

# SDG IMPACT STANDARDS

## Bonds

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

Second public consultation draft

November 2020

## About UNDP

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

## About SDG Impact

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

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

## Acknowledgements

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

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

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# About The Consultation

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**This second public consultation period will be open for one month.**

**These SDG Impact Standards for Bonds** are impact management standards designed to promote sustainable development and advance contributions towards the SDGs through issuing bonds that finance assets, projects, programs, activities and/or outcomes linked to achieving SDGs and/or other sustainable development outcomes (SDG Bond Programs).

They are designed for bond Issuers of all types, including sovereigns (and sub-sovereigns such as states, provinces, cities, towns or municipalities), supra-nationals and government entities, as well as companies, financial institutions and special purpose entities backed by activities (e.g. securitizations) or projects (e.g. infrastructure) (Issuers).

**The consultation process** meets the UNDP Principles for social and environmental standards.<sup>1</sup> We seek feedback from a broad range of Stakeholders. We are particularly interested in feedback about where additional guidance might be useful to clarify how the Standards can be applied by different types of users (e.g. sovereigns, supra-nationals or aggregators).

We welcome your participation in this consultation process.

## How you can contribute

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

Copies of this consultation draft and the consultation questions are available at <https://sdgimpact.undp.org/#what-we-do>

**Provide your feedback to [sdgimpact.standards@undp.org](mailto:sdgimpact.standards@undp.org) by 15 December, 2020.**

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

# Foreword

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

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

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

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

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

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

[signature]

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# Introduction

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UNDP SDG Impact is delighted to present this second public consultation draft of the *SDG Impact Standards for Bonds*.

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

The Standards are for Issuers who want to contribute positively to sustainable development and achieving the SDGs through issuing bonds related to achieving SDG and/or other sustainable development outcomes. The Standards are designed to align Issuers' SDG Bond Programs with their broader sustainability strategies and the SDG commitments of the Issuer and/or entity utilizing the capital, as appropriate.

The Standards focus on contributing to and achieving sustainable development outcomes, and envisage linking the terms of the SDG Bond Program to achieving those outcomes. These Standards focus on whether the Issuer's practices support decision making and activities that lead to improvement in, and optimize, SDG and/or other sustainable development outcomes. This includes whether the bond proceeds are:

- utilized for general purposes or are applied to specific activities, projects or programs, and
- utilized to help fund the transition to more sustainable activities or processes, or also utilized to deliver products, services or outcomes that benefit Stakeholders and/or contribute to solutions relating to the SDGs or other sustainable development outcomes.

The Standards provide a roadmap and practical guidance to translate intent to action. All Issuers can use these Standards – irrespective of size, geography or sector. That is, Issuers of all types, including sovereigns (and sub-sovereigns such as states, provinces, cities, towns or municipalities), supra-nationals and government entities, companies, financial institutions and special purpose entities backed by activities (e.g. securitizations) or projects (e.g. infrastructure). The Standards also contemplate Issuers as end-users of the bond proceeds, as well as Issuer's who are on-forwarding the bond proceeds to third parties, as may be the case for financial institutions aggregating loan exposures or government issuers financing third party programs and initiatives.

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

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

## How the Standards fit with existing principles, frameworks and tools

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

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



### Notes:

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

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

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

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

## How the Standards work

The Standards promote an approach that is increasingly purposeful, by linking sustainability strategies with the design and management of SDG Bond Programs.

The Standards are founded on contributing positively to sustainable development and achieving the SDGs. This requires demonstrating respect for human rights and other responsible business practices, and is realized through effective impact management and decision making (see Figure 2).

The Standards provide a blueprint for a decision making and impact management system, which recognizes practice is evolving, some aspects of impact management remain challenging and decisions must be made amid uncertainty.

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

The Standards are designed to:

- Encourage Issuers to embed sound impact management and decision making processes in the design and management of their SDG Bond Programs and related aspects of Issuers' sustainability strategies. By doing so, we can close gaps in current market practice to achieving the SDGs by 2030, and leave no-one behind
- Reinforce respect for human rights and other responsible business practices as set out in the UN Guiding Principles for Business and Human Rights, and the Ten Principles of the UN Global Compact
- Generate trusted, credible and actionable impact information that informs decision making, in turn supporting sustainable development and optimizing contributions to achieve the SDGs
- Promote impact integrity and avoid impact washing, which includes: not over- or under-claiming; substantiating impact claims with reliable and relevant data, evidence and measurement; and accounting for all material (positive and negative) impacts on people and the planet, gaps and limitations in understanding, trade-offs and risks that impacts may not occur as expected
- Embed review and feedback loops to support continuous improvement and learning.

