C), shall cover at least those counting as evidence for B) and shall focus on the adjustment of business activities to reduce negative impacts and amplify positive impacts.*



B.05. 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.

Rationale: Financial institutions are expected to disclose their provision of products, services and capital to the sectors and geographic areas representing their highest negative impact on nature (priority sectors and areas). To mitigate these effects, the financial institutions set targets and progress in line with them.

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.

Elements:

- A) 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.
- B) The assessed entity has time-bound and measurable targets for reducing its negative impact on nature.
- C) The assessed entity progresses in line with its target.

Sources: DFF (2021); ENCORE (n.a.); FfB (n.a.); GRI (n.a.) disclosure 304; SBTN (n.a.); TNFD (n.a.); UNEPFI (2021), UNCBD (2022); BfN (n.a.); PBAF (n.a.); NCFA (n.a.).

Scoring note: *Entities need to go beyond reducing climate impacts to be rewarded a mark and specifically refer to other nature-related impacts. For A) the assessed entity shall describe what this disclosure covers but need not detail specific contracts and similar details. As for other target related indicators the entity needs to follow target-setting best practices and demonstrate that they progress in line with their targets.*

B.06. Resources for nature protection and restoration

Indicator: The assessed entity provides products, services and capital for protection and restoration of nature and has targets for this.

Note: Applicable solutions align with established criteria defined by such as MDB Common Principles for tracking nature-positive finance (EIB 2023)⁵

Rationale: Financial institutions have an important role to fill by its provision of products, services and capital to solutions that protect and restore nature. Financial

⁵ A set of Common Principles developed by ten multi-lateral development banks (MDB) for tracking nature-positive finance that can be used by each MDB and that may be informative for other investors (including but not limited to capital markets and domestic public budget holders). The Common Principles define nature-positive finance and the eligibility criteria for identifying and tracking nature-positive finance, and outline the steps to identify relevant finance ex-ante. (EIB 2023)

institutions are thus expected to disclose their provision of products, services and capital to such solutions, and to set targets and monitor progress to amplify those.

Elements:

- A) The assessed entity discloses the aggregate amount and/or share (in monetary terms) of its provision of products, services and capital devoted to protection and restoration of nature.
- B) The assessed entity has time-bound and measurable targets for provision of products, services and capital for protection and restoration of nature.
- C) The assessed entity progresses in line with its target.

Sources: Capitals Coalition (n.a.); FfB (n.a.); IPBES (n.a.); IUCN (n.a.); SBTN (n.a.); TNFD (n.a.); UNEPFI (2021); EIB (2023); UNCBD (2022); BfN (n.a.); TNFD (n.a.); ENCORE (n.a.).

Scoring note: *Examples of solutions include provision of products, services and capital to such as reforestation, sustainable agriculture, ocean conservation, and the restoration of degraded land. As for other target related indicators the entity needs to follow target-setting best practices and demonstrate that they progress in line with their targets.*

Note: The scope of this indicator has not changed since last iteration, however the language has been changed from "nature-positive" to "nature protection and restoration"

B.07. Nature-related engagement activities

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

Rationale: Financial institutions aiming to align their provision of products, services and capital with lowering their negative impact on nature while contributing to nature-related solutions are also expected to coherently incorporate this perspective in their engagement with clients and investees, hence using their leverage as intermediaries and facilitators to protect and restore nature. Hence, they are expected to actively engage with the companies they provide products, services and capital to in order to support them to take appropriate steps to protect and restore, directly and through partnerships.

Elements:

- A) The assessed entity transparently identifies key sectors, clients and investees to engage with on nature-related impacts.
- B) The assessed entity engages with these clients and investees to influence and support them to set strategies for nature-protection and restoration.
- C) The assessed entity engages in partnerships to influence and support sectors, clients and investees to act on their nature-related impacts.

Sources: ENCORE (n.a.); FfB (n.a.); ShareAction (2020a) question B RM1.1; DFF (2021); UNCBD (2022); BfN (n.a.); SBTN (n.a.); TNFD (n.a.).



Scoring note: Evidence towards this indicator focuses on nature-related impacts other than climate impacts. As corporate work on nature-related impacts is more in its infancy than climate related work, this indicator is less prescriptive regarding the content of the engagement compared to the corresponding climate related indicator. However, it requires the same level of transparency.

B.08. 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.

Rationale: As the effects of climate change gets more severe and costly, financial institutions need to consider how to best support the adaptation and resilience of society alongside mitigation measures. The importance of providing products, services and capital to prepare society for those inevitable effects will only increase, as will expectations on financial institutions to contribute.

Elements:

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

- A) The assessed entity has a strategy for providing of products, services and capital to support the climate adaptation and resilience of society.
- B) The assessed entity provides at least one example of how its products, services and capital supports the climate adaptation and resilience of society.

Sources: CCRI (n.a.); UNEP (n.a.); UNFCCC (n.a.); World Bank (2021a); World Bank (2021b)

Scoring note: The entity is expected to refer to climate adaptation and resilience, and its intended strategy to address this. The strategy needs to refer to the provision of products, services and capital and need to be supportive of climate adaptation and resilience. Element B) may be rewarded its mark even if there is no strategy in place.



C. Environmental footprints

Although the transformational role of financial institutions is associated with their provision of products, services and capital, they need also to keep track of their own value chain greenhouse gas emissions, their carbon footprint, as well as of other environmental impacts. With monitoring its carbon footprint is a first step for a financial institution to this end, setting and delivering on interim and long-term targets to decrease its impact in line with science and established trajectories is also expected.

Note: This iteration focuses in particular on climate related impacts and targets. However, this measurement area may expand to other impacts in later iterations.

C.01. Organisation carbon footprint

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

Rationale: Financial institutions are expected to assess and disclose their organisational carbon footprint at an annual basis across its full value chain emissions following international standards. In particular, they shall disclose their financed emissions which represents their most significant share, estimated by CDP (CDP 2021a) to be more than 700 times greater than their own emissions. Despite this CDP also showed that only a quarter of reporting financial institutions disclose their financed emissions. Importantly, financial institutions shall also disclose details about the data and the methodology applied.

Elements:

- A) The assessed entity monitors its scope 1-2 emissions.
- B) The assessed entity monitors the emissions resulting from its associated financing activities (Scope 3 category 15).
- C) The assessed entity monitors other scope 3 categories, by category.
- D) The assessed entity transparently details the methodology applied in its footprint calculation.

Note: Detailing the methodology includes but is not limited to disclosing to what extent the provision of products, services and capital are covered by its reported financing activities

Note: Financing activities are associated with financed, facilitated and insurance-associated emissions (PCAF 2022a, 2022b, 2023).

Sources: GHGP (2004); PCAF (2022a, 2022b, 2023); CDP (2021b); CPI (2021); FFG (2020); GRI (n.a.) disclosure 305-3; RMI (n.a.); ShareAction (2018b) question MT2.1; ShareAction (2020b) question 4; ShareAction (2021); WEF (2020a).

Scoring note: *To be rewarded full marks, entities are expected to annually disclose scope 1, 2 and applicable scope 3 categories as separate categories while detailing their methodological approach in line with established standards and provide a rational for*



excluded scope 3 categories. For emissions associated with financing activities, the assessed entity shall disclose the percentage of their activities covered by their inventory.

C.02. 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.

Note: Financed emissions is here used as an umbrella term which encompass financed, facilitated and insurance-associated emissions (PCAF 2022a, 2022b, 2023).

Rationale: Financial institutions are expected to define net zero targets and interim targets for its scope 1-3 emissions (covering but not limited to financed emissions) aligned with a 1.5°C trajectory, in line with best practices reflecting international standards and guidelines, and to progress in line with those. Financial institutions are also to define transition plans that outline how to achieve those targets.

Elements:

- A) 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.
- B) The assessed entity has one or more interim targets for latest 2030 (e.g. 2025 and 2030) aligned with a 1.5C trajectory.
- C) The assessed entity has established a transition plan covering its own operations, supply chain and portfolio.
- D) The assessed entity's scope 1-3 emissions reduce in line with its interim targets.

Sources: ISO (2022); CA100+ (2021) indicators 1-4; CPI (2021); FFG (2020), GFANZ (n.a.); IOF (2020); IIGCC (2021); RMI (n.a.), ShareAction (2020b) questions 9, 11 and 41; ShareAction (2021); SBTi (n.a.); SBTi (2023); UNEPFI (n.a. a; n.a. b); CSLN (2022); SBTi (2023); SBTi (n.a.).

Scoring note: *For the purposes of evaluating and scoring, marks will be awarded to entities that have set targets which are aligned with established net zero frameworks and with interim targets following a 1.5°C trajectory. This means that targets shall cover the full value chain including but not limited to the provision of products, services and capital. Moreover, the entity needs also to disclose a time-bound action plan that clearly outlines how an organisation will pivot its existing assets, operations, and entire business model towards its interim and net zero targets.*



III: Respecting welfare of individuals and society

Similar to environmental impacts, the financial institutions have social impacts associated with their own operations, their supply chain - but most significantly - through the transformational role of providing products, services and capital. Hence, this theme is divided into two measurement areas focusing on the wider impacts and the way they conduct their business respectively.

D. Inclusive finance

This measurement area is about providing a more inclusive access to financial products, services and capital. Financing gaps for sustainable development are large and growing – international organisations and others are seeing an additional investment need of around \$4 trillion for developing countries. This represents a more than 50% increase over the pre-pandemic estimates. (UNCTAD 2023). Further, only a small portion of the wealth generated is channelled back into the investment-oriented industries such as affordable housing, sustainable infrastructure and sustainable agriculture, which are key economic activities needed to achieve the UN Sustainable Development Goals (SDGs). At the individual level, the gap could be expressed in ownership and income: The poorest half of the global population owns just €2,900 per adult (in purchasing power parity), while the top 10 percent owns roughly 190 times as much. Similarly, the richest 10 percent today snap up 52 percent of all income while the poorest half get just 8.5 percent. (IMF 2023). This inequality is not only between countries, but also within countries, with whole segments of societies being left behind.

Given the substantial differences in access to the financial means, financial institutions are expected to monitor and disclose how they contribute to underrepresented groups and industries, as well as to low-income and lower-middle income country. They are also expected to avoid divestment from low-income and lower-middle income countries as unintended consequences of their sustainability strategies and targets.

D.01. 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.

Rationale: Financial institutions are expected to monitor and disclose how they contribute to underrepresented groups including women and other underrepresented group transparently defined by the financial institutions themselves.

Elements:

- A) The assessed entity discloses the breakdown of clients and/or beneficiaries by income group. GEC_00598



- B) 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

Sources: GISD (2021).

Scoring note: *The groups considered shall be well-defined and reasonable. The focus of the indicator is on the provision of products, services and capital. This element refers to the aggregated provision so disclosure in relation to a specific project is not sufficient as evidence.*

D.02. 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.

Rationale: A financial institution is expected to actively seek to finance businesses and enterprises that are often excluded from financing. Specifically, financial institutions are expected to monitor and disclose how they contribute to companies of different sizes and how they allocate products, services and capital to small and middle-sized enterprises and to women-owned businesses.

Elements:

- A) The assessed entity discloses the breakdown of clients and/or beneficiaries by their size (e.g. by number of employees/revenue).
- B) The assessed entity discloses the amount and/or share (in monetary terms) products, services and capital provided to small-and medium-sized enterprises.
- C) The assessed entity discloses the amount and/or share (in monetary terms) of products, services and capital provided to women-owned businesses.

