

# FREQUENTLY ASKED QUESTIONS

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# ABOUT THE SDGS AND SDG IMPACT

## What are the SDGs?

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

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

## Why isn't enough investment flowing to SDG activities?

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

Enterprises and investors find it difficult to translate their interest in SDG investment into action. They do not have impact management to inform better decisions that drive investment capital to where it is needed.

Some investment is labelled as SDG focused but lacks robust impact management and accountability for outcomes. Too often, the SDGs are used as another reporting lens to communicate activities differently, rather than doing things differently to advance the SDGs. Unfortunately, the net effect is that progress toward the SDGs had been slipping, even before the pandemic.

## What is SDG Impact?

UNDP (United Nations Development Programme) has a clear mission to see our world radically transformed for good. It is charged by the UN as steward and integrator of the SDGs.

SDG Impact is an initiative of the UNDP. SDG Impact is a catalyst to accelerate investment toward achieving the SDGs.

Three pillars focus on overcoming barriers and making it easier to invest toward achievement of the SDGs.

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

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

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

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

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

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

## ABOUT THE SGD IMPACT STANDARDS - PRIVATE EQUITY

### Why is the UNDP involved in developing SDG Impact Standards for SDG investments?

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

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

### Why will the SDG Impact Standards work?

The SDG Impact Standards promote impact integrity and market development at scale through standardization, transparency and assurance – necessary pre-conditions for growing markets. They provide a means to better decisions that will drive investment capital to where it is needed. They are the first step in a robust system of impact management.

These SDG Impact Standards build on, and are grounded in, key high level principles and bridge a significant gap in the current toolbox between those high level principles and impact performance reporting and benchmarking, driving more consistent implementation of impact management systems in the market. They shine a light on the gaps in current market practice which if not addressed will get in the way of achieving the global the SDGs as well as drawing upon and codifying the best of what is available to equip funds and investees with what they need to lead in these efforts.

Most importantly, they provide a shared language. Shared language, understanding and application at the global level, is critical to translate intention into concrete examples of success.

The Standards have been developed applying a bounded flexibility approach. This ensures that relevance can be maintained at the outcome area, location, enterprise or program/transaction levels (i.e. by asking the right questions and measuring what matters in context) while also promoting consistency

and comparability at the portfolio and market levels (i.e. reporting at the portfolio level and providing information that can be interpreted consistently by users to make more informed decisions). The SDG Impact Standards also provide the platform for authenticating that good practice through mechanisms the market understands through independent assurance against a common, open source standard and an SDG Impact Seal. That will drive convergence on how to approach and develop good practice for investment that contributes to achieving the SDGs, and provide credibility for the market, reducing the risk of impact or SDG washing.

## Are the SDG Impact Standards applied at the fund or fund manager level?

The Standards apply to each fund, recognising that fund managers may manage several funds that may or may not seek to apply these Standards.

However, the Standards do require that the fund manager provides an appropriate operating context for the fund, and hence both the fund and fund manager are required to demonstrate their commitment to building and continuously improving their culture of adhering to and respecting human rights and other responsible business practices, in line with the UN Guiding Principles for Business and Human Rights<sup>1</sup> and the Ten Principles of the UN Global Compact<sup>2</sup>.

UNDP cannot facilitate capital moving towards enterprises, funds or fund managers with a poor record of human rights and other responsible business practices.

## We already have various impact principles of practice. Why do we need SDG Impact Standards as well?

Yes, several sets of principles exist that relate to impact investment—for example, the UNEP Finance Initiative Principles for Positive Impact Finance, the International Finance Corporation’s Operating Principles for Impact Management and the GIIN Core Characteristics of Impact Investing. The development of these high level principles have been a major breakthrough in deepening the impact management practice.

The SDG Impact Standards build on and complement these important existing principles and provide a practical, actionable management system to operationalize them in a consistent way that supports standardization, transparency and assurance – necessary preconditions for growing a market at scale. This increases efficiency, consistency and clarity, and reduces the potential for market fragmentation through bespoke implementation that impedes comparability and achieving scale.

