

SDG IMPACT STANDARDS

Enterprises

Impact management for Enterprises committed to contributing positively to sustainable development and the SDGs



First public consultation draft

October 2020

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.

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The SDG Impact Steering Group, chaired by the UNDP Administrator, Achim Steiner, comprises global champions and thought leaders from finance and industry from around the world. UNDP thanks these sustainability leaders for their critical role in authenticating SDG-enabling investment, 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

¹ Adams, CA, with Druckman, PB, Picot, RC (2020), [Sustainable Development Goal Disclosure \(SDGD\) Recommendations](#), published by ACCA, Chartered Accountants ANZ, ICAS, IFAC, IIRC and WBA. ISBN: 978-1-909883-62-8.

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About The Consultation

This first public consultation period will be open for two months. A second shorter public consultation period will follow once the Standards are updated.

These SDG Impact Standards for Enterprises are impact management standards designed to promote sustainable development and advance Enterprises' contributions towards the SDGs. We hope Enterprises of all types, sizes and focus will begin to integrate the processes embedded in the Standards into their practice. We welcome your participation.

The consultation process meets the UNDP Principles for social and environmental standards.² We seek feedback from a broad range of Stakeholders.

How you can contribute

We encourage robust feedback and input through the public consultation process. Enterprises may also elect to test these draft Standards against their existing practices.

Copies of this consultation draft and the consultation questions are available at <https://sdgimpact.undp.org/enterprise.html>

Provide your feedback to sdgimpact.standards@undp.org by December 15th, 2020.

² <https://www.undp.org/content/dam/undp/library/corporate/Social-and-Environmental-Policies-and-Procedures/UNDPs-Social-and-Environmental-Standards-ENGLISH.pdf>

Foreword

The 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs) are the world's *blueprint* to achieve a better and more sustainable future for all. They address the global challenges we face including poverty, inequality, climate change, environmental degradation, and peace and justice. The SDGs *integrate* economic, social and environmental targets. They are deeply interconnected; a lack of progress on one goal hinders progress on others.

On the ground in 170 countries, the United Nations Development Programme (UNDP) assists the UN Resident Coordinator and UN Country Teams to facilitate more integrated analyses, planning and implementation – to accelerate progress towards achieving the SDGs. A key part of this role is to actively engage with governments, enterprises and investors and help them to fully integrate the SDGs into their business and investment decision making and drive more capital to where it is needed most.

Across the globe, the private sector is increasingly seeking new opportunities to make a positive impact, mitigate longer-term and systemic risks – and to make *meaningful* contributions to achieving the SDGs. However, *concrete guidance* on how to translate that intent to action continues to be a missing link. These **UNDP SDG Impact Standards for Enterprises** are a practical contribution to provide a *common language* and a *clear system* to fully integrate the SDGs into all business and investment decision making processes.

The Standards emanate from the important work being undertaken by **SDG Impact** – a ground-breaking UNDP initiative to empower investors and businesses with the clarity, insights, and tools required to support and authenticate their contributions to achieving the SDGs. We are pleased to be supported in our SDG Impact endeavours by a Steering Group of global sustainability leaders.

The COVID-19 pandemic has illustrated what can be achieved when different actors work together. The private sector was a critical first responder as a provider of technology, innovation, skills, services, and employment. As some countries start to recover from the devastating socio-economic impacts of the pandemic, all sectors have a role to play in helping the world not only to recover but to *build forward better*. I believe these UNDP SDG Impact Standards will serve as a practical tool to drive investment towards critical areas from taking decisive action to tackling widening inequalities.

Crucially, the Standards are helping us to *reimagine* the role of enterprises and investments in our society. No longer can the world be driven by a zero-sum game of economy versus environment, or health versus economy, for instance. They create the guide rails to a future where impact is at the core of every consumption, employment, business, and investment decision that we make. I am delighted that, once again, the United Nations and UNDP are at the forefront of propelling this shift in thinking and doing.

[signature]

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Introduction

UNDP SDG Impact is delighted to present this first public consultation draft of the *SDG Impact Standards for Enterprises*. The Standards enter a rapidly changing context. COVID 19 and systemic risks associated with climate change affect all sectors. These factors underscore the urgency for action and inform renewed aspiration in the business, finance and investment community to commit to sustainable development and the SDGs. The SDG timeline and how much we still need to achieve by 2030 reinforces why we need these Standards now.

The Standards are for enterprises who want to contribute positively to sustainable development and achieving the SDGs. They provide a roadmap and practical guidance to translate that intent to action. All enterprises can use these Standards – irrespective of size, geography or sector. That is, they can be used by publicly listed enterprises, public interest and private entities (both for-profit or not-for-profit), non-governmental organizations (NGOs), small and medium enterprises (SMEs) and state-owned and other public sector entities.