Note: Women-owned businesses are defined either as businesses where 51% or more is owned by one or more women; or businesses that are to at least 20% owned by woman/women; and have at least 1 woman as CEO/COO/President/Vice President and have at least 30% of the board of directors composed of women, where a board exists. (IFC 2021)⁶.

Sources: GISD (2021).

Scoring note: *The intervals considered shall be well-defined and reasonable. The focus of the indicator is on the provision of products, services and capital. This element refers to the aggregated provision so disclosure in relation to a specific project is not sufficient as evidence.*

⁶ Financial institutions may refer to other reasonable definitions.

D.03. 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. Developing countries hold less than 20% of global financial assets, valued at USD 469 trillion in 2020, yet these countries represent 84% of the world's population and 58% of global GDP (OECD 2023).

Rationale: Financial institutions are expected to monitor and disclose how they contribute to countries at low-income and lower-middle income level.

Elements:

- A) The assessed entity discloses its operation by country (e.g. by number of employees or revenue).
- B) The assessed entity has a policy, strategy or target to provide or otherwise support further provision of products, services and capital for low-income and lower-middle income countries.
- C) 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.
- D) 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.

Sources: GISD (2021).

Scoring note: *The focus of the indicator is on the provision of products, services and capital. The assessed entity shall describe what this disclosure covers but need not detail specific contracts and similar details. 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 element D). Instead that assessed entity shall have a strategy based on complementary efforts to not leave these economies behind when performing such adjustments.*

Note: A new element (B) has been added in this iteration to assess the positive steps that financial institutions may undertake to support low-income and lower-middle income countries.

D.04. 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.

Rationale: The way products, services and capital are provided to clients and investees may affect the conditions of workers associated with the implementation of projects which these means are intended for. As awareness of this stakeholder group increases, financial institutions are expected to consider any risks associated with the ILO fundamental rights of work, e.g. as part of their due diligence processes and need also to counteract those risks. Embedding this perspective as part of due diligence could



lead to mitigation of certain systematic risks, including rising income inequality, erosion of workers' rights and wage depression.

Elements:

- A) 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.
- B) The assessed entity has a process for mitigating such risks when identified.

Sources: ILO (2022)

Scoring note: *This indicator refers 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 breaches against these principles and rights are integrated in applicable due diligence processes for the provision of products, services and capital.*

D.05. 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

Note: The assessed entity may alternatively refer to the related concept of 'living wage'

Rationale: As outlined for indicator D.04, the way products, services and capital are provided to clients and investees may affect the conditions of workers associated with the implementation of projects which these means are intended for. As awareness of this stakeholder group increases, financial institutions are expected to consider any risks associated with the ILO fundamental rights of work, e.g. as part of their due diligence processes. In particular, there is a link between conditions for providing of products, services and capital and ensuring that workers are paid living wages.

Elements:

- A) The assessed entity has established a living wages policy which considers those affected by its provision of products, services and capital.
- B) The assessed entity has a time-bound strategy to reduce risks of non-living wages associated with its provision of products, services and capital.
- C) The assessed entity demonstrates progress in this area.



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

Sources: ILO (2022), GLWC (n.a.), PLWF (n.a.), OECD (2023b).

Scoring note: *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 – depending on client and investees entities may also refer to 'living income'.*

D.06. Just transition risk mitigation and stewardship

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

Rationale: IPCC defines just transition as “a set of principles, processes and practices that aim to ensure that no people, workers, places, sectors, countries or regions are left behind in the transition from a high-carbon to a low-carbon economy”. Financial institutions that aim to contribute to the transition to a low- carbon economy be providing products, services and capital are expected to consider the social effects of their contribution and to work towards a just transition. They shall also seek to ensure that the substantial benefits of a green economy transition are shared widely while side effects are mitigated.

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

Elements:

- A) 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.
- B) The assessed entity has a process for mitigating such risks.
- C) The assessed entity has a process for enabling social opportunities of the transition associated with its provision of products, services and capital.
- D) The assessed entity includes just transition in its stewardship activities.

Note: Risk mitigation includes measures such as supporting local economic transition or reskilling and upskilling of workers. Enabling opportunities includes such as supporting local economic transition and access to green and decent jobs.

Sources: CSLN (2022), Grantham (2022), GFANZ (2022), ILO/Grantham (2022), WBA-JT (2021).



Scoring note: *The entity describes how it assesses social transition risks associated with its provision of products, services and capital for the transition to a low-carbon net zero economy, and how it considers workers and other stakeholder directly or indirectly associated with such risks. The entity also discloses its process for mitigating such risks. Since this area is under development the main aim of the indicator is to understand the maturity of financial institutions with regards to just transition. For this reason, the indicator is not referring to specific actions or directions at this point.*

Note: Element ii) from previous iteration on consideration of workers and other concerned stakeholders has been included in element A.



E. Responsible Business conduct

This measurement area is based on WBA's [social transformation framework](#). The framework consists of our eighteen Core Social Indicators (CSI) that reflect the Organisation for Economic Co-operation and Development's (OECD) *Guidelines of Responsible Business Conduct* (OECD 2023/2011) and International Labour Organisation's (ILO) *Fundamental Principles and Rights at Work* (ILO 2022). This measurement area includes CSIs 1-17, while CSI 18 forms part of Measurement area A due to thematic resemblance.

WBA is assessing the CSI across all WBA benchmarks covering our 2,000 keystone companies. Moreover, these indicators are to represent at least 20% of a company's final score. Together, the CSI outline the minimum societal expectations that companies shall adhere to in order to leave no one behind, across three core themes of social transformation. This includes respecting human rights, providing and promoting decent work, and acting ethically.

The original CSIs focus on companies' own operations and suppliers, while financial institutions' impacts are to a large extent associated with their provision of products, services and capital. For this reason, some indicators have been expanded for this benchmark to cover downstream impacts. This is mainly the case for indicators associated with human rights, while the consideration of decent working conditions relating to the provision of products, services and capital is addressed in greater detail as part of measurement area C.I.

Note: The CSI were updated in 2024 to remain relevant and integrate learnings and stakeholder input, as well as to ensure further alignment with our other benchmarks. For this reason, several of the indicators in E have been updated since the last iteration to reflect those updates. For details refer to the [2026 Social Benchmark Methodology](#).

a. Corporate human rights responsibility (Indicator 23-28/CSI 1,3-6, 8)

Rationale: Human rights are inextricably linked to the SDGs, with the 2030 agenda aiming to 'realise the human rights of all'. All businesses are expected to respect human rights, which means avoiding infringing on the human rights of others as well as addressing the adverse human rights impacts companies cause, contribute to or are involved in across their entire value chain. Building on the UN Guiding Principles on Business and Human Rights (UN 2011) and the OECD human rights due diligence framework (OECD 2018), these indicators aim to assess financial institutions' approach to respecting human rights.

Human rights due diligence refers to an ongoing risk management process that a reasonable and prudent financial institution needs to follow to identify, prevent, mitigate and account for how it addresses its adverse human rights impacts. As set out in the UN Guiding Principles 17-21 (UN 2011), this includes four key steps: identifying



and assessing actual and potential human rights impacts; integrating and acting on the findings; tracking responses; and communicating about how impacts are addressed.

Human rights risks refer to any risks to people that relate to its actual or potential human rights impacts. Importantly, a company's human rights risks are the risks that its activities pose to human rights. This is separate from any risks that involvement in human rights impacts may pose to the financial institutions, although the two are increasingly related.

E.01. Commitment to respect human rights (CSI 1+)

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

Note: This refers to activities across its operation, supply chain and financial activities.

Elements:

- A) The assessed entity has a publicly available policy statement committing it to respect human rights.

Sources: WBA-CHRB (2021) indicator A.1.1; GRI (n.a.) disclosure 103-2; ShareAction (2020a); UN (2011) principles 11 and 12; Shift (n.a.) A1.

Scoring note: *The financial institution's policy statement shall explicitly commit to respecting human rights, or commit to respecting the rights in either the Universal Declaration of Human Rights, the International Bill of Human Rights or all internationally recognised human rights. The focus is both on own operations and value chain activities. It shall be noted that a policy that only covers part of the assessed entity's activities will not meet the indicator element. Moreover, a policy covering only aspects of the assessed entity's business would not be sufficient.*

E.02. Commitment to remedy (CSI3)

Indicator: The assessed entity publicly commits to provide or cooperate in remediation for affected individuals, workers and communities through legitimate processes (including judicial and non-judicial mechanisms, as appropriate), where it identifies that it has caused or contributed to adverse impacts.

Elements:

- A) The assessed entity has a publicly available policy statement committing it to remedy the adverse impacts on individuals, workers and communities that it has caused or contributed to.
- B) The assessed entity expects its business relationships to commit to the right to remedy.

Scoring note: *The policy should be found in a publicly available policy document or policy webpage and use sufficient commitment language to commit to respect the right to*



remedy and use strong commitment language. The policy should cover all of the assessed entity's operations or business relationships comprehensively and none should be excluded, and it should be apply consistently across all locations regardless of law. A commitment to or compliance with local/national laws alone is not accepted.

E.03. Identifying human rights risks and impact (CSI 4+)

Indicator: The assessed entity proactively identifies its human rights risks and impacts on an on-going basis. This includes engaging with stakeholders and vulnerable groups as part of the identification process.

Elements:

- A) The assessed entity describes the process(es) it has in place to identify its human rights risks and impacts in specific locations or activities, covering its own operations.
- B) The assessed entity describes the process(es) it has in place to identify its human rights risks and impacts through relevant business relationships, including its supply chain.
- C) The assessed entity describes the process(es) it has in place to identify the specific human rights risks and impacts associated with its provision of products, services and capital. (Benchmark specific).
- D) The assessed entity describes how it involves affected stakeholders and internal or independent external human rights experts in its human rights risks and impacts identification process(es).

Note: A) and B) focus on own operations and direct suppliers respectively.

Note: C) refers to having a due diligence process or similar to make sure that the provision of products, services or capital does not cause human rights risk to anyone.

Sources: WBA-CHRB (2021) indicator B.2.1; DIHR (n.a.) indicator 1.2.1; GRI (n.a.) disclosure 412-1 and 414-2; OECD (2017); OECD (2019); UN (2011) principles 17 and 18; Shift (n.a.) B2 and C3.

Scoring note: *The financial institution shall have a clear process or processes in place to identify its risks to and impacts on people. This could include undertaking desk-based research to identify key risks in the financial institution's industry and the regions in which it operates and analysing its internal process(es) to understand its own human rights risks. For element A), the focus is on the financial institution's own workers. For element B), the focus is on suppliers and for element C) on the provision of products, services and capital. The process or processes need to cover the full scope of business e.g. all applicable of banking, lending, insuring, asset owning, asset managing, and the entity would need to demonstrate an approach to human rights risk/impact linked to activities and/or companies associated with those.*



C2.04. Assessing human rights risks and impacts (CSI 5+)

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

Elements:

- A) The assessed entity describes its process(es) to assess its human rights risks and discloses what it considers to be its salient human rights issues, covering its own operations.
- B) The assessed entity describes its process(es) to assess its human rights risks and impacts in its supply chain.
- C) The assessed entity describes the process(es) it has in place to assess its human rights risks and discloses what it considers to be its salient human rights issues, covering its provision of products, services and capital. (Benchmark specific)
- D) The assessed entity publicly discloses the results of its assessments, which may be aggregated across its operations and locations.
- E) The assessed entity publicly discloses the results of its assessments of its human rights risks and impacts associated with its provision of products, services and capital, which may be presented in an aggregated way. (Benchmark specific)
- F) The assessed entity describes how it involves affected stakeholders in its human rights risks and impact assessment process(es).

