



Contributing positively to the SDGs - Standards for Enterprises

A UNDP flagship initiative

UNDP's mission is to see our world radically transformed for good



UNDP has a critical stewardship role in achievement of the UN Sustainable Development Goals (SDGs).

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This is vital in meeting the crisis and in developing the paths forward.

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The scale and complexity of the issues goes beyond what any sector can address alone.

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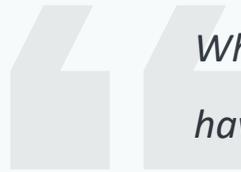
The private sector and private capital have a critical role to play.

Covid-19 has heightened the urgency of finding paths forward to more resilient and viable futures



*As we work through response and recovery from the shocks of the COVID-19 pandemic, **the SDGs** need to be designed into the DNA of global recovery.*

Private sector is seeking opportunities for positive impact and needs guidance on what and how



What is your company's core reason for being, and where can you have a unique, positive impact on society? Now more than ever, you need a good answer to these questions.

McKinsey & Co Purpose: *Shifting from Why to How*, April 2020

72%

of companies mentioned the SDGs in the reporting

25%

of companies included the SDGs in their published business strategy

14%

of companies mentioned specific SDG targets

1%

are reporting quantitative measures to show their progress

Source: PwC SDG Challenge 2019

SDG Impact catalyzing investments to achieve the SDGs



The SDGs represent the best hope we have for tackling the serious challenges all nations are facing and present a major investment opportunity.

SDG Impact makes it easier to develop and identify investments that contributes 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
- ✓ SDG Impact Training



Impact Intelligence

Producing data and insights needed for increasing financial flows to the SDGs

- ✓ SDG Investor Maps
- ✓ Dynamic searchable online SDG Investment Platform



Impact Facilitation

Fostering matchmaking and collaboration to realize investments

- ✓ SDG Impact Investor Convenings
- ✓ SDG Impact Policy Dialogues



SDG Impact Standards, Assurance and Education

A means to better decisions that drive investment capital
to where it is needed

The **SDG Impact Standards** are needed because there is a gap between current practices and achieving the **SDGs** and a more sustainable, resilient & inclusive future



“We cannot solve our problems with the same thinking we used when we created them”

Albert Einstein

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



As part of the public consultation process, more than **50 consultations** across Asia, Africa, Europe, Latin America, and the United States were held with more than **4,000 participants**

The **SDG Impact Standards** embed core design elements

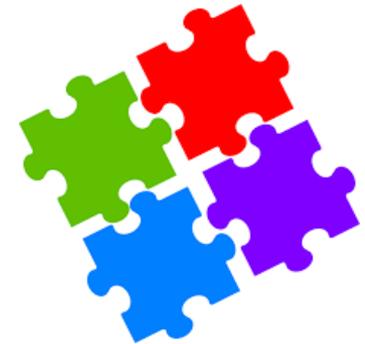
Stakeholder Involvement



The Sustainable Development Goals



Interoperability



Materiality



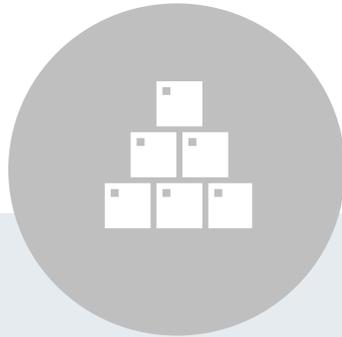
The Impact Management Project



The **SDG Impact Standards** are grounded in high level principles of practice and provide necessary context for other tools and frameworks



Three key things to remember about the **SDG Impact Standards**



The Standards are practice standards not performance or reporting standards



The Standards represent best practice



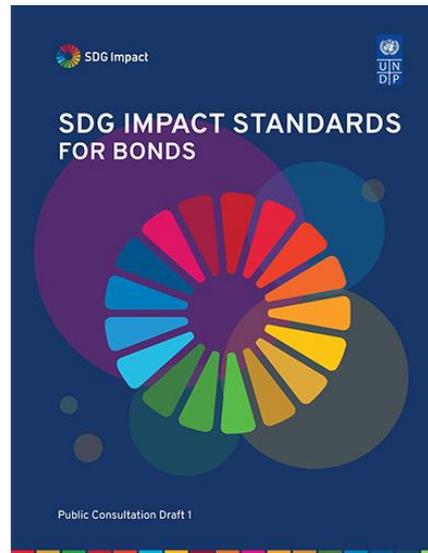
The Standards bridge a significant gap in the current toolbox

SDG Impact Standards have been developed for Enterprises, Bonds and Private Equity Funds



Status: Incorporating feedback from Public Consultation.

