Standards Guidance

for the SDG Impact Standards for Enterprises

Updated June 2024

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INTRODUCTION

Purpose

The Standards Guidance for the SDG Impact Standards for Enterprises provide additional information and detailed explanation of the Standards to:

- Help enterprise managers apply the Standards
- Support more consistent understanding and application of the Standards across users (enterprise managers, assurers, trainers, practitioners, 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
- SDG Impact Standards for Enterprises
- 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 scheme will set out minimum evidence requirements required to be demonstrated by enterprises to support a claim that the requirements of the scheme have been met. The minimum evidence requirements are based on the practice indicators in the Standards but set at a lower level to encourage participation and adoption. Enterprises 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 of the scheme.

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 an on-line training course available through the Coursera platform called *Impact Measurement and Management for the SDGs.* Access to the course content is free, however Coursera do charge an administration fee if you want to receive a certificate of completion. 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 MANAGERS

Context

The world is changing. And when there is change in the external environment – that's an opportunity for early movers to disrupt, to innovate, to make money. Water, energy, decarbonization, sustainable food systems, health care, financial services – these are all enormous business and investment opportunities. They also pose risks – but the risks of maintaining the status quo are also rising – possibly a lot faster than many of us realize.

Because humanity is currently facing many challenges – climate change, biodiversity loss, inequality, rising polarization, social unrest and conflicts – to name a few. Some of these challenges are existential and global in nature, transcending national borders, reinforcing our interdependence and the notion that we all of us are first and foremost global citizens, neighbors, brothers and sisters – irrespective of geographic, political, ideological or philosophical distances between us. In the words of Achim Steiner, UNDP Administrator *"In our interdependent world, our neighbours are not only on our street, but can be 10,000 miles away on an island in rising seas."*

Given our current trajectory, it is inevitable we will ultimately need to move to putting sustainability and managing for impact at the heart of everything we do – or suffer the consequences. If we don't find a way to embrace sustainability, the SDGs and managing for impact as central to purpose and strategy, we will all be in trouble, because the whole system we rely upon to live, work, consume and invest will be at risk. Sustainability and managing for impact are becoming fundamental capabilities to help us reshape our societies, our economic systems, our global financial infrastructure and our organizations in ways that will make them more just, sustainable and resilient and avoid the worst consequences of climate change and other challenges.

In response to growing awareness of the challenges and opportunities that lie before us, the expectations and preferences of individuals, communities, and society are also shifting:

- Consumer demand for sustainable products and services is growing. Even if consumers do not actively seek out sustainable products, many are willing to dump brands they see not acting responsibly and sustainably;
- Resources – water, minerals, energy, waste, for example - are increasingly under stress – so using less of them, creating circular economy solutions can reduce costs of production and create multiple benefits;
- Intrinsically, more people want to do work that has meaning and purpose – research has shown that organizational purpose coupled with strategic clarity and strong business model drives organizational outperformance – by as much as 100% compared to laggards[1];

[1] Gartenberg, Claudine, Andrea Prat, and George Serafeim. "Corporate Purpose and financial Performance." Harvard Business School Working Paper No. 17-023, September 2016.

- The terms of the private sector's social license to operate are changing. Individuals, communities, societies are becoming less tolerant when they perceive organizations to be profiting at the expense of people and planet, or overclaiming their ESG/sustainability/impact performance (i.e. "green-washing", "impact or SDG washing");
- In response to these shifting societal expectations and mounting challenges and systemic risks, governments and policy makers are mobilising – transparency and disclosure requirements and conduct are increasingly becoming mandated; policy incentives to stimulate activity and investment in policy priority areas such as renewable energy is becoming more common. This is an opportunity for businesses who position themselves to capitalize on these opportunities.

Sustainability and managing for impact is first and foremost a strategic opportunity. Many enterprises view sustainability through a compliance/reporting/cost burden lens, a CSR lens, a financial materiality lens - not through a holistic strategic lens.

Enterprises that are able to lean into emerging sustainability mega-trends, change the way they work, who they work with and create or contribute towards solutions to address sustainability challenges and opportunities will likely be rewarded. Conversely, enterprises that are slow to adapt, or that continue to contribute to global challenges such as climate change, biodiversity loss, pollution etc. will likely increasingly be penalized – whether that be through reputational damage, a shrinking universe of customers, suppliers or partners, increasing costs, challenges attracting, motivating and retaining workers, regulatory imposts, and higher costs of capital and/or reduced access to capital, for example. As the old ways of doing business become less and less tenable, businesses that don't adapt may not survive.

Advancements in technology and frameworks for advancing cooperation and sustainable development (including the Sustainable Development Goals or SDGs) are presenting us with the mechanisms and tools we need to create the future we want – if we can collectively harness the will. In the words of Ban Ki-moon, UN Secretary General (2007-2016), *"We are the first generation that can put an end to poverty, and we are the last generation that can put an end to climate change"*.

Enterprises have an important role to play. Our goal is to help all enterprises, everywhere embed sustainability, the SDGs and managing for impact at the core of their purpose and strategy – and the decisions and actions that flow from them. Not an add on to what business is done, but how all business is done. The filter through which all decisions are made.

Yes, it will require investment – but it is shortsighted to view this only through a cost lens. Yes, the economic and financial systems enterprises currently work within make the shift hard, in large part due to mis-aligned incentives and so-called "externalities" that are not yet properly priced into organizational and market decision-making. But costs of collective inaction are mounting, and the investment required to accelerate the transition to a more sustainable, resilient future will soon pale into insignificance compared with the costs of realized systemic risks from maintaining the status quo. Societal expectations are shifting, governments and regulators are starting to act and enterprises can get ahead of these trends to anticipate emerging risks sooner, identify and capitalize on emerging opportunities and in so doing ensure their businesses are not only future fit but ultimately creating more long term value for society and for their organization.

The SDG Impact Standards set out practice indicators across strategy, management, transparency, and governance that increase the likelihood of maximizing a positive contribution to sustainability and the SDGs by maximizing positive impacts and minimizing negative impacts. Maximized means maximized subject to existing constraints. But constraints can also be changed, whether these are through capacity, capability, partnerships, or creativity and innovation. This means moving towards ways of working that improve the well-being of people and planet at a rate commensurate with stakeholders' needs and expectations and planetary limits. Improving people's well-being includes protecting their human rights since any potential or actual change to those rights will have consequences for their well-being.

An enterprise needs a strategy that embeds this purpose, a set of policies, management practices, culture and incentives that are coherent and aligned with that purpose, and governance that provides effective oversight. This implies that the enterprise is making decisions, at all levels and at a rate, that maximize that contribution and therefore the Standards are a decision-making framework focusing on practices that drive performance and not on the performance per se.

