

SDG IMPACT STANDARDS PRIVATE EQUITY FUNDS

About UNDP

The United Nations Development Programme is the UN's global development network, advocating for change and connecting countries to knowledge, experience and resources to help people build a better life. 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 Sustainable Development Goals (SDGs). As stewards of the SDGs, UNDP aims to see our world radically changed for good.

About SDG Impact

SDG Impact is a UNDP initiative, tasked with developing resources under three central pillars to accelerate investment towards achieving the United Nations Sustainable Development Goals (SDGs) by 2030:

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

The **SDG Impact Steering Group**, chaired by the UNDP Administrator, Achim Steiner, comprises global champions and thought leaders from finance and industry from around the world. It plays a critical role in authenticating SDG-enabling investment, signalling markets and driving adoption.

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About The Consultation

This second public consultation period follows the first public consultation period that ran for three months to December 2019.

These SDG Impact Standards for Private Equity Funds can be used for debt and equity funds, as well as other early stage fund managers (e.g. venture capital).

The consultation process meets the UNDP Principles for social and environmental standards¹. We seek feedback from a broad range of Stakeholders.

How you can contribute

We encourage robust feedback and input through the public consultation process. Organizations may also elect to pilot these draft Standards.

This consultation draft is available at <https://sdgimpact.undp.org/private-equity.html>

Provide your feedback to sdgimpact.standards@undp.org by July 30, 2020.

Acknowledgement

We thank the members of the SDG Impact Steering Group, IMP Structured Network members, other UN bodies and many others who have provided 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.

¹ <https://www.undp.org/content/dam/undp/library/corporate/Social-and-Environmental-Policies-and-Procedures/UNDPs-Social-and-Environmental-Standards-ENGLISH.pdf>

Foreword

UNDP's mission is to see our world radically transformed for good. The urgency, scale and complexity of the issues brought about by COVID-19 raise the stakes. This global pandemic is the latest crisis to bring into profound relief the relationship between our social and environmental conditions and economic prosperity. At the same time, other major challenges have not subsided, particularly the climate crisis.

As we recover from COVID-19, we have an opportunity to set a clear vision for our society – one that embodies healthy people, a healthy planet and prosperous economies. The UN Sustainable Development Goals (SDGs) must be our foundation, to carry our aspirations of a more just and equitable society and increase our resilience to future shocks and set-backs.

To be successful, we need greater transparency and clarity about what we are achieving and whether it is making a difference to people and the planet, and then we must adjust our actions accordingly.

These SDG Impact Standards provide a clear system for integrating sustainable development and impact into business and investment decision making, providing a common language that connects and informs actions, decisions and, engagement and consultation.

They bring logic, clarity and transparency to understanding, measuring, managing and reporting on the nature and depth of SDG impacts of businesses and investments. They describe and encourage best practice, promote better decision making, and improve accountability and transparency about the positive, negative, intended and unintended economic, social and environmental impacts of businesses and investments on people and the planet. They provide the necessary context for selecting and applying impact and sustainability metrics and emerging taxonomies to best effect.

Now is the time to put SDG Impact at the heart of performance, and put outcomes for people and the planet at the core of business and investment purpose. Increasingly, business and market actors, civil society and governments must collaborate to collectively deliver this agenda.

We can work together to ensure the strongest possible signals to the market and lead by example to bring others on the path to a better future and prove that real change is possible.

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About the SDG Impact Standards for Private Equity Funds

These *SDG Impact Standards for Private Equity Funds* (the Standards) have been developed by UNDP *SDG Impact* to support its vision of a world where all capital flows advance the UN Sustainable Development Goals (SDGs). The Standards are voluntary and freely available for all to use. They fill a gap between high level principles of practice and impact performance reporting and benchmarking.

The Standards have been developed applying a bounded flexibility approach. This ensures that relevance can be maintained at the outcome area, location, enterprise or program/transaction levels (i.e. by asking the right questions and measuring what matters in context) while also promoting consistency and comparability at the portfolio and market levels (reporting at the portfolio level and providing information that can be interpreted consistently by users to make more informed decisions).

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

The Standards aim to:

- Harmonize with and build upon frameworks and standards already available (see Appendix). The Standards incorporate the UN Guiding Principles for Business and Human Rights² and the Ten Principles of the UN Global Compact³
- Encourage standardization, transparency and assurance of practice to strengthen impact integrity, market confidence and trust
- Promote a more strategic and holistic approach to contributing to SDG impact, including setting SDG impact goals that align with key in-country sustainable development priorities
- Enable more informed decisions concerning material impacts on people and the planet
- Fill a gap between high level principles of practice and impact performance reporting and benchmarking
- Promote transparency and accountability for all material positive, negative, intended and unintended impacts for people and the planet
- Encourage Investors, Fund Managers and Investors to start and/or accelerate their SDG-impact journey.

² <https://www.business-humanrights.org/en/un-guiding-principles>

³ <https://www.unglobalcompact.org/what-is-gc/mission/principles>

Who can use the Standards

The primary audience for these Standards are Private Equity Fund Managers, investors and other actors (including development finance institutions, governments and multilateral organizations) directing private investment activity towards achieving the SDGs.

Fund Managers

Fund Managers can use the Standards to:

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

Investors

Investors can use the Standards to support their assessment of the SDG-enabling attributes of various Funds, whether they are self-assessed or certified by an independent, UNDP accredited certifier. They can use the Standards to frame their investment guidelines and identify questions for Fund Managers about the SDG-enabling attributes of their Funds. Alternatively, they can use the Standards to push for greater standardization of practice and external assurance of Funds making SDG-enabling claims.

Investees

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

Assurers, analysts and advisers

Assurance providers, analysts, advisors and research houses can use the Standards to: assess and / or verify the impact practices of Funds; benchmark and compare the impact management practices across Funds; or provide guidance on impact management practices.

Independent assurance

Adoption of the Standards is voluntary, but we recommend users seek assurance against these Standards from an independent, UNDP accredited certifier. Assessment or assurance will identify where each Practice Indicator is *not yet observed, developing, or developed*.

Certification

Fund Managers can have the impact practices relating to their Fund certified by an independent, UNDP accredited verifier. Funds must be assessed as *developed* in each of the 20 core Practice Indicators to achieve positive certification under these Standards. An accredited certifier may provide a Fund with a statement detailing matters the Fund must address to obtain certification.

SDG Impact Seal

Fund Managers will be eligible to apply for the SDG Impact Seal relating to their Fund, if the Fund is independently certified as *developed* on all core Practice Indicators and as *developing* or better in at least half of the expanded Practice Indicators. If approved to use the SDG Impact Seal, Fund Managers must agree to the terms and conditions, including appropriate governance arrangements. Continued use of the Seal will require regular positive re-certifications.

What the Standards cover

The Standards apply to Private Equity Funds. They can also be used by other Fund Managers offering investment vehicles in private markets (e.g. venture capital, private debt).

What the Standards comprise

The Standards comprise:

- I. Six Standards that reflect core elements of accountable impact practice, organized into four parts: Strategy, Management Approach, Transparency, and Governance (Figure 1); together with
- II. Practice Indicators (or points of assurance) for each Standard – 20 core and six expanded indicators
- III. Presentation of each Practice Indicators with:
 - Guidelines for demonstrating achievement of the Practice Indicators
 - Examples of evidence sources
 - Guidance notes and resources to inform consistent application and compile useful resources, including links to best practice tools, frameworks or examples.

We encourage Fund Managers to adopt the Standards in their entirety. Together, they set a high – but attainable – bar in line with the change needed to realize the aspiration of the SDGs by 2030.

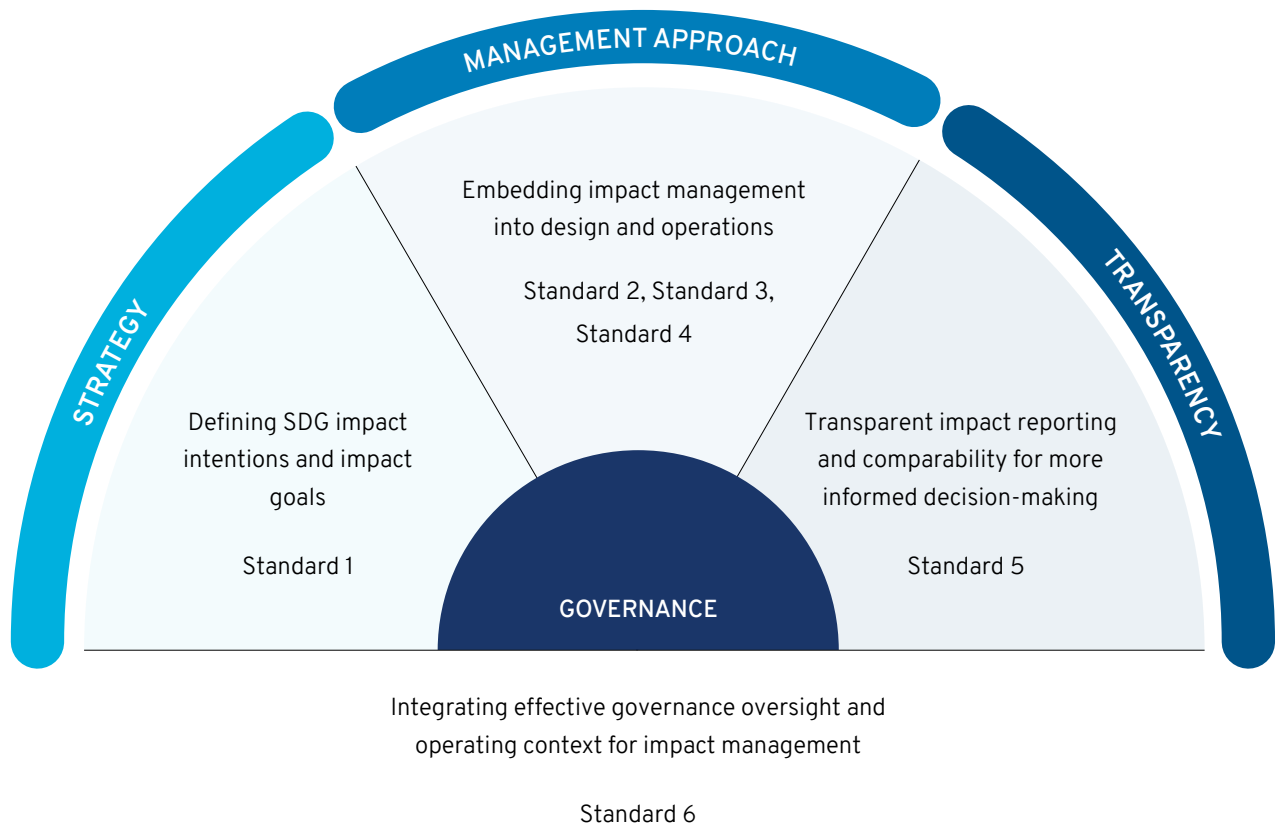
Specifically, the Standards:

- Require the Fund to define impact goals that inform capital allocation decisions.
- Require Fund Manager commitment to building and continuously improving a culture of adhering to human rights and other responsible business practices in line with the UN Guiding Principles for Business and Human Rights⁴ and the Ten Principles of the UN Global Compact⁵.
- Require Meaningful Stakeholder Engagement throughout the impact management process. Stakeholders include those (people and planet) who experience the (economic, social and/or environmental) impacts of the Fund’s direct and indirect activities, not just Stakeholders who can affect the Fund’s performance.
- Define materiality (i.e. substantial impacts) from the perspective of the Fund’s impacts on Stakeholders.
- Provide a framework for effective application of impact metrics.
- Require assessment and transparency of all material (positive, negative, intended and unintended) SDG impacts.
- Require establishment of baselines, thresholds and targets against which to measure actual impact performance and ongoing measurement, monitoring, evaluation and response.
- Embed continuous improvement and learning.
- Require comparability of practice and performance through consistent disclosures supported by robust governance.

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

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

Figure 1: SDG Impact Standards for Private Equity Funds – Organizing logic



I.

Summary table

SDG Impact Standards for Private Equity Funds

I. Summary Table

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

II.

Standards and Practice Indicators

STRATEGY

Defining SDG impact intentions and impact goals

1. The Fund has clearly defined and contextualized SDG impact intentions and impact goals

Practice Indicators:

- 1.1 The Fund defines its SDG impact intentions in terms of:
 - a) Acting to avoid harm to people and the planet (including harm that detracts from achieving the SDGs), and/or
 - b) a) and benefiting Stakeholders in relation to the SDGs, and/or
 - c) a) and contributing to solutions towards achieving the SDGs.
- 1.2 The Fund sets realistic but ambitious impact goals aligned with its SDG impact intentions. These goals relate to relevant SDG targets set within the context of local or national outcomes thresholds and are informed through Meaningful Stakeholder Engagement.
- 1.3 As well as its positive, intended impact goals, the Fund also sets goals to avoid and/or mitigate ESG (environmental, social and governance) risks and negative impacts on Stakeholders (some of which will be SDG related) in its direct operations and throughout its (and its Investees) supply and value chains.
- 1.4 The Fund periodically reviews – and refines – its SDG impact intentions and impact goals, accounting for sector advances, revised and updated evidence, learnings from its engagement with Stakeholders and actual impact performance, as well as current and anticipated changes in the sustainable development context in which it operates.

