

# SDG IMPACT STANDARDS

## Bond Issuers

Integrating impact management into Bond Issuers' decision-making to optimize their contribution to sustainable development and the SDGs

Version 1.0

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## 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 over 170 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 dialogues drawing on UN DP's presence in over 170 countries, deep sustainable development expertise and relationships with governments and other influencers.

## Acknowledgements

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The SDG Impact Steering Group, chaired by the UNDP Administrator, Achim Steiner, comprises global champions and thought leaders from finance and industry from around the world. UNDP thanks these sustainability leaders for their critical role in authenticating SDG-enabling investment, signaling 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, Lado!), 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 Gavin Power (Chief of Sustainable Development and International Affairs, PIMCO). Thanks also to UNDP colleagues, and 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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# 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 are deeply interconnected, *integrating* economic, social and environmental targets. So, 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 engage actively with governments, enterprises and investors and help them 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 remains a missing link. These **UNDP SDG Impact Standards for Bond Issuers** are a practical contribution, providing 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 as a provider of 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 from taking decisive action on climate change to tackling widening inequalities.

Crucially, the Standards are helping us to *reimagine* the role of enterprises and investments in our society. No longer can the world be driven by a zero-sum game of economy versus environment, or health versus economy, for instance. The Standards 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.

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# Introduction

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UNDP SDG Impact is delighted to present version 1.0 of the *SDG Impact Standards for Bond Issuers* (the Standards).

*“The business and investment communities are increasingly recognizing that the health of the planet and the wellbeing of humanity impact their long-term prospects of success and that the SDGs offer a focus of collaborative efforts to address them.”*<sup>1</sup> With long term trends – such as climate change, accelerating biodiversity loss and population growth – social, environmental and economic outcomes are becoming increasingly interdependent. This makes impact management and advancing sustainable development in line with the SDGs even more important and urgent. Failing to maintain the global commons for all, and collectively failing to achieve the SDGs, will ultimately also reduce the sustainability, resilience and economic or financial performance of governments, financial institutions, enterprises, investment portfolios, societies, communities and households over the longer term. Conversely, contributing positively to sustainable development and the SDGs presents opportunities to collectively chart a different course to a fairer, more resilient and prosperous future.

The Standards are provided as a public good for all Bond Issuers who want to contribute positively to sustainable development and the SDGs. They are voluntary and freely available for all to use as a best practice guide and self-assessment tool to help Bond Issuers integrate impact management into decision-making. They are part of what will be a harmonized suite of Standards and complementary tools, including a glossary, guidance, assurance protocols and training for different actors across the capital and investment spectrum.

## How the Standards work

The Standards promote an approach that links core business purpose and practice to contributing positively to sustainable development and the SDGs. Broader adoption of the Standards will encourage decisions that increasingly direct capital to activities and projects that will deliver the SDGs by 2030.

The Standards are founded on contributing positively to sustainable development and the SDGs. This cannot be achieved without demonstrating respect for human rights in line with the UN Guiding Principles on Business and Human Rights (UNGPs), planetary boundaries and other responsible business practices, and is realized through effective impact management and decision-making (see Figure 1).

The Standards are grounded in human rights in line with the UNGPs and focus as much on reducing negative impacts as on increasing positive impacts, recognizing that avoiding or significantly reducing negative impacts is a positive contribution to sustainable development.

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

*“Business strategies to contribute to the Sustainable Development Goals are no substitute for human rights due diligence. On the contrary, robust human rights due diligence enables and contributes to sustainable development. For businesses, the most powerful contribution to sustainable development is to embed respect for human rights in their activities and across their value chains, addressing harm done to people and focusing on the potential and actual impacts – as opposed to starting at the other end, where there are the greatest opportunities for positive contributions. In other words, businesses need to realize and accept that not having negative impacts is a minimum expectation and a positive contribution to the Goals.”<sup>2</sup>*

## Who can use the Standards

The Standards are provided for all Bond Issuers – regardless of size, geography or sector – who want to contribute positively to sustainable development and the SDGs. This includes 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, assets or projects (e.g. securitizations, infrastructure transactions).

The Standards apply 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 obligors, through both bond and loan programs.

The Standards are equally relevant for Bond Issuers seeking to avoid or reduce negative impacts in their direct operations, supply chains, and value chains (e.g. those transitioning to a net zero carbon future), as for those seeking to also benefit Stakeholders or contribute to SDG solutions through their products and services.

The Standards are also a useful guide for other actors in the value chain to frame inquiry, assessment and decision-making about a Bond Issuer’s impact management capacity and strategies to advance sustainable development and the SDGs. This includes **Investors**, to frame their investment mandates, guidelines and due diligence; **Analysts, advisors and research houses**, to advise their clients or benchmark practice; and **Government and policymakers** to align policy and regulations with the Standards or otherwise support their adoption in line with policy priorities to promote sustainable development and support achievement of their SDG commitments.

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<sup>2</sup> UN General Assembly: The Report of the Working Group on the Issue of Human Rights and Transnational Corporations and Other Business Enterprises A/73/163 2018, Paragraph 59. [https://ap.ohchr.org/documents/dpage\\_e.aspx?si=A/73/163](https://ap.ohchr.org/documents/dpage_e.aspx?si=A/73/163).

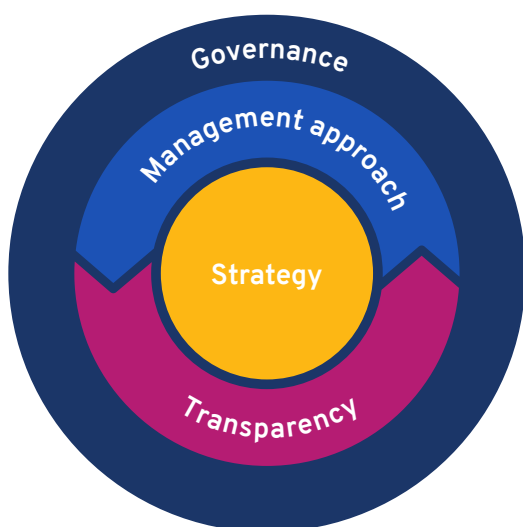
## How the Standards are organized

The Standards are framed across four interconnected and interdependent themes familiar to all private and public sector actors – strategy, management approach, transparency, and governance (Figure 1). Each of the four Standards comprises one or more components (The Standards at a glance), which are accompanied by Practice Indicators that demonstrate what achieving each Standard (or the components of each Standard) looks like.

**Figure 1:** The SDG Impact Standards for Bond Issuers

The foundational elements of the Standards are:

- contributing positively to sustainable development and the SDGs
- which cannot be achieved without demonstrating **respect for human rights in line with the UNGPs, planetary boundaries 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

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



## Ways to use the Standards

### *Voluntary independent use*

The Standards are provided to Bond Issuers as a ‘best practice’ guide to help them align their internal processes to integrate impact management into decision-making. Bond 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. The Standards should be used in conjunction with the glossary and guidance provided.

### *Assurance protocols and SDG Impact Seal*

An external assurance framework and SDG Impact Seal are being developed in tandem with the Standards. Bond Issuers are highly recommended to move from self-assessment to having their impact management practices assured at regular intervals by an independent accredited assurer.

### *Complementary resources*

UNDP is complementing the SDG Impact Standards with additional resources, including online training on impact management being developed through CASE at Duke University, and assurer training (being developed through Social Value International). An accreditation process will build additional capacity, capability, and consistency within the assurance community.

## About the Standards

### *The Standards are practice and decision-making standards – not performance or reporting standards.*

The Standards set out an internal decision-making framework to help Bond Issuers develop and implement an impact strategy to contribute positively to sustainable development in line with the SDGs and link that impact strategy to the SDG Bond Program and the Issuer’s organization-wide strategy. Within the scope of the defined impact strategy, the Standards help Bond Issuers direct attention and resources to where they can optimize their contribution by focusing on all material positive and negative impacts. Embedding the Standards into management decision-making will strengthen impact performance and facilitate higher quality and more consistent disclosures.

### *The Standards are a sense making tool.*

The Standards help to operationalize and link existing responsible business and impact management principles frameworks in a consistent manner. They leverage existing decision-making frameworks where possible, rather than create new ones, to drive convergence. They link to other useful frameworks and tools – but with the flexibility to add or replace these with others as new ones become available or the needs of the Bond Issuer change. Finally, they fill the gaps, especially in strategy, governance, and requiring context by measuring performance consistently and against suitable baselines, counterfactuals and thresholds to understand what changes. This results in an end-to-end approach for integrating impact management into business processes and decision-making practices and thereby optimizing the Bond Issuer’s contributions to sustainable development and the SDGs within the scope of the impact strategy and through the SDG Bond Program (see Figure 2).

**Figure 2: SDG Impact Standards – transforming decision-making to deliver the SDGs**



*The Standards complement existing bond principles frameworks and taxonomies.*

The Standards complement existing bond principles frameworks and taxonomies (e.g. ICMA, the EU Taxonomy for Sustainable Activities and EU Green Bond Standard). By focusing on Bond Issuers' impact management and decision-making practices, the Standards help to fill some of the gaps in current market practice. In particular, the Standards:

- require a Bond Issuer to embed respect for human rights in line with the UNGPs, planetary boundaries and other responsible business practices in its organization-wide approach (i.e. akin to an Issuer screen)
- require a Bond Issuer to develop an impact strategy (which can be limited in scope), linked to both its SDG Bond Program and organization-wide strategy
- within the scope of its impact strategy, require the Bond Issuer to set ambitious impact goals that take into consideration the rate of change required to move from current baseline performance to the impact goal in line with suitable thresholds in a timely way
- within the scope of the impact strategy, require the Bond Issuer to focus on optimizing its contribution to sustainable development and the SDGs by managing all positive and negative material impacts (i.e. 'do no harm')
- help Bond Issuers explain the 'why' and 'how' to help them select and optimize the impact of the 'what'.

# SDG Impact Standards for Bond Issuers

## I. The Standards at a glance

**1. STRATEGY** – The Issuer develops an impact strategy for contributing positively to sustainable development and the SDGs, establishes the SDG Bond Program and sets ambitious impact goals to implement its impact strategy.

1.1	The Issuer develops an impact strategy for contributing positively to sustainable development and the SDGs.
1.2	The Issuer establishes the SDG Bond Program and sets ambitious impact goals to implement its impact strategy.

**2. MANAGEMENT APPROACH** – The Issuer integrates impact management into its management approach to optimize the SDG Bond Program’s contribution to sustainable development and the SDGs.

2.1	The Issuer has effective processes and other mechanisms to deliver on the impact strategy and the SDG Bond Program impact goals.
2.2	Within the scope of the impact strategy, the Issuer assesses and compares the material positive and negative impacts associated with its products, services and operations and makes choices between options to optimize its contribution to sustainable development and the SDGs in line with its SDG Bond Program impact goals.
2.3	Within the scope of its impact strategy, the Issuer systematically monitors and manages its ongoing impacts and acts to optimize its contribution to sustainable development and the SDGs (including managing unexpected outcomes).

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

**4. GOVERNANCE** – The Issuer’s commitment to contributing positively to sustainable development and the SDGs through the impact strategy and SDG Bond Program is reinforced through its governance practices.

## II. Standards and practice indicators

**1. STRATEGY** – The Issuer develops an impact strategy for contributing positively to sustainable development and the SDGs, establishes the SDG Bond Program and sets ambitious impact goals to implement its impact strategy.

1.1 The Issuer develops an impact strategy for contributing positively to sustainable development and the SDGs.

**Practice Indicators:**

- 1.1.1 The Issuer includes respect for human rights in line with the UNGPs, planetary boundaries, and other responsible business practices in its organization-wide approach.
- 1.1.2 The Issuer develops an impact strategy (which can be limited in scope to one or more business and/or product lines, geographies, Stakeholder segments or outcome areas) for contributing positively to sustainable development and the SDGs, linking its impact strategy to its organization-wide strategy.
- 1.1.3 Within the scope of the impact strategy, the Issuer:
  - 1.1.3.1 considers the interdependency of sustainable development issues and the SDGs
  - 1.1.3.2 optimizes its impact through its business model(s) and partnerships (including by reducing negative impacts)
  - 1.1.3.3 has a formal engagement plan to effectively involve Stakeholders on an ongoing basis to understand outcomes that matter to them
  - 1.1.3.4 uses available evidence and relevant social and scientific data from reputable agencies such as government, scientific and civil society organizations, including to identify suitable outcomes thresholds
  - 1.1.3.5 implements a formal approach to determine the materiality of sustainable development issues based on where the Issuer can make (or is making) the most significant (positive and negative) impacts on sustainable development outcomes and the SDGs
  - 1.1.3.6 incorporates sustainable development risks and opportunities into its formal risk management approach, including Stakeholder perspectives
  - 1.1.3.7 uses sensitivity and scenario analysis to test the resilience of its impact strategy
  - 1.1.3.8 implements a formal approach to ensure its impact strategy and impact goals remain fit for purpose as the internal and sustainable development contexts change
  - 1.1.3.9 determines the resources (including budget, capability, and leadership) it intends to allocate towards implementing its impact strategy.

**1. STRATEGY** – The Issuer develops an impact strategy for contributing positively to sustainable development and the SDGs, establishes the SDG Bond Program and sets ambitious impact goals to implement its impact strategy.

**1.2 The Issuer establishes the SDG Bond Program and sets ambitious impact goals to implement its impact strategy.**

**Practice Indicators:**

- 1.2.1 The Issuer establishes the SDG Bond Program, linking it to the impact strategy.
- 1.2.2 The Issuer sets impact goals for its SDG Bond Program that:
  - 1.2.2.1 align with the impact strategy
  - 1.2.2.2 are ambitious including taking into account the rate of change required to move from current baseline performance to the impact goal in a timely way
  - 1.2.2.3 specify the sustainable development outcome areas (e.g. SDG targets) it intends to target and the types of impact (i.e. ABC Impact Classifications) it intends to achieve
  - 1.2.2.4 relate to the material sustainable development issues (positive and negative) as defined in Clause 1.1.3.5 alongside any need for collective action, including cross-cutting goals relating to gender equality, climate action, and decent work
  - 1.2.2.5 address all material negative impacts in its direct operations, supply and through its business relationships and value chains
  - 1.2.2.6 are expressed in terms of the expected change in outcome levels relative to suitable baselines and threshold levels
  - 1.2.2.7 consider the potential for unintended consequences and seek to limit the potential for unintended negative and/or perverse outcomes.
- 1.2.3 The Issuer sets out clear measures within its SDG Bond Program if impact goals are not met.

**2. MANAGEMENT APPROACH** – The Issuer integrates impact management into its management approach to optimize the SDG Bond Program’s contribution to sustainable development and the SDGs.

**2.1 The Issuer has effective processes and other mechanisms to deliver on the impact strategy and SDG Bond Program impact goals.**

**Practice Indicators:**

- 2.1.1 The Issuer embeds respect for human rights in line with the UNGPs, planetary boundaries, and other responsible business practices in its organization-wide policies and practices, including:
  - 2.1.1.1 integrating accountability into organizational culture, business operations, day-to-day roles, cross-functional teams and decision-making processes
  - 2.1.1.2 demonstrating sufficient diversity across gender, race and other dimensions at the appropriate level of seniority and authority to influence decision-making
  - 2.1.1.3 implementing effective grievance and reparation mechanisms with whistleblowing safeguards for affected Stakeholders
  - 2.1.1.4 ensuring visibility of senior leadership’s commitment throughout the organization, including monitoring performance and conformance and driving a culture of continuous improvement
  - 2.1.1.5 avoiding or reducing negative impacts and promoting respect for human rights in line with the UNGPs, planetary boundaries and other responsible business practices in supply and value chains
  - 2.1.1.6 complying 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 reconciling when local and international laws and regulations conflict.

**Within the scope of the impact strategy, SDG Bond Program and related decisions and actions:**

- 2.1.2 The Issuer implements a formal approach to involve Stakeholders on issues that impact them, including by (i) supporting Stakeholder involvement with adequate budget and resources (including training and local leadership), and (ii) transparently keeping Stakeholders informed of actions, progress and lessons.
- 2.1.3 The Issuer integrates accountability for impact management into business operations and information systems, day-to-day roles and cross-functional teams and decision-making processes, including by:
  - 2.1.3.1 implementing appropriate culture, communication systems and training to enable decision-making

- 2.1.3.2 holding people at all levels accountable for operating in accordance with its impact management policies and practices, including aligning incentive mechanisms with its impact strategy and impact goals
- 2.1.3.3 having sufficient impact management capability at the appropriate level of seniority and authority to influence decision-making
- 2.1.3.4 monitoring its impact performance and conformance with impact management policies and practices to drive a culture of continuous improvement.
- 2.1.4 The Issuer implements a formal approach to collect, verify, manage and use impact data, including:
  - 2.1.4.1 managing data ownership on behalf of Stakeholders – including privacy, ethical and commercial issues regarding data gathering, use and disclosure
  - 2.1.4.2 systematically capturing impact data from activities
  - 2.1.4.3 taking a risk-based approach to if and when impact data needs to be verified or assured, and taking into account findings in decision-making
  - 2.1.4.4 integrating impact data into management decisions.
- 2.1.5 The Issuer implements a formal approach to ensure its impact management practices continue to improve over time and remain fit for purpose, including by:
  - 2.1.5.1 analyzing deviations from expected performance
  - 2.1.5.2 incorporating lessons from its engagement with partners and Stakeholders, and updated research and evidence
  - 2.1.5.3 considering changes in the sustainable development context
  - 2.1.5.4 assessing the effectiveness of its impact management practices in driving decision-making and impact performance.
- 2.1.6 To the extent practicable, the Issuer works proactively with its arrangers and (potential) investors to set expectations and promote alignment between the impact strategy and SDG Bond Program, and the motivations and intentions of investors participating in the SDG Bond Program issues.



**2. MANAGEMENT APPROACH** - The Issuer integrates impact management into its management approach to optimize the SDG Bond Program's contribution to sustainable development and the SDGs.

2.2 Within the scope of its impact strategy, the Issuer assesses and compares the material positive and negative impacts associated with its products, services and operations and makes choices between options to optimize its contribution to sustainable development and the SDGs in line with its SDG Bond Program impact goals

**Practice Indicators:**

**Within the scope of the impact strategy, SDG Bond Program and related decisions and actions:**

- 2.2.1 The Issuer implements a formal approach to identify all material (positive and negative) sustainable development issues in its direct operations and in its supply and value chains including:
  - 2.2.1.1 assessing outcomes consistently, using wellbeing as the common measure
  - 2.2.1.2 determining suitable baselines, counterfactuals and thresholds
  - 2.2.1.3 assessing the potential outcomes on Stakeholder groups, and segments within groups, separately (with a particular focus on the core SDG objective of 'leaving no-one behind')
  - 2.2.1.4 taking into account uncertainty when it is unable to quantify outcomes, recognizing that measurement in direct operations, supply chains and value chains can be challenging, and developing strategies to reduce risk over time.
- 2.2.2 The Issuer estimates the depth and scale of its expected contribution to the outcomes identified in 2.2.1, taking into account: (i) what would have happened anyway, (ii) what others contribute to the outcomes, and (iii) how long the impact is likely to last.
- 2.2.3 The Issuer assesses the risk that actual impacts do not occur as and when expected, taking into account (i) the likelihood and magnitude of the risks, (ii) the tolerance for unexpected outcomes, and (iii) any risk mitigation measures.
- 2.2.4 The Issuer considers which metrics to use and how much data is sufficient to make a decision including:
  - 2.2.4.1 selecting and using decision-useful outcome metrics (i.e. rather than activities or output metrics) that: (i) wherever possible include context by taking into account what matters most to the Stakeholders experiencing the outcomes, (ii) value outcomes consistently using wellbeing as the common measure, and (iii) provide the required level of confidence that the targeted outcome is being achieved
  - 2.2.4.2 using relevant standardized metrics and metrics sets where suitable, but recognizing management accounting and internal metrics will likely be needed
  - 2.2.4.3 assessing the risk (including to Stakeholders) of uncertainty when impact data is unavailable or insufficient, and possible risk mitigation measures, including the opportunity to fill data gaps (quality and completeness) and build the evidence base over time

- 2.2.4.4 where activity or output (rather than outcome) metrics are used as proxies for expected outcomes, having a robust process to assess the implications for decision-making, both on the number of potential decisions and the risk to those decisions, and to replace those metrics with outcome metrics as soon as practicable
- 2.2.4.5 considering the potential for unintended consequences and seeking to limit the potential for unintended negative and perverse outcomes in how it selects and uses metrics.
- 2.2.5 The Issuer makes (relative and absolute) choices between its product, service and operational options in a transparent way to optimize its contribution to sustainable development and the SDGs, taking into account the risk that impacts may not occur as expected, and trade-offs between different outcomes or Stakeholder groups.
- 2.2.6 The Issuer takes a risk-based approach to if and when comprehensive independent impact evaluations are required for certain activities, in line with international guidance.
- 2.2.7 The Issuer systematically captures the results from its impact assessments (including documenting its calculation methodologies and assumptions applied) so it can be connected to its decision-making and ongoing impact management activities.
- 2.2.8 Where the Issuer is not the end user of the SDG Bond Program proceeds:
  - 2.2.8.1 it develops new products and/or establishes eligibility criteria to qualify or select assets (e.g. grants, loans or other obligations to individuals, enterprises, projects or programs) for inclusion in its SDG Bond Program to optimize its contribution to sustainable development and the SDGs in line with the impact strategy and SDG Bond Program impact goals
  - 2.2.8.2 depending on the nature of the products and obligors (e.g. homogenous products to individuals or micro-businesses), it may conduct its impact assessments at the product or portfolio level rather than the obligor level)
  - 2.2.8.3 where relevant, it is transparent with obligors about its impact strategy, goals and expectations
  - 2.2.8.4 where relevant (e.g. when lending to enterprises or projects), it embeds impact terms within the facility legal documentation such that: (i) obligors are held to the same standard as direct issuers under these Standards (e.g. by promoting adoption of the SDG Impact Standards for Enterprises among its obligors, where feasible); and (ii) the Issuer is provided sufficient information to assess the effectiveness of the impact strategy and manage its performance against its SDG Bond Program impact goals – and has a robust process to assess the implications for decision-making where this is not the case
  - 2.2.8.5 recognizing its access to primary data may be limited, it seeks to reduce data gaps including through technology solutions and use of high quality and relevant secondary data
  - 2.2.8.6 where it is refinancing pre-existing assets that meet its eligibility criteria, it uses the additional capacity created to further the impact strategy and SDG Bond Program impact goals.

**2. MANAGEMENT APPROACH** – The Issuer integrates impact management into its management approach to optimize the SDG Bond Program’s contribution to sustainable development and the SDGs.

2.3 Within the scope of its impact strategy, the Issuer systematically monitors and manages its ongoing impacts and acts to optimize its contribution to sustainable development and the SDGs (including managing unexpected outcomes).

**Practice Indicators:**

**Within the scope of the impact strategy, SDG Bond Program and related decisions and actions:**

- 2.3.1 The Issuer implements a formal approach to measure and monitor the effectiveness of its impact strategy and its actual impact performance against: (i) expected impact performance, (ii) baselines, counterfactuals and thresholds, and (iii) its impact goals.
- 2.3.2 The Issuer fills material data gaps, including by: (i) replacing proxies with outcome measures, where possible, and (ii) testing the validity of any assumptions made.
- 2.3.3 The Issuer identifies and analyzes the reasons for deviations from expected impact performance and acts to optimize impact, including by:
  - 2.3.3.1 developing mitigation plans including actions to ensure impact performance ahead of ceasing or exiting activities
  - 2.3.3.2 managing unexpected negative impacts on Stakeholders arising from the emergence of additional impact risks or under-performance.
- 2.3.4 The Issuer includes the positive and negative impacts from exited activities/projects in its overall assessment of its impact performance.
- 2.3.5 The Issuer systematically captures the results from its impact management activities to inform future decision-making.

**Where the Issuer is not the end user of the bond proceeds, and where relevant:**

- 2.3.6 The Issuer monitors end users’ impact performance and adherence to impact terms.
- 2.3.7 The Issuer engages proactively with end users to share resources and lessons so they can continuously improve their own impact performance.

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

**Practice Indicators:**

- 3.1 The Issuer discloses relevant information about the Issuer, the impact strategy and the SDG Bond Program to enable Stakeholders and potential investors to make informed decisions, including:
  - 3.1.1 the impact strategy, SDG Bond Program impact terms and impact goals, and how material the scope of the impact strategy and SDG Bond Program impact goals are relative to the Issuer’s overall strategy and impacts on sustainable development and the SDGs
  - 3.1.2 how the Issuer integrates contributing positively to sustainable development and the SDGs into the impact strategy, SDG Bond Program and related aspects of its management approach and governance practices
  - 3.1.3 how the Issuer implements reporting mechanisms to meet the needs of Stakeholders affected by its activities and the civil society organizations that act on their behalf, including considering additional non-public, tailored reporting or changes to existing public reporting to make disclosures more relevant and accessible to a broader range of Stakeholders
  - 3.1.4 how the Issuer makes publicly available its policies concerning respect for human rights in line with the UNGPs, planetary boundaries and other responsible business practices and discloses how it implements and manages its performance and conformance
  - 3.1.5 how the Issuer complies with relevant laws and regulations regarding social and environmental disclosures
- 3.2 The Issuer reports publicly at least annually on the performance of its SDG Bond Program including:
  - 3.2.1 communicating its impacts consistently by using the SDGs (and related targets) and the ABC Impact Classifications
  - 3.2.2 providing sufficient context by: (i) relating actual impact performance against impact goals and against suitable baselines, counterfactuals and thresholds, (ii) disclosing any trade-offs made between different sustainable development outcomes or Stakeholder groups, and (iii) disclosing material limitations and assumptions made.
- 3.3 The Issuer has its external impact reporting 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 way.

#### 4. GOVERNANCE – The Issuer’s commitment to contributing positively to sustainable development and the SDGs through the impact strategy and SDG Bond Program 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 the Issuer’s policies concerning respect for human rights in line with the UNGPs, planetary boundaries and other responsible business practices, including its effective grievance and reparation mechanisms with whistleblowing safeguards for affected Stakeholders, and its performance and conformance against those policies and associated practices
  - 4.1.2 Stakeholder complaints and remedial actions taken (ensuring no instances of adverse findings without having adequate remedies in place)
  - 4.1.3 organizational culture, the impact strategy, SDG Bond Program and impact goals
  - 4.1.4 within the scope of the impact strategy, the Issuer’s process of Stakeholder identification and involvement in decision-making
  - 4.1.5 within the scope of the impact strategy, the Issuer’s budget and resources to manage Stakeholder involvement effectively and to deliver its impact strategy and impact goals
  - 4.1.6 within the scope of the impact strategy, the Issuer’s policies concerning impact management, and its performance and conformance against those policies and associated practices
  - 4.1.7 within the scope of the impact strategy, the Issuer’s determination of material sustainable development issues and how these are integrated into the impact strategy
  - 4.1.8 within the scope of the impact strategy, the compatibility of the Issuer’s impact goals, financial return targets and both the Issuer’s and Stakeholders’ impact risk appetite and tolerance
  - 4.1.9 within the scope of the impact strategy, a separation between roles of drafting and approving impact goals, where those approving the goals recognize they are acting in both the interests of the Issuer and Stakeholders likely to be impacted
  - 4.1.10 the effectiveness of the impact strategy and the Issuer’s performance against its impact goals and relative to suitable baselines, counterfactuals and thresholds
  - 4.1.11 within the scope of the impact strategy, third party assurance findings and remedial actions
  - 4.1.12 the Issuer’s SDG Bond Program and impact-related external disclosures.

- 4.2 The Issuer's governing body meets the national minimum corporate governance standards, as appropriate, and:
  - 4.2.1 has competencies concerning sustainable development issues and impact management
  - 4.2.2 prioritizes gender and other dimensions of diversity
  - 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's impact strategy and SDG Bond Program performance against its impact goals, including operating in accordance with its responsible business and impact management policies and practices.
- 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 in line with the UNGPs, planetary boundaries and other responsible business practices that are consistent with the requirements set out in these Standards.

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