SDG Impact Standards

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ABOUT THE SDGS AND SDG IMPACT

What are the SDGs?

The United Nations Sustainable Development Goals (SDGs) are a universal plan for a more equitable, resilient and sustainable society, planet and economy by 2030. If ever we needed ambitious shared goals to open paths to a better future, it is now.

The SDGs represent the best hope we have for tackling the serious challenges all nations face and are a major investment opportunity. Achieving the SDGs by 2030 requires redirecting both public and private sector investment towards the targets and new solutions at scale.

Why isn't enough investment flowing to SDG activities?

More investors and enterprises are aligning their activities with the SDGs. However, current levels of investment are insufficient to achieve the SDG targets. In 2019 only 1% of enterprises that referenced the SDGs in their corporate reports were tracking their progress[1].

Currently, enterprises and investors find it difficult to translate their interest in SDG investment into action. They do not have an impact management system that can inform better decisions and drive activity and investment capital to where it is needed.

Too often, investment labelled as SDG-focused lacks robust impact management and accountability for outcomes. Enterprises and investors use SDGs as another reporting lens to communicate activities differently, rather than doing things differently to advance the SDGs. Unfortunately, the net effect is that progress toward the SDGs was slipping, even before the pandemic.

What is SDG Impact?

UNDP (United Nations Development Programme) has a clear mission to see our world radically transformed for good. SDG Impact is a global UNDP initiative with three pillars aimed at catalyzing investment to achieve the SDGs by 2030:

- **SDG Impact Management:** *Providing a means to better decisions that drive investment capital to where it is needed,* comprising SDG Impact Standards, an SDG Impact Seal and impact management education.
- **SDG Impact Intelligence:** *Producing data and insights needed for increasing financial flows to the SDGs,* offering SDG investor maps of investable business models via a searchable desktop platform.
- **SDG Impact Facilitation:** *Fostering matchmaking and collaboration to realize SDG investment opportunities,* focusing on investor and policy dialogue that draws on UN presence in over 170 countries, deep sustainable development expertise and relationships with governments and other influencers.

The SDG Impact Steering Group is chaired by UNDP Administrator, Achim Steiner. The Steering Group recognizes that setting a practical benchmark for what good practice looks like for enterprises and investors wanting to engage with and contribute to the SDGs in a meaningful way is fundamental to changing how decisions are made and what gets done.

1 Source: PwC SDG Challenge 2019

What does the COVID-19 pandemic mean for the SDGs and SDG Impact?

COVID-19 has heightened the urgency of finding paths forward to more resilient and viable futures. The pandemic has brought into profound relief the relationship between our social conditions and economic prosperity.

The urgency, scale and complexity of the issues are unprecedented. Economies have slowed; trillions of dollars in value have been wiped from exchanges; daily routines are suspended; enterprises are in hibernation; millions of people are unemployed; and many lives have been lost. The fragility of our planet's ecosystem and disproportionate effects for vulnerable, poor and marginalized communities have been exposed.

If ever we needed ambitious shared goals to open paths to a better future, it is now. As UNDP Administrator, Achim Steiner remarked: *As we work through response and recovery from the shocks of the pandemic, the SDGs need to be designed into the DNA of global recovery.*

ABOUT THE SGD IMPACT STANDARDS

What are the SDG Impact Standards?

The SDG Impact Standards are best practice standards for entities wanting to embed contributing positively to sustainable development and achieving the SDGs into their approach to creating value for themselves and for Stakeholders (people and planet).

They are not reporting standards. They focus on the internal management and decision-making practices that are needed to support more informed and accountable internal decision making and choices in line with achieving the SDGs and other sustainable development outcomes.

The Standards embed the SDGs and the Impact Management Project's norms as the shared language to understand, manage and communicate impact. The Standards also embed the United Nations Guiding Principles for Business and Human Rights and the Ten Principles of the United Nations Global Compact, to underscore the importance of respect for human rights and other responsible business practices in contributing positively to sustainable development and achieving the SDGs.

Why is the UNDP involved in developing practice standards for SDG investments?