MANAGEMENT APPROACH

Embedding impact management into design and operations

2. The Fund embeds sound impact management practices into its design and operations

Practice Indicators:

- 2.1 The Fund has the necessary skills, resources and systems in place to manage impact effectively.
- 2.2 The Fund has effective processes to identify Stakeholders affected (or likely to be affected) by its activities, promotes Meaningful Stakeholder Engagement and uses credible evidence of impacts on Stakeholders to inform its impact management activities.
- 2.3 The Fund selects and uses appropriate metrics to measure and manage its (and its Investees) impact performance that are linked to specific SDG targets or outcomes (where relevant) and set across the Five Dimensions of Impact⁶ (where feasible).
- 2.4 The Fund collects and effectively manages impact data including putting in place credible, reliable and practical measures for:
 - (1) raw data storage
 - (2) data quality verification
 - (3) privacy mechanisms
 - (4) consideration of privacy, ethical and commercial issues regarding data gathering, use and disclosure, and
 - (5) use of data in context.
- 2.5 The Fund stays abreast of sector advances in impact management, evaluates and draws insights from its actual impact data and performance, and incorporates systematic feedback loops to apply those learnings and insights to continuously improve its impact management practices and performance.
- 2.6 **EXPANDED:** The Fund's incentive structures reflect its SDG impact intentions and impact goals.
- 2.7 **EXPANDED:** The Fund applies equivalent rigour to assessing its impact data as it does to assessing its financial data, especially when impact data significantly affects decision making and/or is not corroborated through other validation techniques.
- 2.8 **EXPANDED:** The Fund proactively sets expectations and promotes strategic alignment and agreement with its co-investors and limited partners (including where practicable by screening potential co-investors and partners).

⁶ See Appendix

3. The Fund's ex ante investment practices align its investment activities with its SDG impact intentions and impact goals

Practice Indicators:

- 3.1 The Fund establishes criteria to pre-screen potential Investees against its SDG impact intentions and impact goals.
- 3.2 The Fund is transparent about its SDG impact intentions and impact goals, and engages proactively and works collaboratively with potential Investees (and through them impacted Stakeholders), co-investors, and limited partners (if applicable) through the due diligence and investment process, to agree impact terms and an impact plan to optimize future impact performance.
- 3.3 The Fund conducts ex ante impact assessments of potential Investees that pass its pre-screening criteria, to confirm their suitability for inclusion in the Fund.
- 3.4 The Fund periodically reviews – and where appropriate refines – its Investee pre-screening and ex ante impact assessment criteria in line with periodic reviews of its SDG impact intentions, impact goals and impact performance.
- 3.5 **EXPANDED:** The Fund has its Investee impact assessments verified by a qualified external assurance provider before inclusion in the Fund.

4. The Fund measures and manages its ongoing impact performance

Practice Indicators:

- 4.1 The Fund's ex post impact management practices systematically measure, monitor, evaluate and respond to the actual impact performance of the Fund overall (against its impact goals) and each Investee (against their respective impact terms, impact plans and established impact performance baselines, thresholds and targets).
- 4.2 The Fund proactively manages its exit from investments to optimize effects on Stakeholders and sustained impact post exit.

TRANSPARENCY

Transparent impact reporting and comparability for more informed decision making

5. The Fund regularly reports on its impact activities and performance, promoting transparency and comparability

Practice Indicators:

- 5.1 The Fund discloses relevant information about the Fund and the Fund Manager in its legal and offering documentation to enable Stakeholders to make informed decisions about the Fund's impact characteristics and credentials.
- 5.2 The Fund regularly (at least annually) reports on its impact characteristics and performance.
- 5.3 The Fund periodically reviews its disclosures and reporting, to ensure it continues to meet the needs of Stakeholders, incorporates sector advances in impact reporting practices, and otherwise promotes transparency, consistency and comparability.
- 5.4 **EXPANDED:** The Fund has its impact reports externally assured.
- 5.5 **EXPANDED:** The Fund regularly (at least annually) provides expanded impact reporting.

GOVERNANCE

Integrating effective governance oversight and operating context for impact management

- 6.** The Fund and Fund Manager's governance practices provide the appropriate operating context for, and effective oversight of, the Fund's impact management practices.

Practice Indicators:

- 6.1 Governance policies, practices and mechanisms for both the Fund and the Fund Manager demonstrate commitment to building and continuously improving an organization-wide culture of adhering to and respecting human rights and other responsible business practices.
- 6.2 The Fund's governing body is accountable for impact (including being actively involved in decision making) and has effective oversight of the Fund's impact management practices and performance.

III.

Practice Indicators with:

- guidelines for demonstrating achievement of the Practice Indicators
- examples of evidence sources
- guidance notes
- resources

STRATEGY

Defining SDG impact intentions and impact goals

Practice Indicator	Demonstrating achievement of the Practice Indicator	Examples of evidence sources
<p>1.1 The Fund defines its SDG impact intentions in terms of:</p> <ul style="list-style-type: none"> a. Acting to avoid harm to people and the planet (including harm that detracts from the SDGs), and/or b. a) and benefiting Stakeholders in relation to the SDGs, and/or c. a) and contributing to solutions towards achieving the SDGs. 	<p>The Fund demonstrates:</p> <ul style="list-style-type: none"> • its impact intentions by specifying in its terms of reference and/or strategy documents how much of the Fund's portfolio (for example, expected, minimum and maximum) it intends to allocate towards each of the three impact intentions classifications • it considered the Five Dimensions of Impact⁷ in forming its SDG impact intentions. 	<p>Interviews with members of the Investment Committee</p> <p>Minutes of the Investment Committee and Fund's terms of reference</p> <p>Fund's strategy documents</p>

Guidance notes and resources

Guidance Note 1.1(1): SDG impact intentions are defined in terms of whether they are:

- at a minimum, **Acting to avoid harm to people and the planet (including harm that detracts from the SDGs)** (activities that are expected to prevent or significantly reduce important negative outcomes for people and the planet). Examples include reducing CO2 emissions, or reducing child labour in supply chains. This category includes environmental, social and governance risk management, OR
- **Acting to avoid ham to people and the planet (including harm that detracts from the SDGs) AND benefiting stakeholders in relation to the SDGs** (activities that are not only expected to act to avoid harm, but also generate positive outcomes for people and the planet). Examples include selling products that support good health or educational outcomes. This category includes pursuing environmental, social and governance opportunities, OR
- **Acting to avoid harm to people and the planet (including harm that detracts from the SDGs) AND contributing to solutions towards achieving the SDGs** (activities that are not only expected to act to avoid harm, but also generate a significant change resulting in important positive outcomes for otherwise underserved people and the planet, where the outcomes are linked to identified SDG priorities in their specific context). Examples include providing health or educational services in communities that currently have no access to them, or providing financial services to people without credit or banking services.

Resources:

Sustainable Development Goals, <https://sustainabledevelopment.un.org/topics/sustainabledevelopmentgoals>

SDG sector roadmaps: Leveraging the power of collaboration to drive SDG impact, <https://www.wbcsd.org/Programs/People/Sustainable-Development-Goals/SDG-Sector-Roadmaps/News/SDG-Sector-Roadmaps-Leveraging-the-power-of-collaboration-to-drive-SDG-impact>

SDG Compass, The guide for business action on the SDGs, https://sdgcompass.org/wp-content/uploads/2015/12/019104_SDG_Compas_Guide_2015.pdf

Corporate finance: A roadmap to mainstream SDG investments, <https://sdghub.com/project/corporate-finance-a-roadmap-to-mainstream-sdg-investments/>

The SDG investment case, <https://www.unpri.org/download?ac=5909>

Solving Sustainable Development Goals Rubik's Cube, https://gsh.cib.natixis.com/api_website_feature/files/download/6063/Solving-Sustainable-Development-Goals-Rubik-Cube-Report-Natixis-2018.pdf

STRATEGY

Defining SDG impact intentions and impact goals

Practice Indicator	Demonstrating achievement of the Practice Indicator	Examples of evidence sources
<p>1.2 The Fund sets realistic but ambitious impact goals aligned with its SDG impact intentions. These goals relate to relevant SDG targets set within the context of local or national outcomes thresholds and are informed through Meaningful Stakeholder Engagement.</p>	<p>The Fund demonstrates its impact goals:</p> <ul style="list-style-type: none"> • are aligned with its SDG impact intentions • are set in line with identified SDG priorities • have drawn on available evidence and relevant SDG impact data and information from reputable agencies including government and civil society organisations • have been informed by Meaningful Stakeholder Engagement that conforms to established global guidelines • are set across the Five Dimensions of Impact. <p>The Fund demonstrates how it:</p> <ul style="list-style-type: none"> • determined and substantiated the local or national outcomes thresholds relating to the SDG targets it is prioritizing in its impact goals • is contributing at the rate required to optimize outcomes or restore the threshold to a minimum acceptable level • has determined its activities are not crowding out more efficient or effective solutions 	<p>Interviews with the Investment Committee</p> <p>Minutes of the Investment Committee</p> <p>Documented impact goals and/or Fund’s Impact Thesis</p> <p>Investment policy</p> <p>Information from reputable agencies</p> <p>Research data and findings</p> <p>Interviews with key Stakeholders</p>

Guidance notes and resources

Guidance Note 1.2(1): The Fund’s impact goals are the high level goals that will help guide its decision making and investment activities, not the more specific targets or goals it will set with its Investees for specific investments, which are deal with in Standard 2.

Guidance Note 1.2(2): Impact goals should be evidence-based (drawing on available research and data), or evidence-able (e.g. where new, innovative approaches are being tested) based on a logical impact thesis that will be tested, assessed and refined over time.

Guidance Note 1.2(3): Various frameworks are available to guide effective goal setting, for example “SMART” (specific, measurable, achievable, realistic and timely/time bound), “SPICED” (subjective, participatory, interpreted and communicable, cross-checked and compared, empowering and diverse and disaggregated).

Guidance Note 1.2(4): Examples of relevant SDG impact data from reputable agencies include using UNDP’s network of country offices, SDG impact data and the SDG Impact Initiative’s Market Intelligence and SDG Investor Maps where available.

Guidance Note 1.2(5): For example, see OECD Due Diligence Guidance for Meaningful Stakeholder Engagement in the Extractive Sector published 2 February, 2017.

Guidance Note 1.2(6): While the Fund may not have specific investments and Stakeholders in mind at the outset, it should be able to identify which Stakeholder groups are likely to be most impacted by its intended impact goals and should look to engage meaningfully with those Stakeholder groups or representatives for those groups in developing its impact goals. Where it can be shown to be appropriate to do so and relevant in context, the Fund may draw on evidence-based proxies and information from reputable civil society agencies. However, these sources should not diminish Stakeholders’ rights, including for meaningful agency.

Guidance Note 1.2(7): Some of the Fund’s impact goals may relate to how it intends to contribute towards the SDGs through its own actions (as distinct from the impacts made by the Investees the Fund invests in), for example:

- Signalling that impact matters (such that impact considerations can lead to different investment decisions): proactively and systematically considering measurable positive and negative enterprise impacts in Fund investment decision making and communicating this consideration to Investee enterprises and to the market at large; choosing not to invest in or to favor certain investments – such that, if all investors did the same, it would ultimately lead to a “pricing in” of effects on the SDGs by the capital markets (e.g. requiring an Investee to share data on impact, through due diligence and the investment period)
- Engaging actively: significant proactive efforts using expertise and networks to improve the SDG impact performances of Investees that goes beyond the normal dialogue with enterprises, including about environmental, social and governance (ESG) factors. “Engaging actively” reflects a strategy that involves, at a minimum, significant proactive efforts to improve businesses’ impacts on people and the planet, including through mitigating or reducing negative impact and/or increasing positive impact. Systematic processes in place for selecting enterprises with which to engage and a well thought-through engagement strategy and a rationale for why this strategy will create impact
- Growing new or undersupplied capital markets: anchoring or participating in new or previously overlooked opportunities that offer an attractive impact and financial opportunity in line with the Fund’s SDG impact intentions and goals, (e.g. taking on additional complexity, illiquidity or perceived higher risk to structure a new type of financial product that delivers a certain type of impact). Funds should self-classify their investor contribution as “grow new or undersupplied capital markets” if they have reason to believe that their investment itself directly caused or will cause: (i) a change in the amount, cost or terms of capital available to an enterprise that enables it to deliver impact that would likely not otherwise occur, or (ii) a change in the price of the enterprise’s securities, which in turn pressures the enterprise to increase its social and/or environmental impact and/or rewards it for doing so
- Being flexible on risk adjusted financial return: recognizing certain types of Investees will require acceptance of lower risk-adjusted returns to generate certain kinds of SDG impact (e.g. providing capital where only a full or partial return of principal is expected to ensure an enterprise reaches a certain demographic).

