



SDG Impact



# 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



“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.”

*World Benchmarking Alliance, Financial System Transformation Scoping Report (2021) from Social Progress Imperative (2020) 2020 Social Progress Index results.*

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>).
- Achieving gender equity alone could increase the size of the global economy by 26% (<https://www.cfr.org/womens-participation-in-global-economy/>).

A close-up photograph of two hands, one light-skinned and one dark-skinned, holding a white puzzle piece. The hands are positioned as if about to fit the piece into a larger puzzle. The background is a soft, out-of-focus grey.

# Transformative private sector contributions towards the SDGs

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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

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# 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

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- ✓ 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

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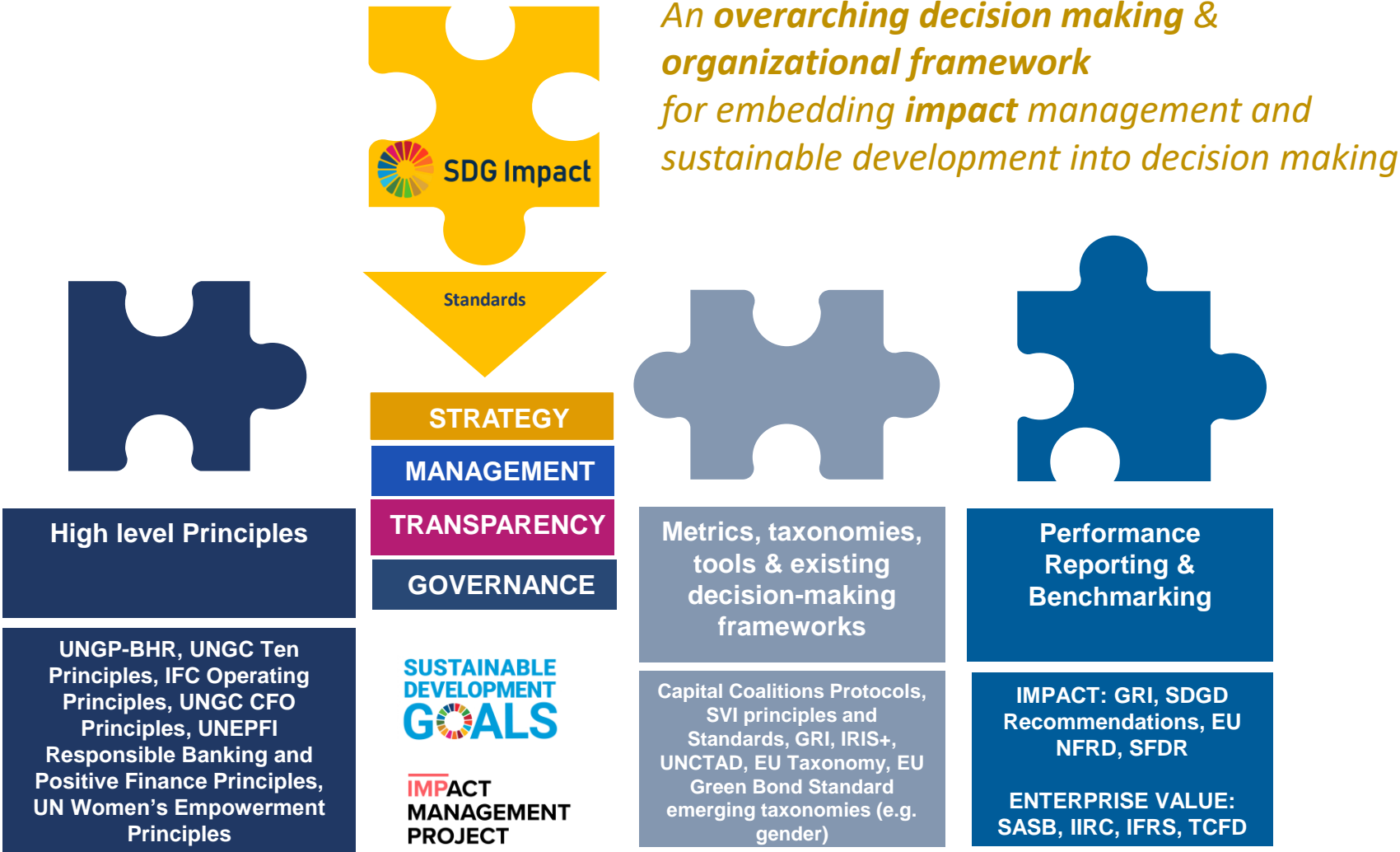


## Core elements of the Standards are:

- **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



# 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

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## 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.