## The building blocks for the Standards

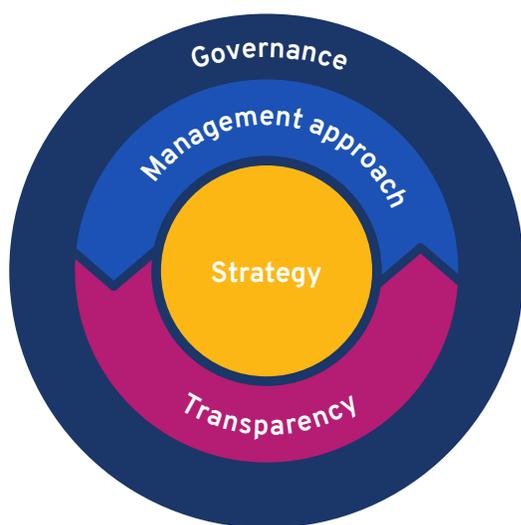
The impact management system set out in the Standards has four building blocks:

- Putting contributing positively to sustainable development and achieving the SDGs at the heart of the design and management of SDG Bond Programs
- Aligning with the Impact Management Project's (IMP) Five Dimensions of Impact and ABC Impact Classifications, which provide a shared language of impact and a consistent approach
- Making Stakeholder involvement central to impact management practice
- Focusing on relevant (related to the Issuer's sustainability strategy and SDG Bond Program) and material impacts on sustainable development and achievement of the SDGs. Material impacts include significant actual and potential, positive and negative, intended and unintended impacts

on the economy, society, environment and people, including impacts on human rights. They relate to the Issuer’s own activities and those of its supply and value chains.

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

**Figure 2:** The SDG Impact Standards for Bonds



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

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

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

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

### What the Standards comprise

The Standards comprise:

- I. Four Standards, one for each of the four themes – strategy, management approach, transparency and governance (the strategy Standard has three components and the management approach Standard has five components, of which only three or four components apply depending on whether the issuer is the end-user of the proceeds or not)
- II. Practice Indicators that demonstrate what achieving each Standard (or the components of each Standard) looks like.

A glossary supporting the suite of SDG Impact Standards is provided separately. Terms have the meaning ascribed in the glossary when used in this document. <https://sdgimpact.undp.org/>

Guidance material, including guidance notes and resources to inform implementation of the Standards, will be provided separately. This will be maintained as a dynamic resource for users. <https://sdgimpact.undp.org/>

## Who can use the Standards

The Standards are for Issuers committed to contributing positively to sustainable development and achieving the SDGs through issuing bonds related to achieving SDG and/or other sustainable development outcomes.

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

### *Issuers*

All Issuers – irrespective of size, geography or sector – can use the Standards. That is, they can be used by sovereigns (and sub-sovereigns such as states, provinces, cities, towns or municipalities), supra-nationals and government entities, as well as by companies, financial institutions and special purpose entities backed by activities (e.g. securitizations) or projects (e.g. infrastructure).

The guidance compendium will provide additional information about applying the Standards to different types of Issuers. For sovereign issuers, for example, institutional frameworks including advisory and governance bodies replace corporate governance and the Board; links to national development plans and strategies including Voluntary National (or Local) Reviews on SDGs and related policy priorities replace corporate strategy; and application of the rule of law and related considerations replace responsible business practices.

The Standards apply equally to Issuers raising capital for their own use and those raising capital for third party borrowers. Accordingly, they can also be applied in relation to loan obligations.

The Standards are relevant for Issuers starting the process to actively transition to a more sustainable future by reducing negative impacts in their direct operations or supply and value chains. They can also be used by Issuers who are also seeking to deliver products and services that benefit Stakeholders or contribute to solutions relating to the SDGs or other sustainable development outcomes.

**Issuers** can use the Standards to:

- Put sustainable development and contributing to the SDGs at the heart of the design and management of their SDG Bond Programs
- Undertake self-assessment and gap analysis, or engage consultants to guide them through that process
- Model future bond issues on the Standards.

### *Enterprises*

**Enterprises** can use the Standards to demonstrate the relationship between their sustainability strategies and SDG commitments to their providers of finance, including those seeking to participate in Issuers' SDG Bond Programs.

### *Investors*

**Investors** can use the Standards to frame their investment guidelines, identify questions for Issuers and Fund Managers about the SDG-enabling attributes of bond issues, or otherwise

manage their internal work. Alternatively, they can use the Standards to push for greater standardization of practice and external assessment of Bonds and Funds making SDG and other sustainability related claims.

#### *Analysts and advisers*

**Analysts, advisors and research houses** can use the Standards to: map and determine the robustness of design and management of bond programs making SDG and other sustainability related claims; benchmark and compare bond programs and issues; and/or provide guidance on designing SDG bond programs and related sustainable development and impact management practices.