That said, decision-making requires information to make choices between options and so an enterprise will need to collect data to generate the options and then inform the choice. Each option is likely to include positive and negative consequences for well-being and it will need to measure changes in aspects of well-being, estimate its own contribution towards those changes, and understand relative importance of those positive and negative changes in order to inform those choices. To help with comparison between different changes for different stakeholders, changes that are changes in aspects (economic, social and/or environmental) of well-being are used. The level of detail and disaggregation of those aspects and the group of people or part of planet that experience or are expected to experience those changes depends on the nature of the options being considered. The language used in this guidance for those changes is impacts. For transparency, this approach and performance should then also be disclosed to stakeholders.

Prioritizing the things that matter

When we act on the world there will be an infinite number of these changes, ranging from the immediate to the longer term, from ones that are solely caused by our actions to ones to which our actions contribute, and including positive and negative changes. Not all of them matter equally for the decisions we need to take to improve well-being and our contribution to the SDGs. In other words, we need to make sure we collect information that is critical for making a choice between options. If information is missing that would have led to a different choice this is information that is material. This could be because the information would have led to different options being considered or because it would have led to a different choice between options. Equally, if information on some changes wouldn't make a difference to the choices we make, we do not need it for that decision. We'll still pick the same option.

So, we need to prioritize all changes in aspects of well-being to those where the level of certainty in our measurement results in information that is useful, that can be used to influence our choices. And there will always be a risk that we get this wrong and so we need to understand the level of risk that we (including those that experience the consequences of the decisions and choices we make) can accept.

In part we filter based on defining all actual and potential changes in well-being as relevant but then setting a limit for the level of certainty we require. This does not mean that uncertain information is not useful, nor that relevant changes for which we aren't collecting information for or only have uncertain information for should be ignored. If we are comparing options for what we do now with what we might do in the future, the forecast will always be uncertain. But there will be a point at which changes not expected to occur until sometime in the distant future might not be usefully estimated.

We can then forecast the amount of change using metrics that we can subsequently measure, and we can measure with different levels of rigor. Each step reduces the risk that we miss something out that would have made a difference to our choice. The bigger the difference between the choices, the lower the risk, the less we need to worry. But the biggest risk comes at the start, the risk we miss things out at the start, and so do not forecast the amount of change in aspects of well-being that we should have included.

Ambitious goals and targets

In forecasting the amount of change, we will get quantitative data that will both inform our decision of what matters and allow us to assess our performance in creating change, creating change as effectively as possible with the resources we have. We also need to recognize that positive change is not any change in the right direction. It's a change above a minimum threshold set by a mix of science, stakeholder expectations and social norms.

But positive change is not ambitious and not likely to meet stakeholders' expectations and planetary needs. The enterprise will need to set ambitious goals and targets in the context of those expectations and needs. The approach taken to collecting information that is useful is then determined by the need to create options and make choices commensurate with meeting those targets. Whilst more data can lead to an exponential increase in options, and more accurate data can reduce the risk of making suboptimal choices, the level required is set by the ambitious targets.

Bias and traps

There are many psychological traps and sources of bias here but stakeholder involvement and testing for completeness of any changes for all stakeholders, especially for negative changes is designed to reduce the risks of these traps. There are many others, for example, that we tie ourselves up with our purpose. Again, stakeholder involvement and testing for completeness, especially of our non-intended positive changes (which may be our stakeholder intended changes) is designed to reduce the risks.

Although stakeholder involvement is critical to identifying the things we should measure, it is not enough. The SDGs and associated targets are the set of things that we should also consider irrespective of the results of involving stakeholders. As a result of stakeholder involvement and assessment of the SDGs and associated targets, we will have a set of relevant issues and expected (actual and potential) positive and negative impacts.

We can then prioritize collecting data based on the risk of making suboptimal decisions, informed by the significance of the actual and potential impacts, and for these Standards, there are four which always matter – inequality ("leaving no-one behind" I, which is the overarching goal of the SDGs), and gender equality, climate action and decent work (including as cross-cutting goals of all others). And our options will include different subsets of these impacts which will be experienced by different people. In choosing between these sets of expected impacts we need to know some things. For each expected change we need to know: how deep the change is, against both a starting point but also against thresholds and allocations; how long it lasts; how much was caused by us – but taking care here as if others contributed to it, it may still matter, it's just that we should be working with those others; how many people were affected; and what are the characteristics of those people.

And these will give us the ability to quantify and aggregate each impact.

It will also give us the ability to assign people to groups based on characteristics – the most common, and the ones we generally consider, are grouping people as customers, suppliers, investors, and employees – although of course people can be more than one of these, and although, of course these types are not really a consistent taxonomy, or even complete, if we miss out the owners.

But by themselves this is just a list of aggregated expected impact for groups of people depending on how we have grouped them (and who decides this?) Choosing between options requires us to have a normative position on which we think is better. Most of the time the decision maker does this based on their preferences, their own prejudices, and all those other psychological traps. We almost may not have bothered with all that measurement.

We need some information on the relative preferences for these different actual and potential impacts from the perspective of the people that will experience them – in finance this is money – a proxy for the change in wellbeing people expect to get from their purchases. For other changes in well-being, we need another way to quantify these relative preferences recognizing that this is reducing the risk of making the wrong decision, but it is not removing that risk.

Now we can make decisions on what matters informed by the quantified expected value of impacts. But just because this is low doesn't mean it doesn't matter. We can include things that have low expected value, but we can't exclude things that have a high expected value.

We have raised the issue of proxies or approximations. Approximations are both approximations of the amount of change, as soon as we don't measure change for everyone or use a measurement approach that doesn't precisely measures the thing we want to measure, we are approximating – so that's always. Approximations may also be of the thing we want to measure. We might use outputs as a proxy for the aspects of well-being. This might be supported by scientific research that there is a strong causal link. Unfortunately, this is not so useful in choosing between different options if the purpose is to increase well-being. It is only good for choosing between different options if the purpose is to increase outputs.

But often we find ourselves in a situation where we only have outputs, and yet we have to make a choice (ignoring the situation where we are not going to make a decision, and neither is anyone else, but we have spent time collecting and reporting this nonetheless). And now the risk that we make the wrong choice, or we would have made a better choice, has gone up.

The biggest risk is that our goal and purpose, considering what problem we are trying to solve is suboptimal. But then we make choices about how we are going to achieve that goal or purpose, and how much of it we try and how we do it, making choices about the design of products and services, choices about how they are packaged and delivered, and choices about how this is financed, resourced and supported. In all of these we need to understand the risk, seek to stop the cause of the risk, or subsequently seek to reduce the consequences of that risk.

Making decisions in an imperfect world

This is all very well but not realistic in practice. We won't have all this data. And our risk will be higher than it could be. But that doesn't mean we can't make decisions. And the risk that what we are doing now isn't addressing a meaningful goal hasn't gone away. And we know we are not identifying options and making choices to contribute to sustainability and the SDGs at the rate we need, that people's well-being is not being improved at the rate they should expect, that people's human rights are being abused.