Next steps: First draft of Standards released 15 October for 60-day Public Consultation process.



Status: Incorporating feedback from Public Consultation.

Next steps: Second draft of the Bond Standards released 13 November for 30-day Public Consultation period.



Status: Version 1.0 was released on Oct 6th

Next steps: Finalize the assurance system to award PE Funds the SDG Impact Seal.

The **SDG Impact Standards** translate intent to contribute to the **SDGs** into action

The foundational elements of the Standards are:

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



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

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

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

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

The SDG Impact Standards – on a page

STRATEGY	MANAGEMENT APPROACH	TRANSPARENCY	GOVERNANCE
<ul style="list-style-type: none"> ✓ Embed responsible business practices & impact into purpose, strategy, business models & risk management systems ✓ Engage with the sustainable development context & involve stakeholders ✓ Identify impacts that matter to stakeholders (people & planet) ✓ Define impact thesis (SDGs & ABCs) ✓ Set realistic but ambitious impact goals set in context of baselines & thresholds, & including cross-cutting goals (climate, gender, decent work, goals to avoid/reduce negative impacts) &, for investors, investor contribution goals 	<ul style="list-style-type: none"> ✓ Design & integrate internal impact management system, (including feedback loops) ✓ Develop impact assessment approach based on the five dimensions ✓ Allocate resources, align incentives & integrate accountability ✓ Undertake impact assessments, selecting outcome metrics, valuing impacts using a consistent measure (wellbeing) & making choices between options ✓ Collect impact data, fill data gaps & monitor, manage & interpret impact performance against goals, targets, baselines, thresholds & counterfactuals ✓ Make evidence-based decisions & take action to optimize impact 	<ul style="list-style-type: none"> ✓ Provide disclosures about how responsible business practices & impact management are integrated into strategy, management approach, decision making & governance (including disclosing responsible business policies) ✓ Publicly report on impact annually, including positive & negative impacts, providing appropriate context i.e. progress towards impact goals & targets, & against baselines, thresholds & counterfactuals & disclosing assumptions, limitations & gaps, trade-offs & risks ✓ Communicate impact consistently using SDGs & ABCs 	<ul style="list-style-type: none"> ✓ Integrate responsible business practices & impact into governance practice & oversight ✓ Include sustainable development & impact management competencies & diversity within governance body ✓ Understand importance of acting on behalf of impacted stakeholders ✓ Hold management accountable for responsible business practices & impact performance ✓ Take a risk-based approach to third party assurance of impact data, impact assessments & evaluations & external reporting

Shubham Housing Development Finance Company



Impact Management Case Study



Location India

Sector Financial Services

Key Stakeholders Clients

Total Reach 50,000 families



STANDARD 1

STRATEGY

The Enterprise embeds contributing positively to sustainable development and achieving the SDGs in its purpose and strategy.

- The Enterprise **develops its purpose and strategy**, including its approach to long term value creation for the Enterprise and Stakeholders and contributing positively to sustainable development and achieving the SDGs
- The Enterprise **sets realistic but ambitious impact goals** aligned with its purpose and strategy
- The Enterprise **periodically reviews – and refines – its strategy and impact goals** to ensure they remain fit for purpose as the organizational and sustainable development context changes

Each Standard is broken down into different parts

Standard 1 – STRATEGY

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

1.1 The Enterprise develops its purpose and strategy, including its approach to long term value creation for the Enterprise and Stakeholders and contributing positively to sustainable development and achieving the SDGs.