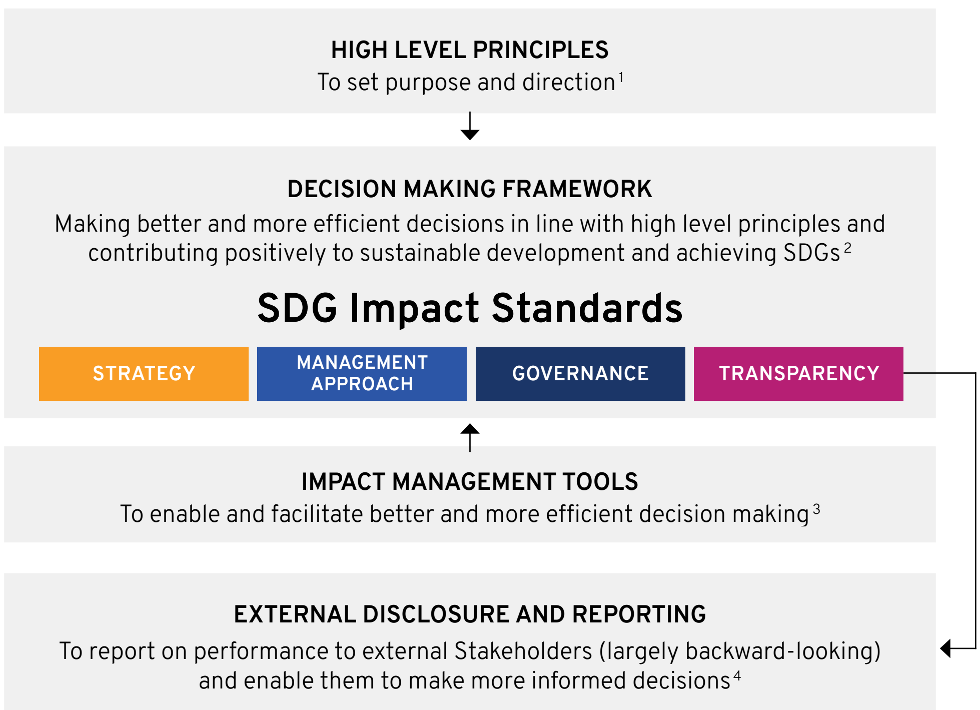
UNDP has a critical stewardship role in achieving the UN Sustainable Development Goals (SDGs). This role is vital in meeting the crisis and in developing the paths forward. The scale and complexity of the issues go beyond what any sector can address alone. UNDP recognizes that the private sector and private capital have a critical role to play.

UNDP's interest is in promoting sustainable development and achieving the SDGs. That positions it uniquely to provide standards that set the benchmark for good practice as an open-source public good on a competitively neutral platform that practitioners, analysts and assurers can apply.

What is the goal of the SDG Impact Standards?

The primary goal of the Standards is to drive more private investment and activity to where it is needed to support delivery of the SDGs by 2030 and other sustainable development outcomes. The Standards do this by closing the gap between current practice and the practices needed to achieve that aim, promoting continuous improvement and impact integrity and accountability. The Standards are the first step in a robust system of impact management. They bridge a significant gap in the current toolbox between high-level principles and impact performance reporting and benchmarking, and help make sense of how best to use the growing suite of impact management tools to inform decision making and make their use more valuable and impactful.

Figure 1: The role of SDG Impact Standards in current decision making and reporting



Notes:

1 Including United Nations Global Compact (UNGC) convened Chief Financial Officer (CFO) Taskforce for the SDGs CFO Principles on Integrated SDG Investments and Finance, the United Nations Environment Programme Finance Initiative's (UNEP FI) Positive Impact Finance and Responsible Banking Principles, Social Value International's (SVI) Social Value Principles, the Global Impact Investing Network's GIIN) Core Characteristics of Impact Investing, International Finance Corporation's (IFC) Operating Principles for Impact Management, and Principles for Responsible Investment (PRI).

2 Integrating United Nations Guiding Principles for Business and Human Rights, Ten Principles of United Nations Global Compact, Impact Management Project (IMP) shared norms (five dimensions of impact and ABC impact classifications), and the SDGs.

3 For instance, metrics, taxonomies, valuation models and benchmarking tools including IRIS+, GRI, UNCTAD metrics, Voluntary National Reviews (VNRs) on the implementation of the SDGs, Nationally Determined Contributions (NDCs) to the Paris Accord, Science Based Targets, SDG Impact Market Intelligence Investor Maps, OECD Guidelines for Multinational Enterprises, Capitals Coalition Natural and Social and Human Capitals Protocols, Social Value International's (SVI) Standards, Blab SDG Action Manager, UNEP FI Radar Tool, UNGC SDG Ambition Guide, Integration Guide and Tear Sheets, Pacific Community Ventures (PCV) Impact Due Diligence Guide.