#### *Government and policymakers*

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

### Ways to use the Standards

#### *Voluntary independent use*

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

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

#### *Voluntary Assurance Framework and SDG Impact Seal*

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

#### *Complementary resources*

UNDP is supporting these SDG Impact Standards with:

- A glossary
- A compendium of guidance notes and links to useful resources
- Online training on impact measurement and management being developed through CASE at Duke University, and
- Assurer training (being developed through Social Value International) and accreditation to build additional capacity, capability and consistency within the assurance community.

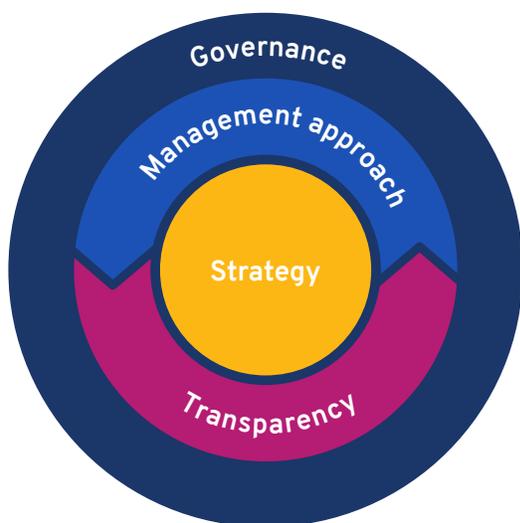
# SDG Impact Standards for Bonds

## I. The Standards at a glance

Figure 3: SDG Impact Standards for Bonds

The foundational elements of the Standards are:

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



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

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

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

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

**STANDARD 1: STRATEGY** – The Issuer embeds contributing positively to sustainable development and achieving the SDGs into a sustainability strategy, setting realistic but ambitious impact goals, and establishes the SDG Bond Program to assist in advancing all or part of that sustainability strategy:

|     |   |
|-----|---|
| 1.1 | The Issuer develops a sustainability strategy, embedding contributing positively to sustainable development and achieving the SDGs, and setting realistic but ambitious impact goals.   |
| 1.2 | The issuer establishes the SDG Bond Program, including developing an impact thesis and setting terms (including impact targets) to assist in advancing all or part of that sustainability strategy.   |
| 1.3 | The Issuer periodically reviews – and refines – the sustainability strategy, impact goals and SDG Bond Program impact thesis and impact targets to ensure they remain fit for purpose as the relevant organizational and sustainable development contexts change. |

**STANDARD 2: MANAGEMENT APPROACH** – The Issuer integrates impact management and contributing positively to sustainable development and achieving the SDGs into its decision making and management of activities related to the SDG Bond Program:

|     |   |
|-----|---|
| 2.1 | The Issuer has effective mechanisms and processes to deliver on the SDG Bond Program impact thesis and SDG and/or other sustainable development outcome targets.  |
| 2.2 | Where the Issuer is not the end-user of the SDG Bond Program proceeds, it establishes eligibility criteria and conducts ex ante impact assessments to select potential end-users in line with its SDG Bond Program impact thesis and terms.   |
| 2.3 | Where the Issuer is not the end-user of the SDG Bond Program proceeds, it works collaboratively and proactively with end-users to embed their broader sustainability strategies and SDG commitments in determining how the proceeds of the SDG Bond Program will be used to optimize future impact performance.   |
| 2.4 | Where the Issuer is the end-user of the SDG Bond Program proceeds, it assesses and compares the material positive and/or negative impacts associated with its various product, service and operational options and makes (relative and absolute) choices between options to optimize its impact performance in line with its SDG Bond Program impact thesis and impact terms, including impact targets. |
| 2.5 | The Issuer systematically monitors and manages its progress against the SDG Bond Program impact thesis and impact terms, including impact targets, and acts to optimize impact (including managing unexpected outcomes).  |

**STANDARD 3: TRANSPARENCY** – The Issuer discloses how it integrates contributing positively to sustainable development and achieving the SDGs into the SDG Bond Program and related aspects of its sustainability strategy, management approach, governance and decision making, and reports (at least annually) on the SDG Bond Program performance.

**STANDARD 4: GOVERNANCE** – The Issuer’s commitment to contributing positively to sustainable development and achieving the SDGs through the SDG Bond Program and related aspects of the sustainability strategy is reinforced through its governance practices.

