Standards Guidance
for the SDG Impact Standards for Bond Issuers

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About UNDP

The United Nations Development Programme (UNDP) is the UN’s global development network. It advocates for change and connects countries to knowledge, experience and resources to help people build a better life. UNDP aims to see our world radically changed for good and is the integrator of the United Nations Sustainable Development Goals (SDGs). UNDP is active in over 170 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.

About SDG Impact

SDG Impact is a global UNDP initiative, catalyzing investment to achieve the SDGs by 2030:
- SDG Impact Management: Providing a means to better decisions that drive investment capital to where it is needed, comprising SDG Impact Standards, an SDG Impact Seal and impact management education.
- SDG Impact Intelligence: Producing data and insights needed for increasing financial flows to the SDGs, offering SDG investor maps of investable business models via a searchable desktop platform.
- SDG Impact Facilitation: Fostering matchmaking and collaboration to realize SDG investment opportunities, focusing on investor and policy dialogues drawing on UNDP’s presence in over 170 countries, deep sustainable development expertise and relationships with governments and other influencers.

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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. UNDP thanks these sustainability leaders for their critical role in authenticating SDG-enabling investment, signaling markets and driving adoption of these Standards: John Denton (Secretary-General, International Chamber of Commerce), Cheo Hock Kuan (Executive Director and CEO, Temasek Trust), Anna Ryott (Chair of Board, Summa Equity), Amy Jadesimi (CEO, Ladol), MaWeihu (Chairman, China

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Introduction

Purpose
The Standards Guidance for the SDG Impact Standards for Bond Issuers provide additional information and detailed explanation of the Standards’s practice indicators to:

- Help bond issuers apply the Standards by gaining a deeper understanding of the practice indicators
- Support more consistent understanding and application of the Standards across users (bond issuers, assurers, and other users)
- Ensure alignment with key reference frameworks, principles, and tools in the application of the Standards

Using the Standards Guidance
The Standards Guidance should be used in conjunction with:

- About the SDG Impact Standards (see Bond Issuer actions)
- SDG Impact Standards for Bond Issuers
- SDG Impact Standards Glossary

Guidance is set out by practice indicator, generally at the individual practice indicator level and sometimes for several related practice indicators. Not all practice indicators are provided with additional guidance.

The level of aspiration in the Standards is set in line with the changes UNDP believes are consistent with achieving sustainability and the SDGs. They are provided as a best practice guide to show the direction of travel and ultimate goals required.

The assurance framework will set out minimum evidence requirements required to be demonstrated by bond issuers to qualify to use the SDG Impact Seal. The minimum evidence requirements are based on the practice indicators in the Standards but set at a lower level to encourage participation and adoption. Bond Issuers will also need to demonstrate commitment to continuous improvement and progress towards best practice in line with the Standards to continue to meet the requirements to apply the SDG Impact Seal.

Education and training

User training on the SDG Impact Standards
The Standards Guidance is not user training. User training materials and programs tailored to different user groups will be available to support the adoption and implementation of the SDG Impact Standards. Updates will be posted at https://sdgimpact.undp.org/.

Impact Measurement and Management for the SDGs
UNDP has partnered with CASE at Duke University’s Fuqua School of Business to develop a free online training course available through the Coursera platform called Impact Measurement and Management for the SDGs. This is a foundational course covering concepts and frameworks related to impact management. The course assists managers in developing the internal impact management capabilities needed to implement the SDG Impact Standards successfully. You can access the training on the Coursera platform at https://coursera.org/learn/impact-for-sdgs.
Note to Bond Issuers

Introduction
The SDG Impact Standards for Bond Issuers have been developed to help issuers of sustainability themed and SDG linked bonds optimize their contributions to sustainability and the SDGs. They do this by complementing existing, more transactional bond principles frameworks and taxonomies which tend to focus on taxonomy-based project eligibility criteria and how the bond proceeds are dispersed and used. Indeed, to fill existing gaps in current market practices the Standards take a more holistic, less transactional approach to accelerate positive contribution to the sustainability and the SDGs. Rather than focusing only on the bond instrument itself, the Standards focus on two main aspects:

- First, how the Issuer defines its sustainability or impact related objectives within a defined scope and
- Second, how the Issuer’s bond program assists the issuer in achieving those objectives and optimizing its contribution to sustainability and the SDGs.

Key aspects include a focus on the Issuer’s ESG practices at the organization-wide level, linking the SDG Bond Program to a defined sustainability or impact strategy/objectives, setting ambitious targets, and managing to optimize impacts – including by avoiding or significantly reducing material negative impacts, and providing governance oversight.

In terms of sustainability- or SDG-linked bonds (i.e., distinct from more project-based use-of-proceeds bonds), the SDG Impact Standards provide a rigorous framework to determine appropriate outcomes and thresholds and allocations and set ambitious targets and managing towards those targets over time.

The SDG Impact Standards
The SDG Impact Standards for Bond Issuers set out practice indicators across strategy, management, transparency, and governance that increase the likelihood of an issuer having a positive contribution to sustainability and the SDGs through its SDG Bond Program. In most cases, the scope of the practice indicators set out in the Standard is limited to the activities intended to be financed through the SDG Bond Program. Certain indicators relating to respect for human rights, planetary boundaries and other responsible business practices and governance apply to the organization as a whole.

Given the opportunity to apply the Standards within a more limited and defined scope, the SDG Impact Standards for Bond Issuers may also provide an entry point for organizations before adoption of the SDG Impact Standards for Enterprises across the whole organization. To facilitate the adoption of the Standards by Bond Issuers, a set of Bond Issuer business actions, linked to each practice indicators has been creased (see About the SDG Impact Standards document).
SDGs and Impact
The SDG Impact Standards address both the SDGs and Impact. These are linked concepts, but not the same.

The 17 SDGs (and associated targets and indicators) set out an ambitious plan – as part of the 2030 Sustainable Development Agenda – to address critical issues affecting people and planet. The SDG framework is already being widely referenced, adopted, and increasingly integrated into both public and private actors’ organizational systems, reporting and decision-making. While the SDGs, and the initial targets and indicators use 2030 as their reference point for achievement, the overarching structure and the frameworks and infrastructure being built around the SDGs will endure well beyond 2030. The Standards have been designed to be timeless, with Standard users’ able to incorporate advancements in frameworks (including the SDGs), tools and their own and collective understanding over time. The SDGs are not mutually exclusive, and they overlap and interrelate. For example, SDG 4 (quality education) and SDG 5 (gender equality) also need to be considered in all the other SDGs and performance in SDG 17 (partnerships for the goals) will increase performance in other SDGs. They are also an international framework to provide a summary of sustainability issues.

When referring to impacts, the SDG Impact Standards refers to the material impacts resulting from the organizations decisions and operations that affect the well-being of people and the planet and which therefore also contribute to sustainability. First, when identifying the most material impacts, stakeholder engagement may not identify all those material to sustainable development and addressed in the SDGs. Second, although those impacts may be aligned to an existing SDG, they may require different indicators to measure the specific change in well-being the organization is affecting or seeks to influence. Those specific indicators shall be defined, and data collected in a timely manner to inform better decision-making. Thus, it would allow to make decisions that increase the organizations’ likelihood to have a positive contribution to sustainability and the SDGs.

Impacts and dependencies
The Standards focus on how an Issuer defines and identifies material sustainable development issues and manages – and optimizes – its impacts on sustainable development and the SDGs.

For the purpose of these Standards, material sustainable development issues are those that are in the scope of the Bond Issuer sustainability strategy. As mentioned, the SDG Bond Program shall be:

- Linked to bond issuer sustainability strategy
- Related to issues and outcomes that are important to the Stakeholders experiencing (or likely to experience) them
- Related to sustainable development priorities and achieving the SDGs by 2030,
- Related to issues where the Issuer can make (or is making) the most significant (positive and negative) impacts on important outcomes (again, within the scope of the sustainability strategy linked to the SDG Bond Program)
- Considering the sustainability risks and opportunities that are most significant for the Issuer’s own value creation (i.e., its dependencies). Indeed, strong, resilient, and sustainable organizations will have more capacity to contribute positively to sustainable development and the SDGs.
This means that managing and optimizing impacts necessarily requires the management of both the Issuer’s impacts on people and planet and its dependencies on the world around it. Good impact management will help organizations manage and reduce their sustainability dependency risks and capitalize on opportunities, however managing dependencies alone will not always lead to positive outcomes for sustainable development and the SDGs.

**ESG vs SDG Impact**

Current approaches to incorporating environmental, social and governance (ESG) factors into business and investment decision making are grounded in existing risk management mechanisms the market has used for decades to protect financial value. However, these approaches fall short in addressing sustainability challenges. They are insufficient – and no longer future-fit – for governments, businesses, investors, or society seeking to contribute to sustainability (where sustainability includes making financial returns) and achievement of the SDGs at the pace and scale the planet and the people need it.

The SDG Impact Standards have been designed to fill the gaps in current market practices that are undermining progress towards sustainability and achieving the SDGs – and which ultimately threaten economic and financial system stability which organizations depend on to survive and thrive. As the Standards focus on managing the Issuer’s material impacts within the defined scope of the sustainability strategy linked to the SDG Bond Program – which also necessitates management of its dependencies – and have a strong focus on responsible business practices and governance, ESG is fully encapsulated within the Standards but goes beyond traditional ESG approaches.

**SDG 10 – Inequality – the overarching theme of “leaving no-one behind”**

Addressing inequality and “leaving no-one behind” is an overarching objective of the SDGs and these Standards. Creating more inclusive business models that engage base of the pyramid populations in supply and value chains not only provides opportunity for better social outcomes but can reduce sustainability risks to the business and create business opportunities to meet the needs of previously underserved populations.

While gender equality, climate action and decent work are treated as cross-cutting goals in these Standards, inequality and “leaving no-one behind” is overarching, and all actions and decisions should be viewed through this lens. In particular, in terms of managing for more inclusive and equitable outcomes, a focus on making inequality more visible so it can be more effectively managed is key. Many of the practice indicators in the Standards have been designed to help users do this – for example, by involving Stakeholders in decision-making and disaggregating data to ensure the needs of different Stakeholder groups and minority sub-groups are visible and not lost in the process of averaging.
Introduction
The three sets of Principles and the Science Based Targets referenced in the indicator are fundamental to the Standards and are a starting point for making a positive contribution to sustainability and the SDGs. “Corporate sustainability starts with a company’s value system and a principles-based approach to doing business. This means operating in ways that, at a minimum, meet fundamental responsibilities in the areas of human rights, labour, environment, and anti-corruption. Responsible businesses enact the same values and principles wherever they have a presence and know that good practices in one area do not offset harm in another.”

Contributing positively to sustainability and the SDGs cannot be achieved without respecting human rights, planetary boundaries, and other responsible business practices, as included in these three sets of principles and science-based targets, additional context about core elements of which is described in more detail below.

Business and Human Rights
The link between human rights, the SDGs and these Standards is encapsulated in the following quote from UN General Assembly: The Report of the Working Group on the Issue of Human Rights and Transnational Corporations and Other Business Enterprises A/73/163 2018, Paragraph 59. https://ap.ohchr.org/documents/dpage_e.aspx?si=A/73/163. “Business strategies to contribute to the Sustainable Development Goals are no substitute for human rights due diligence. On the contrary, robust human rights due diligence enables and contributes to sustainable development. For businesses, the most powerful contribution to sustainable development is to embed respect for human rights in their activities and across their value chains, addressing harm done to people and focusing on the potential and actual impacts – as opposed to starting at the other end, where there are the greatest opportunities for positive contributions. In other words, businesses need to realize and accept that not having negative impacts is a minimum expectation and a positive contribution to the Goals.”

The UN Guiding Principles for Business and Human Rights (UNGPs) state that “business enterprises should respect human rights. This means that they should avoid infringing on the human rights of others and should address adverse human rights impacts with which they are involved” and that businesses are bound to respect rights recognized under the so-called International Bill of Rights and the principles concerning fundamental rights set out in the International Labour Organization’s Declaration of Fundamental Rights at Work.

The obligation to respect requires businesses to:

- Avoid causing harm (the ‘do no harm’ principle) through their own activities;

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2 https://www.unglobalcompact.org/what-is-gc/mission/principles
• Address such impacts when they occur; and
• Seek to prevent or mitigate adverse human rights impacts when linked to their operations.

To do this, businesses should have the following types of policies and processes in place:

• **A human rights policy**

• **Meaningful human rights due diligence (HRDD) processes** in place to identify, prevent, mitigate, and account for how they address their impacts on human rights. HRDD should cover all of the human rights enshrined in the International Bill of Rights and the ILO Declaration on Fundamental Principles and should focus on risks faced by rights-holders rather than the risks faced by the business. For businesses operating in countries where human rights violations and risks are likelier, they may be required to carry out more comprehensive HRDD. Moreover, regarding conflict-affected areas, the UNGPs state that enterprises “should respect the standard of international humanitarian law”, while also implying that businesses, including investors, should undertake “enhanced” HRDDs, as the “risk of involvement in adverse impacts may be higher than in most other contexts.”

• **Processes to enable the remediation of any adverse human rights impacts they cause or to which they contribute.** Principle 22 of the UNGPs state: “Where business enterprises identify that they have caused or contributed to adverse impacts, they should provide for or cooperate in their remediation through legitimate processes.” These remediation mechanisms, which may involve State-based judicial and non-judicial mechanisms, as well as non-State-based grievance mechanisms, should meet the criteria set out in Principle 31 by being: legitimate, accessible, predictable, equitable, transparent, rights-compatible, a source of continuous learning, and based on engagement and dialogue. Such mechanisms, states the UN Working Group, are critical to effective due diligence, as they reinforce prevention by helping an enterprise to identify concerns and systemic problems and address grievances at an early stage.

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4 Rightsholders could be workers, local community members, human rights defenders, migrant workers, persons with disabilities, indigenous peoples, consumers etc. Although organizations, such as trade unions, are not human rights-holders, they may represent them. The definition of Stakeholders in these Standards is inclusive of rightsholders as defined here.


9 Ibid, principle 31

Transparency and corruption
As per the UN Global Compact Ten Principles, businesses need to include anti-corruption principles and practices into their operations, their internal management of employees and their outreach to other companies in their supply chains – for example, through a Code of Conduct, company rule book, anti-corruption clauses in commercial agreements with third parties, and training for all critical stakeholders.

Responsible tax and responsible lobbying
The behaviours and decisions made or supported by the Issuer should not contradict its policies and stated values, practices, and commitments – which should embed responsible tax and lobbying principles for instance, including in relation to: lobbying and engagement activities with regulators and policy makers, taxation practices including those that use tax-minimization structures that reduce tax revenue in the country in which the activities are taking 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 (BEPS) requirements and principles.

Operating within planetary boundaries
Planetary boundaries define the environmental limits within which humanity can safely operate. Proposed in 2009 by Johan Rockstrom, Stockholm Resilience Centre and Will Steffen, Australian National University. Increasingly, science-based targets are being set and used by organizations to help them operate within planetary boundaries.

Given that climate action is always material within the context of these Standards, the expectation is that Enterprises set and manage to science-based targets – and interim targets – aligned with net zero by 2030 – taking into account that to achieve this outcome for the world, many countries and organizations need to arrive at this outcome sooner to enable a just transition for all.

In November 2022, the United Nations' High-Level Expert Group (UN HLEG) on The Net Zero Emissions Commitments of Non-State Entities released its first report – “Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions”. The recommendations contained within this report are now included in the SDG Impact Standards as guidance for operating within planetary boundaries as this pertains to climate action, with the expectation that organizations implement the report’s principles and recommendations as part of Standards implementation, irrespective of whether they are making public Net Zero pledges or commitments.

The Recommendations set out five principles (ambition, demonstrated integrity, radical transparency, credibility, demonstrable commitment to equity and justice) and ten recommendations, which together, create a universal definition for net zero and standardizes net zero pledges and commitments for non-state entities (the UN HLEG Net Zero Recommendations). In summary, the recommendations call for net zero pledges and commitments:

- To be made by the entire entity, made in public by the leadership, reflective of the entity’s fair share of the needed global climate mitigation.
- Share comprehensive transition plans detailing how targets will be met, highlighting uncertainties, assumptions and barriers, detailing how entities are aligning their internal culture, practices and structures with commitments while also supporting a just transition and publicly report annually on progress against targets and baselines set, with reports to be independently verified and added to the UNFCCC Global Climate Action Portal.
- Contain short-, medium-, and long-term targets (including for 2025, 2030 and 2035) accounting for all GSG emissions with separate targets for material non-carbon emissions (such as fossil methane and biogenic methane) to reach net zero by 2050 in line with the Intergovernmental Panel on Climate Change (IPCC) or International Energy Agency (IEA),
net zero greenhouse gas (GSG) emissions to peak global emissions by 2025 and cut
emissions in half by 2030, modelled on pathways that limit global warming to 1.5 degrees
Celsius with no or limited overshoot, covering the entire value chain of the entity, including
end-use emissions.

- Prioritize urgent (i.e., front-end actions) and deep absolute reduction of emissions across the
value chain to meet scientific requirements and reduce transition risks for entities.
- Only apply high integrity carbon credits for beyond value chain mitigation (i.e., not counted
toward its interim emissions reductions required by its net zero pathway).
- Not support new supply or new investment of fossil fuels, with a need to decommission and
cancel existing contracts.
- By 2025 that operations and investments are not contributing to deforestation, peatland loss
and the destruction of remaining natural ecosystems.
- Actively lobby for positive climate action and not against it and work constructively with
governments to create strong standards and a level playing field.
- Ensure a just transition and sustainable development for all, including by investing in projects
or jurisdictional programmes that prioritize the people and sectors most in need of support.

Promoting gender equality and women’s empowerment
Informed by international labour and human rights standards and grounded in the recognition that
businesses have a stake in, and a responsibility for, gender equality and women’s empowerment,
the UN Women’s Empowerment Principles (WEPs) have been established. They are a set of
Principles offering guidance to business on how to promote gender equality and women’s
empowerment in the workplace, marketplace, and community. Given that gender equality is always
material within the context of these Standards, the expectation is that Issuers set and manage
impacts towards gender equality. Furthermore, for bond issuers, this is an opportunity to
demonstrate their leadership in advancing gender equality. They also offer issuers the opportunity
to diversify their investor base and leverage new sources of financing, as well as the potential to be
included in sustainability indices.

REFERENCE FRAMEWORKS:

- UN Guiding Principles on Business and Human Rights

- The Ten Principles of the UN Global Compact https://www.unglobalcompact.org/what-is-gc/mission/principles
  (Principle 10: “Businesses should work against corruption in all its forms, including extortion and bribery”).

- The UN Women’s Empowerment Principles https://www.weps.org/

- The International Labour Organization’s 8 fundamental conventions for labor standards
  https://www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-
  recommendations/lang--en/index.htm

- High-Level Expert Group (UN HLEG) on The Net Zero Emissions Commitments of Non-State
  Entities report “Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions,

• Rio Declaration on Environment and Development

• United Nations Convention Against Corruption

• UN Convention Against Corruption

• G20 High Level Principles on the Liability of Legal Persons for Corruption (Germany G20, 2017)

• G20 High-Level Principles for Preventing Corruption and Ensuring Integrity in State-Owned Enterprises (Argentina G20, 2018)

• OECD Guidelines for Multinational Enterprises sets out principles and standards for responsible business conduct consistent with applicable laws and internationally recognized standards, including setting objectives with reference to minimum safeguards on topics such as: human rights, labour relations, employment practices, public health and safety, bribery and extortion, science and technology and taxation.

• As part of efforts to bring greater clarity on what the bond market can do to advance gender equality, IFC, in partnership with UN Women and the International Capital Market Association, developed Bonds to Bridge the Gender Gap: A Practitioner’s Guide to Using Sustainable Debt for Gender Equality. The guide provides a framework to the market on how sustainable debt instruments can be used to advance gender equality in both the public and private sectors. https://www.unwomen.org/en/digital-library/publications/2021/11/bonds-to-bridge-the-gender-gap

OTHER RESOURCES:

• OECD Due Diligence Guidance for Responsible Business Conduct helps organizations comply with the OECD Guidelines for Multinational Enterprises providing guidance on setting up due diligence processes to identify and address principal adverse impacts in operations, supply chain and business relationships https://www.oecd.org/investment/due-diligence-guidance-for-responsible-business-conduct.htm

• SDG Action Manager (developed by B Lab and the United Nations Global Compact). The SDG Action Manager is non-sector specific, and its core module is aligned with the UN Guiding Principles for Business and Human Rights and the Ten Principles of UN Global Compact and can serve as a good starting point.

• UNEP FI Human Rights Guidance Tool for the Financial Sector is designed as an online signposting tool providing information on human rights risks for financial institutions. Included in the tool finance practitioners will find background information on human rights and how they relate to finance, relevant international laws, standards and initiatives, key questions to assist in assessing human rights risks and impacts, issues relating to different industry sectors, key human rights topics, links to other relevant resources: https://www.unepfi.org/humanrightstoolkit/

• Doughnut Economics. Doughnut economics is a framework for sustainable development that combines concepts of planetary boundaries with social boundaries. It was developed in 2012 by Kate Raworth, University of Oxford: https://www.kateraworth.com/doughnut/

• Stockholm Resilience Centre (SRC) is an international research centre on resilience and sustainability science – (planetary boundary thresholds) https://www.stockholmresilience.org/about-us.html (planetary boundary thresholds)

• World Economic Forum’s Partnering Against Corruption Initiative (PACI) Principles for Countering Bribery

• ICC Rules on Combating Corruption

• ISO 37001 and 37301

• Section 205 of the GRI Guidelines

SDG Impact Standards Guidance for Bond Issuers
- Assurance Framework for Corporate Anti-Bribery Programmes (TI)
- Resisting Extortion and Solicitation in International Transactions (RESIST) – (UNGC, WEF, ICC and TI)
- Doing Business with Intermediaries Internationally (TRACE)
- G20/B20 Anti-Corruption Toolkit for SMEs
- UNDP Business Integrity Toolkit for Young Entrepreneurs walks young entrepreneurs through the challenges and costs of corruption. It offers practical steps and resources on how to create and ensure business integrity. [https://www.undp.org/publications/business-integrity-toolkit-young-entrepreneurs](https://www.undp.org/publications/business-integrity-toolkit-young-entrepreneurs)
Making sustainability and the SDGs central and contributing positively

Making sustainability and the SDGs central means that sustainability and the SDGs are not just an add on to what business gets done. They become central and are embedded at the core of the sustainability/impact strategy that the issuer’s SDG Bond Program will finance. The lens shifts from a focus on the issues that are expected to impact enterprise value, to a focus on maximizing the positive impact (including by reducing negative impacts) the issuer has on stakeholders, sustainable development, and achievement of the SDGs. In so doing, human well-being and long-term business performance (including sustainability and resilience) can be optimized. Stakeholder expectations and the requirements for sustainable development overlap and will drive strategy and impact goals.

The Better Business Better World report of the Business & Sustainable Development Commission (Jan 2017) describes incorporating the SDGs into organizational strategy as follows: “Incorporate the Global Goals into company strategy. That means applying a Global Goals lens to every aspect of strategy: appointing board members and senior executives to prioritize and drive execution; aiming strategic planning and innovation at sustainable solutions; marketing products and services that inspire consumers to make sustainable choices; and using the goals to guide leadership development, women’s empowerment at every level, regulatory policy, and capital allocation. Achieving the Global Goals will create 380 million new jobs by 2030. You need to make sure your new jobs and any others you generate are decent jobs with a living wage, not only in your immediate operations but across your supply chains and distribution networks. And you need to help investors understand the scale of value that sustainable business can create.”


“Bonds to bridge the gender gap: A practitioner’s guide to using sustainable debt for gender equality” provides specific guidance for bond issuers, building on the social bond principles, the sustainability bond guidelines, and the sustainability-linked bond principles. While the report is focused on gender equality, some of the guidance can be applied across all SDGs. For example, for issuers of use-of-proceeds bonds, issuers have three options when incorporating gender equality objectives into a use-of-proceeds bond: i) as the sole objective of a Social Bond, which is often referred to as a gender bond; ii) alongside other social objectives in a broader Social Bond; or iii) alongside green objectives in a Sustainability Bond. https://www.unwomen.org/en/digital-library/publications/2021/11/bonds-to-bridge-the-gender-gap

Contributing positively

An organization will have positive and negative impacts on stakeholders. A positive impact is a positive change in the level of an impact experienced by a stakeholder in relation to a threshold. When the starting and ending point for that change is below that threshold, efforts shall be made to surpass the minimum threshold. When setting targets, tracking progress, and assessing results, thresholds and allocations shall be considered. Good results (even above the threshold) can still get better. For instance, Improvement reducing negative impacts can show improvement and seem better but still be not enough (below threshold). Positive impact can only occur taking into account the thresholds and allocations.