We need to get on and be more critical of our strategies and then be willing to accept a level of risk. And our risk assessment needs to consider the risk of the wrong choice to those that experience the changes in their well-being. And to recognize that their risk tolerance is low. Which gives you, the manager, a conundrum. Caught between the need to have data to reduce the risk of making a suboptimal decision, and the need to work with what data you have to reduce the risk of inertia.

The solution is continuous improvement in your approach to measuring and managing impact. And setting ambitious and rigorous goals for both your expected impact and for that improvement. A mix of these, an understanding that sustainable development means increasing people's well-being and an understanding of what measuring that for decision making means, a recognition of the risk involved in making a decision and risk in not making decisions, and an ambitious plan to improve is what will meet the requirements of the SDG Impact Standards.

The SDG Impact Standards for Enterprises and this guidance are designed for a manager making these decisions, in an imperfect and uncertain world.

GENERAL GUIDANCE

Sustainable development, the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs)

Sustainable development has been defined as **development that meets the needs of the present without compromising the ability of future generations to meet their own needs**. It is a broad and overarching concept that guides the overall approach to development, emphasizing the need for integration across economic, social, and environmental dimensions (aspects of wellbeing).

The SDGs, on the other hand, represent a specific and comprehensive set of global targets and indicators that operationalize the principles of sustainable development. They provide a specific and measurable framework for addressing various global challenges and achieving sustainable development.

Sustainable development calls for concerted efforts by all actors (at the rate required) towards building an **inclusive, sustainable and resilient future for people and planet**.

For sustainable development to be achieved, it is **crucial to harmonize three core elements: economic growth, social inclusion and environmental protection**. These elements are **interconnected** and all are **crucial for the well-being** of individuals and societies, and provide the foundation for businesses to survive and thrive into the future.

Eradicating poverty in all its forms and dimensions is an indispensable requirement for sustainable development. To this end, there must be promotion of sustainable, inclusive and equitable economic growth, creating greater opportunities for all, reducing inequalities, raising basic standards of living, fostering equitable social development and inclusion, and promoting integrated and sustainable management of natural resources and ecosystems.

The 2030 Agenda for Sustainable Development and the SDGs is a non-binding, universal roadmap **to achieve sustainable development**, applying to all countries regardless of stage of development and agreed to by all UN Member States in 2015. It comprises:

- the **Sustainable Development Goals (SDGs; 17 goals and 169 targets)**. The SDGs are integrated and indivisible, reflecting an understanding that sustainable development everywhere must integrate economic growth, social inclusion and environmental protection (i.e. aspects of wellbeing) and that these elements are interconnected. They are based on the principles of cross-sector collaboration and 'leaving no one behind' – i.e. reaching the furthest behind first; and
- the **Addis Ababa Action Agenda (AAAA)** on financing for development (not just aid) is a global framework that seeks to align all financing flows and policies (including tax revenue, enhanced trade and private sector investment) with economic, social, and environmental priorities.

The purpose of the 2030 Agenda and the SDGs is to help the world achieve sustainable development, so should always be considered in the broader context set out above.

Gender equality, climate action and decent work are reinforced throughout the original 2015 declaration from UN Member States. At the core of the **2020-2030 decade, the need for action to tackle growing poverty, empower women and girls, and address the climate emergency has been recognised**.

The 17 SDGs (and associated 169 targets) set out an ambitious plan – as part of the 2030 Sustainable Development Agenda – to address critical issues affecting people and planet, serving as a global roadmap for countries, organizations, and individuals to work towards common objectives. The SDGs cover a range of interconnected issues, including poverty, hunger, health, education, gender equality, clean water, climate action, and more. As such, the 17 SDGs are integrated—they recognize that action in one area will affect outcomes in others, and that development must balance social, economic and environmental sustainability. For instance, that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests.

Each goal is accompanied by specific targets and indicators to track progress. The SDG indicators are designed to show progress at the international level in order that national governments can take corrective action to meet the goals.

The creativity, know-how, technology and financial resources from all of society is necessary to achieve the SDGs in every context. For the private sector, this includes 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 requires all actors across the system to work together in realizing the SDGs. The SDGs can help to break down silos between different actors and geographies – creating space, shared understanding and opportunities for new ways of working towards solutions around a common purpose and shared goals and targets (see also 1.1.7).

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 likely 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.

Impacts and their relationship to sustainable development and the SDGs

Sustainable development, the SDGs and impact are linked concepts, but they are not the same.

Impacts are changes in (social, economic, environmental) aspects of wellbeing that have been or will be experienced by stakeholders (people and planet, now and in the future). The decisions and actions of various actors, including enterprises create or contribute to impacts, which may be experienced by stakeholders in various ways. Consequently, seeking stakeholders' views about the relative importance of impacts to them (as part of an iterative process over time) is an important part of valuing and prioritizing impacts (i.e. determining significance), and also influences the selection of metrics or KPIs. An important aspect here is also ensuring appropriate representation and disaggregation of stakeholder data to understand the needs and preferences of different stakeholders – especially those that are under-recognized.

Although they may be aligned or allocated to an existing SDG or SDG target, impacts may require different indicators to measure the specific change in well-being the enterprise is affecting or seeks to influence. Those specific indicators will be helpful to better inform decisions to make a positive contribution to the SDGs. These **impacts can then be aligned/allocated to the appropriate SDGs and associated targets**, and using the metrics/KPIs selected, **measured to determine contribution (positive and/or negative) towards the SDGs and associated targets**.

While the SDG targets are comprehensive, they are not exhaustive, so it is conceivable that an impact may align with an SDG but not to a specific SDG target, or less likely align with sustainable development objectives but not to a specific SDG. In these instances, managing these impacts may still be important as they may still contribute to well-being outcomes, and performance may be interdependent and affect performance against other outcomes that are aligned with specific SDGs and SDG targets.

Equally stakeholder engagement may not identify all the impacts that are relevant to sustainable development and addressed in the SDGs. SDG targets (including the National Development Strategy(ies) and targets in the country(ies) of operation, where relevant) for which specific impacts have not been identified through stakeholder engagement may also be relevant and need to be included.

Linking back to sustainable development and the SDGs, the impact data collected can be utilized to drive ideas (choices between options, innovation) to achieve sustainability/contribute towards the SDGs at the rate required.

In summary:

- Impacts are the changes in well-being experienced by stakeholders as a result of the organization's decisions and actions.
- Impacts are informed by engagement with stakeholders and assessment of the sustainable development context, including contextualized SDG priority areas/needs.
- The impacts determine the required indicators; effective decision-making requires the indicators to relate to the identified impacts (on specific groups or sub-groups of stakeholders).
- These indicators may be the same as the SDG indicators, but they may not.
- Impacts can, and should, be allocated to the relevant SDG goals and associated SDG targets.

