SDG Impact

SDG Impact Standards

Glossary

Glossary of terms to support the SDG Impact Standards for Enterprises, Private Equity Funds and SDG Bonds

About UNDP

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

About SDG Impact

SDG Impact is a global UNDP initiative, catalyzing investment to achieve the SDGs by 2030:

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

Acknowledgements

UNDP thanks the SDG Impact team – SDG Impact Director Elizabeth Boggs-Davidsen, Sebnem Sener and Sara-Lisa Orstavik – and the expert advisers who have led and contributed to these Standards: Fabienne Michaux (lead author for the standards development), Carol Adams, Rosemary Addis, Susan De Witt, Jennifer Flynn, Ellen Maginnis, Liza Murphy and Maria Laura Tinelli. UNDP also thanks the many organizations who have contributed time and valuable input through the development process including The Impact Management Project Team, IMP Structured Network Members, reference group members and all who contributed feedback through multiple rounds of consultation.

The **SDG Impact Steering Group**, chaired by the UNDP Administrator, Achim Steiner, comprises global champions and thought leaders from finance and industry from around the world. UNDP thanks these sustainability leaders for their critical role in authenticating SDG-enabling investment, signalling markets and driving adoption of these Standards: John Denton (Secretary-General, International Chamber of Commerce), Cheo Hock Kuan (Executive Director and CEO, Temasek Trust), Anna Ryott (Chair of Board, Summa Equity), Amy Jadesimi (CEO, Ladol), Ma Weihua (Chairman, China Alliance of Social Value Investment), Lisa Genasci (Founder and CEO, ADM Capital Foundation (ADMCF)), Daniel Hanna (Global Head of Sustainable Finance, Standard Chartered), Rajiv Lall (Chairman, IDFC First Bank), Ronald Cohen (Philanthropist and Chairman of the Global Steering Group for Impact Investment), Ken Shibusawa (CEO, Shibusawa and Company, Inc.) and Denise Hills (Global Sustainability Director, Natura). Thanks also to UNDP colleagues, other UN bodies for their insights and support in developing these Standards. Such leadership in embracing the SDGs and recognizing our collective responsibility is instrumental in realizing the SDGs by 2030.

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ABC impact classifications	Developed by the Impact Management Project and adapted for these Standards by SDG Impact. The impact classifications are a way to categorise individual impacts as well as whole enterprises or investments, which can be understood as a combination of several impacts. Classifying an individual impact: **A**ct to avoid or reduce harm, including harm that detracts from achieving the SDGs: reduce (or mitigate) a negative outcome that is (or could be) caused by the enterprise **B**enefit Stakeholders in relation to the SDGs: maintain or improve a positive outcome caused by the enterprise **C**ontribute to solutions towards achieving the SDGs: generate a new positive outcome caused by the enterprise for a Stakeholder who would otherwise be underserved, most often due to market or policy failure. Classifying an enterprise or investment: An enterprise can be classified by assessing impact data relating to its material impacts. An enterprise that: • fails to manage the negative outcomes it generates **causes harm** • mitigates or reduces the negative outcomes it does (or may) generate **acts to avoid or reduce harm** • acts to avoid or reduce harm and generates some positive outcomes **benefits Stakeholders** • acts to avoid or reduce harm and generates some positive outcomes for those otherwise underserved in relation to the outcomes **contributes to solutions**. *Source: Impact Management Project, adapted by SDG Impact.*
Activities	Direct and indirect business operations, including sales, service, procurement, marketing and stakeholder interactions whether undertaken via an entity's own workers or through related parties.
Assessment	The process of measuring and valuing relevant impacts and dependencies, using appropriate methods. *Source: Capitals Coalition.*
B Lab	A non-profit organization that serves a global movement of people using business as a force for good. B Lab's initiatives include B Corporation Certification, administration of the B Impact Management programs and software, and advocacy for governance structures like the benefit corporation.
Business model	System of transforming inputs into outputs, outcomes and impacts that fulfill an entity's strategic purpose.
Capitals Coalition	A global collaboration that unites the natural, social and human capital coalitions to transform our understanding of value.