Note: A), B) and D) focuses on internal operations and direct suppliers while C) and E) refers to downstream activities

Sources: WBA-CHRB (2021) indicator B.2.2; DIHR (n.a.) indicator 1.2.1; GRI (na.) disclosure 412-1 and 414-2; UN (2011) principles 17, 18 and 24; Shift (n.a.) B1, B2 and C3; OECD (2017); OECD (2019).

Scoring note: *Regarding element A), B) and C), in assessing the salience of its human rights issues, the financial institution shall consider scale (the gravity of the impact), scope (the number of individuals who are or could be affected) and 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 focus is on workplace, suppliers and the provision of products, services and capital respectively.*

E.05. Integrating and acting on human rights risk and impact assessments (CSI 6+)

Indicator: The assessed entity integrates the findings of its assessments of human rights risks and impacts into relevant internal functions and processes in order to take appropriate actions to prevent, mitigate or remediate its salient human rights risks and impacts. This includes engaging with stakeholders and vulnerable groups on any action taken or to be taken.

Elements:

- A) The assessed entity describes the process(es) it has in place to prevent, mitigate or remediate its salient human rights issues, covering its own operations.



- B) The assessed entity describes the process(es) it has in place to prevent, mitigate or remediate its salient human rights issues in its supply chain.
- C) The assessed entity describes the process(es) it has in place to prevent, mitigate or remediate its salient human rights issues associated with its provision of products, services and capital. (Benchmark specific)
- D) The assessed entity provides an example of the specific actions taken or to be taken on at least one of its salient human rights issues as a result of assessment process(es) in at least one of its activities/operations in the last three years.
- E) The assessed entity provides an example of the specific actions taken or to be taken on at least one of its salient human rights issues associated with its provision of products, services and capital as a result of assessment process(es) in the last three years. (Benchmark specific)
- F) The assessed entity describes how it involves affected stakeholders in decisions about the actions to take in response to its salient human rights issues.

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

Sources: WBA-CHRB (2021) indicator B.2.3; GRI (n.a.) disclosure 103-2; OECD (2017); OECD (2019); UN (2011) principles 17, 19 and 24; Shift (n.a.) C4.

Scoring note: *Regarding element A), B) and C), where the financial institution has a clear global process, this process or approach shall apply in each particular location the financial institution operates in. The focus is on workplace, suppliers and the provision of products, services and capital respectively.*

E.06. Grievance mechanisms for external individuals and communities (CSI 8)

Indicator: The assessed entity has one or more mechanisms (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.

Elements:

- A) The assessed entity indicates that it has one or more 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 those acting on their behalf, to raise complaints or concerns without fear of reprisals.

Sources: WBA-CHRB (2021) indicator C.2; GRI (n.a.) disclosure 103-2; UN (2011) principles 22, 29 and 30; Shift (n.a.) C6.1 and C6.3.

Scoring note: *An explicit reference to human rights in the mechanism is not required, but it shall be clear to stakeholders that a channel/mechanism designed to cover other topics (e.g. a corruption hotline) can be used to raise human rights complaints or concerns as well. A mechanism that is purely anonymous will not meet the indicator element as it will*



not necessarily provide access to remedy for affected individuals. For financial activities, a grievance mechanism that allows third parties to raise a grievance is not a promise by the financial institution to provide remedy. Rather, a grievance mechanism provides an avenue to reach a solution in cases where a bank and stakeholder disagree about whether the bank has contributed to an adverse impact through its client relationship or other business partners.

b. Decent work (Indicator 29-36/CSI 2,7,9-14)

Rationale: Millions of people are exposed to poor working conditions, discrimination and forced and child labour throughout global value chains. . It is a joint commitment by governments, employers and workers' organisations to uphold the fundamental rights of workers that are vital to social and economic lives. Following this, the ILO has defined the fundamental rights at work (ILO 2022) which outline that companies should provide decent work by ensuring a safe and healthy workplace where workers are not subject to excessive working hours and discrimination and are free to organise and bargain collectively.

E.07. Commitment to respect the human rights of workers (CSI 2)

Indicator: The assessed entity publicly commits to respect the principles concerning fundamental rights at work in the 11 ILO core conventions as set out in the Declaration on Fundamental Principles and Rights at Work. It also has a publicly available statement of policy committing it to respect the human rights of workers in its business relationships.

Elements:

- A) 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..
- B) The assessed entity has a publicly available statement of policy that expects its business relationships to commit to respecting the human rights that the ILO has declared to be fundamental rights at work.

Sources: WBA-CHRB (2021) indicator A.1.2; GRI (n.a.) disclosure 103-2; UN (2011) principles 12 and 16(c); Shift (n.a.) A1.

Scoring note: *For this indicator, 'business relationships' refers primarily to suppliers and not relationships through the financial institution's downstream activities (for downstream activities see indicator 20). Indicator element A) would be met by an explicit commitment to respecting 'the human rights that the ILO has declared to be fundamental rights at work' collectively. It would also be met by an explicit commitment to respect each of the human rights that the ILO has declared to be fundamental rights at work, namely: freedom of association and the right to collective bargaining, and the rights not to be subject to forced labour, child labour and discrimination in respect of employment and*



occupation. Indicator element B) could also be met by placing a 'requirement' instead of an 'expectation' on suppliers to respect human rights.

E.08. Health and safety fundamentals (CSI 9)

Indicator: The company publicly discloses relevant data on health and safety for its workers and monitors the health and safety performance of its business relationships.

Elements:

- A) The assessed entity discloses quantitative information on health and safety for its workers.
- B) The assessed entity discloses how it monitors the health and safety performance of its suppliers.

Sources: WBA-CHRB (2021) indicator A.1.2, D.1.7.a and D.1.7.b; FLA (2020) item HSE.3; GRI (n.a.) disclosure 403-9; DIHR (n.a.) indicators 3 and 8.2.1; UN (1966) Art. 7; SAI (n.a.) item IV.3.5 and IV.3.7.

Scoring note: Element A) would be met by at least disclosing information in line with GRI 403-9 (GRI n.a.): 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 and the number of hours worked.

E.09. Living wage fundamentals (CSI 10)

Indicator: The financial institution is committed to paying its workers a living wage and supports the payment of a living wage by its suppliers.

Elements:

- A) The assessed entity describes how it determines a living wage for the regions where it operates.
- B) The assessed entity has measured the gap between current wages and living wages for all workers.
- C) 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.
- D) The assessed entity discloses evidence of activities to further the payment of living wages by its business relationships.

Note: Living wages in relation to provision of products, services and capital are addressed in indicator D.05

Sources: WBA-CHRB (2021) indicator D.1.1.a and D.1.1.b; ETI (2018) element 5; DIHR (n.a.) indicators 2.4.1 and 8.2.3; UN (1966) Art. 7; SAI (n.a.) item IV.8.1; GLWC (n.a.).

Scoring note: Element A) would be met where a financial institution a) at least discloses how it has determined the living wage in those locations where it already pays a living



wage or is planning on paying a living wage and b) describes the methodology it uses to determine a living wage (e.g. the Anker Methodology for Estimating a Living Wage or the Massachusetts Institute of Technology Living Wage Calculator). Element iiiD) would be met where a financial institution describes at least one activity to further the payment of living wages by its business relationships. It is not sufficient if the financial institution only has a written requirement that its business relationships pay a living wage.

E.10. Grievance mechanisms for workers (CSI 7)

Indicator: The financial institution has one or more mechanisms (its own, third party or shared) through which workers can raise complaints or concerns, including in relation to human rights issues. The mechanism(s) is available to all workers and takes into account accessibility by marginalised groups.

Elements:

- A) The assessed entity indicates that it has one or more mechanism(s), or participates in a third-party or shared mechanism, accessible to all workers to raise complaints or concerns related to the company without fear of reprisals.

Sources: WBA-CHRB (2021) indicator C.1; GRI (n.a.) disclosure 103-2; UN (2011) principles 22, 29 and 30; Shift (n.a.) C6.1 and C6.3.

Scoring note: An explicit reference to human rights is not required, but it shall be clear to workers that a channel/mechanism designed to cover other topics (e.g. a corruption hotline) can be used to raise human rights complaints or concerns as well. A mechanism that is purely anonymous will not meet the indicator element as it will not necessarily provide access to remedy for affected individuals. Workers are employees and direct contractors (individual).

E.11. Working hours fundamentals (CSI 11)

Indicator: The financial institution respects applicable international standards concerning maximum working hours and minimum breaks and rest periods.

Elements:

- A) The assessed entity has a publicly available policy statement committing it to respect the ILO conventions on working hours or stating that workers shall not be required to work more than 48 hours in a regular work week or 60 hours including overtime.
- B) The assessed entity has a publicly available policy statement stating that all overtime work must be consensual and be paid at a premium rate.
- C) The assessed entity has a publicly available policy statement that expects its business relationships to commit to respecting the ILO conventions on working hours or not require workers to work more than 48 hours in a regular work week or 60 hours including overtime.



Sources: ETI (2018) item 6; FLA (2020) item VIII; ILO (n.a.) Conventions No. 1, 14 and 106.

Scoring note: *Element A) and C) requires entities to refer to 48 hours as the regular work week and not only to the 60 hours including overtime associated with premium rate. The exception to this would be where a financial institution explains there is a legally defined maximum regular work week of 48 hours, or less, in every country in which both it and its suppliers operate.*

E.12. Collective bargaining fundamentals (CSI 12)

Indicator: The financial institution discloses information about collective bargaining agreements covering its workforce and its approach to supporting the practices of its business relationships in relation to freedom of association and collective bargaining.

Elements:

- A) The assessed entity discloses the proportion of its total direct operations workforce covered by collective bargaining agreements.
- B) The assessed entity describes how it works to support the practices of its suppliers in relation to freedom of association and collective bargaining.

Note: Collective bargaining rights of workers in relation to financing activities are addressed in indicator D.04.

Sources: WBA-CHRB (2021) indicators D.1.6.a-b; WEF (2020b) Theme Dignity & Equality; WDI (n.a.) questions 9.2 and 9.5.

Scoring note: *To meet element ii), the entity shall not only refer to observing and monitoring suppliers but shall disclose how it works to support them in relation to freedom of association and collective bargaining. For example, the financial institution could train suppliers or conduct joint projects with them.*

E.13. Workforce diversity disclosure fundamentals (CSI 13)

Indicator: The financial institution discloses the percentage of employees for each employee category by at least three indicators of diversity.

Elements:

- A) The assessed entity discloses the proportion of its total direct operations workforce for each employee category by age group.
- B) The assessed entity discloses the proportion of its total direct operations workforce for each employee category by gender. GEC_00317
- C) 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. race and ethnicity, disability).



Sources: GRI (n.a.) disclosure 405-1; WDI (n.a.) questions 4.3 and 4.5; WEF (2020b) Theme Dignity & Equality.

Scoring note: 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 (GRI n.a.), the suggested age groups for reporting on this disclosure are: under 30 years old, 30-50 years old and over 50 years old.

E.14. Gender equality and women's empowerment fundamentals (CSI 14+)

Indicator: The assessed entity publicly commits to gender equality and women's empowerment and discloses quantitative information on gender equality and women's empowerment.