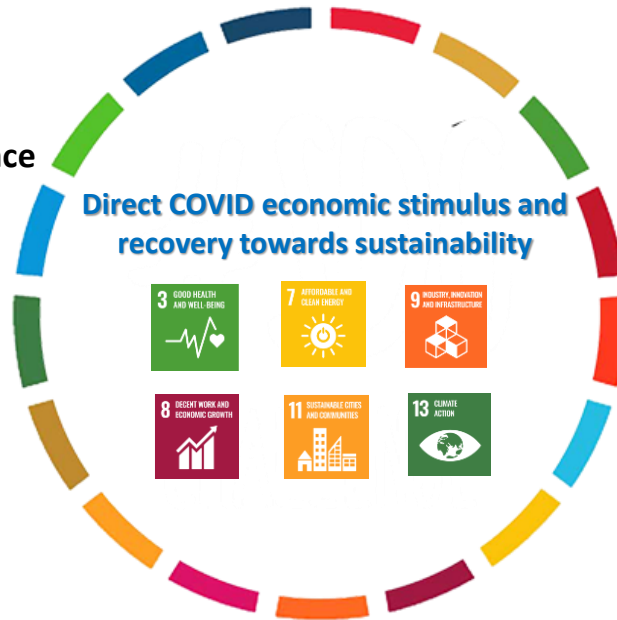


# UNDP & NDB Joint Initiative

1<sup>st</sup>

## 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



Borrower



中华人民共和国财政部  
Ministry of Finance of the People's Republic of China



Registered under



中国银行间市场交易商协会  
National Association of Financial Market Institutional Investors



Underwriters



中国银行  
BANK OF CHINA



DBS

Deutsche Bank



中国工商银行  
INDUSTRIAL AND COMMERCIAL BANK OF CHINA



Implementing Agencies

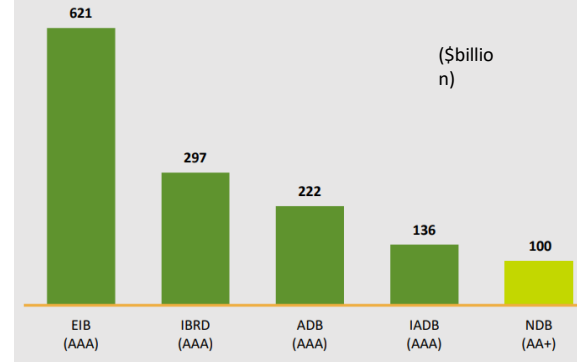


中国进出口银行  
THE EXPORT-IMPORT BANK OF CHINA



中国农业发展银行  
AGRICULTURAL DEVELOPMENT BANK OF CHINA

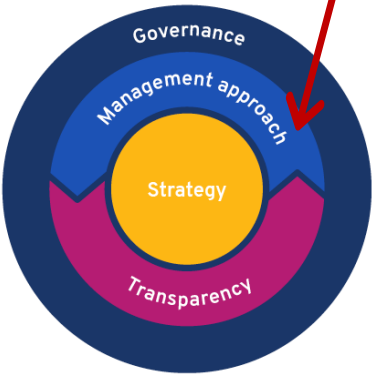
TOTAL ASSETS OF PEERS VERSUS AUTHORIZED CAPITAL OF NDB



# Linkage between UNDP Practice Standards and SDG Finance Taxonomy

## Practice Standards

Tools – (including taxonomies, metrics, evaluation models, benchmarking frameworks)

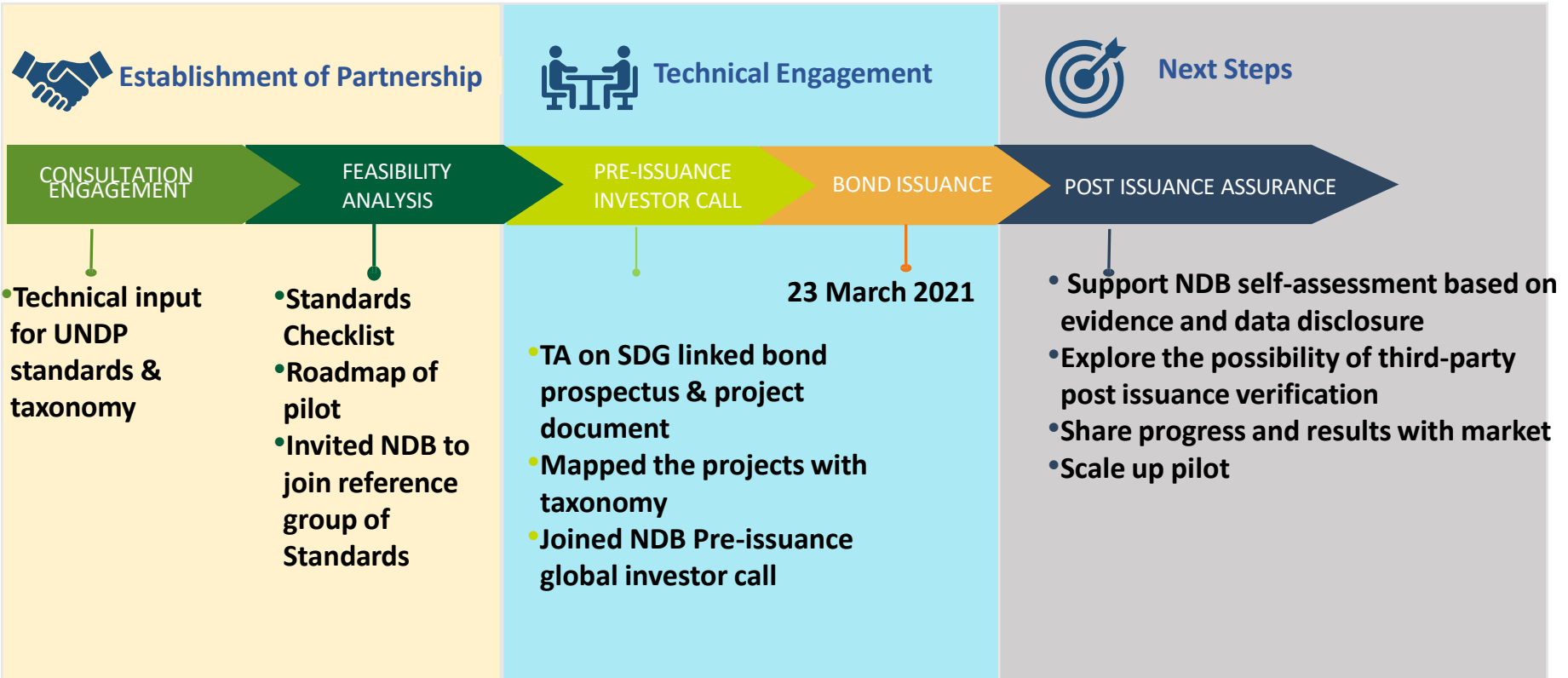


## SDG Finance Taxonomy

A Level I Food Security	B Level II 5.3 Agricultural product logistics, trade and retail	C Level III 5.3.1 Warehouse logistics	D Project Specifications 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	E Policies & Plans/Reference 1. Cederberg C, Sonesson U, Van Otterdijk R, Meybeck A. Global Food Losses and Food Waste: Extent, Causes and Prevention. Rome, FAO, 2011 2. FAO: The State of Food and Agriculture 2013, Rome, 2013 3. FAO: The State of Food and Agriculture 2012, Rome, 2012 4. FAO, WFP and IFAD, The State of Food and Agriculture- Economic Growth is Necessary, But Not Sufficient to Accelerate Reducing Hunger and Malnutrition, Rome, 2012	F Industry Code G Transportation, warehousing and postal services 59 Handling and warehousing 595 Grain, cotton and other agricultural products storage -5951 Grain storage -5959 Other agricultural products storage 60 Post 601 Basic postal services -6010 Basic postal services 602 Express services -6020 Express services 609 Other delivery services -6090 Other delivery services	G SDGs and Target 2 ZERO HUNGER 2.4 7 AFFORDABLE AND CLEAN ENERGY 7.3 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 12.2, 12.3, 12.5	H Impacts What? Improves the efficiency of logistics of produce and processed food from farm to retail/table	I Impacts Who?					J Impact Indicators 1. Cost of food logistics 2. Access to warehouses in terms of time-distance from farm 3. Capacity of warehouses 4. Efficiency of warehouses in terms of energy, land and water consumption 5. Food lost due to insufficient logistics 6. Time from farming to retail store 7. Working conditions of warehouses and truckers in consideration of fair salaries, breaks, welfare and gender equality
								Living below poverty line	Under-employed Under-served, e.g. people living in remote areas	Under-educated	Migrants and/or displaced persons	Vulnerable groups, e.g. children, senior citizens, and pregnant women Excluded/marginalized populations	
							X	X	X	X	X		



# Key Milestones and Next Steps



# 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.....

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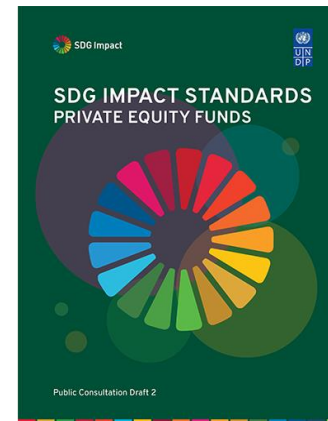
**Status:** Second (final) public consultation closed 31 May

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



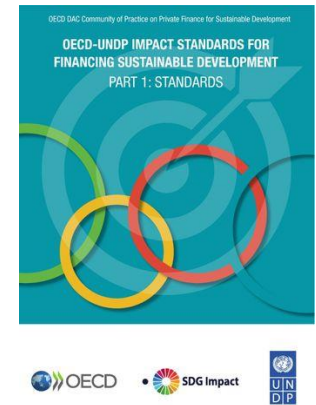
**Status:** Version 1.0 released in March 2021

**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

– 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!)**



**Assurance framework and SDG Impact Seal under development**



**New Coursera free online training course in impact measurement and management (Q3 2021)**



**Advisory services: Training and implementation support are available**

# The 4 SDG Impact Standards are set across themes all businesses and investors are familiar with

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# The SDG Impact Standards at a glance

STRATEGY	MANAGEMENT APPROACH	TRANSPARENCY	GOVERNANCE
<ul style="list-style-type: none"><li>✓ Embed responsible business practices &amp; impact into purpose, strategy, business models &amp; risk management systems</li><li>✓ Engage with the sustainable development context &amp; involve stakeholders</li><li>✓ Identify impacts that matter to sustainable development and stakeholders experiencing them (people &amp; planet)</li><li>✓ Define impact thesis (SDGs &amp; ABCs)</li><li>✓ 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</li></ul>	<ul style="list-style-type: none"><li>✓ Embed responsible business policies &amp; practices in management approach</li><li>✓ Design &amp; integrate internal impact management system, (including feedback loops)</li><li>✓ Allocate resources, align incentives &amp; integrate accountability</li><li>✓ Conduct impact assessments incorporating the five dimensions, selecting outcome metrics, valuing impacts using a consistent measure (wellbeing) &amp; making choices between options</li><li>✓ Collect impact data, fill data gaps &amp; monitor, manage &amp; interpret impact performance against goals, targets, baselines, thresholds &amp; counterfactuals</li><li>✓ Make evidence-based decisions &amp; take action to optimize impact</li></ul>	<ul style="list-style-type: none"><li>✓ 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)</li><li>✓ 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</li><li>✓ Communicate impact consistently using SDGs &amp; ABCs</li></ul>	<ul style="list-style-type: none"><li>✓ Integrate responsible business practices, impact management and sustainable development into governance practice &amp; oversight</li><li>✓ Include sustainable development &amp; impact management competencies &amp; diversity within governance body</li><li>✓ Understand importance of acting on behalf of impacted stakeholders</li><li>✓ Hold management accountable for responsible business practices &amp; impact performance</li><li>✓ Take a risk-based approach to third party assurance of impact data, impact assessments &amp; evaluations &amp; external reporting</li></ul>

# There is a robust and comprehensive Stakeholder Engagement process for the SDG Impact Standards

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# Thank-you

**Website:** [sdgimpact.undp.org](http://sdgimpact.undp.org)

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