Contributing positively to sustainable development and achieving the SDGs	Contributing positively to sustainable development and achieving the SDGs means taking actions that improve an outcome level relative to a relevant SDG or other sustainable development outcome threshold. For an individual impact, types of positive contribution to sustainable development and achieving the SDGs include: a. **Improving an existing negative outcome** – moving from a more negative to a less negative outcome level[1] relative to relevant SDG and/or other sustainable development outcome thresholds; for example, reducing CO_2 emissions, or reducing child labour in supply chains. This includes environmental, social and governance (ESG) risk management; or b. **Maintaining or improving an existing positive outcome** – maintaining a positive outcome level or moving from a positive to a more positive outcome level, relative to relevant SDG and/or other sustainable development outcome thresholds; for example, selling products that support good health or educational outcomes for those already with good access to both; or c. **Generating a new positive outcome** – moving from a negative to a positive outcome level relative to relevant SDG and/or other sustainable development outcome thresholds; for example, providing health or educational services in communities that currently have no access to them, or providing financial services to people without access to credit or banking services. See 'ABC Impact Classifications' for more detail on classifying combinations of many impacts (e.g. enterprises or investments).
Data taxonomy	Classification of data into categories and sub-categories, with controls to improve data consistency and comparability.
Dependencies	Social and human and natural resources and relationships that enterprises need to create and sustain value. In effect, dependencies are the impacts that the world can have on an enterprise. Understanding its dependencies is an important part of understanding the enterprise's sustainable development risks and opportunities. The impacts an enterprise has on people and planet and its dependencies on the world are interrelated. *Source: Adapted from Capitals Coalition.*
Eligibility criteria	With respect to SDG Bonds – The guidelines that define the parameters and describe the characteristics of suitable Qualifying Activities, for example in relation to the specific SDG or other sustainable development outcomes and impact strategies (e.g. ABC Impact Classifications) being targeted; new financing versus refinancing of existing activities.
Enterprise	The Enterprise whose intention it is to embed contributing positively to sustainable development and achieving the SDGs into its purpose, strategy, management approach, governance practices and decision-making. Enterprises may be publicly listed, public interest and private entities (including profit, not-for-profit, social enterprise entities), non-governmental organizations (NGOs), Small and Medium Enterprises (SMEs) and state-owned and other public sector entities.

1 See 'Outcome level' in 'Impact data categories' entry. The outcome level represents an aspect of a Stakeholder's wellbeing, measured directly or estimated using a proxy.

EU GBS (EU Green Bond Standard)	Voluntary standard for use-of-proceeds bonds that finance green projects that (i) significantly contribute to at least one of the environmental objectives of the EU Taxonomy, (ii) do not substantially harm the others, and (iii) otherwise meet the criteria and thresholds in the taxonomy proposal (including meeting minimum social safeguards). Use of the term 'EU Green Bond' is only permitted when all components of the EU GBS are met. *Source: Supplementary Report 2019 by the Technical Expert Group of Sustainable Finance, Financing a Sustainable European Economy: Using the Taxonomy*
EU Taxonomy	Proposed EU Taxonomy for Sustainable Activities. A list of economic activities with performance criteria for their contribution to six environmental objectives (climate change mitigation; climate change adaptation; sustainable use and protection of water and marine resources; transition to a circular economy; waste prevention and recycling; pollution prevention and control; and protection of healthy ecosystems). To be included in the proposed EU Taxonomy, an economic activity must contribute substantially to at least one environmental objective and do no significant harm to the other five, as well as meet minimum social safeguards. *Source: Supplementary Report 2019 by the Technical Expert Group on Sustainable Finance, Financing a Sustainable European Economy: Using the Taxonomy*
Five Dimensions of Impact	Developed by a community of over 2000 practitioners through the Impact Management Project. The Five Dimensions represent a set of management questions that, when answered, help fully understand an individual impact and compare or choose between different impacts. These questions guide measurement and the data requirements for impact management (see Impact data categories below). 1. What – What outcome level is occurring in the period? Is it positive or negative relative to an outcome threshold? How important is the outcome to the people (or planet) experiencing it? 2. Who – Who experiences the outcome? How underserved are the affected Stakeholders in relation to the outcome (when comparing the baseline to the outcome threshold)? 3. How much – What is the change in outcome? For how many people? And for how long does it last? 4. Contribution – Would the change likely have happened anyway? 5. Risk – What is the risk to people and planet that impact does not occur as expected? *Source: Impact Management Project.*
Fund	The Fund whose intention it is to embed contributing positively to sustainable development and achieving the SDGs into its purpose, strategy, management approach, governance practices and decision-making. Funds may be private equity, private debt or venture capital funds.
Fund Manager	The entity responsible for implementing the Fund's strategy and managing its portfolio.

General partner	Raises the funds, manages day-to-day operations of the Fund, including sourcing and structuring investments, and exiting investments to make distributions to limited partners.
General purpose SDG Bond	Bonds issued by companies that have adopted a corporate-level strategy to contribute to the SDGs and that are committed to providing accountability for the general use of funds and corporate-level SDG impacts. General-purpose SDG Bonds can also be issued by governments and are unsecured. *Source: UNGC and UNEPFI, SDG Bonds, Leveraging Capital Markets for the SDGs.*
GIIN (Global Impact Investing Network)	A global network dedicated to increasing scale and effectiveness of impact investing around the world. The GIIN manages the IRIS+ system as a public good.
GIIN's Core Characteristics of Impact Investing	Baseline expectations of what it means to practice impact investing: 1. Intentionally contribute to positive social and environmental impact through investment alongside a financial return 2. Use evidence and impact data in investment design 3. Manage impact performance 4. Contribute to the growth of impact investing.
Governing body	The entity's (i.e. the Enterprise, Fund, Investee, Issuer) board or highest governing body.
GRI (Global Reporting Initiative)	An international independent standards organization that helps businesses, governments and other organizations understand and communicate their environmental, economic and social impacts. The GRI Standards are global and distributed as a free public good.
GRI's Reporting Principles	**Principles for defining report content:** **Stakeholder inclusiveness:** Identify stakeholders and explain responses to their reasonable expectations and interests **Sustainability context:** Present the organization's performance in the wider context of sustainability **Materiality:** Cover aspects that reflect the organization's significant economic, environmental and social impacts, or substantively influence the assessments and decisions of stakeholders **Completeness:** Cover material aspects, and their boundaries, sufficient to reflect significant economic, environmental and social impacts, and to enable stakeholders to assess the organization's performance in the reporting period. **Principles for defining report quality:** **Balance:** Reflect positive and negative aspects of performance to enable a reasoned assessment of overall performance