Elements:

- A) The assessed entity has a publicly available policy statement committing it to gender equality and women's empowerment.
- B) The assessed entity discloses one or more time-bound targets on gender equality and women's empowerment.
- C) 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.
- D) The assessed entity discloses that it takes action to address any pay gaps. (Benchmark specific).

Sources: WBA-GB (2020) indicator 1 and 11; GRI (n.a.) disclosure 405-1 and 405-2; Equileap (2021).

Scoring note: Element A) would be met if, for example, the financial institution is a signatory to the UN Women's Empowerment Principles. Element A) would not be met if a financial institution's commitment relates only to specific aspects of gender equality and women's empowerment (e.g. representation in leadership) but the commitment shall be broader and cover multiple aspects. Element B) would not be met if a target does not state the year in which the financial institution intends to achieve it. Targets could relate to representation (e.g. gender equality in leadership), closing the gender pay gap, improving women's health and well-being and/or preventing violence and harassment.

c. Acting ethically (Indicator 37-39/CSI 15-17)

Rationale: A responsible business conduct reaches further than respect for human rights and decent work aspects by also considering aspects that considers the wider societal impact as well as the rights of individuals. In this regard financial institutions impact society by respecting laws on integrity, tax systems and anti-corruption frameworks. A financial institution that acknowledges its impact and aims to operate in adherence with societal conventions shall hence commit to a number of practices like



disclosing its taxes policy, protecting personal data and prohibiting bribery and corruption.

E.15. Personal data protection fundamentals (CSI 15)

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

Elements:

- A) The assessed entity has a public commitment to protect personal data.
- B) The assessed entity has a global publicly available privacy statement in relation to the collection, sharing and access to personal data.

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

Sources: WBA-DIB (2020) U.3; EU (2016) Art. 13; RDR (2020) indicators P3, P4 and P8.

Scoring note: *To meet element A), the entity could, for example, commit to respecting the right to data privacy or commit 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 financial institution, at a minimum employees and clients. To meet element B), the entity shall at least disclose the types of user information it collects, disclose the types of third parties that user information is shared with and allow a user to retrieve a copy of user information collected by the financial institution.*

E.16. Responsible tax fundamentals (CSI 16)

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

Elements:

- A) The assessed entity has a publicly available global tax strategy approved by the highest governance body.
- B) A governance body or executive-level position is tasked with accountability for compliance with the assessed entity's global tax strategy.
- C) 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.

Sources: Bteam (2018) principle 1 and 7; GRI (n.a.) disclosures 207-1, 207-2 and 207-4.

Scoring guidance: *For the purposes of element A), the financial institution's tax strategy could take various forms, including a policy, report or code of conduct. In order to meet element C), the financial institution's disclosures shall be easily accessible and contained in one report, document or webpage.*



E.17. Anti-bribery and anti-corruption fundamentals (CSI17)

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

Elements:

- A) The assessed entity has a publicly available policy statement prohibiting bribery and corruption.
- B) 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.
- C) The assessed entity includes anti-bribery and anti-corruption clauses in its contracts with direct business relationships.
- D) 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.

Sources: GRI (n.a.) disclosure 205-3; TI-UK (2020) principles 1.1, 1.2, 1.3, 1.11, 1.12 and 1.13.

Scoring note: *Element A) would be met if the financial institution states that it has 'zero tolerance for bribery and corruption'. In order for element iv) to be met, the channel/mechanism shall be accessible to both internal and external stakeholders. Bribery and corruption are important topics of concern for several of a financial institution's activities. For element B) to be met, the financial institution shall demonstrate a global approach to bribery and corruption risk identification across its activities. Under element C), 'contracts' are defined narrowly and exclude e.g. shareholdings.*



Annexes

Annex 1: WBA guiding principles

WBA has developed a set of principles to guide its work and reflect its values and mission. These principles were formed in collaboration with global stakeholders throughout the consultation phase and were refined using input and feedback from roundtable consultation online surveys and expert meetings. The principles are summarised in Table A1.1-2.

As the world is rapidly changing and additional insights and perspectives emerge, these principles may evolve, in consultation with stakeholders, to reflect new needs and directions.

Table A1.1: WBA guiding principles: Operational principles.

Operational principles	
Inclusive	WBA actively engages with and involves all stakeholders in building the Alliance and the benchmarks.
Impartial	WBA and its benchmarks are equally responsive to all stakeholders.
Independent	WBA and its benchmarks are independent from the industries and companies they assess.
Focused on impact	WBA and its benchmarks promote dialogue and measure impact on the SDGs to create positive change.
Collaborative	WBA collaborates with stakeholders and Allies to enhance alignment of corporate performance with internationally agreed sustainability objectives.
Free and publicly available	WBA is a public good, and its benchmarks and methodologies are free and publicly available to all.



Table A1.2: WBA guiding principles: Benchmark development and content principles.

Benchmark development principles	
Relevant	WBA benchmarks focus on sustainable development issues most relevant to industries' core businesses and on the industries and companies that can make the most significant, actionable and unique contributions to these issues.
Clear in method and intent	WBA benchmarks are transparent about their methodology, development processes and results.
Complementary	WBA benchmarks build upon the work done by others, adding further value with a focus on SDG impact.
Responsive and iterative	WBA benchmarks are updated regularly to reflect evolving stakeholder expectations, policies, developments and company performance.
Content principles	
Balanced	WBA benchmarks assess both positive and negative impacts that companies might have on the SDGs.
Reflective of	WBA benchmarks reflect the extent to which companies' societal expectations performance on relevant SDGs aligns with stakeholders' expectations.
Forward-looking	WBA and its benchmarks engage and assess companies on their current performance on the SDGs and on exposure to sustainability risks and future opportunities.

Source: [Final Consultation Publication by World Benchmarking Alliance - Issuu](#)



Annex 2: Sector scope details

WBA transformation benchmarks take a broad perspective, looking across sub-sectors to provide a snapshot of system-level progress. Specifically, the Financial System Benchmark assesses 400 of the world's most influential financial institutions. The full list of the financial institutions in the benchmark scope is available on our [website](#).

The core activities most found across these financial sub-sectors are:

- investing,
- lending,
- investment banking,
- advisory services and
- insurance underwriting.

The main focus of WBA benchmarks is on keystone companies i.e. organisations with high influence on the structure and function of the systems within which they operate. The keystone financial institutions include publicly listed, privately held and state-owned enterprises.

Sub-sectors

In terms of sub-sectors, the benchmark encompasses the following categories⁷:

Banks

This category is the largest. With their diverse business reflecting their involvement in multiple financing activities, banks are among the most complex institutions to evaluate. Besides the core business of handling deposits and loans for private clients and institutions, some banks act as intermediaries in the financial market by facilitating companies' fundraising, as well as the mergers and acquisitions of companies (investment banking, including securities underwriting and financial advisory activities). In this complex landscape, the benchmark refers to the overall business of assessed entities across investing, commercial banking/lending, investment banking and advisory activities (including such as wealth management).

⁷ Note: Additional categories were considered for inclusion for the first iteration of the benchmark, but it was decided to exclude those to focus more on the selected categories. These included Credit rating agencies, Credit card networks, Online payment providers and international money transfer companies, Stock exchanges, Mortgage Real Estate Investment Trusts (mREITs), Microfinance institutions and corporate pension funds. Central banks and export credit institutes are also excluded despite considerable influence in the financial system.



Insurers

Insurers form the second main category of the Financial System Benchmark covering insurances of life and health, property and casualty, and reinsurance with clients ranging from individuals, businesses and governments to other financial institutions (including other insurance companies).

The benchmark refers to insurers' overall business including both underwriting and investing activities. This covers insurers' role as financial system's risk managers and carriers, preventing clients from suffering from losses when risks materialise, as well as their role as long-term investors, pooling premiums paid by policyholders and investing them.

Asset owners

This category includes financial institutions that carry fiduciary duty ensuring the investments meet the needs of beneficiaries, with some asset owners managing assets themselves while others select asset managers. With asset owners investing and managing assets on behalf of different beneficiaries, this category is divided into three sub-categories reflecting those:

- Pension funds with pension members as beneficiaries.
- Sovereign wealth funds (SWF) with states as beneficiaries.
- Development finance institutions (DFI) with beneficiaries including the national governments that finance them and the states, funds, enterprises and projects that are financed through investing and lending to public and private sector actors.

With their aim to support economic development in low- and middle-income countries, DFIs are of particular interest to the implementation of the SDGs.

Asset managers

For the purposes of this benchmark, this category is assessed focusing on assessed entities' investing and advisory services, including pooling of assets from different asset owners into products (investment funds or vehicles).

The asset manager category includes three sub-categories:

- Traditional asset managers (those typically managing mainstream assets such as equities, bonds and exchange traded assets)
- Alternative asset managers (those managing more sophisticated, niche or illiquid assets such as of private equity, venture capital and hedge funds)
- Investment consultants.



Of these, investment consultants are distinguished as service providers who advise or manage the assets of third parties and play a powerful gatekeeping role. Typically, they are external specialists whom part of the investment process is outsourced to where there is not expertise or capacity for an institution or entity to do so themselves.



Inclusion criteria

The selection of financial institutions to include in the Financial System Benchmark starts from WBA's principles for identifying keystone companies which have been guiding the selection process:

1. The company dominates global production revenues and/or volumes within a particular sector.
2. The company controls globally relevant segments of production and/or service provision.
3. The company connects (eco)systems globally through subsidiaries and their supply chains.
4. The company influences global governance processes and institutions.
5. The company has a global footprint, particularly in developing countries.

Additionally for this benchmark, assets under management and/or revenue thresholds have been assigned to different categories (see table A2.1). The thresholds were defined to reflect levels where entities dominate global production revenues and/or volumes within a particular sub-sector.

Note: The list of financial institutions was defined for the first iteration of this benchmark. For the second iteration less than 5% of financial institutions were new. Those were added to fill gaps due to developments since the original list was defined. In this iteration only one institution has been replaced. For future iterations a revision of the criteria and the list of financial institutions may be undertaken.

Table A2.1 Inclusion thresholds

Category	Inclusion threshold ¹
Banks	Revenue and/or AUM. <i>Global thresholds defined except for financial institutions with headquarters in ODA recipient countries¹ for which special thresholds were applied in line with Principle 5.</i>
Insurers	Revenue and/or AUM. <i>Global thresholds defined except for financial institutions with headquarters in ODA recipient countries for which special thresholds were applied in line with Principle 5.</i>
Asset owners	AUM. <i>Thresholds defined for pension funds, sovereign wealth funds and development finance institutions respectively.</i>
Asset managers	AUM. <i>Thresholds defined for traditional asset managers, alternative asset managers (private market, venture capital and hedge funds) and Investment consultants (Outsourced Chief Investment Officers) respectively.</i>

¹ No reassessment of threshold levels has been performed for this iteration.

² The Organisation for Economic Cooperation and Development's (OECD) Development Assistance Committee (DAC) is a forum in which the major bilateral donors work together to support sustainable development in developing countries (OECD 2020). DAC holds a list of Official Development Assistance (ODA) recipients. The selection of financial institutions considered its 2021 version (OECD 2021).



Despite specific criteria for entities headquartered in ODA recipient countries (excl. China), at this point the resulting list of companies shows a high representation of the world's global financial centres (United States, Europe and East Asia), mirroring the global wealth and capital allocations. We are aware of this and will keep the regional representation in mind whenever revisiting the list of financial institutions. However, the selected keystone actors have considerable direct and indirect impact also in other countries and regions through their operations, suppliers, clients, and provision of products, services and capital.