The Standards are provided as a public good. They are voluntary and freely available for all to use as best practice standards and a self-assessment tool. They are part of what will be a harmonized suite of Standards for different actors across the capital and investment spectrum.

They are new and pioneering. This first public consultation draft of the SDG Impact Standards for Enterprises has already benefited from the lessons learned from several stages of consultation on the SDG Impact Standards for Private Equity Funds and SDG Bonds. We look forward to further feedback from all Stakeholders.

How the Standards fit with existing principles, frameworks and tools

The Standards are grounded in high level principles of practice and provide the necessary context for integrating other tools and frameworks into decision making (see Figure 1).

Figure 1: SDG Impact Standards – transforming decision making to deliver the SDGs



Footnotes:

1 Including United Nations Global Compact (UNGC) convened Chief Financial Officer (CFO) Taskforce for the SDGs CFO Principles on Integrated SDG Investments and Finance, the United Nations Environment Programme Finance Initiative's (UNEP FI) Principles for Positive Impact Finance and Responsible Banking Principles, Social Value International's (SVI) Social Value Principles, the Global Impact Investing Network's (GIIN) Core Characteristics of Impact Investing, International Finance Corporation's (IFC) Operating Principles for Impact Management, and Principles for Responsible Investment (PRI).

2 Integrating UN Guiding Principles for Business and Human Rights, Ten Principles of UN Global Compact and Impact Management Project (IMP) shared norms, and the SDGs.

3 For instance, metrics, taxonomies, valuation models, benchmarking tools e.g. IRIS+, GRI, UNCTAD metrics, OECD Guidelines for Multinational Enterprises, Capitals Coalition Natural and Social and Human Capitals Protocols, SVI Standards, Blab SDG Action Manager and UNEPFI Impact Analysis Tool, UNGC SDG Ambition Guide, Integration Guide and Tear Sheets.

4 For instance, Sustainable Development Goals Disclosure (SDGD) Recommendations, Integrated <IR> reporting, Taskforce on Climate-related Financial Disclosures (TCFD), Global Reporting Initiative (GRI) reporting standards, Sustainability Accounting Standards Board (SASB) reporting standards.

How the Standards work

The Standards promote an approach which is increasingly purposeful by linking sustainable development and achieving the SDGs to core business purpose and practice.

The Standards are founded on contributing positively to sustainable development and achieving the SDGs. This cannot be done without demonstrating respect for human rights and other responsible business practices, and is realized through effective impact management and decision making (see Figure 2).

The Standards provide a blueprint for a decision making and impact management system, which recognizes practice is evolving, some aspects of impact management remain challenging and decisions must be made amid uncertainty. They will enable Enterprises to better account for their dependency on the world and facilitate contributing positively to sustainable development and achieving the SDGs.

The Standards recognize an Enterprise's ability to create long term value for itself and others requires taking a broader, more holistic view of value creation (beyond financial value). It requires appreciating the interconnectedness of broader economic, social and environmental issues with financial performance – because value is created through the Enterprise's relationships with others. It recognizes that contributing positively to sustainable development and achieving the SDGs is critical to creating long term value for the Enterprise and Stakeholders (people and planet).³ This approach reinforces the importance of: involving Stakeholders in decisions that impact them; understanding what impacts matter and the implications of trade-offs; and being able to integrate these considerations into decision making (through integrated thinking, and cross-functional teams and decision making structures).⁴

Broader adoption of the Standards will encourage decisions that increasingly direct capital to activities and projects that will deliver the SDGs by 2030.

The Standards are designed to:

- Encourage Enterprises to start and/or accelerate activities that measure and manage progress towards addressing pressing economic, social and environmental challenges. By doing so, we can close gaps in current market practice to achieving SDGs by 2030, and leave no-one behind
- Reinforce respect for human rights and other responsible business practices as set out in the UN Guiding Principles for Business and Human Rights, and the Ten Principles of the UN Global Compact
- Generate trusted, credible and actionable impact information that informs decision making, in turn supporting sustainable development and optimizing contributions to achieve the SDGs
- Promote impact integrity and avoid impact washing, which includes: not over- or under-claiming; substantiating impact claims with reliable and relevant data, evidence and measurement; and accounting for all material impacts on people and the planet, gaps and limitations in understanding trade-offs and risks that impacts may not occur as expected
- Embed review and feedback loops to support continuous improvement and learning.

3 Adams, CA, with Druckman, PB, Picot, RC (2020), [Sustainable Development Goal Disclosure \(SDGD\) Recommendations](#), published by ACCA, Chartered Accountants ANZ, ICAS, IFAC, IIRC and WBA. ISBN: 978-1-909883-62-8.