A positive contribution is made taking all the positive and negative material impacts experienced by people and the planet as a result of the operations within scope into account, including those within the SDGs. Positive impacts are then those that reach a minimum threshold set considering, and at times making a judgement about a mix of, planetary thresholds and allocations, scientific targets,
and stakeholder requirements. Although this is a minimum, the Standards require ambitious and rigorous targets to maximize impact, and set at the level of each expected impact, so that the positive change in contribution is being made at a rate commensurate with planetary thresholds and allocations, scientific targets, stakeholder expectations as well as SDG targets – and taking into account variations in impact within and across Stakeholders and sub-groups with a view to “leaving no-one behind”.

In regard to the Bond Program, the bond guidance published by UN Women and IFC advise that in selecting the type of use-of-proceeds bond, issuers should also consider in their decision, the forecast for the amount of funding required for SDG-related projects in their pipeline, as well as for the other types of projects that could be eligible for a Social or Sustainability Bond (for example, projects that extend beyond improving gender equality or other SDGs). The type of use-of-proceeds bond chosen by the issuer will therefore impact how the issuer contributes positively to the SDGs.

Whether or not a positive contribution is being made, the challenge is that decision making should be increasing the contribution. Where the contribution is in context of thresholds and allocations this is less of a challenge, although the need for targets to be ambitious and rigorous remains. The need for rigorous targets is important for all types of bonds, but especially Sustainability-Linked Bond (SLB), as if an issuer does not achieve its sustainability performance targets, the financial and/or structural characteristics of the bond will be negatively impacted. According to the Sustainability-linked Bond Principles (SLBP), the bond’s pre-defined KPIs must be: core, relevant, and material to the issuer’s overall business and of high strategic significance; measurable or quantifiable; externally verifiable; and benchmarked. Accountability to those experiencing the impacts would still require performance to be maximized. Maximized means maximized subject to existing constraints. But constraints can also be changed, whether these are through capacity, capability, partnerships, or creativity and innovation.

Nonetheless the challenge is greater for an issuer that within the defined scope is currently making a negative contribution or if considered positive overall, still has material negative impacts.

This raises the challenge of considering impacts in the whole, taking positive and negative impacts into consideration, recognizing that not all impacts are equal. Net impact implies quantification including valuation, and valuation would need to consider values in relation to thresholds and allocations and planetary limits. Even where there is thought to be more positive impacts than negative impacts, the focus for allocating resources would be on reducing negative impacts before further increasing positive impacts.

Aligning impact strategy and goals with stakeholder expectations and sustainability context
Stakeholder expectations and the sustainable development context, including the National Development Strategy(ies) in the country(ies) of operation, inform the requirements for sustainable development which overlap with and will drive and the impact goals and strategy. Aligning them may not be immediate so the issuer will need to have an ambitious and rigorous plan for alignment. Stakeholder expectations and requirements for sustainable development can be inconsistent, especially if disaggregated by characteristics such as gender and ethnicity, but need to be incorporated into design of products and services if impact goals are to be achieved.

Where strategy has not yet been implemented and stakeholder expectations have not been derived from stakeholder involvement in line with policy, expectations can be based on initial market research carried out as part of strategy formulation and business planning.
**REFERENCE FRAMEWORKS**

- United Nations, Sustainable Development Goals (SDGs), are the world’s blueprint to achieve a better and more sustainable future for all. Adopted by all 193 UN Member States in 2015, the SDGs comprise 17 integrated and indivisible goals grounded in human rights balancing the three dimensions of sustainable development – economic, social, and environmental. Supported by 169 targets and 230 indicators, the SDGs focus on most pressing issues first with an overarching goal to “leave no-one behind” and are variously referred to as the world’s strategy and the most comprehensive map of need, risk, and opportunity. US$5-7 trillion per year needed to achieve the global goals — requiring both public and private capital. [https://sustainabledevelopment.un.org/topics/sustainabledevelopmentgoals](https://sustainabledevelopment.un.org/topics/sustainabledevelopmentgoals)

- Impact Management Project (IMP), five dimensions of impact, provides guidance on the types of data needed to understand and assess impact performance. The IMP community of 2,000+ practitioners identified five dimensions of impact, which can be broken down into 15 more detailed data categories. Organizations can use the five dimensions as a checklist to ensure the information gathered is sufficient for the decision it will inform (see also the ABC methodology and SDG Impact Standards Glossary). [https://impactmanagementproject.com/impact-management/how-enterprises-manage-impact/](https://impactmanagementproject.com/impact-management/how-enterprises-manage-impact/) and Five Dimensions of Impact (Impact Management Norms), [https://impactmanagementproject.com/impact-management/impact-management-norms/](https://impactmanagementproject.com/impact-management/impact-management-norms/)

- CFO Principles on Integrated SDG Investments and Finance (developed by UN Global Compact convened CFO Taskforce for the SDGs), [https://www.unglobalcompact.org/library/5788](https://www.unglobalcompact.org/library/5788) Principle 1: SDG IMPACT THESIS AND MEASUREMENT, “Business should develop a specific SDG impact thesis, which maximizes their unique capabilities and assets, promotes the most effective private-sector solutions to sustainable development and is updated or expanded over time”; “Align impact thesis with countries’ own needs and priorities for SDG investments (climate and SDG gap analyses and investment plans), and where relevant, focus on priority sectors in less developed markets, considering the unique characteristics of each market, and respecting a common but differentiated approach to the sustainability transition.” Principle 2: INTEGRATED SDG STRATEGY AND INVESTMENTS, “Adopt investment criteria and decision-making processes based on SDG impact, alongside financial risk and return investment criteria”

- UNEPFI Principles for Positive Impact Finance, Definition, Principle 1: Positive Impact Finance is that which serves to finance Positive Impact Business. It is that which serves to deliver a positive contribution to one or more of the three pillars of sustainable development (economic, environmental, and social) once any potential negative impacts to any of the pillars have been duly identified and mitigated. By virtue of this holistic appraisal of sustainability issues, Positive Impact Finance constitutes a direct response to the challenge of financing the Sustainable Development Goals (SDGs).

- UNEPFI Principles for Responsible Banking, Principle 1: Alignment – We will align our business strategy to be consistent with and contribute to individuals’ needs and society’s goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

- United Nations, Sustainable Development Goals (SDGs), are the world’s blueprint to achieve a better and more sustainable future for all. Adopted by all 193 UN Member States in 2015, the SDGs comprise 17 integrated and indivisible goals grounded in human rights balancing the three dimensions of sustainable development – economic, social, and environmental. Supported by 169 targets and 230 indicators, the SDGs focus on most pressing issues first with an overarching goal to “leave no-one behind” and are variously referred to as the world’s strategy and the most comprehensive map of need, risk, and opportunity. US$5-7 trillion per year needed to achieve the global goals — requiring both public and private capital. [https://sustainabledevelopment.un.org/topics/sustainabledevelopmentgoals](https://sustainabledevelopment.un.org/topics/sustainabledevelopmentgoals)


- Impact Management Project (IMP), five dimensions of impact, provides guidance on the types of data needed to understand and assess impact performance. The IMP community of 2,000+ practitioners identified five dimensions of impact, which can be broken down into 15 more detailed data categories. Organizations can use the five dimensions as a checklist to ensure the information gathered is sufficient for the decision it will inform (see also the ABC methodology and SDG Impact Standards Glossary).
CFO Principles on Integrated SDG Investments and Finance (developed by UN Global Compact convened CFO Taskforce for the SDGs), https://www.unglobalcompact.org/library/5788 
Principle 1: SDG IMPACT THESIS AND MEASUREMENT. “Align impact theses with countries’ own needs and priorities for SDG investments (climate and SDG gap analyses and investment plans), and where relevant, focus on priority sectors in less developed markets, considering the unique characteristics of each market, and respecting a common but differentiated approach to the sustainability transition”; “Set goals, targets, and indicators that promote and credibly measure the company’s contribution to relevant SDGs and its mitigation of significant negative impacts, using consistent and comparable metrics that are based on the official SDG targets and indicators”; Principle 2: INTEGRATED SDG STRATEGY AND INVESTMENTS, “Business should translate their SDG impact thesis into strategic objectives and initiatives that build upon the existing corporate strategy and business model”; 

Social Value International "Standard on applying Principle 1: Involve stakeholders" explains options and processes for identifying stakeholders andmeaningfully engaging stakeholders, including sample questions to ask. This Standard talks about how speaking to and involving people who experience change is an essential part of the process. But they also acknowledge that speaking directly to stakeholders is not the only source of relevant information. Third party research may be complementary to what you hear from stakeholders or may be a substitute if your stakeholders are particularly difficult to reach, or if they do not feel comfortable sharing their opinions. https://socialvalueint.org/wp-content/uploads/2019/03/Standard-on-Stakeholder-Involvement-V2.0-FINAL-1.pdf


The Fundamental Principles of Official Statistics (General Assembly resolution 68/261) – where feasible, data should be disaggregated (i.e., segmented) by income, sex, age, race, ethnicity, migratory status, disability and geographic location, or other characteristics pertinent to the Enterprise’s impact goals.

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

The UN Women’s Empowerment Principles (WEPs) https://www.weps.org/ UN Women Private Sector Accountability Framework (UNW-PSAF) - a self-assessment tool for private sector companies to rate their current performance against each WEP, which can also serve as a benchmarking tool over time, https://www.unwomen.org/en/digital-library/publications/2015/9/un-women-private-sector-accountability-framework. A list of KPIs can also be found in Annex 3 of the WEPs brochure https://www.weps.org/sites/default/files/2021-03/WEPs_BROCHURE.pdf


The EMIA enhanced principles offer more specific and granular guidance for EM labelled bonds issuance, to promote the development of a labelled bond market that can make a meaningful contribution to improved environmental, social, and governance - ESG – outcomes. https://www.emia.org/sites/default/files/2021-08/emia-enhanced-labeled-bond-principles.pdf

OTHER RESOURCES:

SDG Action Manager (developed by B Lab and the United Nations Global Compact), is an online tool for exploring how an enterprise’s operations may relate to the SDGs. Based on geography and industry, an enterprise can get a view into the positive impacts created by their operations, supply chain, and business model and the risk areas for each SDG. The SDG Action Manager also enables an enterprise to set goals and track improvement. https://bcorporation.net/welcome-sdg-action-manager

SDG Compass Guide (developed by UN Global Compact, GRI, and WBCSD) provides guidance for companies on how they can align their strategies as well as measure and manage their contribution to the realization of the SDGs https://sdgcompass.org/
• SDG Ambition Benchmark Reference Sheets (developed by the United Nations Global Compact) provide illustrative details on the steps a company can take to integrate actions related to achieving the SDGs into its business systems. As of this recording, there are at least 10 reference sheets covering topics such as Gender Balance Across All Levels of Management, Zero Discharge of Hazardous Pollutants and Chemicals, and 100% of Employees Across the Organization Earn a Living Wage. https://unglobalcompact.org/library/5790

• The SDG Industry Matrix, developed by the UN Global Compact and KPMG, reviews likely SDG intersections for 7 different industries. https://www.unglobalcompact.org/library/3111

• Impact Beacon, developed by Citylight Capital, helps an enterprise define the sectors, issues, impact areas, and outcomes they want to influence, and tells them which SDGs match. Initial industries include environment, education, and safety and care, and others will be added over time. https://impactbeacon.org/?intro


• UNDP SDG Impact Investor Maps are a market intelligence product produced by UNDP Country Offices and partners to help private investors (funds, financiers, corporations) identify investment opportunities and business models that have significant potential to advance the SDGs in specific country or regional contexts. https://sdgitinvestorplatform.undp.org/

• SDG Ambition Benchmark Reference Sheets. The SDG Ambition Benchmark Reference Sheets, provide illustrative details on the steps a company can take to integrate actions related to achieving the SDGs into its business systems. There are at least 10 reference sheets covering topics such as Gender Balance Across All Levels of Management, Zero Discharge of Hazardous Pollutants and Chemicals, and 100% of Employees Across the Organization Earn a Living Wage. https://unglobalcompact.org/library/5790

• Science Based Targets. Thresholds for sustainable development are mostly set at global, national or regional levels. This means metrics may need to be adapted so they are relevant to Enterprises operating in a private sector context. The https://sciencebasedtargets.org/ is a prominent effort which outlines three methods of allocating the global carbon budget to an Enterprise, which are rooted in the best available science for a various decarbonization scenarios. The Science Based Targets Network is another initiative which is working to develop methodologies for translation for other sustainable development issues.


• Other sources of credible data and research include: OECD Statistics, World Bank Data, UN Stats, SDG Tracker, EU Taxonomy for Sustainable Activities


• British Standards Institution, BS 8950 Social value – Understanding and enhancing – Guide (Draft, 2020)


• IRIS+ Metrics, IRIS+ gives users access to generally accepted Core Metrics Sets aligned to common Impact Themes, the ABC impact classifications and the SDGs, [https://iris.thegiin.org/metrics/](https://iris.thegiin.org/metrics/)

• Examples of gender focused Key Performance Indicators and Sustainability Performance Targets for both private and public sector bond issuers are included in [https://www.unwomen.org/sites/default/files/2021-11/Bonds-to-bridge-the-gender-gap-en.pdf](https://www.unwomen.org/sites/default/files/2021-11/Bonds-to-bridge-the-gender-gap-en.pdf) (Tables 1-4)

• The WEPS Transparency and Accountability Framework. This Framework provides a comprehensive list of over 70 indicators which could be relevant for both the public and private sector. These indicators were originally developed as a tool for WEPS signatories, but regardless of whether a company is a signatory to the WEPS or not, these indicators are very useful and entities can certainly pick and choose from the list based on relevance to their organization/project. (see page 5-8). The indicators were identified based on their potential to drive transformative change for gender equality and women’s empowerment in the workplace, marketplace and community and create more equitable economic opportunities for all. Ease and probability of companies to report were also considered during the development and selection of the indicators. They can be found in Annex III of [https://www.weps.org/sites/default/files/2021-05/WEPS_BROCHURE.pdf](https://www.weps.org/sites/default/files/2021-05/WEPS_BROCHURE.pdf)
Guidance Note 1.1.3

Interdependency (1.1.3.1)
The SDGs are interconnected, integrating economic, social, and environmental targets. Changes in one outcome can affect other outcomes directly or indirectly, intentionally, or unintentionally, positively, or negatively.

A lack of progress on one goal can also hinder progress on others, for example, the relationship between inequality and climate action. The interdependency of gender and climate is a prime example; women’s greater dependence on and unequal access to natural resources, public services and infrastructure mean that they are disproportionately affected by environmental degradation and climate change. In turn, gender inequality and the unequal access of women to land and natural resources, finance, technology, knowledge, mobility, and other assets constrain the ability of women to respond and cope in contexts of climate and environmental crises.

Consequently, impacts need to be considered holistically to understand how actions in one area might affect other areas, to understand the overall impact being created, and to avoid unintended negative impacts and consequences.

An issuer’s impacts and its dependencies are also inter-related.

REFERENCE FRAMEWORKS:

- United Nations, Sustainable Development Goals (SDGs), are the world’s blueprint to achieve a better and more sustainable future for all. Adopted by all 193 UN Member States in 2015, the SDGs comprise 17 integrated and indivisible goals grounded in human rights balancing the three dimensions of sustainable development – economic, social, and environmental. Supported by 169 targets and 230 indicators, the SDGs focus on most pressing issues first with an overarching goal to “leave no-one behind” and are variously referred to as the world’s strategy and the most comprehensive map of need, risk, and opportunity. US$5-7 trillion per year needed to achieve the global goals – requiring both public and private capital. https://sustainabledevelopment.un.org/topics/sustainabledevelopmentgoals

- Capitals Coalition Natural and Social and Human Capital Protocols, and Principles of Integrated Capitals Assessments outlines a process that organizations should follow to identify, measure and value their impacts and dependencies on the natural environment and on social and human capital respectively including developing integrated thinking and decision-making capabilities through application of the Protocols.

- Positive Impact Finance Principles (United Nations Environment Programme Finance Initiative, UNEPFI) acknowledge the interconnectedness of sustainability issues and therefore base themselves on a global assessment of positive and negative impacts rather than on the singling-out of sectors, recognizing some sectors are in and of themselves carriers of positive impact but no sector is devoid of potential negative impacts and most sectors arguably carry at least some positive impact for one or the three main pillars of sustainable development.

- UN Women published research that shows SDG 1 won’t be achieved unless women and girls living in poverty are prioritized and reached: https://data.unwomen.org/features/poverty-deepens-women-and-girls-according-latest-projections

- Each year, UN Women collaborates with the UN Statistics Division to report progress on the SDGs from a gender perspective. The result of this collaboration is the annual production of the Progress on the Sustainable Development Goals: The Gender Snapshot. The only report of its kind across the entire UN system, it brings together the latest available evidence on gender equality across all 17 Goals, underscoring the progress made and challenges that remain, and the interdependencies between SDG 5 (gender equality) and other SDGs.
Business models, partnerships, and collaborations (1.1.3.2)
Maximizing the positive contribution to sustainability and the SDGs means thinking about how business models and strategies affect the wider system. This means how a combination of decisions and actions from different actors, when coordinated and aligned, have a higher potential to affect the desired change in wellbeing. Sometimes, working with other organizations and people and may result in changes to business and partnership models, for example:

- Engaging with government bodies to assess how best the organization can support the SDGs in their country/(ies) of operation
- Collaborating or partnering with peers, other actors that collectively have significant control over and cause material sustainable development outcomes, and other experts (including the stakeholders experiencing or expected to experience the outcomes) to arrive at collective solutions
- Supporting local, national, global, or sector-based initiatives to accelerate systemic change
- Exploring blended finance opportunities (e.g., with governments, development finance and philanthropic institutions) that can de-risk or subsidize commercial investment in currently underfunded technologies, sectors, and geographies critical for sustainable development and achievement of the SDGs12
- Exploring technology strategies (including partnerships) for accelerating contribution to sustainable development and the SDGs and/or improving the efficiency and effectiveness of impact management practices.
- Implementing enterprise development, supply chain and marketing practices that empower marginalized groups including women13

REFERENCE FRAMEWORKS:

- CFO Principles on Integrated SDG Investments and Finance (developed by UN Global Compact convened CFO Taskforce for the SDGs), https://www.unglobalcompact.org/library/5788 Principle 1: SDG IMPACT THESIS AND MEASUREMENT. "Identify and mitigate "significant negative impacts on relevant SDGs, based on an analysis of the corporate portfolio and the supply chain and benchmarked against impacts generally associated with comparable assets, activities, or operating contexts"; Principle 2: INTEGRATED SDG STRATEGY AND INVESTMENTS, Business should translate their SDG impact thesis into strategic objectives and initiatives that

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12 see CFO Principles on Integrated SDG Investments and Finance, developed by UN Global Compact convened CFO Taskforce for the SDGs
13 See Women’s Empowerment Principle 5
build upon the existing corporate strategy and business model”; Principle 3: INTEGRATED CORPORATE SDG FINANCE, “Business should develop a comprehensive corporate SDG finance approach to support their contribution to the SDGs, and raise SDG-linked finance commensurate with the nature of SDG investments and the degree of their strategic integration”; “Leverage a full range of financial instruments based on the nature of SDG-aligned investments and the degree of their strategic integration, starting with specific-purpose instruments for isolated assets and activities with generally accepted impact theses (e.g. EU Taxonomy), and evolving towards general-purpose and performance-based instruments for more integrated SDG strategies and investments”; “Maximize the credibility of SDG-linked financial products through a combination of contractual mechanisms (use of proceeds, covenants, pricing) and corporate governance oversight (board of directors, internal controls, accounting, audit and verification, and reporting); “Leverage blended finance from governments, development finance institutions, philanthropic foundations and impact investors to de-risk or subsidize corporate investments for technologies, sectors and geographies that are critical for the SDGs but currently underfunded”; Principle 4: INTEGRATED SDG COMMUNICATIONS AND REPORTING, “Work with peer companies and standard setters to harmonize practices and maximize the utility of integrated reporting, by promoting simplification, readability and a balance between innovation and comparability”; work with rating agencies, external auditors, and second-party opinion providers to ensure the relevance and accuracy of publicly disclosed information and data related to SDG impact, SDG-aligned investments, and SDG-linked finance.”.

- UNEPFI Principles for Responsible Banking, Principle 4: Stakeholders – We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society’s goals.

OTHER RESOURCES:

- SDG Action Manager (developed by B Lab and the United Nations Global Compact) contains a section on Business Model where companies can learn ways in which business models could contribute positively to an SDG.

- UNDP SDG Impact Investor Maps. The SDG Investor Maps are a market intelligence product produced by UNDP Country Offices and partners to help private investors (funds, financiers, corporations) identify investment opportunities and business models that have significant potential to advance the SDGs in specific country or regional contexts. [https://sdginvestorplatform.undp.org/](https://sdginvestorplatform.undp.org/)

- Capitals Coalition Natural and Social and Human Capital Protocols outline a process organizations should follow to identify, measure and value their impacts and dependencies on the natural environment and on social and human capital respectively including by mapping out the links between significant impacts and the business activities that affect or rely on them (see Step 05).


- Maximise Your Impact. A guide for social entrepreneurs (developed by Social Value UK) – guidance to help an organization maximize its positive social value by engaging stakeholders and understanding their objectives and needs in order to design a business model around delivering those objectives.


Stakeholder identification (1.1.3.3)
Stakeholder identification should differentiate between people and organizations that experience impacts and people and organizations that contribute to those impacts. Stakeholders includes both current Stakeholders and potential future stakeholders, including currently excluded sub-groups and stakeholders along the whole organization supply and value chain, its products and services.

Stakeholder identification should consider the appropriate level of disaggregation for use in the identification of most material impacts, impact thesis, definition of “success” for selected impacts, design and development of products and services recognizing that these are likely to be different and the assessment of actual results (progress towards the achievement of selected impacts).

Stakeholder engagement/involvement plan for those experiencing impacts
Stakeholder engagement should be designed to reduce the risk that material impacts (both current and potential future impacts identified based on what matters to stakeholders and achievement of the SDGs) are not identified to an acceptable level. This includes making sure that:

- the engagement is appropriate and inclusive for different stakeholders, for example, any problematic or unequal power dynamics are addressed.
- the approach to identifying potential impacts is open and results have been documented.
- the risk of bias from the person conducting the engagement is recognized and minimized, for example there is a risk of explaining away or not recording negative impacts, or differences between stakeholders and those conducting the engagement.
- Risk of unintended or perverse consequences of the approach has been considered.

The initial assessment is likely to be more demanding and time consuming than in future measurement cycles. A risk-based approach can be taken to the frequency and extent to stakeholder involvement by stakeholder, allowing for changes in the sustainability context and in the characteristics of the stakeholder group.

REFERENCE FRAMEWORKS:

- Social Value International, Principles of Social Value: Principle 1 Involve stakeholders – “inform what gets measured and how his is measured and valued in an account of social value by involving stakeholders (the people who experience change as a result of your activity).”

- Social Value International “Standard on applying Principle 1: Involve stakeholders” explains options and processes for identifying stakeholders and meaningfully engaging stakeholders, including sample questions to ask, and collecting information to help shape strategy and objectives. This Standard talks about how speaking to and involving people who experience change is an essential part of the process. But it also acknowledges that speaking directly to stakeholders is not the only source of relevant information. Third party research may be complementary to what you hear from stakeholders or may be a substitute if your stakeholders are particularly difficult to reach, or if they do not feel comfortable sharing their opinions. https://socialvalueint.org/wp-content/uploads/2019/03/Standard-on-Stakeholder-Involvement-V2.0-FINAL-1.pdf

- Capitals Coalition Natural and Social and Human Capital Protocols provides guidance on how to identify and engage with stakeholders in order to set objectives for a natural and social and human capital based assessment respectively (see Step 02).

