

PRACTICE ASSURANCE STANDARDS FOR SDG BONDS

About UNDP

The United Nations Development Programme is the UN's global development network, advocating for change and connecting countries to knowledge, experience and resources to help people build a better life. UNDP is active in 176 countries and territories, working with governments and people on their own solutions to global and national development challenges and supporting country-level programs to achieve the SDGs. As stewards of the SDGs, UNDP aims to see our world radically changed for good.

About SDG Impact

SDG Impact is a UNDP initiative, tasked with developing resources under three central pillars to accelerate investment towards achieving the United Nations Sustainable Development Goals by 2030:

- **SDG Impact Management:** Developing practice assurance standards, education and, over time, tools to support investor and business contributions to the SDGs. This work targets the gaps between interest and action, and between high level principles of practice and performance reporting and benchmarking.
- **SDG Impact Intelligence:** Generating country data about SDG-enabling investment opportunities. This work targets the gap between interest in investing in SDGs and understanding of models that could provide investable opportunities.
- **SDG Impact Facilitation:** Tapping into networks of policy makers, investors, business and individuals to translate opportunities into action and policy. This work targets the gap between business as usual and new combinations of actors and information, to encourage investors to enter and navigate less familiar markets.

The **SDG Impact Steering Group**, chaired by the UNDP Administrator, Achim Steiner, comprises global champions and thought leaders from finance and industry from around the world. It plays a critical role in authenticating SDG-enabling investment, signalling markets and driving adoption.

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About The Consultation

These Practice Assurance Standards for SDG Bonds will be subject to an initial public consultation period of three months. Another shorter period of public consultation will follow after the Standards have been revised to account for initial feedback.

These draft Standards apply to defined SDG Bond Programs, including:

- Use-of-Proceeds bond programs issued under the International Capital Markets Association's (ICMA) Green/ Social/ Sustainability (GSS) Bond Principles and Voluntary Process Guidelines for Issuing GSS Use-of-Proceeds Bonds¹, certified by the Climate Bonds Institute², or issued under the proposed EU Green Bond Standard³
- SDG-linked bonds where the coupon payable by the bond issuer is linked to achieving targets against specific SDG outcomes.⁴

The consultation process meets both the UNDP Principles for social and environmental standards⁵ and iSEAL Alliance's international benchmarks for design, impact and consultation. An 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 United Nations bodies and initiatives, and relevant industry groups.

Our approach is to engage with stakeholders early and provide draft Standards for people to react to, work with and relate to their work and goals.

How you can contribute

We encourage robust feedback and input through the public consultation process. Organizations may also elect to pilot the Standards.

Copies of this consultation draft, electronic forms for feedback and questions that may be helpful to guide input are available at <https://sdgimpact.undp.org/#what-we-do>

Provide your feedback to sdgimpact.standards@undp.org

1 <https://www.icmagroup.org/green-social-and-sustainability-bonds/>

2 <https://www.climatebonds.net/>

3 https://ec.europa.eu/info/publications/sustainable-finance-teg-green-bond-standard_en

4 UN Global Compact, SDG Bonds: Leveraging Capital Markets for the SDGs, 2019; for example, Enel 2019 general purpose SDG-linked bond

5 <https://www.undp.org/content/dam/undp/library/corporate/Social-and-Environmental-Policies-and-Procedures/UNDPs-Social-and-Environmental-Stzandards-ENGLISH.pdf>

Foreword

The UNDP mission is to see our world radically transformed for good. We have a critical stewardship role in facilitating and enabling achievement of the UN Sustainable Development Goals (SDGs).

Pleasingly, more and more investors and enterprises are aligning their activities with the SDGs. But often, SDG alignment reflects activity that is already happening. It focuses on a small number of positive and intended outcomes, with limited transparency about or accountability for negative and unintended outcomes. It is not changing how decisions are made and what gets done.

UNDP believes there is a clear opportunity to mobilize significant resources and make real progress towards the SDGs. What's missing is a clear framework for integrating impacts on SDGs into business and investment decision making.

These Practice Assurance Standards address that gap. They bring logic, clarity and transparency to understanding, measuring, managing and reporting on the nature and depth of SDG impacts of businesses and investments. They describe and encourage best practice, promote better decision making, and improve accountability and transparency about the positive, negative, intended and unintended economic, social and environmental impacts of businesses and investments on people and the planet. They provide the necessary context for emerging impact and sustainability taxonomies and standardized metrics to be used to best effect.

Over time, organizations will find it easier to operationalize good practice and to identify business activities and investments that change peoples' lives and conserve the planet. It will be easier to see if organizations are listening to stakeholders, and whether practice is responsible and inclusive. And it will be easier for investors to align their investments with their values and for large institutions to direct more capital to activities that improve lives.

By focusing on practice, these Practice Assurance Standards are dynamic. They will mature and become more sophisticated over time, as users experiment and work with them, and learn from others. This learning by doing process identifies the effects that make a difference and how the Standards can be adjusted.

With better information, we can develop solutions for increasingly difficult problems and for people who are harder to reach. We will learn which actors and instruments are suited to particular geographies and how to better match available resources with solutions.

We thank the members of the SDG Impact Steering Group, the SDG Bonds Reference Group, IMP Structured Network members, other UN bodies and numerous others that have contributed their time to provide their insights and support in developing these Standards. Their leadership in embracing the SDGs and recognizing our collective responsibility is instrumental in realizing the SDGs by 2030.

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About the Practice Assurance Standards for SDG Bonds

These *Practice Assurance Standards for SDG Bonds* (the Standards) have been developed by UNDP *SDG Impact* as a transparent, competitively neutral public good, freely available for all to use. They target a gap in the developing impact management toolkit between high level principles of practice and impact performance reporting and benchmarking. They inform how decisions get made, whose voices get heard and what gets done, prioritized and communicated – and provide a shared language for doing so.

The Standards aim to:

- Use, consolidate, harmonize with and build upon what’s already available. The Standards incorporate the UN Guiding Principles for Business and Human Rights⁶ and the Ten Principles of the UN Global Compact⁷ and were developed after considering relevant principles of practice. (The core design elements are discussed further in the Appendix.)
- Promote market development by encouraging standardization, transparency and assurance of practice to strengthen impact integrity, market confidence and trust
- Enable and facilitate more informed decision making through increased comparability, more comprehensive treatment of material impacts as they affect people and the planet, and increased clarity and transparency about the nature and depth of SDG impact businesses and investments are contributing to
- Provide guidance on operationalizing high level principles of practice consistently to deliver reliable inputs that enable high quality, comparable impact performance reporting and benchmarking
- Promote transparency and accountability for all positive, negative, intended and unintended outcomes with a focus on material impacts that matter for people and the planet
- Encourage a systematic and holistic approach to reporting SDG impact, including aligning and integrating SDG financing activities with corporate strategy and focusing on activities that are most relevant to the Issuer’s business context and the Stakeholders impacted by the Issuer’s activities
- Encourage organizations to reorient a greater share of their capital towards SDG-enabling activities (and reducing negative impacts)
- Encourage more investors and enterprises to start and/or accelerate their SDG-impact journey.

6 <https://www.business-humanrights.org/en/un-guiding-principles>

7 <https://www.unglobalcompact.org/what-is-gc/mission/principles>

Who can use the Standards

The primary audience for these Standards are Issuers, investors and other actors (including development finance institutions, governments and multilateral organizations) directing private investment activity towards achieving the SDGs and promoting market development.

Issuers

Issuers can use the Standards to:

- As a guide to map out their own internal impact measurement and management practices (and design their impact management systems) to support both internal decision-making and external reporting requirements under multiple frameworks
- To review strengths and possible gaps in an SDG Bond Program's adherence to the Standards
- To note any implications for rectification and marketing of an SDG Bond Program's adherence to SDG claims
- To model future bond issues to comply with the Standards
- To determine readiness to apply for certification of the SDG Bond Program by a UN accredited certifier, if desired.

Issuers can use the Standards before they apply for certification, or even if they do not intend to apply for certification.

Investors

Investors can use the Standards to support their assessment of the SDG-enabling attributes of various SDG Bonds, whether they are self-assessed or certified by an independent, UNDP accredited certifier. They can use the Standards to frame their investment guidelines and identify questions for Issuers about the SDG-enabling attributes of their SDG Bonds. Alternatively, they can use the Standards to push for greater standardization of practice and external assurance of Bonds making SDG-enabling claims.

Assurers, analysts and advisers

Assurance providers, analysts, advisors and research houses can also use the Standards to: assess and / or verify the impact practices of SDG Bond Issuers; benchmark and compare the impact management practices across SDG Bond Issuers; or provide guidance on impact management practices.

Independent assurance

We recommend users seek assurance of impact practices against these Standards from an independent, UNDP accredited certifier. Assessment or assurance will recognize where each Practice Indicator is *not yet observed*, *developing*, or *developed*, guided by suggested evidence.

Certification

Issuers can have the impact practices relating to their SDG Bond Programs certified by an independent, UNDP accredited verifier. Issuers must be assessed as *developed* in each of the 25 core Practice Indicators to achieve positive certification under these Standards. An Issuer may obtain certification subject to qualification, if they can agree with the accredited certifier on realistic plans to address key areas.

SDG Impact Seal

Issuers will be eligible to apply for the SDG Impact Seal if they are independently certified as *developed* on all core Practice Indicators and as developing or better in at least half of the expanded Practice Indicators. If approved to use the SDG Impact Seal, Issuers must agree to the terms and conditions, including appropriate governance arrangements. Continued use of the Seal will require regular positive re-certifications and other requirements.

What the Standards cover

The Standards apply to defined SDG Bond Programs, including:

- Use-of-Proceeds bond programs issued under the International Capital Markets Association's (ICMA) Green/ Social/ Sustainability (GSS) Bond Principles and Voluntary Process Guidelines for Issuing GSS Use-of-Proceeds Bonds⁸, certified by the Climate Bonds Institute⁹, or issued under the proposed EU Green Bond Standard¹⁰
- SDG-linked bonds where the coupon payable by the bond issuer is linked to achieving targets against specific SDG outcomes.¹¹

8 <https://www.icmagroup.org/zgreen-social-and-sustainability-bonds/>

9 <https://www.climatebonds.net/>

10 https://ec.europa.eu/info/publications/sustainable-finance-teg-green-bond-standard_en

11 UN Global Compact, SDG Bonds: Leveraging Capital Markets for the SDGs, 2019; for example, Enel 2019 general purpose SDG-linked bond

What the Standards comprise

The Standards comprise:

- Six Standards that reflect core elements of accountable impact practice; organized in four parts: Strategic intent and impact goal setting, Impact measurement and management, Transparency and comparability, and Context and governance (Figure 1)
- Practice Indicators (or points of assurance) for each Standard – 25 core and thirteen expanded indicators
- Evidence relating to each Practice Indicator to guide implementation and inform self-assessment and independent assurance
- Guidance notes and resources to inform consistent application and compile useful resources, including links to best practice tools, frameworks or examples.

We encourage organizations to adopt the Standards in their entirety. Together, they set a high – but attainable – bar in line with the change needed to realize the aspiration of the SDGs by 2030.