Allocation criteria

Many financial institutions have business areas associated with several of the included categories. For such financial institutions, allocation is made to one category based on the relative magnitude of their business and their position in the ecosystem.



Annex 3: Methodology development

A multi-stakeholder approach to benchmark development

Development of the first iteration of the methodology for the Financial System Benchmark was informed by two rounds of stakeholder consultations focusing on scoping the report (January 2021) and the draft methodology (June 2021). This was followed by six roundtable discussions, with each measurement area discussed twice in meetings optimised for different time zones. We also held several review sessions and bilateral discussions with specialists to address different topics.

For the second iteration input was collected from the financial institutions themselves, and the draft indicators were also announced to WBA Allies for feedback.

For both iterations we sought the advice of our independent multi-stakeholder [Expert Review Committee \(ERC\)](#) which gave valuable input with regards to content and structure. The members of the ERC span multiple backgrounds and geographies.

For the present, third, iteration only incremental changes were made and hence no additional consultation was undertaken.

Consideration of adjacent frameworks and initiatives

Consideration of applicable benchmarks, accountability mechanisms and organisations is critical for our work. First, it ensures we are using a common language and contributing to alignment in the space of sustainable finance, and second, we are part of the wider movement that shares the same idea of what good looks like and voices the common expectations of the private sector and, in this case, financial institutions.

Furthermore, it facilitates collaborations and the process of leveraging and sharing. Seeking alignment also help financial institutions to identify and prioritise topics of concern.

Hence, our first iteration was based on a systemic review of adjacent initiatives listed below (WBA-FSB 2021). For this iteration, recent developments are considered based on our ongoing monitoring of topics and direct involvement with other actors which has resulted in several new indicators.

1. [Banking Environment Initiative \(Cambridge Institute for Sustainability Leadership\)](#)
2. [BankTrack Human Rights Benchmark \(Bank Track\)](#)
3. [B Impact Assessment \(B Lab\)](#)
4. [CDP Questionnaire](#), [CDP Non-Disclosure Campaign](#) and [Science-Based Targets Campaign \(CDP\)](#)
5. [Center for Climate-Aligned Finance \(Rocky Mountain Institute\)](#)
6. [CPA-Zicklin Index \(Center for Political Accountability\)](#)



7. [Climate Action 100+ Net-Zero Company Benchmark – CA100+ NZ CB \(Climate Action 100+\)](#)
8. [Climate Action in Financial Institutions \(Mainstreaming Climate\)](#)
9. [Climate Disclosure Standards Board \(CDSB\)](#)
10. [Climate Finance Leadership Initiative \(Bloomberg\)](#)
11. [CPI Framework for Sustainable Finance Integrity \(Climate Policy Initiative\)](#)
12. [CPI Net Zero Finance Tracker \(Climate Policy Initiative\)](#)
13. [Climate Safe Lending Network \(including Climate Safe Lending Pathway \(2020\) \(CSLN\)](#)
14. [Climate Transparency Hub \(ADEME\)](#)
15. [ClimateWise Principles \(Cambridge Institute for Sustainability Leadership\)](#)
16. [Fair finance international \(Oxfam\) including Fair Finance Guide International \(2021\) \(Fair Finance International \(Oxfam\)\)](#)
17. [Finance for Biodiversity Pledge \(Finance for Biodiversity\)](#)
18. [Finance Sector Roadmap Eliminating Commodity-Driven Deforestation \(2021\) \(Deforestation-Free Finance\)](#)
19. [Financial Services Human Rights Benchmark \(University of Sydney\)](#)
20. [Financing the Transition to a Net Zero Future \(World Economic Forum\)](#)
21. [Bank Policy Matrix \(Forests & Finance\)](#)
22. [Future-Fit Business Benchmark \(Future-fit Business\)](#)
23. [Glasgow Financial Alliance for Net Zero \(GFANZ\): Net Zero Asset Managers Initiative, Net-Zero Insurance Alliance, United Nations-convened Net-Zero Asset Owner Alliance, United Nations-convened Net-Zero Banking Alliance \(GFANZ\)](#)
24. [GISD Sector-Specific SDG-related Metrics for Corporate Reporting \(2021\). GISD](#)
25. [Global Alliance for Banking on Values](#)
26. [Global Pension Transparency Benchmark \(Top1000funds\)](#)
27. [Global Reporting Initiative Standards \(GRI\)](#)
28. [Grantham Research Institute on Climate Change and the Environment's "From the Grand to the Granular" Policy report \(Grantham Research Institute\)](#)
29. [ICMA: Principles Guidelines and Handbooks \(2020\) \(ICMA\)](#)
30. [Impact Management Project's Dimensions of Impact and Impact Classes \(ABC for investors\) \(IMP\)](#)
31. [IMVO-convenanten](#)
32. [InfluenceMap \(including FinanceMap\)](#)
33. [Insure Our Future 2020 Scorecard on Insurance, Fossil Fuels and Climate Change – Insurance Scorecard \(2020\) \(Insure Our Future\)](#)
34. [IRIS+ \(Global Impact Investing Network\) \(GIIN\)](#)
35. [MSCI SDG Tracker \(MSCI\)](#)
36. [Net Zero Investment Framework \(Institutional Investors Group on Climate Change\) \(IIGCC\)](#)
37. [Responsible Business Conduct for Institutional Investors \(2017\), and Due Diligence for Responsible Corporate Lending and Securities Underwriting \(2019\) \(OECD\)](#)
38. [Operating Principles for Impact Management \(International Finance Corporation\)](#)
39. [Paris Agreement Capital Transition Assessment \(PACTA\) \(RMI\)](#)
40. [Partnership for Carbon Accounting Financials \(PCAF\)](#)



41. [Partnership for Biodiversity Accounting Financials \(PBAF\)](#)
42. [Principles for Responsible Banking \(PRB\)](#) (including [Collective Commitment to Climate Action](#)), [Positive Impact Initiative \(PII\)](#) and [Principles for Sustainable Insurance \(PSI\)](#) (*United Nations Environment Programme Finance Initiative*)
43. [Principles for Responsible Investment Reporting Framework \(PRI\)](#)
44. [Rainforest Action Network \(Banking on Climate Chaos\) \(RAN\)](#)
45. [Real Impact Tracker](#)
46. [Responsible Asset Allocator Initiative \(New America\)](#)
47. [Science Based Targets initiative for financial institutions \(SBTi\)](#)
48. [Science Based Targets Network \(SBTN\)](#)
49. ShareAction: [Point of No Returns \(2020a\)](#), [Banking on a Low-Carbon Future II \(2020b\)](#), [Pension Funds AODP Global Climate Index \(2018b\)](#), [Got it covered? Insurance in a changing climate \(2018a\)](#), [Insuring Disaster](#), and [Countdown to COP26: An analysis of the climate and biodiversity practices of Europe's largest banks \(2021\)](#) (*Shareaction*)
50. [Social Value International Standards and Guidance](#) (including Social Return on Investment methodology) (*Social Value International*)
51. [Sustainable Development Investments Asset Owner Platform \(Sustainable Development Investments\)](#)
52. [Sustainable Development Goals Impact Standards](#) (United Nations Development Programme) (*UNDP*)
53. [Sustainable Finance League Tables \(Refinitiv\)](#)
54. [Sustainable Finance Report 2019: Sustainable Banking in ASEAN \(World Wildlife Fund\)](#) (*WWF*)
55. [Task Force on Climate-related Financial Disclosures \(TCFD\)](#)
56. [Taskforce on Nature-related Financial Disclosure \(TNFD\)](#)
57. [The Investor Agenda](#)
58. [The Test of Corporate Purpose Initiative \(KKS advisors\)](#)
59. [UNEP FI Biodiversity-related target-setting for banks report \(UNEP FI\)](#)
60. [United Nations Guiding Principles Reporting Framework \(UNGPR\) \(UN\)](#)
61. [Universal Standards for Social Performance Management \(SPTF\)](#)
62. [Value Reporting Foundation](#)
63. [World Economic Forum Measuring Stakeholder Capitalism \(WEF IBC\)](#)
64. [World Resources Institute \(WRI\) A Tool To Compare Private Sector Banks' Sustainable Finance Commitments \(WRI\)](#)



Updating the methodology over time

Working in the rapidly evolving space of integrating sustainability considerations as a core aspect of the financial sector's operation and business, change is constant. With global frameworks and disclosure initiatives such as TCFD/ISSB (IFRS n.a. b)., TNFD (TNFD n.a.) and TISFD (TISFD n.a.) taking off, and with regional legislations such as the European CSRD (EU 2022) moving the stage, our benchmark needs to provide a basis for comparability over time yet be flexible enough to integrate learnings, changing societal expectations and emerging topics. To balance these needs, we monitor developments within the sector as well as regulatory changes. For this reason, interactions with stakeholders and policymakers are key.

In this evolving environment, our methodology is revisited regularly to ensure it is relevant, meaningful and impactful (see WBA's operating principles in Annex 1). This continuous evaluation will ensure our methodology is dynamic and effective as an accountability framework.



Acknowledgements

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Our growing [Alliance](#) of around 400 organisations represents civil society, business networks, reporting platforms, standards setters, financial institutions and multilateral organisations, with SDG 17 (partnerships for the goals) at its core. WBA would like to thank our Allies for the support and expertise they provide.

We would also like to express our gratitude to our [Expert Review Committee](#) for their continuous support and guidance.



Definitions

For a full set of WBA definitions refer to [WBA Glossary](#).

1.5°C (aligned) trajectories: Trajectories aligned with scenarios in which global average is limited to 1.5C above pre-industrial level with no or limited overshoot.

Source: SBTi (2024) - amended

Abatement: Measures that companies take to prevent, reduce or eliminate sources of GHG emissions within their value chain.

Source: SBTi (2024)

Adaptation/Climate change adaptation: Adjustments in ecological, social or economic systems in response to actual or expected climatic stimuli and their effects or impacts. Adaptation refers to changes in processes, practices and structures to moderate potential damages or to benefit from opportunities associated with climate change.

Source: SBTi (2024)

Advocacy: the process of influencing decision makers to change their policies and practices, attitudes, or behaviours.

Source: Green (2016)

Asset: An item of property, such as land, buildings, equipment, owned by a company and used to produce income for the company. The term 'assets' also includes financial assets such as ownership of businesses, real estate or infrastructure assets, or financial products, such as loans and bonds.

Source: SBTi (2024)

Asset class: A group of financial instruments that have similar financial characteristics.

Source: PCAF (2022a)

Baseline: a starting point used for comparisons.

Source: Oxford Languages

Base year: A historic datum (a specific year or, in the case of a base period, an average over multiple years) against which a performance parameter or target is tracked over time.

Source: SBTi (2024) -amended

Basic salary: Fixed, minimum amount paid to an employee for performing his or her duties.

Note that "basic salary" excludes any additional remuneration, such as payments for overtime working or bonuses.

Source: GRI (2022)

Beneficiaries: a person who derives advantage from something, especially a trust, will, or life insurance policy.

Source: Oxford Languages

Biodiversity: the variability among living organisms from all sources, including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems.

Source: CBD (2011)

Business partner: Entity with which the organisation has some form of direct and formal engagement for the purpose of meeting its business objectives. Examples include affiliates, business-to-business customers, clients, first-tier suppliers, franchisees, joint venture partners, investee companies in which the organisation has a shareholding position.

Source: GRI (2022)



Business relationship: The relationships a company has with business partners, entities in its value chain and any other State or non-State entity directly linked to its operations, products or services. They include indirect relationships in its value chain, beyond the first tier, and minority as well as majority shareholding positions in joint ventures. It covers both upstream and downstream relationships.