Guidance Note 1.2(8): Some of the Fund’s impact goals may relate to how it intends to contribute towards market leadership and field building to further enable the SDGs beyond the impact of the Fund’s direct portfolio investments; for example:

- sharing SDG impact data and learnings publicly (e.g. sharing case studies about which business models in which contexts are effective at tackling specific SDG targets; sharing examples of the different decisions made as a result of impact data)
- actively participating in initiatives to build and/or comprehensively (i.e. not selectively) adopt shared industry impact management terms, conventions and standardized metrics where appropriate
- proactively seeking to have metrics added to standardized lists where they are likely to have broader applicability
- mentoring and enabling others
- exploring partnerships as an enabler for greater SDG impact
- developing industry infrastructure such as open-source tools and resources
- helping to scale value-adding intermediaries, platforms, and networks
- promoting policy reforms.

Resources:

Sustainable Development Goals, <https://sustainabledevelopment.un.org/topics/sustainabledevelopmentgoals>

SDG sector roadmaps: Leveraging the power of collaboration to drive SDG impact, <https://www.wbcsd.org/Programs/People/Sustainable-Development-Goals/SDG-Sector-Roadmaps/News/SDG-Sector-Roadmaps-Leveraging-the-power-of-collaboration-to-drive-SDG-impact>

SDG Compass: The guide for business action on the SDGs, https://sdgcompass.org/wp-content/uploads/2015/12/019104_SDG_Compass_Guide_2015.pdf

Corporate finance: A roadmap to mainstream SDG investments, <https://sdghub.com/project/corporate-finance-a-roadmap-to-mainstream-sdg-investments/>

The SDG investment case, <https://www.unpri.org/download?ac=5909>

See also UN Guiding Principles on Business and Human Rights, <https://www.business-humanrights.org/en/un-guiding-principles>; the Ten Principles of the UN Global Compact, <https://www.unglobalcompact.org/what-is-gc/mission/principles>; The global standard for Free and Prior Informed Consent with respect to indigenous peoples, <https://www.ohchr.org/Documents/Issues/ipeoples/freepriorandinformedconsent.pdf>; and the OECD Guidelines for Multinational Enterprises, <https://www.oecdwatch.org/oecd-ncps/the-oecd-guidelines-for-mnes/>

For example, OECD due diligence guidance for meaningful stakeholder engagement in the extractive sector, <https://www.oecd-ilibrary.org/docserver/9789264252462-en.pdf?expires=1585739060&id=id&accname=guest&checksum=D894FDC3FF831032E5E62D30DDFF2AC9>

Social Value International (SVI) Seven Principles, <http://www.socialvalueuk.org/seven-principles-maximising-social-value/>

Social Value International (SVI) Standard on applying Principle 1: involve stakeholders, <https://socialvalueint.org/social-value-international-publish-standard-on-applying-principle-1-involve-stakeholders/>

United Nations Global Compact (UNGC) Blueprint for business leadership on the SDGs, <https://blueprint.unglobalcompact.org/>

SDG Compass, <https://sdgcompass.org/>

Measuring progress towards the Sustainable Development Goals, <https://sdg-tracker.org/>

SDG action manager, <https://www.unglobalcompact.org/take-action/sdg-action-manager>

Science Based Targets, <https://sciencebasedtargets.org/>

SDG industry matrix, <https://www.unglobalcompact.org/library/3111> (SDG Industry Matrix)

UN environment emissions gap report, <https://unepdtu.org/project/un-environment-emissions-gap-report/>

Global stocktake, <https://unfccc.int/topics/science/workstreams/global-stocktake-referred-to-in-article-14-of-the-paris-agreement>

UNDP SDG Impact Intelligence - Investor Maps <https://sdgimpact.undp.org/#intelligence>

Standard Chartered OPPORTUNITY2030: SDG Investment Map <https://www.sc.com/en/insights/opportunity2030/>

STRATEGY

Defining SDG impact intentions and impact goals

Practice Indicator	Demonstrating achievement of the Practice Indicator	Examples of evidence sources
<p>1.3 As well as its positive, intended impact goals, the Fund also sets goals to avoid and/or mitigate ESG (environmental, social and governance) risks and negative impacts on Stakeholders (some of which will be SDG related) in its direct operations and throughout its (and Investees) supply and value chains.</p>	<p>The Fund demonstrates:</p> <ul style="list-style-type: none">• it has set specific goals to avoid and/or mitigate ESG risks and negative impacts on Stakeholders• its track record and performance (if relevant) in avoiding and/or mitigating ESG risks and negative impacts on Stakeholders.	<p>Interviews with the Investment Committee</p> <p>Internal and external documentation (e.g. media reports)</p> <p>Risk analysis and risk register</p> <p>Internal audit reports</p>

Guidance notes and resources

Resources:

Sustainable Development Goals, <https://sustainabledevelopment.un.org/topics/sustainabledevelopmentgoals>

SDG sector roadmaps: Leveraging the power of collaboration to drive SDG impact, <https://www.wbcsd.org/Programs/People/Sustainable-Development-Goals/SDG-Sector-Roadmaps/News/SDG-Sector-Roadmaps-Leveraging-the-power-of-collaboration-to-drive-SDG-impact>

SDG Compass, The guide for business action on the SDGs, https://sdgcompass.org/wp-content/uploads/2015/12/019104_SDG_Compass_Guide_2015.pdf

STRATEGY

Defining SDG impact intentions and impact goals

Practice Indicator	Demonstrating achievement of the Practice Indicator	Examples of evidence sources
<p>1.4 The Fund periodically reviews – and refines – its SDG impact intentions and impact goals, accounting for sector advances, revised and updated evidence, learnings from its engagement with Stakeholders and actual impact performance, as well as current and anticipated changes in the sustainable development context in which it operates.</p>	<p>The Fund demonstrates:</p> <ul style="list-style-type: none"> • a dynamic approach to ensuring its SDG impact intentions and impact goals remain fit for purpose • it incorporates learnings from actual SDG impact performance • responsiveness to changes in the sustainable development context and in the context for SDG outcomes/impacts (e.g. regulatory changes, technological advances, other actors' activities, possibility of local political developments or public reactions, changes to in-country SDG priorities or needs, or new research/evidence) • it evaluates deviations from expected outcome/impact performance (e.g. recognizing unintended positive or negative outcomes/impacts and eventual need of corrections to future plans). 	<p>Interviews with the Investment Committee Internal documentation Information from reputable agencies</p>

Guidance notes and resources

Resources:

Sustainable Development Goals, <https://sustainabledevelopment.un.org/topics/sustainabledevelopmentgoals>

SDG sector roadmaps: Leveraging the power of collaboration to drive SDG impact, <https://www.wbcsd.org/Programs/People/Sustainable-Development-Goals/SDG-Sector-Roadmaps/News/SDG-Sector-Roadmaps-Leveraging-the-power-of-collaboration-to-drive-SDG-impact>

SDG Compass, The guide for business action on the SDGs, https://sdgcompass.org/wp-content/uploads/2015/12/019104_SDG_Compass_Guide_2015.pdf

Impact Goals, <https://impactmanagementproject.com/wp-content/uploads/Looking-back-at-emerging-consensus-about-Impact-Goals.pdf>

MANAGEMENT APPROACH

Embedding impact management into design and operations

Practice Indicator	Demonstrating achievement of the Practice Indicator	Examples of evidence sources
<p>2.1 The Fund has the necessary skills, resources and systems in place to manage impact effectively.</p>	<p>The Fund demonstrates:</p> <ul style="list-style-type: none"> • appropriate impact specialization and appropriate level of seniority and authority of the Impact Manager, to oversee the Fund’s impact management practices • adequate resource capacity to deliver on impact management plans • impact management practices are integrated into day-to-day roles • appropriate staff training to conduct their roles including training on the Fund’s responsible business practices, SDG impact intentions, impact goals, impact management practices, and how these relate to their day-to-day roles; training on impact measurement and management, Meaningful Stakeholder Engagement, these Standards (including undertaking and successful completion of the UNDP SDG impact management on-line training program). <p>Where internal impact management/sustainable development expertise is supplemented with outside support, the Fund demonstrates a baseline level of expertise to:</p> <ul style="list-style-type: none"> • identify skill gaps • select third parties with appropriate skills and experience to fill those gaps • manage/oversee third party arrangements, key person risks and institutional knowledge transfer. 	<p>Position descriptions</p> <p>Interviews with the Impact Manager and impact management team members (if relevant)</p> <p>Internal documentation</p> <p>Training materials and details of attendees and training completed</p> <p>Organizational chart demonstrating where the Impact Manager’s role sits relative to equivalent financial roles</p>

Guidance notes and resources

Guidance Note 2.1(1): Demonstrated capabilities may include:

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

Resources:

Social Value International Social Value Practitioner Training, <https://socialvalueint.org/training/accredited-training/>

MANAGEMENT APPROACH

Embedding impact management into design and operations

Practice Indicator	Demonstrating achievement of the Practice Indicator	Examples of evidence sources
<p>2.2 The Fund has effective processes to identify Stakeholders affected (or likely to be affected) by its activities, promotes Meaningful Stakeholder Engagement and uses credible evidence of impacts on Stakeholders to inform its impact management activities</p>	<p>The Fund demonstrates:</p> <ul style="list-style-type: none"> • appropriate processes for identifying Stakeholders affected or likely to be affected by its activities and impacts experienced by them • reliability of sources of evidence of impacts on Stakeholders used to inform its impact management practice • appropriate processes for managing Meaningful Stakeholder Engagement in the impact management process, including identifying material impacts, designing solutions, developing impact data collection processes, participating in collecting and assessing impact data, and responding to findings • appropriate Stakeholder communications practice including communicating actions and progress • access to relevant expertise, local leadership and budget. 	<p>Interviews with the Impact Manager</p> <p>Internal documentation</p> <p>Interviews with key Stakeholders (e.g. Investees, affected Stakeholders)</p>

Guidance notes and resources

Guidance Note 2.2(1): Take care to recognize that under-represented Stakeholder populations may not be aware of the negative impacts that business or other activities may have on their or others access to basic rights and services.

Guidance Note 2.2(2): Engagement should be appropriate in context, for instance, if the Fund’s relationship with Stakeholders is direct, the engagement strategies employed by the Fund include direct engagement with Stakeholders. If the Fund’s relationship is indirect (for instance through Investees), the Fund may not engage with Stakeholders directly, but in its due diligence of Investees look to ensure that Investees have done and will continue to do so. Where it can be shown to be appropriate to do so and relevant in context, evidence-based proxies and information from reputable civil society agencies may also be used, however should not diminish Stakeholder’s rights, including for meaningful agency.

Resources:

UN Working Group guidance on human rights due diligence, Oct 2018

OECD Due Diligence Guidance for Responsible Business Conduct, May 2018

Free and prior informed consent for indigenous peoples

Social Value International (SVI) Seven Principles

Social Value International (SVI) Principle 1: involve stakeholders, <https://socialvalueint.org/social-value-international-publish-standard-on-applying-principle-1-involve-stakeholders/>

Using self-reported data for impact measurement: How to use stakeholder surveys to improve impact performance

Global Reporting Initiative (GRI) reporting principles

MANAGEMENT APPROACH

Embedding impact management into design and operations

Practice Indicator	Demonstrating achievement of the Practice Indicator	Examples of evidence sources
<p>2.3 The Fund selects and uses appropriate metrics to measure and manage its (and its Investees) impact performance that are linked to specific SDG targets or outcomes (where relevant) and set across the Five Dimensions of Impact (where feasible).</p>	<p>The Fund demonstrates:</p> <ul style="list-style-type: none"> • a robust approach for selecting impact metrics linked to specific SDG targets and outcomes and set across the Five Dimensions of Impact • how it selects and uses standardized metrics wherever appropriate and feasible; • how it works collaboratively with Investees and Stakeholders (directly or indirectly through Investees) to select and prioritize impact metrics. 	<p>Internal documentation Meeting minutes Interviews with the Impact Manager Interviews with Stakeholders</p>

Guidance notes and resources

Guidance Note 2.3(1): Metrics should capture positive, negative, intended and unintended outcomes, be able to drive decision making in a timely manner and be guided by sound fundamental concepts and principles, as described by, for example, Social Value International in its Seven Principles (See Glossary, SVI), the SDGD Recommendations (see Glossary, SDGD Recommendations) and by the Global Reporting Initiative (see Glossary, GRI).

Guidance Note 2.3(2): Where the Fund selects and uses non-standard or bespoke metrics (e.g. where standardized metrics do not exist or are not fit for purpose in a particular context), the Fund can demonstrate the selected metrics are evidence-based, include outcome measures (at least well-evidenced proxies) and promote comparability.