• UNEPFI Principles for Responsible Banking, Principle 4: Stakeholders – We will proactively and responsibly consult, engage, and partner with relevant stakeholders to achieve society’s goals.

• UN Women, Inclusive Systemic Evaluation for Gender equality, Environments and Marginalized voices (ISE4GEMs): A new approach for the SDG era - This guide provides an introduction to the new approach focused on engaging with marginalised voices, and includes a summary of the key theoretical concepts as well as guidance and tools for applying it in practice. https://www.unwomen.org/en/digital-library/publications/2018/9/ise4gems-a-new-approach-for-the-sdg-era

OTHER RESOURCES:


• British Standards Institution, BS 8950 Social value – Understanding and enhancing – Guide (Draft, 2020)

• Maximise Your Impact, A guide for social entrepreneurs (developed by Social Value UK) – guidance to help an organization maximize its positive social value by engaging stakeholders and understanding their objectives and needs in order to design a business model around delivering those objectives.


Understanding the sustainable development context (1.1.3.4)
Evidence and relevant social and scientific data from reputable agencies such as government, scientific, community and civil society organizations may be available to better understand the sustainable development context(s) the issuer is operating in.

It is important that this information is:

- Relevant to the people experiencing the impacts. International research or research with a similar group of people but in a different context, that aggregates different groups of people together (such that needs of disadvantaged or marginalized groups are masked), or that excludes certain groups may not be relevant and its use may increase the risk of making sub-optimal decisions. Therefore, data should be sufficiently disaggregated (i.e., segmented) for decision-making, especially regarding excluded or disadvantaged groups. Inclusive data sources may need to be expanded over time to counter for the shortcomings in currently available data sets and factors which might inadvertently compound disadvantage or discriminatory approaches.
- Timely and up to date, especially as the sustainable development context and our understanding of it is changing rapidly.
- Supported by meaningful stakeholder engagement (taking into account stakeholders along the issuer’s whole supply and value chain, its products and services) and does not supplant that engagement either in selection of potential impacts or in design of products and services to create impacts without documented reasons – and therefore informed by 1.1.5.

REFERENCE FRAMEWORKS:

- United Nations, Sustainable Development Goals (SDGs), are the world’s blueprint to achieve a better and more sustainable future for all. Adopted by all 193 UN Member States in 2015, the SDGs comprise 17 integrated and indivisible goals grounded in human rights balancing the three dimensions of sustainable development – economic, social, and environmental. Supported by 169 targets and 230 indicators, the SDGs focus on most pressing issues first with an overarching goal to “leave no-one behind” and are variously referred to as the world’s strategy and the most comprehensive map of need, risk, and opportunity. US$5-7 trillion per year needed to achieve the global goals — requiring both public and private capital. https://sustainabledevelopment.un.org/topics/sustainabledevelopmentgoals

- CFO Principles on Integrated SDG Investments and Finance (developed by UN Global Compact convened CFO Taskforce for the SDGs), https://www.unglobalcompact.org/library/5788 Principle 1: SDG IMPACT THESIS AND MEASUREMENT, “Align impact thesis with countries’ own needs and priorities for SDG investments (climate and SDG gap analyses and investment plans), and where relevant, focus on priority sectors in less developed markets, considering the unique characteristics of each market, and respecting a common but differentiated approach to the sustainability transition”.

- UN Women, Turning promises into action: Gender equality in the 2030 Agenda for Sustainable Development: this report is a comprehensive and authoritative assessment of progress, gaps and challenges in the implementation of the Sustainable Development Goals (SDGs) from a gender perspective, including monitoring of global and regional trends: https://www.unwomen.org/en/digital-library/publications/2018/2/gender-equality-in-the-2030-agenda-for-sustainable-development-2018

- UN Women, the International Finance Corporation, and the International Capital Market Association have published a practical guidance on how to use sustainable bonds to credibly access financing for projects and strategies that advance gender equality objectives and achieve lasting impact. Within the report, there is a list of high-level questions to help private sector issuers identify gender inequalities that are most related to their own operations, spanning across leadership, employees, supply chain, products/services and community engagement. For public sector issuers, they are encouraged to consider their national development priorities, as well as the national action plan for gender equality, international frameworks for gender equality, and laws and policies with

- UN Women and the Intersecretariat Working Group on Household Surveys (ISWGHS) have published a guidance on how data from household surveys can be used to generate disaggregated gender statistics, as a source of data for issuers to understand the sustainability context https://unstats.un.org/unsd/statcom/s2nd-session/documents/BG-31-Executive_Summary_Counted_and_Visible_Toolkit-E.pdf

- The Fundamental Principles of Official Statistics (General Assembly resolution 68/261) – where feasible, data should be disaggregated (i.e., segmented) by income, sex, age, race, ethnicity, migratory status, disability and geographic location, or other characteristics pertinent to the Enterprise’s impact goals.

OTHER RESOURCES:

- UN Sustainable Development Knowledge Platform https://sustainabledevelopment.un.org/vnrs/ contains the sustainable development goals, targets and indicators and information from the Voluntary National Reviews of progress towards achieving the SDGs conducted by member states.

- UN Stats - SDG Indicators Database https://unstats.un.org/sdgs/indicators/database/ provides access to data compiled through the UN System in preparation for the Secretary-General’s annual report on "Progress towards the Sustainable Development Goals" that can be used to identify areas of need in relation to specific SDG targets by SDG indicator.

- The UNEP FI Impact Analysis Tools have been designed open source for banks, investors and their corporate clients and investee companies. They enable practitioners to implement a holistic approach to impact analysis and management. The Corporate Impact Analysis Tool helps banks and investors gain a cross-cutting view of the impact status and possibilities of their clients and investee companies but can also be used as a self-assessment Tool by corporates themselves. The other Tools are specifically designed for banks and investors. Organizations can use the Tools to identify areas of need in relation to specific sustainability topics. The Tools incorporate data on sustainable development needs from various global and regional databases.

- UNDP SDG Impact Investor Maps are a market intelligence product produced by UNDP Country Offices and partners to help private investors (funds, financers, corporations) identify investment opportunities and business models that have significant potential to advance the SDGs in specific country or regional contexts. https://sdginvestorplatform.undp.org/

- OECD Statistics is a database of OECD’s publicly available statistics that can be used to identify areas of need in relation to specific sustainability topics. Especially useful for organizations designing business models to meet the needs of a group of people or the natural environment.

- World Bank Data is a database of the World Bank’s publicly available statistics that can be used to identify areas of need in relation to specific sustainability topics. Especially useful for organizations designing business models to meet the needs of a group of people or the natural environment.


- IFC’s Environmental and Social Performance Standards which define IFC clients’ responsibilities for managing their environmental and social risks and can be applied by other organizations to manage ESG risks (https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards)

- The Equator Principles (EPs) is a risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risk in projects and is primarily intended to provide a minimum standard for due diligence and monitoring to support responsible risk decision-making https://equator-principles.com/about/352/

- Sendai Framework for Disaster Risk Reduction (Sendai Framework) provides Member States with concrete actions to protect development gains from the risk of disaster. It works hand in hand with the other 2030 Agenda agreements, including The Paris Agreement on Climate Change, The Addis Ababa Action Agenda on Financing for Development, the New Urban Agenda, advocating for the substantial reduction of disaster risk and losses in lives,
livelihoods and health and in the economic, physical, social, cultural and environmental assets of persons, businesses, communities and countries.


- UN Women has produced a snapshot of availability of gender disaggregated indicators and data across all SDGs: https://www.unwomen.org/sites/default/files/Headquarters/Attachments/Sections/Library/Publications/2021/Progress-on-the-Sustainable-Development-Goals-The-gender-snapshot-2021-en.pdf

- UN Women has produced specific briefing notes on various SDGs through a gender lens, including SDG 1 (with World Bank), SDG 6, SDG 8, SDG 11.
Determining Materiality (1.1.3.5)

Determining materiality means identifying the issues that matter to a user for making decisions with a specific purpose. For the SDG Impact Standards: the issues are impacts and the users are those experiencing the impacts to their well-being or those required to act in their interests that result from an organization’s work; the decision is to provide resources to organizations or, within organizations, to produce products and services; and the purpose is to contribute positively to sustainability and the SDGs to maximize the well-being of people and planet.

There are three points at which judgements are made that result in the understanding of material impacts where the risk of missing impacts must be considered:

- The initial identification of stakeholders as the impacts experienced by
- The engagement with those stakeholders to identify potential material impacts (relevant) which would include consideration of the SDGs
- The assessment of the significance (2.1.4) to determine a final list of expected material impacts

The approach should be designed to result in a complete list of stakeholders and the impacts that matter to them as a basis for making decisions alongside this plan. The objective is to reduce the risk that impacts are missing that would change decisions being made to increase well-being, and so covers the approach to stakeholder engagement (1.1.3.3), the checks to ensure that potential impacts are being identified through that engagement, including these in the Impact Thesis and Strategy (1.2.2.4 and 1.2.2.5)) and recognizing trade-offs in decision-making are inevitable (2.2.5). This should also include an assessment of the issuer’s relative capabilities and ability to deliver impacts that matter to stakeholders both efficiently and effectively (acknowledging that issuers can decide to change their capabilities to meet stakeholder requirements).

Whether or not a potential impact is material depends on measurement (2.1.4) and the first time, an issuer would start with expected material impacts which is refined over subsequent measurement cycles. This means the initial effort is higher and in subsequent cycles, where materiality judgements have been made based on data, a less frequent check to confirm would be adequate to meet risk tolerance.

The use of predetermined lists of sector level material impacts can help, especially where this is derived from the issuer’s previous application of a materiality policy that is consistent with the definition used in these Standards, but over reliance on this increases the risk that impacts are missing and that decisions will not be optimal (the risk of this happening increases if the sector level resources are based on a more narrow or different definition of materiality than is applied in the Standards).

Inequality (overarching) and gender equality, climate action and decent work are always material (1.2.2.4 – cross cutting goals).

REFERENCE FRAMEWORKS:

- Social Value International (SVI) Principles of Social Value, Principle 3: Value what matters – “Making decisions about allocating resources between different options needs to recognize the values of stakeholders. Value refers to the relative importance of different outcomes. It is informed by stakeholders’ preferences”
• Social Value International (SVI) Standard for applying Principle 3: Value the things that matter – guidance to value impacts from the perspective of affected stakeholders, emphasizing the importance of using data collected directly from stakeholders.

• Social Value International (SVI) Principles of Social Value, Principle 4 – “Determine what information and evidence must be included in the accounts to give a true and fair picture, such that stakeholders can draw reasonable conclusions about impact”.

• Social Value International (SVI) Standard for applying Principle 4: Only include what is material – “Determine what information and evidence must be included in the accounts to give a true and fair picture, such that stakeholders can draw reasonable conclusions about impact”. https://socialvalueint.org/social-value/standards-and-guidance/standard-applying-for-principle-4-only-include-what-is-material/

• Social Value International (SVI) Principles of Social Value, Principle 8: Be Responsive – (work in progress) “making decisions that optimize value for all stakeholder groups materially affected. Consideration of risks and rigour of data in context of decisions being made”.

• CFO Principles on Integrated SDG Investments and Finance (developed by UN Global Compact convened CFO Taskforce for the SDGs), https://www.unglobalcompact.org/library/5788 Principle 1: SDG IMPACT THESIS AND MEASUREMENT, “Identify and mitigate “significant negative impacts on relevant SDGs, based on an analysis of the corporate portfolio and the supply chain and benchmarked against impacts generally associated with comparable assets, activities, or operating contexts”; “Align impact thesis with countries’ own needs and priorities for SDG investments (climate and SDG gap analyses and investment plans), and where relevant, focus on priority sectors in less developed markets, considering the unique characteristics of each market, and respecting a common but differentiated approach to the sustainability transition”.

OTHER RESOURCES:

• SDG Action Manager (developed by B Lab and the United Nations Global Compact) has been designed to help users learn which SDGs matter most based on enterprise profile, get a clear view of how the enterprise’s operations, supply chain, and business model create positive impact, and identify risk areas for each SDG.

• The UNEP FI Impact Analysis Tools have been designed open source for banks, investors and their corporate clients and investee companies. They enable practitioners to implement a holistic approach to impact analysis and management. The Corporate Impact Analysis Tool helps banks and investors gain a cross-cutting view of the impact status and possibilities of their clients and investee companies but can also be used as a self-assessment Tool by corporates themselves. The other Tools are specifically designed for banks and investors. The identification phase of the Tools’ workflow helps users identify their most significant impact areas based on the nature of their business and the sustainability needs of the countries in which they operate. The Tools have in-built sector mappings which consider positive and negative impacts of business sectors and activities on specific sustainability topics and needs mappings which provide data on global and country specific sustainable development needs from various global and regional databases. These are also available as standalone resources.

• SDG Industry Matrix, developed by the UN Global Compact and KPMG, which reviews likely SDG intersections for 7 different industries

Impact Beacon, developed by Citylight Capital, which helps an enterprise define the sectors, issues, impact areas, and outcomes they want to influence, and suggests which SDGs match. Initial industries include environment,

Incorporating sustainability risk and opportunities (1.1.3.6)
Impact risk is the risk that the impact does not occur when expected and/or is less than expected which includes being negative. It is borne by the stakeholders (people and planet) who experience the impact. Decisions should therefore consider the risk tolerance of those who experience the impact, for example, the issuer’s risks register should include stakeholder risk tolerance (which if unknown, should be assumed to be low). A description of the different types of impact risk is provided in the glossary.
The stakeholder engagement process and reports arising from the engagement could consider risk tolerance.

Decisions made should separate out impact and financial or organizational risks.

**REFERENCE FRAMEWORKS:**

- Impact Management Project (IMP), five dimensions of impact, provides guidance on the types of data needed to understand and assess impact performance. The IMP community of 2,000+ practitioners identified five dimensions of impact, which can be broken down into 15 more detailed data categories. Organizations can use the five dimensions as a checklist to ensure the information gathered is sufficient for the decision it will inform (see also the ABC methodology and SDG Impact Standards Glossary). [https://impactmanagementproject.com/impact-management/how-enterprises-manage-impact/](https://impactmanagementproject.com/impact-management/how-enterprises-manage-impact/) and Five Dimensions of Impact (Impact Management Norms), [https://impactmanagementproject.com/impact-management/impact-management-norms/](https://impactmanagementproject.com/impact-management/impact-management-norms/)

**OTHER RESOURCES:**

- The OECD 2010 guidance explores how to define risk mitigating measures. For negative effects identified in any of the domains, the following mitigation hierarchy should be followed: first avoid, second reduce, and third offset. Some basic rules should be respected in the appraisal process (Hugé, 2008):
  - ensure a full justification for a partially non-sustainable option by the party proposing this option;
  - avoid significant negative effects;
  - ensure the future is protected (no transfer of negative effects to next generations); and
  - ensure explicit, open, and sound arguments for the choices proposed (transparency).

- SDG Action Manager (developed by B Lab and the United Nations Global Compact). Each module within the SDG Action Manager contains a section on Risk Level where companies can learn about sensitive industries, practices, outcomes, and a lack of information that may pose a risk to an SDG. Scored separately from the other sections (and presented as a flag rating), the Risk Level section does not assume actual negative impact based on the company’s responses but is intended to indicate risk and potential priority areas for a company to consider when taking action.

- **SCENARIO ANALYSIS** by Managing for Impact

- CDP Questionnaires are a tool to measure and disclose on climate change, forests, and water security impacts. These online questionnaires provide a framework for companies to provide environmental information to their stakeholders covering governance and policy, risks and opportunity management, environmental targets and strategy, and scenario analysis.
Scenario and sensitivity analysis (1.1.3.7)

Decisions are made in uncertainty, based on assumptions about the future that may or may not eventuate. Scenario analysis helps decision makers make more robust risk-based decisions by stress testing the potential variability (sensitivity) of impacts based on changes to the assumptions on which the decisions are made.

Depending on how important the impacts are to stakeholders, their tolerance for unexpected outcomes, the ability and speed to reverse decisions and negative impacts, and the sophistication of the issuer, the process may be as simple as constructing plausible scenarios based on an expected case, a worst case, and a best case, scenario, or may use more sophisticated modelling techniques such as running Monte Carlo simulations.

**REFERENCE FRAMEWORKS:**

- Gender is used as part of scenario and sensitivity analysis. See UN Women’s work on gender and poverty, which includes policy scenario analysis, technical paper [here](#), 2020 report using this work on gender and covid (see poverty spread) [here](#), latest 2022 update can be found [here](#). UN Women’s [data.unwomen.org](http://data.unwomen.org) will allow users to experiment with different policy scenarios (forthcoming Summer 2022).

**OTHER RESOURCES:**

- CDP Questionnaires are a tool to measure and disclose on climate change, forests, and water security impacts. These online questionnaires provide a framework for companies to provide environmental information to their stakeholders covering governance and policy, risks and opportunity management, environmental targets and strategy, and scenario analysis.


- UN Women has conducted forecasting and simulation on addressing poverty from a gender perspective, as an example of how these types of simulations can be done [https://data.unwomen.org/features/poverty-deepens-women-and-girls-according-latest-projections](https://data.unwomen.org/features/poverty-deepens-women-and-girls-according-latest-projections)
Strategy always on and embedding continuous improvement (1.1.3.8)
The sustainable development context is dynamic and constantly changing. Further, as the issuer collects data and monitors its impact performance, it will learn about what’s working well, what needs refinement, and what’s not working. Strategy and goal setting is not a set-and-forget exercise and should be periodically (for instance annually) reviewed and updated as appropriate, including by incorporating:

- lessons from the issuer’s engagement with partners and stakeholders
- lessons from the issuer’s impact performance (e.g., evaluating deviations from expected outcome/impact performance, recognizing unintended positive or negative outcomes/impacts, and eventual need of corrections to future plans)
- changes in the sustainable development context (e.g., regulatory changes, technological advances, other actors’ activities, possibility of local political developments or public reactions, changes to in-country SDG priorities or needs)
- updated research, evidence, and/or approaches.

This process creates systematic feedback loops to support continuous improvement in impact practices and performance. For example, impacts that may have been expected to be “positive” in the planning phase that might no longer be sufficient and/or relevant for the stakeholders experiencing the impact.

REFERENCE FRAMEWORKS:

- CFO Principles on Integrated SDG Investments and Finance (developed by UN Global Compact convened CFO Taskforce for the SDGs), https://www.unglobalcompact.org/library/5788 Principle 1: SDG IMPACT THESIS AND MEASUREMENT, “Business should develop a specific SDG impact thesis, which maximizes their unique capabilities and assets, promotes the most effective private-sector solutions to sustainable development and is updated or expanded over time”.

- The WEPS Framework which supports business on a journey of continuous improvement. Adopting the WEPS is a continuous journey of six main stages. The Journey guides WEPS signatories through: (1) gathering internal support for signing the WEPS (Consider), (2) collecting information required for a signature (Sign), (3) showing the company commitment to gender equality on the company profile page (EN, JP) and activating internal stakeholders with the help of industry-specific practices and recommendations (Activate), (4) engaging external stakeholders through the value chain (Engage), (5) gathering data against the WEPS Transparency and Accountability Framework (Sustain), and (6) reporting on eight key performance indicators on their WEPS company profile pages (Report). More information about the WEPS Journey can be found in the WEPS Brochure.

OTHER RESOURCES:
Adequate resourcing (1.1.3.9)
Integrating sustainability and impact management into decision-making requires investment in terms of resourcing, leadership and building capability, which if not adequately budgeted for will undermine strategy implementation. While targets shall be commensurate to the resources allocated, efforts shall be made to maximize contribution to the sustainability and the SDGs.

REFERENCE FRAMEWORKS:

- CFO Principles on Integrated SDG Investments and Finance (developed by UN Global Compact convened CFO Taskforce for the SDGs), https://www.unglobalcompact.org/library/5788 Principle 2: INTEGRATED SDG STRATEGY AND INVESTMENTS, “Determine specific internal resources, investments, (R&D, capex, M&A, FDI) and funding needs to implement the SDG impact thesis and integrated strategy and analyze the financial risk-return profile (IRR) of SDG investments”.

- Capitals Coalition Capitals Protocols. The Natural Capital Protocol highlights the consideration of the trade-off between investing in building skills and institutional knowledge within internal staff and hiring external specialists with significant technical expertise. It also gives an example of indicative resources that may be needed throughout an assessment within the context of natural capital (see Step 01).

OTHER RESOURCES:
Guidance Note 1.2.1
Additional guidance not provided

Guidance Note 1.2.2

Ambitious and rigorous impact goals (1.2.2.2)
The issuer setting rigorous and ambitious goals is fundamental to the argument that these will drive decision making that, taken up across the ecosystem, would maximize contribution to sustainability and the SDGs. Ambitious goals also relate to the need for continuous improvement.

Goals may be descriptive but must be measurable and therefore associated with indicators and quantitative targets. The encouragement of debate between those setting the targets, approving them and those implementing the strategy to deliver on those targets, who are responsible for holding the management to account is key.

Where there is an element of performance related pay in relation to those targets there will need to be more willingness by directors to ensure that those payments meet directors’ fiduciary responsibilities and the approach to impact management may be less risky.

Targets
The process for setting targets should consider the local context:

• Wider market and sustainability developments, including SDG goals and timescales
• Thresholds and allocations, and allocation of those goals
• Inequality, gender equality, climate action and decent work
• Recognition and prevention or mitigation of material negative impacts
• Trade-offs between positive and negative impacts in decision making
• The relationship between impact targets, impact risk and risk tolerance
• The relationship between impact targets and risk adjusted expected financial returns
• Scale

Ambitious targets
A process for ambitious targets requires:

• Assessing current performance (establishing baseline)
• Estimating thresholds within that allocation for each relevant impact both positive and negative
• Setting targets within the longer-term strategy for the business and the impact thesis over the coming years, recognizing the need for targets to be in relation to thresholds for each impact
• Comparison with peers and competitors recognizing that comparators must also meet these requirements to be a useful benchmark
• Agreement and sharing of targets with identified collaborations
• Separation of roles between preparation, approval and delivery of goals
• Process to adjust targets
  o Regular director review of performance against targets that then informs future targets
  o Changes made to address the results of that review, covering both strategy and operations
• A process to check progress on those actions
**Rigorous targets**

A process for rigorous targets necessitates quantified indicators or metrics (SMART), based on:

- Definitions as used in the Standards, including dimensions of impact in setting targets (2.1.4)
- Stakeholder involvement to inform potential impacts and to understand and quantify the relative importance of impacts (1.1.3.3)
- Materiality process that ensures completeness of all material impacts (1.1.3.5)
- Sufficient segmentation that captures relative differences between stakeholder groups and sub-groups
- Relate impacts to SDGs and ABC classifications (1.2.2.3)

**Thresholds and allocations (1.2.2.6)**

A threshold is a societal norm or ecological level that is the social minimum that must be reached or an environmental maximum that must not be breached for an impact to be positive. For some impacts these can be set within the context of planetary capacities. For others social norms within the context of human rights may be required. The threshold defines the acceptable range for the impact. Performance outside of the acceptable range is negative or unsustainable. Performance within the acceptable range is positive or sustainable. Allocations represent the fair, just and proportionate share of responsibilities to maintain common capital resources.

Thresholds reflect allocation and should be set at a relevant scale which could be set locally, nationally, or internationally. They should also consider the affected stakeholder’s perspective, so stakeholder feedback can be an important way to corroborate thresholds, especially when they are not well-established. (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. Precedence should be given to international norms where locally set thresholds are unavailable or lower than international norms.)

The Enterprise should default to using international norms when locally set thresholds are lower than international norms or not available.

There are two methods of arriving at thresholds for sustainable development:

- The first is grounded in natural or social sciences. Through research and empirical study, this method produces evidence to help organizations understand how their actions affect the people and natural resources they interact with (e.g., climate science).
- The second is stakeholder expectations, recognising that stakeholder expectations are critical to gaining insights that will inform decisions to maximising contribution to sustainability and the SDGs.

Bond Issuers should look to identify authoritative institutions which provide credible sources of thresholds for the impact they are trying to measure. Where established thresholds are not available, bond issuers will need to determine a relevant threshold themselves. These will be informed by their duties and obligations which, in the context of the standards, relate to responsible business practices as determined in UNGPs, UNGC Ten Principles and UN Women’s Empowerment Principles. These also require stakeholder engagement, so that at least the perspective of the
affected Stakeholder is included, and drawbacks of other methods can be mitigated (for example they are often historical and "universal" and may have entrenched bias, for instance, gender bias).