Impacts and dependencies

The Standards focus on how an Enterprise defines and identifies relevant sustainable development issues and manages – and optimizes – its impacts on sustainable development and the SDGs. For the purpose of these Standards, relevant sustainable development issues are those that relate to impacts that are important to: a) the Stakeholders experiencing (or likely to experience) them b) to sustainable development and achieving the SDGs by 2030, and c) where the Enterprise can make (or is making) the most significant (positive and negative) impacts on important outcomes, taking into account d) the sustainability risks and opportunities that are most significant for the Enterprise's own value creation (i.e. its dependencies), because strong, resilient and sustainable Enterprises will have more capacity to contribute positively to sustainable development and the SDGs.

This means that good impact management necessarily requires the management of both the Enterprise's impacts on people and planet and its dependencies on the world around it. Good impact management will help Enterprises 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 SDG.

Moving beyond ESG to SDG Impact

ESG (environmental, social and governance) practices continue to evolve and have become more prevalent in recent years. While ESG means different things to different people and in different contexts, generally ESG tends to focus on mitigating risks grounded in existing risk management mechanisms the market has used for decades to protect financial value to improve organizational or investment returns (or an outside-in perspective rather than an inside-out perspective), rather than on contributing to solutions, and at the pace planet and people need it. It has also tended to be led by investor demands for comparable information (which sometimes may be at the expense of less standardized but more decision-useful information), and with enterprises also often taking a more risk/compliance/reporting approach rather than a holistic strategic approach. This does not always lead to better outcomes for people and planet, nor does it necessarily lead to optimizing contribution to sustainability and achievement of the SDGs at the pace the planet and people and need it by taking a more holistic and strategic approach.

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 enterprises depend on to survive and thrive. Recognizing the interdependency between an enterprise's impacts and its dependencies, the Standards can be implemented to fully encapsulate ESG and impact or both the inside-out and outside-in perspectives.

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.

STRATEGY

Guidance Note 1.1.1

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 in the enterprise's purpose and how it creates value for itself and society (people and the planet). The lens shifts from a focus on the issues that are expected to impact enterprise value, to a focus on maximizing the positive impacts and minimizing negative impacts that the enterprise 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 purpose, 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."
(https://sustainabledevelopment.un.org/content/documents/2399BetterBusinessBetterWorld.pdf)

Contributing positively

An enterprise 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 above a minimum threshold.

However, the starting and ending point for that change can be below that threshold. Something is good but can still get better. Some that are bad can get better but still be bad.

A positive contribution is made taking all the positive and negative relevant impacts experienced by people and the planet as a result of the operations of an enterprise 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, 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, 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".

Whether or not a positive contribution is being made, the challenge is that decision making should be increasing the contribution. Where the contribution already considers thresholds and allocations this is less of a challenge, although the need for targets to be ambitious and rigorous remains.

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 enterprise that is currently making a negative contribution or if considered positive overall, still has significant 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.

Guidance Note 1.1.2

Interdependency

The SDGs are interconnected, integrating economic, social, and environmental targets. Impacts can affect other impacts 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.

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 enterprise's impacts and its dependencies are also interrelated.

Guidance Note 1.1.3, 2.1.1, 4.1.1

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."*[2]

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[3] 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;
- 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:

[2] https://www.unglobalcompact.org/what-is-gc/mission/principles

[3] The International Bill of Rights includes three key documents that form the bedrock of international human rights law: the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, and the International Covenant on Economic, Social and Cultural Rights. For more on the International Bill of Rights, see 'Fact Sheet no.2 (rev.1), The International Bill of Rights', Office of the High Commissioner of Human Rights, https://www.ohchr.org/documents/publications/factsheet2rev.1en.pdf, last accessed 27 August 2020.

- **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[4] rather than the risks faced by the business.[5] 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 UNGP's state that enterprises "should respect the standard of international humanitarian law"[6], while also implying that businesses, including investors, should undertake "enhanced" HRDDs,[7] as the "risk of involvement in adverse impacts may be higher than in most other contexts."[8]
- **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."[9] 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.[10] Such mechanisms, states the UN Working Group, are critical to effective due diligence, as they reinforce prevention by helping an enterprise

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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.

[5] British Institute of International and Comparative Law and Principles for Responsible Investment, 'BICL and PRI Workshop on Human Rights in Private Equity: Information and Summary'.

[6] UN Guiding Principles on Business and Human Rights, commentary to principle 12, https://www.ohchr.org/documents/piublications/guidingprinciplesbusinessshr_en.pdf, last accessed 27 August 2020.

[7] UN Guiding Principles on Business and Human Rights, commentary to principle 23, https://www.ohchr.org/documents/piublications/guidingprinciplesbusinessshr_en.pdf, last accessed 27 August 2020.

[8] OHCHR, 'What do the UN Guiding Principles on Business and Human Rights say about protecting and respecting human rights against business-related adverse impacts in conflict contexts?', https://www.ohchr.org/Documents/Issues/Business/W_G/WhatdotheUNGPssayaboutconflict.pdf, last accessed 6 September 2020.

[9] UN Guiding Principles on Business and Human Rights, principle 22, https://www.ohchr.org/documents/piublications/guidingprinciplesbusinessshr_en.pdf, last accessed 27 August 2020.

[10] Ibid, principle 31

to identify concerns and systemic problems and address grievances at an early stage.[11]

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 Enterprise 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 operating within planetary boundaries is a condition of these Standards, the expectation is that Enterprises set and manage their climate impacts using 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.

UN High-Level Expert Group (UN HLEG) on the Net Zero Emissions Commitments of Non-State Entities

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 enterprises implement the report's principles and recommendations as

[11] UN Working Group Guidance on Human Rights Due Diligence, para. 12, https://documents-dds-ny.un.org/doc/UNDOC/GEN/N18/224/87/PDF/N1822487.pdf?OpenElement, last accessed 27 August 2020.

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[12]:

- 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.

[12] Report from the United Nations' High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities, *"Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions"*, Nov 2022

Kumming-Montreal Global Biodiversity Framework

Reducing negative impacts on biodiversity and reversing nature loss are increasingly critical aspects of operating within planetary boundaries. More than 50% of global GDP is highly or moderately dependent upon high functioning ecosystem services, yet we are losing nature and biodiversity at an accelerating pace, putting pressure on food security and other systems.

The Kumming-Montreal Global Biodiversity Framework was adopted on 19 December, 2022, with 196 countries agreeing to halt and reverse nature loss by 2030. The agreement comprises 23 targets, providing enterprises with markers to focus their decisions and activities to reduce their negative impacts and contribute towards solutions where relevant.

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 relevant and prioritized within the context of these Standards, the expectation is that enterprises set and manage impacts towards gender equality and demonstrate their leadership in advancing gender equality.

Guidance Note 1.1.4

Understanding the sustainable development context

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 enterprise 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 enterprise'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.

Guidance Note 1.1.5

Stakeholder identification

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 enterprise supply and value chain, its products and services.