Specifically, the Standards:

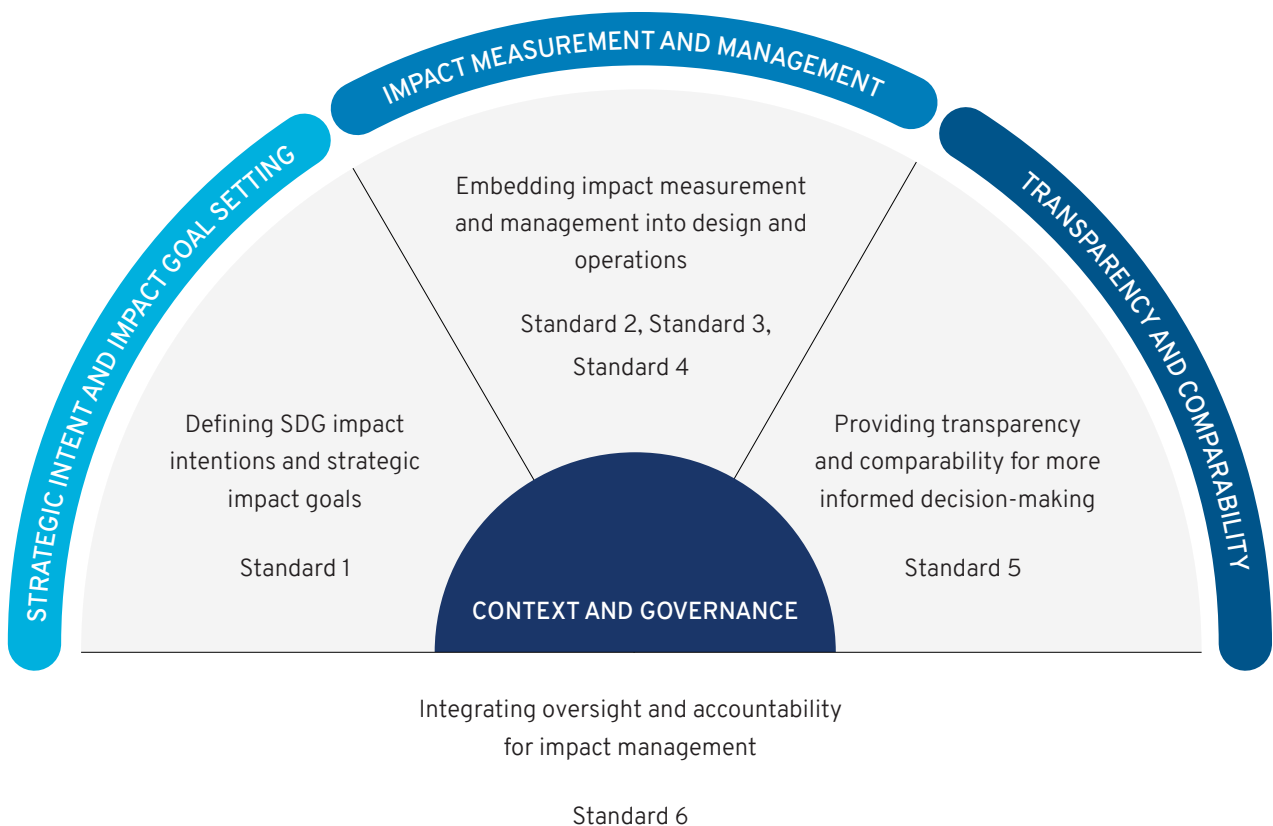
- Require the Issuer to set strategic impact goals for its SDG Bond Program. In this way, SDGs are used strategically to make different capital allocation decisions.
- Require a credible link between the Issuer’s corporate strategy (or the sustainability component of its corporate strategy) and its SDG Bond Program.
- Require the Issuer to be committed to building a culture of adhering to and respecting human rights and other responsible business practices in line with the UN Guiding Principles for Business and Human Rights¹² and the Ten Principles of the UN Global Compact¹³. This includes what the Issuer may cause or contribute through its own activities, or that are directly linked to its operations, products or services through its supply and value chains and by its business relationships.
- Require Meaningful Stakeholder Engagement throughout the impact measurement and management process. Stakeholders include those (people and planet) who experience the (economic, social and/or environmental) impacts of the Issuer’s direct and indirect activities, not just Stakeholders who can affect the Issuer’s performance.
- Define materiality (i.e. substantial impacts) from the perspective of the Issuer’s impact on Stakeholders.
- Provide a framework and context for applying impact metrics and taxonomies most effectively.
- Provide transparency about the nature and depth of SDG impact being created.

¹² <https://www.business-humanrights.org/en/un-guiding-principles>

¹³ <https://www.unglobalcompact.org/what-is-gc/mission/principles>

- Require assessment and transparency of all material (positive, negative, intended and unintended) impacts.
- Require ex-ante assessment of impacts, and establishment of baselines and targets against which to measure actual impact performance and ongoing measurement, monitoring, evaluation and response as the Issuer’s understanding of its impacts evolves and as the sustainable development context changes.
- Embed continuous improvement and learning.
- Require transparency and comparability of practice and performance through consistent disclosures.
- Require commitments and practice to be reinforced and supported by robust governance.

Figure 1: Organizing Logic Practice Assurance Standards for SDG Bonds



Summary Table

Practice Assurance Standards for SDG Bonds

STRATEGIC INTENT AND IMPACT GOAL SETTING	
1	The SDG Bond Program has clearly defined and contextualized SDG impact intentions and strategic impact goals
IMPACT MEASUREMENT AND MANAGEMENT	
2	The Issuer embeds sound impact measurement and management practices into the design and operation of the SDG Bond Program
3	The Issuer establishes Eligibility Criteria to select and undertake ex-ante impact assessments of potential Qualifying Activities for its SDG Bond Program
4	The Issuer systematically measures and manages the ongoing impact performance of its SDG Bond Program
TRANSPARENCY AND COMPARABILITY	
5	The Issuer discloses information about, and regularly reports on, its SDG Bond Program in a manner that promotes SDG impact integrity, transparency and comparability
CONTEXT AND GOVERNANCE	
6	The Issuer's governance processes provide the appropriate operating context for, and effective oversight of, the SDG Bond Program

STRATEGIC INTENT AND IMPACT GOAL SETTING: Standard 1

How the Issuer engages strategically with the SDGs through its SDG Bond Program, including links with its corporate strategy. The Issuer sets SDG impact intentions and strategic impact goals that: are relevant to Stakeholders; reflect its business context and account for current impact performance; and are placed in context of relevant SDG targets and outcomes.

1. The SDG Bond Program has clearly defined and contextualized SDG impact intentions and strategic impact goals

Practice Indicators:

- 1.1 The Issuer defines the SDG impact intentions for its SDG Bond Program by whether it intends to pursue strategies that, at a minimum, are:
 - Acting to avoid harm that detracts from achieving the SDGs; or
 - Acting to avoid harm that detracts from achieving the SDGs and
 - benefit Stakeholders in relation to the SDGs; or
 - contribute to solutions towards achieving the SDGs (Guidance Note 1.1(1)).
- 1.2 The Issuer sets realistic but ambitious strategic impact goals aligned with its SDG impact intentions that are relevant to its business and the Stakeholders impacted by its activities, account for the Issuer's current impact performance and are placed in context of the relevant SDG targets (Guidance Notes 1.2(1-2)).
- 1.3 The Issuer draws on available evidence and country-specific SDG impact data and information from reputable agencies including government and civil society organisations to set its strategic impact goals in line with identified SDG priorities and local context (Guidance Note 1.3(1)).
- 1.4 As well as its strategic impact goals for positive and intended outcomes, the Issuer sets goals to avoid and/or mitigate risks of negative impacts (which may or may not be SDG related) in its direct operations and throughout its supply and value chains.
- 1.5 The Issuer periodically reviews – and where appropriate, refines – its SDG impact intentions and strategic impact goals, accounting for sector advances, revised and updated evidence, learnings from its actual impact performance, and current and anticipated changes in the sustainable development context within which its SDG Bond Program operates (Guidance Note 1.5(1)).
- 1.6 The Issuer's SDG impact intentions and strategic impact goals are aligned with its corporate strategy and sustainability commitments, including commitments with respect to the SDGs.
- 1.7 **EXPANDED:** The Issuer's strategic impact goals enhance impact through field building.
- 1.8 **EXPANDED:** The Issuer's SDG impact intentions and strategic goal setting, review and refinement are developed with Meaningful Stakeholder Engagement.

Guidance on evidencing the Practice Indicators:

1.1 Interviews with senior management and review of any supporting documentation relating to how the Issuer determined and classified its SDG impact intentions. Confirmation of its strategies for pursuing its SDG impact intentions according to the “ABC” impact classifications.

1.2 Interviews with senior management and review of any supporting documentation relating to how the Issuer determined the strategic impact goals for its SDG Bond Program, including demonstrating:

- how they relate to SDG impact intentions, current impact performance and related SDG targets
- alignment of strategic impact goals to the Issuer’s business context and sustainability strategy
- clear identification of Stakeholders impacted by the Issuer’s activities
- its approach to identifying the SDGs on which it has the greatest impact.

1.3 Interviews with senior management and review of any supporting documentation relating to how the Issuer uses available country-specific SDG impact data and information from reputable agencies to set its strategic impact goals in line with identified SDG priorities and local context.

1.4 Interviews with senior management and review of supporting internal and external (e.g. media reports) documentation relating to how the Issuer avoids or mitigates negative environmental, social and governance risks in its direct operations, and promotes the same throughout its supply and value chains in delivering the SDG outcomes financed under its SDG Bond Program.

1.5 Interviews with senior management and

review of any supporting documentation demonstrating the Issuer takes a dynamic approach to ensuring its SDG impact intentions and strategic impact goals remain fit for purpose, including incorporating learnings from actual SDG impact performance and responding to changes in the sustainable development context.

1.6 Issuer’s corporate strategic plan, sustainability commitments (including commitments with respect to the SDGs) and supporting evidence demonstrating how its SDG impact intentions and strategic impact goals for the SDG Bond Program align (Guidance Note 1.6(1)).

1.7 **EXPANDED:** Interviews with senior management and review of any supporting documentation demonstrating one or more of:

- sharing impact data and learnings publicly;
- mentoring and enabling others
- exploring partnerships as an enabler for greater SDG impact
- developing industry infrastructure such as open-source tools and resources;
- helping to scale value-adding intermediaries, platforms and networks
- and promoting policy reforms.

1.8 **EXPANDED:** Interviews with senior management and review of any supporting documentation detailing Stakeholders impacted (directly or indirectly) by the Issuer’s activities; its approach to identifying the SDGs on which it has the greatest impact; and how Stakeholders were meaningfully engaged in developing, reviewing and refining the Issuer’s strategic impact goals, including evidence that the engagement process conforms to established global guidelines (Guidance Note 1.8(1)).

Guidance notes and resources:

Guidance Note 1.1(1): SDG impact intentions are defined in terms of whether they are:

- At a minimum, **Acting to Avoid Harm that Detracts from Achieving the SDGs** (activities that are expected to prevent or reduce significant effects on important negative outcomes for people and the planet). Examples include reducing CO2 emissions, or reducing child labour in supply chains. This category includes environmental, social and governance risk management, AND
- **Benefiting Stakeholders in Relation to the SDGs** (activities that are not only expected to act to avoid harm, but also generate various effects on positive outcomes for people and the planet). Examples include selling products that support good health or educational outcomes. This category includes pursuing environmental, social and governance opportunities, OR
- **Contributing to Solutions Towards Achieving the SDGs** (activities that are not only expected to act to avoid harm, but also generate one or more significant effect(s) on positive outcomes for otherwise underserved people and the planet and are linked to identified SDG priorities in their specific context). Examples include providing health or educational services in communities that currently have no access to them, or providing financial services to people without credit or banking services.

Guidance Note 1.2(1): Strategic impact goals should be evidence-based (drawing on available research and data), or evidence-able (e.g. where new, innovative approaches are being tested) based on a logical impact thesis that will be tested, assessed and refined over time.

Guidance Note 1.2(2): Various frameworks are available to guide effective goal setting, for example “SMART” (specific, measurable, achievable, realistic and timely/time bound), “SPICED” (subjective, participatory, interpreted and communicable, cross-checked and compared, empowering and diverse and disaggregated).

Guidance Note 1.3(1): Examples include using the UNDP’s network of country offices, SDG impact data and their SDG Impact Initiative’s Market Intelligence and SDG Investor Maps where available.

Guidance Note 1.5(1): This evidence may include:

- evaluating deviations from expected outcome/impact performance (e.g. recognizing unintended positive or negative outcomes/impacts and eventual need of corrections to future plans)
- responding to changes in the context for SDG outcomes/impacts (e.g. regulatory changes, technological advances, other actors’ activities, possibility of local political developments or public reactions); and
- incorporating other new and relevant contextual information (e.g. about the changing in-country SDG priorities or needs, or accounting for new research or evidence).