4 Adams, CA (2017), [The Sustainable Development Goals, integrated thinking and the integrated report](#), published by the IIRC and ICAS.

Connecting practice to reporting⁵

The Standards also connect practice to reporting by aligning with the Sustainable Development Goals Disclosure (SDGD) Recommendations.⁶ The SDGD Recommendations require disclosures on Strategy, Management Approach and Governance as well as Performance and Targets. The Practice Indicators in the SDG Impact Standards for Enterprises include the actions on which disclosure in the SDGD Recommendations is required.

The SDGD Recommendations and the Fundamental Concepts and Principles that underpin them are aligned to, and draw together the concepts underpinning the: recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD, 2017); the GRI Standards; and, the International <Integrated Reporting> Framework (IIRC, 2013). They are SDG specific, enabling Enterprises to consider and report on: both risks and opportunities resulting from sustainable development issues; the implications for value creation (and value destruction); and the implications for and impact on achievement of the SDGs.

The Standards set out the rigor of internal practices and decision making needed by Enterprises to support high quality and consistent reporting using the SDGD Recommendations and other reporting frameworks.

The building blocks for the Standards

The impact management system set out in the Standards has four building blocks:

- Putting contributing positively to sustainable development and achieving the SDGs at the heart of long term value creation of Enterprises and Stakeholders (people and planet)
- Aligning with the Impact Management Project's (IMP) Five Dimensions of Impact and ABC Impact Classifications, which provide a shared language of impact and promote standardization
- Making Stakeholder involvement central to impact management practice
- Establishing materiality in terms of sustainable development outcomes informed by the SDGs that are important to the Enterprise and to Stakeholders (people and planet).⁷ This approach contrasts with the narrower lens of financial materiality, but is consistent with the concept of long term value creation of organizations and society.⁸ Material impacts include significant actual and potential, positive and negative, intended and unintended impacts on the economy, environment and people, including impacts on human rights. They relate to the Enterprise's own activities and those of its supply and value chains.

5 Adams, CA, with Druckman, PB, Picot, RC (2020), [Sustainable Development Goal Disclosure \(SDGD\) Recommendations](#), published by ACCA, Chartered Accountants ANZ, ICAS, IFAC, IIRC and WBA. ISBN: 978-1-909883-62-8

6 Adams, CA, with Druckman, PB, Picot, RC (2020), [Sustainable Development Goal Disclosure \(SDGD\) Recommendations](#), published by ACCA, Chartered Accountants ANZ, ICAS, IFAC, IIRC and WBA. ISBN: 978-1-909883-62-8.

7 For instance, wealth inequality isn't an indicator under SDG 10, but may be considered a material sustainable development issue by Stakeholders.

8 Adams, CA, with Druckman, PB, Picot, RC (2020), [Sustainable Development Goal Disclosure \(SDGD\) Recommendations](#), published by ACCA, Chartered Accountants ANZ, ICAS, IFAC, IIRC and WBA. ISBN: 978-1-909883-62-8.

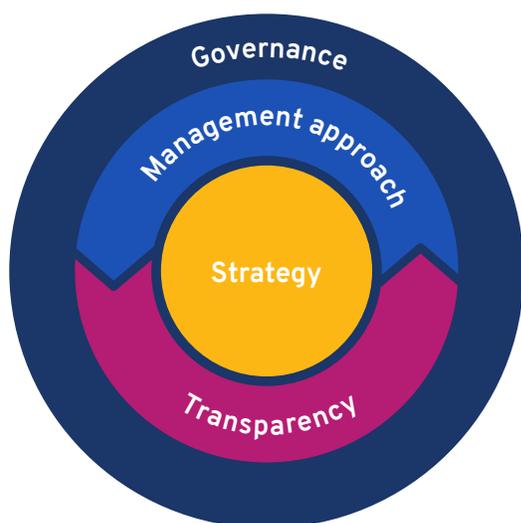
How the Standards are organized

The impact management system set out in the Standards is framed across four interconnected and interdependent themes familiar to all businesses and investors – strategy, management approach, transparency, and governance. (Figure 2).

Figure 2: The SDG Impact Standards for Enterprises

The foundational elements of the Standards are:

- **contributing positively to sustainable development and achieving the SDGs**
- which cannot be achieved without demonstrating **respect for human rights and other responsible business practices**
- and is realized through effective **impact management and decision making**



Standard 1 (Strategy): Embedding foundational elements into purpose and strategy

Standard 2 (Management Approach): Integrating foundational elements into operations and management approach

Standard 3 (Transparency): Disclosing how foundational elements are integrated into purpose, strategy, management approach and governance, and reporting on performance

Standard 4 (Governance): Reinforcing commitment to foundational elements through governance practices

What the Standards comprise

The Standards comprise:

- I. Four Standards, one for each of the four themes – strategy, management approach, transparency and governance (the strategy and management approach Standards each comprise three components)
- II. Practice Indicators that demonstrate what achieving each Standard (or the components of each Standard) looks like.