Guidance Note 2.3(3): The SDG Targets and Indicators were designed to track the SDGs at local, national, regional and global levels (with a focus on governments rather than enterprises) and focus on specific types of impact (e.g. targeting the most underserved and disadvantaged), and may not always be relevant in the context of the Fund and its particular SDG impact intentions and goals. For example, the Fund or Investee may be aiming to benefit Stakeholders with respect to the SDGs, but not targeting the most underserved and disadvantaged communities. How underserved the Stakeholders are is a key differentiator between the “Benefiting Stakeholders in relation to the SDGs” and “Contributing to solutions toward achievement of the SDGs” classifications.

Guidance Note 2.3(4): Some metrics may not align with the SDGs or fit under the Five Dimensions of Impact, but they may be important for understanding and comparing the performance and impact of Funds or underlying Investees. For example, these metrics might relate to an organization’s policies, treatment of clients and employees (e.g. anti-harassment policy, equal payment, fair hiring and promotion, diverse representation), whether they have certifications, or how they engage with Stakeholders.

Resources:

Benchmarking for a better world, <https://www.worldbenchmarkingalliance.org/>

MANAGEMENT APPROACH

Embedding impact management into design and operations

Practice Indicator	Demonstrating achievement of the Practice Indicator	Examples of evidence sources
<p>2.4 The Fund collects and effectively manages impact data including putting in place credible, reliable and practical measures for:</p> <ul style="list-style-type: none"> (1) raw data storage (2) data quality verification (3) privacy mechanisms (4) consideration of privacy, ethical and commercial issues regarding data gathering, use and disclosure (5) use of data in context. 	<p>The Fund demonstrates:</p> <ul style="list-style-type: none"> • robust processes for selecting, collecting, verifying, storing, and using impact data • periodic reassessment of such processes including whether they remain relevant and fit for purpose to support decision making (e.g. that proxies are still sufficiently correlated with the intended outcomes/impacts, and whether there have been developments in standardized metrics). 	<p>Internal documentation including meeting minutes</p> <p>Internal audit reports</p> <p>Interviews with the Impact Manager, key staff and decision makers</p>

Guidance notes and resources

Guidance Note 2.4(1): Inclusive data sources may need to be expanded to counter shortcomings in available data sets and factors that might inadvertently compound disadvantage or discriminatory approaches.

Guidance Note 2.4(2): In accordance with the Fundamental Principles of Official Statistics (General Assembly resolution 68/261) indicators – where feasible, data should be disaggregated by income, sex, age, race, ethnicity, migratory status, disability and geographic location, or other characteristics pertinent to the Fund’s impact goals.

Guidance Note 2.4(3): Quality controls, data protection and internal reporting mechanisms to strengthen the integrity, reliability, quality, accessibility and protection of impact data may include:

- selecting credible data sources, systematically checking assumptions and calculations, and accommodating specific impact-related concepts such as checking data for double counting, drop-off rates and failure rates
- ensuring transparent documentation and audit trails for impact data collected, and including periodical reviews
- where possible, incorporating data validation by collecting impact data gathered and published by others that corroborates (or otherwise) an Investee’s own data
- where appropriate and feasible, conducting internal and/or external verification of impact data, including using data and resources from civil society organisations as a verification source
- implementing measures to ensure the utility of the underlying raw data is not lost by taking it out of the context of other dimensions of impact, or by aggregating the data in a way that may impede clear interpretation of the data; ensuring data can be compared on a period-to-period basis; recording its methods (including data sources, inferences and assumptions made, proxies used) and any limitations
- managing confidentiality, privacy and ethical considerations around Stakeholder information in line with human rights standards (including FPIC, where relevant)
- making appropriate disclosures where data integrity, reliability and/or quality are weak.

Resources:

Fundamental Principles of Official Statistics (General Assembly resolution 68/261), <https://unstats.un.org/unsd/dnss/gp/fundprinciples.aspx>

Impact measurement handbook, https://assets.cdcgroup.com/wp-content/uploads/2019/12/04110848/CDC_ImpactMeasurementHandbook.pdf

MANAGEMENT APPROACH

Embedding impact management into design and operations

Practice Indicator	Demonstrating achievement of the Practice Indicator	Examples of evidence sources
<p>2.5 EXPANDED: The Fund stays abreast of sector advances in impact management, evaluates and draws insights from its actual impact data and performance, and incorporates systematic feedback loops to apply those learnings and insights to continuously improve its impact management practices and performance</p>	<p>The Fund demonstrates:</p> <ul style="list-style-type: none">• a culture of continuous improvement and systematic processes for capturing and incorporating learnings from internal and external sources into impact management practices• a link between learnings through continuous improvement and decision making (e.g. types of strategic and/or management decisions made/supported as a result of learnings).	<p>Interviews with the Impact Manager and key staff</p> <p>Internal documentation (e.g. Fund progress and performance management reporting)</p> <p>Interviews with third party experts</p>

Guidance notes and resources

Guidance Note 2.5(1): This may result in a change to resource allocation.

MANAGEMENT APPROACH

Embedding impact management into design and operations

Practice Indicator	Demonstrating achievement of the Practice Indicator	Examples of evidence sources
2.6 EXPANDED: The Fund's incentive structures reflect its SDG impact intentions and impact goals.	The Fund demonstrates how incentive structures reflect its SDG impact intentions, impact goals and impact performance.	Interviews with the Impact Manager Internal documentation (e.g. individual KPIs and annual performance reviews, reward and recognition criteria, payroll data)
Guidance notes and resources		

MANAGEMENT APPROACH

Embedding impact management into design and operations

Practice Indicator	Demonstrating achievement of the Practice Indicator	Examples of evidence sources
2.7 EXPANDED: The Fund applies equivalent rigour to assessing its impact data as it does to assessing its financial data – especially when impact data significantly affects decision making and/or is not corroborated through other validation techniques.	The Fund demonstrates robust processes for determining when assurance/ verification of impact data may be required.	Interviews with the Impact Manager Internal documentation Internal audit and/or external assurance reports

Guidance notes and resources

Guidance Note 2.7(1): The systems and methodologies for assuring impact data are not yet as well developed as for financial data, which may result in some gaps, limitations and variations in how external assurance for impact data is practically achieved – at least in the short to medium term. ISAE3000, AA100AS, SVI AS are existing assurance frameworks that cover sustainability and non-financial information.

MANAGEMENT APPROACH

Embedding impact management into design and operations

Practice Indicator	Demonstrating achievement of the Practice Indicator	Examples of evidence sources
2.8 EXPANDED: The Fund works proactively to set expectations and promote strategic alignment and agreement with its co-investors and limited partners (including where practicable through screening its potential co-investors and partners).	The Fund demonstrates: <ul style="list-style-type: none">• long term, aligned relationships with current and potential co-investors and limited partners• communication of expectations about SDG intentions and impact goals to co-investors and partners.	Interviews with the Impact Manager and key investors Internal documentation

Guidance notes and resources

Guidance Note 2.8(1): For example, alignment may include the Fund, its co-investors and limited partners agreeing to not subordinate attaining SDG outcomes to attaining financial goals (within reason).

MANAGEMENT APPROACH

Embedding impact management into design and operations

Practice Indicator	Demonstrating achievement of the Practice Indicator	Examples of evidence sources
<p>3.1 The Fund establishes criteria to pre-screen potential Investees against its SDG impact intentions and impact goals.</p>	<p>The Fund demonstrates:</p> <ul style="list-style-type: none"> • alignment between its SDG impact intentions, impact goals and portfolio composition • a robust process for maintaining such alignment over time. 	<p>Interviews with the Impact Manager</p> <p>Fund’s documented pre-screening criteria and outcomes</p> <p>Interviews with Investees</p>

Guidance notes and resources

Guidance Note 3.1(1): Established Funds that may not have had pre-screening criteria previously can demonstrate alignment of outstanding portfolio composition to SDG impact intentions and impact goals and (if relevant) introduce pre-screening criteria prospectively.

Guidance Note 3.1(2): The Fund’s pre-screening criteria should include assessment of potential Investees’ commitment to impact measurement and management and willingness and ability to improve and adapt activities based on the lessons derived from collecting and evaluating impact data.

Guidance Note 3.1(3): The Fund’s pre-screening criteria should include consideration for how likely each Investee is to sustain any positive impacts beyond the Fund’s exit (e.g. by considering whether impact is embedded in the potential Investee’s business model, and considering the pathways to and options for exit accounting for the expected growth trajectory of each Investee’s business).

Guidance Note 3.1(4): The Fund’s pre-screening criteria should include an assessment of Impact Risk (i.e. that impacts will not occur as expected, see Glossary) and the contribution of the Investee’s business and investment to the intended outcomes.

MANAGEMENT APPROACH

Embedding impact management into design and operations

Practice Indicator	Demonstrating achievement of the Practice Indicator	Examples of evidence sources
<p>3.2 The Fund is transparent about its SDG impact intentions and impact goals, and engages proactively and works collaboratively with potential Investees (and through them impacted Stakeholders), co-investors and limited partners (if applicable) through the impact due diligence and investment process, to agree impact terms and an impact plan to optimize future impact performance.</p>	<p>In its dealings with potential Investees, the Fund demonstrates:</p> <ul style="list-style-type: none"> • expectations are communicated about impact measurement and management processes and requirements • appropriate engagement to satisfy itself of potential Investees ability and willingness to improve, adapt and learn, including to rectify shortcomings and/or change direction based on results • engagement concerning adequacy of systems in place to manage impact appropriately. <p>In its dealings with Investees, co-investors, limited partners and other key stakeholders, the Fund demonstrates:</p> <ul style="list-style-type: none"> • strong levels of engagement, collaboration and transparency throughout the impact due diligence and investment structuring process • alignment and setting of shared impact objectives and expectations • agreement on clear impact terms, roles and responsibilities • appropriate rules of engagement for a constructive dialogue and partnership post investment. 	<p>Interviews with the Impact Manager</p> <p>Internal documentation (including impact terms and impact plans)</p> <p>Interviews with key Stakeholders (e.g. Investees, co-investors, limited partners and impacted Stakeholders)</p>

Guidance notes and resources

Guidance Note 3.2(1): This includes explaining to potential Investees what to expect from the Fund’s impact due diligence process, and what data the Fund will require for diligence and ongoing impact management.

Guidance Note 3.2(2): Impact plans may not be finalized/formalized until post investment.

Guidance Note 3.2(3): The impact terms and impact plan for each Investee should:

- document how the relevant thresholds were determined and substantiated (i.e. the level that indicates whether or not the SDG need in that context has been met) for the material outcomes being targeted by each Investee, including confirming the targeted outcomes are a priority in-country (or region), ensuring affected Stakeholders have not already met the desired outcome for the threshold (i.e. the need has not yet been fully met), and using SDG intelligence data and insights in context from reputable sources or partnering with reputable sustainable development agencies to design solutions for impact and system change
- establish credible and measurable baselines for impact performance, to measure future actual impact performance against. Baselines might include one or more of historical impact performance (if relevant and available), current impact performance (if relevant and available) that can provide a measure of baseline impact performance at the start of the financing period, the investee’s forecast pre-investment, expected impact performance (accounting for the investment and Fund’s other contribution(s) to the Investee’s impact performance), and where feasible, the outcomes that would likely have happened anyway (i.e. regardless of inclusion in the Fund), to enable ongoing assessment of the Fund’s and each Investee’s performance and contribution to impact)

- establish realistic but ambitious impact targets for each investment, accounting for the Investee's current impact performance, and specific SDG priorities and targets using SDG intelligence data and insights in context from reputable sources. (A theory of change and results measurement framework may be developed as the core indicator (i.e. target) with specific, quantitative metric targets set in its extended indicators – especially where setting specific core targets may not be feasible)
- document the rationale for selected targets, demonstrating impact targets are evidence-based (drawing on available research and data), or evidence-able (e.g. where new, innovative approaches are being tested) and based on a logical theory of change (or impact thesis) that will be tested and assessed over the term of the investment (and ideally beyond)
- where appropriate and feasible, specify which standardized metrics and/or metric sets (e.g. GRI, SASB, IRIS+) linked to specific SDG targets or outcomes and set across the Five Dimensions of Impact will be utilized to monitor, assess and evaluate the actual impact performance of the Investee and the investment. Where non-standard or bespoke metrics are selected (e.g. where standardized metrics do not exist or are not fit for purpose in a particular context) the Fund can demonstrate the selected metrics promote comparability
- detail who will be responsible for collecting impact data and calculating metrics (where relevant), and the expected frequency, methods, and quality of impact data collection and reporting (including ensuring that the relevant parties have the capacity and capability to undertake the task effectively)
- detail how impact data about the Investee and/or investment will be used by the Fund (e.g. to monitor and assess the Investee's impact performance, to assess the Fund's contribution to the Investee's impact, and to report to investors and other Stakeholders on the performance of the Fund's investments (in Investees) and the performance of its portfolio overall)
- ensure appropriate impact measurement and management resources are allocated and costed into business plans
- detail investments to be made in building the potential Investee's impact measurement and management capacity and capability (e.g. if a portion of the investment funds are being earmarked for capacity building, or if the Fund has agreed to provide technical assistance to the potential Investee)
- detail how investment exits are expected to be conducted, including consideration of impacts on Stakeholders and how impact will be sustained post investment
- detail governance roles and needs (including alignment and agreement with co-investors and limited partners about the Investee's impact and growth strategy)
- detail consequences for breaches, e.g. if the potential Investee fails to provide impact data of the agreed quality and frequency
- detail dispute resolution measures to resolve disagreements that may arise during the course of the investment
- detail investor protection measures (if applicable) should the investment or investee not perform as expected
- detail expected conduct in circumstances of duress and investments in distress (e.g. agreeing to a managed wind down and transition of services rather than a hard stop)
- focus on particular aspects of the Investee's business the Investee's management can drive to lead to greater impact
- include the contributions the Fund will make to amplifying or strengthening the Investee's impact, e.g. ongoing technical assistance the Fund may provide to help the Investee achieve its impact goals/plans, plans for assisting the Investee to improve its impact measurement, management and reporting systems over time as the business grows and matures.