We’ve mapped alignment between these existing Principles and the SDG Impact Standards. The intention is that adoption and certification under these Standards can satisfy verification requirements of any or all of these important sets of existing principles.

## Why do we need SDG Impact Standards now?

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

Currently, many enterprises and investors focus on how environmental, social and governance factors

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

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

impact the financial valuation or performance of their enterprise or investments. There is not a way to differentiate in the market who is using SDGs as another reporting lens to communicate existing activities differently and who is embedding robust impact management and accountability for outcomes.

Directing more capital to where it is needed requires strong impact management as a means to enabling better decisions. A first step in robust impact management is practice standards. These SDG Impact Standards drive consistency and comparability in the market to enable much better-informed decisions.

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

## What is Impact Management?

Impact Management is the ongoing practice of measuring, monitoring, evaluating and improving impact, so that we can reduce the negative and increase the positive. It is relevant for both enterprises and investors who manage environmental, social and governance (ESG) risks and those who also want to contribute positively to global goals. To adopt Impact management, enterprises and investors need coherent guidelines on how to measure, monitor, evaluate, compare, improve and communicate their impacts.

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

## What is impact integrity?

For the purposes of these Standards, we have defined impact integrity as acting to provide a whole, complete, sound and uncorrupted picture of all material impacts that business and investment activities and decisions have (or may have in future) on people or the planet with a view to increasing positive impacts and acting to reduce or avoid negative impacts.

Key attributes of impact integrity include:

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

- Underpinned and supported by sufficient capacity and capabilities, sound governance and independent assurance of impact practices, data, performance and reporting.

## How do the SDG Impact Standards provide a management system for impact?

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

The Standards:

- Require funds to set strategic impact goals for their SDG private equity fund. In this way, fund managers are using SDGs strategically to make different capital allocation decisions.
- Require a credible link between the fund strategy and its investment and other activities.
- Require the fund manager (and the fund) to be committed to building a culture of adhering to and respecting human rights and other responsible business practices in line with the UN Guiding Principles for Business and Human Rights<sup>3</sup> and the Ten Principles of the UN Global Compact<sup>4</sup>. This includes what the fund manager and/or fund may cause or contribute through its own activities, or that are directly linked to its operations, products or services through its supply and value chains and by its business relationships.
- Require meaningful stakeholder engagement throughout the impact measurement and management process.
- Define materiality (i.e. substantial impacts) from the perspective of the fund's impact on stakeholders.
- Provide a framework and context for applying impact metrics and metric sets most effectively.
- Provide transparency about the nature and depth of SDG impact being created.
- Require assessment and transparency of all material (positive, negative, intended and unintended) impacts.
- Require ex-ante assessment of impacts, and establishment of baselines and targets against which to measure actual impact performance and ongoing measurement, monitoring, evaluation and response as the fund's understanding of their impacts evolves and as the sustainable development context changes.
- Embed continuous improvement and learning.
- Require transparency and comparability of practice and performance through consistent disclosures.
- Require robust governance that reinforces and supports commitments and practice.

## What core design elements underpin the SDG Impact Standards?

The Standards embed 4 core design elements:

- **The UN Sustainable Development Goals:** 17 SDGs and related 169 targets and 231 indicators
- **Impact Management Project:** a rigorous and consistent process for measuring impact and selecting metrics, by combining the SDGs with the Impact Management Project's shared logic for measuring, managing and communicating consistently.
- **Stakeholder Engagement:** ongoing, two-way engagement with stakeholders, that is conducted in good faith and responsive. Stakeholders include those (people and planet) who are affected by the fund's activities, directly and indirectly, not only those who affect the fund's performance. These impacts can