Guidance Note 1.6(1): The intention is that the SDG Bond Issuance aligns with the Issuer’s corporate strategy and sustainability commitments and is not opportunistic, disconnected from broader strategic directions and commitments.

Guidance Note 1.8(1): Engagement should be appropriate in context, for instance, if the Issuer’s relationship with Stakeholders is direct, the engagement strategies employed by the Issuer include direct engagement with Stakeholders to understand their views. If the Issuer’s relationship is indirect (for instance as they relate to Qualifying Activities as may be the case where a bank is aggregating loan exposures to organizations who are delivering the impacts), the Issuer may not engage with Stakeholders directly, but in its due diligence look to ensure that the relevant organizations have done so. Where it can be shown to be appropriate to do so and relevant in context, evidence-based proxies and information from reputable civil society agencies may also be used, however should not diminish Stakeholder’s rights, including for self-determination.

1.1, 1.7 <https://sustainabledevelopment.un.org/topics/sustainabledevelopmentgoals>

1.1, 1.7 <https://www.wbcsd.org/Programs/People/Sustainable-Development-Goals/SDG-Sector-Roadmaps/News/SDG-Sector-Roadmaps-Leveraging-the-power-of-collaboration-to-drive-SDG-impact>

1.1-1.7 Global Reporting Initiative (GRI), UN Global Compact, World Business Council of Sustainable Development (WBCSD), SDG Compass, The guide for business action on the SDGs

1.1-1.7 United National Global Compact, UNEP Finance Initiative, SDG Bonds: Leveraging Capital Markets for the SDGs; <https://www.unglobalcompact.org/library/5713>

1.1, 1.2 <https://sdghub.com/project/corporate-finance-a-roadmap-to-mainstream-sdg-investments/>

1.1, 1.2 PRI, UNEP Finance Initiative, UN Global Compact, pwc, The SDG Investment Case <https://www.unpri.org/download?ac=5909>

1.1 https://gsh.cib.natixis.com/api_website_feature/files/download/6063/Solving-Sustainable-Development-Goals-Rubik-Cube-Report-Natixis-2018.pdf

1.3 <https://blueprint.unglobalcompact.org/>

1.3 <https://sdgcompass.org/>

1.3 <https://sdg-tracker.org/>

1.3 <https://www.unglobalcompact.org/take-action/sdg-action-manager>

1.3 <https://sciencebasedtargets.org/>

1.3 <https://www.unglobalcompact.org/library/3111>
(SDG Industry Matrix)

1.3 <https://unepdtu.org/project/un-environment-emissions-gap-report/>

1.3 <https://unfccc.int/topics/science/workstreams/global-stocktake-referred-to-in-article-14-of-the-paris-agreement>

1.3 SDG Impact Investor Maps – Web Demo
<https://toluodusanya.wixsite.com/website-1>

1.3 OPPORTUNITY2030: SDG Investment Map
<https://www.sc.com/en/insights/opportunity2030/>

1.4 Impact Management Project, Impact Goals,
<https://impactmanagementproject.com/wp-content/uploads/Looking-back-at-emerging-consensus-about-Impact-Goals.pdf>” <https://impactmanagementproject.com/wp-content/uploads/Looking-back-at-emerging-consensus-about-Impact-Goals.pdf>

1.8 See also UN Guiding Principles on Business and Human Rights , the Ten Principles of the UN Global Compact, the global standard for Free and Prior Informed Consent with respect to indigenous peoples, and the OECD Guidelines for Multinational Enterprises. <https://www.business-humanrights.org/en/un-guiding-principles>; <https://www.unglobalcompact.org/what-is-gc/mission/principles>;

<https://www.ohchr.org/Documents/Issues/ipeoples/freepriorandinformedconsent.pdf>;

<https://www.oecdwatch.org/oecd-ncps/the-oecd-guidelines-for-mnes/>

1.8 For example, OECD Due Diligence Guidance for Meaningful Stakeholder Engagement in the Extractive Sector, https://www.oecd-ilibrary.org/governance/oecd-due-diligence-guidance-for-meaningful-stakeholder-engagement-in-the-extractive-sector_9789264252462-en;jsessionid=wFordcrJmXqXQxHyiqzIZoS.ip-10-240-5-114

1.8 Social Value International (SVI) Seven Principles

1.8 <https://socialvalueint.org/social-value-international-publish-standard-on-applying-principle-1-involve-stakeholders/>

IMPACT MEASUREMENT AND MANAGEMENT: Standards 2-4

How the Issuer measures and manages (monitors, evaluates and responds to) impact in its SDG Bond Program, including building capability and incorporating feedback loops to support continuous learning.

- Standard 2 covers how the Issuer embeds impact measurement and management for its SDG Bond Program into its business practices.
- Standard 3 covers its processes for conducting impact assessments and due diligence before including Qualifying Activities in its SDG Bond Program, including measuring expected impact and establishing performance baselines and targets.
- Standard 4 covers how the Issuer measures, monitors and evaluates impact performance on an ongoing basis, and adjusts its activities as it better understands its impact and as the context for impact changes.

2. The Issuer embeds sound impact measurement and management practices into the design and operation of its SDG Bond Program

Practice Indicators:

- 2.1 The Issuer has the necessary skills, resources, systems and allocated responsibility in place to manage its SDG Bond Program effectively.
 - consideration of privacy and ethical issues regarding data gathering, use and disclosure
- 2.2 The Issuer has effective processes to identify Stakeholders affected (or likely to be affected) by its SDG Bond Program and Qualifying Activities and uses credible evidence of impact as it affects Stakeholders to inform impact measurement and management of its SDG Bond Program and Qualifying Activities (Guidance Note 2.2(1)).
 - consideration of commercial issues re: disclosure,
 - and use of data in context (Guidance Notes 2.3(1-2)).
- 2.3 The Issuer collects and effectively manages SDG Bond Program impact data including putting in place credible, reliable and practical measures for:
 - raw data storage
 - data quality verification
 - privacy mechanisms
- 2.4 The Issuer stays abreast of sector advances in impact management, evaluates and draws insights from its actual impact data and performance, and incorporates systematic feedback loops to apply those learnings and insights to continuously improve its SDG Bond Program impact management practices and performance.
- 2.5 **EXPANDED:** The Issuer embeds impact key performance indicators (KPIs) as well as financial KPIs in incentive structures for workers involved in its SDG Bond Program and Qualifying Activities.

2.6 EXPANDED: The Issuer applies equivalent standards and risk-based approach for assuring its impact data as it does for its financial data – especially in instances where that impact data significantly affects decision-making and/or is not corroborated through other validation techniques.

2.7 EXPANDED: The Issuer shares its findings for peer learning to support market development.

2.8 EXPANDED: To the extent practicable, the Issuer works proactively with its arrangers and (potential) investors to set expectations and promote alignment

between its SDG Bond Program (including its strategic impact goals) and the motivations and intentions of investors participating in its SDG Bond issues.

2.9 EXPANDED: Stakeholders have meaningful agency in impact measurement and management relating to the SDG Bond Program and its Qualifying Activities

2.10 EXPANDED: The Impact Manager undertakes and completes (including certification) the UNDP SDG Impact Management on-line training program (when it becomes available).

Guidance on evidencing the Practice Indicators:

2.1 Position descriptions, backgrounds and interviews with the designated Impact Manager and impact measurement and management team members (if relevant) demonstrating suitable impact specialization and, with respect to the Impact Manager, suitable seniority and authority to be responsible and accountable for overseeing the SDG Bond Program's impact measurement and management practices (Guidance Note 2.1(1)). Organizational chart demonstrates where the Impact Manager's role sits relative to equivalent financial roles (ideally not subordinated).

2.1 Composition of the team and budget demonstrates adequate capacity to deliver on impact measurement and management plans. Impact management practices are integrated into day-to-day roles.

2.1 Interview with the Impact Manager and supporting documentation such as training materials demonstrating workers operating and managing the SDG Bond Program receive appropriate context and training to conduct

their roles. Examples include training on the Issuer's SDG impact intentions, strategic impact goals, impact measurement and management practices, and how these relate to their day-to-day roles.

2.1 Where internal impact management/sustainable development expertise is supplemented with outside support, the Issuer demonstrates a baseline level of expertise to:

- identify skill gaps
- select third parties with appropriate skills and experience to fill those gaps
- manage/oversee third party arrangements, key person risks and institutional knowledge transfer.

2.2 Interview with the Impact Manager and supporting documentation outlining:

- the process for and outcomes of identification of Stakeholders affected or likely to be affected
- the sources of evidence to inform impact

measurement and management practice and how that reflects impact as experienced by Stakeholders

- stakeholder communications, including communicating actions and progress.

2.3 The Issuer's documented process for selecting, collecting, verifying, storing, and using impact data. Documented internal controls concerning impact data. Internal audit reports (Guidance Note 2.3(3)).

2.3 Evidence that data collection methods and the quality and sufficiency of impact data are periodically reassessed to ensure it remains current and relevant for the context of change and fit-for-purpose in supporting informed decision making (e.g. that proxies are still sufficiently correlated with the intended outcomes/impacts, and whether there have been developments in standardized metrics).

2.4 Interviews with the Impact Manager and internal documentation demonstrating culture of continuous improvement and systematic processes for capturing and incorporating learnings from internal and external sources into impact measurement and management practices. (Examples of internal and external sources include SDG Bond Program progress and performance management reporting, interviews with staff and third party experts.) Demonstrated link between learnings and decision making (e.g. types of strategic and/or management decisions made/supported as a result of learnings).

2.5 **EXPANDED:** Interviews with the Impact Manager and internal documentation (e.g. individual KPIs and annual performance reviews; reward and recognition criteria) demonstrating how incentive structures reflect strategic impact goals and impact performance.

2.6 **EXPANDED:** Interviews with the Impact Manager and internal documentation relating

to decision processes for determining when assurance/verification of impact data may be required. Internal audit and/or external assurance reports relating to verifying impact data.

2.7 **EXPANDED:** Interviews with the Impact Manager and internal documentation demonstrating the Issuer's contributions to peer learning. Examples may include:

- sharing case studies about which business models in which contexts are effective at tackling specific SDG targets
- actively participating in initiatives to build and/or comprehensively (i.e. not selectively) adopt shared industry impact management terms, conventions and standardized metrics where appropriate
- proactively seeking to have metrics added to standardized lists where they are likely to have broader applicability.

2.8 **EXPANDED:** Interviews with the Impact Manager, internal documentation and interviews with key investors demonstrating evidence of:

- long term relationships with current and potential SDG Bond investors
- clear expectations about SDG intentions and strategic goals with arrangers and (potential) investors
- investors agreeing not to subordinate attaining SDG outcomes to attaining financial goals (within reason)
- investors committing to and providing fair and transparent bidding and/or prioritizing their investment mandates to achieve a fair, equitable and deep primary and secondary market for SDG Bonds.

2.9 **EXPANDED:** Interviews with the Impact Manager and review of any supporting documentation demonstrating the process for meaningful Stakeholder participation (including

access to relevant expertise, local leadership and budget) in the impact measurement and management process including identifying which outcomes matter, designing solutions, developing impact data collection processes, participating in collecting and assessing

impact data, and responding to findings).

2.10 **EXPANDED:** Evidence that the Impact Manager has successfully completed the UNDP SDG Impact Management on-line training program (when it becomes available).

Guidance notes and resources:

Guidance Note 2.1(1): Demonstrated capabilities may include: expertise:

- in impact measurement and management, stakeholder engagement, systems thinking, theories of change, integrated thinking, understanding of key sustainable development challenges and sectorial issues (including key SDG priorities in context)
- understanding how data can be manipulated, identifying key data elements that may be missing or unrealistic
- and ability to conduct high quality impact assessments and reviews, diagnose issues and opportunities, and integrate impact and financial analysis into decision making.