GRI's Reporting Principles (continuation)	**Comparability:** Select, compile and report information consistently; present information in a manner that enables stakeholders to analyze changes in performance over time, and that could support analysis relative to other organizations **Accuracy:** Provide sufficiently accurate and detailed information for stakeholders to assess performance **Timeliness:** Report on a regular schedule so that timely information is available for stakeholders to make informed decisions **Clarity:** Make information understandable and accessible to stakeholders **Reliability:** Gather, record, compile, analyze and disclose information and processes used to prepare the report in a way that allows examination and establishes the quality and materiality of the information. *Source: Global Reporting Initiative, and as updated from time to time.*
Human Capital	The knowledge, skills, competencies and attributes embodied in individuals that contribute to improved performance and wellbeing. *Source: Capitals Coalition.*
ICMA (International Capital Markets Association)	A not-for-profit membership association, headquartered in Switzerland that serves 580 member firms from 62 countries in global capital markets. Serves as Secretariat for the Green Bond Principles (GBP) and Social Bond Principles (SBP), and Sustainability Bond Guidelines (SBG).
IFC (International Finance Corporation)	The sister organization of the World Bank and member of the World Bank Group. The largest global development institution focused on the private sector in developing countries. The World Bank Group has set two goals to achieve by 2030: end extreme poverty and promote shared prosperity in every country. In 2018, the group issued Operating Principles for Impact Management.
IMP (Impact Management Project)	A forum for building global consensus on how to measure and manage impact. IMP convenes a practitioner community of over 2000 practitioners and facilitates the IMP Structured Network – a collaboration among standard-setting organizations (including B Lab, GIIN, GRI, GSG, IFC, OECD, PRI, SASB, SVI, UNDP, UNEP Finance Initiative and World Benchmarking Alliance) to co-create and coordinate standards for impact measurement and management.
Impact	A change in a social, environmental or economic outcome (i.e. often expressed as a change in wellbeing) caused by an entity [either partially or wholly; directly or indirectly]. An impact can be positive or negative, intended or unintended. *Source: Impact Management Project.*
Impact baselines	Indications of the entity's (i.e. the Enterprise, Fund, Issuer) starting or current performance against specific outcomes or counterfactuals. Understanding the starting impact performance assists in developing appropriate impact targets (i.e. that are realistic and ambitious).

Impact data categories	Developed by a community of over 2000 practitioners through the IMP. The impact data categories outline the information required to assess an individual impact with the most accuracy. They place an outcome in full context by providing the data needed to answer all management questions included in the Five Dimensions of Impact. Note: the data categories represent an aspirational set of information. In many cases, organizations must deal with data gaps and/ or information that serves as a proxy for the desired data category. This translates to higher impact risk. What: *What outcome occurs in the period? Is it positive or negative? How important is the outcome to the people (or planet) experiencing them?* **Outcome level:** The level of outcome experienced by the Stakeholder when engaging with the entity (i.e. the Enterprise, Fund, Investee or Issuer). The outcome level measures some aspect of wellbeing that can be positive or negative, intended or unintended. **Outcome threshold**: The level of outcome that is 'good enough' according to societal goals (e.g. SDG targets) or ecological limits. The outcome threshold defines the acceptable range for the outcome. Performance outside of the acceptable range is negative or unsustainable. Performance within the acceptable range is positive or sustainable. Outcome thresholds can be set locally, nationally or internationally. They should also represent the affected Stakeholder's perspective, so Stakeholder feedback can be an important way to corroborate outcome thresholds, especially when they are not well-established. **Importance of outcome to Stakeholder:** The Stakeholder's view of whether the outcome they experience is important (relative to other outcomes). Where possible, the people experiencing the outcome provide this data, although third party research may also be considered. For the environment, scientific research provides this view. **SDG target:** The specific SDG target(s) that the outcome relates to; an outcome may relate to more than one SDG target, or may relate to sustainable development outcomes other than SDG targets. Who: *Who experiences the outcome? How underserved are the affected Stakeholders in relation to the outcome?* **Stakeholder**: The type of stakeholder experiencing the impact. **Geographical boundary:** The geographical location where the Stakeholder experiences the outcome. **Outcome level at baseline**: The level of outcome being experienced by a Stakeholder before engaging with, or otherwise being affected by, the entity (i.e. the Enterprise, Fund, Investee or Issuer). Stakeholders experiencing an outcome level outside of the acceptable range defined by the threshold are underserved in relation to the outcome. **Stakeholder characteristics:** Socio-demographic and/or behavioural characteristics and/or ecosystem characteristics of the Stakeholders to enable segmentation. How much: *How much of the outcome occurs – across scale, depth and duration?* **Scale**: The number of individuals experiencing the outcome. When the planet is the Stakeholder, this category is not relevant.