Practice Indicators

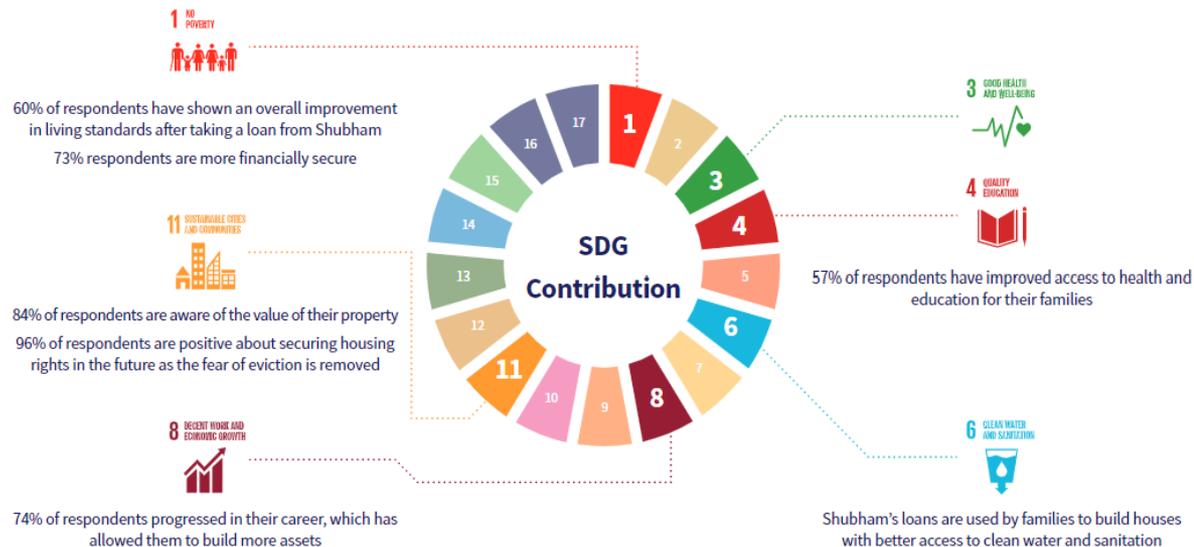
The Enterprise:

- 1.1.1 engages with the relevant local and national sustainable development context(s):
 - 1.1.1.1 involving Stakeholders on an ongoing basis to understand impacts that matter to them, and sustainable development issues in context
 - 1.1.1.2 drawing on available evidence and relevant impact data and information from reputable agencies including government and scientific and civil society organizations
 - 1.1.1.3 substantiating the local or national thresholds relating to specific SDG targets and/or other sustainable development outcomes – giving precedence to international norms when locally set thresholds are lower than international norms
- 1.1.2 identifies the material (positive and negative) sustainable development issues (impacts and dependencies; risks and opportunities) most relevant to long term value creation for the Enterprise (i.e. reflect the sustainable development context of the Enterprise and the industry/sector it operates in) and for Stakeholders (i.e. the material changes to wellbeing of people and the planet)
- 1.1.3 identifies the SDGs and/or other sustainable development outcomes on which the Enterprise has the greatest positive and/or negative impact – recognizing the interdependency of the SDGs

STANDARD 1 – SHUBHAM HOUSING

Shubham **develops its purpose and strategy** contributing positively to sustainable development and achieving the SDGs

- The company engages with relevant local and national context via stakeholder consultation and reliable public data sources
- Their data shows overall improvement in living standards after taking a loan from Shubham and clients feel more financially secure
- Shubham identifies and manages a relatively high evidence risk, as many factors can influence Shubham clients' livelihoods.



STANDARD 1 – SHUBHAM HOUSING

Shubham **sets realistic but ambitious impact goals** aligned with its purpose and strategy



Shubham has conducted an **impact analysis of its value chain**

- Processes are aligned with Stakeholders expectations and the context Shubham operates in
- Based on evidence and a thorough analysis, six SDGs are identified. Each one has a realistic and ambitious goals attached
- Strategy is operationalized through “decision-making questions” guided by impact indicators



STANDARD 1 – SHUBHAM HOUSING

Shubham periodically **reviews – and refines – its strategy and impact goals** to ensure they remain fit for purpose

Drawing on lessons from its impact performance analysis, Shubham has defined **specific Impact Goals** to support the enterprise strategy and to achieve positive impact:

1

Provide access to credit for first-time borrowers

8 DECENT WORK AND ECONOMIC GROWTH



2

Enable asset creation

11 SUSTAINABLE CITIES AND COMMUNITIES



7 AFFORDABLE AND CLEAN ENERGY



3

Improve living standards

3 GOOD HEALTH AND WELL-BEING



4 QUALITY EDUCATION



1 NO POVERTY



4

Create a better environment for family health and education

3 GOOD HEALTH AND WELL-BEING



4 QUALITY EDUCATION



6 CLEAN WATER AND SANITATION



STANDARD 2

MANAGEMENT APPROACH

The Enterprise integrates impact management and contributing positively to sustainable development and achieving the SDGs into its operations and management approach.