Bond issuers may find that they have a choice between several credible thresholds. For example, when considering the outcome of income from employment, a bond issuer might consider the national minimum wage, the national living wage, or a regional living wage. In such cases, the bond issuer should select the more ambitious threshold, so long as it is relevant to the affected stakeholder group. Bond issuers may consider testing the relevance of thresholds through stakeholder engagement. It is important to note that setting ambitious thresholds provide incentives for continuous improvement even if reaching the target might take longer to achieve. It also increases the chances to find solutions that will be most impactful.

Allocations are grounded in ethics and look to social norms for what is considered fair in society. These norms may be enshrined in law or formalized through institutions that have legitimacy in producing associated reference documents (e.g., ILO Conventions).

Where responsibilities are shared, there are three main methods of estimating an allocation ie the bond issuer’s share. These are: economic (an organization’s value-added contribution to GDP); Per Capita (an organization’s FTE percentage of the broader reference population); or physical (an organisations market share of the number of widgets). For some issues, for example those relating to equity like gender equality, there may not be an allocation as the threshold, is the same for all bond issuers. The assessment of allocations is not prescriptive and will depend on the context and require judgement.

**Ensuring impact goals are sufficiently targeted**
Impact goals should account for relative differences between stakeholder groups – and different segments within stakeholder groups. For example, on average the SDG threshold may be met, however outcomes for certain stakeholder sub-groups (e.g., socio-economically disadvantaged groups, indigenous peoples, religious or racial minority groups, people living with disability, women) may be significantly below the threshold level. This requires making intergroup comparisons of impact, which in turn requires transparent valuation of impacts (including incorporating the perspectives of those experiencing the impacts into the valuation process).

**Setting impact goals to avoid or significantly reduce all material negative impacts (1.2.2.5)**
This includes taking into account all expected material direct and indirect, intentional and unintentional (upstream and downstream) impacts that arise as a consequence of decisions, actions and business relationships. Goals can also be set to improve the identification and management of indirect impacts over time, recognizing the challenges that currently exist.

Avoiding or significantly reducing expected negative impacts is a positive contribution to sustainable development and the SDGs when reaching the threshold level.
Amplifying impact through setting market leadership and collective action goals (1.2.2.4)
The SDGs are a shared responsibility and require partnerships and collaboration to realize. Impact can be amplified through setting market leadership and collective action goals to further enable the SDGs, for example:

- sharing SDG impact data and lessons publicly (e.g., sharing case studies about which business models in which contexts are effective at tackling specific SDG targets; sharing examples of the different decisions made as a result of impact data)
- 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
- mentoring and enabling others
- building stakeholders’ capacity (especially underserved and/or vulnerable populations)
- 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
- promoting policy reforms.

Cross-cutting goals (1.2.2.4)
For the purposes of applying the Standards, reducing inequality is an overarching objective and gender equity, climate action and decent work\(^\text{14}\) are always material as they are key priority areas that underpin global sustainable development and require collective action to progress.

However, with respect to climate action, cross-cutting goals should take into account the development context, ensuring that developing countries and regions’ ability to achieve important development outcomes are not jeopardized by unreasonable cross-cutting goals on climate action that are more fairly borne by more developed countries, and recognizing the interdependency between inequality and development issues and climate action.

Setting impact goals across the five dimensions of impact (1.2.2.3)
An impact goal set across the five dimensions of impact is an expression of expected impact performance. It should include who is affected, what outcome occurs for them, how much that outcome changes, the contribution the issuer expects to make to the change, and the risk that the impact is different from that expected. Quantified targets using both the dimensions and the assessment of materiality that incudes relative preferences on the set of impacts can then be set.

\(^{14}\) International Labour Organization (ILO)’s definition of decent work involves opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for peoples to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men. The four pillars of the ILO Decent Work Agenda are: (i) employment creation, (ii) social protection, (iii) rights to work, and (iv) social dialogue.
After considering each of the five dimensions, an issuer is able to classify its specific impact goals according to the ABC impact classifications, which may be helpful in describing and summarizing the nature and depth of its impact intentions to stakeholders.

Reducing the potential for unintended consequences (1.2.2.7)
The success of deploying an impact strategy needs to consider potential unintended consequences and limit its negative outcomes. When setting impact goals, the interdependency of the SDGs and whether the strategic goals or metrics selected may inadvertently redirect resources and attention from where they are needed most or incentivize unintended or undesirable behaviours that reduce positive impact or create or increase negative impact should be considered.

SoPact gives an example of how to manage this: Understanding how local beneficiaries live, the particularities of their culture, and what difficulties they encounter in their day-to-day not only serves to improve program design but also serves to illuminate potential negative externalities an intervention could cause or exacerbate. Defining those possibilities early on and planning for any eventuality can help ensure they do not come to pass or, if they do, ensure that those effects can be mitigated.

REFERENCE FRAMEWORKS:

- United Nations, Sustainable Development Goals (SDGs), are the world’s blueprint to achieve a better and more sustainable future for all. Adopted by all 193 UN Member States in 2015, the SDGs comprise 17 integrated and indivisible goals grounded in human rights balancing the three dimensions of sustainable development – economic, social, and environmental. Supported by 169 targets and 230 indicators, the SDGs focus on most pressing issues first with an overarching goal to “leave no-one behind” and are variously referred to as the world’s strategy and the most comprehensive map of need, risk, and opportunity. US$5-7 trillion per year needed to achieve the global goals – requiring both public and private capital. https://sustainabledevelopment.un.org/topics/sustainabledevelopmentgoals

- UN Guiding Principles on Business and Human Rights

- Impact Management Project (IMP), five dimensions of impact, provides guidance on the types of data needed to understand and assess impact performance. The IMP community of 2,000+ practitioners identified five dimensions of impact, which can be broken down into 15 more detailed data categories. Organizations can use the five dimensions as a checklist to ensure the information gathered is sufficient for the decision it will inform (see also the ABC methodology and SDG Impact Standards Glossary).

- Social Value International (SVI) Principles of Social Value, Principle 1: Involve stakeholders – “Inform what gets measured and how this is measured and valued in an account of social value by involving stakeholders (the people who experience change as a result of your activity)”.

- Social Value International (SVI) “Standard on applying Principle 1: Involve stakeholders” explains options and processes for identifying stakeholders and meaningfully engaging stakeholders, including sample questions to ask. This Standard talks about how speaking to and involving people who experience change is an essential part of the process. But they also acknowledge that speaking directly to stakeholders is not the only source of relevant information. Third party research may be complementary to what you hear from stakeholders or may be a substitute if your stakeholders are particularly difficult to reach, or if they do not feel comfortable sharing their opinions.
• Social Value International (SVI) Principles of Social Value, Principle 4 – “Determine what information and evidence must be included in the accounts to give a true and fair picture, such that stakeholders can draw reasonable conclusions about impact”.

• Social Value International (SVI) Standard for applying Principle 4: Only include what is material – “Determine what information and evidence must be included in the accounts to give a true and fair picture, such that stakeholders can draw reasonable conclusions about impact”. https://socialvalueint.org/social-value/standards-and-guidance/standard-applying-for-principle-4-only-include-what-is-material/

• The Ten Principles of the UN Global Compact https://www.unglobalcompact.org/what-is-gc/mission/principles

• The UN Women’s Empowerment Principles https://www.weps.org/


• OECD Guidelines for Multinational Enterprises sets out principles and standards for responsible business conduct consistent with applicable laws and internationally recognized standards, including setting objectives with reference to minimum safeguards on topics such as: human rights, labour relations, employment practices, public health and safety, bribery and extortion, science and technology and taxation.

• CFO Principles on Integrated SDG Investments and Finance (developed by UN Global Compact convened CFO Taskforce for the SDGs), https://www.unglobalcompact.org/library/5788 Principle 1: SDG IMPACT THESIS AND MEASUREMENT, “Identify and mitigate “significant negative impacts on relevant SDGs, based on an analysis of the corporate portfolio and the supply chain and benchmarked against impacts generally associated with comparable assets, activities, or operating contexts”; “Set goals, targets, and indicators that promote and credibly measure the company’s contribution to relevant SDGs and its mitigation of significant negative impacts, using consistent and comparable metrics that are based on the official SDG targets and indicators”; Principle 2: INTEGRATED SDG STRATEGY AND INVESTMENTS, “Business should translate their SDG impact thesis into strategic objectives and initiatives that build upon the existing corporate strategy and business model”.

• UNEPFI Principles for Responsible Banking, Principle 3: Clients and Customers – WE will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

• UNEPFI Principles for Responsible Banking, Principle 2: Impact & Target Setting – We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and the environment resulting from our activities, products, and services. To this end, we will set and publish targets where we can have the most significant impacts.

• Social Value International (SVI) Principles of Social Value, Principle 4 – “Determine what information and evidence must be included in the accounts to give a true and fair picture, such that stakeholders can draw reasonable conclusions about impact”.

• Social Value International (SVI) Standard for applying Principle 4: Only include what is material – “Determine what information and evidence must be included in the accounts to give a true and fair picture, such that stakeholders can draw reasonable conclusions about impact”. https://socialvalueint.org/social-value/standards-and-guidance/standard-applying-for-principle-4-only-include-what-is-material/

• See UN Women’s SDG 5 tracker for all SDG 5 indicators, published in collaboration with UNSD and with inputs from relevant custodian agencies. Pages 22-27 of report here and a short blog piece for the World Data Forum here. For each SDG 5 indicator, based on a set of quantitative grids, progress on achievement of levels is assessed along with trend assessments where available. This tracker includes data on country, regional, global levels.

OTHER RESOURCES:
• R3.0 work with UNRISD – https://r3dot0.medium.com/thresholds-of-transformation-a-common-denominator-to-transcend-incrementalism-unrisd-r3-0-74ff499bcdb

• SHIFT (human rights thresholds)

• UN Stats - SDG Indicators Database https://unstats.un.org/sdgs/indicators/database/ provides access to data compiled through the UN System in preparation for the Secretary-General's annual report on "Progress towards the Sustainable Development Goals" that can be used to identify areas of need in relation to specific SDG targets by SDG indicator.

• OECD Statistics is a database of OECD's publicly available statistics that can be used to identify areas of need in relation to specific sustainability topics. Especially useful for organizations designing business models to meet the needs of a group of people or the natural environment.

• World Bank Data is a database of the World Bank’s publicly available statistics that can be used to identify areas of need in relation to specific sustainability topics. Especially useful for organizations designing business models to meet the needs of a group of people or the natural environment.

• Stockholm Resilience Centre (SRC) is an international research centre on resilience and sustainability science – (planetary boundary thresholds) https://www.stockholmresilience.org/about-us.html (planetary boundary thresholds)

• How to guide for Setting Science Based Targets by the Science Based Targets Initiative provides guidance for a translating planetary thresholds related to green-house gas emissions into company-specific targets which incorporate a ecological threshold for a given global warming scenario.

• Science-Based Targets for Nature Initial Guidance for Business by the Science Based Targets Network provides guidance for setting science-based targets relating to nature by translating planetary thresholds and societal goals into company-specific targets for air, water, land, biodiversity and ocean.

• OECD Due Diligence Guidance for Responsible Business Conduct helps organizations comply with the OECD Guidelines for Multinational Enterprises providing guidance on setting up due diligence processes to identify and address principal adverse impacts in operations, supply chain and business relationships.

• SDG Action Manager (developed by B Lab and the United Nations Global Compact) has a goal-setting functionality which enables users to set specific goals with timelines for each question within a given SDG. Each question within the SDG Action Manager is mapped to SDG targets. The SDG Action Manager also enables users to get a clear and holistic view of how a company’s operations, supply chain, business model and collective action create positive impact, and identify risk areas for each SDG.

• SDG Compass Guide (developed by UN Global Compact, GRI, and WBCSD) provides guidance for companies on how they can align their strategies as well as measure and manage their contribution to the realization of the SDGs https://sdgcompass.org/

• SDG Ambition (an accelerator initiative developed by the UN Global Compact) aims to challenge and support participating companies of the UN Global Compact in setting ambitious corporate targets and accelerating integration of the SDGs into core business management. Established in partnership with several UN Global Compact companies, the accelerator program provides participating companies with detailed guidance and training on how to integrate and mainstream sustainability goals across business units by pioneering a performance integration approach that utilizes enabling technologies.

• SDG Ambition Guide (developed by the UN Global Compact) establishes the initial set of SDG Ambition benchmarks to support goal setting and the development of corporate targets in the areas in which business is positioned to have a substantial impact. Business leaders can use the guide to support their strategy and set goals ambitious enough to deliver the SDGs by 2030.

• The UNEP FI Principles for Responsible Banking target setting guidance documents provide banks with guidance on setting targets on a range of sustainability topics: biodiversity, financial health & inclusion, climate, gender equality.

• IFC’s Environmental and Social Performance Standards which define IFC clients’ responsibilities for managing their environmental and social risks and can be applied by other organizations to manage ESG risks (https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies- Standards/Performance-Standards)
• **The Equator Principles (EPs)** is a risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risk in projects and is primarily intended to provide a minimum standard for due diligence and monitoring to support responsible risk decision-making [https://equator-principles.com/about/352/](https://equator-principles.com/about/352/)

• UNDP SDG Impact Investor Maps are a market intelligence product produced by UNDP Country Offices and partners to help private investors (funds, financiers, corporations) identify investment opportunities and business models that have significant potential to advance the SDGs in specific country or regional contexts. [https://sdginvestorplatform.undp.org/](https://sdginvestorplatform.undp.org/)


• SEAF Gender Equality Scorecard Manual – [https://www.seaf.com/ges-manual/](https://www.seaf.com/ges-manual/) Gender Equality Scorecard (GES) assesses women’s economic empowerment and gender equality within growth-orientated small and medium-sized enterprises (“SMEs”). The manual provides clear guidance on how to utilize the tool and objectively score a company when assessing its demonstrated commitment to gender equality through six gender equality performance vectors. This is a more specific tool than the tool developed by UN Women on assessing a company based on the Women’s Empowerment Principles.

• 2X Challenge Financing for Women – [https://www.2xchallenge.org/criteria](https://www.2xchallenge.org/criteria) These are a set of criteria to help DFIs and other investors identify which transactions could be reported towards benefiting women. The 2X Criteria invest in women in five key ways to meet a range of objectives. These are specifically focused on investors, and can be used alongside the UN Women Women’s Empowerment Principles, which are more general.

• The UNEP FI Impact Analysis Tools have been designed open source for banks, investors and their corporate clients and investee companies. They enable practitioners to implement a holistic approach to impact analysis and management. The Corporate Impact Analysis Tool helps banks and investors gain a cross-cutting view of the impact status and possibilities of their clients and investee companies but can also be used as a self-assessment tool by corporates themselves. The other Tools are specifically designed for banks and investors. The Tools help users identify their most significant impact areas and guide them on their performance assessment based on which targets should be set. The Tools have an in-built indicator library which provides a compilation of impact-related indicators and metrics, useful for setting meaningful targets. This is also available as a standalone resource.

• The Fundamental Principles of Official Statistics (General Assembly resolution 68/261) – where feasible, data should be disaggregated (i.e., segmented) by income, sex, age, race, ethnicity, migratory status, disability and geographic location, or other characteristics pertinent to the Enterprise’s impact goals.


• OECD Directorate for Financial and Enterprise Affairs, Guidelines for Due Diligence and Stakeholders Engagement in Investments, [https://www.oecd.org/fr/daf/inv/](https://www.oecd.org/fr/daf/inv/)

• British Standards Institution, BS 8950 Social value – Understanding and enhancing – Guide (Draft, 2020)


• OECD Directorate for Financial and Enterprise Affairs, Guidelines for Due Diligence and Stakeholders Engagement in Investments, [https://www.oecd.org/fr/daf/inv/](https://www.oecd.org/fr/daf/inv/)
• The Future-Fit Benchmarks developed by Natural Step which identify a set of ‘absolute’ goals that are based on social and natural science and that all companies must ultimately strive to reach, irrespective of the products or services they offer.

• WBCSD’s Action2020 which sets the agenda for business to take action on sustainable development to 2020 and beyond. Action2020 defines societal targets, ‘Societal Must-Haves’ and around nine Priority Areas, based on a scientific review led by the Stockholm Resilience Centre.

• The United Nations website contains public commitments to goals and targets announced by companies.

• PivotGoals by Winston Eco-Strategies which allows users to browse goals and targets set by Global 500 companies. Adapted from SDG Compass Guide 2015.

• Reconstructing Baseline Data for Impact Evaluation and Results Measurement by the World Bank – for when baseline data is missing

• GRI Sustainability Reporting Standards are designed to help organizations understand and report their impacts in a way that meets the needs of multiple stakeholders. There are a set of Universal Standards that apply to all organizations, and 35 Topic Standards that contain disclosures for impacts related to economic, environmental, and social topics. Organizations can use the standards to report to stakeholders on “material” topics that reflect the organization’s most significant impacts.

• IRIS+ System by Global Impact Investing Network (GIIN) is a tool designed to help impact investors translate intentions into results (hence investors may request businesses they invest in to report using these metrics, and they may be useful to businesses looking to select appropriate metrics to measure, manage and report their impacts). IRIS+ metrics and metric sets are aligned to the SDGs and five dimensions of impact and work is underway to map various investor metric sets and corporate disclosure standards with a view to achieving global consistency, including IRIS+–GRI, B Lab–IRIS+, HIPSO–IRIS+. It starts by helping investors frame their impact goals in a common way (linked to an SDG or Impact Category) and offers a set of metrics (Core Metrics Sets) to assess performance against set goals, together with an evidence base (Navigating Impact) and implementation guidance.

• HIPSO indicators (Harmonized Indicators for Private Sector Operations) are a list of reporting indicators set across various sectors and industries (including cross-cutting). They have definitions that have been agreed upon by 28 different development finance institutions from around the world, all of whom have signed the MoU on harmonized indicators. These indicators may be used by any entity wishing to use them.

• UNCTAD core indicators for entity reporting on contributions towards implementation of the Sustainable Development Goals (GCI). The GCI is a set of core universal baseline indicators common to all businesses of all types and sizes aimed to facilitation harmonization and comparability of SDG reporting by companies. The GCI has been endorsed by UNCTAD member states, are selected based on main reporting frameworks and enterprise practices and aligned with the SDG indicators monitoring framework. https://unctad.org/webflyer/guidance-core-indicators-entity-reporting-contribution-towards-implementation-sustainable


• GRI – forthcoming – sector standards

• WBA likely impacts that all enterprises might have regardless of their industry

• WEB IBC’s universal metric sets likely impacts that all enterprises might have regardless of their industry

• UN Women’s The Diagnosis for Equal Remuneration (DIR): a new self-evaluation tool developed by UN Women for companies and organizations committed to equality. It supports them in assessing whether they are applying the "Equal Pay for Equal Value Work" principle in line with the ILO Convention No. 100. https://www.weps.org/resource/diagnosis-equal-remuneration

• UN Women’s Gender Gap analysis tool: https://www.weps.org/resource/weps-gender-gap-analysis-tool

SDG Impact Standards Guidance for Bond Issuers
Guidance Note 1.2.3
Additional guidance not provided
Management Approach

Guidance Note 2.1.1

Respect for human rights, planetary boundaries and other responsible business practices
Commitment to operating with respect for human rights, planetary boundaries and other responsible business practices and acting to prevent, mitigate and remediate actions any breach to that commitment – in direct operations and through business relationships and promoting the same through supply and value chains – is foundational.

The issuer’s policies and practices should be aligned with, or the issuer should have a demonstrated commitment and progress towards aligning policies and practices with, the:

- UN Guiding Principles for Business and Human Rights (which incorporates the International Labour Organization – 8 fundamental conventions for labour standards)
- Ten Principles of the UN Global Compact, and
- UN Women’s Empowerment Principles

Such policies include but are not limited to those labelled code of conduct, responsible business, Environmental, Social and Governance (ESG) policies and those concerning specific sustainable development issues such as climate change, human rights, and equal opportunities.

Practices may include, for instance with respect to workers, the role of trade unions being recognized and supported, collective bargaining rights and mechanisms for the application of ILO convention 169 (ILO, 1989) and as evidenced by the response, for example, a change to products or services, a change in operations or to working conditions, evidence of proposals that are rejected by those that are or may be impacted – even though they may generate financial returns.

Commitment is reinforced through visible senior leadership endorsement internally and externally in emails, newsletters, speeches, social media, website, etc. and coherence between stated policies and behaviors.

Effective grievance mechanisms (2.1.3)

The goal is that stakeholders are easily able to submit complaints or claims, get a fair assessment of cases, and receive compensation/ reparation as applicable through effective accountability mechanisms. According to the UN Guiding Principles on Business and Human Rights, effective accountability mechanisms are principles-based and adhere to all of the following criteria principles: (1) Legitimacy; (2) Predictability; (3) Accessibility; (4) Equitability; (5) Transparency; (6) Rights compatibility; (7) A source of continuous learning; and (8) Based on engagement and dialogue.

In general, accountability mechanisms:
- receive complaints from people harmed, or likely to be harmed, by the enterprise
- determine whether the complaint is eligible under the mechanism’s rules; and then, if it is eligible, the grievance accountability mechanism is equipped to may:
  - resolve the dispute through mediation, fact-finding or other methods; and/or
  - investigate whether the enterprise’s own policies or procedures, including their commitment to the SDG Impact Standards, have been violated by the institution and
whether those violations have caused or are likely to cause harm to people or the environment;

- Finally, the accountability mechanism issues a public report with their findings of the investigation and recommendations, if any.
- monitor the implementation of remedies.
- provide advisory services to the enterprise to improve institutional learning relevant to stakeholder engagement and environmental and social impact.

Publicly accessible policies and guidelines should be in place for receiving complaints, giving complaints serious consideration, ensuring remedial actions are taken and commensurate to the magnitude of the damage and taking action to reduce the likelihood of future negative impacts, and ensuring a safe complaints process that minimizes and addresses risks and instances of reprisals and retaliation. Cases, status, and resolutions are monitored and reported and available to senior management, the board, and other relevant stakeholders.

Enterprises should have an independent office to receive complaints from people alleging harm from the activities of the enterprise. The independent office should be equipped to address complaints through two primary functions: dispute resolution and compliance review. The purpose of dispute resolution is to provide a process for resolving concerns and remedying harm collaboratively with aggrieved stakeholders through a neutral facilitator. The purpose of compliance review is to determine whether harm resulted from non-compliance with the enterprise’s environmental and social policies. If the conclusion of a compliance review is that harm has resulted from non-compliance, the enterprise should commit to remedy the harm (or potential harm), remediate it, and report on it. All reports should be substantiated by evidence.

Organizations like Accountability Counsel and SHIFT create resources that make it easier and more efficient for businesses to incorporate human rights and other responsible business practices into their policies and practices. In many countries, options now exist for organizations to participate in cost effective external complaints and dispute resolution schemes that support accountability to stakeholders.

REFERENCE FRAMEWORKS:

- UN Guiding Principles for Business and Human Rights
- Ten Principles of the UN Global Compact
- UN Women’s Empowerment Principles
- International Labour Organization – 8 fundamental conventions for labour standards
- OECD Guidelines for Multinational Enterprises sets out principles and standards for responsible business conduct consistent with applicable laws and internationally recognized standards, including setting objectives with reference to minimum safeguards on topics such as: human rights, labour relations, employment practices, public health and safety, bribery and extortion, science and technology and taxation.
- CFO Principles on Integrated SDG Investments and Finance (developed by UN Global Compact convened CFO Taskforce for the SDGs). https://www.unglobalcompact.org/library/5788 Principle 2: INTEGRATED SDG STRATEGY AND INVESTMENTS, “Adopt investment criteria and decision-making processes based on SDG impact alongside financial risk and return investment criteria”; “Leverage and strengthen corporate governance mechanisms to incentivize and monitor the implementation of the integrated SDG strategy and investments (board oversight, internal controls and audit, executive remuneration and disclosure”.

