SDG Impact Standards

Part of a UNDP flagship initiative to mobilize private capital for the SDGs

June 2021
SDG Impact aims to catalyze investments to achieve the SDGs by 2030

Vision:
A world in which all capital flows advance the Sustainable Development Goals

“At the 2019 rate of progress, it would be 2082 before all SDGs are realized – and that was before COVID-19, which is likely to set back progress by at least another ten years.”


Mission:
SDG Impact provides investors and businesses the clarity, insights, and tools required to strengthen and authenticate their contribution to achieving the SDGs

The SDGs represent the best hope we have for tackling the serious challenges all nations are facing and present a major business and investment opportunity.
SDG Impact makes it easier to develop and identify investments that contribute to achieving the SDGs

- **Impact Management**
  - A means to better decisions that drive investment capital to where it is needed
  - SDG Impact Standards
  - SDG Impact Seal
  - Impact management training & education

- **Impact Intelligence**
  - Produces data and insights needed for increasing financial flows to the SDGs
  - SDG Investor Maps
  - Interactive SDG Investment Platform

- **Impact Facilitation**
  - Fosters matchmaking and collaboration to realize investments
  - SDG Impact Investor Convenings
  - SDG Impact Policy Dialogues
The business case for sustainable development and the SDGs

✓ Open-up **new business opportunities** and **efficiency gains**
✓ **Future proof** businesses and investment portfolios
✓ **Lower risk profile** – improving business resilience and sustainability
✓ Enhance **reputation**
✓ **Attract and retain** employees, consumers, B2B customers, and investors
✓ Strengthen **stakeholder relations**
✓ **Drive innovation**
✓ Secure **social license to operate**
✓ Keep pace with – and **anticipate** future – **policy developments**
✓ **Stabilize societies and markets**
✓ Use a **common language** and **shared purpose**

“Contributing to and achieving the SDGs offer a compelling growth strategy for businesses and for the world economy as a whole.”

“Better Business Better World” report by the Business Commission on Sustainable Development’s (BCSD)

- US$12 trillion annual business opportunity that could be unlocked if the SDGs were pursued in just four major sectors or investment systems - food and agriculture, cities, energy and materials, and health and well-being. (Source: [http://report.businesscommission.org](http://report.businesscommission.org)).

Transformative private sector contributions towards the SDGs

Increased private sector investment aligned with the SDGs that would be transformative for progress on the SDGs and for improving people’s lives include:

• Developing products, services and solutions for unserved and/or underserved markets that would lead to new customers and market opportunities and accelerate innovation.

• Avoiding or significantly mitigating negative impacts that investment and enterprise activities may have on the SDGs, including through more efficient use of resources such as energy, water, materials, that would lead to gains.
The SDG Impact Standards - Good impact management practice (process) drives performance
The SDG Impact Standards are needed because our current systems and practices are not serving the long-term interests of humanity or the planet well

- We are **not on track to achieve the SDGs** & COVID-19 has exposed and exacerbated existing inequities

- A system that seeks “infinite” profit from “finite” resources has an expiration date, and that date is fast approaching.

- **Governments will regulate** because they cannot afford not to. This is already happening.

- Because we are pushing against the boundaries of our social and natural systems, **social, environmental and economic outcomes** are increasingly interdependent.

- Not solving for climate change and inequality are enormous **constraints on economic potential and threaten system stability**.

- **Failing to maintain the “global commons”** & achieve the SDGs will have far reaching consequences for humanity and the planet AND reduce performance of businesses and **investments** in the longer run.

- **Sustainability and impact will increasingly become more significant** drivers of **future business and investment value** as these relationships and interdependencies become better understood.
The SDG Impact Standards are about shifting mindsets and changing behaviors

✓ From an add on to what business gets done to how all business gets done
✓ From backward-looking to forward looking
✓ From SDG alignment to SDG action
✓ From reporting to decision making
✓ From measurement to management
✓ From operational to strategic
✓ From financial risk management to sustainability
✓ From inside-out ego-centric view to outside-in eco-centric system-wide view
✓ From unsustainable to long-term equilibrium
The SDG Impact Standards are an internal decision-making framework to help shift private sector engagement with the SDGs from alignment to action. Core elements of the Standards are:

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

Good practice and internal decision-making will lead to better reporting and disclosure.....and better performance. The SDG Impact Standards provide the blue-print for integrating impact management and the SDGs into internal practices and decision-making that will make meeting disclosure and reporting requirements under existing and future reporting and disclosure frameworks more efficient and effective and will drive performance.
The SDG Impact Standards are a sense-making tool and bridge a gap in the current sustainability & impact toolbox.