Source: Shift (n.a.)

Carbon dioxide (CO₂) emissions: A colourless, odourless and non-poisonous gas formed by combustion of carbon and in the respiration of living organisms and is considered a greenhouse gas. Emissions means the release of greenhouse gases and/or their precursors into the atmosphere over a specified area and period of time.

Source: EU (n.a. a)

Carbon dioxide (CO₂) equivalent: Measure used to compare the emissions from various types of greenhouse gas (GHG) based on their global warming potential (GWP).

Source: GRI (2022)

Carbon footprint [of a product]: Sum of GHG emissions and GHG removals in a product system expressed as CO₂equivalents and based on a life cycle assessment using the single impact category of climate change

Note: This is commonly referred to as a Product Carbon Footprint. A Product Carbon Footprint can be disaggregated into a set of figures identifying specific GHG emissions and removals. A Product Carbon Footprint can also be disaggregated into the stages of the life cycle.

Source: ISO (2018) - amended

Carbon footprint [of an organisation]: the total amount of GHG emissions that are directly or indirectly caused by a company's value chain activities.

Climate adaptation solution: Solutions that contributes to enhancing adaptive capacity, strengthen resilience and reduce vulnerability to climate change.

Climate solutions/climate mitigation solutions: Climate solutions are those activities, goods or services that contribute substantially to or enable emissions reductions to support decarbonisation in line with credible 1.5°C pathways towards net zero.

Source: IIGCC (2023) - amended

Note: Alternative definitions exist. ERI (2023a) refers to a product or service that meets a need in society, contributes to the reduction of GHG emissions, and has significantly lower emissions than BAU options. Production and consumption of climate solutions is compatible with the global 1.5°C ambition, and will accelerate the transition towards a net zero carbon economy.

Collective bargaining: Collective bargaining refers to all negotiations that take place between an employer, a group of employers or one or more employers' organisations, on the one hand, and one or more workers' organisations, on the other, for: (a) determining working conditions and terms of employment; and/or (b) regulating relations between employers and workers; and/or (c) regulating relations between employers or their organisations and a workers' organisation or workers' organisations.

Collective bargaining agreements: Collective bargaining agreements (CBA) are written agreements regarding working conditions and terms of employment concluded between one or more employers or employers' organisations, on the one hand, and one or more representative workers' organisations or duly elected and authorised representatives of the workers (according to national laws and regulations), on the other.

Corruption: Abuse of entrusted power for private gain, which can be instigated by individuals or organisations.

Note: Corruption includes practices such as bribery, facilitation payments, fraud, extortion, collusion, and money laundering. It also includes an offer or receipt of any gift, loan, fee, reward, or other advantage to or from any person as an inducement to do something that is dishonest, illegal, or a breach of trust in the conduct of the enterprise's business.

Source: GRI (2022)

Development Assistance Committee (DAC): The Organisation for Economic Cooperation and



Development's (OECD) Development Assistance Committee (DAC) is a forum in which the major bilateral donors work together to support sustainable development in developing countries.

Source: OECD (2020)

Data privacy: The ability of a person to determine when, how, and to what extent personal information about them is shared with or communicated to others.

Deforestation: The process of harvesting forests for natural resources or to clear land for agriculture or construction. Deforestation that occurs faster than forests are able to recover causes environmental damage such as loss of biodiversity and climate change.

Source: CDP (n.a.)

Direct supplier/Tier 1 supplier: A company that provides goods or services to another company without going through a middleman.

Discrimination: Act and result of treating persons unequally by imposing unequal burdens or denying benefits instead of treating each person fairly on the basis of individual merit. Discrimination can also include harassment, defined as a course of comments or actions that are unwelcome, or should reasonably be known to be unwelcome, to the person towards whom they are addressed.

Source: GRI glossary

Diversity: the practice or quality of including or involving people from a range of different social and ethnic backgrounds and of different genders, sexual orientations, etc.

Source: Oxford Languages

Divestment: the process of selling subsidiary assets, investments, or divisions of a company.

Source: Investopedia

Double materiality: a concept which provides criteria for determination of whether a sustainability topic or information has to be included in the undertaking's sustainability report. Double materiality is the union (in mathematical terms, i.e. union of two sets, not intersection) of impact materiality and financial materiality. A sustainability topic or information meets therefore the criteria of double materiality if it is material from the impact perspective or from the financial perspective or from both of these two perspectives.

Source: EFRAG (2022)

Downstream: Downstream refers to processes and impacts associated with the use of a company's products and services and any disposal associated with those or the company's operation.

Due diligence: Process to identify, prevent, mitigate, and account for how the organisation addresses its actual and potential negative impacts.

Source: GRI (2022)

Ecosystem: a dynamic complex of plant, animal and micro-organism communities and their non-living environment interacting as a functional unit.

Source: Convention on Biological Diversity

Ecosystem services: The range of benefits provided to humans by healthy ecosystems. Services include provisioning (such as food and wood), regulating (for example climate, flood and water regulation) and cultural services (for example, spiritual, recreation, educational).

Source: EU (n.a. a)

Emerging markets and developing economies: markets and economies that experience considerable growth and have some, but not all, of the features of developed market economies.

Emission reduction: See **GHG reductions**.

Facilitated emissions: greenhouse gas emissions that result from the facilitation of financial transactions by financial institutions.

Source: PCAF (2023) - amended



Fiduciary duty [downstream]: The legal and ethical obligation of one party (the fiduciary) to act in the best interests of their client.

Note: fiduciary duties include such as duties of care, loyalty, good faith, confidentiality, prudence, disclose.

Source: Investopedia (n.a)

Financed emissions [umbrella term]: Absolute greenhouse gas emissions associated with a financial institution's provision of products, services and capital.

Note: Financed emissions as an umbrella term encompasses financed emissions, facilitated emissions and insurance-associated emissions.

Financed emissions [specific]: greenhouse gas emissions associated with lending and investments.

Source: PCAF (2022a) - amended

Financial activities: Activities associated with the provision of products services and capital by a financial institution such as investing, lending, investment banking, insurance underwriting and advising.

Financial materiality: A sustainability topic is material from a financial perspective if it triggers financial effects on undertakings, i.e. generates risks or opportunities that influence or are likely to influence the future cash flows and therefore the enterprise value of the undertaking in the short, medium or long term but are not captured by financial reporting at the reporting date.

Source: EFRAG (2022)

Forced labour: All work and service that is exacted from any person under the menace of any penalty and for which the said person has not offered herself or himself voluntarily.

Note 1: Forced labour, contemporary forms of slavery, debt bondage and human trafficking are closely related terms though not identical in a legal sense. Most situations of slavery or human trafficking are however covered by ILO's definition of forced labour.

Note 2: Forced labour may manifest itself in different ways, such as coercion to work through the use of violence or intimidation, or by more subtle means such as accumulated debt, retention of identity papers or threats of denunciation to immigration authorities.

Source: ILO (1930)

Fossil fuels: Carbon-based fuels from fossil hydrocarbon deposits, including coal, oil, and natural gas.

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

Source: IPCC (n.a.)

Fossil fuel sectors: Sectors which perform activities such as production, process, distribution, storage and combustion of fossil fuels.

Freedom of association: the right of workers and employers to create and join organisations of their choice freely and without fear of reprisal or interference.

Note: This includes the right to establish and affiliate to confederations and international organisations.

Source: ILO (2011)

Greenhouse gases (GHG): Gaseous constituents of the *atmosphere*, both natural and *anthropogenic*, that absorb and emit radiation at specific wavelengths within the spectrum of radiation emitted by the Earth's surface, by the atmosphere itself, and by clouds. This property causes the *greenhouse effect*. Water vapour (H₂O), carbon dioxide (CO₂), nitrous oxide (N₂O), methane (CH₄) and ozone (O₃) are the primary GHGs in the Earth's atmosphere. Human-made GHGs include sulphur hexafluoride (SF₆), hydrofluorocarbons (HFCs), chlorofluorocarbons (CFCs) and perfluorocarbons (PFCs); several of these are also O₃-depleting (and are regulated under the *Montreal Protocol*).

Source: IPCC (n.a.)

GHG emission: release of a GHG into the atmosphere

Source: ISO (2018)



GHG reductions: Actions that reduce the quantity of GHGs attributable to an entity vis-a-vis a baseline.

Source: UNFCCC (2021)

GHG removals: Actions that remove GHGs from the atmosphere relative to baseline.

Source: UNFCCC (2021)

Global Warming Potential (GWP): Global-warming potential, abbreviated as GWP, is a term used to describe the relative potency, molecule for molecule, of a greenhouse gas, taking account of how long it remains active in the atmosphere.

Note: The global-warming potentials (GWPs) currently used are those calculated over 100 years. Carbon dioxide is taken as the gas of reference and given a 100-year GWP of 1.

Source: Eurostat (n.a.)

Governance: The structures, processes and actions through which private and public actors interact to address societal goals. This includes formal and informal institutions and the associated norms, rules, laws and procedures for deciding, managing, implementing and monitoring policies and measures at any geographic or political scale, from global to local.

Source: IPCC (n.a.)

Governance body/ Highest governance body: Formalised group of individuals responsible for the strategic guidance of an organisation, the effective monitoring of management and the accountability of management to the broader organisation and its stakeholders with the highest authority in the organisation.

Note: If there is no independent governance body the accountability stays with the most senior executive level.

Grievance: Perceived injustice evoking an individual's or a group's sense of entitlement, which may be based on law, contract, explicit or implicit promises, customary practice, or general notions of fairness of aggrieved communities.

Source: UN (2011)

Grievance mechanism: Routinised process through which grievances can be raised and remedy can be sought.

Source: UN (2011)

Human rights: Basic international standards aimed at securing dignity and equality for all. Every human being is entitled to enjoy these rights without discrimination.

Note: They include the rights contained in the International Bill of Human Rights (see definition). They also include the principles concerning fundamental rights at work set out in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work (ILO (2022)).

Human rights due diligence: An ongoing risk management process that a reasonable and prudent financial institution needs to follow in order to identify, prevent, mitigate and account for how it addresses its adverse human rights impacts.

Note: As set out by UN (2011), this includes four key steps: assessing actual and potential human rights impacts; integrating and acting on the findings; tracking responses; and communicating about how impacts are addressed.

Human rights risks: Any risks that its operations may lead to one or more negative human rights impacts. They therefore relate to its potential human rights impacts. Importantly, a financial institution's human rights risks are the risks that its operations pose to human rights.

Note: This is separate from any risks that involvement in human rights impacts may pose to the enterprise, although the two are increasingly related.

Impact: Effect the organisation has or could have on the economy, environment, and people, including on their human rights, which in turn can indicate its contribution (negative or positive) to sustainable development

Note 1: Impacts can be actual or potential, negative or positive, short-term or long-term, intended or unintended, and reversible or irreversible.

Source: GRI (2022)



Impact investing: Investments that are made with the goal of creating a positive environmental or social impact, as well as financial returns.

Source: UNEPFI (2017a)

Impact management: The process by which an organisation understands, acts on and communicates its impacts on people and the natural environment, in order to reduce negative impacts, increase positive impacts, and ultimately to achieve sustainability and increase well-being.

Ref: Impact Management Platform (n.a.)

Impact management system A system for managing impacts including a) strategy embedment b) establishing oversight and accountability (governance) c) identification of impacts d) measuring, assessing and valuing impacts e) prioritising impacts and practices f) target setting g) implementation h) monitoring, learning and adapting and i) Disclosing and explaining outcomes.