Impact data categories (continuation)	**Depth:** The degree of change experienced by the Stakeholder. Depth is estimated by analysing the change that has occurred between the 'Outcome level at baseline' (Who) and the 'Outcome level in period' (What). **Duration:** Time period over which a Stakeholder experiences an outcome. **Contribution:** *Would this change have happened anyway?* **Depth counterfactual:** The estimated degree of change that would have happened anyway – without engaging with, or being affected by, the enterprise. Performance of peer enterprises, industry or local benchmarks, and/or Stakeholder feedback are examples of counterfactuals that can be used to estimate the degree of change likely to occur anyway for the Stakeholder. **Duration counterfactual:** The estimated time period for which the outcome would have lasted anyway – without engaging with, or being affected by, the enterprise. Performance of peer enterprises, industry or local benchmarks, and/or Stakeholder feedback are examples of counterfactuals that can be used to estimate the duration likely to occur anyway for the Stakeholder. **Risk:** *What is the risk to people and planet that impact does not occur as expected?* **Risk type:** The type of risk that may undermine delivery of the expected impact for people and/or the planet (see Impact risk). **Risk level:** The level of risk, assessed by combining the likelihood of the risk occurring, and the severity of the consequence for people and/or the planet if it does. For example: 'Outcome level' = outcome indicator in current period (What) 'Change in outcome level relative to baseline' = degree of change in outcome indicator (How Much) 'Baseline' = outcome indicator at baseline (Who) 'SDG and/or other outcome Threshold' = desired level of outcome indicator (What) 'Other contextual information required to fully understand impact' = captures other data categories, (Contribution) and (Risk) see https://impactmanagementproject.com/impact-management/what-is-impact/risk/ *Source: Impact Management Project.*
Impact goals	The strategic impact goals of the entity (i.e. the Enterprise, Fund, Issuer).
Impact integrity	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)

Impact integrity (continuation)	• Adopting common definitions and a shared language for impact that becomes widely understood across all Stakeholder groups • Adopting robust and consistent impact practices from intentions through to reporting • Substantiating impact claims with credible and relevant data, evidence and measurement including context-specific impact data and information from reputable agencies (including government and civil society organizations), as well as Meaningful Stakeholder Engagement (those impacted by the activities or decisions in question) • Being transparent about (i) all material impacts on people or the planet (e.g. accounting for all important positive, negative, intended and unintended impacts; accounting for the different dimensions of impact; not netting positive and negative impacts out against different Stakeholder groups); (ii) gaps and limitations in understanding about impacts (e.g. incomplete information, data quality issues); (iii) trade-offs made between positive and negative outcomes or between different Stakeholder groups; and (iv) the nature and magnitude of risk that impact may not occur as expected • Underpinned and supported by sufficient capacity and capabilities, sound governance and independent assurance of impact practices, data, performance and reporting.
Impact risk	Developed by the Impact Management Project. Likelihood that actual impact(s) are different to expected impact(s): **Evidence risk:** Insufficient high-quality data exists to know what impact is occurring **External risk:** External factors disrupt delivery of expected impact **Stakeholder participation risk:** Expectations or experience of Stakeholders are misunderstood or not accounted for **Drop-off risk:** Positive impact does not endure or negative impact is no longer mitigated **Efficiency risk:** Expected impact could have been achieved with fewer resources or at lower cost **Execution risk:** Activities are not delivered as planned and do not result in the desired outcomes **Alignment risk:** Impact is not locked into the entity's (i.e. the Enterprise, Fund, Investee or Issuer) business model **Endurance risk:** Required activities are not delivered for a long enough period **Unexpected impact risk:** Substantial unexpected positive and negative impact is experienced by people and the planet **Materiality risk:** Material outcomes are omitted and/or non-material outcomes are included in decision making that increase the risk of suboptimal decisions being made. *Source: Impact Management Project.*