SDG Impact Standards Guidance for Bond Issuers
• UNEPFI Principles for Responsible Banking, Principle 3: Clients and Customers – WE will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

OTHER RESOURCES:

• OECD Due Diligence Guidance for Responsible Business Conduct helps organizations comply with the OECD Guidelines for Multinational Enterprises providing guidance on setting up due diligence processes to identify and address principal adverse impacts in operations, supply chain and business relationships. https://www.oecd.org/investment/due-diligence-guidance-for-responsible-business-conduct.htm

• Accountability Counsel

• Shift project: UN Guiding Principles 101

• SDG Action Manager Baseline Module (developed by B Lab and the United Nations Global Compact)

• Grievance Mechanism Gap Analysis by the Business Call to Action


• Accountability Counsel’s Accountability Mechanisms: Benefits and Best Practice

• Forthcoming October 2021: Good Policy Paper published by Accountability Counsel, SOMO, & others

• Gaining Buy-In For A Human Rights Program: A Planning Worksheet by the Business Call to Action

• UN Guiding Principles Checklist, Human Rights Policy Tool, Rapid Human Rights Risk Assessment, Internal and External Questionnaires available at Business Call to Action

• UN Global Compact’s Supply Chain Sustainability: A Practical Guide for Continuous Improvement, Second Edition


• IFC’s Environmental and Social Performance Standards which define IFC clients’ responsibilities for managing their environmental and social risks and can be applied by other organizations to manage ESG risks (https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards)

• The Equator Principles (EPs) is a risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risk in projects and is primarily intended to provide a minimum standard for due diligence and monitoring to support responsible risk decision-making https://equator-principles.com/about/352/
Stakeholder engagement/involvement

Involving stakeholders and giving them meaningful agency in decisions that impact them (noting that inaction is also a decision) is an overarching theme throughout the Standards. Decisions will be more robust if the perspective and input from those experiencing the impacts of the Issuer’s actions and decisions is incorporated into organizational decision-making for instance:

- In the design process for products and services
- In determining what impacts matter and to understand and quantify the relative importance (value) of those impacts on their well-being along the whole organization supply and value chain, its products and services
- In understanding Stakeholders’ tolerance for unexpected outcomes and the impacts on them if impacts do not occur as expected
- In collecting and analyzing impact data (while not being overly burdensome or intrusive)
- In identifying effective consultation mechanisms and reporting
- In identifying communication channels between stakeholders and the issuer

This necessitates the involvement being sought from those that experience the impacts, that those stakeholders are feel comfortable to share their perspectives, and that the information received is interpreted objectively.

Guidance note 1.1.3.3 sets out the process for identifying stakeholders and planning for Stakeholder engagement/involvement.

Stakeholder involvement requires the allocation of financial and non-financial resources and thus should be included in budgets, resource plans and job descriptions/KPIs and a systematic approach supported by stakeholder management systems and communications plans.

Stakeholders should be kept informed about decisions, actions, execution progress and lessons learned on matters impacting them.

Nature of engagement with Stakeholders

Engagement should be appropriate in context, for instance, if the issuer’s relationship with stakeholders is direct, the engagement strategies employed by the issuer will include direct engagement with stakeholders to understand their views. If the issuer’s relationship is indirect (for instance as may be the case where a bank is lending to entities which in turn impact stakeholders), it is likely the issuer will not engage with stakeholders directly, but in its due diligence look to ensure that the relevant entities 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 meaningful agency.

Additional sectoral due diligence (and follow up impact evaluations) 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). Consideration should also be given to issues of provenance e.g., with respect to indigenous land rights.
Assessing the impacts on different groups of Stakeholders separately is also important to ensure that the overarching objectives of the SDGs (to leave no one behind) are met – for example, benefits to stakeholders in context of thresholds and allocations should not be at the expense of stakeholders currently experiencing negative impacts. Care should be taken to recognize that under-represented stakeholder populations may not be aware of the negative impacts that business or other activities may have on their or others access to basic rights and services. However, this does not impede informing them and engaging them.

Examples of organizations acting on behalf of those impacted that call out negative impacts of organizations include Accountability Now, Corporate Responsibility Organization, Oxfam, among others.

The issuer should also consider how it corroborates information about stakeholders (e.g., by collecting and analyzing various perspectives from different stakeholders as well as through third party research or evidence – e.g., using data triangulation), and identifies and mitigates the risks associated with using information received from different stakeholder groups (e.g., reliability, bias, relevance to context).

REFERENCE FRAMEWORKS:

- Social Value International, Principles of Social Value: Principle 1 Involve stakeholders – “inform what gets measured and how his is measured and valued in an account of social value by involving stakeholders (the people who experience change as a result of your activity”.

- Social Value International “Standard on applying Principle 1: Involve stakeholders” explains options and processes for identifying stakeholders and meaningfully engaging stakeholders, including sample questions to ask. This Standard talks about how speaking to and involving people who experience change is an essential part of the process. But they also acknowledge that speaking directly to stakeholders is not the only source of relevant information. Third party research may be complementary to what you hear from stakeholders or may be a substitute if your stakeholders are particularly difficult to reach, or if they do not feel comfortable sharing their opinions. [https://socialvalueint.org/wp-content/uploads/2019/03/Standard-on-Stakeholder-Involvement-V2.0-FINAL-1.pdf](https://socialvalueint.org/wp-content/uploads/2019/03/Standard-on-Stakeholder-Involvement-V2.0-FINAL-1.pdf). Convention 169: prior consultation and participation of indigenous peoples in decisions affecting them, and in particular with regard to free and informed consent on private activities in their territories.


- UNEPFI Principles for Responsible Banking, Principle 4: Stakeholders – “We will proactively and responsibly consult, engage, and partner with relevant stakeholders to achieve society’s goals

OTHER RESOURCES:

- OECD Due Diligence Guidance for Meaningful Stakeholder Engagement in the Extractive Sector, Feb 2017)


Organizational culture and diversity
Respect for human rights, planetary boundaries and other responsible business practices and operating sustainably and contributing positively to achieving the SDGs should be embedded in organizational culture and “how we do things around here”, and reinforced through business processes, systems, job descriptions, training, organizational and personal KPIs and internal controls. Particular care should be taken to ensure that what gets rewarded (financial and/or non-financial incentives) is consistent with the stated organizational purpose and values and commitment to respect human rights, planetary boundaries and other responsible business practices and impact goals – including holding people at all levels accountable for their actions. Goals, KPIs and incentive structures should be designed and implemented in a way that avoids unintended consequences (including by creating perverse incentives).

Diversity of thought and effective challenge in decision-making is sought out, valued, and celebrated in an open, curious, inclusive, culture (acknowledging that there are cultural variations in how this is achieved), contributing to break-through thinking and decision-making. Consequently, diversity should be evident across the organization, including in leadership roles – not only in terms of capabilities (including in sustainable development and impact management), but in terms of gender, minority representation and lived experiences, perspectives and thinking styles. A culture of continuous improvement and evidence-based learning should be evident from how the issuer responds when outcomes are different to what is expected and how impact data is used systematically to monitor performance and identify opportunities for improvement.

Impact management capabilities
Internal sustainable development and impact management capabilities and capacity should be developed commensurate with the issuer’s size and complexity and in line with its commitment to embed sustainable development issues and impact management into strategy and business model. Some of these capabilities may include:

- Expertise in impact measurement and management, sustainability, international development, stakeholder engagement, systems thinking, theories of change, integrated thinking, change management, understanding of key sustainable development challenges and sectoral issues (including key SDG priorities in context)
- Diversity of lived experience, perspectives and thinking styles
- Expertise in dealing with impact data including how data can be manipulated, identifying key data elements that may be missing or unrealistic
- Ability to conduct high quality impact assessments and reviews, diagnose issues and opportunities, and integrate impact and financial analysis into decision making.
- Experience in stakeholder engagement

Where internal sustainable development and impact management expertise is supplemented with outside support, there is a baseline level of internal expertise to identify skill gaps, select third parties with appropriate skills and experience to fill those gaps and manage/oversee third party arrangements, key person risks and institutional knowledge transfer.
REFERENCE FRAMEWORKS:

- CFO Principles on Integrated SDG Investments and Finance (developed by the UN Global Compact), https://www.unglobalcompact.org/library/5788 Principle 2: INTEGRATED SDG STRATEGY AND INVESTMENTS, “Determine specific internal resources, investments, (R&D, capex, M&A, FDI) and funding needs to implement the SDG impact thesis and integrated strategy and analyze the financial risk-return profile (IRR) of SDG investments”; “Adopt investment criteria and decision-making processes based on SDG impact alongside financial risk and return investment criteria”; “Leverage and strengthen corporate governance mechanisms to incentivize and monitor the implementation of the integrated SDG strategy and investments (board oversight, internal controls and audit, executive remuneration and disclosure.”

- Principles for Positive Impact Finance (developed by UN Environment Finance Initiative), Frameworks, Principle 2: To promote the delivery of Positive Impact Finance, entities (financial or non-financial) need adequate processes, methodologies, and tools, to identify and monitor the positive impact of the activities, projects programmes, and/or entities to be financed or invested in. “Allocate and equip staff with relevant mandates and skill sets to enforce the above processes.”

- Principles for Responsible Banking (developed by UN Environment Finance Initiative), Principle 5: Governance and Culture – We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

- Capitals Coalition’s Human and Social Capital Protocol and Natural Capital Protocol (developing integrated thinking and decision-making capabilities through application of the Protocols)

OTHER RESOURCES:

- SDG Ambition Benchmark Reference Sheets (developed by the UN Global Compact). The SDG Ambition Benchmark Reference Sheets, provide illustrative details on the steps a company can take to integrate actions related to achieving the SDGs into its business systems. There are at least 10 reference sheets covering topics such as Gender Balance Across All Levels of Management, Zero Discharge of Hazardous Pollutants and Chemicals, and 100% of Employees Across the Organization Earn a Living Wage. https://unglobalcompact.org/library/5790

- What does it take to go big? Management practices to bring inclusive business to scale by Business Call to Action

- The Inclusive Business Management Practices Tool by Business Call to Action


- 2X Challenge Financing for Women – https://www.2xchallenge.org/criteria

Guidance Note – Impact data collection and use
(2.1.4, 2.1.5, 2.2.1, 2.2.4, 2.2.7, 2.3.5)

Impact data collection and use
This guidance note covers several indicators relating to a number of activities that underpin the SDG Impact Standards approach to impact management. These indicators refer to the data that would be collected to allow an issuer to make decisions to increase its positive contribution to sustainability and the SDGs at a rate commensurate with stakeholder expectations and the SDG targets. These activities are data collection (2.1.4, 2.2.1), reporting and summarising data (2.2.7), generating options for increasing that contribution (2.3.1), assessing the risk in making decisions (2.2.4) and ongoing review of impact management approach (2.1.5, 2.3.5).

Management practice
This approach is based on identifying a complete set of material impacts (1.1.3.5) and a number of data points for each impact covering: the five dimensions of impact; a transparent stakeholder informed approach to quantifying the relative importance of different impacts (when making decisions between options with inevitable trade-offs); and include impacts along the whole supply and value chain, its products and services.

The process of engagement identifies expected changes to aspects of the well-being of people and planet. Deciding which are relevant (potential material impacts) and determining the relative importance of these and the extent to which they are caused by the issuer becomes the expected material impacts. Once these are measured, the assessment results in the material impacts.

The requirements are:

- a complete set of material impacts (1.1.3.5);
- impacts defined as changes in well-being of people and planet caused by the activities of the organization (2.2.3); and
- all the data points (or metrics) for each impact (2.2.4).

This approach is designed to reduce the risk that the best option is not chosen and to increase the universe of potential insights that drive options to contribute positively to sustainability and the SDGs. Whilst many approaches to impact measurement focus on accurate measure of each impact, few recognize the importance of data that does not relate to intended impacts but is critical to increasing performance.

Where data relates to proxies for impacts this also increases the risk that the wrong decision may be made. This risk may still be within the risk appetite of the organization and the tolerance of those who will experience the impacts.

Good decision-making is based on a combination of factors including the approach to data collection (what is collected from which source, how often, etc), the rate at which decisions are being made, the issuer’s understanding of risk, both to the issuer and those experiencing the impacts, and the requirement to increase the likelihood that the issuer is contributing positively to sustainability and the SDGs (and reduce the risk that it is not to an acceptable level). A fast rate of decisions based only on data relating to expected material impacts would not be sufficient. A low rate based on data requirements referenced in the Standards would not be sufficient.
The central risks are that the set of expected material impacts is incomplete (1.1.3.5), the data on each impact is incomplete or the data is inaccurate or not timely. In each of these situations the risk is that if the impacts or the data on impacts were complete, or if the inaccuracies were corrected, then a different decision would be made.

**Measurement practice for decision-making**

The purpose of collecting data is to enable evidence-based decisions. Decisions are between options and the merits of each option are assessed in terms of their potential to increase the positive contribution to sustainability and the SDGs. The issuer should always be striving to improve its effectiveness and making necessary changes.

Options are generated from the data. The main means for generating options that lead to changes is by making comparisons, against targets, against past performance and against peers but also, critically, by comparing data for different data points between individuals with different characteristics but from the same stakeholder group.

Evidence is required that the data is reported in a timely manner and in format that allows these comparisons to be made, lead to insights and options and then to choices.

Once a decision is made, the issuer will monitor how the selected option is implemented and whether it is on track to achieving the expected results and impacts. An issuer making comparisons but not subsequently making changes to its activities as a result would satisfy 2.3.1 but not 2.2.7.

Making decisions then requires a balance between the rate at which decisions are made and the data available to support the decisions. Where the available data does not cover all the requirements or where data relates to proxies for impacts, this increases the risk that the wrong decision may be made. This risk may still be within the risk appetite of the issuer and the tolerance of those who will experience the impacts.

This does not mean a choice cannot be made. It means that the risk that the wrong decision may be made has increased.

**Minimum data requirements**

The issuer should collate (2.1.5) and review its performance in generating insights and learning lessons from the data and acting on the results (2.3.5).

Whilst the balance of focus is towards decision making and responsiveness, there is nonetheless a minimum threshold for data collection. This is that:

- All expected material impacts are identified, i.e., in the sequence inputs, outputs, outcomes, aspects of wellbeing, at least outcomes and preferably aspects of well-being are the basis for measurement
- Where these are prioritized, the priorities relate to aspects of well-being (taking into consideration inequality within and between stakeholder groups) and include:
  - climate action, gender equality and decent work and
  - also negative and positive expected impacts
- Data is collected for all metrics for those material impacts and a data collection when data is incomplete (as per earlier point in the above sequence).
• Where output data has been used as the basis for decisions, the risk that this may not result in the optimal or even any positive contribution, for example a measured reduction in climate change emissions but with a non-measured increase in gender inequality, shall be considered.

• The assumptions are reviewed and updated when context changes.

In deciding the balance between collecting statistically rigorous data (random samples) for the metrics for the most significant impacts and collecting some data for the metrics of all material impacts, the balance is on the risk associated with the intended decision. For many operational decisions at the rate required this is on some data on more metrics across more impacts. For strategy, business model and significant decisions this is on statistically rigorous data across all metrics and all material impacts. As an example, an issuer might identify ten expected material impacts, decide to measure all metrics for four, only the change without considering duration, causation, and relative importance for three and only the change in the outputs for the final three. Here an ambitious plan for addressing the data gaps together with an assessment of the risk of using this data in decision should be put in place.
Human Rights Based Approach to data collection
The Danish Institute for Human Rights, a leading organization in the field of Business and Human Rights, stresses the importance of using a Human Rights Based Approach to data collection, based on the precepts of participation, data disaggregation, self-identification, transparency, privacy, and accountability.

Data ownership
The confidentiality, privacy and ethical considerations of collecting, using and sharing data involving or pertaining to stakeholders should be carefully and responsibly managed in line with human rights standards and the United Nations System Organization principles. This starts with the recognition that the data belongs to the stakeholder providing the data (i.e., the people experiencing the impacts) and that the issuer is a steward of that data on their behalf. This includes informed consent or the International Standard of free, prior, and informed consent (FPIC) in relation to indigenous peoples where relevant, and taking into consideration cultural norms, legal requirements, personal data, safety, education, and literacy levels.

Disaggregated data
In accordance with the Fundamental Principles of Official Statistics (General Assembly resolution 68/261) indicators – where feasible, data is disaggregated by income, sex, age, race, ethnicity, migratory status, disability and geographic location, or other pertinent characteristics that contribute to exclusion, inequality, or discrimination. 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.

Data quality
Impact data is actively managed, and its accuracy and completeness assessed to determine implications for decision-making, including:

- Determining the most appropriate data sources for the decisions that need to be made (i.e., enough precision for the decision)
- Where necessary, collecting data using more than one method or source (data triangulation, third party research and evidence) to corroborate findings and reduce risk (e.g. reliability, bias, relevance to context)
- Systematically checking assumptions and calculations and incorporating impact evidence risks such as checking data for double counting, drop-off rates and failure rates. This includes doing updates as needed.
- Ensuring the utility of the underlying raw data is not lost by taking it out of the context of other dimensions of impact (for example, not knowing the stakeholder group an outcome indicator relates to), or by aggregating the data in a way that may impede clear interpretation of the data and ensuring data can be compared on a period-to-period basis.
• ensuring transparent documentation and audit trails for impact data collected (including data sources, inferences and assumptions made, proxies used and any limitations) and including periodical reviews
• Assessing confidence in the data and documenting and factoring this risk into account in decision-making where confidence is low and making plans to improve confidence in future.
• Ensuring data consistency over time (e.g., Indicator definition is clear and data over time is collected in line with the definitions)

Risk-based approach to data verification or assurance
Decision makers will always need assurance that the information they have to inform their decisions is good enough for the decision. There is always a risk and this will need to be within the decision maker’s risk appetite. If the consequences to stakeholders of decisions based on the data being wrong are high, for instance, the decisions have a big impact on stakeholders and are not easily reversed, more data and more formal assurance of the impact data being relied upon to make those decisions may be needed.

This may include collecting data using more than one method or source (data triangulation, third party research and evidence) to corroborate findings and reduce risk (e.g., reliability, bias, relevance to context) or seeking third party verification or assurance of the data.

Established criteria should be in place to guide when more data or third-party data validation or assurance of that data is required.

REFERENCE FRAMEWORKS:

• The Fundamental Principles of Official Statistics (General Assembly resolution 68/261) – where feasible, data should be disaggregated (i.e., segmented) by income, sex, age, race, ethnicity, migratory status, disability and geographic location, or other characteristics pertinent to the Enterprise’s impact goals.
• United Nations System Organization principles (for data management).
• International Standard of free, prior, and informed consent (FPIC)
• Social Value International (SVI) Principles of Social Value, Principle 7: Verify the results – “Ensure appropriate independent assurance”.
• Social Value International (SVI) Principles of Social Value, Principle 8: Be Responsive – (work in progress) “making decisions that optimize value for all stakeholder groups materially affected. Consideration of risks and rigour of data in context of decisions being made”.
• CFO Principles on Integrated SDG Investments and Finance (developed by UN Global Compact convened CFO Taskforce for the SDGs), https://www.unglobalcompact.org/library/5788 Principle 2: INTEGRATED SDG STRATEGY AND INVESTMENTS, “Adopt investment criteria and decision-making processes based on SDG impact alongside financial risk and return investment criteria”; “Leverage and strengthen corporate governance mechanisms to incentivize and monitor the implementation of the integrated SDG strategy and investments (board oversight, internal controls and audit, executive remuneration and disclosure.”
• Principles for Positive Impact Finance (developed by UN Environment Finance Initiative), Frameworks, Principle 2: To promote the delivery of Positive Impact Finance, entities (financial or non-financial) need adequate processes, methodologies, and tools, to identify and monitor the positive impact of the activities, projects programmes, and/or entities to be financed or invested in. “Implement specific processes, criteria and methodologies to identify Positive Impact. The analysis should cover activities, projects and programmes but also underlying companies.”
OTHER RESOURCES

- Danish Institute for Human Rights, ‘Human Rights Impact Assessment Guidance and Toolbox’
- Capitals Coalition Protocols (see Step 08) and the Capitals Checker – additional guidance on selecting and assessing the usefulness and confidence levels required of impact data.
- Impact Lab (developed by Business Call to Action, BCtA) is an online tool/resource that aims to guide companies on their impact measurement. Through this lab, BCtA aims to help both BCtA members and non-members in the process of identifying the right tools for collecting and analyzing data on their social and environmental performance to inform their business decisions. The online Lab comprises four modules 1) assess their impact measurement readiness 2) design their impact measurement frameworks 3) monitor their impact and 4) analyze their collected data
- SDG Compass Guide (developed by UN Global Compact, GRI, and WBCSD) provides guidance for companies on how they can align their strategies as well as measure and manage their contribution to the realization of the SDGs https://sdgcompass.org/
- The UNEP FI Impact Analysis Tools have been designed open source for banks, investors and their corporate clients and investee companies. They enable practitioners to implement a holistic approach to impact analysis and management. The Corporate Impact Analysis Tool helps banks and investors gain a cross-cutting view of the impact status and possibilities of their clients and investee companies but can also be used as a self-assessment Tool by corporates themselves. The other Tools are specifically designed for banks and investors. The tools guide users in their data collection process of the identification and assessment phases.
- IMP Using self-reported data for impact measurement.
- Data governance and data policies at the European Commission
- Data Privacy, Ethics and Protection Guidance Note on Big Data for Achievement of the 2030 Agenda by the UNSDG
- International Standard of free, prior, and informed consent (FPIC)
- outcomes map created by Social Value International.
- The Guide to the Assessment of Socio-Environmental Impact, produced by Insper Metrics in Brazil
- UNCTAD core indicators for entity reporting on contributions towards implementation of the Sustainable Development Goals (GCI). The GCI is a set of core universal baseline indicators common to all businesses of all types and sizes aimed to facilitation harmonization and comparability of SDG reporting by companies. The GCI has been endorsed by UNCTAD member states, are selected based on main reporting frameworks and enterprise practices and aligned with the SDG indicators monitoring framework. https://unctad.org/webflyer/guidance-core-indicators-entity-reporting-contribution-towards-implementation-sustainable
- HIPSO indicators (Harmonized Indicators for Private Sector Operations) are a list of reporting indicators set across various sectors and industries (including cross-cutting). They have definitions that have been agreed upon by 28 different development finance institutions from around the world, all of whom have signed the MoU on harmonized indicators. These indicators may be used by any entity wishing to use them.
- GRI Sustainability Reporting Standards are designed to help organizations understand and report their impacts in a way that meets the needs of multiple stakeholders. There are a set of Universal Standards that apply to all organizations, and 35 Topic Standards that contain disclosures for impacts related to economic, environmental, and social topics. Organizations can use the standards to report to stakeholders on “material” topics that reflect the organization’s most significant impacts.
• IRIS+ System by Global Impact Investing Network (GIIN) is a tool designed to help impact investors translate intentions into results (hence investors may request businesses they invest in to report using these metrics, and they may be useful to businesses looking to select appropriate metrics to measure, manage and report their impacts). IRIS+ metrics and metric sets are aligned to the SDGs and five dimensions of impact and work is underway to map various investor metric sets and corporate disclosure standards with a view to achieving global consistency, including IRIS+-GRI, B Lab-IRIS+, HIPSO-IRIS+. It starts by helping investors frame their impact goals in a common way (linked to an SDG or Impact Category) and offers a set of metrics (Core Metrics Sets) to assess performance against set goals, together with an evidence base (Navigating Impact) and implementation guidance.
Guidance Note 2.1.5
See also Guidance note – Impact data collection and use

REFERENCE FRAMEWORKS:


- Principles for Positive Impact Finance (developed by UN Environment Finance Initiative), Frameworks, Principle 2: To promote the delivery of Positive Impact Finance, entities (financial or non-financial) need adequate processes, methodologies, and tools, to identify and monitor the positive impact of the activities, projects programmes, and/or entities to be financed or invested in. “Review and update processes as appropriate on an on-going basis.”