Ref: Impact Management Platform (n.a.)

Impact materiality: A sustainability topic or information is material from an impact perspective if the undertaking is connected to actual or potential significant impacts on people or the environment and is related to the sustainability topic over the short, medium or long term. This includes impacts directly caused or contributed to by the undertaking and impacts which are otherwise directly linked to the undertaking's upstream and downstream value chain.

Source: EFRAG (2022)

Implement: put a decision, plan, agreement, etc. into effect.

Source: Oxford Languages

Interim target: Refers to a short-term milestone between the organisation's medium or long-term target and current period.

Insurance-associated emissions: greenhouse gas emissions associated with underwriting.

Source: PCAF (2022b) - amended

Like for like: When a source of emissions and an emissions sink correspond in terms of their warming impact, and in terms of the timescale and durability of carbon storage. For example, fossil carbon is stable in the lithosphere over millennia if it is not extracted and burned, therefore mitigating measures (e.g. offsets) that aim to neutralise the effect of these emissions must persist for a comparable, geological-timescale. Although all CO₂ once emitted, whether originally sourced from the lithosphere or biosphere, persists in the active carbon cycle for centuries to millennia, it may be appropriate to balance shorter-duration carbon released from biogenic carbon stocks (e.g. forests and soils) with comparably temporary storage in like stocks. The variable risks of reversal of different carbon stocks must also be considered, for example forests may suffer from unforeseen anthropogenic (e.g. illegal logging), non-anthropogenic (e.g. disease and disaster), or climate change-induced (e.g. warming) reversal risks.

Source: UNFCCC (2021)

Living income: The net annual income required for a household in a particular place to afford a decent standard of living for all members of that household.

Note 1: Elements of a decent standard of living include food, clean water, sanitary housing, education, healthcare, transportation, clothing, and other essential needs including provision for unexpected events.

Note 2: Living income refers to any income earner including those self-employed such as self-employed farmers.

Source: LICoP (n.a.)



Living wage: the wage level that is necessary to afford a decent standard of living for workers and their families, taking into account the country circumstances and calculated for the work performed during the normal hours of work.

Note 1: The concept of living wage is generally applied in the context of hired workers.

Note 2: Living wage estimates translate the living wage concept into a local monetary value and can contribute to and inform an evidence-based social dialogue for wage setting. The ILO has set out range of methodological principles for determining living wage estimates.

Source: ILO (2024)

Lobbying: Activities carried out with the objective of directly or indirectly influencing the formulation or implementation of policy or legislation, or the decision-making processes of governments, governmental institutions, regulators, bodies, offices and agencies or standard setters.

Note: Such activities include (non-exhaustive list): organising or participating in meetings, conferences, events; contributing to/participating in public consultations, hearings or other similar initiatives; membership of or participating in trade associations, alliances, coalitions, or similar bodies; organising communication campaigns, platforms, networks, grassroots initiatives; preparing/commissioning policy and position papers, opinion polls, surveys, open letters, research work as per the activities covered by transparency register rules. (new CSI)

Source: EFRAG (2022b) – amended

Low-income country: Country defined to belong to the country group with lowest income as defined by the World Bank.

Note: The classifications are updated each year on July 1, based on the GNI per capita of the previous calendar year. The World Bank's income classification aims to reflect a country's level of development, drawing on Atlas GNI per capita as a broadly available indicator of economic capacity.

Source: World Bank (2023)

Lower-middle income country: Country defined to belong to the country group with second lowest income as defined by the World Bank.

Note: The classifications are updated each year on July 1, based on the GNI per capita of the previous calendar year. The World Bank's income classification aims to reflect a country's level of development, drawing on Atlas GNI per capita as a broadly available indicator of economic capacity.

Source: World Bank (2023)

Materiality: the criterion for inclusion of specific information in corporate reports. It reflects (i) the significance of the information in relation to the phenomenon it purports to depict or explain, as well as (ii) its capacity to meet the needs and expectations of the stakeholders of an undertaking and of the undertaking itself, allowing for proper decision-making, and more generally (iii) the needs for transparency corresponding to the public interest.

Source: EFRAG (2022)

Materiality assessment: The process of identifying, refining, and assessing numerous potential environmental, social and governance issues that could affect business, and/or its stakeholders, and condensing them into a short-list of topics that inform company strategy, targets, and reporting.

Source: UNEPFI (2017a)

Material sustainability impact: Impact connected to actual or potential significant impact on people or the environment, related to the sustainability topic over the short, medium or long term.

Source: Based on EFRAG (2022)

Material topics: Topics that represent the organisation's most significant impacts on the economy, environment, and people, including impacts on their human rights

Source: GRI (2022).

Mitigation [of climate change]/climate change mitigation: Policies and measures which aim to reduce greenhouse gases from companies and governments with the intention of lessening the global impacts of climate change, such as reducing the amount and intensity of fossil fuel burning.

Source: CDP (n.a.)



Mitigation (general) Action(s) taken to reduce the extent of a negative impact

Note 1: The mitigation of an actual negative impact refers to actions taken to reduce the severity of the negative impact that has occurred, with any residual impact needing remediation. The mitigation of a potential negative impact refers to actions taken to reduce the likelihood of the negative impact occurring.

Note 2: In the context of human rights this refers to actions taken to reduce the likelihood that a potential negative impact will occur.

Note 3: For mitigation in the context of climate change refer to 'Climate change mitigation'

Source: UN (2012)

Monitor: observe and check the progress or quality of (something) over a period of time; keep under systematic review.

Source: Oxford Languages

Natural capital: The world's stocks of natural assets which include geology, soil, air, water and all living things. It is from this Natural Capital that humans derive a wide range of services, often called ecosystem services, which make human life possible.

Source: UNEPFI (2017a)

Nature: All non-human living entities and their interaction with other living or non-living physical entities and processes.

Note: This definition recognises that interaction bind humans to nature, and its subcomponents (e.g., species, soils, rivers, nutrients), to one another.

Note: This concept encompasses biodiversity as well as ecosystems.

Source: SBTN (2022)

Nature protection: Precautionary actions, procedures or installations undertaken to prevent or reduce harm to the elements of the material world that exist independently of human activity.

Source: EEA (n.a.)

Nature restoration: supporting the recovery of degraded or destroyed ecosystems by improving their structure and functions, with the overall goal of improving resilience and biodiversity in nature.

Source: EU (n.a. b)

Nature-based solutions: Actions to protect, conserve, restore, sustainably use and manage natural or modified terrestrial, freshwater, coastal and marine ecosystems, which address social, economic and environmental challenges effectively and adaptively, while simultaneously providing human wellbeing, ecosystem services and resilience and biodiversity benefits.

Note: Nature-based solutions are sometimes referring specifically to solutions aiming helping climate change mitigation.

Source: CDP (n.a.) – note added

Nature-positive finance: Nature-positive finance refers to finance that supports actions that protect, restore or enhance sustainable use and management of nature, or enables these actions contributing to the implementation of the Kunming-Montreal Global Biodiversity Framework and its broad ambition to halt and reverse nature loss by 2030, with a view to full recovery by 2050.

Note: According to () such an action must also meet all the following eligibility criteria: i) makes a substantive contribution to nature ii) has expected positive outcomes for nature that are measurable and can be monitored against a baseline, where feasible, or otherwise a business-as-usual scenario iii) is not expected to introduce significant adverse environmental risks or impacts.

Source: MDBs (2023)

Nature-positive solutions: Actions to protect, conserve, restore, sustainably use and manage natural or modified terrestrial, freshwater, coastal and marine ecosystems, which address social, economic and environmental challenges effectively and adaptively, while simultaneously providing human wellbeing, ecosystem services and resilience and biodiversity benefits.

Note 1: According to (EIB 2023) such an action must also meet all the following eligibility criteria: i) makes a substantive contribution to nature ii) has expected positive outcomes for nature that are measurable and can be monitored against a baseline, where feasible, or otherwise a business-as-usual scenario iii) is not expected to introduce significant adverse environmental risks or impacts.



Note 2: This includes such as actions to protect, conserve, restore, sustainably use and manage natural or modified terrestrial, freshwater, coastal and marine ecosystems, which address social, economic and environmental challenges effectively and adaptively, while simultaneously providing human wellbeing, ecosystem services and resilience and biodiversity benefits.

Note 3: See also nature-based solutions

Net zero/ net zero state: The state reached by an organisation that has reduced its value chain emissions (scope 1, scope 2 and scope 3 emissions) following a science-based pathway, with any remaining residual greenhouse gas emissions being fully neutralized by permanent or like-for-like removals exclusively claimed by that organisation.

Note: The term 'residual' refers to emissions that remain technically unfeasible to be eliminated. A widely applicable guideline is that such residual emissions shall not exceed 10% of baseline emissions.

Note: 90% reduction is a guideline. The actual emission reductions required to reach net zero depend on companies' baseline emissions. Science-based thresholds for residual emissions per unit have been established for activities in some sectors (e.g. energy and steel production)

Source: ERI (2023b) – definition based on UNFCCC (2022), ISO (2022) and SBTi (2023) - amended by ERI from ITU (2023a).

Net zero transition: the transition of a company towards a net zero state.

Official development assistance: government aid that promotes and specifically targets the economic development and welfare of developing countries.

Source: OECD (n.a.)

Organisation: person or group of people that has its own functions with responsibilities, authorities and relationships to achieve its objectives

Note 1 to entry: The concept of organisation includes, but is not limited to, sole-trader, company, corporation, firm, enterprise, authority, partnership, charity or institution, or part or combination thereof, whether incorporated or not, public or private.

Source: ISO (2015)

Outsourced chief investment officer: A resource for organisations that can take on accountability and fiduciary responsibility for an asset pool, including strategic investment decisions.

Pay gap: an undesirable or unfair difference between the average amounts that two sectors of a population are paid.

SOURCE: Oxford Languages

Personal data: any information that relates to an identified or identifiable living individual.

Source: EU (n.a. c)

Policy: A set or framework of general objectives and management principles that a company uses for making decisions.

Note: A policy is approved at the highest levels of the business, or by a formalised group of persons charged with ultimate authority in an organisation, e.g. the board.

Political contribution: financial or in-kind support given directly or indirectly to political parties, their elected representatives, or persons seeking political office

Note 1: Financial contributions can include donations, loans, sponsorships, retainers, or the purchase of tickets for fundraising events or other similar actions.

Note 2: In-kind contributions can include advertising, use of facilities, design and printing, donation of equipment, or the provision of board membership, employment or consultancy work for elected politicians or candidates for office.

Source: GRI (2022)

Positive impact finance: Refers to all types of finance which verifiably produce a positive impact on the economy, society or the environment once any potential negative impacts have been duly identified and mitigated.

Source: UNEPFI (2017a)



Real economy: The totality of businesses that produce goods and services (as opposed to businesses that solely buy and sell at financial markets).

Source: UNEPFI (2017)

Reduction in GHG emissions: See **GHG reductions**.

Remediation/remedy: The process of providing remedy for a negative human rights impact and the substantive outcomes that can counteract, or make good, the negative impact.

Note: These outcomes may take a range of forms such as apologies, restitution, rehabilitation, financial or non-financial compensation, and punitive sanctions (whether criminal or administrative, such as fines), as well as the prevention of harm through, for example, injunctions or guarantees of non-repetition.