Impact plan	A plan agreed by the Fund and its Investee setting out agreed actions the Investee and the Fund will take to improve (or in the case of the Fund, support improvement of) impact management practices and/or impact performance during the life of the investment.
Impact targets	Specific impact performance indicators the entity (i.e. the Enterprise or Issuer) will use to monitor its progress towards its impact goals. Impact targets support the entity's longer term impact goals, but may be more intermediate or shorter term in nature. With respect to a Fund, impact targets refer to the impact goals set by the Fund with respect to each individual investment (as opposed to the portfolio level impact goals the Fund sets with respect to the Fund overall).
Impact terms	The objectives, expectations (of both the Investee and Fund), and terms agreed between the Fund and its Investee that relate to impact management and impact performance during the life of the investment, and including provisions for exiting investments, and are documented within the legal documents of the investment agreement.
Impact thesis (or theory of change)	An outcomes-based hypothesis of how the Fund and/or each investment (or Investee) are expected to contribute positively to sustainable development and achieving the SDGs. The Fund's impact thesis may be separate from, but ideally is integrated into its investment thesis. The Fund will typically develop its overall impact thesis with respect to the Fund, and each of its investments or Investees. However, some Investees may have already developed their own impact theses (or theories of change) that the Fund reviews as part of its pre-screening and due diligence process.
Integrative (or Integrated) thinking	Decision making process to balance tensions between opposing variables (e.g. social, environmental and economic or financial) and generate resolutions that contain elements of the opposing ideas but are superior to each. Generally, follows four steps incorporating feedback loops: (i) salience – define relevant aspects of the problem; (ii) causality – determine relationships between related and unrelated parts; (iii) architecture – create a model outlining the relationships defined in steps (i) and (ii); and (iv) resolution – outline the decision and how it was reached.
Investee	The enterprise in receipt of the Fund's/investor's investment capital; the portfolio company.
Investor contribution(s) to Impact	**Positive investor contributions:** (In addition to amplifying and strengthening the Investee's own impact). (1) – (4) were developed by the Impact Management Project. The contribution(s) the Fund makes to enabling its Investees' impact on the SDGs, including: (1) **Signalling that SDG impact matters:** choosing not to invest in or to favor certain investments – such that, if all investors did the same, it would ultimately lead to

Investor contribution(s) to Impact (continuation)	a 'pricing in' of effects on the SDGs by the capital markets. Often referred to as values alignment, this strategy expresses the investors' values and is an important baseline. But alone, it is not likely to advance progress on societal issues when compared with other forms of contribution. (2) **Engaging actively**: significant proactive efforts using expertise and networks to improve the impact performances of Investees. Engagement may include a wide spectrum of approaches – from dialogue with companies to the Fund taking board seats and using its own teams or consultants to provide hands-on management support. (3) **Growing new or undersupplied capital markets:** anchoring or participating in new or previously overlooked opportunities that offer an attractive SDG impact and financial opportunity in line with the Fund's impact thesis and portfolio level impact goals. This may involve taking on additional complexity, illiquidity or perceived higher risk. (4) **Being flexible on risk adjusted financial return:** recognising that certain types of Investees do require acceptance of disproportionate risk-adjusted returns to generate certain kinds of SDG impact. (5) **Demonstrating market leadership and contributing to field building:** to further enable the SDGs beyond the impact of the Fund's direct portfolio. This may include sharing SDG impact data and lessons publicly, mentoring and enabling others, exploring partnerships as an enabler for greater SDG impact, developing industry infrastructure such as open-source tools and resources, helping to scale value-adding intermediaries, platforms, and networks, and promoting policy reforms. **Negative investor contributions:** Investors can also employ strategies that undermine the positive impacts of its Investees. Some examples include: • Financial engineering, such as using debt to purchase companies, pay dividends (in both private equity and public companies), or conduct stock buybacks in public companies • Fund manager compensation that might disproportionately reward fund managers relative to workers in the portfolio companies • Domiciling funds in tax havens while relying on government funding for emergency support in times of crisis • Structuring of investment professional incentives and performance reviews – for instance, on near-term financial returns versus longer time horizons • Financial analysis methodologies that focus on short term results, such as IRR's time-value-of-money component that aims to make as much money back as fast as possible, or adjustments to EBITDA that can make investments in and loans to a company look safer than they might be • Elevating the interests of shareholders over those of other Stakeholders.
IRIS+	A public good managed by GIIN. The system helps investors measure, manage and optimize their impact. It provides Core Metrics Sets aligned to the SDGs and organized by the Five Dimensions of Impact, the IRIS catalogue of standard metrics, evidence maps connecting common strategic goals to outcomes, and how-to guidance and resources.

Issuer	The entity issuing the SDG Bonds. Issuers may be companies, governments, municipalities or special purpose entities backed by activities or assets (e.g. securitizations) or projects (e.g. infrastructure).
Limited partners	Investors in the private equity, debt or venture capital fund, for instance pension funds, institutional investors, high net-worth individuals.
Material impacts/ materiality	Material impacts are those (actual and potential, positive and negative, intended and unintended) impacts that are important (i.e. significant) to the Stakeholders experiencing (or likely to experience) them, caused by the entity's (i.e. the Enterprise, Fund, Investee or Issuer) direct activities or in its supply and value chains or otherwise relevant to the entity's organizational and sustainable development context. This approach to materiality contrasts with the narrower lens of financial materiality, but is consistent with long term value creation of organizations and society recognizing that organizations ability to create long term value for themselves and others requires taking a broader, more holistic view of value creation (beyond financial value). It requires an appreciation for the interconnectedness of broader economic, social and environmental issues with financial performance – because value is created through the organization's relationships with others.[2] This reinforces the importance of involving Stakeholders in decisions that impact them, understanding what impacts matter and the implications of trade-offs being made and the capabilities to integrate these considerations into decision making. For guidance see Social Value International Principles (1-4).
Metric set	Quantitative or qualitative indicators that allow entities (i.e. Enterprises, Funds or Issuers) to measure and assess SDG performance across the Five Dimensions of Impact. Wherever possible, it should reference and align to specific SDG targets, but may require additional metrics to properly capture performance.
Natural capital	The stock of renewable and non-renewable natural resources that combine to yield a flow of benefits to people. *Source: Capitals Coalition.*
OECD (Organisation for Economic Co-operation and Development)	An international organization that works to build better policies for better lives. Together with governments, policy makers and citizens, the OECD works on establishing international norms and finding evidence-based solutions to social, economic and environmental challenges. It provides a forum and knowledge hub for data and analysis, exchange of experiences, best practice sharing, and advice on public policies and global standard setting. Over the past decades, the OECD has been engaged in a growing number of international efforts focused on impact measurement.
Outcome	The result of an action or event that is an aspect of social, environmental or economic wellbeing.
Output	The direct result of an entity's (i.e. the Enterprise, Fund, Investee or Issuer) activities (e.g. wages paid, hours of training provided, or products and services sold).