- The Enterprise **has effective mechanisms and processes** to deliver its strategy and impact goals
- The Enterprise **assesses and compares the material positive and/or negative impacts** associated with its various product, service and operational options and makes (relative and absolute) choices between options, and so optimizes its impact performance in line with its impact goals
- The Enterprise **systematically monitors and manages its ongoing impact performance**, and **acts to optimize impact** (including managing unexpected outcomes)

STANDARD 2 – SHUBHAM HOUSING

Shubham assesses and compares the material positive and/or negative impacts and makes (relative and absolute) choices between options

The IMP's Five Dimensions of Impact guided Shubham to define each SDG Goal and to better understand its significance and to better manage and communicate its impact

Goal 1: Provide access to credit for first-time borrowers

□ What

What is the importance of your goal to your stakeholder?



○ Who

How underserved are your stakeholders in relation to the SDGs?



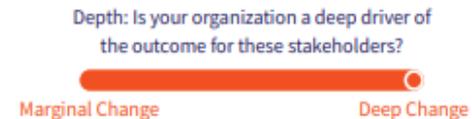
+ Contribution

How does the impact compare to what is likely to occur anyway?



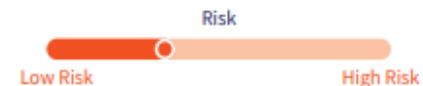
≡ How Much

How significant is the impact that occurs in the time period?



△ Risk

What is the risk that the impact is not achieved due to external or internal factors?



STANDARD 2 – SHUBHAM HOUSING

Shubham has effective mechanisms and processes to deliver its strategy and impact goals



- The enterprise is a member of the UN's **Business Call to Action**
- Shubham is proactively looking for support to implement sustainable development and impact management into its management approaches and decision-making processes
- Shubham will implement robust, reliable and practical processes to collect, manage and use its impact data
- Using guidance, developed by the Impact Management Project and others, to support its strategy and impact goals

STANDARD 3

TRANSPARENCY

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

STANDARD 3 – SHUBHAM HOUSING

Shubham discloses how it integrates contributing positively to sustainable development and achieving the SDGs



Shubham has made positive changes:

The enterprise is:

- Implementing reporting mechanisms best suited to meeting the needs of stakeholders
- Making publicly available organization policies and objectives on human rights and sustainability disclosures



Shubham still has milestones to reach

- The company should publicly report its progress against SDGs, with sufficient context, for example using the ABC Impact Classifications framework
- Externally validate its reporting and set new objectives to achieve its impact goals

STANDARD 4

GOVERNANCE

The Enterprise's commitment to contributing positively to sustainable development and achieving the SDGs is reinforced through its governance practices.

STANDARD 4 – SHUBHAM HOUSING

Shubham commitment to contributing positively to sustainable development and achieving the SDGs is **reinforced through its governance practices**



Shubham is improving its governance practices:

- Integrating national corporate governance standards and gender policies:
- Internal guidelines from the National Housing Board are integrated into the Corporate Governance
- Anti-sexual harassment and equal-opportunity policies are made public

Who can use the **SDG Impact Standards**?



Enterprises, PE Funds, Bond Issuers

Can use the Standards to:

- Put sustainable development at the heart of business purpose, strategy and decision making
- Better address sustainable development risks and opportunities
- Map and design their internal impact management systems
- Undertake self-assessment and gap analysis

Investors

Can use the Standards to frame their investment guidelines, identify questions and/or otherwise manage their internal work.

Analysts and advisors

Can use the Standards to determine, benchmark and compare and/or provide guidance on impact management practices.

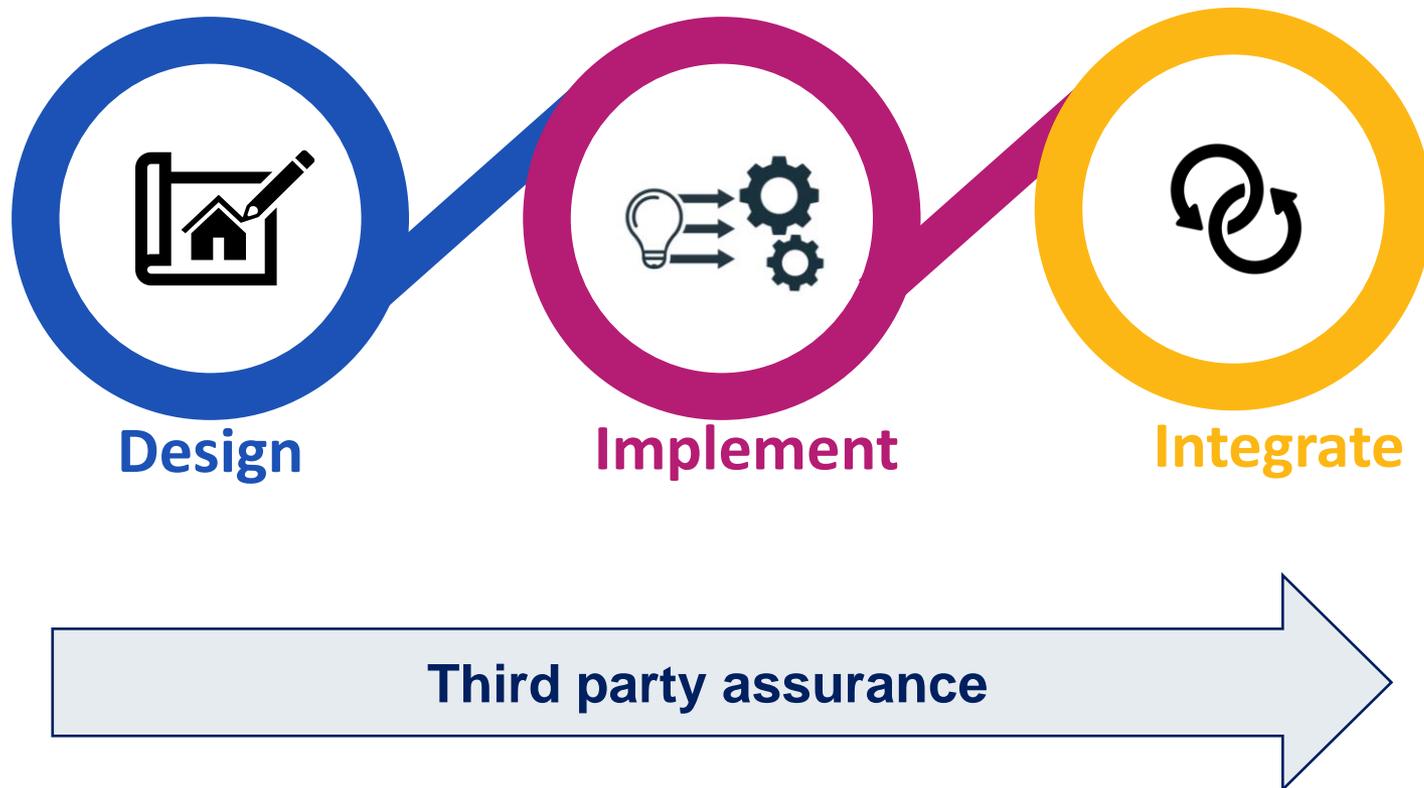
Government and policy makers

Can use the Standards to align policy and regulations with the Standards.

What resources are provided to support the **SDG Impact Standards**?



The Assurance Framework is being designed to **drive continuous improvement in practice**, guided by the **SDG Impact Standards**



Training and accreditation with Social Value International



- **Strategic training partner for UNDP country offices:** offering access to a network of international trainers who can deliver live IMM training (online/offline) rooted in the practice standards, developing training materials, delivering train the trainer courses and providing consistency and quality control of global training
- **Advising on the assurance of the standards:** advising on training requirements for assurers of the practice standards

Online free training course through CASE at Duke University



Rationale

- From **why** to **how** to use IMM to contribute to the SDGs
- Aligned with the SDG Impact Standards
- Changing behavior is easier with step-by-step guides and tangible examples
- Successful adoption needed from both Enterprises & Investors

Format

- 5 Modules covering 5-10 total hours of training
- Video-based instruction with PDFs and quizzes
- Using Coursera for maximum accessibility

Capability

- Capitalizing on CASE's previous experience developing CASE Smart Impact Capital
- Developed in-house at Duke with help from global Academic Working Group
- 18 month project with course complete June 2021

Consultation Questions

<https://bit.ly/SDGImpactSurvey>

- Which practice indicators are most critical to increasing Enterprises' contributions to the SDGs?
- Do you find the Practice Indicators easy to understand?
- Do you think any Practice Indicators should be excluded?
- Do you think there are any Practice Indicators missing that matter to your community?
- Which indicators will likely be the most challenging to integrate into practice?
- What factors will influence adoption of the SDG Impact Standards for Enterprises?