4 For instance, SDG Disclosure Recommendations, International <Integrated Reporting> Framework, Global Reporting Initiative (GRI) reporting standards, Sustainability Accounting Standards Board (SASB) reporting standards, Taskforce on Climate-related Financial Disclosures (TCFD) (noting SASB and TCFD focus on a more narrow definition of financial materiality than is applied in these Standards).

These Standards drive consistency, enable better informed decisions and choices, and provide a management system that supports adoption of other frameworks and tools. Their use will drive convergence on how to approach and develop good practice for investment and activities that contribute positively to sustainable development and achieving the SDGs.

Most importantly, they provide a shared language. Shared language, understanding and application at the global and system wide level are critical to translate intention into concrete examples of success. Standardization, transparency and assurance are necessary preconditions for market development at scale.

The Standards also operationalize important existing principles of practice to drive more consistent implementation. They provide the platform for authenticating good practice through mechanisms the market understands, including independent assurance and an SDG Impact Seal to provide credibility for the market, reducing the risk of impact or SDG washing.

Why do we need practice standards? Why can't UNDP just create taxonomies and metrics for the market?

Taxonomies and metrics are necessary and important – but not sufficient. They are a tool that helps facilitate more efficient decision making. Taxonomies must operate within a context, and the Standards provide that context. How things get done is just as important as what gets done – including limiting other negative outcomes, which some market based taxonomies ignore. The SDG Impact Standards provide a management system that supports adoption of other frameworks and tools, including taxonomies and metrics.

The SDGs are holistic, interdependent and indivisible, and consider a longer term horizon than markets tend to operate in. Translating contribution to the SDGs into market-based taxonomies necessarily involves relating activities to intermediate goals with shorter time frames that focus on specific SDG targets. If these activities are taken out of context, actions can be ineffectual or do more harm than good.

Some goals are very well suited to taxonomies and specific metrics and targets (for example, reducing carbon emissions, providing social housing). For other goals, it is more challenging, even counterproductive, to create taxonomies. They can quickly become redundant or channel investment in a particular way, crowding out innovation or reducing the ability of those impacted to influence solution design.

Why do we need practice standards now?

If ever we needed ambitious shared goals to open paths to a better future, it is now. The SDGs represent the best hope we have for tackling the serious challenges all nations face and are a major investment opportunity.

Currently, many enterprises and investors focus on how environmental, social and governance factors impact the financial valuation or performance of their enterprise or investments. There is not a way to differentiate in the market who is using SDGs as another reporting lens to communicate existing activities differently and who is embedding robust impact management and accountability for contributing positively to sustainable development and achieving the SDGs into their approach to creating long term value for their organization and Stakeholders (people and planet).

Directing more capital to where it is needed requires strong impact management as a means to enabling better decisions. A first step in robust impact management is practice standards. These Standards provide the roadmap to developing or deepening internal impact management systems to enable better-informed decisions and choices.

These Standards give enterprises and investors tools to understand how their activities affect the SDGs or the economic, social and environmental outcomes for people and planet. As a result, enterprises and investors can confidently make more targeted investments and more informed decisions about achieving the SDGs, including the nature and depth of SDG impact created, in addition to managing their dependencies on the world.

What is impact management?

Impact management is the ongoing practice of identifying, measuring, monitoring, valuing, evaluating and improving impact, so that we can reduce the negative and increase the positive outcomes for people and the planet. It is relevant for both enterprises and investors who want to reduce negative impacts in their direct operations and supply and value chains, and those who want to also contribute through delivery of products and services that benefit Stakeholders or contribute directly towards achieving one or more of the SDGs. To adopt impact management practices, enterprises and investors need coherent guidelines on how to identify, select, measure, value, compare, monitor, evaluate, improve and communicate their material impacts.

In effect, impact management enables an enterprise or investor to operationalize an impact management system analogous to an organization's financial management system. That is, a system that enables it to produce management accounting and reporting for internal decision making, and improve its business and financial reports to meet regulatory and other disclosure requirements.

How do the Standards provide a management system for impact?

The SDG Impact Standards inform how decisions get made, whose voices get heard, and what gets done, prioritized and communicated. The Standards are designed to:

- Encourage organizations to start and/or accelerate activities that measure and manage progress towards addressing pressing economic, social and environmental challenges. By doing so, we can close gaps in current market practice to achieving SDGs by 2030, and leave no-one behind.
- Reinforce respect for human rights and other responsible business practices as set out in the UN Guiding Principles for Business and Human Rights, and the Ten Principles of the UN Global Compact
- Generate trusted, credible and actionable impact information that informs investment decisions, in turn supporting sustainable development and optimizing contributions to achieve the SDGs.
- Promote impact integrity and avoid impact washing, which includes: not over- or under-claiming; substantiating impact claims with reliable and relevant data, evidence and measurement; and accounting for all material impacts on people and the planet, gaps and limitations in understanding trade-offs, and risks that impacts may not occur as expected
- Embed review and feedback loops to support continuous improvement and learning
- Require transparency and comparability of practice and performance through consistent disclosures
- Require robust governance that reinforces and supports commitments and practice.