Guidance Note 2.2(1): Take care to recognize that under-represented Stakeholder populations may not be aware of the negative impacts that business or other activities may have on their access to basic rights and services.

Guidance Note 2.3(1): Inclusive data sources may need to be expanded to counter shortcomings in available data sets and factors that might inadvertently compound disadvantage or discriminatory approaches.

Guidance Note 2.3(2): In accordance with the Fundamental Principles of Official Statistics (General Assembly resolution 68/261) indicators – where feasible, data should be disaggregated by income, sex, age, race, ethnicity, migratory status, disability and geographic location, or other characteristics pertinent to the strategic impact goals of the SDG Bond Program.

Guidance Note 2.3(3): Quality controls, data protection and internal reporting mechanisms to strengthen the integrity, reliability, quality, accessibility and protection of impact data may include:

- i. selecting credible data sources, systematically checking assumptions and calculations, and accommodating specific impact-related

concepts such as checking data for double counting, drop-off rates and failure rates

- ii. ensuring transparent documentation and audit trails for impact data collected, and including periodical reviews
- iii. where possible, incorporating a degree of data validation by collecting impact data gathered and published by others that corroborates (or otherwise) an Issuer's own data
- iv. where appropriate and feasible, conducting internal and/or external verification of impact data, including using data and resources from civil society organisations as a verification source
- v. implementing measures to ensure the utility of the underlying raw data is not lost by taking it out of the context of other dimensions of impact, or by aggregating the data in a way that may impede clear interpretation of the data; ensuring data can be compared on a period-to-period basis; recording its methods (including data sources, inferences and assumptions made, proxies used) and any limitations
- vi. managing confidentiality, privacy and ethical considerations around Stakeholder information in line with human rights standards (including FPIC, where relevant)
- vii. making appropriate disclosures where data integrity, reliability and/or quality are weak.

Guidance Note 2.6(1): The systems and methodologies for assuring impact data are not yet as well developed as for financial data, which may result in some gaps, limitations and variations in how external assurance for impact data is practically achieved – at least in the short to medium term.

2.2 UN Working Group guidance on human rights due diligence, Oct 2018,

<https://www.business-humanrights.org/en/un-working-group-issues-report-on-human-rights-due-diligence-with-recommendations-to-governments-companies-investors>

2.2 OECD Due Diligence Guidance for Responsible Business Conduct, May 2018, <https://mneguidelines.oecd.org/OECD-Due-Diligence-Guidance-for-Responsible-Business-Conduct.pdf>

2.2 Free and prior informed consent for indigenous peoples, <http://www.fao.org/indigenous-peoples/our-pillars/fpic/en/>

2.2 Social Value International (SVI) Seven Principles, <https://socialvalueint.org/social-value/principles-of-social-value/>

2.2 <https://socialvalueint.org/social-value-international-publish-standard-on-applying-principle-1-involve-stakeholders/>

2.2 Using self-reported data for impact measurement: How to use stakeholder surveys to improve impact performance, <https://impactmanagementproject.com/stakeholder/using-self-reported-data-for-impact-measurement/>

2.2 Global Reporting Initiative (GRI) reporting principles, <https://www.globalreporting.org/resource/library/GRIG4-Part1-Reporting-Principles-and-Standard-Disclosures.pdf>

2.3 Fundamental Principles of Official Statistics (General Assembly resolution 68/261), <https://unstats.un.org/unsd/dnss/gp/fundprinciples.aspx>

2.3 https://assets.cdcgroup.com/wp-content/uploads/2019/12/04110848/CDC_ImpactMeasurementHandbook.pdf

3. The Issuer establishes Eligibility Criteria to select and undertake ex ante impact assessments of potential Qualifying Activities for its SDG Bond Program

Practice Indicators:

- 3.1 The Issuer establishes Eligibility Criteria for its SDG Bond Program and Qualifying Activities consistent with its SDG impact intentions and strategic impact goals.
- 3.2 The Issuer conducts ex ante impact assessments (due diligence and evaluation of future expected impact performance) of potential Qualifying Activities to determine their suitability for the SDG Bond Program consistent with its Eligibility Criteria (Guidance Note 3.2(1)).
- 3.3 The Qualifying Activities allocated to the SDG Bond Program meet the Eligibility Criteria.
- 3.4 The Issuer establishes credible baselines for impact performance of each potential Qualifying Activity before it is included in the SDG Bond Program, to measure future actual impact performance against:
- historical impact performance (if relevant and available)
 - current impact performance (if relevant and available) which can provide a measure of baseline impact performance at the start of the financing period
 - where feasible, the outcomes that would likely have happened anyway (i.e. regardless of inclusion in the SDG Bond Program), to enable ongoing assessment of the Issuer's contribution to impact.
- 3.5 The issuer sets realistic but ambitious impact targets for each qualifying activity before it is included in the SDG Bond Program, accounting for the Issuer's current impact performance, and specific SDG priorities and targets using SDG intelligence data and insights in context from reputable sources.
- 3.6 The Issuer periodically reviews – and where appropriate refines – its' Eligibility Criteria in line with periodic reviews of its SDG impact intentions and strategic impact goals.
- 3.7 **EXPANDED:** The Issuer has its Qualifying Activities and impact assessments verified by an external and independent qualified assurance provider before they are included in its SDG Bond Program.

Guidance on evidencing the Practice Indicators:

3.1 Interviews with the Impact Manager and internal documentation setting out the Eligibility Criteria and detailing selection criteria and process for identifying potential Qualifying Activities to include in the SDG Bond Program.

3.1 The Eligibility Criteria reflects the Issuer's SDG impact intentions and strategic impact goals.

3.2 Interviews with the Impact Manager and internal documentation:

- detailing impact due diligence and assessment criteria conforming to international guidelines (Guidance Note 3.2(4))
- considering direct operations and Issuer's value chain(s) (including products/services, distribution, direct operations and supply chains)
- and considering the impacts on different groups of Stakeholders separately (i.e. not assuming positive impacts on one Stakeholder group can offset negative impacts on other Stakeholder groups).

3.2 Interviews with the Impact Manager and supporting internal documentation demonstrating how the Issuer:

- established the SDG indicators are a priority in-country (or region)
- set its Eligibility Criteria to screen for potential Qualifying Activities that meet the SDG indicator, and ensured affected Stakeholders have not already met the desired outcome for the threshold of that SDG indicator in that context (i.e. the need has not yet been met)
- and or partnered with reputable sustainable development agencies to design solutions for impact and system change.

3.3 Interviews with the Impact Manager and internal documentation demonstrating the

Qualifying Activities allocated to the SDG Bond Program align with the Issuer's SDG impact intentions, strategic impact goals and its SDG Bond Program Eligibility Criteria.

3.4 and 3.5 Interviews with the Impact Manager and internal documentation demonstrating impact baselines and targets are measurable, and where appropriate and feasible, use standardized metrics (e.g. GRI, SASB, IRIS+) that are linked to specific SDG targets or outcomes and set across the Five Dimensions of Impact. Where the Issuer uses non-standard or bespoke metrics (e.g. where standardized metrics do not exist or are not fit for purpose in a particular context), the issuer can demonstrate the selected metrics promote comparability.

3.5 Interviews with the Impact Manager and internal documentation detailing analysis and rationale for selected targets that demonstrates impact targets are evidence-based (drawing on available research and data), or evidence-able (e.g. where new, innovative approaches are being tested) and based on a logical theory of change (or impact thesis) that will be tested and assessed over the term of the bond and/or life of the Qualifying Activities (Guidance Note 3.5(1)).

3.6 Interviews with the Impact Manager and review of any supporting documentation demonstrating the Issuer takes a dynamic approach to ensuring its Eligibility Criteria remains fit for purpose, aligned with its SDG impact intentions and strategic impact goals, including incorporating learnings from actual SDG impact performance and responding to changes in the sustainable development context.

3.7 **EXPANDED:** Interviews with the Impact Manager and internal documentation detailing rationale, and copies of external assurance reports.

Guidance notes and resources:

Guidance Note 3.2(1): Impact assessments/due diligence includes an evaluation of the expected (positive, negative, intended and unintended) material impact(s) on Stakeholders, using the Five Dimensions of Impact (which includes considering the specific SDG targets impacted) within the framework of the 15 data categories, and then classifies the overall impact of each potential Qualifying Activity against the ABC Impact Classifications. The Five Dimensions of Impact, associated 15 data categories and the resultant ABC Impact Classifications and other core design elements are summarised in the Appendix. More information on IMP's shared logic for measuring, managing and communicating impact and tools for applying the logic can be found at www.impactmanagementproject.com.

Guidance Note 3.2(2): The 15 data categories is a tool to help users understand impact across the Five Dimensions of Impact in a consistent way and make better decisions. It provides a means to an end; its purpose is not to be applied as an end in itself. Further, data across all 15 data categories may not be available or relevant in all instances. Issuers should record and communicate instances when data is unavailable or insufficient

Guidance Note 3.2(3): Additional sectorial due-diligence may be appropriate in high risk sectors (e.g. agri-business, apparel, housing or land acquisition related activities that may result in relocation or displacement), or when dealing with marginalized Stakeholder groups (e.g. indigenous peoples). In these instances, the Issuer should also conduct ex post monitoring and evaluation activities.

Guidance Note 3.2(4): For example, OECD Due Diligence Guidance for Responsible Business Conduct (2018) and OECD Better Criteria for Better Evaluation: Revised Evaluation Criteria, Definitions and Principles for Use, OECD/DAC Network on Development Evaluation (2019), Working Group on the issue of human rights and transnational corporations and other business enterprises – 73rd GA session 2018.

Guidance Note 3.5(1): The Issuer may elect to develop a theory of change and results measurement framework as its core indicator (i.e. target) and set specific, quantitative metric targets in its expanded indicators – especially where setting specific core targets may not be feasible.

3.2 <https://impactmanagementproject.com/impact-management/how-enterprises-manage-impact/>

3.2 Impact Management Project, A Guide to Classifying the Impact of an Investment, April 2018

3.2 IMP, www.impactmanagementproject.com

3.2 UN Guiding Principles Reporting Framework, <https://www.ungpreporting.org/glossary/human-rights-due-diligence/>" <https://www.ungpreporting.org/glossary/human-rights-due-diligence/>

3.2 UN Working Group guidance on human rights due diligence, Oct 2018, <https://www.business-humanrights.org/en/un-working-group-issues-report-on-human-rights-due-diligence-with-recommendations-to-governments-companies-investors>

3.2 OECD Due Diligence Guidance for Responsible Business Conduct, May 2018, <https://www.oecd.org/investment/due-diligence-guidance-for-responsible-business-conduct.htm>

3.2 The Danish Institute for Human Rights, Impact Assessment Guidance & Toolbox, 2016, <https://www.humanrights.dk/business/tools/human-rights-impact-assessment-guidance-and-toolbox>

3.2 CDC's Impact measurement handbook, https://assets.cdcgroup.com/wp-content/uploads/2019/10/29172105/CDC_ImpactMeasurementHandbook.pdf

3.4 GRI Reporting Standards, <https://www.globalreporting.org/standards/>

3.4 SASB reporting Standards, <https://www.sasb.org/standards-overview/>

3.4 IRIS+ metric sets, <https://iris.thegiin.org/metrics/>

3.4 https://ec.europa.eu/info/publications/sustainable-finance-teg-taxonomy_en

3.4 <https://www.icmagroup.org/green-social-and-sustainability-bonds/resource-centre/>

3.4 <https://www.climatebonds.net/standard/taxonomy>

3.5 <https://blueprint.unglobalcompact.org/>

3.5 <https://sdgcompass.org/>

3.5 <https://www.unglobalcompact.org/library/3111> (SDG Industry Matrix)

3.5 <https://sdg-tracker.org/>

3.5 <https://www.unglobalcompact.org/take-action/sdg-action-manager>

3.5 <https://sciencebasedtargets.org/>

3.5 <https://unepdtu.org/project/un-environment-emissions-gap-report/>

3.5 <https://unfccc.int/topics/science/workstreams/global-stocktake-referred-to-in-article-14-of-the-paris-agreement>