<sup>3</sup> <https://www.business-humanrights.org/en/un-guiding-principles>

<sup>4</sup> <https://www.unglobalcompact.org/what-is-gc/mission/principles>

be economic, social and/or environmental. Stakeholders are those a fund and its investments affects (intentionally or unintentionally) including:

1. **Customers** who use the enterprise's products/services
  2. **Employees** who work for the enterprise
  3. **Local communities** who are directly or indirectly affected by an enterprise's activities (e.g. unhealthy factory emissions that negatively affect surrounding local communities; or affordable housing units for underserved communities)
  4. **Suppliers and distributors** who are affected by the enterprise's volume of procurement, regulations and quality control (e.g. a zero-tolerance policy on child labour that affects suppliers)
  5. **The planet**, which an enterprise affects through extracting, using and creating environmental resources; and through pollution that is emitted by these processes.
- **Interoperability:** the Standards use, consolidate, harmonise and build upon what's already available, including:
    - UN Guiding Principles for Business and Human Rights<sup>5</sup>, the Ten Principles of the UN Global Compact<sup>6</sup>, the OECD Guidelines for Multinational Enterprises<sup>7</sup>, OECD Due Diligence Guidance for Responsible Business Conduct<sup>8</sup> and principles of free, prior and informed consent (FPIC) in relation to indigenous peoples<sup>9</sup>.
    - Existing principles of practice including the International Finance Corporation's Operating Principles for Impact Management<sup>10</sup>, the UN Environment Programme FI's Principles for Positive Impact Finance<sup>11</sup>, the Global Impact Investing Network's Core Characteristics of Impact Investing<sup>12</sup>, and the UN-supported Principles for Responsible Investment<sup>13</sup>.
    - Standardized metrics and metrics sets including GRI<sup>14</sup>, SASB<sup>15</sup>, and IRIS+<sup>16</sup>.
    - To the extent practicable, the Sustainable Development Goals Disclosure (SDGD) Recommendations<sup>17</sup> which in turn align with the Taskforce on Climate-related Financial Disclosures framework<sup>18</sup> (TCFD, 2017), the GRI Standards<sup>19</sup> and the International <IR> Framework<sup>20</sup> (IRC, 2013).
    - Most up-to-date methods, principles and frameworks within the Standards themselves or reference them in the resources and guidance material.

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

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

7 <https://mneguidelines.oecd.org/mneguidelines/>

8 <https://www.oecd.org/investment/ue-diligence-guidance-for-responsible-business-conduct.htm>

9 <https://www.un.org/development/desa/indigenouspeoples/publications/2016/10/free-prior-and-informed-consent-an-indigenous-peoples-right-and-a-good-practice-for-local-communities-fao/>

10 [https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/development+impact/principles.opim](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/development+impact/principles.opim)

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

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

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

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

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

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

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

18 <https://www.fsb-tcf.org/>

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

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

## How do the SDG Impact Standards relate to the Impact Management Project?

The Standards adapt and embed the Impact Management Project's (IMP)<sup>21</sup> convention for measuring, managing and communicating impact consistently. Working with its practice community of over 2000 organizations, IMP reached consensus on how to define, measure, manage and report on impact. Applying IMP's convention provides clarity, consistency and transparency about the nature and depth of SDG impact being created or contributed to.

IMP's convention affords users the flexibility to select the metrics or metric sets that are most appropriate and useful for decision-making at the investee/activity level. These activity level metrics are used to assess impacts across the five dimensions of impact and to classify activities according to the 'ABC' classifications. Comparability at a market level is achieved by reporting against the SDG targets and 'ABC' impact classifications. This is analogous to the differences between internal management accounting and external financial accounting and disclosures.

The Standards embed IMP's core elements:

- **Five dimensions of impact**

Everything we do has impacts on people and the planet. To understand any impact, we must understand five dimensions of performance: What, Who, How Much, Contribution and Risk.

- **Impact data categories**

To understand performance on each dimension of impact, we use a consistent framework comprising 15 data categories. Users can then estimate the positive, negative, intended and unintended impacts of each asset or activity consistently, which provides greater context about the nature and depth of SDG impact. Where there may be limitations or gaps in our understanding, this can be reflected in our assessment of impact risk).