OTHER RESOURCES:

- The UNEP FI Impact Analysis Tools have been designed open source for banks, investors and their corporate clients and investee companies. They enable practitioners to implement a holistic approach to impact analysis and management. The Corporate Impact Analysis Tool helps banks and investors gain a cross-cutting view of the impact status and possibilities of their clients and investee companies but can also be used as a self-assessment Tool by corporates themselves. The other Tools are specifically designed for banks and investors. The Tools help users identify their most significant impact areas and guide them on their performance assessment which can be monitored over time. The Tools also enable users to update the outputs of the impact analysis based on the changes of their business, their performance, and the sustainable development context.
Guidance Note 2.1.6
Additional guidance not provided.
Guidance Note 2.2.1
See also Guidance note – Impact data collection and use

The Sustainable Development Goals (SDGs)
The 2030 Sustainable Development Agenda and SDGs call on all businesses to apply their creativity and innovation towards solving sustainable development challenges. This includes exploring different business models and new ways of working – including collaborating and partnering with a broader range of actors and constituents than in the past to achieve the SDGs, being more connected across the system, and looking for opportunities to target activities where sustainable development needs are greatest and aligned with in-country policy priorities.

Sustainability and achieving the SDGs is a shared accountability that requires all actors across the system to work together in realizing the SDGs. The SDGs help to break down silos between different actors and geographies – creating space and opportunities for new ways of working towards solutions around a common purpose and shared goals and targets (see also 1.1.3.2).

Using wellbeing as a consistent measure to value impacts
Impacts are the desired changes in wellbeing stakeholders experience resulting from the issuer’s decisions and actions. Aspects of wellbeing are economic, social, or environmental. Valuing impacts in a systematic way is important because it helps decision-makers make more objective decisions – generating options, choosing between those options, and making trade-offs in a consistent way. Without valuation, those decisions are often made based on underlying unconscious biases and assumptions which often reinforce existing inequities.

Using wellbeing to value and measure impacts requires taking into consideration:

- Stakeholders’ views of the relative importance (value) of the outcomes they experience in making those trade-offs,
- material impact risks and stakeholders’ risk appetite and tolerance for unexpected outcomes and
- interdependency of impacts and across the SDGs

The OECD Framework for Measuring Well-Being and Progress is an established framework for measuring wellbeing built around three components: current well-being, inequalities in well-being outcomes, and resources for future well-being.

There are a variety of qualitative, quantitative, and monetary approaches available for valuing impacts – or changes in aspects of wellbeing. The Standards do not prescribe one approach over another, rather expecting the decision-maker to select the most appropriate approach, taking into account the nature of the decision and the amount of precision required.

Making decisions in context
Making decisions in context means thinking holistically (informed by stakeholder perspectives and focusing on all material impacts in direct operations and through business relationships, as well as through upstream and downstream supply and value chains).

Making decisions in context requires an understanding of interdependency across the SDGs as actions in one area can impact other areas.
It also means taking into consideration where you are starting from (establishing baselines), understanding where you need to get to (what is needed in order to reach or exceed required thresholds and allocations in a timely way) and understanding what will happen anyway irrespective of what the issuer does – or in other words, what contribution or difference the issuer’s decisions are making.

Leaving "no-one" behind
The issuer should consider heterogeneity among stakeholders and seek to identify those most in need as this would potentially allow to maximize positive contribution to the SDGs.

Assessing the impacts on different groups and sub-groups of stakeholders separately is important to ensure the overarching objectives of the SDGs (to leave no one behind) are met – for example, by including previously excluded stakeholders, or by not creating benefits for one group of stakeholders at the expense of other stakeholder groups. This concept is linked to guidance note 2.1.4 on using sufficiently disaggregated data to make decisions.

REFERENCE FRAMEWORKS:

- United Nations, Sustainable Development Goals (SDGs), are the world’s blueprint to achieve a better and more sustainable future for all. Adopted by all 193 UN Member States in 2015, the SDGs comprise 17 integrated and indivisible goals grounded in human rights balancing the three dimensions of sustainable development – economic, social, and environmental. Supported by 169 targets and 230 indicators, the SDGs focus on most pressing issues first with an overarching goal to “leave no-one behind” and are variously referred to as the world’s strategy and the most comprehensive map of need, risk, and opportunity. US$5-7 trillion per year needed to achieve the global goals – requiring both public and private capital. [https://sustainabledevelopment.un.org/topics/sustainabledevelopmentgoals](https://sustainabledevelopment.un.org/topics/sustainabledevelopmentgoals)

- CFO Principles on Integrated SDG Investments and Finance (developed by UN Global Compact convened CFO Taskforce for the SDGs), [https://www.unglobalcompact.org/library/5788](https://www.unglobalcompact.org/library/5788) Principle 1: SDG IMPACT THESIS AND MEASUREMENT, “Align impact theses with countries’ own needs and priorities for SDG investments (climate and SDG gap analysis and investment plans), and where relevant, focus on priority sectors in less developed markets, considering the unique characteristics of each market, and respecting a common but differentiated approach to the sustainability transition”; Principle 2: INTEGRATED SDG STRATEGY AND INVESTMENTS, “Adopt investment criteria and decision-making processes based on SDG impact alongside financial risk and return investment criteria.”; Principle 3: INTEGRATED CORPORATE SDG FINANCE, “Leverage blended finance from governments, development finance institutions, philanthropic foundations and impact investors to de-risk or subsidize corporate investments for technologies, sectors and geographies that are critical for the SDGs by currently underfunded.”

- UNEPFI Principles for Responsible Banking, Principle 4: Stakeholders – We will proactively and responsibly consult, engage, and partner with relevant stakeholders to achieve society’s goals


- Impact Management Project (IMP), five dimensions of impact, provides guidance on the types of data needed to understand and assess impact performance. The IMP community of 2,000+ practitioners identified five dimensions of impact, which can be broken down into 15 more detailed data categories. Organizations can use the five dimensions as a checklist to ensure the information gathered is sufficient for the decision it will inform (see also the ABC methodology and SDG Impact Standards Glossary). [https://impactmanagementproject.com/impact-management/how-enterprises-manage-impact/](https://impactmanagementproject.com/impact-management/how-enterprises-manage-impact/) and Five Dimensions of Impact (Impact Management Norms), [https://impactmanagementproject.com/impact-management/impact-management-norms/](https://impactmanagementproject.com/impact-management/impact-management-norms/)
• The Fundamental Principles of Official Statistics (General Assembly resolution 68/261) – where feasible, data should be disaggregated (i.e., segmented) by income, sex, age, race, ethnicity, migratory status, disability and geographic location, or other characteristics pertinent to the Enterprise’s impact goals.

• ILO convention 169: prior consultation and participation of indigenous peoples in decisions affecting them, and about free and informed consent on private activities in their territories.

• Social Value International (SVI): A Discussion Document On The Valuation of Social Outcomes

• Social Value International (SVI) Principles of Social Value, Principle 1: Involve stakeholders – “Inform what gets measured and how this is measured and valued in an account of social value by involving stakeholders (the people who experience change as a result of your activity”.

• Social Value International (“Standard on applying Principle 1: Involve stakeholders” explains options and processes for identifying stakeholders and meaningfully engaging stakeholders, including sample questions to ask. This Standard talks about how speaking to and involving people who experience change to understand actual and potential significant impacts. It also acknowledges that speaking directly to stakeholders is not the only source of relevant information. Third party research may be complementary to what you hear from stakeholders or may be a substitute if your stakeholders are particularly difficult to reach, or if they do not feel comfortable sharing their opinions. https://socialvalueint.org/wp-content/uploads/2019/03/Standard-on-Stakeholder-Involvement-V2.0-FINAL-1.pdf

• Social Value International (SVI), Principles of Social Value: Principle 2 Understand what changes – “Articulate how change is created and evaluate this through evidence gathered, recognizing positive and negative changes as well as those that are intended and unintended”.

• Social Value International (SVI) Standard for applying Principle 2: Understand what changes, Part One: Creating well defined outcomes. This practice standard sets out how to engage with stakeholders to collaboratively agree on which outcomes to measure and contains guidance on how an organization can examine “chains of events” and engage with stakeholders to decide the most appropriate point of measurement to support management decision-making (framed as “well-defined” outcomes)

• Social Value International (SVI) Principles of Social Value, Principle 3: Value what matters – “Making decisions about allocating resources between different options needs to recognize the values of stakeholders. Value refers to the relative importance of different outcomes. It is informed by stakeholders’ preferences”.

• Social Value International (SVI) Standard for applying Principle 3: Value the things that matter – guidance to value impacts from the perspective of affected stakeholders, emphasizing the importance of using data collected directly from stakeholders.

• Social Value International (SVI) Principles of Social Value, Principle 4 – “Determine what information and evidence must be included in the accounts to give a true and fair picture, such that stakeholders can draw reasonable conclusions about impact”.

• Social Value International (SVI) Standard for applying Principle 4: Only include what is material – “Determine what information and evidence must be included in the accounts to give a true and fair picture, such that stakeholders can draw reasonable conclusions about impact”. This standard provides guidance on collecting information to assess the impacts that matter most to stakeholders, in order to decide which to continue measuring and managing. https://socialvalueint.org/social-value/standards-and-guidance/standard-applying-for-principle-4-only-include-what-is-material/

• Social Value International (SVI) Principles of Social Value, Principle 8: Be Responsive – (work in progress) “making decisions that optimize value for all stakeholder groups materially affected. Consideration of risks and rigour of data in context of decisions being made”.


• Principles for Positive Impact Finance (developed by UN Environment Finance Initiative), Frameworks, Principle 2: To promote the delivery of Positive Impact Finance, entities (financial or non-financial) need adequate processes, methodologies, and tools, to identify and monitor the positive impact of the activities, projects programmes,
and/or entities to be financed or invested in. “Implement specific processes, criteria and methodologies to identify Positive Impact. The analysis should cover activities, projects and programmes but also underlying companies; Apply regular ESG risk management before determining Positive Impact eligibility.”

- UNEPFI Principles for Responsible Banking, Principle 2: Impact & Target Setting – We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and the environment resulting from our activities, products, and services. To this end, we will set and publish targets where we can have the most significant impacts.

- Capitals Coalition Natural and Social and Human Capital Protocols outline a process that organizations should follow to identify, measure and value their impacts and dependencies on the natural environment and on social and human capital respectively and can be used to value impacts and dependencies on natural and social and human capital respectively. This framework draws on organizational data, data collected from stakeholders, and publicly available country- or sector-level data.


OTHER RESOURCES:

- UNDP SDG Impact Investor Maps are a market intelligence product produced by UNDP Country Offices and partners to help private investors (funds, financiers, corporations) identify investment opportunities and business models that have significant potential to advance the SDGs in specific country or regional contexts. https://sdginvestorplatform.undp.org/

- Sustainable Development Knowledge Platform https://sustainabledevelopment.un.org/vnrs/, which houses information on countries’ sustainable development voluntary national reviews.

- Social Value International: A Discussion Document on The Valuation of Social Outcomes

- OECD Due Diligence Guidance for Responsible Business Conduct helps organizations comply with the OECD Guidelines for Multinational Enterprises providing guidance on setting up due diligence processes to identify and address principal adverse impacts in operations, supply chain and business relationships.

- SDG Action Manager (developed by B Lab and the United Nations Global Compact) is a tool designed to help organizations measure and manage their impacts in relation to the Sustainable Development Goals. Organizations can fill in the online questionnaire to get a quick read on the Sustainable Development Goals likely to be the most relevant to manage, based on the organization’s size, sector, and geography. The questionnaire draws from B Lab’s B Impact Assessment, which is developed through research and public consultation and so provides an evidence-based starting point for identifying sustainability topics to measure.

- Impact Lab (developed by Business Call to Action, BCtA) is an online tool/resource that aims to guide companies on their impact measurement. Through this lab, BCtA aims to help both BCtA members and non-members in the process of identifying the right tools for collecting and analyzing data on their social and environmental performance to inform their business decisions. The online Lab comprises four modules 1) assess their impact measurement readiness 2) design their impact measurement frameworks 3) monitor their impact and 4) analyze their collected data.

- The UNEP FI Impact Analysis Tools have been designed open source for banks, investors and their corporate clients and investee companies. They enable practitioners to implement a holistic approach to impact analysis and management. The Corporate Impact Analysis Tool helps banks and investors gain a cross-cutting view of the impact status and possibilities of their clients and investee companies but can also be used as a self-assessment Tool by corporates themselves. The other Tools are specifically designed for banks and investors. The Tools help users identify their most significant impact areas based on the nature of their business and the sustainable development needs of the countries in which they operate. Moreover, they guide users on their performance assessment based on which meaningful targets can be set.

- EU Taxonomy by the European Commission is a rating methodology that sets out performance thresholds for organizations to classify their economic activities as “sustainable,” according to European policy objectives. Organizations can use the EU Taxonomy to find the economic activities that correspond to the organization and
review what the taxonomy says about likely impacts on sustainability. This can be an input into identifying sustainability topics to measure. This regulation is based on research connecting NACE economic activities to likely significant impacts on six environmental objectives. Currently, research related to objectives of climate change mitigation and adaptation are most developed.

- UNCTAD core indicators for entity reporting on contributions towards implementation of the Sustainable Development Goals (GCI). The GCI is a set of core universal baseline indicators common to all businesses of all types and sizes aimed to facilitate harmonization and comparability of SDG reporting by companies. The GCI has been endorsed by UNCTAD member states, are selected based on main reporting frameworks and enterprise practices and aligned with the SDG indicators monitoring framework. [https://unctad.org/webflyer/guidance-core-indicators-entity-reporting-contribution-towards-implementation-sustainable](https://unctad.org/webflyer/guidance-core-indicators-entity-reporting-contribution-towards-implementation-sustainable)


- HIPSO indicators (Harmonized Indicators for Private Sector Operations) are a list of reporting indicators set across various sectors and industries (including cross-cutting). They have definitions that have been agreed upon by 28 different development finance institutions from around the world, all of whom have signed the MoU on harmonized indicators. These indicators may be used by any entity wishing to use them.

- Global Reporting Initiative (GRI) is developing Sector Standards for 40 sectors to complement their current topic standards that will provide a list of topics for each Sector Standard as an input when identifying sustainability topics to measure [https://www.globalreporting.org/capitals-approach/social-human-capital-protocol/](https://www.globalreporting.org/capitals-approach/social-human-capital-protocol/)

- GRI Universal Standards (Exposure draft) are multi-stakeholder sustainability reporting standards that can be used to help conduct a materiality assessment to help identify sustainability topics to measure and manage [https://www.globalreporting.org/standards/standards-development/review-of-the-universal-standards/](https://www.globalreporting.org/standards/standards-development/review-of-the-universal-standards/)

- IRIS+ System by Global Impact Investing Network (GIIN) is a tool designed to help impact investors translate intentions into results (hence investors may request businesses they invest in to report using these metrics, and they may be useful to businesses looking to select appropriate metrics to measure, manage and report their impacts). IRIS+ metrics and metric sets are aligned to the SDGs and five dimensions of impact and work is underway to map various investor metric sets and corporate disclosure standards with a view to achieving global consistency, including IRIS+-GRI, B Lab-IRIS+, HIPSO-IRIS+. It starts by helping investors frame their impact goals in a common way (linked to an SDG or Impact Category) and offers a set of metrics (Core Metrics Sets) to assess performance against set goals, together with an evidence base (Navigating Impact) and implementation guidance.

- CDP Questionnaires are a tool to measure and disclose on climate change, forests, and water security impacts. These online questionnaires provide a framework for companies to provide environmental information to their stakeholders covering governance and policy, risks and opportunity management, environmental targets and strategy, and scenario analysis. The questionnaire can provide a quick read on the climate change, forests and water security impacts that are likely relevant to measure, based on the organization’s size, sector, and geography.

- World Benchmarking Alliance (WBA) Benchmark Methodologies are benchmarks that rank companies based on their impact across seven systems that require transformation to achieve a sustainable future. Organizations can use the list of topics in the relevant ‘system’ to help identify sustainability topics to measure.

- B Impact Assessments (developed by B Lab) is a tool designed to help organizations measure and manage their impacts on workers, community, environment, and customers. Organizations can get a quick read on performance on sustainability topics that are likely relevant to manage, based on the organization’s size, sector, and geography. B Lab’s questionnaire is developed through research and public consultation, and so provides an evidence-based starting point for identifying sustainability topics to measure.

- IFC’s Anticipated Impact Measurement and Monitoring (AIMM) framework

- OECD’s Policy Brief on Social Impact Measurement for Social Enterprises, Policies for Social Entrepreneurship

- UN Global Compact Guidelines on Supply Chain Sustainability

• UNRISD with r3.0 its Three-Tiered Typology, introduced in the Compared to What? Paper a framework that compares the enterprises’ impact with thresholds, divided into three tiers:
  o Tier One: Incrementalist Numeration: Numerator indicators focus on actual impacts, including absolute indicators, as well as relative or intensity indicators that are non-normative, and therefore incrementalist.
  o Tier Two: Contextualized Denomination: Denominator indicators contextualize actual impacts against normative impacts. Also known as "Context-Based" indicators, denominator indicators take into account sustainability thresholds in ecological, social, and economic systems, as well as allocations of those thresholds to organizations and other entities.
  o Tier Three: Activating Transformation: Transformative indicators add the element of implementation and policy to normative denominator indicators to instantiate change within complex adaptive systems.

Source: r3.0

• A guide to social return on investment (developed by Social Value International, SVI) – follow methodology to monetize the social value an organization creates, preserves, erodes for stakeholders (society).

• Impact-Weighted Accounts Initiative is research on impact valuation published in the form of case studies and white papers which organizations can use to learn about key considerations when monetizing impact using publicly available information https://www.hbs.edu/impact-weighted-accounts/Pages/default.aspx

• Maximise Your Impact, A Guide for social entrepreneurs provides organizations with guidance on whether it has all of the information it needs to assess impact. The guidance contains ten questions that guide impact assessment, and function as a checklist to ensure all necessary contextual information is collected. https://socialvalueint.org/wp-content/uploads/2018/05/MaximiseYourImpact.24.10.17.pdf

• The Science Based Targets initiative by CDP, the World Resources Institute (WRI), WWF and the UN Global Compact, which is developing tools and methodologies for companies to set targets that align with the prevailing scientific consensus that global temperatures should not rise above two degrees Celsius.

• The Future-Fit Benchmarks developed by Natural Step which identify a set of ‘absolute’ goals that are based on social and natural science and that all companies must ultimately strive to reach, irrespective of the products and services they offer.

• WBCSD’s Action2020 which sets the agenda for business to take action on sustainable development to 2020 and beyond. Action2020 defines societal targets, ‘Societal Must-Haves’ and around nine Priority Areas, based on a scientific review led by the Stockholm Resilience Centre.

• The United Nations website which contains public commitments to goals and targets announced by companies.

• PivotGoals by Winston Eco-Strategies which allows users to browse goals and targets set by Global 500 companies.
 Guidance Note 2.2.2
Additional guidance not provided.

REFERENCE FRAMEWORKS:

- United Nations, Sustainable Development Goals (SDGs), are the world's blueprint to achieve a better and more sustainable future for all. Adopted by all 193 UN Member States in 2015, the SDGs comprise 17 integrated and indivisible goals grounded in human rights balancing the three dimensions of sustainable development — economic, social, and environmental. Supported by 169 targets and 230 indicators, the SDGs focus on most pressing issues first with an overarching goal to "leave no-one behind" and are variously referred to as the world's strategy and the most comprehensive map of need, risk, and opportunity. US$5-7 trillion per year needed to achieve the global goals — requiring both public and private capital. [https://sustainabledevelopment.un.org/topics/sustainabledevelopmentgoals](https://sustainabledevelopment.un.org/topics/sustainabledevelopmentgoals)

- Impact Management Project (IMP), five dimensions of impact, provides guidance on the types of data needed to understand and assess impact performance. The IMP community of 2,000+ practitioners identified five dimensions of impact, which can be broken down into 15 more detailed data categories. Organizations can use the five dimensions as a checklist to ensure the information gathered is sufficient for the decision it will inform (see also the ABC methodology and SDG Impact Standards Glossary). [https://impactmanagementproject.com/impact-management/how-enterprises-manage-impact/] and Five Dimensions of Impact (Impact Management Norms), [https://impactmanagementproject.com/impact-management/impact-management-norms/](https://impactmanagementproject.com/impact-management/impact-management-norms/)

- Social Value International (SVI), Principles of Social Value: Principle 2 Understand what changes — "Articulate how change is created and evaluate this through evidence gathered, recognizing positive and negative changes as well as those that are intended and unintended".

- Social Value International (SVI) Standard for applying Principle 2: Understand what changes, Part 1: Creating well defined outcomes. This practice standard sets out how to engage with stakeholders to collaboratively agree on which outcomes to measure and contains guidance on how an organization can examine "chains of events" and engage with stakeholders to decide the most appropriate point of measurement to support management decision-making (framed as "well-defined" outcomes).

- Social Value International (SVI) Principles of Social Value, Principle 5: Do not overclaim — "Only claim the value that activities are responsible for creating. Understanding the role of your activities in a system of change".

- Social Value International (SVI) Principles of Social Value, Principle 8: Be Responsive — (work in progress) "making decisions that optimize value for all stakeholder groups materially affected. Consideration of risks and rigour of data in context of decisions being made".

- Principles for Positive Impact Finance (developed by UN Environment Finance Initiative), Frameworks, Principle 2: To promote the delivery of Positive Impact Finance, entities (financial or non-financial) need adequate processes, methodologies, and tools, to identify and monitor the positive impact of the activities, projects programmes, and/or entities to be financed or invested in. "Implement specific processes, criteria and methodologies to identify Positive Impact. The analysis should cover activities, projects and programmes but also underlying companies."

- UNEPFI Principles for Responsible Banking, Principle 2: Impact & Target Setting — We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and the environment resulting from our activities, products, and services. To this end, we will set and publish targets where we can have the most significant impacts.


- Gender Pay Gap is an example of data collected by companies to take action against specifically and enables companies to track impact over time as well as benchmark against others. Refer to UN Women’s resources: [https://www.weps.org/resource/closing-gender-pay-gaps-achieve-gender-equality-work](https://www.weps.org/resource/closing-gender-pay-gaps-achieve-gender-equality-work)
OTHER RESOURCES:

- The UNEP FI Impact Analysis Tools have been designed open source for banks, investors and their corporate clients and investee companies. They enable practitioners to implement a holistic approach to impact analysis and management. The Corporate Impact Analysis Tool helps banks and investors gain a cross-cutting view of the impact status and possibilities of their clients and investee companies but can also be used as a self-assessment Tool by corporates themselves. The other Tools are specifically designed for banks and investors. The Tools help users identify their most significant impact areas based on the nature of their business and the sustainable development needs of the countries in which they operate. Moreover, they guide users on their performance assessment based on which meaningful targets can be set. The Tools have in-built sector mappings which consider positive and negative impacts (and the strength of the impact) of business sectors and activities on specific sustainability topics and needs mappings which provide data on country sustainable development needs from various global and regional databases.
Guidance Note 2.2.3

Impact Risk management

Impact risk is unavoidable when making choices between options designed to increase positive contribution to sustainability and the SDGs. Risk as referred to in the Standards covers both the risk that the result will be less than expected and the uncertainty implicit within the impact management approach. There is uncertainty:

- that all the expected changes in aspects of well-being for people and planet have been identified;
- about the expected change (magnitude, duration, direction of the change) for each and in subsequent measurement; and
- about the extent to which proxies are good enough approximations, for example using outputs as proxies for impacts.

When making decisions between options it will often be a comparison between an existing way of doing things and a projected or forecast way of doing things. Choosing the option that is a forecast will be based on forecast data and not on actual data where there is more uncertainty. Approaches to impact measurement based only on measuring past impact could reduce an issuer’s willingness to choose options based on expected impact and reduce the rate of decision making and therefore are unlikely to be sufficient.

The impact measurement and management framework should be designed to reduce measurement uncertainties to an acceptable level, in general but specifically in 2.2.1.4 and 2.2.4.3. Uncertainty in forecasting is in part addressed in 2.1.5, 2.1.4.3, 2.1.4.4. The issuer should consider options, and its approach to forecasting should be consistent with the approach to measurement, informed by past experience or other research and, depending on risk assessment, supported by sensitivity.

Within 2.1.4, the issuer needs to understand the risk that the impact will be less than expected has consequences, potentially both for the issuer and for the people experiencing the impacts. This could range from slightly lower positive impact than expected to a negative impact. It could include a positive impact for the majority of the group in line with expectations but a negative impact for a minority of the group. Forecasts and scenario planning should consider these risks, that the actual impacts do not occur as and when expected. It should also include risk tolerance from those that would experience the negative impacts.