3.5 SDG Impact Investor Maps – Web Demo, <https://toluodusanya.wixsite.com/website-1>

3.5 OPPORTUNITY2030: SDG Investment Map, <https://www.sc.com/en/insights/opportunity2030/>

3.5 Impact Management Project, Impact Goals, <https://impactmanagementproject.com/wp-content/uploads/Looking-back-at-emerging-consensus-about-Impact-Goals.pdf> <https://impactmanagementproject.com/>

<wp-content/uploads/Looking-back-at-emerging-consensus-about-Impact-Goals.pdf>

3.5 http://www.pacificcommunityventures.org/wp-content/uploads/sites/6/Impact-Due-Diligence-Emerging-Best-Practices_website.pdf

4. The Issuer systematically measures and manages the ongoing impact performance of its SDG Bond Program

Practice Indicators:

- 4.1 The Issuer's ex-post SDG Bond Program impact management processes systematically measure, monitor and evaluate the actual impact performance (positive intended impacts as well as any negative and/or unintended impacts) of its SDG Bond Program overall (against its strategic impact goals) and each of its Qualifying Activities (against their established impact performance baselines and targets), including identifying and evaluating the reasons for deviations from expected performance, and where necessary, responding appropriately.
- 4.2 The Issuer has and follows a pre-defined process for taking and pursuing appropriate action (including Meaningful Stakeholder Engagement) when its impact management activities indicate that Qualifying Activities are no longer expected to achieve their targeted impact(s) and/or previously unidentified unintended impacts become apparent.
- 4.3 Past Qualifying Activities that have been reallocated or exited (including because they were not meeting their targets) continue to be included for the reference of investors and other Stakeholders to promote impact integrity and transparency.
- 4.4 The Issuer accounts for the immediate and sustained impact(s) on Stakeholders (e.g. by influencing timing and/or course of action) when changing its strategy with respect to current or previous Qualifying Activities (e.g. exiting those activities).
- 4.5 **EXPANDED:** The Issuer engages actively with Stakeholders to improve and optimize the impact performance of Qualifying Activities through the life of the SDG Bond Program.

Guidance on evidencing the Practice Indicators:

4.1 Interviews with the Impact Manager and internal documentation and impact performance reports demonstrating: how the Issuer systematically monitors, measures and evaluates the impact performance of Qualifying Activities; and how it uses that data to inform its decision making and benchmark the performance of the SDG Bond Program.

4.1 Where ex ante impact assessments were based on assumptions, proxies or third party evidence (e.g. to compensate for data gaps and/or lack of track record), interviews with the Impact Manager and internal documentation detailing how the Issuer substantiates its impact thesis. That is, the Issuer has a process in place to collect impact data in its ex post impact management activities to test the validity of those assumptions and proxies and fill data gaps by establishing track record, and then responds accordingly, recognizing that reality may be different to original assumptions and expectations.

4.2 Interviews with the Impact Manager and internal documentation detailing the process for dealing with impact underperformance or the identification of unintended impacts and how that information is utilized in connection with the SDG Bond Program.

4.3 Interviews with the Impact Manager and internal documentation demonstrating how the SDG Bond Program impact performance evaluation and reporting treats and captures reallocations or exits of Qualifying Activities from the SDG Bond Program.

4.4 Interviews with the Impact Manager and internal documentation demonstrating the Issuer considers sustained impacts on Stakeholders when changing its strategy (e.g. exiting those activities) with respect to current or previous Qualifying Activities.

4.5 **EXPANDED:** Interviews with the Impact Manager and internal documentation demonstrating engagement with Stakeholders and relevant measures taken to improve impact performance.

Guidance notes and resources:

4.1 OECD Due Diligence Guidance for Responsible Business Conduct (2018), <https://www.oecd.org/investment/due-diligence-guidance-for-responsible-business-conduct.htm>

4.1 OECD Better Criteria for Better Evaluation: Revised Evaluation Criteria, Definitions and Principles for Use, <https://www.oecd.org/dac/evaluation/revised-evaluation-criteria-dec-2019.pdf>

4.1 OECD/DAC Network on Development Evaluation (2019), <https://www.oecd.org/dac/evaluation/dacriteriaforevaluatingdevelopmentassistance.htm>

4.1 https://impactmanagementproject.com/wp-content/uploads/How-do-we-know-if-impact-has-occured_.pdf

4.4 The Danish Institute for Human Rights, Impact Assessment Guidance & Toolbox, 2016, <https://www.humanrights.dk/business/tools/human-rights-impact-assessment-guidance-and-toolbox>

TRANSPARENCY AND COMPARABILITY: Standard 5

How the Issuer can promote trust and confidence, market development and more informed decision making, by using the shared language and logic embedded in these Standards.

5. The Issuer discloses information about, and regularly reports on, its SDG Bond Program in a manner that promotes SDG impact integrity, transparency and comparability

Practice Indicators:

- 5.1 The Issuer discloses information about its SDG impact intentions, strategic impact goals, impact management practices, governance and the Eligibility Criteria in its SDG Bond Program legal and offering documentation.
- 5.2 The Issuer provides regular (at least annual) reports on the actual impact characteristics and performance of its SDG Bond Program overall and for each bond issue.
- 5.3 The Issuer periodically reviews its SDG Bond Program disclosures and reporting, to ensure it continues to meet the needs of Stakeholders, incorporates sector advances in impact reporting practices, and otherwise promotes transparency, consistency and comparability.
- 5.4 **EXPANDED:** The Issuer obtains external assurance of its impact reports from an external and independent qualified assurance provider.
- 5.5 **EXPANDED:** The Issuer discloses its Stakeholder engagement practices and includes Stakeholder perspectives in its reporting.
- 5.6 **EXPANDED:** The Issuer regularly (at least annual) provides expanded impact reporting for its SDG Bond Program overall and for each bond issue.

Guidance on evidencing the Practice Indicators:

5.1 SDG Bond Program legal documentation and offering documents detailing:

- The Issuer's SDG impact intentions and strategic impact goals and how these relate to the Issuer's business context, the Stakeholders impacted by its activities and specific identified SDG targets and priorities
- Its impact measurement and management practices
- Its eligibility criteria for selecting Qualifying Activities (for the SDG Bond Program overall and in relation to each specific bond issue), including the parameters (i.e. minimum, maximum and expected proportions) of net bond proceeds it intends to allocate towards: (i) each of the ABC Impact Classifications; (ii) specific SDG related outcomes and/or targets; and (iii) refinancing or financing existing activities versus financing new activities
- Whether it intends to have its impact data, Qualifying Activities and impact assessments, impact reports and/or its impact management practices externally assured, and its rationale for doing so (or not).

5.2 Issuer's external SDG Bond Program reporting, investor presentations, annual report and sustainability reports (if relevant) detailing:

- Its assessment of: (i) the areas of alignment and dependencies between its SDG impact intentions, strategic impact goals and its corporate and sustainability strategy; (ii) how it set and the level of ambition in its SDG impact intentions, strategic impact goals and any impact targets relative to its own current impact performance and placed in context of relevant SDG

targets and outcomes; (iii) how the Issuer is avoiding and/or mitigating negative environmental, social and governance (ESG) risks in its direct operations and promoting the same throughout its supply and value chains

- Material impact risks and opportunities related to the SDG Bond Program and its Qualifying Activities (as identified in its strategic planning processes and/or its impact assessment and measurement of Qualifying Activities)
- The actual SDG impact characteristics of its Qualifying Activities with respect to each bond issue and for the SDG Bond Program overall (by (i) ABC Impact Classifications; (ii) the specific SDG outcomes or targets the Qualifying Activities are linked to and described across the Five Dimensions of Impact; and (iii) how much of its Qualifying Activities are related to financing or refinancing existing activities versus financing new activities).
- For each bond, the actual impact performance of its Qualifying Activities against their established impact performance baselines and targets (at a minimum, in summary aggregated form); and for the SDG Bond Program overall against its SDG impact intentions and strategic impact goals, including explanations for deviations from expected/targeted performance and any actions taken and any lessons learned (at a minimum, in summary aggregated form)
- Details of, and its rationale for, any exits or reallocations of Qualifying Activities from its SDG Bond Program, or updates to its SDG impact intentions, strategic impact goals, or baselines and/or targets it is applying to its Qualifying Activities

- The methods, limitations and assumptions of the impact data and metrics it has used and relied upon to make decisions and report its impact performance
- The details of any external assurance or verification of its impact data, Qualifying Activities and associated impact assessments, or its impact reports
- If the Issuer elects to have its impact management practices certified by a UNDP accredited certifier under these Standards, (i) details of such Certification including the date of the certification, (ii) who conducted the certification, (iii) the outcome of the certification – including any findings and/or agreed improvement plans to address deficiencies identified in the most recent Certification process, (iv) changes from the previous Certification (if relevant), (v) the intended frequency of future Certifications and (vi) progress updates against (any) agreed improvement plans.

5.3 Interview with Impact Manager and reviews of internal documents evidencing proactive stance to market intelligence gathering, internal reviews and incorporation of learnings into reporting practices.

5.4 **EXPANDED:** External assurance reports with no significant findings (or suitable rectification measures taken) relating to the Issuer's SDG Bond Program impact reports.

5.5 **EXPANDED:** Issuer's external SDG Bond Program reporting, investor presentations, internal impact assessments and measurement reports determining impact baselines and targets detailing Stakeholder input and feedback.

5.6 **EXPANDED:** Issuer's external SDG Bond Program reporting, investor presentations, annual report and sustainability reports, if relevant (Guidance Note 5.7(1)).

Guidance notes and resources:

Guidance Note 5.6(1): For instance:

- providing information about its ex ante and ex post impact assessments (while protecting Stakeholder privacy) for Qualifying Activities including all material positive, negative, intended and unintended impacts on different Stakeholders separately, using the Five Dimensions of Impact within the 15 data categories framework and ABC Impact Classifications
- detailing impact performance against baselines and targets at the Qualifying Activity level
- describing how it has selected to measure the impact(s) of Qualifying Activities and why (e.g. why data is relevant and appropriate in context, why certain standardized and/or bespoke metrics have been selected, why certain activity or output metrics are suitable proxies for the desired outcomes, and how metrics are aligned with specific SDG targets and the Five Dimensions of Impact).

5.2 Global Reporting Initiative, <https://www.globalreporting.org/Pages/default.aspx>

5.2 Sustainability Accounting Standards Board, <https://www.sasb.org/>

5.2 Sustainable Development Goals Disclosure (SDGD) Recommendations, <https://integratedreporting.org/resource/sustainable-development-goals-disclosure-sdgd-recommendations/>

5.2 https://www.globalreporting.org/resource/library/GRI_UNGC_Reporting-on-SDGs_Practical_Guide.pdf

5.2 Global Reporting Initiative (GRI), PRI, UN Global Compact, Business Reporting on the SDGs, In Focus: Addressing Investor Needs in Business Reporting on the SDGs

CONTEXT AND GOVERNANCE: Standard 6

How the Issuer demonstrates its responsible business practices are consistent with these Standards, and provides the appropriate structure for operating and overseeing the SDG Bond Program.

6. The Issuer's governance processes provide the appropriate operating context for, and effective oversight of, the SDG Bond Program.