## II. Standards and Practice Indicators

|  |
|--|
| <b>Standard 1 – STRATEGY</b><br>The Issuer embeds contributing positively to sustainable development and achieving the SDGs into a sustainability strategy, setting realistic but ambitious impact goals, and establishes the SDG Bond Program to assist in advancing all or part of that sustainability strategy.   |
| 1.1 The Issuer develops a sustainability strategy, embedding contributing positively to sustainable development and achieving the SDGs, and setting realistic but ambitious impact goals.  |
| <b>Practice Indicators</b>   |
| <b>The Issuer:</b><br><br><b>1.1.1</b> embeds respect for human rights and other responsible business practices in its overarching purpose and strategy<br><br><b>1.1.2</b> develops a sustainability strategy for contributing positively to sustainable development and achieving the SDGs, including by:<br><br>1.1.2.1 determining the scope (e.g. business and/or product lines; geographic or Stakeholder segmentation) of the sustainability strategy<br><br>1.1.2.2 linking its approach with its overall strategy, risk appetite and tolerance (including integrating sustainable development issues relevant to the sustainability strategy into its risk management system)<br><br>1.1.2.3 outlining a pathway to expand the scope of the sustainability strategy towards embedding contributing positively to sustainable development and achieving the SDGs into its overarching purpose, strategy and approach to long term value creation for the Issuer and Stakeholders (people and planet; see SDG Impact Standards for Enterprises)<br><br>1.1.2.4 determining the resources it intends to allocate to the sustainability strategy<br><br>1.1.2.5 using sensitivity and scenario analysis to test the resilience of the sustainability strategy, accounting for the likelihood and magnitude of material sustainable development risks and opportunities.<br><br><b>1.1.3</b> Within the scope of the sustainability strategy, the Issuer:<br><br>1.1.3.1 involves Stakeholders on an ongoing basis to understand impacts that matter to them, and put sustainable development issues in context<br><br>1.1.3.2 draws on available evidence and relevant impact data and information from reputable agencies including government, scientific and civil society organizations |

- 1.1.3.3 substantiates the local or national thresholds relating to specific SDG targets and/or other sustainable development outcomes – giving precedence to international norms when locally set thresholds are lower
  - 1.1.3.4 identifies the material (positive and negative) sustainable development issues (impacts and dependencies, risks and opportunities) most relevant to the organizational and sustainable development context, and for Stakeholders
  - 1.1.3.5 identifies the SDGs and/or other sustainable development outcomes on which it can have the greatest positive and/or negative impact – recognizing the interdependency of the SDGs
  - 1.1.3.6 chooses between different options accounting for trade-offs and/or impact risks to optimize contributing positively to sustainable development and achieving the SDGs
- 1.1.4** sets realistic but ambitious impact goals aligned with the sustainability strategy and Stakeholder expectations that:
- 1.1.4.1 are commensurate with the scope of the sustainability strategy
  - 1.1.4.2 relate to the sustainable development issues and SDGs most relevant and material (whether positive and/or negative) to the scope of the sustainability strategy including the business, industry sector and the Stakeholders impacted, or likely to be impacted, by its activities and decisions
  - 1.1.4.3 are expressed in terms of the expected change in outcome levels relative to baselines, counterfactuals and the level of sustainable development need (as indicated by the gap between the national or local current performance and relevant SDG and/or other outcome thresholds), after considering other contextual information required to identify which impacts matter and to assess performance against those impacts (see Five Dimensions of Impact)
  - 1.1.4.4 include specific cross-cutting goals on gender equality, climate action, and decent work
  - 1.1.4.5 include specific goals to prevent and/or reduce all material negative outcomes in its direct operations and in its supply and value chains (i.e. acting to avoid harm)
  - 1.1.4.6 recognize the need for, and evidence of, working in collaboration with other actors that together have significant control over and cause the material impacts
  - 1.1.4.7 separate roles of drafting and approving impact goals, where those approving the goals recognize they are acting in both the interests of the Issuer and those expected to be impacted
  - 1.1.4.8 consider the potential for unintended consequences and seek to limit the potential for unintended negative and perverse outcomes.

## Standard 1 – STRATEGY

The Issuer embeds contributing positively to sustainable development and achieving the SDGs into a sustainability strategy, setting realistic but ambitious impact goals, and establishes the SDG Bond Program to assist in advancing all or part of that sustainability strategy.

1.2 The Issuer establishes the SDG Bond Program, including developing an impact thesis and setting terms (including impact targets) to assist in advancing all or part of that sustainability strategy.

### Practice Indicators

#### The Issuer:

- 1.2.1 develops its impact thesis for the SDG Bond Program, including:
  - 1.2.1.1 linking its approach with achieving (in whole or part) the sustainability strategy and related impact goals
  - 1.2.1.2 embedding respect for human rights and other responsible business practices
  - 1.2.1.3 specifying the SDG and/or other sustainable development outcome areas it intends to target
  - 1.2.1.4 specifying the types of impact it intends to achieve (see ABC Impact Classifications)
  - 1.2.1.5 setting realistic and ambitious outcomes targets linked to the impact goals of the sustainability strategy and commensurate with the size of the SDG Bond Program
  - 1.2.1.6 determining the value expected to be created (and/or destroyed) for the Issuer and for Stakeholders
  - 1.2.1.7 accounting for the impact of sustainable development risks and opportunities, set in context of the Issuer's impact risk appetite and tolerance (see Impact risk)
- 1.2.2 links the terms of the SDG Bond Program to achieving specific SDG and/or other sustainable development outcomes targets (impact targets) as specified in 1.2.1.5, and sets out clear measures should targets not be met.