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

Perverse incentives	Incentives that have an unintended and undesirable effect on behavior, such that it makes the original problem worse, or redirects actions from where they are needed most (e.g. cherry picking).
PRI (Principles for Responsible Investment)	An international network of investors working to understand investment implications of environmental, social and governance factors (ESG) and incorporate these factors into investment and ownership decisions. Six Principles for Responsible Investment are voluntary and aspirational: incorporate ESG issues into investments, be active owners, seek appropriate disclosure, promote the Principles, enhance implementation effectiveness, and report activities and progress.
Protection measures	Predetermined agreed actions in response to potential adverse events.
Proxy	An indirect measure of an outcome that is correlated to that outcome. It may be used when direct measures of the outcome are unavailable or unfeasible to collect.
Qualifying activities	With respect to SDG Bonds – assets, projects, targets or other activities that meet the Eligibility Criteria.
SASB (Sustainability Accounting Standards Board)	A non-profit organization that creates industry sustainability standards for disclosing and recognising financially material environmental, social, and governance impacts of publicly traded US companies.
SDG and/or other sustainable development outcome threshold	The level of outcome that is 'good enough' according to societal goals or ecological limits. The outcome threshold defines the acceptable range for the outcome. Performance outside of the acceptable range is negative or unsustainable. Performance within the acceptable range is positive or sustainable. Outcome thresholds can be set locally, nationally or internationally. They should also represent the affected Stakeholder's perspective, so Stakeholder feedback can be an important way to corroborate outcome thresholds, especially when they are not well-established. SDG and/or other sustainable development outcome thresholds are outcome thresholds that specifically relate to the SDGs or other sustainable development outcomes. (Note: care should be taken to recognize—and awdjust 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 norms are less ambitious than international ones.)
SDG Bond Program	The complete arrangements for issuing one or more SDG Bond as set out in the SDG Bond Program documentation.
SDG Bonds	Broad category that includes use-of-proceeds, SDG-linked (i.e. performance based) and general purpose bonds either issued by companies, governments and municipalities, or for activities and projects (e.g. issued through a special purpose entity). *Source: UNGC and UNEPFI, SDG Bonds, Leveraging Capital Markets for the SDGs.*

SDGD (Sustainable Development Goals Disclosure) Recommendations	Support (i) identification of material sustainable development risks and opportunities relevant to long term value creation for organizations and society; (ii) changing what an organization does and how it does it to contribute to the achievement of the SDGs; and (iii) the communication of implications for and impact on achievement of the SDGs. The SDGD Recommendations and the Fundamental Concepts and Principles that underpin them are aligned to, and draw on, the: recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD, 2017); the GRI Standards; and the International <IR> Framework (IIRC, 2013). **Fundamental concepts:** **Long term value creation for the organization and society:** Organizations create (or destroy) value for their providers of finance through the value they create (or destroy) for the organization and society. Through the process of creating (or destroying) value, organizations have an impact (positive or negative) on the achievement of the SDGs. The achievement of the SDGs is critical to creating long term value for providers of finance. The process of creating value involves identifying and responding to external environment factors including sustainable development risks and opportunities. Value creation (or destruction) involves the transformation of multiple capitals: social and relationship capital, natural capital, human capital, intellectual capital, financial capital and manufactured capital. The value creation process also involves trade-offs in impact on the achievement of the SDGs. The Fundamental Concept of Long term value creation for the organization and society is informed by the Fundamental Concepts underpinning the International <IR> Framework (IIRC, 2013); value creation for the organization and for others; the capitals; and, the value creation process. **Sustainable development context and relevance:** The Fundamental Concept of Sustainable development context and relevance is informed by the definition of sustainability context in GRI 101, but goes beyond presentation of the organization's performance in the sustainability context to also recognize that the sustainable development context has implications for strategy and the business model. Information on targets should be placed in context of the targets underpinning the SDGs. An organization's consideration of sustainable development issues should include, but go beyond, their relationship to both positive and negative performance to consider their implications for what business is done – and how business is done and reflect the organization's approach to contributing to achievement of the SDGs through its strategy and business model. **Materiality**: Material sustainable development information is any information that is reasonably capable of making a difference to the conclusions drawn by: • Stakeholders concerning the positive and negative impacts of the organization on global achievement of the SDGs, and; • Providers of finance concerning the ability of the organization to create long term value for the organization and society. The sustainable development issues that are relevant and material to an organization's ability to create long term value and prevent value destruction present risks and/or opportunities for its Stakeholders, including society (people and planet) more broadly. The sustainable development issues that led to the development of the SDGs are interdependent in ways that are impossible to predict and over which an organization has limited control. Organizations impact the achievement of sustainable development both outside and within their organizational boundaries.

