



Paragon
+ IMPACT

WHERE SUSTAINABILITY
IS A **STRATEGIC ADVANTAGE**

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The UN SDGs and its goals have been described as the world's greatest business plan and growth story of the century.

(Paul Polman, former CEO Unilever)



**SUSTAINABLE
DEVELOPMENT
GOALS**

WHAT IS SDG IMPACT?

SDG impact considers the **magnitude, severity, duration, probability** and **direction (positive or negative)** of impact your business has across the SDGs



High level overview of requirements and the Paragon +Impact roadmap

Our client was clear with their requirements. They had already undertaken a large amount of work on their sustainability performance and wanted to understand **the impact they were having** as a result.

Our client's requirements

- **Upskill** our senior leadership on various ESG topics to meaningfully engage with colleagues on the Bank's sustainability vision.

- Know how we are **performing on our sustainability activities** and against our industry peers.
- **Align with global commitments and standards.**

- Provide **recommendations on optimising** our governance structure for our sustainability ambitions.
- Develop **innovative banking products** to boost sustainable impact.
- Enhance our sustainability report and focus on **communicating our most material impacts**

Stage 1 Build your impact foundations

- Train senior leadership
- Define the Bank's sustainability "North Star"

Stage 2 Baseline your impact

- Collect ESG data
- Benchmark the Bank's impact
- Review sustainability activity
- Review global commitments

Stage 3 There is no limit to where you can go 🚀

- Bolster sustainability governance
- Design and implement sustainable banking products
- Define the sustainability strategy
- Sustainability reporting enhancements
- Sustainability policy creation

Stage 1 | Build the Bank's +Impact Foundations

We are often told that it is hard to know where to start with sustainability and impact.

Paragon +Impact started with building simple foundations that created consensus and focus within the senior leadership team.

KNOWLEDGE BUILD & DEMYSTIFY

To ensure all of the Bank's senior leaders were at **the same level of sustainability and impact understanding**, Paragon +Impact ran a training session that set out the fundamentals.

This 1.5 hour session provided the opportunity to demystify sustainability's acronyms, frameworks and regulations to **understand what really matters**.

The opportunity landscape was also presented, from getting ahead of regulation, to creating competitive advantages.

Outcomes

1. The Bank's senior leaders were at the same level of sustainability and impact knowledge.
2. The Bank's senior leadership were unanimous in their commitment to furthering their sustainability practice.

DEFINE THE BANK'S IMPACT "NORTH STAR"

To identify the **scope of impact that the Bank has**, Paragon +Impact prioritised the Sustainable Development Goals by relevance. This approach is known as 'materiality'.

To do this, we held a three-hour workshop with the Bank's senior leaders. Our expert sustainability practitioners facilitated the group through the Sustainable Development Goals. Each goal was debated by the group to identify its materiality (core / important / peripheral / negligible) to the business and the outputs of the discussion were recorded.

Outcomes

1. The most material Sustainable Development Goals were defined, and the North Star identified
2. Consensus was gained across senior leadership on the direction of travel and focus

Stage 2 | Baseline your +Impact

How do you know where to go next if you don't know where you are today?

To address this, the Bank wanted to complete a baseline impact analysis that would help them understand their current impact.

DATA GATHERING & CAPTURE

Performing an impact assessment requires **A LOT** of data.

Paragon +Impact use sustainability disclosure frameworks to help gather the sustainability data needed to impact assess The Bank. This data is captured and saved within the Paragon +Impact tool.

Paragon +Impact requested numerous internal data, policies, reports and information on company activities to assess the Bank's sustainability performance and impact.

We also gathered external data from a range of sources to ensure all available evidence was considered.

Outcomes

1. All the Bank's ESG data was stored in the Paragon +Impact tool – ready to be used for impact analysis.

+Impact ASSESSMENT

Once we have enough data we began the assessment.

Assessment requires our expert team of impact analysts to evaluate the impact of the company using the Sustainable Development Goals as the framework. Paragon +Impact use our own proprietary methodology based on some common impact assessment standards to help us determine the impact the Bank was having across the SDGs.