Guidance Note 3.2(5): The Protection measures may include covenants or direct action (such as taking board or advisory board seats) that come into effect if certain adverse events occur relating to the agreed and/or expected impact performance of the potential Investee. The Fund should exercise due care when incorporating protection measures into its terms with Investees to avoid creating unintended consequences (e.g. perverse incentives or unreasonable constraints on flexibility such as limiting the potential Investee's future ability to raise capital).

Guidance Note 3.2(6): Targets should account for relative differences between Stakeholder groups. For example, in a given country, on average the threshold may be met, however outcomes for certain Stakeholder groups (e.g. socio-economically disadvantaged groups, indigenous peoples, people living with disability, women) may be significantly below the threshold level.

Guidance Note 3.2(7): The Fund should assess the potential Investee's commitment to impact measurement and management, and willingness and ability to improve and adapt activities based on the lessons derived from collecting impact performance data over time and account for this in its initial investment decision.

Guidance Note 3.2(8): The Fund should consider how likely the potential Investee will sustain any positive impacts beyond exit (e.g. considering the expected growth trajectory of the Investee's business, considering pathways to and options for exit, and considering whether impact is embedded in the potential Investee's business model) and account for these actions in its initial investment decision.

MANAGEMENT APPROACH

Embedding impact management into design and operations

Practice Indicator	Demonstrating achievement of the Practice Indicator	Examples of evidence sources
<p>3.3 The Fund conducts ex ante impact assessments of potential Investees that pass its pre-screening criteria, to confirm their suitability for inclusion in the Fund.</p>	<p>The Fund demonstrates due diligence in:</p> <ul style="list-style-type: none"> • impact assessment criteria that conform to international guidelines including testing the robustness and integrity of Investees’ impact models and the assumptions underpinning their theories of change and impact forecasts • assessment of the Investee’s direct operations and its respective value chains (including products/services, distribution and supply chains) • assessment of the impacts on different groups of Stakeholders separately • evaluation of future expected impact performance. 	<p>Interview with the Impact Manager Internal documentation Interviews with Stakeholders</p>

Guidance notes and resources

Guidance Note 3.3(1): Relevant international guidelines include OECD Due Diligence Guidance for Responsible Business Conduct (2018); OECD Better Criteria for Better Evaluation: Revised Evaluation Criteria, Definitions and Principles for Use; OECD/DAC Network on Development Evaluation (2019); Working Group on the issue of human rights and transnational corporations and other business enterprises – 73rd GA session 2018. Consideration should also be given to issues of provenance e.g. with respect to indigenous land rights.

Guidance Note 3.3(2): Due diligence of impact assessments includes evaluating the expected (positive, negative, intended and unintended) material impact(s) on Stakeholders, using the Five Dimensions of Impact (which includes considering the specific SDG targets impacted) within the framework of the 15 data categories, and then classifying the overall impact of each potential Investee against the ABC Impact Classifications. The Five Dimensions of Impact associated 15 data categories and the resultant ABC Impact Classifications and other core design elements are summarised in the Appendix. More information on IMP’s shared convention for measuring, managing and communicating impact and tools for applying the convention can be found at www.impactmanagementproject.com.

Guidance Note 3.3(3): With the benefit of increased information from the impact assessment/due diligence process, the Fund refreshes its pre-screening assessment of how the potential Investee/investment will contribute to the Fund’s impact goals at the portfolio level, including an assessment of Impact Risk across the portfolio.

Guidance Note 3.3(4): The 15 data categories is a tool to help users understand impact across the Five Dimensions of Impact in a consistent way and make better decisions. It provides a means to an end; its purpose is not to be applied as an end in itself. Further, data across all 15 data categories may not be available or relevant in all instances. Funds should record and communicate instances when data is unavailable or insufficient, and account for that in their impact risk assessment.

Guidance Note 3.3(5): Additional sectoral due diligence may be appropriate in high risk sectors (e.g. agri-business, apparel, housing or land acquisition related activities that may result in relocation or displacement), or when dealing with marginalized Stakeholder groups (e.g. indigenous peoples). In these instances, the Fund should also conduct ex post monitoring and evaluation activities.

Guidance Note 3.3(6): The Fund should consider in its ex ante investment decision the extent to which the potential Investee understands its target Stakeholders needs and involves Stakeholders in its decision making processes and impact data collection and analysis (e.g. how the potential Investee identifies its Stakeholders; involves Stakeholders in the design process for its products and services, involves Stakeholders in determining what impacts matter and collecting and analyzing impact data (while not being overly burdensome), and corroborates information about Stakeholders (e.g. by collecting and analyzing various perspectives from different Stakeholders as well as through third party research or evidence), and identifies and mitigates the risks associated with using information received from different Stakeholder groups (e.g. reliability, bias, relevance to context)).

Resources:

How enterprises manage impact, <https://impactmanagementproject.com/impact-management/how-enterprises-manage-impact/>

A Guide to Classifying the Impact of an Investment, April 2018

Impact Management Project, www.impactmangementproject.com

UN Guiding Principles Reporting Framework, <https://www.ungpreporting.org/glossary/human-rights-due-diligence/>

UN Working Group guidance on human rights due diligence, Oct 2018

OECD Due Diligence Guidance for Responsible Business Conduct, May 2018

The Danish Institute for Human Rights, Impact Assessment Guidance & Toolbox, 2016

CDC's Impact measurement handbook

GRI Reporting Standards

SASB reporting Standards

IRIS+ metric sets

Blueprint for business leadership on the SDGs, <https://blueprint.unglobalcompact.org/>

SDG Compass, <https://sdgcompass.org/>

SDG Industry matrix, <https://www.unglobalcompact.org/library/3111> (SDG Industry Matrix)

Measuring progress towards the Sustainable Development Goals, <https://sdg-tracker.org/>

SDG action manager, <https://www.unglobalcompact.org/take-action/sdg-action-manager>

Science Based Targets, <https://sciencebasedtargets.org/>

UN environment emissions gap report, <https://unepdtu.org/project/un-environment-emissions-gap-report/>

Global stocktake, <https://unfccc.int/topics/science/workstreams/global-stocktake-referred-to-in-article-14-of-the-paris-agreement>

SDG Impact Investor Maps – Web Demo

OPPORTUNITY2030: SDG Investment Map

Impact Goals, <https://impactmanagementproject.com/wp-content/uploads/Looking-back-at-emerging-consensus-about-Impact-Goals.pdf>

Impact due diligence: emerging best practices, http://www.pacificcommunityventures.org/wp-content/uploads/sites/6/Impact-Due-Diligence-Emerging-Best-Practices_website.pdf

The Impact Due Diligence Guide, Pacific Community Ventures, 2019

For ex ante impact assessments, investors look not only at past and current impact but also examine projected impacts. See our definition on expected impact in Due diligence emerging best practices, http://www.pacificcommunityventures.org/wp-content/uploads/sites/6/Impact-Due-Diligence-Emerging-Best-Practices_website.pdf, p. 13

The Good Investor: A Book of Best Impact Practice, Adrian Hornsby and Gabi Blumberg, published by Investing for Good, 2013

MANAGEMENT APPROACH

Embedding impact management into design and operations

Practice Indicator	Demonstrating achievement of the Practice Indicator	Examples of evidence sources
3.4 The Fund periodically reviews – and where appropriate refines – its Investee pre-screening and ex ante impact assessment criteria in line with periodic reviews of its SDG impact intentions, impact goals and impact performance.	The Fund demonstrates: <ul style="list-style-type: none">• alignment of Investees with the Fund’s SDG impact intentions, impact goals and satisfaction of its pre-screening and impact assessment criteria• alignment of its pre-screening and impact assessment criteria with its SDG impact intentions and impact goals• it incorporates learnings from actual SDG impact performance and responds to changes in the sustainable development context.	Interviews with the Impact Manager Internal documentation Publicly available reports of Investee companies (if any)
Guidance notes and resources		

MANAGEMENT APPROACH

Embedding impact management into design and operations

Practice Indicator	Demonstrating achievement of the Practice Indicator	Examples of evidence sources
3.5 EXPANDED: The Fund has its Investee impact assessments verified by a qualified external assurance provider before inclusion in the Fund.	The Fund demonstrates: <ul style="list-style-type: none">• a risk-based approach to determining when it will seek external assurance of impact assessments• a robust process for reviewing external assurance reports of impact assessments.	Interviews with the Impact Manager Internal documentation detailing rationale, internal audit reports External assurance reports of impact assessments conducted
Guidance notes and resources		

MANAGEMENT APPROACH

Embedding impact management into design and operations

Practice Indicator	Demonstrating achievement of the Practice Indicator	Examples of evidence sources
<p>4.1 The Fund's ex post impact management practices systematically measure, monitor, evaluate and respond to the actual impact performance of the Fund overall (against its impact goals) and each Investee (against their respective impact terms, impact plans and established impact baselines, thresholds and targets).</p>	<p>The Fund demonstrates:</p> <ul style="list-style-type: none"> • a robust process to monitor, measure and evaluate Investees' adherence to impact terms and progress against impact plans • a robust process to collect impact data (directly or through its Investees) in its ex post impact management activities, to monitor impact performance and test the validity of any assumptions made or proxies used in its ex ante impact assessments and fill data gaps by establishing a track record • a robust process for identifying and evaluating the reasons for deviations from expected performance (at the Investee and Fund level), and where necessary, responding appropriately (including accounting for the immediate and sustained impact(s) on Stakeholders) • a robust process for dealing with impact underperformance or the identification of unintended impacts • how it proactively engages with Investees (and through them with Stakeholders) to improve and optimize the impact performance of its investments; • how it continues to include past Investees that have been reallocated or exited (including where they were not meeting their targets) in its assessment of the Fund's impact performance • use of data to inform its decision making and benchmark its performance • it takes appropriate action to respond to changes in the sustainable development context, and recognizing that reality may be different to original assumptions and expectations. 	<p>Interviews with the Impact Manager</p> <p>Internal documentation including impact performance reports</p>

Guidance notes and resources

Resources:

OECD Due Diligence Guidance for Responsible Business Conduct (2018)

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

OECD/DAC Network on Development Evaluation (2019)

How do we know if impact has occurred, https://impactmanagementproject.com/wp-content/uploads/How-do-we-know-if-impact-has-occured_.pdf

The Danish Institute for Human Rights, Impact Assessment Guidance & Toolbox, 2016

The Good Investor: A Book of Best Impact Practice, Adrian Hornsby and Gabi Blumberg, published by Investing for Good, 2013

MANAGEMENT APPROACH

Embedding impact management into design and operations

Practice Indicator	Demonstrating achievement of the Practice Indicator	Examples of evidence sources
4.2 The Fund proactively manages its exit from investments to optimize effects on Stakeholders and sustained impact post exit.	The Fund demonstrates: <ul style="list-style-type: none">• a robust process for monitoring and reassessing its exit options and pathways throughout the investment’s lifecycle to optimize sustained impact and effects on Stakeholders post exit• how consideration of impacts on Stakeholders and sustained impact post exit influences decision making (e.g. timing and/or course of action)• assessment of the overall impact of each investment at (or if needed after) exit• evaluation of the impact (of exit) on Stakeholders and sustained impact post exit• incorporation of learnings into the Fund’s impact management practices.	Interviews with the Impact Manager Internal documentation
Guidance notes and resources		