Stakeholder identification should consider the appropriate level of disaggregation for use in the impact thesis, in design and development of products and services recognizing that these are likely to be different and as necessary to develop and inform choices between options at a rate commensurate with the ambitious targets.

Stakeholder engagement/involvement plan for those experiencing impacts

Stakeholder engagement should be designed to reduce the risk that actual and potential impacts (based on what matters to stakeholders and achievement of the SDGs) are not identified at the level required. Good stakeholder engagement around what matters and how an activity contributes to this is likely to result in impacts as changes to wellbeing without having to introduce these terms. The organization can use understanding of wellbeing, impact and outcomes to organize the results of stakeholder engagement. Good engagement includes making sure that:

- the engagement is appropriate and inclusive for different stakeholders.
- 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.

Guidance Note 1.1.6

Determining material impacts

The Standards refer to material impacts, however this should not be interpreted in the same way as materiality is currently being used in many sustainability reporting frameworks, to reduce to a subset of impacts that are deemed to be both “relevant” and “significant” for external disclosure and reporting purposes.

For the purposes of the Standards, significance is used to help enterprises prioritize, but not exclude, relevant information and impacts over time, recognizing that at least initially, enterprises do not have systems or resources in place to collect all of this data, although many are well on the way in relation to employee and customer data. This does not mean an enterprise will need to collect all changes in wellbeing because some are too uncertain (or probability too low) to result in useful information but does require an enterprise to continuously improve and expand upon its data collection, where this results in collection of data that is useful for decision-making.

Information is relevant if it relates to a change experienced or expected to be experienced by people or planet that singly or in aggregate would influence decisions being made (to maximise wellbeing). The size of the change is not a factor because changes to the wellbeing of people and planet are relevant in aggregate. This is also one of the reasons why a common unit for measuring and valuing impacts is required, in order to assess the risk of whether information that matters is missing singly and in aggregate across different impacts.

An enterprise must first determine which sustainable development issues and actual and potential impacts are relevant. Identification of relevant issues and actual and potential impacts is based on all impacts that are aspects of wellbeing for people and planet arising from, or that may potentially arise from its current and future operations, value chains and through its business relationships (recognizing that the enterprise may have potential to create or contribute to impacts in the future – directly or indirectly – that it is not focused on currently to optimize its contribution to sustainability and the SDGs).

The enterprise may need to a) estimate/model its actual and potential impacts and b) then decide whether estimates of those impacts will provide useful information for creating options and choosing between them. Those that are expected to be useful are the relevant impacts.

To determine the priorities for managing relevant impacts, the enterprise should:

- Assess significance by a) measuring or forecasting, relevant impacts using estimates that include the relative importance of those impacts to the stakeholders experiencing them, b) considering the sustainable development context and the SDGs; c) where the Enterprise can make (or is making) the most significant (positive and negative) impacts on important outcomes;
- Reassess whether the information resulting from is useful; and
- Draw up a plan for managing the remaining impacts over time collecting data to the level of certainty required and recognising the risk of reduced decisions and suboptimal decisions and the implications for meeting ambitious targets from delaying management.

The approach should be designed to result in a complete list of stakeholders and the impacts that are relevant 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 (1.1.5), the checks to ensure that potential impacts are being identified through that engagement, including these in the Impact Thesis and Strategy (1.2.3 and 1.2.5)) and recognizing trade-offs in decision-making are inevitable (2.2.5). This should also include an assessment of the enterprise's relative capabilities and ability to deliver impacts that matter to stakeholders both efficiently and effectively (acknowledging that enterprises can decide to change their capabilities to meet stakeholder requirements).

The use of predetermined lists of sector level relevant (sometimes referred to as material) impacts can help, especially where this is derived from the enterprise'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).

The enterprise should consider actual and potential impacts not only from the perspective of the impacts it is currently making and the stakeholders it is currently serving, but also take a more holistic perspective of the sustainable development contexts it operates within and future trends, to identify potential risks and opportunities outside its current scope and line of sight.

Inequality (overarching) and gender equality, climate action and decent work are always priorities (1.2.2 – cross cutting goals). Priorities must also include negative impacts and be informed by stakeholders.

Where the purpose of the enterprise, the requirements for sustainable development and the impacts that matter to those that experience them are all aligned, there is no conflict (1.2.1). Where the purpose of the enterprise is not aligned there is a risk that the enterprise identifies relevant impacts but then prioritizes a subset that are deemed to matter to the enterprise, often on the enterprise's ability to generate cashflows for investors. However, the requirement for sustainability to be central (1.1.1) and for positive contribution to consider what matters from the perspective of those that experience the impacts (1.1.3) means that approach would not be consistent with the Standards. Nonetheless an enterprise may have a plan for how it changes its business model, strategy, or operations to the point where its approach to materiality is aligned. So long as this plan is ambitious and rigorous (2.2.1), and the enterprise considers the increased risk of making decisions that are not optimal, the enterprise can meet the requirements of the Standards.

Guidance Note 1.1.7

Business models, partnerships, and collaborations

Maximizing the positive contribution to sustainability and the SDGs means thinking about how business models and strategies effect the wider system. This means working with other organizations and people and may result in changes to business 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 have consequences for sustainable development, 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 SDGs.
- 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.

Importance of innovation

A culture of innovation, including innovations in data collection; inclusive and participatory approaches; analysis and dissemination (e.g. or big data, artificial intelligence, Internet of Things, satellite technology to measure and monitor impacts, primary source of insights for innovation can be a key enabler to help an enterprise identify and pursue new business models, partnerships, and collaborations to optimize its contribution to sustainability and the SDGs.

Guidance Note 1.1.8

Incorporating impact risks and opportunities

Impact risk is the risk that:

- ambitious goals and targets are not as ambitious resulting in underperformance as they could be or are too ambitious resulting in underperformance; and/or
- options are not being identified to support decisions that are commensurate with the ambitious targets; and/or
- decisions are being made but the best options are not being selected and ambitious targets are not being met; and/or
- impact does not occur as expected and/or is less than expected which includes being negative and again ambitious targets are not being met

The consequences of these risks are borne by the people who experience the impact.

The process for generating options and the subsequent decisions should therefore consider the risk tolerance of those who experience the impact, for example, the enterprise's risk 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.

Guidance Note 1.1.9

Scenario and sensitivity analysis

Decisions are made in uncertainty, based on assumptions about the future that may or may not occur. 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 enterprise, 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.

Guidance Note 1.1.10

Adequate resourcing

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.

Guidance Note 1.1.11

Strategy always on and embedding continuous improvement

The sustainable development context is dynamic and constantly changing. Further, as the enterprise 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 enterprise's engagement with partners and stakeholders
- lessons from the enterprise'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) in comparison with ambitious goals
- 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 important for the stakeholders experiencing the impact.