- **ABC impact classifications**

The total impact of an asset or activity is the combination of its impacts on people and planet, which can be assessed as 'Acting to Avoid Harm', 'Benefiting Stakeholders', or 'Contributing to Solutions'.

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<sup>21</sup> <https://impactmanagementproject.com/>

The **IMP ABC Impact Classifications** have been adapted for these Standards to better clarify the differences between act to Avoid harm, Benefit Stakeholders, and Contribute to solutions in the context of the SDGs:

May or Does Cause Harm that Detracts from achieving the SDGs

- A** **Acting to avoid harm that detracts from achieving the SDGs** (*preventing or significantly reducing important negative outcomes for people and the planet*). For example, reducing CO2 emissions, or reducing child labour in supply chains. This includes environmental, social and governance risk management.
- B** **Benefiting Stakeholders in relation to the SDGs** (*not only acting to avoid harm, but also generating positive outcomes for people and the planet*). For example, selling products that support good health or educational outcomes. This includes pursuing environmental, social and governance opportunities.
- C** **Contributing to solutions towards achieving the SDGs** (*not only acting to avoid harm, but also generating a significant change resulting in important positive outcome(s) for previously underserved people and the planet, where the outcomes are linked to identified SDG priorities in their specific context*). For example, providing health or educational services in communities that currently have no access to them, or providing financial services to people without credit or banking services.

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

The five dimensions of impact and 15 data categories provides a consistent framework for measuring and understanding impact. It is a tool for enabling better decision-making not an end in itself. It is not uncommon for funds to find there are gaps in the data they have collected, or that some data are not available or reliable.

The Standards provide a framework for identifying these gaps and promoting transparency about where gaps exist and the veracity of available data. This process of identifying and disclosing data gaps or limitations also facilitates better decision making at the market level (for instance, by enabling a considered assessment of impact risks that these gaps or limitations present). Over time, gaps will become clearer, allowing enterprises and investors to identify where to devote resources.

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

## Will using the SDG Impact Standards increase our reporting burden?

No. The SDG Impact Standards facilitate more streamlined, consistent reporting.

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

## Do the SDG Impact Standards prescribe specific metrics or metric sets?

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

They provide the framework or decision tree to ensure a rigorous process of metric selection and ongoing review (as knowledge advances or the sustainable development context changes). The guidance provided reflects that good practice involves using established, evidence-based and accepted metrics or metric sets first and set an expectation that users will be transparent about when that is not done and why.

By incorporating the SDG goals and targets and IMP's five dimensions of impact and 'ABC' impact classifications into the core design of these Standards, the underlying activity/project/investment specific metrics are transformed into higher order metrics that enable impacts to be aggregated and communicated using a consistent and comparable basis at the portfolio or market level (that is using the SDG targets and the ABC impact classifications).

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

## What do the SDG Impact Standards–Private Equity Funds cover?

These SDG Impact Standards apply to defined Private Equity Funds including private equity and debt and venture capital. Feedback on the first consultation draft of the Private Equity Standards has informed this second consultation draft.

## Are there SDG Impact standards for other asset classes?

SDG Impact is also developing two more sets of SDG Impact Standards:

- SDG Impact Standards for SDG Bonds covering:
  - Use-of-Proceeds bond programs issued under the International Capital Markets Association's (ICMA) Green/ Social/ Sustainability (GSS) Bond Principles and Voluntary Process Guidelines for Issuing GSS Use-of-Proceeds Bonds<sup>22</sup>, certified by the Climate Bonds Institute<sup>23</sup>, or issued under the proposed EU Green Bond Standard<sup>24</sup>.
  - SDG-linked bonds where the coupon payable by the bond issuer is linked to achieving targets against specific SDG outcomes<sup>25</sup>.
- SDG Impact Standards for Enterprises, which will apply to other activities of enterprises, including general purpose bonds and other obligations (such as loans and equities). We expect to release a first consultation draft of the Enterprise Standards by mid-year.