Practice Indicators:

- 6.1 The Issuer's governance processes provide the appropriate context for its SDG Bond Program to operate in, including by ensuring that:
- The SDG Bond Program aligns with the Issuer's corporate strategy and sustainability commitments, including commitments with respect to the SDGs.
 - The Issuer's SDG impact intentions and strategic impact goals for the SDG Bond Program relate to issues that are most relevant to its business and the Stakeholders impacted by its activities; and consider the material risks and opportunities (to the Issuer and its Stakeholders) associated with those impacts
 - The Issuer is committed to building an organization-wide culture of adhering to and respecting human rights and other responsible business practices in line with the UN Guiding Principles for Business and Human Rights and the Ten Principles of the UN Global Compact. This includes reducing negative impacts the Issuer may cause or contribute through its own activities, or that are directly linked to its operations, products or services through its supply and value chains and by its business relationships (Guidance Notes 6.1(1-3)).
- 6.2 The Issuer's Governing body is accountable (including being actively involved in decision-making) and has effective oversight of its organization-wide responsible business practices and the SDG Bond Program. This includes approving and periodically reviewing its policies and practices governing respect for human rights, Meaningful Stakeholder Engagement (and protection), the setting of SDG impact intentions and strategic impact goals, receiving and reviewing periodical reports on its SDG Bond Program impact measurement and management practices, and reviewing and approving disclosures relating to the SDG Bond Program in line with these Standards (Guidance Note 6.2(1)).

Guidance on evidencing the Practice Indicators:

6.1 Papers and minutes of the Issuer's Governing body and/or body with appropriate delegated authority and interviews with a member of that body, demonstrating:

- The Governing body periodically considers the material economic, social and environmental impacts it has (or may have) on people and the planet
- The Governing body considers the material risks and opportunities associated with those impacts in the context of specific SDG targets and priorities
- How the Governing body determines its SDG Bond Program is aligned and remains aligned with its overall strategy
- Internal and external impact audit or assurance reports are considered by the Governing body, or a body with appropriate delegated authority and reported to the Governing body
- The Governing body has oversight of key policies such as the business code of conduct policy that covers human rights; labour; anti-corruption; environment; gender, diversity and inclusion; confidentiality and privacy considerations; No significant adverse findings without adequate remedies in place.
- Effective grievance mechanisms for Stakeholders are in place
- The Governing body has oversight of matters relating to the organization's culture.

6.1 Policies, other supporting internal documentation and interviews with Governing body members and senior management demonstrating policy and practice alignment with and adherence to the UN Guiding Principles for Business and Human Rights and the Ten Principles of the UN Global Compact, including establishing or participating in effective grievance mechanisms.

6.1 Internal communications and/or interviews with staff at different levels of the organization demonstrating the Governing body's and senior executive leadership's commitment to responsible business practices and sustainable development issues is visible within the organization.

6.2 Papers and minutes of the Issuer's Governing body and/or body with appropriate delegated authority and interviews with a member of that body, demonstrating:

- How the strategic impact goals for its SDG Bond Program were arrived at and approved, and that monitoring and review processes are in place to ensure they remain fit for purpose
- The Governing body receives information concerning progress against its strategic impact goals for the SDG Bond Program, material risks and strategies for managing impact performance
- The Governing body has oversight of policies and practices that govern Meaningful Stakeholder Engagement in the Issuer's impact measurement and management practices with respect to its SDG Bond Program and related Qualifying Activities.

6.2 Mechanisms (for example internal audit, performance incentives) used by the Governing body to effect oversight of the Issuer's responsible business practices and the SDG Bond Program.

6.2 External impact reports about the Issuer's SDG Bond Program include a statement from its Governing body Chair that the Governing body has considered the information disclosed in those reports and accepts responsibility for it.

Guidance notes and resources:

Guidance Note 6.1(1): Also including the International Standard of free, prior and informed consent (FPIC) in relation to indigenous peoples, where relevant.

Guidance Note 6.1(2): No evidence that the behaviors and decisions made or supported by the Issuer's Governing body contradict the stated SDG impact intentions and strategic impact goals of its SDG Bond Program. Examples include in relation to the Issuer's lobbying and engagement activities with regulators and policy makers and in its taxation practices For example, the Issuer does not use tax-minimization structures that reduce tax revenue for the country in which the SDG-enabling activities take place, including using double taxation agreements or structures that utilize low-tax jurisdictions or tax havens or not complying with the OECD Base erosion and profit shifting requirements and principles.

Guidance Note 6.1(3): For example, stated commitments to managing impact are supported by appropriate resource allocation and budgeting for investment in impact management capacity, capabilities and resources. Impact performance may be integrated into incentive structures. Impact performance may be highlighted in internal and external communications alongside financial performance.

Guidance Note 6.2(1): Over time, the composition of the Governing body should seek to develop and/or the Governing body have access to competencies relating to human rights, the SDGs most relevant to the Issuer's context, impact measurement and management and internal control systems. The Governing body should also demonstrate good practice for diversity including representation by women and under-represented Stakeholder groups.

6.1, 6.2 United Nations Guiding Principles on Business and Human Rights, <https://www.business-humanrights.org/en/un-guiding-principles>

6.1, 6.2 The Ten Principles of the UN Global Compact, <https://www.unglobalcompact.org/what-is-gc/mission/principles>

6.1, 6.2 The OECD Guidelines for Multinational Enterprises, <https://www.oecdwatch.org/oecd-ncps/the-oecd-guidelines-for-mnes/>

6.1, 6.2 OECD Due Diligence Guidance for Responsible Business Conduct (2018), <https://mneguidelines.oecd.org/OECD-Due-Diligence-Guidance-for-Responsible-Business-Conduct.pdf>

6.1, 6.2 International Standard of free, prior and informed consent (FPIC) in relation to indigenous peoples, <http://www.fao.org/indigenous-peoples/our-pillars/fpic/en/>

6.1, 6.2 Blab SDG Action Manager, Baseline Module;

6.1, 6.2 Sustainable Development Goals Disclosure (SDGD) Recommendations, <https://integratedreporting.org/resource/sustainable-development-goals-disclosure-sdgd-recommendations/>

6.1, 6.2 www.shiftproject.org "www.shiftproject.org: The Problem with How we Measure Business Respect for Human Rights, <https://www.shiftproject.org/valuing-respect/the-conversation/visual-summary/>;

6.1, 6.2 Managing Culture: A Good Practice Guide, First Edition, December 2017, The Institute of Internal Auditors Australia, The Ethics Centre, Governance Institute of Australia, Chartered Accountants Australia + New Zealand, http://iia.org.au/sf_docs/default-source/default-document-library/424_managing-culture-a-good-practice-guide_v8.pdf?sfvrsn=2

6.1, 6.2 Why Ethical People Make Unethical Choices, Ron Carucci, Harvard Business Review, 16 December, 2016, <https://hbr.org/2016/12/why-ethical-people-make-unethical-choices>

6.1, 6.2 World Economic Forum Jan 2020 Consultation Draft: Toward Common Metrics and Consistent Reporting of Sustainable Value Creation, <https://www.weforum.org/whitepapers/toward-common-metrics-and-consistent-reporting-of-sustainable-value-creation>

6.1, 6.2 SVI Standard for Applying Principle 1: Involve Stakeholders, <https://socialvalueint.org/social-value-international-publish-standard-on-applying-principle-1-involve-stakeholders/>

Glossary

<p>ABC impact classifications</p>	<p>Developed by the Impact Management Project and adapted for these Practice Assurance Standards by SDG Impact. The impact classifications are the output of applying the Five Dimensions of Impact and associated 15 data categories.</p> <p>Does (or may) cause harm that detracts from the SDGs</p> <p>Act to avoid harm that detracts from achieving the SDGs: Activities that are expected to prevent or reduce significant effects on important negative outcomes for people and the planet.</p> <p>Benefit Stakeholders in relation to the SDGs: Activities that are not only expected to act to avoid harm, but also generate various effects on positive outcomes for people and the planet.</p> <p>Contribute to solutions towards achieving the SDGs: Activities that are not only expected to act to avoid harm, but also generate one or more significant effect(s) on positive outcomes for otherwise underserved people and the planet.</p> <p><i>Source: Impact Management Project, adapted by SDG Impact</i></p>
<p>Activities</p>	<p>Direct and indirect business operations, including sales, service, procurement, marketing and stakeholder interactions whether undertaken via employees or through related parties.</p>
<p>Assurance</p>	<p>For these Standards, assurance involves an independent, UNDP accredited assurance provider examining both qualitative and quantitative evidence to support each Practice Indicator. By nature of the subject matter and to support the key objectives of these Standards, such assurance will include narrative reporting and require the assurance provider to exercise judgement. Assurance adds credibility to an Issuer's intentions (and claims) that it is financing SDG-enabling activities through its SDG Bond Program, by providing confidence that its impact management practices are consistent with those intentions and claims. The benefits of assurance may include:</p> <ul style="list-style-type: none"> • Reducing the Issuer's cost of finance • Better aligning the Issuer's SDG Bond Program with its overall strategy to create value for the organization and its stakeholders • Enhancing the rigour and integrity of the Issuer's internal impact management processes • Enhancing the impact of the activities financed under the SDG Bond Program • Enhancing impact integrity, transparency and comparability that promotes trust and confidence and market development in financing activities that support achieving the SDGs (including reducing harmful activities).
<p>Business model</p>	<p>System of transforming inputs into outputs, outcomes and impacts that fulfil the enterprise's strategic purpose.</p>
<p>CBI (Climate Bonds Initiative)</p>	<p>International organization working to mobilize the \$100 trillion bond market for climate change solutions.</p>

Data taxonomy	Classification of data into categories and sub-categories, with controls to improve data consistency and comparability.
Eligibility criteria	The guidelines that define the parameters and describe the characteristics of suitable Qualifying Activities, for example in relation to the specific SDG outcomes and impact strategies (e.g. “ABC Impact Classifications” being targeted; new financing versus refinancing of existing activities).
EU GBS (EU Green Bond Standard)	<p>Voluntary standard for use-of-proceeds bonds that: finance green projects that significantly contribute to at least one of the environmental objectives of the EU Taxonomy; do not substantially harm the others; and otherwise meet the criteria and thresholds in the taxonomy proposal. Use of the term ‘EU Green Bond’ is only permitted when all components of the GBS are met.</p> <p><i>Source: Supplementary Report 2019 by the Technical Expert Group on Sustainable Finance, Financing a Sustainable European Economy: Using the Taxonomy</i></p>
EU Taxonomy	<p>Proposed EU Taxonomy for Sustainable Activities. A list of economic activities with performance criteria for their contribution to six environmental objectives (climate change mitigation; climate change adaptation; sustainable use and protection of water and marine resources; transition to a circular economy; waste prevention and recycling; pollution prevention and control; and protection of healthy ecosystems). To be included in the proposed EU Taxonomy, an economic activity must contribute substantially to at least one environmental objective and do no significant harm to the other five, as well as meet minimum social safeguards.</p> <p><i>Source: Supplementary Report 2019 by the Technical Expert Group on Sustainable Finance, Financing a Sustainable European Economy: Using the Taxonomy</i></p>
Five dimensions of impact	<p>Developed by IMP. Classify impact across 15 impact data categories (see below) to form a nuanced and complete understanding of the nature of impact created or expected.</p> <ol style="list-style-type: none"> 1. What type and level of outcomes relating to specific SDG targets the Issuer’s Qualifying Activities generate, and the importance of those outcomes to the people and planet experiencing them, as well as how the threshold for what constitutes a positive outcome has been determined 2. Who experiences the outcomes, including their baseline level of outcome (e.g. how underserved they are in relation to the outcome) and any other relevant demographic information 3. How much of the outcomes the Issuer aims to generate, in terms of scale, depth and duration 4. Contribution the Issuer’s activities make to the outcomes, accounting for what would likely happen anyway 5. Risk to people and planet that the Issuer’s actual impacts on the SDGs may be different to the expected impacts, with reference to specific substantial impact risk factors (see Impact Risk). <p><i>Source: Impact Management Project</i></p>