Remuneration: basic salary plus additional amounts paid to a worker

Note: Examples of additional amounts paid to a worker can include those based on years of service, bonuses including cash and equity such as stocks and shares, benefit payments, overtime, time owed, and any additional allowances, such as transportation, living and childcare allowances.

Source: GRI (2022)

Reporting period: specific time period covered by the reported information

Examples: fiscal year, calendar year.

Source: GRI (2022)

Reskilling: training people to do a different job.

Resilience: the capacity of a system to deal with change and continue to develop.

Note: A system may refer to such as an individual, a forest, a city or an economy.

Source: SRC (2015)

Responsible business conduct: Companies' efforts to integrate social, environmental and ethical aspects into their decision-making and business operations.

Source: EU (n.a.d)

Responsible lobbying principles/ethical lobbying principles: Principles ensuring lobbying is transparent, accountable, consistent, legitimate and promote public interest.

Responsible Corporate Advocacy: Political engagement that addresses the needs of both shareholders and stakeholders, balancing the economic, environmental, and social imperatives that a company is subject to.

Source: WRI (n.a.)

Responsible investment: considering environmental, social and governance issues when making investment decisions and influencing companies or assets (known as active ownership or stewardship).

Source: PRI (n.a. a)

Salient human-rights issues Those human rights that are at risk of the most severe negative impacts through a financial institution's activities or business relationships.

Note: Salient human-rights issues vary from financial institution to financial institution.

Scope 1/Scope 1 emissions: Direct GHG emission greenhouse gas emission from sources owned or directly controlled by the organisation.

Source: ITU (2023b) - based on GHGP (2004) and ISO (2022).

Scope 2/ Scope 2 emissions: Indirect GHG emission due to greenhouse gas emission from the generation of purchased electricity, heat, cooling or steam consumed by the organisation.

Source: ITU (2023b) - based on GHGP (2004) and ISO (2022).

Scope 3/ Scope 3 emissions: Indirect GHG emission that is a consequence of the organisation's activities but arises from sources that are not owned or directly controlled by the organisation.

NOTE 1 – Scope 3 emissions include all attributable value chain GHG emissions not included in Scope 1 emissions or Scope



2 emissions.

Source: ITU (2023b) - based on GHGP (2004) and ISO (2022).

Senior executive (level): High-ranking member of the management of the organisation, such as the Chief Executive Officer (CEO) or an individual reporting directly to the CEO or the highest governance body.

Source: GRI (2022)

Severe human rights impact: A negative human rights impact is severe by virtue of one or more of the following characteristics: its scale, scope or irremediability. Scale means the gravity of the impact on the human right(s). Scope means the number of individuals that are or could be affected. Irremediability means the ease or otherwise with which those impacted could be restored to their prior enjoyment of the right(s).

Severity of an impact: The severity of an actual or potential negative impact is determined by its scale (i.e., how grave the impact is), scope (i.e., how widespread the impact is), and irremediable character (how hard it is to counteract or make good the resulting harm).

Source: GRI (2022) – derived from OECD and UN

Small and medium-sized enterprises: businesses that maintains revenues, assets, or a number of employees below a certain threshold.

Note: Thresholds differ between countries, with number of employees often in the range of about 50-500.

Source: Investopedia (n.a.)

Social opportunities: Potential for individuals or society to gain from beneficial effects in the social domain.

Social risks: Potential for individuals or society to suffer from adverse effects in the social domain.

Stakeholder: Individual or group that has an interest that is affected or could be affected by the organisation's activities

Note: Examples: business partners, civil society organisations, consumers, customers, employees and other workers, governments, local communities, non-governmental organisations, shareholders and other investors, suppliers, trade unions, vulnerable groups.

Source: GRI (2022) – amended from OECD

Stakeholder engagement/consultation: an ongoing process of interaction and dialogue between a financial institution and its stakeholders that enables the financial institution to hear, understand and respond to their interests and concerns, including through collaborative approaches.

Stewardship: The use of influence by institutional investors to maximise overall long-term value including the value of common economic, social and environmental assets, on which returns and clients' and beneficiaries' interests depend.

Source: PRI (n.a. b)

Stewardship policy: A stewardship policy is a policy related to the stewardship of an organisation.

Source: PRI (n.a. b)

Strategy: A general plan or defined set of priorities outlining a desired outcome.

Supplier: Entity upstream from the company (i.e., in the company's supply chain), which provides a product or service that is used the organisations operation or in the development of the organisation's own products or services

Note: Examples brokers, consultants, contractors, distributors, franchisees, home workers, independent contractors, licensees, manufacturers, primary producers, subcontractors, wholesalers

Note: This is broadly defined as tier 1 and beyond, including subcontractors.

Note: A supplier can have a direct business relationship with the organisation (often referred to as a first-tier supplier) or an indirect business relationship, including subcontractors.

Source: GRI (2022) - amended

Supply chain: all suppliers connected to a company through a direct or indirect business relationship.



Sustainability: Meeting the world's needs of today and tomorrow by creating systems that allow us to live well and within the limits of our planet.

Source: EEA (2023)

Sustainable development [global]: Development that meets the needs of the present without compromising the ability of future generations to meet their own needs development that meets the needs of the present without compromising the ability of future generations to meet their own needs

Note: The terms 'sustainability' and 'sustainable development' are often used interchangeably

Source: UN (1987)

Target: a specific, measurable, time-bound, and often science-based objective, whose attainment will contribute to achieving or progressing a desired outcome.

Note: A target is set against a baseline

Tax jurisdiction: country or territory with autonomous taxing powers similar to a country

Source: GRI (2022)

Taxonomy [for sustainable finance]: Set[s] of criteria which can form the basis for an evaluation of whether and to what extent a financial asset can support given sustainability goals. Note: Its purpose is to provide a strong signal to investors, and other stakeholders, and assist their decision making – by identifying the type of information investors need to assess the sustainability benefits of an asset and to classify an asset based on its support for given sustainability goals.

Source: BIS (2021)

Trade association: An organisation that supports companies and employers of a in a particular business or trade and promote their common interest.

Note: Trade associations are also referred to as industry trade group, business association, sector association or industry body.

Transition plan: a time-bound action plan that clearly outlines how an organisation will pivot its existing assets, operations, and entire business model towards a trajectory that aligns with a predefined outcome.

Underrepresented group/ underrepresented social group: group of individuals who are less represented within a subset (e.g., a body or committee, employees of an organisation) relative to their numbers in the general population, and who therefore have less opportunity to express their economic, social, or political needs and views

Note 1: Under-represented social groups may include minority groups.

Note 2: The groups included under this definition depend on the organisation's operating context and are not uniform for every organisation.

Source: GRI (2022)

Upskilling: teaching workers new skills.

Upstream: Processes and impacts associated with the production of a company's products or services and the supply needed for the company's operation.

Usually excluded groups: Groups that are often lacking proportional access to good services.

Value chain: The range of activities carried out by an organisation, and by entities upstream and downstream from the organisation, to bring the organisation's products or services from their conception to their end use.

Note 1: The concept includes upstream suppliers as well as direct and indirect downstream business relationships.

Note 2: Entities upstream from the organisation (e.g. suppliers) provide products or services that are used in the development of the organisation's own products or services. Entities downstream from the organisation (e.g. distributors, customers) receive products or services from the organisation. The value chain includes the supply chain.

Source: GRI (2021)

Worker: an individual performing work for a company, regardless of the existence or nature of any contractual relationship with that company



Acronyms

CSI	Core Social Indicators
DAC	Development Assistance Committee
EMDE	Emerging Markets and Developing Economies (IMF)
FSB	Financial System Benchmark
GEC	Global Element Code
LLMIC	Low and Lower-Middle Income Countries (World Bank)
MDB	Multi-lateral Development Banks
OCIO	Outsourced chief investment officer
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development



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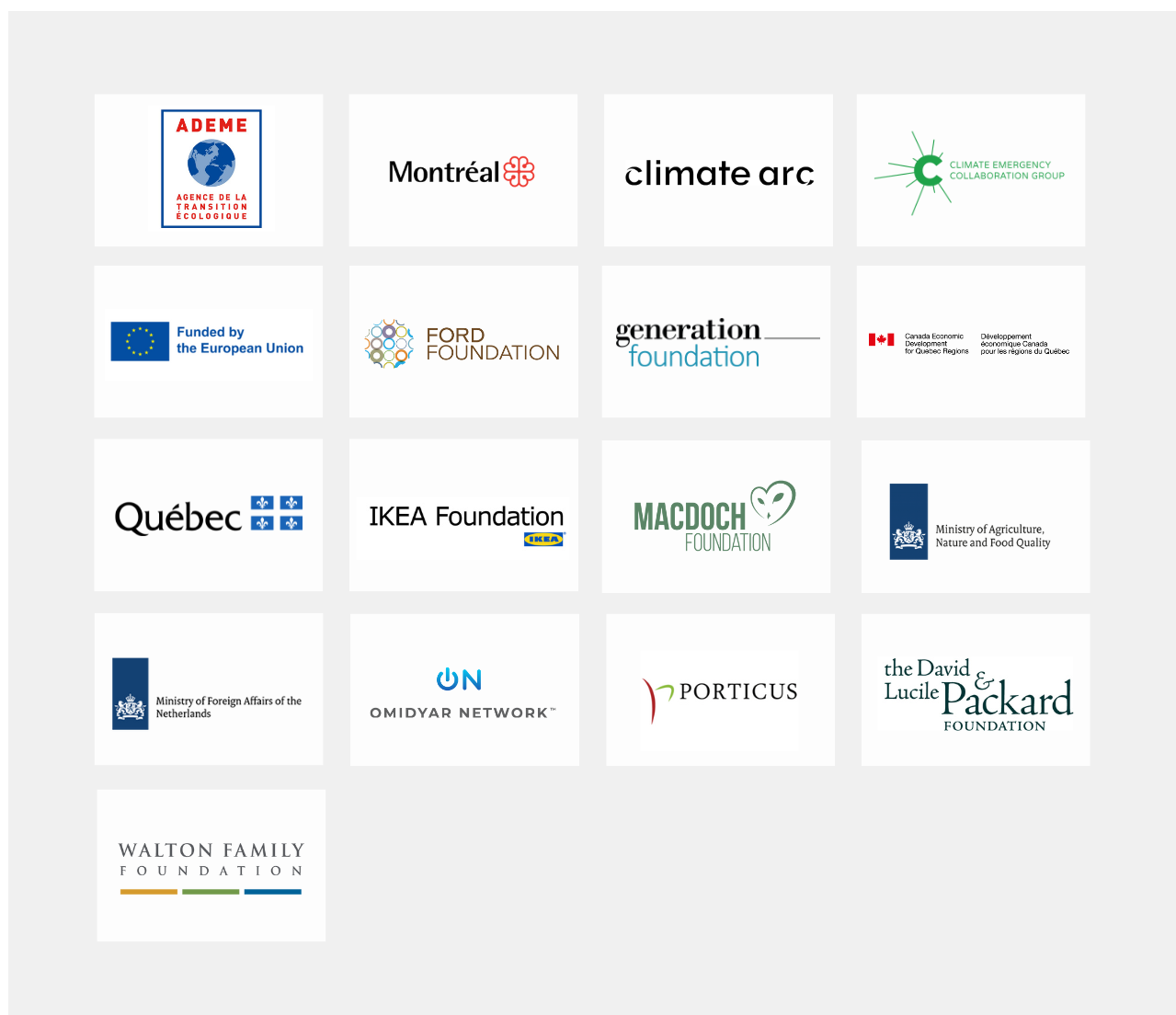
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