A Glossary supporting the suite of SDG Impact Standards is provided separately. Terms have the meaning ascribed in the glossary when used in this document. Guidance material, including guidance notes and resources to inform implementation of the Standards, is provided separately. This will be maintained as a dynamic resource for users. Documents supporting the SDG Impact Standards for Enterprises can be found [here](#).

Who can use the Standards

The Standards are for Enterprises committed to contributing positively to sustainable development and achieving the SDGs. They are also a useful guide for other actors in the value chain to frame inquiry, assessment and decision making about an Enterprise's capacity and strategies to contribute positively to sustainable development and achieving the SDGs.

Enterprises

All Enterprises – irrespective of size, geography, or sector – can use the Standards. That is, they can be used by publicly listed enterprises, public interest and private entities (both for-profit or not-for-profit), non-governmental organizations (NGOs), small and medium enterprises (SMEs) and state-owned and other public sector entities

They are equally relevant for Enterprises starting the process to actively transition to a more sustainable future by reducing negative impacts in their direct operations or supply and value chains, or seeking to also deliver products and services that benefit Stakeholders or contribute to solutions in relation to the SDGs or other sustainable development outcomes.

Enterprises can use the Standards to:

- Put sustainable development and contributing to the SDGs at the heart of business purpose, strategy and decision making at all levels within the Enterprise, to underpin long term value creation for the Enterprise and Stakeholders (people and the planet)
- Better address sustainable development risks and opportunities – accounting for their dependency on the world and facilitating contributing positively to sustainable development and achieving the SDGs
- Map and design their internal impact management systems to support both internal decision making and external reporting requirements
- Undertake self-assessment and gap analysis, or engage consultants to guide them through that process.

Investors

Investors can use the Standards to frame their investment guidelines, identify questions for Enterprises and Fund Managers about the SDG-enabling attributes of Enterprises, or otherwise manage their internal work. Alternatively, they can use the Standards to push for greater standardization of practice and external assessment of Enterprises and Funds making SDG and other sustainability related claims.

Analysts and advisers

Analysts, advisors and research houses can use the Standards to: map and determine the robustness of the responsible business and impact management practices of Enterprises; benchmark and compare those practices across Enterprises; and/or provide guidance on sustainable development and impact management practices.

Government and policymakers

Government and policymakers can use the Standards to align policy and regulations with the Standards. They can also support their adoption in line with policy priorities to promote sustainable development and achieving the SDGs by 2030.

Ways to use the Standards

Voluntary independent use

These Standards are provided to Enterprises as a best practice guide and self-assessment tool. Enterprises can use them to align their internal processes, practices and decision making.

Enterprises are encouraged to use the Standards in their entirety as a gap analysis and self-assessment tool, and to fill gaps and improve practice over time.

Voluntary Assurance Framework and SDG Impact Seal

An external assurance framework and SDG Impact Seal are being developed in tandem with making the Standards available as a voluntary, self-assessment guide.

Complementary resources

UNDP is supporting these SDG Impact Standards with:

- A glossary
- A compendium of guidance notes and links to useful resources
- A document that maps the Sustainable Development Goals Disclosure (SDGD) Recommendations to the UNDP SDG Impact Standards for Enterprises
- Online training on impact measurement and management being developed through CASE at Duke University, and
- Assurer training (being developed through Social Value International) and accreditation to build additional capacity, capability and consistency within the assurance community.

SDG Impact Standards for Enterprises

I. The Standards at a glance

Figure 3: SDG Impact Standards for Enterprises

The foundational elements of the Standards are:

- contributing positively to sustainable development and achieving the SDGs
- which cannot be achieved without demonstrating **respect for human rights and other responsible business practices**
- and is realized through effective **impact management and decision making**



Standard 1 (Strategy): Embedding foundational elements into purpose and strategy

Standard 2 (Management Approach): Integrating foundational elements into operations and management approach

Standard 3 (Transparency): Disclosing how foundational elements are integrated into purpose, strategy, management approach and governance, and reporting on performance

Standard 4 (Governance): Reinforcing commitment to foundational elements through governance practices

1. STRATEGY – The Enterprise embeds contributing positively to sustainable development and achieving the SDGs into its purpose and strategy:

1.1	The Enterprise develops its purpose and strategy, including its approach to long term value creation for the Enterprise and Stakeholders and contributing positively to sustainable development and achieving the SDGs.
1.2	The Enterprise sets realistic but ambitious impact goals aligned with its purpose and strategy.
1.3	The Enterprise periodically reviews – and refines – its strategy and impact goals to ensure they remain fit for purpose as the organizational and sustainable development context changes.