<p>General purpose SDG-enabling bond</p>	<p>Bonds issues by companies that have adopted a corporate-level strategy to contribute to the SDGs and that are committed to providing accountability for the general use of funds and corporate-level SDG impacts. General-purpose SDG Bonds can also be issued by governments and are unsecured.</p> <p><i>Source: UNGC and UNEPFI, SDG Bonds, Leveraging Capital Markets for the SDGs</i></p>
<p>GIIN (Global Impact Investing Network)</p>	<p>A global network dedicated to increasing scale and effectiveness in impact investing around the world.</p>
<p>GIIN's Core Characteristics of Impact Investing</p>	<p>Baseline expectations of what it means to practise impact investing: demonstrate intentionality; use evidence and impact data in investment design; manage impact performance; and contribute to the growth of the industry.</p>
<p>Governing body</p>	<p>The Issuer's board or highest governing body.</p>
<p>GRI (Global Reporting Initiative)</p>	<p>International independent standards organization that helps businesses, governments and other organizations understand and communicate their environmental, economic and social impacts. The GRI Standards are global and distributed as a free public good.</p>
<p>GRI's Reporting Principles</p>	<p>Principles for defining report content:</p> <p>Stakeholder inclusiveness: Identify stakeholders and explain responses to their reasonable expectations and interests</p> <p>Sustainability context: Present the organization's performance in the wider context of sustainability</p> <p>Materiality: Cover aspects that reflect the organization's significant economic, environmental and social impacts, or substantively influence the assessments and decisions of stakeholders</p> <p>Completeness: Cover material aspects, and their boundaries, sufficient to reflect significant economic, environmental and social impacts, and to enable stakeholders to assess the organization's performance in the reporting period.</p> <p>Principles for defining report quality:</p> <p>Balance: Reflect positive and negative aspects of performance to enable a reasoned assessment of overall performance</p> <p>Comparability: Select, compile and report information consistently; present information in a manner that enables stakeholders to analyze changes in performance over time, and that could support analysis relative to other organizations</p> <p>Accuracy: Provide sufficiently accurate and detailed information for stakeholders to assess performance</p> <p>Timeliness: Report on a regular schedule so that timely information is available for stakeholders to make informed decisions</p> <p>Clarity: Make information understandable and accessible to stakeholders</p> <p>Reliability: Gather, record, compile, analyze and disclose information and processes used to prepare the report in a way that allows examination and establishes the quality and materiality of the information.</p> <p><i>Source: Global Reporting Initiative, and as updated from time to time</i></p>

<p>ICMA (International Capital Market Association)</p>	<p>Not-for-profit membership association, headquartered in Switzerland that serves 580 member firms from 62 countries in global capital markets. Serves as Secretariat for the Green Bond Principles (GBP) and Social Bond Principles (SBP), and Sustainability Bond Guidelines (SBG). Collectively, these resources are referred to as the 'Principles', a leading global framework for issuing green, social and sustainability bonds.</p>
<p>IFC (International Finance Corporation)</p>	<p>Sister organization of the World Bank and member of the World Bank Group. The largest global development institution focused on the private sector in developing countries. The World Bank Group has set two goals to achieve by 2030: end extreme poverty and promote shared prosperity in every country. In 2018, the group issued Operating Principles for Impact Management.</p>
<p>IMP (Impact Management Project)</p>	<p>Forum for building global consensus on how to measure and manage impact. IMP convenes a practitioner community of over 2000 practitioners and facilitates the IMP Structured Network – a collaboration among standard-setting organizations (including B Lab, GIIN, GRI, GSG, IFC, OECD, PRI, SASB, SVI, UNDP, UNEP Finance Initiative and World Benchmarking Alliance) to co-create and coordinate standards for impact measurement and management.</p>
<p>Impact</p>	<p>A change in a social, environmental or economic outcome caused by an organization [either partially or wholly]. An impact can be positive or negative, intended or unintended. <i>Source: Impact Management Project</i></p>
<p>Impact data categories</p>	<p>Developed by IMP. Data to assess expected or actual performance across the Five Dimensions of impact consistently and comparably.</p> <p>What: SDG target: SDG target that the outcome relates to; an outcome may relate to more than one target Outcome: type of outcome Stakeholders experience when engaging with the Issuer Outcome threshold: The level of outcome that the Stakeholder considers to be positive or 'good enough'. The threshold can be a nationally – or internationally – agreed standard. Importance of outcome to Stakeholder: The Stakeholder's view of whether the outcome they experience is important</p> <p>Who: Baseline: Level of outcome a Stakeholder experienced prior to engaging with the Issuer Stakeholder characteristics: Socio-demographics and behavioural characteristics of a Stakeholder Boundary: Area or location where a Stakeholder experiences the outcome</p> <p>How much: Scale: Number of individuals experiencing the outcome Depth: Degree of change that a Stakeholder experiences Duration: Time period over which a Stakeholder experiences an outcome</p> <p>Contribution: Depth counterfactual: Estimated degree of change that would occur anyway for the Stakeholder Duration counterfactual: Estimated time period that the outcome would last for anyway</p> <p>Risk: Risk type: Type of risk that impact is not as expected (see Impact Risk) Risk level: Level of risk. see https://impactmanagementproject.com/impact-management/what-is-impact/risk/ <i>Source: Impact Management Project</i></p>

Impact manager	The person designated responsibility and accountability for overseeing the SDG Bond Program's impact measurement and management practices.
Impact risk	<p>Developed by IMP. Likelihood that actual impact(s) are different to expected impact(s):</p> <p>Evidence risk: Insufficient high-quality data exists to know what impact is occurring</p> <p>External risk: External factors disrupt delivery of expected impact</p> <p>Stakeholder participation risk: Expectations or experience of stakeholders are misunderstood or not accounted for</p> <p>Drop-off risk: Positive impact does not endure or negative impact is no longer mitigated</p> <p>Efficiency risk: Expected impact could have been achieved with fewer resources or at lower cost</p> <p>Execution risk: Activities are not delivered as planned and do not result in the desired outcomes</p> <p>Alignment risk: Impact is not locked into the Issuer's business model</p> <p>Endurance risk: Required activities are not delivered for a long enough period</p> <p>Unexpected impact risk: Substantial unexpected positive and negative impact is experienced by people and the planet.</p> <p><i>Source: Impact Management Project</i></p>
Impact thesis (or theory of change)	An outcomes-based hypothesis of how the Issuer's proposed activities are expected to lead to the intended outcomes and impact it seeks to achieve.
Integrative (or Integrated) thinking	Decision making process to balance tensions between opposing variables (e.g. social, environmental and economic or financial) and generate resolutions that contain elements of the opposing ideas but are superior to each. Generally, follows four steps incorporating feedback loops: (i) salience – define relevant aspects of the problem; (ii) causality – determine relationships between related and unrelated parts; (iii) architecture – create a model outlining the relationships defined in steps (i) and (ii); and (iv) resolution – outline the decision and how it was reached.
IRIS+	Public good managed by GIIN. System to help investors measure, manage and optimize their impact. Provides Core Metrics Sets aligned to the SDGs and organized by the five dimensions of impact, the IRIS catalog of standard metrics, evidence maps connecting common strategic goals to outcomes, and how-to guidance and resources.
ISEAL	International membership association working to strengthen sustainability standards for social and environmental issues. Aims to: deliver credibility expertise, measure and share impacts; catalyse improvements and scalable solutions; and build support for credible standards. Has published, within their Code of Good Practice for Setting Social and Environmental Standards, 10 credibility principles for Sustainability Standards: sustainability, improvement, relevance, rigour, engagement, impartiality, transparency, accessibility, truthfulness and efficiency.
Issuer	Entity issuing the SDG Bonds. Issuers may be companies, governments, municipalities or special purpose entities backed by activities (e.g. securitizations) or projects (e.g. infrastructure).

Material impacts	Significant (positive, negative, intended or unintended) economic, social, and/or environmental impacts on Stakeholders.
Meaningful Stakeholder engagement	<p>Meaningful Stakeholder engagement means involving Stakeholders in planning and decision-making and refers to ongoing engagement with Stakeholders that is two-way, conducted in good faith and responsive. The degree of potential social, economic and/or environmental impact on Stakeholders, the level of risk for unintended consequences or that outcomes may not occur as expected, and how disadvantaged Stakeholders are will determine the appropriate level and form of Stakeholder engagement.</p> <p><i>Source: Adapted from OECD Due Diligence Guidance for Meaningful Stakeholder Engagement in the Extractive Sector</i></p>
Metric set	Quantitative or qualitative indicators that allow Issuers to measure and assess SDG performance across the Five Dimensions of Impact. Wherever possible, should include reference to specific SDG targets, but may require additional metrics to properly capture the Issuer's performance. Should align to the relevant SDG targets.
Outcome	The result of an action or event that is an aspect of social, environmental or economic well-being.
Output	Direct result of an Issuer's activities (e.g. wages paid, hours of training provided, or products and services sold).
Perverse incentives	Incentives that have an unintended and undesirable effect on behavior.
Practice Assurance Standards	The Practice Assurance Standards for SDG Bonds. Developed for bond Issuers and other actors as a public good to inform and encourage increased private sector investment towards advancing the SDGs. Part of the United Nations Development Programme (UNDP) SDG Impact Initiative. Adoption enables users to navigate and apply thresholds for impact management, operationalize and implement industry frameworks in a consistent manner and deliver reliable inputs to generate high quality and comparable impact performance reporting and benchmarking principles.
PRI (Principles for Responsible Investment)	International network of investors working to understand investment implications of environmental, social and governance factors (ESG) and incorporate these factors into investment and ownership decisions. Six Principles for Responsible Investment are voluntary and aspirational: incorporate ESG issues into investments, be active owners, seek appropriate disclosure, promote the Principles, enhance implementation effectiveness, report activities and progress.
Proxy	Indirect measure of an outcome that is correlated to that outcome. May be used when direct measures of the outcome are unavailable or unfeasible to collect.
Qualifying activities	Assets, projects, targets or other activities that meet the Eligibility Criteria, including having been assessed using the Five Dimensions of Impact framework and being classified as (i) acting to avoid harm that detracts from achieving the SDGs; (ii) benefiting Stakeholders in relation to the SDGs; or (iii) contributing to solutions toward achieving the SDGs.

Stakeholders	<p>4. Suppliers and distributors who are affected by the enterprise's volume of procurement, regulations and quality control (e.g. a zero-tolerance policy on child labour that affects suppliers)</p> <p>5. The planet, which an enterprise affects through extracting, using and creating environmental resources; and through pollution that is emitted by these processes.</p> <p><i>Source: Impact Management Project</i></p>
SASB (Sustainability Accounting Standards Board)	Non-profit organization that creates industry sustainability standards for disclosing and recognising financially material environmental, social, and governance impacts of publicly traded US companies.
SDG enabling investments	Private sector allocation of capital towards advancing the SDGs and related targets, including acting to avoid harm to the SDGs, benefiting Stakeholders in relation to the SDGs, and contributing to solutions to the SDGs.
SDG Impact	UNDP initiative to create a suite of complementary resources to facilitate increased private sector investment towards advancing the SDGs. The Practice Assurance Standards are part of this suite of resources.
SDG indicators	232 Indicators used to measure the 169 targets related to the 17 SDGs. Indicators are generally set at the country level, so may not be appropriate or relevant to apply at Issuer level. See https://unstats.un.org/sdgs/
SDG linked bonds	Bonds whose coupons (e.g. the margin paid by the Issuer) are linked to achieving (or contributing to) certain SDG related outcomes or targets, such that failing to meet those outcomes or targets results in a step-up in the margin required to be paid on the bond (or vice-versa).
SDG Targets	169 targets that have been set in relation to the 17 SDGs.
SDGs (Sustainable Development Goals)	17 global goals set by the UN General Assembly in 2015 to be achieved by 2030. Each SDG comprises a list of targets and indicators See https://unstats.un.org/sdgs/metadata/
SDG Bond Program	Defined term in these Assurance Standards. The complete arrangements for issuing one or more SDG Bond(s) as set out in the SDG Bond Program documentation. Includes every facet of intentions, strategies, organization and operations. Includes all promises and parameters in any proposal that claims SDG-enabling features. Includes also all regulatory, market and Stakeholder communication.
SDG Bonds	Broad category that includes use-of-proceeds, SDG-linked and general purpose bonds either issued by companies, governments and municipalities, or for activities and projects (e.g. issued through a special-purpose entity). <i>These Standards relate to use-of-proceeds and SDG-linked bonds; general purpose bonds will be covered under the Enterprise standards.</i> <i>Source: UNGC and UNEPFI, SDG Bonds, Leveraging Capital Markets for the SDGs</i>