Guidance Note 1.2.1

Aligning impact goals, purpose, strategy, 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 purpose, strategy, and impact goals. Aligning them may not be immediate so the enterprise will need to have an ambitious and rigorous plan for alignment. Alignment may require changes to strategy and even purpose. Stakeholder expectations and requirements for sustainable development can be inconsistent but need to be incorporated into design of products and services if impact goals are to be achieved. Alignment with the preceding indicators can be the basis for recognizing inconsistency and non-alignment and development of the strategy.

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.

Guidance Note 1.2.2, 1.2.3, 1.2.4, 1.2.5

Ambitious and rigorous impact goals and targets

The enterprise having an impact thesis and setting rigorous and ambitious goals is fundamental to the argument that these processes 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 associated with quantitative targets. The encouragement of debate between those preparing the targets and those setting the 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 allocation of those goals
- Inequality, gender equality, climate action and decent work
- Recognition and prevention or mitigation of relevant but 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:

- Assessment of current performance (establishing baseline)
- Estimating thresholds within that allocation for each relevant impact both positive and negative
- Consideration of the longer-term strategy for the business and the impact thesis over the coming years, recognizing the need for targets to account for thresholds for each impact
- Consideration of stakeholders expectations for performance and targets
- 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 and approval of goals
- Process to adjust targets
    - Regular director review of performance against targets that then informs future targets
    - 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 (2.1.6)
- Stakeholder involvement to inform potential impacts and to understand and quantify the relative importance of impacts (1.1.4)
- Materiality process that ensures completeness of all relevant impacts (1.1.5)
- Sufficient segmentation that captures relative differences between stakeholder groups and sub- groups
- Relate impacts to SDGs and ABC classifications (1.2.2)

Thresholds and allocations

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 allocations 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, recognizing that stakeholder expectations are critical to gaining insights that will inform decisions to maximizing contribution to sustainability and the SDGs.

Enterprises 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, enterprises 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).

Enterprises may find that they have a choice between several credible thresholds. For example, when considering the outcome of income from employment, an enterprise might consider the national minimum wage, the national living wage, or a regional living wage. In such cases, the enterprise should select the more ambitious threshold, so long as it is relevant to the affected stakeholder group. Enterprises may consider testing the relevance of thresholds through stakeholder engagement. It is important to note that setting 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 i.e. the enterprise'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 organization's 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, it is the same for all enterprises. 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

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

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

For the purposes of applying the Standards, reducing inequality (and in particular, poverty) is an overarching objective and gender equity, climate action and decent work[12] are key priority areas that underpin global sustainable development and require collective action to progress. As such, for the purposes of collecting data on and/or disaggregating data by these topics, they are always treated as being significant and hence prioritized. This data should be used to generate insights to create options and make informed choices between those options to optimize the enterprise's impact.

Rationale for always prioritizing inequality, climate, gender equality and decent work:

- **Gender equality** is not only a standalone goal (SDG 5) but also a cross-cutting theme that intersects with and influences the achievement of all other SDGs. Because of its importance, it is specifically called out in the universal values (principles) of the 2030 Sustainable Development Agenda - human rights-based approach, leave no-one behind, and gender equality and women's empowerment.
- **Climate change** is recognized as an urgent global systemic risk, which also has immediate business risks, including the growing regulatory emphasis and legal precedents. 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.
- **Decent work** is not only aligned with specific SDGs but also contributes to a holistic and integrated approach to sustainable development. Organizations that focus on creating and maintaining decent work environments play a crucial role in advancing social, economic, and environmental objectives outlined in the SDGs.
- **Inequality, poverty alleviation and leaving no one behind:** In the context of the SDGs, addressing inequality and in particular poverty alleviation are fundamental objectives (and "leave no-one behind is emphasized throughout the document). Climate action, gender equality and decent work are all crucial to reducing inequality and poverty, which in turn have significant impacts on economic potential.

Setting impact goals across the five dimensions of impact and relative importance

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 enterprise 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 includes relative preferences on the set of impacts can then be set.

Guidance Note 1.2.6

Reducing the potential for unintended consequences

The success of deploying an impact strategy needs to consider potential unintended consequences and limit any negative impacts. This will be informed by the impact risks but 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. Impact targets should include estimates for both positive and negative impacts and should not only have targets for positive impacts and treat negatives as risks. There is uncertainty for both and the level at which that uncertainty is accepted in target setting should be the same for both.

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.

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 enterprise's policies and practices should be aligned with, or the enterprise 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 behaviours.

Effective grievance mechanisms

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.

Source: Adapted from Accountability Counsel

Guidance Note 2.1.2

Additional guidance not provided

Guidance Note 2.1.3

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 Enterprise's actions and decisions is incorporated into organizational decision-making for instance:

- In setting ambitious goals and targets by reference to stakeholders needs and expectations
- 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 enterprise 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 enterprise

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

Guidance Note 1.1.5 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 enterprise's relationship with stakeholders is direct, the engagement strategies employed by the enterprise will include direct engagement with stakeholders to understand their views. If the enterprise'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 enterprise 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 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 Enterprise 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).

Guidance Note 2.1.4

The Sustainable Development Goals (SDGs)

See General Guidance, Sustainable development, the 2030 Agenda for Sustainable Development, and the Sustainable Development Goals (SDGs)

Guidance Note 2.1.5

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 enterprise, 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 enterprise 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 enterprise's size and complexity and in line with its commitment to embed sustainable development issues and impact management into organizational purpose, strategy, and business model. Some of these capabilities may include:

- Expertise in data insight and creating options for improvements from those insights across strategy and operations
- 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.

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.

Guidance Note – Impact data collection and use (2.1.6, 2.1.7, 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 enterprise 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 (2.1.6, 2.2.1), reporting and summarizing 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 (2.1.7, 2.3.5).

Management practice

This approach is based on developing options and making decisions in order to meet ambitious targets and collecting the necessary data taking into account the impact risks. Best practice, which would maximize the potential to create options and minimize potential for suboptimal decisions is based on identifying a complete set of relevant impacts (1.1.6) 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 enterprise supply and value chain, its products and services, through its business relationships.

The process of engagement identifies expected and actual changes to aspects of the well-being of people and planet. These are potentially relevant until they can be measured to the level of certainty required to make choices between options. Those that cannot meet this requirement are excluded.

Optimizing the potential options and reducing the risk of suboptimal decisions requires:

- a complete set of relevant impacts analyzed by stakeholder with information on stakeholder characteristics (1.1.6);
- 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 (2.2.3).

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. Many options can be identified and decisions taken within a level of acceptable risk without all this information. The organization will need to determine what level of measurement is required to generate options and make decisions that achieve the ambitious targets. This may permit a level of prioritizing what and how changes are measured focusing on significance (to insights and decisions).

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 enterprise’s understanding of risk, both to the enterprise and those experiencing the impacts, and the requirement to increase the likelihood that the enterprise 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 relevant impacts is unlikely to be sufficient. Equally a low rate based on data requirements referenced in the Standards is unlikely to be sufficient.