2. MANAGEMENT APPROACH – The Enterprise integrates impact management and contributing positively to sustainable development and achieving the SDGs into its operations and management approach:

2.1	The Enterprise has effective mechanisms and processes to deliver its strategy and impact goals.
2.2	The Enterprise assesses and compares the material positive and/or negative impacts associated with its various product, service and operational options and makes (relative and absolute) choices between options, and so optimizes its impact performance in line with its impact goals.
2.3	The Enterprise systematically monitors and manages its ongoing impact performance, and acts to optimize impact (including managing unexpected outcomes).

3. TRANSPARENCY – The Enterprise discloses how it integrates contributing positively to sustainable development and achieving the SDGs into its purpose, strategy, management approach, governance and decision making, and reports (at least annually) on its performance.

4. GOVERNANCE – The Enterprise’s commitment to contributing positively to sustainable development and achieving the SDGs is reinforced through its governance practices.

II. Standards and practice indicators

Standard 1 – STRATEGY The Enterprise embeds contributing positively to sustainable development and achieving the SDGs into its purpose and strategy.
1.1 The Enterprise develops its purpose and strategy, including its approach to long term value creation for the Enterprise and Stakeholders and contributing positively to sustainable development and achieving the SDGs.
Practice Indicators
The Enterprise: 1.1.1 engages with the relevant local and national sustainable development context(s): <ul style="list-style-type: none">1.1.1.1 involving Stakeholders on an ongoing basis to understand impacts that matter to them, and sustainable development issues in context1.1.1.2 drawing on available evidence and relevant impact data and information from reputable agencies including government and scientific and civil society organizations1.1.1.3 substantiating the local or national thresholds relating to specific SDG targets and/or other sustainable development outcomes – giving precedence to international norms when locally set thresholds are lower than international norms 1.1.2 identifies the material (positive and negative) sustainable development issues (impacts and dependencies; risks and opportunities) most relevant to long term value creation for the Enterprise (i.e. reflect the sustainable development context of the Enterprise and the industry/sector it operates in) and for Stakeholders (i.e. the material changes to wellbeing of people and the planet) 1.1.3 identifies the SDGs and/or other sustainable development outcomes on which the Enterprise has the greatest positive and/or negative impact – recognizing the interdependency of the SDGs 1.1.4 embeds contributing positively to sustainable development and achieving the SDGs into its purpose, strategy and business model, including: <ul style="list-style-type: none">1.1.4.1 linking its approach with how it creates long term value for the Enterprise and for Stakeholders1.1.4.2 specifying the type(s) of impact it intends to achieve (see ABC Impact Classifications)1.1.4.3 including the value to be created for the Enterprise and for Stakeholders1.1.4.4 accounting for the impact of sustainable development risks and opportunities

- 1.1.4.5 choosing between different options accounting for trade-offs and/or impact risks to optimize contributing positively to sustainable development and achieving the SDGs
- 1.1.4.6 embedding respect for human rights and other responsible business practice
- 1.1.4.7 changing its business model to take advantage of opportunities for creating long term value through contributing positively to sustainable development and achieving the SDGs
- 1.1.4.8 determining the resources it intends to allocate as part of its overall strategy
- 1.1.5** integrates sustainable development issues (dependencies and impacts; risks and opportunities) into its risk management system, assessing, prioritizing and managing risks, and assessing, prioritizing and optimizing opportunities for the Enterprise's business model and for Stakeholders
- 1.1.6** uses sensitivity and scenario analysis to test the resilience of its strategy, accounting for the likelihood and magnitude of material sustainable development risks and opportunities.

Standard 1 – STRATEGY

The Enterprise embeds contributing positively to sustainable development and achieving the SDGs into its purpose and strategy.