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

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

24 [https://ec.europa.eu/info/publications/sustainable-finance-teg-green-bond-standard\\_en](https://ec.europa.eu/info/publications/sustainable-finance-teg-green-bond-standard_en)

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

# ADOPTING THE SDG IMPACT STANDARDS

## What are the SDG Impact Standards for Private Equity Funds?

Step by step, the Standards guide users through defining their SDG goals, including linking these to in-country SDG priorities and (for funds) the SDGs that are most relevant to their model and those impacted by the activities of the fund and its investees, and embedding impact measurement and management into design. They embed positive feedback loops for continuous improvement, maintain transparency and comparability in reporting, and establish effective governance and responsible business processes.

**Six Standards** reflect core elements of accountable impact practice.

These six Standards are organized in four parts:

- 1) **Strategy**, 2) **Management approach**, 3) **Transparency** and 4) **Governance**.

### Summary Table

<b>STRATEGY</b> Defining SDG impact intentions and impact goals	
Standard 1	The Fund has clearly defined and contextualized SDG impact intentions and impact goals
<b>MANAGEMENT APPROACH</b> Embedding impact management into design and operations	
Standard 2	The Fund embeds sound impact management practices into its design and operations
Standard 3	The Fund's ex ante investment practices align the its investment activities with its SDG impact intentions and impact goals
Standard 4	The Fund measures and manages its ongoing impact performance
<b>TRANSPARENCY</b> Transparent impact reporting and comparability for more informed decision-making	
Standard 5	The Fund regularly reports on its impact activities and performance, promoting transparency and comparability
<b>GOVERNANCE</b> Integrating effective governance oversight and operating context for impact management	
Standard 6	The Fund and Fund Manager's governance practices provide the appropriate operating context for, and effective oversight of, the Fund's impact management practices

## Who can use the Standards?

The Standards are voluntary and freely available for all to use.

The Standards are targeted at actors who direct private investment activity towards achieving the SDGs and promoting market development. This audience includes:

- Fund Managers (and their investees),
- Investors, and
- Other actors (such as assurers, development finance institutions and governments).

## Why should fund managers use the Standards?

By using these Standards, fund managers can:

- Map and design their Fund's internal impact measurement and management systems to support both internal decision making and external reporting requirements under multiple frameworks
- Identify strengths and gaps in their Fund's SDG impact practice
- Identify any misalignment with a Fund's SDG claims
- Develop funds that comply with the Standards
- Determine readiness to apply for certification of the Fund by an independent, UNDP accredited certifier
- Differentiate their Fund in the market through certification.

Investees can use the Standards to ensure their impact management practices connect with credible, consistent practice, promote impact integrity, transparency and accountability and differentiate themselves with providers of impact capital.

## Why should investors use the SDG Impact Standards?

By using these Standards, investors can assess the SDG-enabling attributes of various funds, whether they are self-assessed or certified by an independent, UNDP accredited certifier.

They can use the Standards to frame their investment guidelines and identify questions for fund managers about the SDG-enabling attributes of their funds, signalling these expectations to the market. By doing so, they help develop the market for SDG enabling investments.

The Standards can also help investors to push for greater standardization of practice and external assurance of funds making SDG-enabling claims.

## Why should other actors use the SDG Impact Standards?

By using these standards, assurance providers, analysts, advisors and research houses can:

- assess and / or verify the impact practices of funds.
- benchmark and compare the impact management practices across private equity and debt funds making SDG related claims, or
- provide guidance on impact management practices.

Like investors, these other actors can use the Standards to set and signal expectations about the attributes of funds.

## How do we address each Standard?

The information requirements for each Standard are layered, to engage with different users at different levels, and to make the requirements as digestible as possible.