What is impact integrity?

SDG Impact defines impact integrity as acting to provide a whole, complete, sound and uncorrupted picture of all material impacts that business and investment activities and decisions have (or may have in future) on people or the planet. The aim is to increase positive impacts and act to reduce or avoid negative impacts.

In the context of these Standards, key attributes of impact integrity include:

- Making impact claims in good faith (e.g. not overstating positive impacts or understating negative impacts and placing impacts in the appropriate context)
- Adopting common definitions and a shared language for impact that becomes widely understood across all Stakeholder groups
- Adopting robust and consistent impact practices from intentions through to reporting
- Substantiating impact claims with credible and relevant data, evidence and measurement including context-specific impact data and information from reputable agencies (including government and civil society organizations), as well as Meaningful Stakeholder Engagement (those impacted by the activities or decisions in question)
- Being transparent about (i) all material impacts on people or the planet (e.g. accounting for all important positive, negative, intended and unintended impacts; accounting for the different dimensions of impact; not netting positive and negative impacts out against different Stakeholder groups); (ii) gaps and limitations in understanding about impacts (e.g. incomplete information, data quality issues); (iii) trade-offs made between positive and negative outcomes or between different Stakeholder groups; and (iv) the nature and magnitude of risk that impact may not occur as expected
- Being underpinned and supported by sufficient capacity and capabilities, sound governance and independent assurance of impact practices, data, performance and reporting.

What underpins the Standards?

The impact management system set out in the Standards has four building blocks:

- Putting an organization's sustainable development operating context at the heart of purpose, investment strategy and decision making
- Aligning with the Impact Management Project's Five Dimensions of Impact and ABC Impact Classifications, which provide a shared language of impact and promote standardization
- Making Stakeholder involvement central to impact management practice

Establishing materiality in terms of sustainable development, informed by the SDGs and what matters most to Stakeholders.[2] This approach contrasts with the narrower lens of financial materiality, but is consistent with long term value creation of organizations and society, recognizing that an entity's ability to create long term value for itself and others requires taking a broader, more holistic view of value creation (beyond financial value). It requires an appreciation for the interconnectedness of broader economic, social and environmental issues with financial performance – because value is created through

2 Some issues may be considered material to Stakeholders but may not be covered under SDGs or considered material for sustainable development. For example, wealth inequality isn't an indicator under SDG 10 and so may not be deemed material in terms of sustainable development but may be considered material by Stakeholders.

the entity's relationships with others.[3] Material impacts include significant actual and potential, positive and negative, intended and unintended impacts on the economy, environment and people, including impacts on human rights. They relate to the entity's own activities and those of its supply and value chains, or that are otherwise relevant to the entity's organizational and sustainable development context.

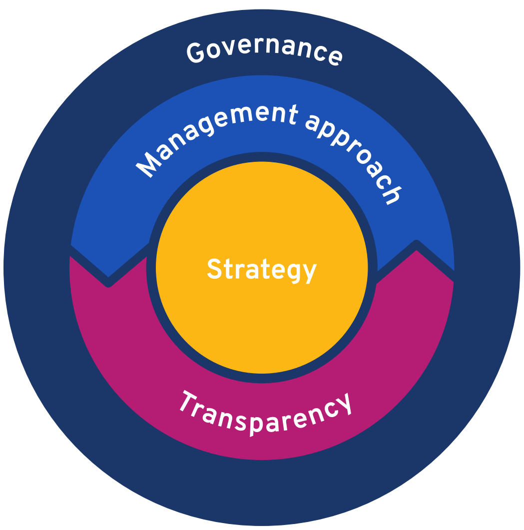
How are the Standards organized?

The impact management system set out in the Standards is framed across four interconnected and interdependent themes familiar to all businesses and investors – strategy, management approach, transparency, and governance (Figure 2).

Figure 2: The SDG Impact Standards

The foundational elements of the Standards are:

- **contributing positively to sustainable development and achieving the SDGs**
- which cannot be achieved without demonstrating **respect for human rights and other responsible business practices**
- and is realized through effective **impact management and decision making**



Standard 1 (Strategy): Embedding foundational elements into purpose and strategy

Standard 2 (Management Approach): Integrating foundational elements into operations and management approach

Standard 3 (Transparency): Disclosing how foundational elements are integrated into purpose, strategy, management approach and governance, and reporting on performance

Standard 4 (Governance): Reinforcing commitment to foundational elements through governance practices

What do the Standards comprise?

The Standards comprise:

I. Four Standards, one for each of the four themes – strategy, management approach, transparency and governance (with the strategy and management approach standards each comprising multiple (3 to 6) components)

II. Practice Indicators that demonstrate what achieving each component looks like.

3 The Sustainable Development Goals, integrated thinking and the integrated report, Adams, C., (2017), published by the IIRC and ICAS

A glossary supporting the suite of SDG Impact Standards is provided separately. Terms have the meaning ascribed in the glossary when used in this document.

Guidance material, including guidance notes and resources to inform implementation of the Standards, is provided separately. This will be maintained as a dynamic resource for users. Guidance for the SDG Impact Standards for Private Equity will be released in the Fall of 2020.

How do the SDG Impact Standards relate to the Impact Management Project (IMP)?

The Standards adapt and embed the Impact Management Project's (IMP)[4] shared logic for measuring, managing and communicating impact consistently. Working with its practice community of over 2000 organizations, IMP reached consensus on how to define, measure, manage and report on impact.

Users have the flexibility to select the metrics or taxonomies that are most appropriate and useful for decision making at the activity level. These activity level metrics are used to assess impacts across the Five Dimensions of Impact and to classify activities according to the ABC Impact Classifications. Comparability at a market level is achieved by reporting against the SDG and/or other sustainable development outcomes and ABC Impact Classifications. This approach is analogous to the differences between internal management accounting and external financial accounting and disclosures.

The Standards deliver this clarity, consistency and transparency about the nature and depth of SDG impact by embedding the impact management core elements:

- **Five Dimensions of Impact**
  Everything we do has impacts on people and the planet. To understand any impact, we must understand five dimensions of performance: What, Who, How Much, Contribution and Risk.
- **Impact data categories**
  To understand performance on each dimension of impact, we use a consistent framework comprising 15 data categories. Users can then estimate the positive, negative, intended and unintended impacts of each asset or activity consistently, which provides greater context about the nature and depth of SDG impact (and where there may be limitations or gaps in our understanding).
- **ABC Impact Classifications**
  The total impact of an asset or activity is the combination of its impacts on people and planet, which can be assessed as 'Acting to Avoid Harm', 'Benefiting Stakeholders', or 'Contributing to Solutions'.

What if we don't have all the impact data?

The Five Dimensions of Impact and 15 data categories provides a consistent framework for measuring and understanding impact. It is not uncommon for organizations to find there are gaps in the data they have collected, or that some data are not available or reliable.

The Standards assume that impact decisions need to be made in uncertainty and with less than perfect data and information – just like many other business decisions. They provide a framework and systematic approach for identifying gaps or shortcomings in data quality or completeness, which then informs

4 https://impactmanagementproject.com/

decision making through the organization's impact risk analysis. Over time, gaps will become clearer, allowing enterprises and investors to identify where to devote resources.

An important rule of thumb in considering whether data is sufficient is to ensure there is *sufficient precision for the decision.* Data is important only to the extent that it helps users make better decisions.

Will using the Standards increase our reporting burden?

No. The Standards facilitate more streamlined, consistent reporting.

In the same way that well-defined and transparent management accounting practices provide the foundation for financial reporting, robust impact management systems provide the foundation for internal impact decision making and external reporting requirements under multiple frameworks.

Adopting the SDG Impact Standards can deliver significant benefits and efficiencies over time.

Do the Standards prescribe specific metrics or taxonomies?

No. A key strength of the Standards is that they give users the flexibility to choose the impact metrics or taxonomies that are most relevant at the underlying activity/project/investment level.

They provide the framework or decision tree to ensure a rigorous process of metric selection and ongoing review (as knowledge advances or the sustainable development context changes) to ensure that metrics selected are best suited to make informed decisions and choices concerning the organization's impacts.

By incorporating the SDGs and the Impact Management Project's Five Dimensions of Impact and ABC Impact Classifications into the core design of these Standards, the underlying activity/project/investment specific metrics (internal management accounting metrics) can be transformed into higher order (external reporting/disclosure) metrics that enable impacts to be aggregated and communicated outside the organization using a consistent and comparable basis.

This approach provides consistency and comparability at the portfolio and market level, without compromising on relevance at the underlying activity/project/investment internal decision making level.

How have Stakeholders been engaged in the development of the Standards?

Public consultation is built into the development process. There will be at least two public consultation periods for each set of Standards (i.e. Enterprises, Private Equity and SDG Bonds) and feedback reports will be made available summarizing these comments and how SDG Impact responded. The consultation process meets the UNDP Principles for social and environmental standards and aspires to meet iSEAL Alliance's principles for design, impact and consultation.

The SDG Impact engagement plan seeks 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 UN bodies and initiatives, and relevant industry groups.

What types of SDG Impact Standards are available?

SDG Impact has developed three sets of practice standards:

- SDG Impact Standards for Private Equity, which will apply to private equity and debt and venture capital. These Standards have gone through two public consultation processes and Version 1.0 has been released alongside this FAQ document.
- SDG Impact Standards for SDG Bonds have gone through one 60-day+ public consultation process. The second version will be released in late 2020 for a 30-day public consultation.
- SDG Impact Standards for Enterprises will be released for the first public consultation process in the Fall of 2020.

The consultation processes for each set of Standards have helped inform the other sets of Standards.

Who can use the SDG Impact Standards?

The Standards can be used by enterprises, funds or SDG Bond issuers as a self-assessment tool to assess their current impact management practices against best practice. They can also provide useful guidance for other actors in the value chain to frame inquiry, assessment and decision making about an entity's capacity and strategies to contribute to sustainable development and achieving the SDGs.

Private Equity Fund Managers

The SDG Impact Standards for Private Equity are for Private Equity Fund Managers committed to contributing positively to sustainable development and achieving the SDGs. All Private Equity Fund Managers can apply these Standards to one or more of their funds – irrespective of size, geography, or sector. The Standards can also be applied to private debt and venture capital funds. They are equally relevant to impact and mainstream funds, and for Funds starting the process to reduce negative contributions, actively transitioning to a more sustainable future, or seeking to optimize their net positive impact.

Private Equity Fund Managers can use the SDG Impact Standards for Private Equity to:

- Put sustainable development and contributing to the SDGs at the heart of the Fund's purpose, strategy, and investment decision making and long term value creation
- Map and design their Fund's internal impact management systems to support both internal decision making and external reporting requirements
- Undertake self-assessment and gap analysis, or engage consultants to guide them through that process
- Design and develop Private Equity Funds in line with the Standards to optimize their contribution to sustainable development and achieving the SDGs.

Investees in Private Equity Funds

Investees in Private Equity Funds can use the SDG Impact Standards for Private Equity to design their responsible business and impact management practices, to improve their impact performance and differentiate themselves with capital providers.

Enterprises

The SDG Impact Standards for Enterprises are for all Enterprises – irrespective of size, geography, or sector committed to contributing positively to sustainable development and achieving the SDGs. They can be used by publicly listed enterprises, public interest and private entities (both for-profit and not-for-profit), non-governmental organizations (NGOs), small and medium enterprises (SMEs) and state-owned or other public sector entities. They are equally relevant for Enterprises starting the process to actively transition to a more sustainable future by reducing negative impacts in their direct operations or supply and value chains, or seeking to deliver products and services that benefit Stakeholders or contribute to solutions in relation to the SDGs or other sustainable development outcomes.

Enterprises can use the SDG Impact Standards for Enterprises to:

- Put sustainable development and contributing to the SDGs at the heart of business purpose, strategy and decision making at all levels within the Enterprise to underpin long term value creation for itself and Stakeholders (people and the planet)
- Better address sustainable development risks and opportunities – accounting for their dependency on the world and facilitating contributing positively to sustainable development and achieving the SDGs
- Map and design their internal impact management systems to support both internal decision making and external reporting requirements
- Undertake self-assessment and gap analysis, or engage consultants to guide them through that process.

SDG Bond issuers

The SDG Impact Standards for Bonds are for all SDG Bond Issuers – irrespective of size, geography or sector, including sovereigns (and sub-sovereigns such as states, provinces, cities, towns or municipalities), supra-nationals and government entities, as well as by companies, financial institutions and special purpose entities backed by activities or assets (e.g. securitizations) or projects (e.g. infrastructure). The Standards apply equally to Issuers raising capital for their own use and those raising capital for third party borrowers (e.g. financial institution aggregators, or government issuers using the bond proceeds to fund specific programs etc.). The Standards can also be applied to loan obligations.

SDG Bond Issuers can use the SDG Impact Standards for Bonds to:

- Put sustainable development and contributing to the SDGs at the heart of the design and management of their SDG Bond Programs
- Undertake self-assessment and gap analysis, or engage consultants to guide them through that process
- Model future bond issues on the Standards.