1.2 The Enterprise sets realistic but ambitious impact goals aligned with its purpose and strategy.

Practice Indicators

The Enterprise's impact goals:

- 1.2.1 align with its purpose, strategy, Stakeholder expectations and the sustainable development context(s) it operates in
- 1.2.2 are realistic, ambitious and commensurate with the Enterprise's size
- 1.2.3 relate to the sustainable development issues and SDGs most relevant and material (whether positive and/or negative) to its business, industry sector and the Stakeholders impacted, or likely to be impacted, by its activities and decisions
- 1.2.4 are expressed in terms of the expected change in outcome level(s) relative to baseline(s), counterfactual(s) and the level of sustainable development need (as indicated by the gap between national or local current performance and relevant SDG and/or other outcome thresholds), after considering other contextual information required to identify which impacts matter and to assess performance against those impacts (see Five Dimensions of Impact)
- 1.2.5 include specific cross-cutting goals on creating gender equality, climate action, and decent work
- 1.2.6 include specific goals to prevent and/or reduce all material negative outcomes in its direct operations and in its supply and value chains (i.e. acting to avoid harm)
- 1.2.7 recognize the need for, and evidence of, working in collaboration with other actors that together have significant control over and cause the material impacts
- 1.2.8 separate roles of drafting and approving impact goals, where those approving the goals recognize they are acting in both the interests of the Enterprise and those expected to be impacted
- 1.2.9 consider the potential for unintended consequences and seek to limit the potential for unintended negative and perverse outcomes in the framing of the impact goals.

Standard 1 – STRATEGY

The Enterprise embeds contributing positively to sustainable development and achieving the SDGs into its purpose and strategy.

1.3 The Enterprise periodically reviews - and refines - its strategy and impact goals to ensure they remain fit for purpose as the organizational and sustainable development context changes.

Practice Indicators

The Enterprise:

- 1.3.1 employs a dynamic approach to ensuring its strategy and impact goals remain fit for purpose
- 1.3.2 incorporates lessons from its impact performance, including analysing deviations from expected outcomes and impact goals
- 1.3.3 responds to current and anticipated changes in the sustainable development context including changes to in country SDG priorities or needs and accounting for (i) sector advances and new and updated research/evidence, and (ii) lessons from its engagement with partners and other Stakeholders.

Standard 2 – MANAGEMENT APPROACH

The Enterprise integrates impact management and contributing positively to sustainable development and achieving the SDGs into its operations and management approach.

2.1 The Enterprise has effective mechanisms and processes to deliver its strategy and impact goals.

Practice Indicators

The Enterprise:

- 2.1.1 embeds in its policies and practices the UN Guiding Principles for Business and Human Rights and Ten Principles of the UN Global Compact, including:
 - 2.1.1.1 establishing or participating in effective grievance and reparation mechanisms for affected Stakeholders (including for the avoidance of doubt, whistleblowing safeguards)
 - 2.1.1.2 ensuring senior leadership’s commitment to respect human rights and other responsible business and impact management practices is visible throughout the organization
 - 2.1.1.3 promoting the same in its supply and value chains
- 2.1.2 complies with relevant local and international laws and regulations, striving to comply with the highest possible level of industry best practice, particularly in cases where there is a lack of local regulation or the standard is comparatively low and identifying (and finding solutions for) where local and international laws and regulations conflict
- 2.1.3 has transparent mechanisms to identify Stakeholders materially affected (or likely to be affected) by its decisions and activities, and promotes Stakeholder involvement in decisions that impact them including:
 - 2.1.3.1 involving Stakeholders, and ensuring they have meaningful agency, in the Enterprise’s decision making and impact management practices on issues that impact them
 - 2.1.3.2 transparently keeping Stakeholders informed of actions, progress and lessons
 - 2.1.3.3 supporting Stakeholder involvement with adequate budget and resources (including capability and local leadership)
- 2.1.4 integrates accountability for sustainable development (including respect for human rights and other responsible business practices) and impact management into organizational culture, business operations, day-to-day roles and cross-functional teams and decision making processes, including by:
 - 2.1.4.1 developing its integrated thinking and decision making capabilities using mechanisms such as appropriate culture, communication systems and training
 - 2.1.4.2 allocating adequate budget and people resources (including capability, training and leadership) to deliver its strategy and impact goals

- 2.1.4.3 aligning its incentive mechanisms with sustainable long term value creation, including by rewarding challenge and diversity of thought and reducing emphasis on short term financial outcomes
- 2.1.4.4 having sufficient diversity, sustainable development, Stakeholder engagement, change management and impact management specialization at the appropriate level of seniority and authority to influence decision making
- 2.1.4.5 holding people at all levels accountable for operating in accordance with organizational culture and responsible business and impact management policies and practices

- 2.1.5** implements mechanisms to proactively monitor its performance and conformance with responsible business and impact management policies and practices, and embedding a culture of continuous improvement

- 2.1.6** introduces robust, reliable and practical processes to collect, manage and use its impact data, including:
 - 2.1.6.1 systematically capturing results from across its impact management activities
 - 2.1.6.2 presenting its impact data and information in a way that means it can be integrated with financial and other data and inform management decision making
 - 2.1.6.3 managing data ownership (i.e. Stakeholders) and privacy issues and ethical and commercial issues regarding data gathering, use and disclosure (i.e. acting on behalf of Stakeholders)
 - 2.1.6.4 taking a risk-based approach to determine external verification and assurance requirements for its impact data, and impact assessments and evaluations, and following up findings in external assurance reports with suitable rectification measures in a timely manner