SDGD (Sustainable Development Goals Disclosure) Recommendations (continuation)	The Organization's approach to materiality for SDG Disclosures should commence with the approach set out in GRI 101 but be supplemented by management and Board consideration of those issues that are material to long-term value creation (or value destruction) for the organization and society. The Fundamental Concept of Materiality is informed by the Principles of materiality in the International <IR> Framework and GRI 101. **Reporting Principles:** • Strategic focus and future orientation • Stakeholder inclusiveness • Conciseness • Connectivity of information • Consistency and comparability • Completeness, balance and understandability • Reliability and verifiability • Timeliness *Source: Carol Adams, Professor of Accounting, with Paul Druckman and Russell Picot, published by the Association of Chartered Certified Accountants (ACCA), Institute of Chartered Accountants of Scotland (ICAS), Chartered Accountants Australia and New Zealand (CA ANZ), the International Integrated Reporting Council (IIRC) and the World Benchmarking Alliance, 2020.*
SDG enabling enterprises, activities and/or investments	In these Standards, SDG enabling enterprises, activities and investments deploy capital in ways that intend to support sustainable development including by: A. preventing and/or reducing material intended and unintended negative impacts (which includes ESG risks) created in their direct operations or in their supply and value chains, and/or B. preventing and/or reducing material intended and unintended negative impacts created in their direct operations or in their supply and value chains AND benefiting Stakeholders in ways that are aligned with the SDGs, and/or C. preventing and/or reducing material intended and unintended negative impacts created in their direct operations or in their supply and value chains AND contributing to solutions towards achieving the SDGs (i.e. solutions that are directly linked to identified SDG priorities in their specific context).
SDG Impact	UNDP initiative to create a suite of complementary resources to facilitate increased private sector investment towards advancing the SDGs. The SDG Impact Standards are part of this suite of resources.
SDG indicators	232 indicators used to measure the 169 targets related to the 17 SDGs. Indicators are generally set at the country level, so may not be appropriate or relevant to apply at the entity level. *See https://unstats.un.org/sdgs/*

SDG linked bonds	Bonds whose coupons (i.e. the margin paid by the Issuer on the bond) are linked to achieving (or contributing to) certain SDG related outcomes or targets, such that failing to meet those outcomes or targets results in a step-up in the margin required to be paid on the bond (or vice-versa).
SDG Targets	169 targets that have been set in relation to the 17 SDGs.
SDGs (Sustainable Development Goals)	17 global goals set by the UN General Assembly in 2015 to be achieved by 2030. Each SDG comprises a list of targets and indicators. *See https://unstats.un.org/sdgs/metadata/*
Social capital	The networks and shared norms, values and understanding that facilitate cooperation within and among groups. *Source: Capitals Coalition.*
Social Value International (SVI)	An international membership network focused on adopting decision making, ways of working and resource allocations that embed principles for social value measurement and analysis. The aim is to promote equality and wellbeing and reduce environmental degradation.
Social Value International's seven principles of social value	SVI's seven principles of social value are a set of social accounting principles: **Involve stakeholders:** To inform what gets measured and how, and to what degree a good or service is valued **Understand what changes:** Articulate how change is created and evaluate this through evidence, recognising positive and negative changes and those that are intended and unintended **Value the things that matter:** Allocate resources between options based on the values of Stakeholders **Only include what is material:** Determine what information and evidence must be included to give a true and fair picture, so that Stakeholders can draw reasonable conclusions about impact **Do not over-claim:** Only claim the value that directly derives from activities **Be transparent:** Demonstrate the basis on which analysis may be considered accurate and honest, and show that it will be reported to and discussed with Stakeholders **Verify the result:** Ensure appropriate independent assurance. *Source: Social Value International.*
Stakeholder involvement	Means involving Stakeholders in planning and decision making and refers to ongoing engagement with Stakeholders that is two-way, conducted in good faith, responsive and results in Stakeholders having meaningful agency in decisions that impact them (i.e. there is evidence that Stakeholder needs and preferences influence and change decisions and outcomes). The degree of potential social,