TRANSPARENCY

Transparent impact reporting and comparability for more informed decision making

Practice Indicator	Demonstrating achievement of the Practice Indicator	Examples of evidence sources
<p>5.1 The Fund discloses relevant information about the Fund and the Fund Manager in its legal and offering documentation to enable Stakeholders to make informed decisions about the Fund’s impact characteristics and credentials.</p>	<p>The Fund discloses information about:</p> <ul style="list-style-type: none"> • the Fund’s and the Fund Manager’s responsible business practices, performance and plans for continuous improvement in line with Standard 6 • the Fund’s SDG impact intentions and impact goals (including making explicit how much of the Fund’s portfolio (e.g. expected, minimum and maximum) it intends to allocate towards each of the ABC Impact Classifications and specific SDG related outcomes and/or targets described across the Five Dimensions of Impact • the level of ambition in its SDG impact intentions and impact goals • how it engaged with Stakeholders and drew on available evidence and country-specific SDG impact data and information from reputable agencies in developing its impact goals • material impact risks and opportunities (to those that will experience the impacts) • how it intends to screen and select Investees in line with its SDG impact intentions and impact goals • its impact measurement and management practices • whether it intends to have its impact data, impact assessments, impact reports and/or its impact management practices externally assured, and its rationale for doing so (or not). 	<p>Fund’s legal documentation and offering documents</p> <p>Fund Manager’s annual reports</p> <p>Internal documentation</p> <p>Interviews with the Impact Manager</p>
<p>Guidance notes and resources</p>		

TRANSPARENCY

Transparent impact reporting and comparability for more informed decision making

Practice Indicator	Demonstrating achievement of the Practice Indicator	Examples of evidence sources
<p>5.2 The Fund regularly (at least annually) reports on its impact characteristics and performance.</p>	<p>The Fund's external impact reports include:</p> <ul style="list-style-type: none"> • a description of the actual SDG impact characteristics of the portfolio using the SDGs, Five Dimensions of Impact and ABC Impact Classifications • the actual impact performance of its portfolio in the period overall, relative to its initial SDG impact intentions and impact goals, including explanations for deviations from expected/targeted performance and any actions taken and/or lessons learned • the actual impact performance of its underlying investments in Investees in the period relative to any thresholds, baselines or targets established for each investment/Investee (at a minimum, in summary aggregated form), including explanations for deviations from expected/targeted performance and any actions taken and/or any lessons learned (at a minimum, in summary aggregated form) • how the Fund Manager and Fund are avoiding and/or mitigating negative environmental, social and governance (ESG) impacts in their direct operations and promoting the same throughout their (and Investees') supply and value chains; and details of any claims and remedial actions taken and changes made during the reporting period to responsible business policies and practices • which standardized (and if relevant any bespoke) metrics and metrics sets it uses and why they were selected, including for example, why certain activity or output metrics are suitable proxies for specific outcomes, and/or (where relevant) how metrics align with specific SDGs and associated targets and are set across the Five Dimensions of Impact • the methods, limitations and assumptions of the impact data and metrics it has used and relied upon to make decisions and report its impact performance • how it made decisions about any trade-offs (e.g. between positive and negative outcomes; between different stakeholder groups) • material impact risks and opportunities (to those experiencing the impacts) • details of, and its rationale for, any exits or reallocations of Investees from its Fund, or updates to its SDG impact intentions, impact goals, or thresholds, baselines and/or targets it applies to its investments in Investees 	<p>Fund's impact reports Investor presentations Fund's annual report</p>

5.2		<ul style="list-style-type: none"> • details of any external assurance or verification of its impact data, impact assessments, or its impact reports • if it elects to have its impact management practices certified by an independent, UNDP accredited certifier under these Standards, (i) details of such certification including the date of the certification, (ii) who conducted the certification, (iii) the outcome of the certification – including any findings and/or agreed improvement plans to address deficiencies identified in the most recent certification process, (iv) changes from the previous certification (if relevant), (v) the intended frequency of future certifications and (vi) progress updates against (any) agreed improvement plans. 	
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Guidance notes and resources

Guidance Note 5.2(1): Impacts include all material positive, negative, intended and unintended impacts.

Guidance Note 5.2(2): Impacts on different Stakeholder groups should be reported separately, rather than assuming that positive impacts against one Stakeholder group can offset or be netted off against negative impacts on other Stakeholder groups.

Guidance Note 5.2(3): Consistent with Standard 4.1, the Fund includes past Investees that have been reallocated or exited (including where they were not meeting their targets) in its impact performance reporting.

Resources:

Global Reporting Initiative

Sustainability Accounting Standards Board

Sustainable Development Goals Disclosure (SDGD) Recommendations

Integrating the SDGs into corporate reporting: a practical guide, https://www.globalreporting.org/resource/library/GRI_UNGC_Reporting-on-SDGs_Practical_Guide.pdf

Global Reporting Initiative (GRI), PRI, UN Global Compact, Business Reporting on the SDGs, In Focus: Addressing Investor Needs in Business Reporting on the SDGs

TRANSPARENCY

Transparent impact reporting and comparability for more informed decision making

Practice Indicator		Demonstrating achievement of the Practice Indicator	Examples of evidence sources
5.3	The Fund periodically reviews its disclosures and reporting, to ensure it continues to meet the needs of Stakeholders, incorporates sector advances in impact reporting practices, and otherwise promotes transparency, consistency and comparability.	The Fund demonstrates a proactive stance towards best practice, standardized impact reporting, market intelligence gathering, internal reviews and incorporation of learnings into its impact reporting practices.	Interviews with the Impact Manager Internal documentation
Guidance notes and resources			

TRANSPARENCY

Transparent impact reporting and comparability for more informed decision making

Practice Indicator		Demonstrating achievement of the Practice Indicator	Examples of evidence sources
5.4	EXPANDED: The Fund has its impact reports externally assured.	<p>The Fund demonstrates:</p> <ul style="list-style-type: none">• a robust process for reviewing external assurance reports, including following up on findings with suitable rectification measures in a timely manner• transparency with its Stakeholders, including results of external assurance, management action plans and progress against management action plans• suitable rectification measures have been taken to respond to any significant findings raised from external assurance of its impact reports.	<p>Interviews with the Impact Manager</p> <p>Internal audit reports</p> <p>External assurance reports</p>
Guidance notes and resources			

TRANSPARENCY

Transparent impact reporting and comparability for more informed decision making

Practice Indicator		Demonstrating achievement of the Practice Indicator	Examples of evidence sources
5.5	EXPANDED: The Fund regularly (at least annually) provides expanded impact reporting.	The Fund's external reporting provides disaggregated impact characteristics and performance reporting (subject to protecting Stakeholder privacy where relevant) on all its portfolio holdings in line with Standard 5.2.	External impact reports Annual reports Investor presentations
Guidance notes and resources			

GOVERNANCE

Integrating effective governance oversight and operating context for impact management

Practice Indicator	Demonstrating achievement of the Practice Indicator	Examples of evidence sources
<p>6.1 Governance policies, practices and mechanisms for both the Fund and the Fund Manager demonstrate commitment to building and continuously improving an organization-wide culture of adhering to and respecting human rights and other responsible business practices.</p>	<p>The Fund and Fund Manager demonstrate:</p> <ul style="list-style-type: none"> • their governing bodies have oversight of key policies for their respective entities such as the business code of conduct policy that covers human rights (including labor, gender, diversity and inclusion, confidentiality and privacy considerations), anti-corruption and environment; • no significant adverse findings without adequate remedies in place • the mechanisms (e.g. internal audit, performance incentives) the governing bodies use to effect oversight of responsible business practices • they have oversight of policies governing Meaningful Stakeholder Engagement (and protection) including having effective Stakeholder grievance mechanisms in place • their governing bodies have oversight of matters relating to organizational culture • their policies and practices align with and adhere to the UN Guiding Principles for Business and Human Rights and the Ten Principles of the UN Global Compact, including establishing or participating in effective grievance mechanisms, and evidence of improvement year on year • their governing bodies and senior executive leaderships' commitment to human rights, other responsible business practices and sustainable development issues is visible within the organization. 	<p>Papers and minutes of both the Fund and Fund Manager's governing bodies and/or bodies with the appropriate delegated authority</p> <p>Internal audit reports</p> <p>External audit reports</p> <p>Internal documentation, including policies, internal communications, related internal training materials</p> <p>Stakeholder grievance mechanisms, complaints register and actions taken</p> <p>Interviews with members of the Fund and Fund Manager's governing bodies and senior leadership teams</p> <p>Interviews with staff</p>

Guidance notes and resources

Guidance Note 6.1(1): This includes reducing negative impacts that may be caused or contributed through direct activities, or that are directly linked to operations, products or services through supply and value chains and by business relationships.

Guidance Note 6.1(2): Also including the International Standard of free, prior and informed consent (FPIC) in relation to indigenous peoples, where relevant.

Guidance Note 6.1(3): No evidence that the behaviors and decisions made or supported by the Fund Manager or the Fund contradict the Fund's stated SDG impact intentions and impact goals. Examples include in relation to lobbying and engagement activities with regulators and policy makers, taxation practices, and distribution of risk and reward between the Fund, its Investees and their Stakeholders. For example, the Fund/Fund Manager does not use tax-minimization structures that reduce tax revenue for the country in which the SDG-enabling activities take place, including using double taxation agreements or structures that utilize low-tax jurisdictions or tax havens, or not complying with the OECD Base erosion and profit shifting requirements and principles; the Fund/Fund Manager does not extract cash from Investees and/or leverage up their investments with debt to take cash out and lock in minimum return to the Fund in the first couple of years, resulting in an inequitable distribution of risk and reward (or in other words socializing the risks while privatizing the returns).

Resources:

United Nations Guiding Principles on Business and Human Rights

The Ten Principles of the UN Global Compact

The OECD Guidelines for Multinational Enterprises

OECD Due Diligence Guidance for Responsible Business Conduct (2018)

International Standard of free, prior and informed consent (FPIC) in relation to indigenous peoples

Blab SDG Action Manager, Baseline Module

Sustainable Development Goals Disclosure (SDGD) Recommendations

The Problem with How we Measure Business Respect for Human Rights, <https://www.shiftproject.org/valuing-respect/the-conversation/visual-summary/>

Managing Culture: A Good Practice Guide, First Edition, December 2017, The Institute of Internal Auditors Australia, The Ethics Centre, Governance Institute of Australia, Chartered Accountants Australia + New Zealand;

Why Ethical People Make Unethical Choices, Ron Carucci, Harvard Business Review, 16 December, 2016

World Economic Forum Jan 2020 Consultation Draft: Toward Common Metrics and Consistent Reporting of Sustainable Value Creation

SVI Standard for Applying Principle 1: Involve Stakeholders

Social transformation, <https://www.worldbenchmarkingalliance.org/social-transformation/>

Investor Alliance for Human Rights, Investor Toolkit on Human Rights, 2020

GOVERNANCE

Integrating effective governance oversight and operating context for impact management

Practice Indicator	Demonstrating achievement of the Practice Indicator	Examples of evidence sources
<p>6.2 The Fund's governing body is accountable for impact (including being actively involved in decision making) and has effective oversight of the Fund's impact management practices and performance</p>	<p>The Fund demonstrates:</p> <ul style="list-style-type: none"> • how its impact goals were arrived at and approved by the appropriate governing body, and that ongoing oversight processes are in place to ensure they remain fit for purpose • how the governing body satisfied itself that the Fund has adequate resources and impact management capabilities to execute its SDG impact intentions and impact goals • the governing body receives information concerning progress against the Fund's impact goals, material risks and strategies for managing impact performance • the governing body has oversight of policies and practices that govern Meaningful Stakeholder Engagement in the Fund's impact management practices • internal and/or external impact audit or assurance reports are considered by the governing body, or a body with the appropriate delegated authority and reported to the governing body • the mechanisms (e.g. internal audit, performance incentives, establishment of an impact committee) the Fund's governing body uses to effect oversight of the Fund's impact management practices and performance • its external impact reports include a statement from its governing body Chair that the governing body has considered the information disclosed in those reports and accepts responsibility for it 	<p>Papers and minutes of the Fund's governing body and/or body with appropriate delegated authority</p> <p>Interviews with a member of the governing body (or delegated body)</p> <p>External impact reports</p>

Guidance notes and resources

Guidance Note 6.2(1): Over time, the composition of the Fund's governing body should seek to develop and/or the governing body should have access to competencies relating to human rights, the SDGs most relevant to the Fund's context, impact measurement and management and internal control systems. The Fund's governing body should also demonstrate good practice for diversity including representation by women and under-represented Stakeholder groups.

Guidance Note 6.2(2): For example, stated commitments to managing impact are supported by appropriate resource allocation and budgeting for investment in impact management capacity, capabilities and resources. Impact performance may be integrated into incentive structures. Impact performance may be highlighted in internal and external communications alongside financial performance.