- 2.1.7** employs a dynamic approach to ensuring its impact management practices remain fit for purpose by:
 - 2.1.7.1 analysing deviations from expected outcome/impact performance
 - 2.1.7.2 establishing a link from insights drawn and lessons learned to decision making and continuous improvement (for instance, types of strategic and/or management decisions made/supported as a result of applying lessons)
 - 2.1.7.3 incorporating sector advances, new and updated research/evidence and lessons from its engagement with partners and other Stakeholders
 - 2.1.7.4 periodically reviewing and refining its impact management practices in light of changes in the sustainable development and/or organizational context, its strategy and impact goals and/or its impact performance.

Standard 2 – MANAGEMENT APPROACH

The Enterprises integrates impact management and contributing positively to sustainable development and achieving the SDGs into its operations and management approach.

2.2 The Enterprise assesses and compares the material positive and/or negative impacts associated with its various product, service and operational options and makes (relative and absolute) choices, and so optimizes its impact performance in line with its impact goals.

Practice Indicators

The Enterprise:

- 2.2.1 systematically and consistently assesses (and reassesses as required) all material (positive, negative, intended, and unintended) impacts and dependencies in its direct operations and in its supply and value chains, and (recognizing that measuring impacts in supply and value chains can be challenging) accounts for uncertainty when it is unable to quantify these impacts (including developing strategies to reduce risk over time)
- 2.2.2 incorporates the Five Dimensions of Impact and associated data categories in its assessments:
 - 2.2.2.1 **What, Who, How much** – assessing future expected outcomes including (i) establishing baselines, counterfactuals and relevant SDG and/or other sustainable development outcome thresholds, and (ii) assessing the potential impacts on different segments among Stakeholder groups separately (with a particular focus on the core SDG objective of ‘leaving no-one behind’)
 - 2.2.2.2 **Contribution** – estimating the expected impact of the activity by assessing its contribution to those outcomes
 - 2.2.2.3 **Risk** – assessing material impact risks (see Impact risk), using sensitivity and scenario analysis and planning to assess the likelihood that the actual impact may be different to what is expected, assessing when impacts are likely to be realized, calculating expected risk adjusted impacts and considering risk mitigation measures that could be introduced
- 2.2.3 considers which metrics to use and how much data is sufficient to make a decision:
 - 2.2.3.1 accounting for the risk (including to Stakeholders) of uncertainty when impact data across the 15 data categories is unavailable or insufficient (see Impact data categories), and considering risk mitigation measures that can be put in place, including the opportunity to fill data gaps (quality and completeness) and build the evidence base over time
 - 2.2.3.2 selecting and using outcome metrics that wherever possible include context and valuation and provide the required level of confidence that the impact is being achieved – using existing standardized metrics where appropriate but recognizing management accounting and internal metrics will be needed

2.2.3.3 where activity or output (rather than outcome) metrics are used as proxies for outcomes, having a robust process for determining and explaining why those activity or output metrics are effective proxies for good outcomes

2.2.3.4 considering the potential for unintended consequences and seeking to limit the potential for unintended negative and perverse outcomes in the framing of its impact targets (if relevant) and the metrics it selects and how it uses them

2.2.4 seeks to define the results from its impact assessments consistently (for instance, using a common measure by defining outcomes in terms of wellbeing) to facilitate systematic, evidence- and risk-based valuation and decision making (including quantifying trade-offs)

2.2.5 makes (relative and absolute) choices between options accounting for trade-offs and impact risks to optimize impact performance and contributing positively to sustainable development and achieving the SDGs

2.2.6 determines whether comprehensive ex ante or ex post (independent third party) impact evaluations in line with international guidance are required for certain activities.

2.2.7 captures the results from its impact assessments (including documenting its calculation methodologies and assumptions applied) in its impact management systems so it can be connected to its decision making and ongoing impact management activities.

Standard 2 – MANAGEMENT APPROACH

The Enterprise integrates impact management and contributing positively to sustainable development and achieving the SDGs into its operations and management approach.

2.3 The Enterprise systematically monitors and manages its ongoing impact performance, and acts to optimize impact (including managing unexpected outcomes).