Stakeholder involvement (continuation)	economic and/or environmental impact on Stakeholders, the level of risk for unintended consequences or that outcomes may not occur as expected, and how disadvantaged Stakeholders are will determine the appropriate level and form of Stakeholder involvement. *Source: Adapted from OECD Due Diligence Guidance for Meaningful Stakeholder Engagement in the Extractive Sector.*
Stakeholders	Those (people and planet) who are affected, intentionally or unintentionally, directly or indirectly, by an enterprise's activities and decisions (noting that inaction is also a decision), 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 labor 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. *Source: Impact Management Project.*
Standards (SDG Impact Standards for Enterprises, Private Equity Funds, SDG Bonds)	Developed for Enterprises, Funds, Bond Issuers and other actors as a public good to inform and encourage increased private sector investment towards advancing the SDGs. Part of the United Nations Development Programme (UNDP) SDG Impact Initiative.
Sustainability	Meeting the social, environmental and economic needs of the present without compromising the ability of future generations to meet their needs (e.g. climate change, inequality and human rights, biodiversity loss, deforestation, waste and pollution).
Systems thinking	A method of critical thinking to facilitate better decision making and reduce unintended consequences. First, define the bounds of a system and then analyze relationships between the parts to better understand connections and interdependencies.
UNDP (United Nations Development Programme)	The UN's global development network, advocating for change and connecting countries to knowledge, experience and resources to help people build a better life. Active in 176 countries and territories, working with governments and people on solutions to global and national development challenges.

UNEP FI (United Nations Environment Programme – Finance Initiative)	UNEP FI is a unique partnership between the UN and the global financial sector created following the 1992 Earth Summit to promote and enable the integration of sustainability considerations at all levels of operation and decision-making in financial institutions. Working with a network of over 350 financial institutions globally, UNEP FI spawned the Principles for Responsible Investment in 2006 and currently operates both the Principles for Responsible Banking and the Principles for Sustainable Insurance, as well as the Positive Impact Initiative, a think and do tank at the origin of holistic impact analysis, a unique solution for the impact management and SDG achievement in mainstream finance.
UNGC (United Nations Global Compact)	A voluntary initiative based on CEO commitments to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation.
Unintended consequences	Unintended (and usually unforeseen) outcomes of a purposeful action. Unintended consequences include unexpected positive outcomes, unexpected negative outcomes and perverse outcomes (where the purposeful action makes the original problem worse).
United Nations Global Compact Ten Principles	The Ten Principles account for the fundamental responsibilities of business in the areas of human rights, labor, environment and anti-corruption. They are derived from the Universal Declaration of Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption. The Ten Principles are based on the premise that corporate sustainability starts with a company's value system and a principles-based approach to doing business. 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. By incorporating the Ten Principles of the UN Global Compact into strategies, policies and procedures, and establishing a culture of integrity, companies are not only upholding their basic responsibilities to people and planet, but also setting the stage for long term success. *Source: https://www.unglobalcompact.org/what-is-gc/mission/principles*
United Nations Guiding Principles on Business and Human Rights	31 principles (the first 10 of which relate to State duties) implementing the United Nations 'Protect, Respect and Remedy' framework on the issue of human rights and transnational corporations and other business enterprises. The Guiding Principles were developed by the Special Representative of the Secretary-General and were unanimously endorsed by the United Nations Human Rights Council in 2011. *Source: https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr_en.pdf*
Universal Declaration of Human Rights (UDHR)	A milestone document in the history of human rights. Drafted by representatives with different legal and cultural backgrounds from all regions of the world, the Declaration was proclaimed by the United Nations General Assembly in Paris on 10 December 1948 (General Assembly resolution 217 A) as a common standard

Universal Declaration of Human Rights (UDHR) (continuation)	of achievements for all peoples and all nations. It sets out, for the first time, fundamental human rights to be universally protected and it has been translated into over 500 languages. *Source: https://www.un.org/en/universal-declaration-human-rights/*
Use-of-proceeds Bond	Bond with strict accountability of the use-of-proceeds towards eligible green, social or climate activities and with a link to the SDGs. Typically issued in accordance with ICMA's green, social or sustainability bond principles or the Climate Bond Standard (CBI). Can be issued by companies, governments and municipalities, and activities and projects. Can be unsecured, backed by the creditworthiness of the corporate or government issuer. Can also be secured with collateral on a specific asset. *Source: UNGC and UNEPFI, SDG Bonds, Leveraging Capital Markets for the SDGs.*
Valuation	The process of estimating the relative importance, worth, or usefulness of something to people and the planet (or an enterprise), in a particular context. *Source: Capitals Coalition.*
Value creation	Entities create (or destroy) value through the value they create (or destroy) for their entity (and its shareholders/owners/providers of finance) and Stakeholders (people and planet). Through the process of creating (or destroying) value, entities have an impact (positive or negative) on sustainable development and the achievement of the SDGs. The achievement of the SDGs is critical to creating long term value for entities (and their shareholders/owners/providers of finance) and Stakeholders (people and planet). *Source: adapted from SDGD Recommendations.*
WBA (World Benchmarking Alliance)	WBA seeks to generate a movement around increasing the private sector's impact towards a sustainable future for all by working to incentivise and accelerate companies' efforts towards achieving the SDGs.

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