Resources:

United Nations Guiding Principles on Business and Human Rights

The Ten Principles of the UN Global Compact

The OECD Guidelines for Multinational Enterprise

OECD Due Diligence Guidance for Responsible Business Conduct (2018)

International Standard of free, prior and informed consent (FPIC) in relation to indigenous peoples

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Managing Culture: A Good Practice Guide, First Edition, December 2017, The Institute of Internal Auditors Australia, The Ethics Centre, Governance Institute of Australia, Chartered Accountants Australia + New Zealand

Why Ethical People Make Unethical Choices, Ron Carucci, Harvard Business Review, 16 December, 2016

World Economic Forum Jan 2020 Consultation Draft: Toward Common Metrics and Consistent Reporting of Sustainable Value Creation

SVI Standard for Applying Principle 1: Involve Stakeholders

Glossary

<p>ABC impact classifications</p>	<p>Developed by the Impact Management Project and adapted for these Standards by SDG Impact. The impact classifications are the output of applying the Five Dimensions of Impact and associated data categories.</p> <p>Does (or may) cause harm (including harm that detracts from achieving the SDGs)</p> <p>Act to avoid harm (including harm that detracts from achieving the SDGs): Activities that are expected to prevent or significantly reduce important negative outcomes for people and the planet.</p> <p>Benefit Stakeholders in relation to the SDGs: Activities that are not only expected to act to avoid harm, but also generate positive outcomes for people and the planet.</p> <p>Contribute to solutions towards achieving the SDGs: Activities that are not only expected to act to avoid harm, but also generate a significant change resulting in important positive outcomes for otherwise underserved people and the planet.</p> <p><i>Source: Impact Management Project, adapted by SDG Impact</i></p>
<p>Activities</p>	<p>Direct and indirect business operations, including sales, service, procurement, marketing and stakeholder interactions whether undertaken via employees or through related parties.</p>
<p>Assurance</p>	<p>For these Standards, assurance involves an independent, UNDP accredited assurance provider examining both qualitative and quantitative evidence to support each Practice Indicator. By nature of the subject matter and to support the key objectives of these Standards, such assurance will include narrative reporting and require the assurance provider to exercise judgement. Assurance adds credibility to a Fund's intentions (and claims) that it is financing SDG-enabling activities, by providing confidence that its impact management practices are consistent with those intentions and claims. The benefits of assurance may include:</p> <ul style="list-style-type: none"> • enhancing the rigour and integrity of the Fund's internal impact management processes • enhancing the impact of the Fund's Investees • enhancing impact integrity, transparency and comparability that promotes trust and confidence and market development in financing activities that support achieving the SDGs (including reducing harmful activities) • positively differentiating Funds from other uncertified funds making SDG claims.
<p>Business model</p>	<p>System of transforming inputs into outputs, outcomes and impacts that fulfil the enterprise's strategic purpose.</p>
<p>Data taxonomy</p>	<p>Classification of data into categories and sub-categories, with controls to improve data consistency and comparability.</p>

<p>EU Taxonomy</p>	<p>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.</p> <p><i>Source: Supplementary Report 2019 by the Technical Expert Group on Sustainable Finance, Financing a Sustainable European Economy: Using the Taxonomy</i></p>
<p>Five dimensions of impact</p>	<p>Developed by the Impact Management Project. The Five Dimensions classify impact across consistent impact data categories (see below) to form a nuanced and complete understanding of the nature of impact created or expected.</p> <ol style="list-style-type: none"> 1. What type and level of outcomes relating to specific SDG targets the Fund's activities and investments generate, and the importance of those outcomes to the people and planet experiencing them, as well as how the threshold for what constitutes a positive outcome has been determined 2. Who experiences the outcomes, including their baseline level of outcome (e.g. how underserved they are in relation to the outcome) and any other relevant demographic information 3. How much of the outcomes the Fund aims to generate, in terms of scale, depth and duration 4. Contribution the Fund's activities and investments make to the outcomes, accounting for what would likely happen anyway 5. Risk to people and planet that the Fund's actual impacts on the SDGs may be different to the expected impacts, with reference to specific substantial impact risk factors (see Impact Risk). <p><i>Source: Impact Management Project</i></p>
<p>Fund</p>	<p>The Fund whose intention it is to enable the SDGs.</p>
<p>Fund's contribution(s) to SDG impact</p>	<p>(1) – (4) were developed by the Impact Management Project. The contribution(s) the Fund makes to Investees' impact on the SDGs, including:</p> <p>(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 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.</p> <p>(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 their own teams or consultants to provide hands-on management support.</p>

<p>Fund's contribution(s) to SDG Impact (continuation)</p>	<p>(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 SDG impact intentions and goals. This may involve taking on additional complexity, illiquidity or perceived higher risk.</p> <p>(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.</p> <p>(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 learnings 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.</p>
<p>Fund Manager</p>	<p>The entity responsible for implementing the Fund's strategy and managing its portfolio.</p>
<p>GIIN (Global Impact Investing Network)</p>	<p>A global network dedicated to increasing scale and effectiveness in impact investing around the world.</p>
<p>GIIN's Core Characteristics of Impact Investing</p>	<p>Baseline expectations of what it means to practise impact investing: demonstrate intentionality; use evidence and impact data in investment design; manage impact performance; and contribute to the growth of the industry.</p>
<p>Governing body</p>	<p>The Fund's board or highest governing body.</p>
<p>GRI (Global Reporting Initiative)</p>	<p>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.</p>
<p>GRI's Reporting Principles</p>	<p>Principles for defining report content:</p> <p>Stakeholder inclusiveness: Identify stakeholders and explain responses to their reasonable expectations and interests</p> <p>Sustainability context: Present the organization's performance in the wider context of sustainability</p> <p>Materiality: Cover aspects that reflect the organization's significant economic, environmental and social impacts, or substantively influence the assessments and decisions of stakeholders</p> <p>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.</p>

<p>GRI's Reporting Principles (continuation)</p>	<p>Principles for defining report quality:</p> <p>Balance: Reflect positive and negative aspects of performance to enable a reasoned assessment of overall performance</p> <p>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</p> <p>Accuracy: Provide sufficiently accurate and detailed information for stakeholders to assess performance</p> <p>Timeliness: Report on a regular schedule so that timely information is available for stakeholders to make informed decisions</p> <p>Clarity: Make information understandable and accessible to stakeholders</p> <p>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.</p> <p><i>Source: Global Reporting Initiative, and as updated from time to time</i></p>
<p>IFC (International Finance Corporation)</p>	<p>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.</p>
<p>IMP (Impact Management Project)</p>	<p>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.</p>
<p>Impact</p>	<p>A change in a social, environmental or economic outcome caused by an organization [either partially or wholly]. An impact can be positive or negative, intended or unintended.</p> <p><i>Source: Impact Management Project</i></p>
<p>Impact data categories</p>	<p>Developed by IMP. Data to assess expected or actual performance across the Five Dimensions of impact consistently and comparably.</p> <p>What:</p> <ol style="list-style-type: none"> Outcome level in period: The level of outcome experienced by the Stakeholder when engaging with the Fund or Investee. The outcome can be positive or negative, intended or unintended. Outcome threshold: The level of outcome that the Stakeholder considers to be a positive outcome or 'good enough'. The outcome threshold can be a nationally – or internationally – agreed level, set by a reputable agency. Anything below this level is considered a negative outcome. (Note: care should be taken to recognize (and adjust accordingly) that under-represented Stakeholder populations may not be aware of the negative impacts that business or other activities may have on their or others access to basic rights and services). Importance of outcome to Stakeholder: The Stakeholder's view of whether the outcome they experience is material (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. SDGs and SDG targets: The specific SDG target(s) that the outcome relates to.

<p>Impact data categories (continuation)</p>	<p>Who:</p> <ol style="list-style-type: none"> 5. Stakeholder: The type of stakeholder experiencing the impact. 6. Geographical boundary: The geographical location where the Stakeholder experiences the social and/or environmental outcome. 7. Outcome level at baseline: The level of outcome being experienced by the Stakeholder before engaging with, or otherwise being affected by, the Fund or Investee. 8. Stakeholder characteristics: Socio-demographic and/or behavioral characteristics and/or ecosystem characteristics of the Stakeholders to enable segmentation. <p>How much:</p> <ol style="list-style-type: none"> 9. Scale: The number of individuals experiencing the outcome. When the planet is the Stakeholder, this category is not relevant. 10. Depth: The degree of change experienced by the Stakeholder. Depth is calculated by analysing the change that has occurred between the “Outcome level at baseline” (Who) and the “Outcome level in period” (What). 11. Duration: The time period for which the Stakeholder experiences the outcome. <p>Contribution:</p> <ol style="list-style-type: none"> 12. Depth counterfactual: The estimated degree of change that would have happened anyway – without engaging with, or being affected by, the Fund or Investee. 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 13. Duration counterfactual: The estimated time period that the outcome would have lasted for anyway – without engaging with, or being affected by, the Fund or Investee. 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 <p>Risk:</p> <ol style="list-style-type: none"> 14. Risk type: The type of risk that may undermine the delivery of the expected impact for people and/or the planet. (see glossary for types and descriptions of impact risks). 15. Risk level: The level of risk, assessed by combining the likelihood of the risk occurring, and the severity of the consequences for people and/or the planet if it does. <p><i>Source: Impact Management Project</i></p>
<p>Impact integrity</p>	<p>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.</p> <p>Key attributes of impact integrity include:</p> <ul style="list-style-type: none"> • Making impact claims in good faith (e.g. not overstating positive impacts or understating negative impacts and placing impacts in the appropriate context) • Adopting common definitions and a shared language for impact that becomes widely understood across all Stakeholder groups • Adopting robust and consistent impact practices from intentions through to reporting

<p>Impact integrity (continuation)</p>	<ul style="list-style-type: none"> • Substantiating impact claims with credible and relevant data, evidence and measurement including context-specific impact data and information from reputable agencies (including government and civil society organisations), as well as Meaningful Stakeholder Engagement (those impacted by the activities or decisions in question) • Being transparent about (i) all material impacts on people or the planet (e.g. accounting for all important positive, negative, intended and unintended impacts; accounting for the different dimensions of impact; not netting positive and negative impacts out against different Stakeholder groups); (ii) gaps and limitations in understanding about impacts (e.g. incomplete information, data quality issues); (iii) trade-offs made between positive and negative outcomes or between different stakeholder groups; and (iv) the nature and magnitude of risk that impact may not occur as expected • Underpinned and supported by sufficient capacity and capabilities, sound governance and independent assurance of impact practices, data, performance and reporting.
<p>Impact manager</p>	<p>The person designated responsibility and accountability for overseeing the Fund's impact measurement and management practices.</p>
<p>Impact risk</p>	<p>Developed by IMP. Likelihood that actual impact(s) are different to expected impact(s):</p> <p>Evidence risk: Insufficient high-quality data exists to know what impact is occurring</p> <p>External risk: External factors disrupt delivery of expected impact</p> <p>Stakeholder participation risk: Expectations or experience of stakeholders are misunderstood or not accounted for</p> <p>Drop-off risk: Positive impact does not endure or negative impact is no longer mitigated</p> <p>Efficiency risk: Expected impact could have been achieved with fewer resources or at lower cost</p> <p>Execution risk: Activities are not delivered as planned and do not result in the desired outcomes</p> <p>Alignment risk: Impact is not locked into the Investee's business model</p> <p>Endurance risk: Required activities are not delivered for a long enough period</p> <p>Unexpected impact risk: Substantial unexpected positive and negative impact is experienced by people and the planet.</p> <p><i>Source: Impact Management Project</i></p>
<p>Impact thesis (or theory of change)</p>	<p>An outcomes-based hypothesis of how the Fund's or Investees proposed activities are expected to lead to the intended outcomes and impact it seeks to achieve.</p>
<p>Integrative (or Integrated) thinking</p>	<p>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.</p>

Investee	The enterprise in receipt of the investor’s investment capital; the portfolio company.
IRIS+	Public good managed by GIIN. System to help investors measure, manage and optimize their impact. Provides Core Metrics Sets aligned to the SDGs and organized by the five dimensions of impact, the IRIS catalog of standard metrics, evidence maps connecting common strategic goals to outcomes, and how-to guidance and resources.
ISEAL	International membership association working to strengthen sustainability standards for social and environmental issues. Aims to: deliver credibility expertise, measure and share impacts; catalyse improvements and scalable solutions; and build support for credible standards. Has published, within their Code of Good Practice for Setting Social and Environmental Standards, 10 credibility principles for Sustainability Standards: sustainability, improvement, relevance, rigour, engagement, impartiality, transparency, accessibility, truthfulness and efficiency.
Material impacts	Important (positive, negative, intended or unintended) economic, social, and/or environmental impacts on Stakeholders.
Meaningful Stakeholder engagement	<p>Meaningful Stakeholder engagement means involving Stakeholders in planning and decision-making and refers to ongoing engagement with Stakeholders that is two-way, conducted in good faith and responsive. The degree of potential social, 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 engagement.</p> <p><i>Source: Adapted from OECD Due Diligence Guidance for Meaningful Stakeholder Engagement in the Extractive Sector</i></p>
Metric set	Quantitative or qualitative indicators that allow Fund’s and investees to measure and assess SDG performance across the Five Dimensions of Impact. Wherever possible, should include reference to specific SDG targets, but may require additional metrics to properly capture the Fund’s and investees performance. Should align to the relevant SDG targets.
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 well-being.

