

SDG Impact Standards for Bonds

Response to input on the 2nd public consultation

Draft

March 23rd 2021

Foreword

In this document, we summarise the points you raised on the second public consultation draft of SDG Impact Standards for Bonds and tell you how we have taken your feedback into account.

We're thankful that so many individuals and organizations took the time for thoughtful reflection and comment through the development of the SDG Impact Standards for Bonds and on both rounds of public consultation. This has had a significant influence on the Standards. Thank you.

We are delighted that responses overwhelmingly saw the important contribution that these Standards can make in shifting capital to fund the SDGs and that they agreed that the SDG Impact Standards will provide the tools to target and document contributions toward the SDGs.

Many of your concerns were already dealt with in the second draft and, as a result, the changes this time are less significant.

Through the consultation process we appreciated the opportunity to learn about concerns in various regions on how to make best use of these standards and are progressing several initiatives to address them.

We will shortly appoint an assurance expert to develop assurance protocols and requirements for Certification and award of the Seal. We have established an Assurance Design and Implementation Working Group to guide this work. Details and updates will be posted on our website.

The UNDP SDG Impact Standards are freely available and can be used as an internal diagnostic tool for organizations aligning their internal processes and practices to better address sustainable development risks and opportunities—and to facilitate their SDG contributions. We encourage organizations to use the Standards when evaluating or designing their own impact-management processes, whilst we continue work on developing guidance for these Standards.

Our goal from the beginning has been to make this a collaborative process. Input is welcome at any time. You can provide it through SDGImpact.standards@undp.org. We are especially curious to learn more from the many organizations who have reviewed the Standards and have begun using them.

Fabienne Michaux

Director of SDG Impact, UNDP

March 2021

Table of Contents

Foreword	2
Development of the SDG Impact Standards for Bonds	4
Standards governance.....	4
Consultation process	4
Consultation questions in the second public consultation draft.....	5
Summary of key changes	6
Summary of the consultation feedback and how we have responded	7
Do you think the Practice Indicators are complete? If not, what additional areas should be covered?.....	7
Do you think there are any Practice Indicators which should be excluded? If so, which ones and why?	7
Do you think the Practice Indicators are appropriately positioned within each Standard i.e. strategy, management approach, governance and transparency? Please identify any that you think should be moved, and why.....	7
In your view, what are the benefits of adoption of the SDG Impact Standards for Bonds?	8
In your view, which practice indicators are most critical to increasing Issuers' contributions to sustainable development and achieving the SDGs?.....	8
In your view, which practice indicators will likely be the most challenging for Issuers to integrate into their practices, and why?	9
Do you have any other general comments about the SDG Impact Standards for Bonds?	9
Do you have comments on any specific Practice Indicators?	9

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Development of the SDG Impact Standards for Bonds

The development of the *SDG Impact Standards for Bonds* sought to facilitate ongoing alignment with other frameworks and tools and demonstrate the added value of using the *SDG Impact Standards for Bonds* in conjunction with existing and future frameworks and tools.

Standards governance

The overall development of the SDG Impact Standards has been guided by a Steering Committee whose members are: The SDG Impact Steering Group, chaired by the UNDP Administrator, Achim Steiner. Members include: John Denton (Secretary-General, International Chamber of Commerce), Cheo Hock Kuan (Executive Director & CEO, Temasek Trust), Anna Ryott (Chair of Board, Summa Equity), Amy Jadesimi (CEO, Ladol), Ma Weihua (Chairman, China Alliance of Social Value Investment), Lisa Genasci (Founder and CEO, ADM Capital Foundation (ADMCF)), Daniel Hanna (Global Head of Sustainable Finance, Standard Chartered), Rajiv Lall (Chairman, IDFC First Bank), Ronald Cohen (Philanthropist and Chairman of the Global Steering Group for Impact Investment), Ken Shibusawa (CEO, Shibusawa and Company, Inc.), Gavin Power (Chief of Sustainable Development and International Affairs, PIMCO).

Consultation process

The consultation process for the SDG Impact Standards for Bonds was designed to meet the UNDP Principles for social and environmental standards and aspires to meet ISEAL Alliance's international benchmarks for design, impact and consultation.

The engagement plan has so far elicited feedback from a broad range of Stakeholders, including the investment and business community, civil service organizations, organizations expert in human rights and the rights of indigenous peoples, other United Nations bodies and initiatives, and relevant industry groups.

We held more than 50 events to gather feedback across, Africa, Europe, and North and South America, from more than 4,000 participants.

In addition to meetings, calls and focus groups we held a first public consultation period of four months during April-July 2020.

Through this process written input and input via one-on-one conversations has been received from approximately 46 organisations and individuals including: 20 issuers/investors; 11 consultants/ratings agencies/assurance providers; 7 standard setting organizations; 4 UN agencies; 2 organizations representing CSO organizations; and 2 Industry organizations.

Input from the first consultation period resulted in the SDG Impact Standards for Bonds being significantly streamlined between the first and second drafts.

The second consultation process for the Bond Standards run between November 2020 and January 2021. A dedicated Working Group composed of a select group of expert practitioners in the bond market from Europe, North America, Latin America, Asia and Africa was created to:

- Support bond issuers in completing a self-assessment of the Standards – highlighting where best practices are being applied and where there are areas for improvement.
- Explore the practical ways in which issuers may implement and evidence the blueprint for an impact management system set out in the Standards.
- Get inputs and feedback to support the development of guidance and the assurance process.
- Provide feedback and recommendations to produce a final version of the Bond Standards.

Further additional input has come from:

- relevant input to the public consultation for SDG Impact Standards for Private Equity;
- the process of developing standards for private sector partners with OECD;
- learnings from the development of the Sustainable Development Goal Disclosure (SDGD) Recommendations;
- input from the reference group for the SDG Impact Standards for Enterprises that are under development;
- input from the first public consultation on the SDG Impact Standards for Enterprises.

Consultation questions in the second public consultation draft

The second public consultation asked:

Do you think the Practice Indicators are complete? If not, what additional areas should be covered?

Do you think there are any Practice Indicators which should be excluded? If so, which ones and why?

Do you think the Practice Indicators are appropriately positioned within each Standard i.e. strategy, management approach, governance and transparency? Please identify any that you think should be moved, and why.

In your view, what factors will influence adoption of the SDG Impact Standards for Bonds?

In your view, what are the benefits of adoption of the SDG Impact Standards for Bonds?

In your view, which practice indicators are most critical to increasing Issuers' contributions to sustainable development and achieving the SDGs?

In your view, which practice indicators will likely be the most challenging for Issuers to integrate into their practices, and why?

Do you have any other general comments about the SDG Impact Standards for Bonds?

Do you have comments on any specific Practice Indicators?

Summary of key changes

The Standards have been re-organized and streamlined.

The number of components and practice indicators has been reduced.

The language has been simplified and definitions clarified (see updated glossary)

The introduction makes clearer how these standards complement existing frameworks, such as ICMA, the proposed EU green bond standard etc.

The relationship between human rights and sustainable development has been highlighted in the introduction and glossary.

The Standards make clearer their application to Bond Issuers' practices, rather than the bond instrument.

The Standards make clearer expectations on aggregators – especially those aggregating loans to small obligors.

The Standards make clearer the scope of the impact strategy and its relationship to organizational strategy.

Clarified that the SDG Bond Program assists in advancing a defined impact strategy.

Clarified the role of the UN Guiding Principles for Business and Human Rights (UNGPs) and importance of operating within planetary boundaries. Enhanced explanation in the introduction on the relationship between human rights, sustainable development and the SDGs.

We have not segmented practice indicators as mandatory or non-mandatory. The Standards provide a system for fully integrating impact management and contributing positively to sustainable development and the SDGs into internal decision-making practices. Progress towards specific practice indicators and continuous improvement of impact management practices will be dealt with in the assurance protocols.

Several comments related more specifically to the assurance framework and guidance document that will support the Standards. We have made note of these and will address them as the assurance framework and guidance are developed.

Summary of the consultation feedback and how we have responded

This section summarises the responses to each consultation question and how we have responded.

Do you think the Practice Indicators are complete? If not, what additional areas should be covered?

There were very few suggestions for additional indicators and none that were raised by more than one respondent.

How we have responded

No additional practice indicators were called for, but a number have been clarified and simplified based on feedback to responses to other consultation questions.

Do you think there are any Practice Indicators which should be excluded? If so, which ones and why?

There were no specific suggestions, but some responses indicated that the number of Practice Indicators should be reduced.

How we have responded

The number of practice indicators have been reduced.

Do you think the Practice Indicators are appropriately positioned within each Standard i.e. strategy, management approach, governance and transparency? Please identify any that you think should be moved, and why.

There were no suggestions that were made by multiple respondents.

How we have responded

All suggestions have been considered.

A practice indicator was moved from Strategy to Governance in response to individual feedback.

Some themes are explored throughout the four Standards. We do not see this as duplication, but rather reinforcement through different stages of internal decision-making processes to embed practice.

In your view, what factors will influence adoption of the SDG Impact Standards for Bonds?

Some respondents noted that the Practice Indicators could be further streamlined.

It was noted that it would be helpful to provide guidance on how the SDG Impact Standards complement the ICMA Standards and how they can be used with them.

How we have responded

The introduction makes clearer how these Standards complement existing frameworks, such as ICMA, the proposed EU green bond standard etc.

In your view, what are the benefits of adoption of the SDG Impact Standards for Bonds?

Various comments were made here including that the SDG Impact Standards for Bonds:

- Encourage 'purposeful' rather than 'by default' impact.
- Require equal consideration of potential negative impacts.
- Help issuers to communicate alignment with the UN SDGs.
- Adoption will drive uptake of impact management practices that are relatively uncommon in the market, including integration of human rights frameworks.
- Offer a more comprehensive and detailed standard for impact reporting than any other standard currently in the market and hence will encourage Issuers to better embed impact tracking.
- Encourage connection between strategies for bond programs and overall corporate strategy hence increasing buy-in within the issuer organisation.
- Require consideration of measures to be put in place where impact targets are not met

How we have responded

Thank you for this feedback. It will help us to increase uptake of the Standards.

The importance of, and relationship between human rights and sustainable development has been emphasised in the introduction and glossary.

In your view, which practice indicators are most critical to increasing Issuers' contributions to sustainable development and achieving the SDGs?

Several practice indicators were considered critical.

How we have responded

Thank you for identifying critical practice indicators.

In your view, which practice indicators will likely be the most challenging for Issuers to integrate into their practices, and why?

There was concern by some respondents that the practice indicators were lengthy and difficult to navigate.

How we have responded

The language has been simplified and definitions clarified (see updated glossary).

The number of practice indicators has been reduced.

Do you have any other general comments about the SDG Impact Standards for Bonds?

Respondents felt that the second consultation draft was a significant improvement on the first.

How we have responded

Thank you. Your feedback has led to further improvements.

Do you have comments on any specific Practice Indicators?

Many individual practice indicators were discussed by respondents and helpful suggestions made for simplifying the wording or otherwise amending.

How we have responded

These comments were particularly helpful.

The language has been simplified and definitions clarified (see updated glossary).

The number of practice indicators has been reduced.