**Practice Indicators** identify points of assurance. There are 20 core indicators and 6 expanded indicators:

- The core indicators reflect current market practice, setting a high—but attainable—bar that will drive the change needed to meet SDG targets by 2030.
- The expanded indicators encourage continuous improvement and provide a pathway for those leading practice to differentiate themselves from the rest of the market.<sup>26</sup>

Each Practice Indicator is supplemented with:

- **Guidelines** for demonstrating achievement of the Practice Indicators
- **Examples of evidence** sources
- **Guidance notes and resources** to inform consistent application and compile useful resources, including links to best practice tools, frameworks or examples.

The Standards were developed to guide both funds—to implement and operationalize good practice—and assurers—to determine and assure good practice.

## What if we don't have all the evidence we need?

It is not uncommon for funds to find that initially they do not have all of the evidence they need to demonstrate they meet the Standards. Some funds may not meet all of the core Standards at the outset.

The Standards provide a framework for identifying these gaps – whether they be in practice and/or in record keeping. This enables funds to identify where to devote resources and to plan towards fully meeting and/or evidencing conformance with the Standards.

## How can we demonstrate we meet the SDG Impact Standards?

The draft Standards propose the following assurance and certification process for funds.

Each Practice Indicator will be assessed as *'not yet observed'*, *'developing'* or *'developed'*. Evidence of practice for each indicator is set out in the Standards.

Funds can have their impact practices certified by an independent, UNDP accredited verifier. Funds assessed as *'developed'* in each of the 25 core Practice Indicators will be certified as complying with the Standards. A fund may be certified subject to qualification, if they and the accredited certifier agree on realistic plans to address key areas.

The accreditation process for assurers is being developed in tandem with consultation on the Standards.

## How will eligibility for an SDG Impact Seal be determined?

Funds can apply for the SDG Impact Seal if they are independently certified as *'developed'* on all core Practice Indicators and as *'developing'* or better in at least half of the expanded Practice Indicators.

If approved to use the SDG Impact Seal, funds must agree to the terms and conditions.

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<sup>26</sup> UN Global Compact, SDG Bonds: Leveraging Capital Markets for the SDGs, 2019; for example, Enel 2019 general purpose SDG-linked bond

We are working with experts on developing the governance framework for certification and approval to use the SDG Impact Seal. The governance framework will cover:

- accrediting assurers
- quality assurance of assurance
- managing complaints and reviewing decisions
- periodic review, currency and revocation of certification.

We will provide more information on the governance structure and procedures will be available in Q4 of 2020.

## Will assurance and certification be compulsory?

No. We recommend funds have their impact practices assured against these Standards by an independent, UNDP accredited certifier.

Enterprises and investors can use the Standards to guide practice without being assured but will not be eligible for certification.

## How will UNDP support implementation of the Standards?

UNDP is commissioning a training program to accredit certifiers. It is also commissioning an online course led by Duke University, which practitioners can access which is expected to be available in 2021.

UNDP is investigating delivery of the Standards via an interactive web-enabled platform to make interaction with the Standards more efficient, enable more active participation and engagement with the Standards, and support the governance of the assurance framework.

## How can I engage in this process?

The public consultation period for this second consultation draft of SDG Impact Standards - Private Equity is open until 31 July 2020.

Your feedback is welcome. UNDP is seeking input from a broad range of stakeholders and you are encouraged to draw the opportunity to contribute to others, including:

- the investment and business community
- civil service organizations
- organizations expert in human rights and the rights of indigenous peoples
- other United Nations bodies and initiatives
- relevant industry groups.

Download SDG Impact Standards – Private Equity, feedback guidance questions, workbook and FAQs at: <https://sdgimpact.undp.org/#what-we-do>

**Provide your feedback to [sdgimpact.standards@undp.org](mailto:sdgimpact.standards@undp.org) by 31 July 2020.**

If you have any questions, contact us at [sdgimpact.standards@undp.org](mailto:sdgimpact.standards@undp.org)