Practice Indicators

The Enterprise:

- 2.3.1** develops an effective monitoring system to assess and manage its progress against its impact goals and targets relative to its impact baselines, counterfactuals and relevant SDG and/or other sustainable development outcomes thresholds
- 2.3.2** uses data and evidence-based learning to benchmark its impact performance, including:
 - 2.3.2.1 filling relevant and material impact data gaps by establishing a track record and an evidence base
 - 2.3.2.2 testing the validity of any assumptions made and replacing proxies used in its impact assessments with outcome measures
- 2.3.3** identifies and analyzes the reasons for deviations from expected impact performance and acts to optimize impact and manage unexpected negative impacts, emergence of additional impact risks and impact underperformance, including:
 - 2.3.3.1 developing mitigation plans (giving precedence to actions that may improve impact performance ahead of ceasing or exiting activities)
 - 2.3.3.2 addressing the immediate and sustained impact(s) on Stakeholders
 - 2.3.3.3 adjusting its plans and trajectory to stay on track to achieve its impact goals
- 2.3.4** accounts for the positive and negative impacts from exited activities/projects in its overall assessment of the Enterprise's impact performance
- 2.3.5** captures the results from its impact monitoring and management activities in its impact management systems to inform future decision making.

Standard 3 – TRANSPARENCY

The Enterprise discloses how it integrates contributing positively to sustainable development and achieving the SDGs into its purpose, strategy, management approach, governance and decision making, and reports (at least annually) on its performance.

Practice Indicators

The Enterprise:

- 3.1 complies with the Sustainable Development Goal Disclosure (SDGD) Recommendations
- 3.2 complies with relevant laws and regulations regarding sustainability disclosures
- 3.3 uses the ABC Impact Classifications to communicate the type of contribution to the SDGs and/or other sustainable development outcomes; for instance, segments its material impacts by the ABC Impact Classifications, and within each classification, the relevant and material SDG and/or other sustainable development outcomes (see ABC Impact Classifications)
- 3.4 when reporting its progress against its impact goals, provides sufficient context; for instance, relates its performance to relevant baselines and counterfactuals established, and relevant SDG and/or other sustainable development outcome thresholds
- 3.5 makes publicly available the organization's policies concerning respect for human rights and other responsible business practices and discloses how it implements and manages its performance and conformance
- 3.6 considers and implements reporting mechanisms best suited to meeting the needs of Stakeholders affected by its activities and the civil society organizations that act on their behalf, including considering where appropriate to use additional non-public, tailored reporting or changes to existing public reporting to make it more relevant and accessible to a broader range of Stakeholders
- 3.7 has its external reporting externally assured by an independent third party (or otherwise explains why it has selected not to) and follows up findings with suitable rectification measures in a timely manner

Standard 4 – GOVERNANCE

The Enterprise's commitment to contributing positively to sustainable development and achieving the SDGs is reinforced through its governance practices.

Practice Indicators

- 4.1** The Enterprise's governing body has active oversight of matters relating to:
 - 4.1.1 organizational culture for promoting and responding to respect for human rights and other responsible business practices, sustainable development issues and the SDGs, and impact management practices
 - 4.1.2 the process of Stakeholder identification and involvement in decision making
 - 4.1.3 determination of relevant and material sustainable development issues, including risks and opportunities, impacts and dependencies, and how these are integrated into the Enterprise's purpose and strategy
 - 4.1.4 its purpose, strategy, business model and impact goals
 - 4.1.5 the compatibility of its impact goals, financial return targets, and impact and financial risk appetite and tolerance
 - 4.1.6 progress against its impact goals relative to established impact baselines and counterfactuals and relevant SDG and/or other sustainable development outcome thresholds
 - 4.1.7 its policies concerning respect for human rights and other responsible business and impact management policies, including its grievance and reparation mechanisms for affected Stakeholders and performance and conformance (including progress on and process for continuous improvement) against those policies and associated practices
 - 4.1.8 Stakeholder complaints and remedial actions taken (ensuring no instances of adverse findings without adequate remedies being in place)
 - 4.1.9 adequacy of budget and resources to manage Stakeholder involvement effectively and to deliver its strategy and impact goals
 - 4.1.10 impact and sustainable development related disclosures and external reporting.
- 4.2** The Enterprise has a governing body (or bodies) that:
 - 4.2.1 has competencies concerning sustainable development issues and impact management
 - 4.2.2 prioritizes gender and other dimensions of diversity (as demonstrated by composition and culture, including openness to hearing and including different voices and perspectives in decision making)
 - 4.2.3 recognizes the implications of low accountability to those impacted and the need to act on their behalf in decisions

- 4.2.4 holds the CEO/Managing Director accountable for the Enterprise positively contributing to sustainable development and achieving the SDGs, including operating in accordance with its responsible business and impact management policies and practices
- 4.2.5 meets the national minimum corporate governance standards, as appropriate.

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