The central risks are that the set of relevant impacts is incomplete (1.1.6), the information on stakeholder characteristics is limited, the data on each impact is incomplete or the data is inaccurate or not timely. In each of these situations the risk is that more options would have been available and different decisions would be made.

Measurement practice

The purpose of collecting data is to enable evidence-based decisions. Decisions are between options and the merit of each option are assessed in terms of their potential to increase the positive contribution to sustainability and the SDGs in the context of ambitious goals and targets. Options are generated from the data. No enterprise can say that its approach to impact management is perfect or that it is making as much of a positive contribution to sustainability and the SDGs as possible (with existing resources). The enterprise should always be striving to improve its effectiveness and making changes across the business model.

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 format that allows these comparisons to be made, the comparisons being made lead to insights and options and then to choices between options. Then the enterprise will monitor how the selected option is implemented and whether it is on track to achieving the expected results and impacts. An enterprise 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 enterprise 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 enterprise should collate (2.1.7) 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 relevant actual and potential 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 actual and potential impacts;

- 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 relevant 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 relevant impacts.

As an example, an organization might identify ten expected relevant 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. The organization would have to have decided and then assess that this information was adequate to identify options and make decisions that will achieve ambitious goals and targets and have an ambitious plan for addressing the data gaps together with an assessment of the risk of using this data in decisions if necessary to meet those targets.

Guidance Note 2.1.6

See also Guidance Note – Impact data collection and use

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 provider (i.e., the people experiencing the impacts) and that the enterprise 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; and
- 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.

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.

Guidance Note 2.1.7

See Guidance Note – Impact data collection and use

Guidance Note 2.2.1

See Guidance Note – Impact data collection and use

Using wellbeing as a consistent measure to value impacts

Impacts are the desired changes in wellbeing stakeholders experience resulting from the enterprise's decisions and actions. Aspects of wellbeing are economic, social, or environmental. This will require a common unit to assess trade-offs in and between choices in options. The use of a common unit is often described as valuing impacts.

Without valuation, that common unit, 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,
- relevant 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 that can be used for that common unit. 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 relevant 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 in a timely way) and understanding what will happen anyway irrespective of what the enterprise does – or in other words, what contribution or difference the enterprise's decisions are making.

Leaving “no-one” behind

The enterprise 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 2.1.6 on using sufficiently disaggregated data to make decisions.

Guidance Note 2.2.2

Additional guidance not provided

Guidance Note 2.2.3

Risk management

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 stakeholders and changes in aspects of well-being for people and planet have been identified;
- that the number of characteristics of stakeholders is not sufficient to generate the level of insights that lead to options
- 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 enterprise’s willingness to choose options based on expected impact and reduce the rate of decision making and therefore are unlikely to be sufficient.

The approach to impact management is 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 2.1.7, 2.1.6.3, 2.1.6.4. The enterprise 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 2.1.6, the enterprise needs to understand the risk that the impact will be less than expected has consequences, potentially both for the enterprise and for the stakeholders 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 could experience the negative impacts.

Guidance Note 2.2.4

See also Guidance Note – Impact data collection and use

See also Guidance Note – 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 enterprise 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.

Metrics for internal decision-making and for external disclosure and reporting

While there will be overlap, metrics an enterprise determines to be decision-useful and proportionate for internal decision-making will likely not be exactly the same as metrics required to satisfy the requirements of various regulatory or market disclosure and reporting frameworks. Enterprises will need to determine:

- which data and metrics are needed to generate insights, create options and otherwise inform internal decision making to optimize impact, achieve ambitious targets;
- which external disclosure and reporting requirements are mandatory and must be met;

- which external disclosure and reporting frameworks are not mandatory, but which not observing may have negative consequences for the enterprise (e.g. reducing access to global supply chains);
- which external disclosure and reporting frameworks are not mandatory, but which choosing to observe may have positive consequences for the enterprise (reputational benefits, access to financing etc.); and then
- determine which data and at what level of granularity it needs to collect the data to meet both internal decision-making and external disclosure and reporting requirements – automating to the greatest extent possible the calculation of the various metrics from the core data to improve efficiency and reduce reporting risk through human error.

Guidance Note 2.2.5

Choices, options, and trade-offs

Decision making means making choices between options, addressed in the enterprise's approach to internal reporting and summarizing 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 can represent levels within a allocation, there may be situations where all the options include impacts that do not meet thresholds and the choice is the 'least bad.'

The indicator focuses on transparency and maximizing. Transparency requires those trade-offs to be transparent and transparency requires 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 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 or exceed relevant thresholds.

Enterprises 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.

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 enterprises 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.

Guidance Note 2.2.7

See also Guidance Note – Impact data collection and use

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 2.1.6).

The enterprise 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 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 enterprise should also collect data on unexpected positive impacts to influence design of products and services and to increase future targets (2.3.3.3).

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.

Guidance Note 2.3.2

Risk management – data gaps

The risk that impacts will not occur as and when expected increases where there are data gaps. These arise when an enterprise is using predetermined lists of outputs, outcomes, or changes in aspects of well-being instead of meaningful stakeholder engagement as the basis for measurement or where data is not collected for all the data points for each relevant impact.

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.

Recognition of the risks to both quantity and quality of decisions and therefore for determining whether there is a positive contribution to sustainability and the SDGs is needed and to the extent there are significant gaps, an ambitious plan put in place for developing the approach subject to 2.1.6.

Guidance Note 2.3.4

Additional guidance not provided.

Guidance Note 2.3.5

See also Guidance Note – Impact data collection and use

TRANSPARENCY

Guidance Note 3.1

External reporting

External reporting should cover narrative reporting on how the enterprise 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.

The report should address the principles of SDG disclosure in the Sustainable Development Goal Disclosure Recommendations, which are embedded in the relevant practice indicators through-out the Standards. The recommendations cover sustainability issues which for the purposes of the SDG Impact Standards refer to changes in well-being of people and planet caused by the activities of the reporting enterprise. As set out in Guidance notes 2.2.3 and 2.3.2, the risk of using other metrics for decision making should also be disclosed as part of the connectivity principle.

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 summarize the nature and depth of each impact – not to combine several relevant impacts to categorize the enterprise, business lines or projects as a whole.

Guidance Note 3.3

Reporting reflects stakeholder needs

The enterprise’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 relevant to a group of people for a purpose so the report must be clear on the intended audience and their purpose and what is relevant 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 UNDP 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.

Guidance Note 3.4

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.

Guidance Note 3.5

Additional guidance note provided

Guidance Note 3.6

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 completeness of the relevant positive and negative impacts resulting from the activities of the enterprise.
- 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 enterprise, 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.

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, minuted board meetings.

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 enterprise'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 other 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.