REFERENCE FRAMEWORKS:

- Impact Management Project (IMP), five dimensions of impact, provides guidance on the types of data needed to understand and assess impact performance. The IMP community of 2,000+ practitioners identified five dimensions of impact, which can be broken down into 15 more detailed data categories. Risk is one of the five dimensions of impact and the methodology describes impact risks (also see SDG Impact Standards Glossary). [https://impactmanagementproject.com/impact-management/how-enterprises-manage-impact/](https://impactmanagementproject.com/impact-management/how-enterprises-manage-impact/) and Five Dimensions of Impact (Impact Management Norms), [https://impactmanagementproject.com/impact-management/impact-management-norms/](https://impactmanagementproject.com/impact-management/impact-management-norms/)

- Social Value International (SVI), Principles of Social Value: Principle 2 Understand what changes – “Articulate how change is created and evaluate this through evidence gathered, recognizing positive and negative changes as well as those that are intended and unintended”.

SDG Impact Standards Guidance for Bond Issuers
• Social Value International (SVI) Standard for applying Principle 2: Understand what changes, Part One: Creating well defined outcomes. This practice standard sets out how to engage with stakeholders to collaboratively agree on which outcomes to measure and contains guidance on how an organization can examine “chains of events” and engage with stakeholders to decide the most appropriate point of measurement to support management decision-making (framed as “well-defined” outcomes).

• Social Value International (SVI) Principles of Social Value, Principle 8: Be Responsive – (work in progress) “making decisions that optimize value for all stakeholder groups materially affected. Consideration of risks and rigour of data in context of decisions being made”.


• Principles for Positive Impact Finance (developed by UN Environment Finance Initiative), Frameworks, Principle 2: To promote the delivery of Positive Impact Finance, entities (financial or non-financial) need adequate processes, methodologies, and tools, to identify and monitor the positive impact of the activities, projects programmes, and/or entities to be financed or invested in. “Implement specific processes, criteria and methodologies to identify Positive Impact. The analysis should cover activities, projects and programmes but also underlying companies.”

• UNEPFI Principles for Responsible Banking, Principle 2: Impact & Target Setting – We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and the environment resulting from our activities, products, and services. To this end, we will set and publish targets where we can have the most significant impacts.

OTHER RESOURCES:
Guidance Note 2.2.4
See also Guidance note – Impact data collection and use
See also Guidance note 2.2.1 – Using wellbeing as a consistent measure to value impacts

Selecting metrics
Collecting, monitoring, and evaluating data and metrics requires a resource commitment – from both the issuer and those it collects data from. Therefore, data and metrics selection should focus on information that is decision-useful and proportionate to the decision being made (i.e., enough precision for the decision), including taking into consideration the risks to stakeholders if decisions based on that data and metrics results in outcomes that are different from what is expected.

When selecting metrics, there are benefits of choosing standardized metrics as they allow aggregation for portfolio analysis and comparison (not only between options but also vis a vis external organizations). Standardized metrics are more likely to be clearly defined and use the same unit of measure. There is also more data publicly available for standardized indicators. However, first and foremost, the focus should be on selecting data and metrics that are decision-useful, which may require the use of internally generated, non-standardized or bespoke metrics.

When it is not possible to obtain reliable impact metrics, proxies (activity or output metrics) are often used instead. When using proxies, it is important to determine whether there is a strong enough and evidence-based causal link between the activities or outputs and the intended impacts and take into account additional risks that using proxies may present in decision-making.

REFERENCE FRAMEWORKS:

- Social Value International (SVI) Principle 2: Understand what changes – “Articulate how change is created and evaluate this through evidence gathered, recognizing positive and negative changes as well as those that are intended and unintended”.
- SVI’s Standard on Applying Principle 2: Understand what changes Part Two: Designing indicators (metrics) to measure the outcomes. This practice standard builds on the previous “Part One”, outlining how to design custom metrics to measure a “well defined” outcome.
- Social Value International (SVI) Principles of Social Value, Principle 8: Be Responsive – (work in progress) “making decisions that optimize value for all stakeholder groups materially affected. Consideration of risks and rigour of data in context of decisions being made”.
- Principles for Positive Impact Finance (developed by UN Environment Finance Initiative), Frameworks, Principle 2: To promote the delivery of Positive Impact Finance, entities (financial or non-financial) need adequate processes, methodologies, and tools, to identify and monitor the positive impact of the activities, projects programmes, and/or entities to be financed or invested in. “Implement specific processes, criteria and methodologies to identify Positive Impact. The analysis should cover activities, projects and programmes but also underlying companies.”
- UNEPFI Principles for Responsible Banking, Principle 2: Impact & Target Setting – We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and the environment resulting from our activities, products, and services. To this end, we will set and publish targets where we can have the most significant impacts.
• (The Capitals Coalition Natural Capital Protocols and Social and Human Capitals Protocols are the internationally accepted harmonized framework for identifying, measuring and valuing the impacts and dependencies on natural and social and human capital and outline a series of actions that will help organizations integrate sustainable development and impact management into management decision-making (see Measure and Value Stage). See also Capitals Coalition, Principles of Integrated Capitals Assessments.

OTHER RESOURCES:

• UN Sustainable Development Knowledge Platform https://sustainabledevelopment.un.org/vrns/ contains the sustainable development goals, targets and indicators and information from the Voluntary National Reviews of progress towards achieving the SDGs conducted by member states.

• the Fundamental Principles of Official Statistics (General Assembly resolution 68/261) - i.e. where feasible, data should be disaggregated (i.e. segmented) by income, sex, age, race, ethnicity, migratory status, disability and geographic location, or other characteristics pertinent to the Enterprise’s impact goals

• SDG Compass Guide (developed by UN Global Compact, GRI, and WBCSD) provides guidance for companies on how they can align their strategies as well as measure and manage their contribution towards the realization of the SDGs https://sdgcompass.org/

• UNCTAD core indicators for entity reporting on contributions towards implementation of the Sustainable Development Goals (GCI). The GCI is a set of core universal baseline indicators common to all businesses of all types and sizes aimed at facilitating harmonization and comparability of SDG reporting by companies. The GCI has been endorsed by UNCTAD member states, are selected based on main reporting frameworks and enterprise practices and aligned with the SDG indicators monitoring framework. https://unctad.org/webflyer/guidance-core-indicators-entity-reporting-contributions-towards-implementation-sustainable


• HIPSO indicators (Harmonized Indicators for Private Sector Operations) are a list of reporting indicators set across various sectors and industries (including cross-cutting). They have definitions that have been agreed upon by 28 different development finance institutions from around the world, all of whom have signed the MoU on harmonized indicators. These indicators may be used by any entity wishing to use them.

• GRI Sustainability Reporting Standards are designed to help organizations understand and report their impacts in a way that meets the needs of multiple stakeholders. There are a set of Universal Standards that apply to all organizations, and 35 Topic Standards that contain disclosures for impacts related to economic, environmental, and social topics. Organizations can use the standards to report to stakeholders on “material” topics that reflect the organization’s most significant impacts.

• IRIS+ System by Global Impact Investing Network (GIIN) is a tool designed to help impact investors translate intentions into results (hence investors may request businesses they invest in to report using these metrics, and they may be useful to businesses looking to select appropriate metrics to measure, manage and report their impacts). IRIS+ metrics and metric sets are aligned to the SDGs and five dimensions of impact and work is underway to map various investor metric sets and corporate disclosure standards with a view to achieving global consistency, including IRIS+-GRI, B Lab-IRIS+, HIPSO-IRIS+. It starts by helping investors frame their impact goals in a common way (linked to an SDG or Impact Category) and offers a set of metrics (Core Metrics Sets) to assess performance against set goals, together with an evidence base (Navigating Impact) and implementation guidance.

• The UNEP FI Impact Analysis Tools have been designed open source for banks, investors and their corporate clients and investee companies. They enable practitioners to implement a holistic approach to impact analysis and management. The Corporate Impact Analysis Tool helps banks and investors gain a cross-cutting view of the impact status and possibilities of their clients and investee companies but can also be used as a self-assessment Tool by corporates themselves. The other Tools are specifically designed for banks and investors. The Tools help users identify their most significant impact areas based on the nature of their business and the sustainable development needs of the countries in which they operate. Moreover, they guide users on their performance assessment based on which meaningful targets can be set. The Tools have an in-built indicator library which provides a compilation of impact-related indicators and metrics, useful for assessing the performance and for setting meaningful targets. This is also available as a standalone resource.
B Impact Assessments by B Lab can be used as asset of metrics. The questionnaire enables organizations to quickly get started collecting information on performance on sustainability topics that are likely relevant to measure and manage based on the organization’s size, sector, and geography.

CDP Questionnaires are a tool to measure and disclose on climate change, forests and water security impacts and can also be used as a set of metrics.

GRI Sustainability Reporting Standards are designed to help organizations understand and disclose their impacts in a way that meets the needs of multiple stakeholders. The standards can be used to provide guidance on identifying metrics to measure each significant impact and provide guidance on what to report. Using standardized metrics can help the organization and its stakeholders compare performance with others.

The World Benchmarking Alliance (whose benchmarks are constructed of metrics for measuring companies’ performance against the SDGs)

UN RISD’s Sustainable Development Performance Indicator research project

Maximise Your Impact, A Guide for social entrepreneurs provides organizations with guidance on whether it has all of the information it needs to assess impact. The guidance contains ten questions that guide impact assessment, and function as a checklist to ensure all necessary contextual information is collected. [https://socialvalueint.org/wp-content/uploads/2018/05/MaximiseYourImpact.24.10.17.pdf](https://socialvalueint.org/wp-content/uploads/2018/05/MaximiseYourImpact.24.10.17.pdf)

Measuring Social Change, Ainoor Ebrahim of Tufts University

The Guide to the Assessment of Socio-Environmental Impact, produced by Insper Metricis in Brazil.

SVI’s Standard on Applying Principle 3: Value the things that matter

Beneficiary Assessment: An Approach Described | Better Evaluation
Guidance Note 2.2.5

Choices, options, and trade-offs
Decision making means making choices between options, addressed in the issuer’s approach to internal reporting and summarising data (2.2.7), generating options for increasing that contribution (2.3.1), and assessing the risk in making decisions (2.2.4). The choices will invariably involve making trade-offs. There may be trade-offs between positive and negative impacts within an option as well as trade-offs between the positive and negative impacts in different options, or potentially impacts experienced by different people. Although the thresholds and allocations represent boundary levels, there may be situations where all the options include impacts that do not meet thresholds and allocations and the choice is the ‘least bad.’

The indicator focuses on transparency. Transparency requires those trade-offs to be transparent and that those involved in the decision start with a common measure, informed by the people that will or have experienced the impacts. 2.2.4.1 refers to valuation using well-being as a common measure. Maximizing the contribution means that the decisions consider the positive and negative impacts in the round and the implications for any positive contribution where options include impacts that do not meet thresholds and allocations.

Issuers should recognize these challenges, have a documented approach to trade-offs, an approach to a common measure of valuing what is important to the people who experience impacts, and ensure that decisions made have considered trade-offs.

REFERENCE FRAMEWORKS:

- Social Value International (SVI), Principle 3: Value what matters – “Making decisions about allocating resources between different options needs to recognize the values of stakeholders. Value refers to the relative importance of different outcomes. It is informed by stakeholder preferences.”

- Social Value International (SVI) Standard for applying Principle 3: Value the things that matter – guidance to value impacts from the perspective of affected stakeholders, emphasizing the importance of using data collected directly from stakeholders.

- Social Value International (SVI) Principles of Social Value, Principle 8: Be Responsive – (work in progress) “making decisions that optimize value for all stakeholder groups materially affected. Consideration of risks and rigour of data in context of decisions being made”.

- The Capitals Coalition Natural Capital Protocols and Social and Human Capitals Protocols are the internationally accepted harmonized framework for identifying, measuring and valuing the impacts and dependencies on natural and social and human capital and outline a series of actions that will help organizations integrate sustainable development and impact management into management decision-making. See also Capitals Coalition, Principles of Integrated Capitals Assessments.

OTHER RESOURCES:
Guidance Note 2.2.6

Comprehensive independent impact evaluations
Comprehensive impact evaluations are generally third-party independent assessments undertaken by qualified evaluators. These are additional to the regular impact assessment and monitoring activities conducted internally by management. An independent comprehensive impact evaluation may be appropriate where the potential impacts (especially risks to stakeholders) are especially high (for example, a large mining operation situated on indigenous lands). They won’t be feasible (on a cost-to-value basis) for many activities, nor relevant to many types of impact decisions issuers will need to make.

The criteria to undertake comprehensive and independent impact evaluations should be defined, transparent and based on:

- the size of the activity/project (in absolute and relative terms)
- the expected impact and impact risk (including with respect to human rights)
- the country and sector risk
- the learning potential (e.g., activities/projects in new markets and sectors)
- the strategic importance of the activity/project
- the newness of the intervention (e.g., pilots)

Results of any comprehensive impact evaluations should also be made available to stakeholders.

REFERENCE FRAMEWORKS:

- Social Value International (SVI) Principles of Social Value, Principle 7: Verify the results – “Ensure appropriate independent assurance”.

- Social Value International (SVI) Principles of Social Value, Principle 8: Be Responsive – (work in progress) “making decisions that optimize value for all stakeholder groups materially affected. Consideration of risks and rigour of data in context of decisions being made”.

- Principles for Positive Impact Finance (developed by UN Environment Finance Initiative), Frameworks, Principle 2: To promote the delivery of Positive Impact Finance, entities (financial or non-financial) need adequate processes, methodologies, and tools, to identify and monitor the positive impact of the activities, projects programmes, and/or entities to be financed or invested in. “Seek second opinions and/or third-party assurances on the implementation of the above processes as appropriate.”

- Principles for Positive Impact Finance (developed by UN Environment Finance Initiative), Assessment, Principle 4: The assessment of Positive Impact Finance delivered by entities (financial or non-financial), should be based on the actual impacts achieved. The assessment of Positive Impact Finance can be internally processed, i.e., for internal monitoring and evaluation purposes, or undertaken by qualified third parties (i.e., auditing companies, research providers, and rating agencies), for certification and/or rating purposes.

OTHER RESOURCES:

- OECD Due Diligence Guidance for Responsible Business Conduct helps organizations comply with the OECD Guidelines for Multinational Enterprises providing guidance on setting up due diligence processes to identify and address principal adverse impacts in operations, supply chain and business relationships.


- OECD/DAC’s Network on Development Evaluation, 2019
Guidance Note 2.2.7
See also Guidance note – Impact data collection and use

REFERENCE FRAMEWORKS:

- Social Value International (SVI) Principles of Social Value, Principle 8: Be Responsive – (work in progress) “making decisions that optimize value for all stakeholder groups materially affected. Consideration of risks and rigour of data in context of decisions being made”.


- Principles for Positive Impact Finance (developed by UN Environment Finance Initiative), Frameworks, Principle 2: To promote the delivery of Positive Impact Finance, entities (financial or non-financial) need adequate processes, methodologies, and tools, to identify and monitor the positive impact of the activities, projects programmes, and/or entities to be financed or invested in. “Review and update processes as appropriate on an on-going basis.”

OTHER RESOURCES:
Guidance Note 2.2.8
Additional guidance not provided
Guidance Note 2.3.1 and 2.3.3

Monitoring
Monitoring means comparing progress in the achievement of impact (performance) against the ambitious and rigorous targets (targets based on the measurement requirements in 2.1.4).

The issuer should have a framework to identify, analyze, and report internally on deviations from expected performance and the reasons why these happen as well as mechanisms in place to take corrective actions to address any deviations. Potential actions could include a justified change to targets, a change to aspects of the business model or a decision to accept the difference without further action. Changes to the business model represent a subset of alternatives to be considered (2.3.3.1). Although the focus should be on first addressing negative impacts (2.3.3.2), the issuer should also collect data on unexpected positive impacts to influence design of products and services and to increase future targets.

The deviations are opportunities for insights that lead to consider options for improved decision-making in 2.3.3.1. For the avoidance of doubt, mitigation plans include options to avoid negative impacts and/or diminution or cessation of future positive impacts.

A critical source of insights is comparison of the impacts, across the dimensions, experienced by a stakeholder group based on different characteristics within the group. Alternative characteristics or groups of characteristics should be considered, differences reported, and insights generated, and options created, and choices made.

REFERENCE FRAMEWORKS:

- United Nations, Sustainable Development Goals (SDGs), are the world's blueprint to achieve a better and more sustainable future for all. Adopted by all 193 UN Member States in 2015, the SDGs comprise 17 integrated and indivisible goals grounded in human rights balancing the three dimensions of sustainable development – economic, social, and environmental. Supported by 169 targets and 230 indicators, the SDGs focus on most pressing issues first with an overarching goal to "leave no-one behind" and are variously referred to as the world’s strategy and the most comprehensive map of need, risk, and opportunity. US$5-7 trillion per year needed to achieve the global goals – requiring both public and private capital. https://sustainabledevelopment.un.org/topics/sustainabledevelopmentgoals

- Impact Management Project (IMP), five dimensions of impact, provides guidance on the types of data needed to understand and assess impact performance. The IMP community of 2,000+ practitioners identified five dimensions of impact, which can be broken down into 15 more detailed data categories. Organizations can use the five dimensions as a checklist to ensure the information gathered is sufficient for the decision it will inform (see also the ABC methodology and SDG Impact Standards Glossary). https://impactmanagementproject.com/impact-management/how-enterprises-manage-impact/ and Five Dimensions of Impact (Impact Management Norms), https://impactmanagementproject.com/impact-management/impact-management-norms/


- Principles for Positive Impact Finance (developed by UN Environment Finance Initiative). Frameworks, Principle 2: To promote the delivery of Positive Impact Finance, entities (financial or non-financial) need adequate processes, methodologies, and tools, to identify and monitor the positive impact of the activities, projects programmes, and/or entities to be financed or invested in. “Implement specific processes, criteria, and methodologies to monitor the achievement of intended impacts throughout the life-time of the financial instrument.”
• Principles for Positive Impact Finance (developed by UN Environment Finance Initiative), Assessment, Principle 4: The assessment of Positive Impact Finance delivered by entities (financial or non-financial), should be based on the actual impacts achieved. The assessment of Positive Impact Finance can be internally processed, i.e., for internal monitoring and evaluation purposes, or undertaken by qualified third parties (i.e., auditing companies, research providers, and rating agencies), for certification and/or rating purposes.

• Capitals Coalition Natural and Social and Human Capital Protocols outline a process that organizations should follow to identify, measure and value their impacts and dependencies on the natural environment and on social and human capital respectively and can be used to value impacts and dependencies on natural and social and human capital respectively. This methodology draws on organizational data, data collected from stakeholders, and publicly available country- or sector-level data (see Apply Stage).

OTHER RESOURCES:

• OECD Due Diligence Guidance for Responsible Business Conduct helps organizations comply with the OECD Guidelines for Multinational Enterprises providing guidance on setting up due diligence processes to identify and address principal adverse impacts in operations, supply chain and business relationships.

• Impact Lab (developed by Business Call to Action, BCtA) is an online tool/resource that aims to guide companies on their impact measurement. Through this lab, BCtA aims to help both BCtA members and non-members in the process of identifying the right tools for collecting and analyzing data on their social and environmental performance to inform their business decisions. The online Lab comprises four modules 1) assess their impact measurement readiness 2) design their impact measurement frameworks 3) monitor their impact and 4) analyze their collected data.

• SDG Action Manager (developed by B Lab and the UN Global Compact) is a tool designed to help organizations measure and manage their impacts in relation to the Sustainable Development Goals. Organizations can fill in the questionnaire to track change in performance over time. Each question is scored – some with reference to social or ecological thresholds – to help the organization determine whether it is performing sustainably on that topic.

• B Impact Assessments by B Lab are a tool designed to help organizations measure and manage their impacts on workers, community, environment, and customers. Organizations can fill in the questionnaire to track change in performance over time. Each question is scored – some with reference to social or ecological thresholds – to help the organization determine whether it is performing sustainably on that topic.

• The UNEP FI Impact Analysis Tools have been designed open source for banks, investors and their corporate clients and investee companies. They enable practitioners to implement a holistic approach to impact analysis and management. The Corporate Impact Analysis Tool helps banks and investors gain a cross-cutting view of the impact status and possibilities of their clients and investee companies but can also be used as a self-assessment Tool by corporates themselves. The other Tools are specifically designed for banks and investors. The Tools help users identify their most significant impact areas based on the nature of their business and the sustainable development needs of the countries in which they operate. Moreover, they guide users on their performance assessment which can be monitored over time and based on which meaningful targets can be set and action points defined.

• UNCTAD core indicators for entity reporting on contributions towards implementation of the Sustainable Development Goals (GCI). The GCI is a set of core universal baseline indicators common to all businesses of all types and sizes aimed to facilitation harmonization and comparability of SDG reporting by companies. The GCI has been endorsed by UNCTAD member states, are selected based on main reporting frameworks and enterprise practices and aligned with the SDG indicators monitoring framework. https://unctad.org/webflyer/guidance-core-indicators-entity-reporting-contribution-towards-implementation-sustainable


• HIPSO indicators (Harmonized Indicators for Private Sector Operations) are a list of reporting indicators set across various sectors and industries (including cross-cutting). They have definitions that have been agreed upon by 28 different development finance institutions from around the world, all of whom have signed the MoU on harmonized indicators. These indicators may be used by any entity wishing to use them.
• GRI Sustainability Reporting Standards are designed to help organizations understand and report their impacts in a way that meets the needs of multiple stakeholders. There are a set of Universal Standards that apply to all organizations, and 35 Topic Standards that contain disclosures for impacts related to economic, environmental, and social topics. Organizations can use the standards to report to stakeholders on “material” topics that reflect the organization’s most significant impacts.

• IRIS+ System by Global Impact Investing Network (GIIN) is a tool designed to help impact investors translate intentions into results (hence investors may request businesses they invest in to report using these metrics, and they may be useful to businesses looking to select appropriate metrics to measure, manage and report their impacts). IRIS+ metrics and metric sets are aligned to the SDGs and five dimensions of impact and work is underway to map various investor metric sets and corporate disclosure standards with a view to achieving global consistency, including IRIS+-GRI, B Lab-IRIS+, HIPSO-IRIS+. It starts by helping investors frame their impact goals in a common way (linked to an SDG or Impact Category) and offers a set of metrics (Core Metrics Sets) to assess performance against set goals, together with an evidence base (Navigating Impact) and implementation guidance.

• CDP Questionnaires are a tool to measure and disclose on climate change, forests, and water security impacts. Organizations can fill in the questionnaire to track change in performance over time. Each question is scored – some with reference to social or ecological thresholds – to help the organization determine whether it is performing sustainably on that topic.

• A guide to social return on investment (developed by Social Value International, SVI) – follow methodology to monetize the social value an organization creates, preserves, erodes for stakeholders (society).

• Impact-Weighted Accounts Initiative is research on impact valuation published in the form of case studies and white papers which organizations can use to learn about key considerations when monetizing impact using publicly available information https://www.hbs.edu/impact-weighted-accounts/Pages/default.aspx
Guidance Note 2.3.2

Risk management – data gaps
To reduce the risk that impacts do not occur as expected, it is important to have meaningful stakeholder engagement as the basis for measurement of impacts. Having partial data for each material impact, a predetermined lists of outputs, outcomes, or changes in aspects of well-being instead increases the impact risks. For example, predetermined lists increase the risk that relevant potential material impacts are not identified thus affecting what is prioritized and what decisions are made. Missing data points also increase the risk since having incomplete data could affect decisions.

The lack of timely, complete, reliable data affects decision making timeliness and quality. To the extent there are significant data gaps, an ambitious plan should be put in place to close the gaps (see 2.1.4)

REFERENCE FRAMEWORKS:


- Principles for Positive Impact Finance (developed by UN Environment Finance Initiative), Frameworks, Principle 2: To promote the delivery of Positive Impact Finance, entities (financial or non-financial) need adequate processes, methodologies, and tools, to identify and monitor the positive impact of the activities, projects programmes, and/or entities to be financed or invested in. “Implement specific processes, criteria, and methodologies to monitor the achievement of intended impacts throughout the life-time of the financial instrument.”

- Under SDG 5 (Gender equality), indicator 5.c.1 specifically monitors whether countries have systems in place to track financial resources and whether they are targeting gender equality related programmes/policy.