## Standard 1 – STRATEGY

The Issuer embeds contributing positively to sustainable development and achieving the SDGs into a sustainability strategy, setting realistic but ambitious impact goals, and establishes the SDG Bond Program to assist in advancing all or part of that sustainability strategy.

1.3 The Issuer periodically reviews – and refines – the sustainability strategy, impact goals and SDG Bond Program impact thesis and impact targets to ensure they remain fit for purpose as the relevant organizational and sustainable development contexts change.

### Practice Indicators

#### The Issuer:

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

## Standard 2 – MANAGEMENT APPROACH

The Issuer integrates impact management and contributing positively to sustainable development and achieving the SDGs into its decision making and management of activities related to the SDG Bond Program.

2.1 The Issuer has effective mechanisms and processes to deliver on the SDG Bond Program impact thesis and SDG and/or other sustainable development outcome targets.

### Practice Indicators

#### The Issuer:

- 2.1.1 embeds in its organization wide policies and practices the UN Guiding Principles for Business and Human Rights and Ten Principles of the UN Global Compact, including:
  - 2.1.1.1 establishing or participating in effective grievance and reparation mechanisms for affected Stakeholders (including for the avoidance of doubt, whistleblowing safeguards)
  - 2.1.1.2 ensuring senior leadership’s commitment to respect human rights and other responsible business and impact management practices is visible throughout the organization
  - 2.1.1.3 implementing mechanisms to proactively monitor its performance and conformance with responsible business policies and practices, and embedding a culture of continuous improvement
  - 2.1.1.4 promoting the same in its supply and value chains
- 2.1.2 complies with relevant local and international laws and regulations, striving to comply with the highest possible level of industry best practice (particularly in cases that lack local regulation or the standard is comparatively low), and identifying (and finding solutions) where local and international laws and regulations conflict.

With respect to the SDG Bond Program and related activities and decisions, the Issuer:

- 2.1.3 has transparent mechanisms to identify Stakeholders materially affected (or likely to be affected) by its decisions and activities, and promotes Stakeholder involvement in decisions that impact them including:
  - 2.1.3.1 involving Stakeholders, and ensuring they have meaningful agency, in decision making and impact management practices on issues that impact them
  - 2.1.3.2 transparently keeping Stakeholders informed of actions, progress and lessons
  - 2.1.3.3 supporting Stakeholder involvement with adequate budget and resources (including capability and local leadership)

- 2.1.4** integrates accountability for sustainable development (including respect for human rights and other responsible business practices) and impact management into business operations, day-to-day roles and cross-functional teams and decision making processes, including by:
  - 2.1.4.1 developing its integrated thinking and decision making capabilities using mechanisms such as appropriate culture, communication systems and training
  - 2.1.4.2 allocating adequate budget and people resources (including capability, training and leadership) to deliver its impact thesis and impact goals
  - 2.1.4.3 aligning its incentive mechanisms with the sustainability strategy and SDG Bond Program impact thesis and targets, including by reducing emphasis on short term financial outcomes
  - 2.1.4.4 having sufficient diversity, sustainable development, Stakeholder engagement, change management and impact management specialization at the appropriate level of seniority and authority to influence decision making
  - 2.1.4.5 holding people at all levels accountable for operating in accordance with the Issuer's responsible business and impact management policies and practices
- 2.1.5** introduces robust, reliable and practical processes to collect, manage and use its impact data, including:
  - 2.1.5.1 systematically capturing results from across its impact management activities
  - 2.1.5.2 presenting its impact data and information in a way that means it can be integrated with financial and other data and inform management decision making
  - 2.1.5.3 managing data ownership (i.e. Stakeholders) and privacy issues and ethical and commercial issues regarding data gathering, use and disclosure (i.e. acting on behalf of Stakeholders)
  - 2.1.5.4 taking a risk-based approach to determine external verification and assurance requirements for its impact data, and impact assessments and evaluations, and following up findings in external assurance reports with suitable rectification measures in a timely manner
- 2.1.6** employs a dynamic approach to ensuring its impact management practices remain fit for purpose by:
  - 2.1.6.1 analysing deviations from expected outcome/impact performance
  - 2.1.6.2 establishing a link from insights drawn and lessons learned to decision making and continuous improvement (e.g. types of strategic and/or management decisions made/supported as a result of applying lessons)
  - 2.1.6.3 incorporating sector advances, new and updated research/evidence and lessons from its engagement with partners and other Stakeholders
  - 2.1.6.4 periodically reviewing and refining its impact management practices in light of changes in the sustainable development and/or organizational context, its sustainability strategy, impact goals, SDG Bond Program terms and/or impact performance

- 2.1.7 to the extent practicable, works proactively with its arrangers and (potential) investors to set expectations and promote alignment between the SDG Bond Program and the motivations and intentions of investors participating in the SDG Bond Program issues.