An overarching decision making & organizational framework for embedding impact management and sustainable development into decision making.
The SDG Impact Standards creates a holistic end-to-end approach for connecting actors across the system & integrating impact management & contributing positively to sustainable development and the SDGs into business processes and decision-making practices.

**Shared conventions**
- UN Sustainable Development Goals (SDGs)
- Impact Management Project’s (IMP) conventions

**Responsible business practices**
- UN Guiding Principles for Business and Human Rights
- UNGC’s Ten Principles
- UN Women’s Empowerment Principles

**High level principles**
- IFC Operating Principles for Impact Management / UNGC CFO Principles on Integrated SDG Investments and Finance / UNEP FI Principles for Positive Impact Finance / Responsible Banking / SVI Principles

**Complementary decision-making frameworks**
- Social Value International Standards; Capitals Coalition “Natural” and “Social and Human” Capitals Protocols; OECD Guidelines for Multilateral Enterprises; SDGD Recommendations, EU Sustainable Finance Regulations

**Links to other useful tools and resources**
- For example, standardized metrics (IRIS+, GRI, UN RISD, UNCTAD); Taxonomies (e.g. EU Taxonomy, ICMA) other tools, resources and case studies; etc. to help implement the Standards efficiently
The SDG Impact Standards for Bond Issuers complement existing bond principles frameworks and taxonomies

- By focusing on the Bond Issuer’s impact management and decision-making practices, the SDG Impact Standards for Bond Issuers help **fill gaps in current market practices which are undermining progress towards the SDGs.**
- Current approaches focus on the “what”. The SDG Impact Standards for Bond Issuers explain the **“why” and the “how”** to help issuers select and **optimize the impact of the right “what”**.

The SDG Impact Standards for Bond Issuers:

- Includes in effect an **Issuer-wide ESG screen** (i.e., by embedding respect for human rights in line with the GPHR, planetary boundaries and other responsible business practices in its organization-wide approach).
- Requires a **strategic approach** – i.e., developing an impact/sustainability strategy for a particular product, business line, geographic region etc. and **linking that impact/sustainability strategy to its SDG Bond Program and organization-wide strategy**
- Within the scope of the Issuer’s impact strategy, focus on **setting ambitious targets and outcomes (relative to baselines, SDG thresholds)** –
- Within the scope of the Issuer’s impact strategy, **focuses on outcomes rather than activities and use-of-proceeds.**
- Within the scope of the Issuer’s impact strategy, requires the Bond Issuer to focus on optimizing its contribution to sustainable development and the SDGs by managing **all its material positive and negative impacts across the SDGs (i.e., positive impact + do no harm).**
- Where bond proceeds are used to **refinance existing activities**, the Bond Issuer needs to **demonstrate how the additional capacity will be used to contribute to additional positive outcomes** – i.e., the focus is on accelerating change and achievement of the SDGs, not on the label per se.
UNDP & NDB Joint Initiative

Bond issued using UNDP Practice Standards for Bonds and SDG Finance Taxonomy

- RMB 5b ($765m) Bond
- Priced at a yield of 3.22%
- Structured for onshore (55%) & offshore (45%) institutional investors
- Two times oversubscribed

Established by BRICS countries in 2015

Capital Endowment Places NDB Amongst the Largest MDBs Globally

The biggest public international bond issuer in the China interbank bond market

Direct COVID economic stimulus and recovery towards sustainability

TOTAL ASSETS OF PEERS VERSUS AUTHORIZED CAPITAL OF NDB

<table>
<thead>
<tr>
<th>Institution</th>
<th>Total Assets (in $ billion)</th>
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<tbody>
<tr>
<td>EIB (AAA)</td>
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<td>IBRD (AAA)</td>
<td>297</td>
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<td>ADB (AAA)</td>
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<td>IADB (AAA)</td>
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<td>NDB (AA+)</td>
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## Linkage between UNDP Practice Standards and SDG Finance Taxonomy

### Practice Standards

**Tools** — (including taxonomies, metrics, evaluation models, benchmarking frameworks)

### SDG Finance Taxonomy

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<tr>
<th>A</th>
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<tbody>
<tr>
<td><strong>Level I</strong></td>
<td><strong>Level II</strong></td>
<td><strong>Level III</strong></td>
<td><strong>Project Specifications</strong></td>
<td><strong>Policies &amp; Plans/Reference</strong></td>
<td><strong>Industry Code</strong></td>
<td><strong>SDGs and Target</strong></td>
<td><strong>Impacts What?</strong></td>
<td><strong>Impacts Who?</strong></td>
<td><strong>Impact Indicators</strong></td>
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<td><strong>5.3.1 Warehouse logistics</strong></td>
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<td>Activities that improve food storage, reduce losses during storage and transportation, improve logistics efficiency, reduce costs, energy, land and water consumption and final sales price, and improve the logistics system</td>
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<td><strong>G Transportation, warehousing and postal services</strong></td>
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<td><strong>5.9 Handling and warehousing</strong></td>
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<td>95% Grain, cotton and other agricultural products storage -59% Grain storage -59% Other agricultural products storage</td>
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<td>64 Post -601 Basic postal services -6010 Basic postal services -602 Express services -6040 Express services -609 Other delivery services -6090 Other delivery services</td>
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<td><em>Improves the efficiency of logistics of produce and processed food from farm to retail/table</em></td>
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<td>2. Access to warehouses in terms of time-distance from farm</td>
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<td>3. Capacity of warehouses</td>
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<td>4. Efficiency of warehouses in terms of energy, land and water consumption</td>
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<td>5. Food lost due to insufficient logistics</td>
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<td>7. Working conditions of warehouses and truckers in consideration of fair salaries, breaks, welfare and gender equality</td>
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Key Milestones and Next Steps

**Establishment of Partnership**
- Technical input for UNDP standards & taxonomy

**Technical Engagement**
- Standards Checklist
- Roadmap of pilot
- Invited NDB to join reference group of Standards
- TA on SDG linked bond prospectus & project document
- Mapped the projects with taxonomy
- Joined NDB Pre-issuance global investor call
- Support NDB self-assessment based on evidence and data disclosure
- Explore the possibility of third-party post issuance verification
- Share progress and results with market
- Scale up pilot

**Pre-Issuance**
- 23 March 2021

**Bond Issuance**

**Post-Issuance Assurance**
Four sets of Standards have been developed so far – connecting different actors across the ecosystem in a shared language and approach for integrating the SDGs and impact management into decision-making……..

**Status:** Second (final) public consultation closed 31 May

**Next steps:** Version 1.0 release by 30 June 2021, development of user guide, guidance and assurance

**Status:** Version 1.0 released in March 2021

**Next steps:** Development of guidance and assurance model

**Status:** Version 1.0 released Oct 2020

**Next steps:** Development of guidance and assurance model

**Status:** Published May 2021

**Next steps:** Pilots and development of guidance

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– creating the enabling environment for greater cross-sector collaboration and innovation in SDG financing solutions
The SDG Impact Standards will ground a suite of guidance, education and assurance.

- Glossary
- Guidance notes and resources (coming soon!)
- New Coursera free online training course in impact measurement and management (Q3 2021)
- Advisory services: Training and implementation support are available
- Assurance framework and SDG Impact Seal under development
The 4 SDG Impact Standards are set across themes all businesses and investors are familiar with:

- **STRATEGY**
  - Standard 1
    - Embedding making a positive contribution to sustainable development and achieving the SDGs into purpose and strategy

- **MANAGEMENT APPROACH**
  - Standard 2
    - Integrating impact management and making a positive contribution to sustainable development and achieving the SDGs into operations and management approach

- **TRANSPARENCY**
  - Standard 3
    - Disclosing how making a positive contribution to sustainable development and achieving the SDGs are integrated into strategy, management approach and governance, and reporting on performance

- **GOVERNANCE**
  - Standard 4
    - Reinforcing commitment to contributing positively to sustainable development and achieving the SDGs through governance practices
The SDG Impact Standards at a glance

<table>
<thead>
<tr>
<th>STRATEGY</th>
<th>MANAGEMENT APPROACH</th>
<th>TRANSPARENCY</th>
<th>GOVERNANCE</th>
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<tbody>
<tr>
<td>✓ Embed responsible business practices &amp; impact into purpose, strategy, business models &amp; risk management systems</td>
<td>✓ Embed responsible business policies &amp; practices in management approach</td>
<td>✓ Provide disclosures about how impact management &amp; contributing positively to sustainable development are integrated into strategy, management approach, decision making &amp; governance (including disclosing responsible business policies)</td>
<td>✓ Integrate responsible business practices, impact management and sustainable development into governance practice &amp; oversight</td>
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<tr>
<td>✓ Engage with the sustainable development context &amp; involve stakeholders</td>
<td>✓ Design &amp; integrate internal impact management system, (including feedback loops)</td>
<td>✓ Publicly report on impact annually, including positive &amp; negative impacts, providing appropriate context i.e., progress towards impact goals &amp; targets, &amp; against baselines, thresholds &amp; counterfactuals &amp; disclosing assumptions, limitations &amp; gaps, trade-offs &amp; risks</td>
<td>✓ Include sustainable development &amp; impact management competencies &amp; diversity within governance body</td>
</tr>
<tr>
<td>✓ Identify impacts that matter to sustainable development and stakeholders experiencing them (people &amp; planet)</td>
<td>✓ Allocate resources, align incentives &amp; integrate accountability</td>
<td>✓ Collect impact data, fill data gaps &amp; monitor, manage &amp; interpret impact performance against goals, targets, baselines, thresholds &amp; counterfactuals</td>
<td>✓ Understand importance of acting on behalf of impacted stakeholders</td>
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<tr>
<td>✓ Define impact thesis (SDGs &amp; ABCs)</td>
<td>✓ Conduct impact assessments incorporating the five dimensions, selecting outcome metrics, valuing impacts using a consistent measure (wellbeing) &amp; making choices between options</td>
<td>✓ Make evidence-based decisions &amp; take action to optimize impact</td>
<td>✓ Hold management accountable for responsible business practices &amp; impact performance</td>
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<tr>
<td>✓ Set ambitious impact goals set in context of baselines &amp; thresholds, &amp; including cross-cutting goals (climate, gender, decent work), goals to avoid/reduce negative impacts) &amp; for investors, investor contribution goals</td>
<td>✓ Collect impact data, fill data gaps &amp; monitor, manage &amp; interpret impact performance against goals, targets, baselines, thresholds &amp; counterfactuals</td>
<td>✓ Communicate impact consistently using SDGs &amp; ABCs</td>
<td>✓ Take a risk-based approach to third party assurance of impact data, impact assessments &amp; evaluations &amp; external reporting</td>
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MANAGEMENT APPROACH

- Embed responsible business policies & practices in management approach
- Design & integrate internal impact management system, (including feedback loops)
- Allocate resources, align incentives & integrate accountability
- Conduct impact assessments incorporating the five dimensions, selecting outcome metrics, valuing impacts using a consistent measure (wellbeing) & making choices between options
- Collect impact data, fill data gaps & monitor, manage & interpret impact performance against goals, targets, baselines, thresholds & counterfactuals
- Make evidence-based decisions & take action to optimize impact

TRANSPARENCY

- Provide disclosures about how impact management & contributing positively to sustainable development are integrated into strategy, management approach, decision making & governance (including disclosing responsible business policies)
- Publicly report on impact annually, including positive & negative impacts, providing appropriate context i.e., progress towards impact goals & targets, & against baselines, thresholds & counterfactuals & disclosing assumptions, limitations & gaps, trade-offs & risks
- Communicate impact consistently using SDGs & ABCs

GOVERNANCE

- Integrate responsible business practices, impact management and sustainable development into governance practice & oversight
- Include sustainable development & impact management competencies & diversity within governance body
- Understand importance of acting on behalf of impacted stakeholders
- Hold management accountable for responsible business practices & impact performance
- Take a risk-based approach to third party assurance of impact data, impact assessments & evaluations & external reporting
There is a robust and comprehensive Stakeholder Engagement process for the SDG Impact Standards.
Thank-you

Website: sdgimpact.undp.org
Twitter: @sdgimpact