- Women’s Empowerment Principles signatories are provided with a reporting template, which ensures that companies can capturing gender disaggregated data and that they can be mindful of data gaps in the companies. https://www.weps.org/sites/default/files/2021-03/WEPs_BROCHURE.pdf (p.63-64)

OTHER RESOURCES:

- The UNEP FI Impact Analysis Tools have been designed open source for banks, investors and their corporate clients and investee companies. They enable practitioners to implement a holistic approach to impact analysis and management. The Corporate Impact Analysis Tool helps banks and investors gain a cross-cutting view of the impact status and possibilities of their clients and investee companies but can also be used as a self-assessment Tool by corporates themselves. The other Tools are specifically designed for banks and investors. The Tools help users identify their most significant impact areas based on the nature of their business and the sustainable development needs of the countries in which they operate. Moreover, they guide users on their performance assessment which can be monitored over time and based on which meaningful targets can be set and action points defined. Finally, the Tools enable users to update the outputs of the impact analysis based on the changes of their business, performance, and the sustainable development context.

- UN Women has worked on many reports that highlight the gender data gaps. Reports include: Glaring gaps in pandemic responses and Measuring the shadow pandemic. UN Women also produces an overarching snapshot on all the SDGs from a gender perspective: https://www.unwomen.org/sites/default/files/Headquarters/Attachments/Sections/Library/Publications/2021/Progress-on-the-Sustainable-Development-Goals-The-gender-snapshot-2021-en.pdf
Guidance Note 2.3.4

Additional guidance not provided.

REFERENCE FRAMEWORKS:

- Social Value International (SVI) Principle 2: Understand what changes – “Articulate how change is created and evaluate this through evidence gathered, recognizing positive and negative changes as well as those that are intended and unintended”.


- Principles for Positive Impact Finance (developed by UN Environment Finance Initiative), Frameworks, Principle 2: To promote the delivery of Positive Impact Finance, entities (financial or non-financial) need adequate processes, methodologies, and tools, to identify and monitor the positive impact of the activities, projects programmes, and/or entities to be financed or invested in. “Implement specific processes, criteria, and methodologies to monitor the achievement of intended impacts throughout the life-time of the financial instrument.”

OTHER RESOURCES:

- The UNEP FI Impact Analysis Tools have been designed open source for banks, investors and their corporate clients and investee companies. They enable practitioners to implement a holistic approach to impact analysis and management. The Corporate Impact Analysis Tool helps banks and investors gain a cross-cutting view of the impact status and possibilities of their clients and investee companies but can also be used as a self-assessment Tool by corporates themselves. The other Tools are specifically designed for banks and investors. The Tools help users identify their most significant impact areas based on the nature of their business and the sustainable development needs of the countries in which they operate. Moreover, they guide users on their performance assessment which can be monitored over time and based on which meaningful targets can be set and action points defined. Finally, the Tools enable users to change the scope of their analysis and to update the outputs accordingly.
Guidance Note 2.3.5
See also Guidance note – Impact data collection and use

REFERENCE FRAMEWORKS:


- Principles for Positive Impact Finance (developed by UN Environment Finance Initiative), Frameworks, Principle 2: To promote the delivery of Positive Impact Finance, entities (financial or non-financial) need adequate processes, methodologies, and tools, to identify and monitor the positive impact of the activities, projects programmes, and/or entities to be financed or invested in. “Implement specific processes, criteria, and methodologies to monitor the achievement of intended impacts throughout the life-time of the financial instrument.”

OTHER RESOURCES:

- The UNEP FI Impact Analysis Tools have been designed open source for banks, investors and their corporate clients and investee companies. They enable practitioners to implement a holistic approach to impact analysis and management. The Corporate Impact Analysis Tool helps banks and investors gain a cross-cutting view of the impact status and possibilities of their clients and investee companies but can also be used as a self-assessment Tool by corporates themselves. The other Tools are specifically designed for banks and investors. The Tools help users identify their most significant impact areas based on the nature of their business and the sustainable development needs of the countries in which they operate. Moreover, they guide users on their performance assessment which can be monitored over time and based on which meaningful targets can be set and action points defined.
Guidance Note 2.3.6 and 2.3.7
Additional guidance not provided
External reporting

External reporting should cover narrative reporting on how the issuer integrates sustainability and the SDGs into its decision making, and impact performance consistent with the requirements about performance, including measurement of progress against ambitious and rigorous targets. Where any material gaps have been identified, the report should include a plan for addressing these gaps.

REFERENCE FRAMEWORKS:

- Social Value International (SVI) Principles of Social Value, Principle 4 – “Determine what information and evidence must be included in the accounts to give a true and fair picture, such that stakeholders can draw reasonable conclusions about impact”.
- Social Value International (SVI) Standard for applying Principle 4: Only include what is material – “Determine what information and evidence must be included in the accounts to give a true and fair picture, such that stakeholders can draw reasonable conclusions about impact”. https://socialvalueint.org/social-value/standards-and-guidance/standard-applying-for-principle-4-only-include-what-is-material/
- Social Value International (SVI) Principles of Social Value, Principle 6: Be Transparent – “Demonstrate the basis on which the analysis may be considered accurate and honest and show that it will be reported and discussed with stakeholders”.
- CFO Principles on Integrated SDG Investments and Finance (developed by UN Global Compact convened CFO Taskforce for the SDGs), https://www.unglobalcompact.org/library/5788 Principle 2: INTEGRATED SDG STRATEGY AND INVESTMENTS, “Leverage and strengthen corporate governance mechanisms to incentivize and monitor the implementation of the integrated SDG strategy and investments (board oversight, internal controls and audit, executive remuneration and disclosure.”; Principle 4, INTEGRATED SDG COMMUNICATION AND REPORTING “Business should engage in proactive investor communications about their SDG impact thesis, strategy, and investments, including through investor calls and engagement, annual financial disclosures, and integrated financial and sustainability reports.”; “Enhance integrated reporting practices with key elements of SDG-aligned investments and finance, including impact measurement and valuation, alignment of investments with strategy, and accounting and monitoring performance; “Work with peer companies and standard setters to harmonize practices and maximize the utility of integrated reporting, by promoting simplification, readability, and a balance between innovation and comparability.”
- UNEPFI Principles for Responsible Banking, Principle 6: Transparency & Accountability – We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society’s goals.
- Principles for Positive Impact Finance (developed by UN Environment Finance Initiative), Transparency, Principle 3: Entities (financial and non-financial) providing Positive Impact Finance should provide transparency and disclosure on: the activities, projects, programs, and/or entities financed considered Positive Impact, the intended positive impacts thereof (as per Principle1); The processes they have in place to determine eligibility, and to monitor and to verify impacts (as per Principle 2); the impacts achieved by the activities, projects, programs, and/or entities financed (as per Principle 4).
- The OECD tracks and analyses development financing in support of gender equality and women’s rights, using the Development Assistance Committee (DAC) gender equality policy marker. The policy marker has a three-point scoring system: Principal, Significant and Not Targeted. This marker can potentially be used for other

OTHER RESOURCES:

- GRI Sustainability Reporting Standards are designed to help organizations understand and report their impacts in a way that meets the needs of multiple stakeholders. There are a set of Universal Standards that apply to all organizations, and 35 Topic Standards that contain disclosures for impacts related to economic, environmental, and social topics. Organizations can use the standards to report to stakeholders on “material” topics that reflect the organization’s most significant impacts.

- The Inter-Agency Task Force on Financing for Development, convened by the Secretary-General to follow up on the Addis Ababa Action Agenda, is comprised of over 60 United Nations agencies, programmes and offices, regional economic commissions and other relevant international institutions. https://developmentfinance.un.org/about-iatf
Guidance Note 3.2

Applying the ABC impact classifications to individual impacts not aggregated impacts

Within the context of these Standards, the ABC impact classifications are applied to describe and summarise the nature and depth of each impact – not to combine several material impacts to categorize the organization, business lines or projects as a whole.

Reporting reflects stakeholder needs

The issuer’s reporting process should explain how the needs of stakeholders have been reflected for both completeness and accessibility of the information. Materiality identifies what is material to a group of people for a purpose so the report must be clear on the intended audience and their purpose and what is material to them. Recognizing that other groups may access and use the information, the report should address the risks of other uses.

The primary user for the SDG Impact Standards is the SDG Impact Secretariat acting in the interests of people’s human rights and well-being. The purpose is to contribute positively to sustainability and the SDGs and to increase that contribution. The implications of any variation from that audience and purpose must be addressed in the report together with a plan for addressing the variation.

Public policies and disclosure

Disclosure on both policies and performance should be consistent with the remainder of these Standards. Any gaps should be reported as outlined in 3.2.3 and 2.3.2 together with a plan for addressing those gaps and the implications of any gaps for decision making should be recognized.

REFERENCE FRAMEWORKS:

- United Nations, Sustainable Development Goals (SDGs), are the world’s blueprint to achieve a better and more sustainable future for all. Adopted by all 193 UN Member States in 2015, the SDGs comprise 17 integrated and indivisible goals grounded in human rights balancing the three dimensions of sustainable development – economic, social, and environmental. Supported by 169 targets and 230 indicators, the SDGs focus on most pressing issues first with an overarching goal to “leave no-one behind” and are variously referred to as the world’s strategy and the most comprehensive map of need, risk, and opportunity. US$5-7 trillion per year needed to achieve the global goals – requiring both public and private capital.https://sustainabledevelopment.un.org/topics/sustainabledevelopmentgoals

- Impact Management Project (IMP), five dimensions of impact, provides guidance on the types of data needed to understand and assess impact performance. The IMP community of 2,000+ practitioners identified five dimensions of impact, which can be broken down into 15 more detailed data categories. Organizations can use the five dimensions as a checklist to ensure the information gathered is sufficient for the decision it will inform (see also the ABC methodology and SDG Impact Standards Glossary). https://impactmanagementproject.com/impact-management/how-enterprises-manage-impact/ and Five Dimensions of Impact (Impact Management Norms), https://impactmanagementproject.com/impact-management/impact-management-norms/

- Social Value International (SV) Principles of Social Value, Principle 5: Do not overclaim – “Only claim the value that activities are responsible for creating. Understanding the role of your activities in a system of change”.

SDG Impact Standards Guidance for Bond Issuers
• Social Value International (SVI) Principles of Social Value, Principle 6: Be Transparent – “Demonstrate the basis on which the analysis may be considered accurate and honest and show that it will be reported and discussed with stakeholders”.

• CFO Principles on Integrated SDG Investments and Finance (developed by UN Global Compact convened CFO Taskforce for the SDGs), https://www.unglobalcompact.org/library/5788 Principle 2: INTEGRATED SDG STRATEGY AND INVESTMENTS, “Leverage and strengthen corporate governance mechanisms to incentivize and monitor the implementation of the integrated SDG strategy and investments (board oversight, internal controls and audit, executive remuneration and disclosure.”; Principle 4, INTEGRATED SDG COMMUNICATION AND REPORTING “Business should engage in proactive investor communications about their SDG impact thesis, strategy, and investments, including through investor calls and engagement, annual financial disclosures, and integrated financial and sustainability reports.”; “Enhance integrated reporting practices with key elements of SDG-aligned investments and finance, including impact measurement and valuation, alignment of investments with strategy, and accounting and monitoring performance; “Work with peer companies and standard setters to harmonize practices and maximize the utility of integrated reporting, by promoting simplification, readability, and a balance between innovation and comparability.”

• UNEP FI Principles for Responsible Banking, Principle 6: “TRANSPARENCY & ACCOUNTABILITY We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society’s goals”.

• Principles for Positive Impact Finance (developed by UN Environment Finance Initiative), Transparency, Principle 3: Entities (financial and non-financial) providing Positive Impact Finance should provide transparency and disclosure on: the activities, projects, programs, and/or entities financed considered Positive Impact, the intended positive impacts thereof (as per Principle 1); The processes they have in place to determine eligibility, and to monitor and to verify impacts (as per Principle 2); the impacts achieved by the activities, projects, programs, and/or entities financed (as per Principle 4).

OTHER RESOURCES:

• UNCTAD core indicators for entity reporting on contributions towards implementation of the Sustainable Development Goals (GCI). The GCI is a set of core universal baseline indicators common to all businesses of all types and sizes aimed at facilitation harmonization and comparability of SDG reporting by companies. The GCI has been endorsed by UNCTAD member states, are selected based on main reporting frameworks and enterprise practices and aligned with the SDG indicators monitoring framework. https://unctad.org/webflyer/guidance-core-indicators-entity-reporting-contribution-towards-implementation-sustainable


• HIPSO indicators (Harmonized Indicators for Private Sector Operations) are a list of reporting indicators set across various sectors and industries (including cross-cutting). They have definitions that have been agreed upon by 28 different development finance institutions from around the world, all of whom have signed the MoU on harmonized indicators. These indicators may be used by any entity wishing to use them

• GRI Sustainability Reporting Standards are designed to help organizations understand and report their impacts in a way that meets the needs of multiple stakeholders. There are a set of Universal Standards that apply to all organizations, and 35 Topic Standards that contain disclosures for impacts related to economic, environmental, and social topics. Organizations can use the standards to report to stakeholders on "material" topics that reflect the organization’s most significant impacts.


• IRIS+ System by Global Impact Investing Network (GIIN) is a tool designed to help impact investors translate intentions into results (hence investors may request businesses they invest in to report using these metrics, and they may be useful to businesses looking to select appropriate metrics to measure, manage and report their impacts). IRIS+ metrics and metric sets are aligned to the SDGs and five dimensions of impact and work is underway to map various investor metric sets and corporate disclosure standards with a view to achieving global consistency, including IRIS+-GRI, B Lab-IRIS+, HIPSO-IRIS+. It starts by helping investors frame their impact goals
in a common way (linked to an SDG or Impact Category) and offers a set of metrics (Core Metrics Sets) to assess performance against set goals, together with an evidence base (Navigating Impact) and implementation guidance.

- World Benchmarking Alliance (WBA) Benchmark Methodologies are benchmarks that rank companies based on their impact across seven systems that require transformation to achieve a sustainable future. Organizations can use the list of topics in the relevant ‘system’ to help identify sustainability topics to report on to enable comparability and comparison through benchmarking.

- Impact-Weighted Accounts Initiative is research on impact valuation published in the form of case studies and white papers which organizations can use to learn about key considerations when monetizing impact using publicly available information https://www.hbs.edu/impact-weighted-accounts/Pages/default.aspx
Guidance Note 3.3

External assurance

Where there is external assurance, the approach to assurance should be consistent as set out in the Standards. It should:

• address the approach to stakeholder engagement and the material completeness of the positive and negative impacts resulting from the activities of the issuer.

• refer to an existing assurance standard or equivalent approach as a basis for determining the work carried out providing assurance against a documented reporting framework or existing reporting standard.

Where this is not the case, or where there is no assurance, the issuer, in giving its reasons:

• recognizes the risks of self-reporting or restricted assurance on the completeness of the positive and negative impacts experienced as a result, and

• that these risks include suboptimal impact including higher levels of negative impact than could be caused, including impacts that exceed international norms or planetary boundaries.

REFERENCE FRAMEWORKS:

• Social Value International (SVI) Principles of Social Value, Principle 7: Verify the results – “Ensure appropriate independent assurance”.

• CFO Principles on Integrated SDG Investments and Finance (developed by UN Global Compact convened CFO Taskforce for the SDGs), https://www.unglobalcompact.org/library/5788 Principle 2: INTEGRATED SDG STRATEGY AND INVESTMENTS, “Leverage and strengthen corporate governance mechanisms to incentivize and monitor the implementation of the integrated SDG strategy and investments (board oversight, internal controls and audit, executive remuneration and disclosure.”, Principle 4, INTEGRATED SDG COMMUNICATION AND REPORTING “Business should engage in proactive investor communications about their SDG impact thesis, strategy, and investments, including through investor calls and engagement, annual financial disclosures, and integrated financial and sustainability reports.”; “Enhance integrated reporting practices with key elements of SDG-aligned investments and finance, including impact measurement and valuation, alignment of investments with strategy, and accounting and monitoring performance.”

OTHER RESOURCES:
GOVERNANCE

Guidance Note 4.1

Board leadership and oversight
Boards send a strong message to their workers and stakeholders about what’s important by virtue of what does and does not make it to the Board agenda and gets airtime during board meetings. The CEO and senior executives that engage directly with the Board take their cues from what they see is important to the Board. If the Board isn’t engaged and actively driving the agenda on – and taking ownership of – respect for human rights and other responsible business practices, operating sustainably and making positive contributions towards achieving the SDGs, it’s unlikely that these will be embedded in the culture, purpose, and strategy of the organization.

Intent is insufficient. Sound governance policies and oversight practices – including consequences for breaches – are needed to ensure the Board’s intent is realized and to create a culture of accountability for decisions and actions in line with stated policies and commitments.

For micro and small businesses, there may not be a formal board however there should be opportunities to create additional accountability by forming a group of advising trustees, an advisory board or the like.

Organizations like Accountability Counsel and SHIFT create resources that make it easier and more efficient to incorporate human rights and other responsible business practices into policies and practices. In many countries, options now exist for organizations to participate in cost effective external complaints and dispute resolution schemes that support accountability to stakeholders.

A board comprises Directors legally registered as required by national legislation. A minimum of 25% of all directors or higher for rounding (i.e., 5 directors means 2 non-executive directors) should be non-executive directors, and there should be regular board meetings (including minutes).

REFERENCE FRAMEWORKS:

- UN Guiding Principles on Business and Human Rights
- The Ten Principles of the UN Global Compact https://www.unglobalcompact.org/what-is-gc/mission/principles
- The UN Women’s Empowerment Principles https://www.weps.org/
- The International Labour Organization’s 8 fundamental conventions for labor standards
- OECD Guidelines for Multinational Enterprises sets out principles and standards for responsible business conduct consistent with applicable laws and internationally recognized standards, including setting objectives with reference to minimum safeguards on topics such as: human rights, labour relations, employment practices, public health and safety, bribery and extortion, science and technology and taxation.
- United Nations, Sustainable Development Goals (SDGs), are the world’s blueprint to achieve a better and more sustainable future for all. Adopted by all 193 UN Member States in 2015, the SDGs comprise 17 integrated and indivisible goals grounded in human rights balancing the three dimensions of sustainable development — economic, social, and environmental. Supported by 169 targets and 230 indicators, the SDGs focus on most pressing issues first with an overarching goal to “leave no-one behind” and are variously referred to as the world’s strategy and the most comprehensive map of need, risk, and opportunity. US$5-7 trillion per year needed to achieve the global goals — requiring both public and private capital. https://sustainabledevelopment.un.org/topics/sustainabledevelopmentgoals

- Impact Management Project (IMP), five dimensions of impact, provides guidance on the types of data needed to understand and assess impact performance. The IMP community of 2,000+ practitioners identified five dimensions of impact, which can be broken down into 15 more detailed data categories. Organizations can use the five dimensions as a checklist to ensure the information gathered is sufficient for the decision it will inform (see also the ABC methodology and SDG Impact Standards Glossary). https://impactmanagementproject.com/impact-management/how-enterprises-manage-impact/ and Five Dimensions of Impact (Impact Management Norms), https://impactmanagementproject.com/impact-management/impact-management-norms/

- Social Value International, Principles of Social Value: Principle 1 Involve stakeholders – “inform what gets measured and how his is measured and valued in an account of social value by involving stakeholders (the people who experience change as a result of your activity”.

- Social Value International “Standard on applying Principle 1: Involve stakeholders” explains options and processes for identifying stakeholders and meaningfully engaging stakeholders, including sample questions to ask. This Standard talks about how speaking to and involving people who experience change is an essential part of the process. But they also acknowledge that speaking directly to stakeholders is not the only source of relevant information. Third party research may be complementary to what you hear from stakeholders or may be a substitute if your stakeholders are particularly difficult to reach, or if they do not feel comfortable sharing their opinions. https://socialvalueint.org/wp-content/uploads/2019/03/Standard-on-Stakeholder-Involvement-V2.0-FINAL-1.pdf ILO convention 169: prior consultation and participation of indigenous peoples in decisions affecting them, and in particular with regard to free and informed consent on private activities in their territories.

- Social Value International (SVI) Principles of Social Value, Principle 4 – “Determine what information and evidence must be included in the accounts to give a true and fair picture, such that stakeholders can draw reasonable conclusions about impact”.

- Social Value International (SVI) Standard for applying Principle 4: Only include what is material – “Determine what information and evidence must be included in the accounts to give a true and fair picture, such that stakeholders can draw reasonable conclusions about impact”. https://socialvalueint.org/social-value/standards-and-guidance/standard-applying-for-principle-4-only-include-what-is-material/

- CFO Principles on Integrated SDG Investments and Finance (developed by UN Global Compact convened CFO Taskforce for the SDGs), https://www.unglobalcompact.org/library/5788 Principle 2: INTEGRATED SDG STRATEGY AND INVESTMENTS, “Leverage and strengthen corporate governance mechanisms to incentivize and monitor the implementation of the integrated SDG strategy and investments (board oversight, internal controls and audit, executive remuneration and disclosure.”

- UNEPFI Principles for Responsible Banking, Principle 4: Stakeholders – We will proactively and responsibly consult, engage, and partner with relevant stakeholders to achieve society’s goals

- UNEPFI Principles for Responsible Banking, Principle 5: Governance and Culture – We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

- UN Women’s Empowerment Principles – Principle 1: “Corporate leadership is a key and integral part of making gender equality and women’s empowerment a top strategic priority. It publicly signals the CEO’s and the executive team’s goals and targets for implementing the WEPs and how the seven Principles will become part of the corporate sustainability strategy, day-to-day operations and organizational culture.”
OTHER RESOURCES:

- OECD Due Diligence Guidance for Responsible Business Conduct helps organizations comply with the OECD Guidelines for Multinational Enterprises providing guidance on setting up due diligence processes to identify and address principal adverse impacts in operations, supply chain and business relationships. [https://www.oecd.org/investment/due-diligence-guidance-for-responsible-business-conduct.htm](https://www.oecd.org/investment/due-diligence-guidance-for-responsible-business-conduct.htm)

- Accountability Counsel’s Accountability Mechanisms: Benefits and Best Practices


Guidance Note 4.2

Board competencies
With respect to board competencies, the board may consider including human rights/sustainability/impact skills in its board skills matrix, implementing a ‘fit and proper’ test for new board members/directors, human rights and sustainability training for existing members/directors, including appropriately skilled Stakeholders or individuals with relevant scientific or social sustainability expertise – especially in the SDGs most relevant to the issuer’s context, nominating an independent director/member to have responsibility for championing human rights/sustainability/SDG/impact management issues, creating an independent sustainability/SDG/impact management advisory committee of suitably qualified and experienced personnel, and/or promoting diversity for example by including representation by women and under-represented stakeholder groups.

Training for the whole board is another option to strengthen the board’s competencies in relation to sustainability matters and to ensure knowledge remains current.

REFERENCE FRAMEWORKS:

- UN Guiding Principles for Business and Human Rights (UNGPs)
- Ten Principles of the UN Global Compact
- UN Women’s Empowerment Principles
- International Labour Organization – 8 fundamental conventions for labour standards
- International Standard of free, prior and informed consent (FPIC) in relation to Indigenous Peoples, where relevant
- CFO Principles on Integrated SDG Investments and Finance (developed by UN Global Compact convened CFO Taskforce for the SDGs), https://www.unglobalcompact.org/library/5788 Principle 2: INTEGRATED SDG STRATEGY AND INVESTMENTS, “Leverage and strengthen corporate governance mechanisms to incentivize and monitor the implementation of the integrated SDG strategy and investments (board oversight, internal controls and audit, executive remuneration and disclosure.”

OTHER RESOURCES:
Guidance Note 4.3

Additional guidance not provided.

REFERENCE FRAMEWORKS:

- CFO Principles on Integrated SDG Investments and Finance (developed by UN Global Compact convened CFO Taskforce for the SDGs), https://www.unglobalcompact.org/library/5788 Principle 2: INTEGRATED SDG STRATEGY AND INVESTMENTS, "Leverage and strengthen corporate governance mechanisms to incentivize and monitor the implementation of the integrated SDG strategy and investments (board oversight, internal controls and audit, executive remuneration and disclosure."

OTHER RESOURCES: