

# SDG IMPACT STANDARDS

## Enterprises

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

Second public consultation draft

March 2021

## 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 UNDP's presence in over 170 countries, deep sustainable development expertise and relationships with governments and other influencers.

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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, LadoI),

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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.

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# About The Consultation

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**This second public consultation period will be open for 60 days.**

**These SDG Impact Standards for Enterprises** are internal decision-making standards designed to help Enterprises' contribute positively towards sustainable development in line with the SDGs. We hope Enterprises of all types, sizes and focus will work towards aligning their internal processes and decision-making practices with the Standards to accelerate their contribution to the SDGs. We welcome your participation.

This second public consultation draft has already benefited from the lessons learned from the first public consultation and several stages of consultation on the SDG Impact Standards for Private Equity Funds and SDG Bond Issuers. **The consultation process** meets the UNDP Principles for social and environmental standards.<sup>2</sup> We look forward to further feedback from all.

## How you can contribute

We encourage robust feedback and input through the public consultation process, including written responses to the consultation questions that accompany this second public consultation draft. Enterprises 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/enterprise.html>

**Provide your feedback to [sdgimpact.standards@undp.org](mailto:sdgimpact.standards@undp.org) by May 31<sup>th</sup>, 2021.**

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<sup>2</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 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 Enterprises** 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 groundbreaking 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 this second public consultation draft of the *SDG Impact Standards for Enterprises* (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>3</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 financial performance of Enterprises over the longer term. Conversely, contributing positively to sustainable development and the SDGs presents business and investment opportunities.

The Standards are provided as a public good for all Enterprises 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 Enterprises 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.

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<sup>3</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.

## 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. *“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>4</sup>

## Who can use the Standards

The Standards are for all Enterprises committed to contributing positively to sustainable development and the SDGs – regardless of size, geography, or sector – including publicly listed enterprises, public interest and private entities (both for-profit or not-for-profit), non-governmental organizations (NGOs), small and medium enterprises (SMEs) and state-owned and other public sector entities.

They are equally relevant for Enterprises seeking to avoid or reduce negative impacts in their direct operations, supply and value chains (e.g. Enterprises 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.

They are also a useful guide for other actors in the value chain to frame inquiry, assessment and decision-making about an Enterprise’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

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4 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).



with the Standards or otherwise support their adoption in line with policy priorities to promote sustainable development and support achievement of their SDG commitments.

### How the Standards are organized

The Standards are framed across four interconnected and interdependent themes familiar to all businesses and investors – 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.

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 Enterprises can be found [here](#).

**Figure 1:** The SDG Impact Standards for Enterprises

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

## Ways to use the Standards

### *Voluntary independent use*

The Standards are provided to Enterprises as a ‘best practice’ guide to help them align their internal processes to integrate impact management into decision-making. Enterprises 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. Enterprises 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. UNDP has also mapped the Standards to the Sustainable Development Goals Disclosure (SDGD) Recommendations and to the UNGC CFO Principles on Integrated SDG Investments and Finance.

## About the Standards

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

The Standards set out a decision-making framework to help Enterprises integrate impact management into their strategy, management approach, disclosure, governance and decision-making practices. They help Enterprises link their approach to creating long-term, sustainable value for the Enterprise with contributing positively to sustainable development in line with the SDGs. They do this by directing attention and resources to where Enterprises can optimize their contribution by focusing on 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 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 and as the needs of the Enterprise 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 Enterprise’s contributions to sustainable development and the SDGs (see Figure 2).

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



### *The Standards connect practice to reporting.*

The Standards connect practice to reporting by aligning with the Sustainable Development Goals Disclosure (SDGD) Recommendations<sup>5</sup>. The SDGD Recommendations are SDG specific, and require disclosures on Strategy, Management approach and Governance as well as Performance and Targets. The Practice Indicators in the SDG Impact Standards for Enterprises include the actions on which the SDGD Recommendations require disclosure.

The SDGD Recommendations and the Fundamental Concepts and Principles that underpin them are aligned to and draw together the concepts underpinning the: recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD, 2017); the GRI Standards; and the International <Integrated Reporting> Framework (IIRC, 2013).

The Standards set out the rigor of internal practices and decision-making needed by Enterprises to support high quality and consistent reporting using the SDGD Recommendations and other reporting frameworks.

### *The Standards focus on an Enterprise's impacts on sustainable development and the SDGs.*

The Standards focus on how an Enterprise defines and identifies material sustainable development issues, and manages – and optimizes – its impacts on sustainable development and the SDGs. For the purposes of the Standards, material sustainable development issues are those that are important to sustainable development and achieving the SDGs by 2030, and where the Enterprise can make (or is making) the most significant (positive and negative) impacts on important outcomes. This takes into account the sustainability risks and opportunities that are most important to the Enterprise's own value creation, because Enterprises' impact on sustainable development outcomes and their dependencies on the world are interconnected<sup>6</sup>. Resilient and sustainable Enterprises support sustainable development outcomes.

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<sup>5</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.

<sup>6</sup> One of the key decision-making frameworks the Standards links to – the Capitals Coalition Capitals Protocols – integrates impact and dependency management <https://capitalscoalition.org/>

# SDG Impact Standards for Enterprises

## I. The Standards at a glance

<p><b>1. STRATEGY</b> – The Enterprise embeds contributing positively to sustainable development and the SDGs into its purpose and strategy, and sets ambitious impact goals.</p>	
1.1	The Enterprise embeds contributing positively to sustainable development and the SDGs into its purpose and strategy.
1.2	The Enterprise sets ambitious impact goals aligned with its purpose and strategy.
<p><b>2. MANAGEMENT APPROACH</b> – The Enterprise integrates impact management into its management approach to optimize its contribution to sustainable development and the SDGs.</p>	
2.1	The Enterprise has effective processes and other mechanisms to deliver on its strategy and impact goals.
2.2	The Enterprise 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 impact goals.
2.3	The Enterprise systematically monitors and manages its ongoing impacts and acts to optimize its contributions to sustainable development and the SDGs (including managing unexpected outcomes).
<p><b>3. TRANSPARENCY</b> – The Enterprise discloses how it integrates contributing positively to sustainable development and the SDGs into its purpose, strategy, management approach and governance, and reports (at least annually) on its performance.</p>	
<p><b>4. GOVERNANCE</b> – The Enterprise’s commitment to contributing positively to sustainable development and the SDGs is reinforced through its governance practices.</p>	

## II. Standards and practice indicators

**1. STRATEGY** - The Enterprise embeds contributing positively to sustainable development and the SDGs into its purpose and strategy, and sets ambitious impact goals.

**1.1** The Enterprise embeds contributing positively to sustainable development and the SDGs into its purpose and strategy.

**Practice Indicators:**

- 1.1.1 The Enterprise links its approach to creating long-term value for the Enterprise with contributing positively to sustainable development and the SDGs.
- 1.1.2 The Enterprise determines the resources (including budget, capability and leadership) it intends to allocate as part of its overall strategy.
- 1.1.3 The Enterprise includes respect for human rights in line with the UNGPs, planetary boundaries and other responsible business practices in its approach.
- 1.1.4 The Enterprise considers the interdependency of sustainable development issues and the SDGs.
- 1.1.5 The Enterprise, through its business model(s) and partnerships, optimizes opportunities to contribute positively to sustainable development and the SDGs (including by reducing negative impacts).
- 1.1.6 The Enterprise has a formal engagement plan to effectively involve Stakeholders on an ongoing basis to understand outcomes that matter to them.
- 1.1.7 The Enterprise 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.
- 1.1.8 The Enterprise implements a formal approach to determine the materiality of sustainable development issues based on where the Enterprise can make (or is making) the most significant (positive and negative) impacts on sustainable development outcomes and the SDGs.
- 1.1.9 The Enterprise incorporates sustainable development risks and opportunities into its formal risk management approach, including Stakeholder perspectives.
- 1.1.10 The Enterprise uses sensitivity and scenario analysis to test the resilience of its strategy.
- 1.1.11 The Enterprise implements a formal approach to ensure its purpose, strategy and impact goals remain fit for purpose as the internal and sustainable development contexts change.

**1. STRATEGY** - The Enterprise embeds contributing positively to sustainable development and the SDGs into its purpose and strategy, and sets ambitious impact goals.

**1.2** The Enterprise sets ambitious impact goals aligned with its purpose and strategy.

**Practice Indicators:**

- 1.2.1 The Enterprise's impact goals align with its purpose, strategy, Stakeholder expectations and the sustainable development context(s) in which it operates.
- 1.2.2 The Enterprise's impact goals 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.
- 1.2.3 The Enterprise's impact goals relate to the material sustainable development issues (positive and negative) as defined in Clause 1.1.8 alongside any need for collective action including cross-cutting goals relating to gender equality, climate action, and decent work.
- 1.2.4 The Enterprise's impact goals 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.
- 1.2.5 The Enterprise's impact goals address all material negative impacts in its direct operations, supply and value chains, and through its business relationships.
- 1.2.6 The Enterprise's impact goals are expressed in terms of the expected change in outcome level(s) relative to suitable baselines and threshold levels.
- 1.2.7 The Enterprise's impact goals consider the potential for unintended consequences and seek to limit the potential for negative and/or perverse outcomes.

## 2. MANAGEMENT APPROACH - The Enterprise integrates impact management into its management approach to optimize its contribution to sustainable development and the SDGs.

### 2.1 The Enterprise has effective processes and other mechanisms to deliver on its strategy and impact goals

#### Practice Indicators:

- 2.1.1 The Enterprise embeds respect for human rights in line with the UNGPs, planetary boundaries, and other responsible business practices in its policies and practices including:
  - 2.1.1.1 implementing effective grievance and reparation mechanisms with whistleblowing safeguards for affected Stakeholders
  - 2.1.1.2 ensuring visibility of senior leadership commitment throughout the organization
  - 2.1.1.3 avoiding or reducing negative impacts and promoting respect for human rights in line with the UNGPs and other responsible business practices in supply and value chains.
- 2.1.2 The Enterprise complies with relevant local and international laws and regulations, striving to comply with the highest possible level of industry best practice, particularly in cases where there is a lack of local regulation or the standard is comparatively low, and reconciling when local and international laws and regulations conflict.
- 2.1.3 The Enterprise 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.
- 2.1.4 The Enterprise integrates accountability for responsible business practices and impact management into organizational culture, business operations, information systems, day-to-day roles, cross-functional teams and decision-making processes, including by:
  - 2.1.4.1 implementing appropriate culture, communication systems and training to enable decision-making
  - 2.1.4.2 aligning its incentive mechanisms with its strategy and impact goals
  - 2.1.4.3 having sufficient impact management capability and diversity across gender, race and other dimensions at the appropriate level of seniority and authority to influence decision-making
  - 2.1.4.4 holding people at all levels accountable for operating in accordance with its responsible business and impact management policies and practices
  - 2.1.4.5 monitoring its impact performance and conformance with responsible business and impact management policies and practices, to drive a culture of continuous improvement.



- 2.1.5 The Enterprise implements a formal approach to collect, verify, manage and use impact data, including:
  - 2.1.5.1 managing data ownership on behalf of Stakeholders – including privacy, ethical and commercial issues around data gathering, use and disclosure
  - 2.1.5.2 systematically capturing impact data from activities
  - 2.1.5.3 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
  - 2.1.5.4 integrating impact data into management decisions.
- 2.1.6 The Enterprise implements a formal approach to ensure its impact management practices continue to improve over time and remain fit for purpose including by:
  - 2.1.6.1 analyzing deviations from expected performance
  - 2.1.6.2 incorporating lessons from its engagement with partners and Stakeholders and updated research and evidence
  - 2.1.6.3 considering changes in the sustainable development context
  - 2.1.6.4 assessing the effectiveness of its impact management practices in driving decision-making and impact performance.

**2. MANAGEMENT APPROACH - The Enterprise integrates impact management into its management approach to optimize its contribution to sustainable development and the SDGs.**

2.2 The Enterprise 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 impact goals.

**Practice Indicators:**

- 2.2.1 The Enterprise 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 Enterprise 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 Enterprise 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 Enterprise 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 possible, 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 Enterprise 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 Enterprise 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 Enterprise systematically captures the results from its impact assessments (including documenting its calculation methodologies and assumptions applied) so it is connected to its decision-making and ongoing impact management activities.

**2. MANAGEMENT APPROACH - The Enterprise integrates impact management into its management approach to optimize its contribution to sustainable development and the SDGs.**

2.3 The Enterprise 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:**

- 2.3.1 The Enterprise implements a formal approach to measure and monitor its actual impact performance against: (i) expected impact performance, (ii) baselines, counterfactuals and thresholds, and (iii) its impact goals and targets.
- 2.3.2 The Enterprise 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 Enterprise 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 Enterprise includes the positive and negative impacts from exited activities/projects in its overall assessment of its impact performance.
- 2.3.5 The Enterprise systematically captures the results from its impact management activities to inform future decision-making.

**3. TRANSPARENCY** - The Enterprise discloses how it integrates contributing positively to sustainable development and the SDGs into its purpose, strategy, management approach, governance and decision-making, and reports (at least annually) on its performance.

**Practice Indicators:**

- 3.1 The Enterprise complies with the Sustainable Development Goal Disclosure (SDGD) Recommendations.
- 3.2 The Enterprise communicates its impacts consistently by:
  - 3.2.1 using the SDGs (and related targets and indicators) and ABC Impact Classifications
  - 3.2.2 providing sufficient context by relating actual impact performance against impact goals and targets and against suitable baselines, counterfactuals and thresholds
  - 3.2.3 disclosing any trade-offs made between different sustainable development outcomes or Stakeholder groups.
- 3.3 The Enterprise 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.
- 3.4 The Enterprise makes publicly available its policies concerning respect for human rights in line with the UNGPs and other responsible business practices and discloses how it implements and manages its performance and conformance.
- 3.5 The Enterprise complies with relevant laws and regulations regarding social and environmental disclosures.
- 3.6 The Enterprise has its external 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 Enterprise’s commitment to contributing positively to sustainable development and the SDGs is reinforced through its governance practices.

### Practice Indicators:

- 4.1 The Enterprise’s governing body has active oversight of matters relating to:
  - 4.1.1 the Enterprise’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 the Enterprise’s process of Stakeholder identification and involvement in decision-making
  - 4.1.4 determination of material sustainable development issues and how these are integrated into the Enterprise’s purpose and strategy
  - 4.1.5 the Enterprise’s purpose, culture, strategy and business model(s)
  - 4.1.6 the compatibility of the Enterprise’s impact goals, financial return targets, and its and Stakeholders’ impact risk appetite and tolerance
  - 4.1.7 adequacy of the Enterprise’s budget and resources to manage Stakeholder involvement effectively and to deliver its strategy and impact goals
  - 4.1.8 the Enterprise’s policies concerning impact management, and its performance and conformance against those policies and associated practices
  - 4.1.9 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 Enterprise and Stakeholders likely to be impacted
  - 4.1.10 the Enterprise’s progress against its impact goals and relative to suitable outcome baselines, counterfactuals and thresholds
  - 4.1.11 third party assurance findings and remedial actions
  - 4.1.12 the Enterprise’s impact-related external disclosures.
- 4.2 The Enterprise’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 CEO/Managing Director accountable for the Enterprise contributing positively to sustainable development and the SDGs, including operating in accordance with its responsible business and impact management policies and practices.

4.3 The Enterprise'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.

[sdgimpactstandards@undp.org](mailto:sdgimpactstandards@undp.org)

[@sdgimpact](https://twitter.com/sdgimpact)

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