## Standard 2 – MANAGEMENT APPROACH

The Issuer integrates impact management and contributing positively to sustainable development and achieving the SDGs into its decision making and management of activities related to the SDG Bond Program.

2.2 Where the Issuer is not the end-user of the SDG Bond Program proceeds, it establishes eligibility criteria and conducts ex ante impact assessments to select potential end-users in line with its SDG Bond Program impact thesis and terms.

### Practice Indicators

#### The Issuer:

- 2.2.1 establishes underwriting or eligibility criteria to qualify or select end-users in line with the sustainability strategy, impact goals and the SDG Bond Program impact thesis and terms
- 2.2.2 conducts ex ante impact assessments of potential end-users to assess all material (positive, negative, intended and unintended) impacts systematically and consistently, incorporating the Five Dimensions of Impact and associated data categories:
- 2.2.2.1 **What, Who, How much** – assessing future expected outcomes, including (i) establishing baselines, counterfactuals and relevant SDG and/or other sustainable development outcome thresholds, and (ii) assessing the potential impacts on different segments among Stakeholder groups separately (with a particular focus on the core SDG objective of ‘leaving no-one behind’)
  - 2.2.2.2 **Contribution** – estimating the expected impact of the borrower or investment by assessing its contribution to those outcomes
  - 2.2.2.3 **Risk** – assessing material impact risks (see Impact risk), using sensitivity and scenario analysis to assess the likelihood that the actual impact may be different to what is expected, assess when impacts are likely to realized, calculate expected risk adjusted impacts and consider risk mitigation measures that could be introduced
- 2.2.3 engages with the local context to substantiate the relevant local or national SDG and/or other sustainable development outcome thresholds, giving precedence to international norms where locally set thresholds are lower than international norms

- 2.2.4** assesses how the borrower or investee is acting to avoid harm by preventing, reducing or mitigating all material negative impacts in its direct operations and supply and value chains (and if not the case, actions that can be introduced to do so)
- 2.2.5** considers which metrics to use and how much data is sufficient to make a decision:
- 2.2.5.1 accounting for the risk (including to Stakeholders) of uncertainty when impact data across the 15 data categories is unavailable or insufficient (see Impact data categories), taking into consideration risk mitigation measures that can be put in place, including the opportunity to fill data gaps (quality and completeness) and build the evidence base over the course of the financing term
  - 2.2.5.2 selecting and using metrics that wherever possible include context and valuation and provide the required level of confidence that the impact is being achieved – using existing standardized metrics where appropriate but recognizing that management accounting and internal metrics will be needed
  - 2.2.5.3 where activity or output metrics are used as proxies for outcomes, having a robust process for determining and explaining why those activity and output metrics are effective proxies for good outcomes
  - 2.2.5.4 considering the potential for unintended consequences and seeking to limit the potential for unintended negative and perverse outcomes in the framing of its investment impact targets and the metrics it selects and how it uses them
- 2.2.6** seeks to define the results from its impact assessments consistently (e.g. using a common measure and defining outcomes in terms of wellbeing) to facilitate systematic, evidence- and risk-based valuation and decision making
- 2.2.7** makes (relative and absolute) choices between investment options accounting for trade-offs and impact risks to optimize impact performance and contribution to sustainable development and achieving the SDGs
- 2.2.8** determines whether comprehensive ex ante or ex post (independent third party) impact evaluations in line with international guidance are required for certain loans or investments
- 2.2.9** captures the results from its impact assessments (including documenting its calculation methodologies and assumptions applied) in its impact management system so it can be connected to its decision making and ongoing impact management activities.

Where the Issuer is refinancing pre-existing loans or other obligations that meet its eligibility criteria, it:

- 2.2.10** uses the additional capacity created to further the sustainability strategy and related impact goals.

## Standard 2 – MANAGEMENT APPROACH

The Issuer integrates impact management and contributing positively to sustainable development and achieving the SDGs into its decision making and management of activities related to the SDG Bond Program.

2.3 Where the Issuer is not the end-user of the SDG Bond Program proceeds, it works collaboratively and proactively with end-users to embed their broader sustainability strategies and SDG commitments in determining how the proceeds of the SDG Bond Program will be used to optimize future impact performance.