The Impact framework requires us to look at the following considerations when making our assessment:

- **What** - the nature of the outcome / impact
- **Who** - which stakeholders are affected, what are the boundaries of the impact?
- **How much** - the scale, depth and duration of the impact
- **Enterprise contribution** - how much impact occurs over how long
- **Risk** - the risk of the impact occurring

We perform this assessment across 50 impact statements using the data collected as our evidence for the assessment. We write our assessment and input our results which generates an overall score and a score on the most material SDGs. Paragon +Impact generated recommendations to address and strengthen weaknesses in the Bank's impact.

Stage 2 | Baseline your +Impact cont.

How do you know where to go next if you don't know where you are today?

To address this, the Bank wanted to complete a baseline impact analysis that would help them understand their current impact.

GRADING

Paragon +Impact's proprietary grading system provides a score from AA+ to C- on the impact performance of each SDG, qualifying the impact as positive or negative. We also generate an overall impact score. The grading is generated depending upon the average scale, duration, probability and magnitude of the impact.

So, for impacts that are only occurring locally, the grade will be lower than for impacts at an international level. Additionally, the reliability of the evidence used to perform the analysis also impacts the grading.

The Bank's overall impact grades were found to be positive. Negative impact was identified because of the carbon emissions of the bank's fund portfolio (scope 3) emissions. These emissions come from the share of investee companies carbon footprints. The Bank had anticipated this negative impact already and engaged a partner to define a net zero strategy to reduce this carbon footprint.

Some of the key impact findings

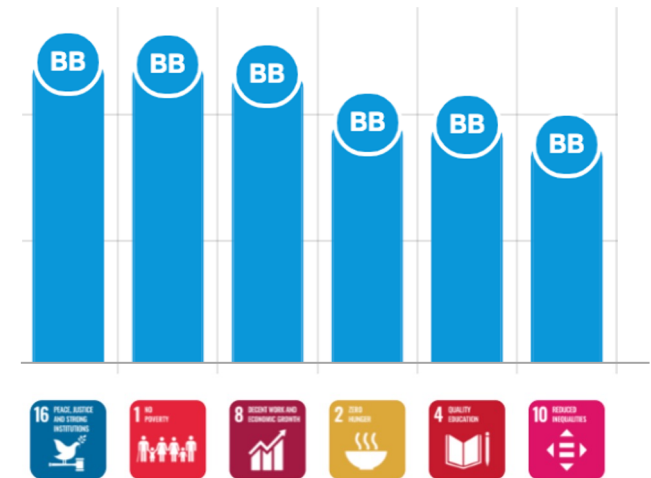
The Bank's commitment to diversity and inclusion and the wellbeing of its employees was a standout positive impact to these stakeholders

There is a deep integration of ESG into the Bank's fund portfolios which will have impact through capital deployed

The Bank's strategic corporate social responsibility partnerships are well curated to support its impact North Star

The Bank has an exceptionally well documented policy set. Opportunities to **create deeper sustainability coherence across these policies** was identified

Grades generated per SDG



The Bank's average impact over scale, duration, probability & magnitude

Average Scale
Regional to National

Average Duration
Long term / Project life

Average Probability
Probable

Average Magnitude
Moderate/ Sizable

Stage 3 | There is no limit to where you can go 🚀

How do you create strategic opportunities through impact?

Once you know your impact you can create competitive advantage and tell your authentic impact stories.

THE 'SO WHAT'

The assessment and grading were presented back to the Bank to allow them to see where the business was performing positively, negatively and where opportunities for deeper impact practice were. The Bank was able to take these actions away and consider how they wished to address them.