Guidance Note 4.3

Additional guidance not provided

RESOURCES

Core 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 https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr_en.pdf

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, Cities and Regions" www.un.org/sites/un2.un.org/files/high-level_expert_group_n7b.pdf

The Kunming-Montreal Global Biodiversity Framework (GBF) https://www.cbd.int/gbf

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/

UN Stats — SDG Indicators Database https://ustats.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 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

Office of the United Nations High Commissioner for Human Rights, Free and Prior Informed Consent for Indigenous Peoples, www.ohchr.org/Documents/IssueFree_and_prior_informed_consent_for_indigenous_peoples/Peoples/FreePrior andInformedConsent.pdf

Social Value International Principles and Standards: Principle 1: Involve stakeholders, Principle 2: Understand what changes, Principle 3: Value what matters, Principle 4: Only include what is material, Principle 5: Do not overclaim, Principle 6: Be Transparent, Principle 7: Verify the results, Principle 8: Be Responsive, The Principles of Social Value — Social Value International, Standards and Guidance — Social Value International

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.

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/

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 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/

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.

Other general resources

The Impact Management Platform https://impactmanagementplatform.org/

The Imperative for Impact Management https://impactmanagementplatform.org/imperative-for-impact-management/

CFO Principles on Integrated SDG Investments and Finance (developed by UN Global Compact convened CFO Taskforce for the SDGs) https://unglobalcompact.org/take-action/action/signatories-to-the-cfo-principles

UNEPFI Principles for Positive Impact Finance
https://www.unepfi.org/industries/banking/principles-for-positive-impact-finance/

UNEPFI Principles for Responsible Banking https://www.unepfi.org/banking/bankingprinciples/

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/

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/

Office of the United Nations High Commissioner for Human Rights, Free and Prior Informed Consent for Indigenous Peoples, www.ohchr.org/Documents/IssueFree_and_prior_informed_consent_for_indigenous_peoples/Peoples/FreePrior andInformedConsent.pdf

British Standards Institution, BS 8950, Understanding and enhancing Social Value

The Accountability Council, https://www.accountabilitycounsel.org/wp-content/uploands/2018/08/6-27-16-ams- benefits-and-best-practices_short.pdf

Specific reference frameworks and other resources by enterprise action

Strategy – Enterprise Action 1

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://unglobalcompact.org/take-action/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://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

World Business Council for Sustainable Development, Sustainable Development Goals Sector Roadmaps: Leveraging The Power of Collaboration to Drive SDG Impact, https://www.wbcsd.org/Programs/People/Sustainable-Development-Goals/SDG-Sector-Roadmaps/News/SDG- Sector-Roadmaps-Leveraging-the-power-of-collaboration-to-drive-SDG-impact

Better Business Better World: The report of the Business and Sustainable Development Commission, January 2017, including Exhibit 2 (below), 60 biggest market opportunities related to delivering the Global Goals https://sustainabledevelopment.un.org/index.php?page=view&type=400&nr=2399&menu=1515

The Kampala Principles on Effective Private Sector Engagement, http://www.oecd.org/dac/effectiveness/Kampala-Principles-on-effective-private-sector-engagement- development-cooperation.pdf

Tri Hita Karana (THK), Impact Working Group Checklist for Assessing the Impacts of Blended Finance on the Poor, https://www.thkforum/org/project/a-checklist-for-assessing-the-impact-of-blended-finance-on-the-poor/

Strategy – Enterprise Action 2

Reference frameworks

Rio Declaration on Environment and Development

United Nations Convention Against Corruption

UNCAC, OECD Anti-Bribery Convention

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)

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

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 Combatting Corruption

ISO 37001 and 37301

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-entrepreneur

Tri Hita Karana (THK), Impact Working Group Checklist for Assessing the Impacts of Blended Finance on the Poor, https://www.thkforum/org/project/a-checklist-for-assessing-the-impact-of-blended-finance-on-the-poor

Strategy – Enterprise Action 3

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

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)

Strategy – Enterprise Action 4

Reference frameworks

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.

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.

Other resources

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

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

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)

Gender Finance Booklet Financial Centres for Sustainability https://www.unwomen.org/en/digital-library/publications/2023/12/gender-finance-booklet-financial-centres-for-sustainability-network-2023#:~:text=The%20booklet%20provides%20tailored%20guidance,serves%20as%20a%20comprehensive%20guide.

Oxfam Women's Economic Empowerment Framework https://oxfamilibrary.openrepository.com/bitstream/handle/10546/620269/gt-framework-womens- economic-empowerment-180118-en.pdf?sequence=7

SEAF Gender Equality Scorecard Manual – https://www.seaf.com/ges-manual/

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

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

Strategy – Enterprise Action 5

No additional frameworks or resources

Management approach – Enterprise Action 6

Reference frameworks

Rio Declaration on Environment and Development

United Nations Convention Against Corruption

UNCAC, OECD Anti-Bribery Convention

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)

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 4: Stakeholders – We will proactively and responsibly consult, engage, and partner with relevant stakeholders to achieve society's goals

Other resources

See Business Action 2 for Anti corruption resources

See Business Action 4 for Gender equality resources

Grievance Mechanism Gap Analysis 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

The State of Play: The Corporate Responsibility to Respect Human Rights in Business Relationship by the Institute for Human Rights and Business and the Global Business Initiative on Human Rights

Management approach – Enterprise Actions 7 and 8

Reference frameworks

The OECD Framework for Measuring Well-Being and Progress, an established framework for measuring wellbeing built around three components: current well-being, inequalities in well-being outcomes, and resources for future well-being https://www.oecd.org/statistics/measuring-well-being-and-progress.htm

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)

Outcomes map created by Social Value International.

Other resources

Data Privacy, Ethics and Protection Guidance Note on Big Data for Achievement of the 2030 Agenda by the UNSDG

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.

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.

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

UNRISD with r3.0 its Three-Tiered Typology, introduced in the Compared to What? Paper a framework that compares the enterprises' impact with thresholds

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-acccounts/Pages/default.aspx

OECD's Better Criteria for Better Evaluation: Revised Evaluation Criteria, Definitions and Principles for Use

OECD/DAC's Network on Development Evaluation, 2019

Management approach – Enterprise Action 9

No additional reference frameworks or other resources

Transparency – Enterprise Action 10

Reference frameworks

Sustainable Development Goal Disclosure (SDGD) Recommendations https://www.accaglobal.com/an/en/professional-insights/global-profession/the-sustainable-development-goals/SDGDrecommendations.html

Governance – Enterprise Actions 11 and 12

Other resources

ISO 37000 https://www.iso.org/standard/65036.html

What's Stopping Boards from Turning Sustainability Aspirations into Action? By N. Craig Smith, INSEAD and Ron Soonieus, Camunico, INSEAD, The Corporate Governance Centre, https://www.insead.edu/system/files/2023-04/whats-stopping-boards-from-turning-sustainability-aspirations-into-action-july2019.pdf