Investors

Investors can use the Standards to frame their investment guidelines, identify questions for entities about their SDG-enabling attributes, or otherwise manage their internal work. Alternatively, they can use the Standards to push for greater standardization of practice and external assessment of entities making SDG and other sustainability related claims.

Analysts and advisers

Analysts, advisors and research houses can use the Standards to: map and determine the robustness of the responsible business and impact management practices of entities; benchmark and compare those practices across entities; and/or provide guidance on sustainable development and impact management practices.

Government and policymakers

Government and policymakers can use the Standards to align policy and regulations with the Standards. They can also support their adoption in line with policy priorities to promote sustainable development and achieving the SDGs by 2030.

ABOUT THE SDG IMPACT STANDARDS FOR PRIVATE EQUITY

How do the SDG Impact Standards for Private Equity align to IFC's Operating Principles for Impact Management (OPIM)?

The SDG Impact Standards aim to help operationalize high level principles of practice in a consistent way and bridge the gap between high level principles of practice and relevant tools and reporting frameworks. The OPIM provides the overarching architecture or principles for best practice within impact management systems. The SDG Impact Standards provide more detailed and specific practice guidance around how organizations develop the internal management and decision making systems to measure and manage impact, consistent with OPIM and other high level principles of practice. The Standards also embed the SDGs and Impact Management Project as the shared language to understand and communicate impact.

OPIM focuses on the management systems specific to the fund being designated as 'impact'. The SDG Impact Standards provide the building blocks for the management systems for specific funds linking to the SDGs, as well as certain governance practices of the Fund Manager. This includes an organizational commitment to human rights in line with UN Global Compact, the UN Universal Declaration of Human Rights, grievance mechanisms, etc.

The SDG Impact Standards aim to provide the building blocks for an internal impact management system that helps organizations make better decisions, and that provides high quality inputs to support consistent reporting and disclosures under multiple external disclosure and reporting frameworks.

For a mapping of how the SDG Impact Standards for Private Equity align with OPIM, click here.

ABOUT THE SDG IMPACT STANDARDS FOR ENTERPRISES

Who do the SDG Impact Standards for Enterprises apply to?

The SDG Impact Standards for Enterprises apply to organizations of any size committed to achieving a high degree of strategic integration with sustainable development and the SDGs by embedding sustainable development and contributing towards the SDGs in organizational purpose, strategy, business models and their approach to long term value creation for the organization and Stakeholders (people and planet). The Standards can be used by Enterprises as a self-assessment tool and by investors and other stakeholders wanting to make more informed decisions and choices based on Enterprises' contributions to sustainable development and the SDGs.

How do the SDG Impact Standards for Enterprises link to reporting frameworks?

The SDG Impact Standards focus on internal practices and decision making, but connect practice to reporting by aligning with the Sustainable Development Goals Disclosure (SDGD) Recommendations, which in turn are aligned to, and draw together the concepts underpinning the: recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD, 2017); the GRI Standards; and, the International <Integrated Reporting> Framework (IIRC, 2013). The SDGD Recommendations require disclosures on Strategy, Management Approach, Performance and Targets, and Governance.

As the purpose of the SDG Impact Standards is somewhat different from these reporting frameworks (i.e. first and foremost it is an internal decision-making framework), the emphasis shifts and they are organized a little bit differently – while remaining aligned and complementary. First, metrics and targets are integral to management approach/decision making, so have been incorporated in Standard 2. Second, while all of sections in the SDGD Recommendations relate to reporting and disclosure, in the SDG Impact Standards, only Standard 3 relates to external reporting and disclosure. The SDG Impact Standards do not seek to replace or replicate existing reporting frameworks, but rather focus on the additional elements required to drive consistency through using the SDGs and ABC impact classifications to understand, value, manage and communicate impact consistently, and ensuring appropriate context is provided to enable users to make informed decisions. The SDG Impact Standards for Enterprises sets out the rigor of internal practices and decision making needed by Enterprises to support high quality and consistent reporting using the SDG Recommendations and other reporting frameworks.

ABOUT THE SDG IMPACT STANDARDS FOR BONDS

Who do the SDG Impact Standards for Bonds apply to?

The Standards are for Issuers who want to contribute positively to sustainable development and achieving the SDGs through issuing bonds related to achieving SDG and/or other sustainable development outcomes to assist in advancing all or part of their broader sustainability strategies.