Stakeholders	<p>Those who are affected, intentionally or unintentionally by an Issuer, including:</p> <ol style="list-style-type: none"> 1. Customers who use the enterprise's products/services 2. Employees who work for the enterprise 3. Local communities who are directly or indirectly affected by an enterprise's activities (e.g. unhealthy factory emissions that negatively affect surrounding local communities; or affordable housing units for underserved communities)
SVI (Social Value International)	<p>International membership network focused on adopting decision making, ways of working and resource allocations that embed principles for social value measurement and analysis. The aim is promote equality and well-being and reduce environmental degradation.</p>
SVI's seven principles of social value	<p>SVI's seven principles of social value are a set of social accounting principles:</p> <p>Involve stakeholders: To inform what gets measured and how, and to what degree a good or service is valued</p> <p>Understand what changes: Articulate how change is created and evaluate this through evidence, recognising positive and negative changes and those that are intended and unintended</p> <p>Value the things that matter: Allocate resources between options based on the values of Stakeholders</p> <p>Only include what is material: Determine what information and evidence must be included to give a true and fair picture, so that Stakeholders can draw reasonable conclusions about impact</p> <p>Do not over-claim: Only claim the value that directly derive from activities</p> <p>Be transparent: Demonstrate the basis on which analysis may be considered accurate and honest, and show that it will be reported to and discussed with Stakeholders</p> <p>Verify the result: Ensure appropriate independent assurance.</p> <p><i>Source: Social Value International</i></p>
Systems thinking	<p>Method of critical thinking to facilitate better decision making and reduce unintended consequences. First, define the bounds of a system and then analyze relationships between the parts to better understand connections and interdependencies.</p>
UNDP (United Nations Development Programme)	<p>The UN's global development network, advocating for change and connecting countries to knowledge, experience and resources to help people build a better life. Active in 176 countries and territories, working with governments and people on solutions to global and national development challenges.</p>
UNEP FI (United Nations Environment Programme – Finance Initiative)	<p>Promotes sustainable finance. Partnership between UN Environment and the global financial sector created following the 1992 Earth Summit.</p>
Use-of-proceeds Bond	<p>Bond with strict accountability of the use-of-proceeds towards eligible green, social or climate activities and with a link to the SDGs. Issued in accordance with the Green and Social Bond Principles (ICMA) or the Climate Bond Standard (CBI). Can be issued by companies, governments and municipalities, and activities and projects. Can be unsecured, backed by the creditworthiness of the corporate or government issuer. Can also be secured with collateral on a specific asset.</p> <p><i>Source: UNGC and UNEPFI, SDG Bonds, Leveraging Capital Markets for the SDGs</i></p>

Appendix

Core design elements

These Standards combine the SDGs with the Impact Management Project’s shared logic for measuring, managing and communicating impact. In this way, the Standards deliver clarity, consistency and transparency about the nature and depth of SDG impact.

This framework provides the flexibility to use existing and emerging taxonomies or set the most appropriate impact metrics at the activity/project level. At the same time it allows performance data about the SDGs and other impacts to be aggregated and communicated using a consistent and comparable basis.

UN Sustainable Development Goals

The Sustainable Development Goals (SDGs) were adopted by all 193 United Nations Member States in 2015. They are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030. By pledging to Leave No One Behind, countries have committed to fast-track progress for those furthest behind first.

The SDGs identify 169 targets and 230 indicators to measure progress towards addressing pressing economic, social and environmental challenges (Figure 2).

Figure 2. The United Nations Sustainable Development Goals (SDGs)



Impact measurement and management shared logic

Alongside the SDGs, these Standards adapt and embed the Impact Management Project's¹⁴ shared logic for measuring, managing and communicating impact consistently across different users and contexts. The shared logic was developed through a rigorous process of global consensus building, and builds on existing foundations in business (such as incorporating assessment of environmental, social and governance (ESG) risks into financial decision making).

The Standards embed the following key elements and concepts:

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 (Figure 3).

Impact data categories

To understand performance on each dimension of impact, we measure and report against 15 data categories (Figure 3). Users can 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.

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Figure 3. Five dimensions of impact and associated data categories

Impact dimension	Impact questions each dimension seeks to answer	Impact category
 <p>What</p>	<p>What outcome occurs in the period?</p> <p>How important is the outcome to the people (or planet) experiencing them?</p>	<p>1. Outcome level in period</p> <p>The level of outcome experienced by the Stakeholder when engaging with the Issuer. The outcome can be positive or negative, intended or unintended.</p> <p>2. Outcome threshold</p> <p>The level of outcome that the Stakeholder considers to be a positive outcome. Anything below this level is considered a negative outcome. (Note: care should be taken to recognize (and adjust accordingly) that under-represented Stakeholder populations may not be aware of the negative impacts that business or other activities may have on their access to basic rights and services).</p> <p>3. Importance of outcome to Stakeholder</p> <p>The Stakeholder’s view of whether the outcome they experience is important (relevant to other outcomes). Where possible, the people experiencing the outcome provide this data, although third party research may also be considered. For the environment, scientific research provides this view.</p> <p>4. SDGs and SDG targets</p> <p>The specific SDG target(s) that the outcome relates to.</p>
 <p>Who</p>	<p>Who experiences the outcome?</p> <p>How underserved are the affected Stakeholders in relation to the outcome?</p>	<p>5. Stakeholder</p> <p>The type of stakeholder experiencing the impact.</p> <p>6. Geographical boundary</p> <p>The geographical location where the Stakeholder experiences the social and/or environmental outcome.</p> <p>7. Outcome level at baseline</p> <p>The level of outcome being experienced by the Stakeholder before engaging with, or otherwise being affected by, the Issuer.</p> <p>8. Stakeholder characteristics</p> <p>Socio-demographic and/or behavioral characteristics and/or ecosystem characteristics of the Stakeholders to enable segmentation.</p>



<p>How much</p>	<p>How much of the outcome occurs – across scale, depth and duration?</p>	<p>9. Scale</p> <p>The number of individuals experiencing the outcome. When the planet is the Stakeholder, this category is not relevant.</p> <p>10. Depth</p> <p>The degree of change experienced by the Stakeholder. Depth is calculated by analysing the change that has occurred between the “Outcome level at baseline” (Who) and the “Outcome level in period” (What).</p> <p>11. Duration</p> <p>The time period for which the Stakeholder experiences the outcome.</p>
<p>Contribution</p>	<p>Would this change have happened anyway?</p>	<p>12. Depth counterfactual</p> <p>The estimated degree of change that would have happened anyway – without engaging with, or being affected by, the Issuer. Performance of peer enterprises, industry or local benchmarks, and/or Stakeholder feedback are examples of counterfactuals that can be used to estimate the degree of change likely to occur anyway for the Stakeholder.</p> <p>13. Duration counterfactual</p> <p>The estimated time period that the outcome would have lasted for anyway – without engaging with, or being affected by, the Issuer. Performance of peer enterprises, industry or local benchmarks, and/or Stakeholder feedback are examples of counterfactuals that can be used to estimate the duration likely to occur anyway for the Stakeholder.</p>
<p>Risk</p>	<p>What is the risk to people and planet that impact does not occur as expected?</p>	<p>14. Risk type</p> <p>The type of risk that may undermine the delivery of the expected impact for people and/or the planet. There are nine types of impact risk (see glossary).</p> <p>15. Risk level</p> <p>The level of risk, assessed by combining the likelihood of the risk occurring, and the severity of the consequences for people and/or the planet if it does.</p>

Source: Impact Management Project.

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'.

The ABC Impact Classifications have been adapted for these Standards to better clarify the differences between act to Avoid harm, Benefit Stakeholders, and Contribute to solutions in the context of the SDGs (Figure 4).

Figure 4. ABC Impact Classifications

May or Does Cause Harm that Detracts from achieving the SDGs

A **Acting to avoid harm that detracts from achieving the SDGs** (activities that are expected to prevent or reduce significant effects on important negative outcomes for people and the planet). For example, reducing CO2 emissions, or reducing child labour in supply chains. This includes environmental, social and governance risk management.

B **Benefiting Stakeholders in relation to the SDGs** (activities that are not only expected to act to avoid harm, but also generate various effects on positive outcomes for people and the planet). For example, selling products that support good health or educational outcomes. This includes pursuing environmental, social and governance opportunities.

C **Contributing to solutions towards achieving the SDGs** (activities that are not only expected to act to avoid harm, but also generate one or more significant effect(s) on positive outcomes for otherwise underserved people and the planet and are linked to identified SDG priorities in their specific context). For example, providing health or educational services in communities that currently have no access to them, or providing financial services to people without credit or banking services.

More information about the IMP, shared logic and resources to apply the five dimensions of impact, data categories and ABC impact classifications can be found at www.impactmanagementproject.com

Interoperability with other principles, guidelines and frameworks

The Standards leverage and reinforce existing market infrastructure to reduce the potential for fragmented approaches.

- The Standards incorporate global principles and guidelines for responsible business practices including the UN Guiding Principles on Business and Human Rights¹⁵, the Ten Principles of the

¹⁵ <https://www.business-humanrights.org/en/un-guiding-principles>

UN Global Compact¹⁶, the global standard for Free and Prior Informed Consent with respect to indigenous peoples¹⁷, and the OECD Guidelines for Multinational Enterprises¹⁸.

- They are interoperable with existing principles of practice including the International Finance Corporation’s Operating Principles for Impact Management¹⁹, the UN Environment Programme FI’s Principles for Positive Impact Finance²⁰ and Principles for Responsible Banking²¹, the Global Impact Investing Network’s Core Characteristics of Impact Investing²², and the UN-supported Principles for Responsible Investment²³. Assurance against these Standards should be one way to satisfy verification requirements against any or all of those principles.
- They are interoperable with existing taxonomies, metrics sets and reporting frameworks, including ICMA²⁴, the EU Taxonomy for Sustainable Activities²⁵, GRI²⁶, SASB²⁷, IRIS+²⁸, the <IR> Framework²⁹.
- To the extent practicable, the Standards align with and draw upon the Sustainable Development Goals Disclosure (SDGD) Recommendations³⁰ which in turn align with the Taskforce on Climate-related Financial Disclosures framework³¹ (TCFD, 2017), the GRI Standards³² and the International <IR> Framework³³ (IRC, 2013).
- They incorporate the most up-to-date methods, principles and frameworks within the Standards themselves or reference them in the resources and guidance material.

16 <https://www.unglobalcompact.org/what-is-gc/mission/principles>

17 <https://www.ohchr.org/Documents/Issues/ipeoples/freepriorandinformedconsent.pdf>

18 <https://www.oecdwatch.org/oecd-ncps/the-oecd-guidelines-for-mnes/>

19 https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/development+impact/principles/opim

20 <https://www.unepfi.org/positive-impact/positive-impact/>

21 <https://www.unepfi.org/banking/bankingprinciples/>

22 <https://thegiin.org/characteristics>

23 <https://www.unpri.org/>

24 <https://www.icmagroup.org/green-social-and-sustainability-bonds/>

25 https://ec.europa.eu/info/publications/sustainable-finance-teg-taxonomy_en

26 <https://www.globalreporting.org/Pages/default.aspx>

27 <https://www.sasb.org/>

28 <https://iris.thegiin.org/>

29 <https://integratedreporting.org/resource/international-ir-framework/>

30 Adams, C.A., with Druckman, P. B., and Picot, R. C., (2020), Sustainable Development Goal Disclosure (SDGD) Recommendations, published by ACCA, Chartered Accountants ANZ, ICAS, IFAC, IIRC, and WBA. ISBN: 978-1-909883-62-8 EAN: 9781909883628.

31 <https://www.fsb-tcfid.org/>

32 <https://www.globalreporting.org/Pages/default.aspx>

33 <https://integratedreporting.org/resource/international-ir-framework/>

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