Outcome threshold	The level of outcome that is ‘good enough’ according to a local or national threshold, or where appropriate, Stakeholder feedback. Typically, the focus is on areas where at baseline the actual outcomes performance is below the threshold (Acting to avoid harm and Contributing to solutions), although the outcome at baseline may be at or above the threshold when targeting Benefiting stakeholders.
Output	Direct result of an Fund or Investee’s activities (e.g. wages paid, hours of training provided, or products and services sold).
Perverse incentives	Incentives that have an unintended and undesirable effect on behavior.
PRI (Principles for Responsible Investment)	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	Indirect measure of an outcome that is correlated to that outcome. May be used when direct measures of the outcome are unavailable or unfeasible to collect.
SASB (Sustainability Accounting Standards Board)	Non-profit organization that creates industry sustainability standards for disclosing and recognising financially material environmental, social, and governance impacts of publicly traded US companies.
SDGD (Sustainable Development Goals Disclosure) Recommendations	<p>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.</p> <p>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).</p> <p>Fundamental concepts:</p> <ul style="list-style-type: none"> • Long term value creation for the organization and society • Sustainable development context and relevance • Materiality

<p>SDGD (Sustainable Development Goals Disclosure) Recommendation (continuation)</p>	<p>Principles:</p> <ul style="list-style-type: none"> • Strategic focus and future orientation • Stakeholder inclusiveness • Conciseness • Connectivity of information • Consistency and comparability • Completeness, balance and understandability • Reliability and verifiability • Timeliness <p><i>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</i></p>
<p>SDG Impact</p>	<p>UNDP initiative to create a suite of complementary resources to facilitate increased private sector investment towards advancing the SDGs. The Practice Assurance Standards are part of this suite of resources.</p>
<p>SDG indicators</p>	<p>231 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 Issuer level.</p> <p>See https://unstats.un.org/sdgs/</p>
<p>SDG Targets</p>	<p>169 targets that have been set in relation to the 17 SDGs.</p>
<p>SDGs (Sustainable Development Goals)</p>	<p>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</p> <p>See https://unstats.un.org/sdgs/metadata/</p>
<p>Stakeholders</p>	<p>Those who are affected, intentionally or unintentionally , directly or indirectly by a Fund or Investee, including:</p> <ol style="list-style-type: none"> 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.

Standards (SDG Impact Standards for Private Equity Funds)	Developed by SDG Impact, an initiative of the United Nations Development Programme for Funds and other actors as a public good to improve impact integrity and drive more private sector capital towards achievement of the SDGs through increased standardization, transparency and assurance.
SVI (Social Value International)	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 promote equality and well-being and reduce environmental degradation.
SVI's seven principles of social value	<p>SVI's seven principles of social value are a set of social accounting principles:</p> <p>Involve stakeholders: To inform what gets measured and how, and to what degree a good or service is valued</p> <p>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</p> <p>Value the things that matter: Allocate resources between options based on the values of Stakeholders</p> <p>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</p> <p>Do not over-claim: Only claim the value that directly derive from activities</p> <p>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</p> <p>Verify the result: Ensure appropriate independent assurance.</p> <p><i>Source: Social Value International</i></p>
Systems thinking	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 and integrator of the SDGs, 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)	Partnership between UN Environment and the global financial sector created following the 1992 Earth Summit to encourage the better implementation of sustainability principles at all levels of operations in financial institutions.
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.

Appendix

Core design elements

These Standards combine the SDGs with the Impact Management Project’s convention for measuring, managing and communicating impact. In this way, the Standards deliver clarity, consistency and transparency about the nature and depth of SDG impact.

This framework provides the flexibility to use existing and emerging taxonomies or set the most appropriate impact metrics at the activity/project level. At the same time it allows performance data about the SDGs and other impacts to be aggregated and communicated using a consistent and comparable basis.

UN Sustainable Development Goals

The Sustainable Development Goals (SDGs) were adopted by all 193 United Nations Member States in 2015. They are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030. By pledging to Leave No One Behind, countries have committed to fast-track progress for those furthest behind first.

The SDGs identify 169 targets and 231 indicators to measure progress towards addressing pressing economic, social and environmental challenges (Figure 2).

Figure 2. The United Nations Sustainable Development Goals (SDGs)



Impact measurement and management shared convention

Alongside the SDGs, these Standards adapt and embed the Impact Management Project's⁸ convention for measuring, managing and communicating impact consistently across different users and contexts. The convention was developed through a rigorous process of global consensus building, and builds on existing foundations in business (such as incorporating assessment of environmental, social and governance (ESG) risks into financial decision making).

The Standards embed the following key elements and concepts:

Five dimensions of impact



Everything we do has impacts on people and the planet. To understand any impact, we must understand five dimensions of performance: What, Who, How Much, Contribution and Risk (Figure 3).

Impact data categories

To understand performance on each dimension of impact, we measure and report against consistent data categories (Figure 3). Users can estimate the positive, negative, intended and unintended impacts of each asset or activity consistently, which provides greater context about the nature and depth of SDG impact. Not all data categories will be material in all instances, and reliable data may not always be available, even when it may be material to decision making. Understanding where there are data gaps and limitations can assist in identifying and assessing the level of impact risk associated with the decisions it is making.

⁸ <https://impactmanagementproject.com/>

Figure 3. Five dimensions of impact and associated data categories

Impact dimension	Impact questions each dimension seeks to answer	Impact category
 <p>What</p>	<p>What outcome occurs in the period?</p> <p>How important is the outcome to the people (or planet) experiencing them?</p>	<p>1. Outcome level in period The level of outcome experienced by the Stakeholder when engaging with the Fund or Investee. The outcome can be positive or negative, intended or unintended.</p> <p>2. Outcome threshold The level of outcome that the Stakeholder (the threshold can be a nationally – or internationally – agreed level) considers to be a positive outcome. Anything below this level is considered a negative outcome. (Note: care should be taken to recognize (and adjust accordingly) that under-represented Stakeholder populations may not be aware of the negative impacts that business or other activities may have on their access to basic rights and services).</p> <p>3. Importance of outcome to Stakeholder The Stakeholder’s view of whether the outcome they experience is important (relevant 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.</p> <p>4. SDGs and SDG targets The specific SDG target(s) that the outcome relates to.</p>
 <p>Who</p>	<p>Who experiences the outcome?</p> <p>How underserved are the affected Stakeholders in relation to the outcome?</p>	<p>5. Stakeholder The type of stakeholder experiencing the impact.</p> <p>6. Geographical boundary The geographical location where the Stakeholder experiences the social and/or environmental outcome.</p> <p>7. Outcome level at baseline The level of outcome being experienced by the Stakeholder before engaging with, or otherwise being affected by, the Fund or Investee.</p> <p>8. Stakeholder characteristics Socio-demographic and/or behavioral characteristics and/or ecosystem characteristics of the Stakeholders to enable segmentation.</p>



<p>How much</p>	<p>How much of the outcome occurs – across scale, depth and duration?</p>	<p>9. Scale</p> <p>The number of individuals experiencing the outcome. When the planet is the Stakeholder, this category is not relevant.</p> <p>10. Depth</p> <p>The degree of change experienced by the Stakeholder. Depth is calculated by analysing the change that has occurred between the “Outcome level at baseline” (Who) and the “Outcome level in period” (What).</p> <p>11. Duration</p> <p>The time period for which the Stakeholder experiences the outcome.</p>
<p>Contribution</p>	<p>Would this change have happened anyway?</p>	<p>12. Depth counterfactual</p> <p>The estimated degree of change that would have happened anyway – without engaging with, or being affected by, the Fund or Investee. 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.</p> <p>13. Duration counterfactual</p> <p>The estimated time period that the outcome would have lasted for anyway – without engaging with, or being affected by, the Fund or Investee. 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.</p>
<p>Risk</p>	<p>What is the risk to people and planet that impact does not occur as expected?</p>	<p>14. Risk type</p> <p>The type of risk that may undermine the delivery of the expected impact for people and/or the planet. There are nine types of impact risk (see glossary).</p> <p>15. Risk level</p> <p>The level of risk, assessed by combining the likelihood of the risk occurring, and the severity of the consequences for people and/or the planet if it does.</p>

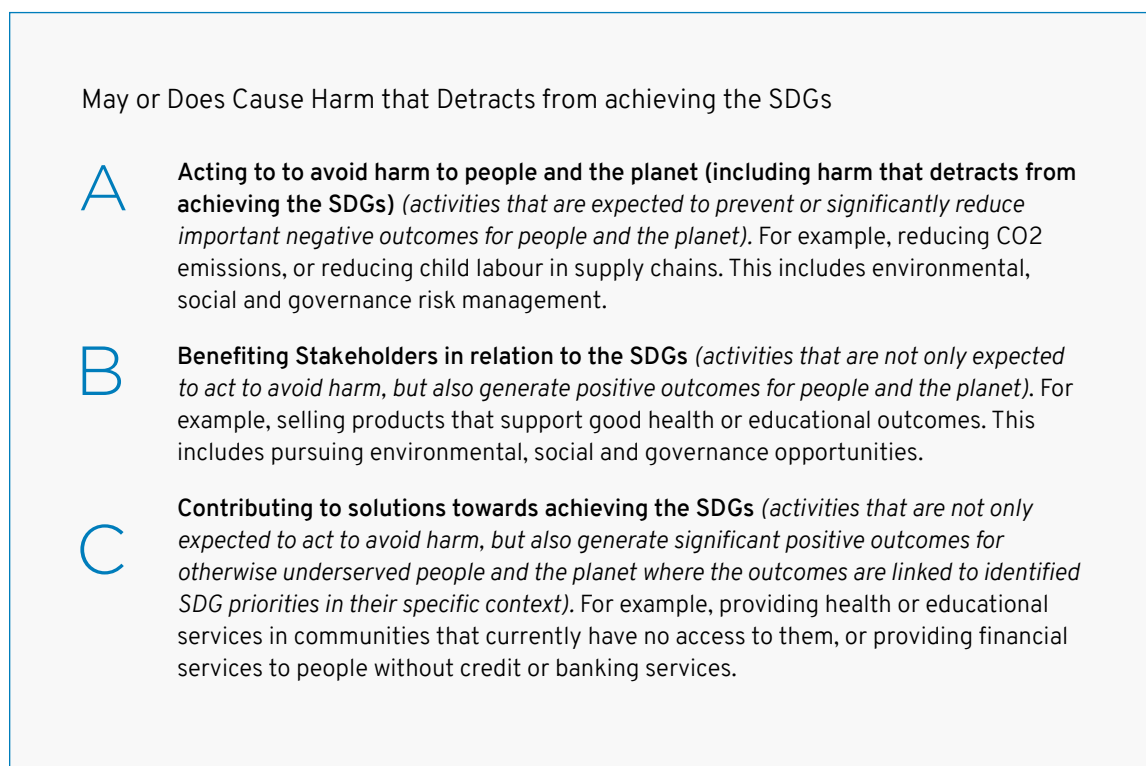
Source: Impact Management Project.

ABC impact classifications

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

The ABC Impact Classifications have been adapted for these Standards to better clarify the differences between act to Avoid harm, Benefit Stakeholders, and Contribute to solutions in the context of the SDGs (Figure 4).

Figure 4. ABC Impact Classifications



More information about the IMP, shared logic and resources to apply the five dimensions of impact, data categories and ABC impact classifications can be found at www.impactmanagementproject.com

Interoperability with other principles, guidelines and frameworks

The Standards leverage and reinforce existing market infrastructure to reduce the potential for fragmented approaches.

- The Standards incorporate global principles and guidelines for responsible business practices including the UN Guiding Principles on Business and Human Rights⁹, the Ten Principles of the UN Global Compact¹⁰, the global standard for Free and Prior Informed Consent with respect to indigenous peoples¹¹, and the OECD Guidelines for Multinational Enterprises¹².
- They are complementary with existing high level principles of practice including the International Finance Corporation’s Operating Principles for Impact Management¹³, the UN Environment Programme FI’s Principles for Positive Impact Finance¹⁴ and Principles for Responsible Banking¹⁵, the Global Impact Investing Network’s Core Characteristics of Impact Investing¹⁶, and the UN-supported Principles for Responsible Investment¹⁷. Assurance against these Standards should be one way to satisfy verification requirements against any or all of those high level principles.
- They can be used with existing metrics and metric sets including GRI¹⁸, SASB¹⁹ and IRIS+²⁰
- To the extent practicable, the Standards align with and draw upon the Sustainable Development Goals Disclosure (SDGD) Recommendations²¹ which in turn align with the Taskforce on Climate-related Financial Disclosures framework²² (TCFD, 2017), the GRI Standards²³ and the International <IR> Framework²⁴ (IRC, 2013).
- They incorporate the most up-to-date methods, principles and frameworks within the Standards themselves or reference them in the resources and guidance material.

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

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

11 <https://www.ohchr.org/Documents/Issues/ipeoples/freepriorandinformedconsent.pdf>

12 <https://www.oecdwatch.org/oecd-ncps/the-oecd-guidelines-for-mnes/>

13 https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/development+impact/principles/opim

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

15 <https://www.unepfi.org/banking/bankingprinciples/>

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

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

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

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

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

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

22 <https://www.fsb-tcdf.org/>

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

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

sdgimpactstandards@undp.org | [@sdgimpact](https://twitter.com/sdgimpact) | sdgimpact.undp.org

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