The SDG Impact Standards for Bonds can be used by all types of bond issuers – irrespective of size, geography or sector, including sovereigns (and sub-sovereigns such as states, provinces, cities, towns or municipalities), supra-nationals and government entities, as well as by companies, financial institutions and special purpose entities backed by activities or assets (e.g. securitizations) or projects (e.g. infrastructure). The Standards apply equally to Issuers raising capital for their own use and those raising capital for third party borrowers (e.g. financial institution aggregators, or government issuers using the bond proceeds to fund specific programs etc.). The Standards can also be applied to loan obligations.

With respect to corporate issuers, the SDG Impact Standards for Bonds accommodate organizations with a lower degree of strategic integration with sustainable development and the SDGs than is required for application of the SDG Impact Standards for Enterprises, for instance, the corporate issuer's sustainability strategy may be more limited in scope (e.g. in terms of geography, entity, or product line).

What types of bond instruments do the SDG Impact Standards for Bonds apply to?

The SDG Impact Standards for Bonds focus on outcomes and the practices and mechanisms required to optimize the Issuer's impact. As such, the type of bond instrument utilized by the Issuer to achieve those outcomes (e.g. use of proceeds, SDG-linked etc.) is secondary to the focus on identifying what outcomes to focus on, what goals and targets to set, and how to implement them and reinforce them through effective accountability and governance mechanisms.

ABOUT THE CFO PRINCIPLES ON INTEGRATED SDG INVESTMENTS AND FINANCE

How do the SDG Impact Standards for Enterprises and Bonds align to UNGC's CFO Principles on Integrated SDG investments and Finance (CFO Principles)?

The SDG Impact Standards aim to help operationalize high level principles of practice in a consistent way and bridge the gap between high level principles of practice and relevant tools and reporting frameworks.

The CFO Principles supplement the UNGC's Ten Principles to support companies in the transition to sustainable development and to leverage corporate finance and investments toward the realization of the SDGs. The principles seek to guide companies in aligning their sustainability commitments with credible corporate finance strategies to create real-world impact on the SDGs. The Principles focus on four areas: SDG impact thesis and measurement, integrated SDG strategies and investments, integrated corporate SDG Finance and integrated SDG communication and reporting.

The SDG Impact Standards for Enterprises and Bonds (as it relates to corporate issuers) provide more detailed and specific practice guidance to ensure organizations go through a consistent, thorough and meaningful process to identify what they should be focusing on, what goals should be set, and how to go about implementing them and reinforcing those commitments through good accountability and governance mechanisms, consistent with the CFO Principles and other high level principles of practice. The SDG Impact Standards also embed the five dimensions of impact and ABC impact classifications alongside the SDGs as the shared language to understand, value, manage and communicate impact consistently.

For a mapping of how the SDG Impact Standards for Enterprises and SDG Impact Standards for Bonds align with the CFO Principles, click here.

ASSURANCE AND TRAINING

Will there be an assurance process that accompanies the Standards?

Yes. The Standards are positioned as best practice Standards that allow for self-assessment with a voluntary assurance framework based on the Standards to follow. An assurance process will be led by third-party accredited assurers. More information on this process will be shared later in 2020.

Will UNDP provide training on the SDG Impact Standards?

SDG Impact has partnered with the Center for the Advancement of Social Entrepreneurship (CASE) at Duke University, to develop an online global course to teach investors and enterprises how to apply impact management practices aligned with the SDG Impact Standards. This course will be free and available to the public in June 2021. See a blog describing this partnership here.

SDG Impact has partnered with Social Value International (SVI) to develop training for assurers wishing to become accredited to provide assurance on the extent of alignment and integration of the Standards into Enterprise/Fund/Issuer practices.

What other guidance will be provided to support the adoption of the Standards?

SDG Impact will release guidance materials to support the implementation of each set of Standards. Guidance materials for the Private Equity Standards will be released in late 2020. Additionally, SDG Impact will provide self-assessment workbooks for each set of Standards that will guide users through an internal review to identify areas where best practice is being met and additional areas for consideration.

A separate glossary also supports the suite of SDG Impact Standards.

WHERE CAN I FIND THE STANDARDS?

Download the SDG Impact Standards for Private Equity and supporting resources here:
https://sdgimpact.undp.org/private-equity.html

Download the SDG Impact Standards for Bonds and supporting resources here:
https://sdgimpact.undp.org/sdg-bonds.html

Download the SDG Impact Standards for Enterprises and supporting resources here:
https://sdgimpact.undp.org/enterprise.html

Provide your comments and questions to sdgimpact.standards@undp.org

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