Example steps to improve +Impact include

- Bolstering the businesses' sustainability governance model
- Creating coherence of sustainability throughout the organization, using the core SDGs as the North Star
- Formalising a Chief Sustainability Officer role to create an accountable person
- Re-formatting sustainability disclosures to emphasise the most material impacts the business is generating and tell authentic impact stories

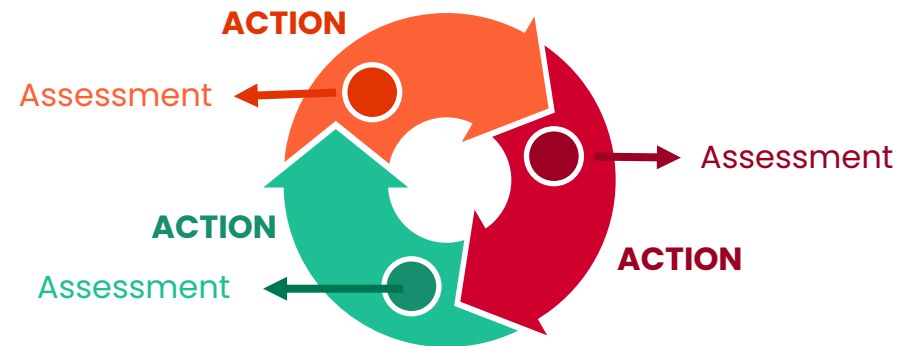
WHAT NEXT?

Paragon +Impact recommends an **annual grading** to allow the Bank to understand its impact trend over time and verify whether the measures put in place to improve impact are working.

This **positive feedback loop of assessment - action - assessment** will be the powerhouse to fuel the Bank's ambition to be a deeply sustainable and impactful organisation.

A bonus feature for the Bank will be the ability to use the Paragon +Impact tool as a golden source of truth for their sustainability data between assessments. This data can be reported using sustainability frameworks, such as GRI.

The Bank can now confidently and authentically tell their impact stories to their stakeholders knowing they have been independently assessed on their impact.



Key Outcomes Realised

01

Defining an impact North Star has generated focus

Defining the Bank's **impact North Star** during the materiality workshop created a **consensus among the Bank's senior leadership team** on the sustainability topics that result in the greatest impact made by the business.

This has allowed the Bank to identify the **signal from the noise** on where it should focus sustainability energy, time and resources.

02

Sustainability performance strengths and weaknesses have been uncovered

The Paragon +Impact assessment identified the sustainability performance of the Bank was out-performing in the areas where focus had been made by the sustainability program.

The result of the Paragon +Impact assessment **shone a light on some impacts that had not previously been highlighted** or understood by the Bank. These impact areas will now receive a planned approach to overcome negative impacts and create deeper positive impacts.

03

The Bank can confidently control their impact narrative

Being independently measured on sustainable impact has provided the Bank with the ability to share their impact stores authentically.

Greenwashing is a serious issue that regulation is addressing. The Bank can now confidently highlight to its stakeholders where real impact is being generated using Paragon +Impact's evidence-backed impact assessment.

04

Strategic opportunities realised

The Bank has created **competitive advantage** through the deep lessons generated throughout the impact assessment process.

The act of identifying, collating and storing ESG data, upskilling leaders and engaging many of its internal stakeholders has allowed the Bank to generate a deeper level of sustainability competency. These micro learnings and embedding of recommendations will **put the Bank ahead of its peers** on sustainability performance.

Our why

OUR PURPOSE

Where Sustainability is a Strategic Advantage

We need to **accelerate sustainable development** and respond to the socio-economic and environmental pressures that are demanding **greater accountability and transparency** from businesses and investors.

However, the focus is often **skewed toward the environmental, social and governance (or ESG)** risks a business may face, and not the actual **impact** they have on the environment and societies in which they operate.

We believe that ESG risk together with SDG impact will better determine a **company's legitimacy and license to operate**.

Business leaders are increasingly acknowledging the need to align business to sustainability.

"The UN's Sustainable Development Goals are quite simply the world's greatest business plan – the growth story of the century"
– Paul Polman (ex-CEO Unilever)

Through our approach, we hope to enable our clients to make informed decisions that **focus foremost on the sustainability** of our planet and its people, **alongside sustainable economic growth**.