### Practice Indicators

#### The Issuer:

- 2.3.1** engages openly, proactively and collaboratively with end-users to communicate its expectations about impact management, impact reporting, transparency and governance, and (where feasible) agree how to embed impact considerations within the loan or facility terms to optimize impact performance:
- 2.3.2** satisfies itself of potential end-users' commitment to sustainable development, impact management and their:
  - 2.3.2.1 strategic alignment with the SDG Bond Program impact thesis and terms, or where there are differences and gaps, these have been accounted for in the Issuer's impact risk assessment
  - 2.3.2.2 adequacy of systems in place (or to be put in place) to manage impact (including impact risk) appropriately
  - 2.3.2.3 ability and willingness to improve, adapt and learn, including to rectify shortcomings and/or change direction based on results
  - 2.3.2.4 governance practices, including independent oversight from a body comprising competence concerning sustainable development issues and impact management.

## Standard 2 – MANAGEMENT APPROACH

The Issuer integrates impact management and contributing positively to sustainable development and achieving the SDGs into its decision making and management of activities related to the SDG Bond Program.

2.4 Where the Issuer is the end-user of the SDG Bond Program proceeds, it assesses and compares the material positive and/or negative impacts associated with its various product, service and operational options and makes (relative and absolute) choices between options to optimize its impact performance in line with the SDG Bond Program impact thesis and impact terms, including impact targets.

### Practice Indicators

With respect to the SDG Bond Program and related activities and decisions, the Issuer:

**2.4.1** systematically and consistently assesses (and reassesses as required) the material (positive, negative, intended, and unintended) impacts and dependencies in its direct operations and in its supply and value chains, and (recognizing that measuring impacts in supply and value chains can be challenging) accounts for uncertainty when it is unable to quantify these impacts (including developing strategies to reduce risk over time)

**2.4.2** incorporates the Five Dimensions of Impact and associated data categories in its assessments:

2.4.2.1 **What, Who, How much** – assessing future expected outcomes including (i) establishing baselines, counterfactuals and relevant SDG and/or other sustainable development outcome thresholds, and (ii) assessing the potential impacts on different segments among Stakeholder groups separately (with a particular focus on the core SDG objective of ‘leaving no-one behind’)

2.4.2.2 **Contribution** – estimating the expected impact of the activity by assessing its contribution to those outcomes

2.4.2.3 **Risk** – assessing material impact risks (see Impact risk), using sensitivity and scenario analysis and planning to assess the likelihood that the actual impact may be different to what is expected, assess when impacts are likely to be realized, calculate expected risk adjusted impacts and consider risk mitigation measures that could be introduced

**2.4.3** considers which metrics to use and how much data is sufficient to make a decision:

2.4.3.1 accounting for the risk (including to Stakeholders) of uncertainty when impact data across the 15 data categories is unavailable or insufficient (see Impact data categories), and considering risk mitigation measures that can be put in place, including the opportunity to fill data gaps (quality and completeness) and build the evidence base over time

2.4.3.2 selecting and using outcome metrics that wherever possible include context and valuation and provide the required level of confidence that the impact is being achieved – using existing standardized metrics where appropriate but recognizing management accounting and internal metrics will be needed

- 2.4.3.3 where activity or output metrics are used as proxies for outcomes, having a robust process for determining and explaining why those activity or output metrics are effective proxies for good outcomes
- 2.4.3.4 considering the potential for unintended consequences and seeking to limit the potential for unintended negative and perverse outcomes in the framing of its impact targets (if relevant) and the metrics it selects and how it uses them
- 2.4.4** seeks to define the results from its impact assessments consistently (e.g. using a common measure by defining outcomes in terms of wellbeing) to facilitate systematic, evidence- and risk-based valuation and decision making (including quantifying trade-offs)
- 2.4.5** makes (relative and absolute) choices between options accounting for trade-offs and impact risks to optimize impact performance and contributing positively to sustainable development and achieving the SDGs
- 2.4.6** determines whether comprehensive ex ante or ex post (independent third party) impact evaluations in line with international guidance are required for certain activities
- 2.4.7** captures the results from its impact assessments (including documenting its calculation methodologies and assumptions applied) in its impact management systems so it can be connected to its decision making and ongoing impact management activities.

## Standard 2 – MANAGEMENT APPROACH

The Issuer integrates impact management and contributing positively to sustainable development and achieving the SDGs into its decision making and management of activities related to the SDG Bond Program.

2.5 The Issuer systematically monitors and manages its progress against the SDG Bond Program impact thesis and impact terms, including impact targets, and acts to optimize impact (including managing unexpected outcomes).

### Practice Indicators

#### The Issuer:

- 2.5.1** develops an effective monitoring system to assess and manage its progress against the SDG Bond Program targets and related impact goals relative to its impact baselines, counterfactuals and relevant SDG and/or other sustainable development outcomes thresholds
  - 2.5.2** uses data and evidence-based learning to benchmark its impact performance, including:
    - 2.5.2.1 filling relevant and material impact data gaps by establishing a track record and an evidence base
    - 2.5.2.2 testing the validity of any assumptions made and replacing proxies used in its impact assessments with outcome measures
  - 2.5.3** identifies and analyzes the reasons for deviations from expected impact performance and acts to optimize impact and manage unexpected negative impacts, emergence of additional impact risks and impact underperformance, including:
    - 2.5.3.1 developing mitigation plans (giving precedence to actions that may improve impact performance ahead of ceasing or exiting activities)
    - 2.5.3.2 addressing the immediate and sustained impacts on Stakeholders
    - 2.5.3.3 adjusting its plans and trajectory to stay on track to achieve its impact goals
  - 2.5.4** accounts for the positive and negative impacts from exited activities/projects in its overall assessment of the SDG Bond Program's impact performance
  - 2.5.5** captures the results from its impact monitoring and management activities in its impact management systems to inform future decision making.
- Where the Issuer uses the SDG Bond Program proceeds to fund or on-lend to other entities, it:
- 2.5.6** monitors end-users' impact performance and adherence to impact terms (including to embed Stakeholder involvement in impact monitoring and management activities)
  - 2.5.7** engages proactively with end-users to share lessons and continuously improve their responsible business and impact management policies, practices and performance.

### Standard 3 – TRANSPARENCY

The Issuer discloses how it integrates contributing positively to sustainable development and achieving the SDGs into the SDG Bond Program and related aspects of its sustainability strategy, management approach, governance and decision making, and reports (at least annually) on the SDG Bond Program performance.

#### Practice Indicators

##### The Issuer:

- 3.1 discloses relevant information about the Issuer and the SDG Bond Program legal and offering documentation to enable potential investors to make informed decisions, including:
  - 3.1.1 how it implements and manages respect for human rights and other responsible business practices
  - 3.1.2 the SDG Bond Program impact thesis and impact targets and how these link to the sustainability strategy and related impact goals, including the level of ambition in the SDG Bond Program impact targets relative to the size of the SDG Bond Program, established baselines and relevant SDG and/or other sustainable development outcome thresholds (using the ABC Impact Classifications and SDG and/or other sustainable development outcome targets to communicate the intended types of contribution to sustainable development and achieving the SDGs)
  - 3.1.3 how it integrates contributing positively to sustainable development and achieving the SDGs into the SDG Bond Program and the related aspects of its sustainability strategy, management approach and decision making, and reinforces its commitment through its governance practices
- 3.2 reports publicly at least annually on the performance of its SDG Bond Program including:
  - 3.2.1 using the ABC Impact Classifications to communicate the type of contribution to the SDGs and/or other sustainable development outcomes; for instance, segmenting its material impacts by the ABC Impact Classifications, and within each classification, the relevant and material (positive and/or negative) SDG and/or other sustainable development outcomes (see ABC Impact Classifications)
  - 3.2.2 when reporting its progress against the SDG Bond Program targets and related impact goals, providing sufficient context; for instance, relating its performance to relevant baselines and counterfactuals established, and relevant SDG and/or other sustainable development outcome thresholds
  - 3.2.3 demonstrating how the SDG Bond Program is advancing all or part of the sustainability strategy and related impact goals

- 3.3** makes publicly available its policies concerning respect for human rights and other responsible business practices and discloses how it implements and manages its performance and conformance
- 3.4** complies with relevant laws and regulations regarding sustainability disclosures
- 3.5** considers and implements reporting mechanisms best suited to meeting the needs of Stakeholders affected by its activities and the civil society organizations that act on their behalf, including considering where appropriate to use additional non-public, tailored reporting or changes to existing public reporting to make it more relevant and accessible to a broader range of Stakeholders
- 3.6** has its external reporting externally assured by an independent third party (or otherwise explains why it has selected not to) and follows up findings with suitable rectification measures in a timely manner.

## Standard 4 – GOVERNANCE

The Issuer’s commitment to contributing positively to sustainable development and achieving the SDGs through the SDG Bond Program and related aspects of the sustainability strategy is reinforced through its governance practices.

### Practice Indicators

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

- 4.2.4 holds the appropriate leaders accountable for the Issuer positively contributing to sustainable development and achieving the SDGs through the SDG Bond Program and related aspects of the sustainability strategy, including operating in accordance with its responsible business and impact management policies and practices
- 4.2.5 meets the national minimum corporate governance standards, as appropriate and applicable

**4.3** The Issuer's parent and/or holding company - including its ultimate holding company - has policies, practices and performance relating to corporate governance, and respect for human rights and other responsible business practices that are consistent with the requirements set out in these Standards.

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