SDG GUIDEBOOK

FOR THAI LISTED COMPANIES

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List of Abbreviations

APAC	Asia Pacific
ASEAN	Association of Southeast Asian Nations
AWC	Asset World Corporation
CAGR	Compound Annual Growth Rate
CPN	Central Pattana
CO_2	Carbon Dioxide
CSR	Corporate Social Responsibility
DiD	Difference-in-Differences
DJSI	Dow Jones Sustainability Indices
EAP	East Asia and the Pacific
ESG	Environmental, Social and Governance
EPI	Environmental Performance Index
GIIN	Global Impact Investing Network
GISD	Global Investors for Sustainable Development
GRI	Global Reporting Initiative
HIPSO	Harmonized Indicators for Private Sector Operations
IFC	International Finance Corporation
IMM	Impact Measurement and Management
IMP	Impact Management Project
IOAs	Investment Opportunity Areas
mai	Market for Alternative Investment
RCT	Randomized Control Trial
ROA	Return on Assets
ROE	Return on Equity
SBTi	Science-Based Targets initiative
SDGs	Sustainable Development Goals
SEC	Securities and Exchange Commission
SET	Stock Exchange of Thailand
SAT	Somboon Advance Technology Co. Ltd.
SMART	Specific, Measurable, Achievable, Relevant, Time-framed
SROI	Social Return on Investment
THB	Thai Baht
THSI	Thailand Sustainability Investment
TOC	Theory of Change
UN	United Nations
UNDP	United Nations Development Programme
VNR	Voluntary National Review

1. Introduction

1.1 The global context for the Guidebook

In September 2015, as the United Nations (UN) celebrated its seventieth anniversary, heads of member states announced the 2030 Agenda for Sustainable Development – a plan of action for people, planet and prosperity. A new set of global Sustainable Development Goals (SDGs) anchored this Agenda and were seen as a set of universal and transformative priorities and aspirations for 2030. The SDGs set up a framework of 17 goals and 169 targets, demonstrating the scale and ambition of the 2030 Agenda. The aim was to tackle the world's most pressing social, economic and environmental challenges and to stimulate action towards addressing them over the next 15 years. The Goals take forward the concept of sustainable development, defined decades ago as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs".[1] The SDGs are the minimum sustainable development thresholds that UN Member States have agreed are needed in order to assure our common future.

The private sector, with its unparalleled reach, increasingly is recognized as a key partner for effectively achieving the 2030 Agenda. The private sector has a critical role to play as a source of finance, as a driver of innovation and technological development and as a key engine of economic growth and employment. Businesses can help mobilize much needed capital in support of the SDGs, while reorienting their strategies to create value for their shareholders and for society. At the dawn of the SDGs, an annual SDG investment gap of US$ 2.5 trillion in developing countries in key SDG sectors was estimated, of which the private sector could contribute between US$ 0.9-1.8 trillion.[2] More recently, the COVID-19 pandemic and the war in Ukraine have rolled back the progress on investment in the SDGs. The investment gap to achieve the SDGs in developing countries now stands at US$ 4 trillion per year.[3]

There is an increase in business focus on sustainability, and adoption of the SDGs as a guide for business sustainability. According to the KPMG Survey of Sustainability Reporting 2020, 80 percent of companies worldwide now report on sustainability. Further, 72 percent of the world's 250 largest companies by revenue (G250 companies),[4] now connect their business activities with the SDGs in corporate reporting - a 29 percent increase from 2017.[5] Pressure on companies from stakeholders, including investors, peers and now increasingly consumers, to be more transparent on issues such as the impacts of supply chains, labour standards, and diversity may have influenced this leap in reporting. It is also likely that more companies now have a better understanding of the SDGs and feel more comfortable addressing them in their sustainability reporting.

However, SDG reporting is often unbalanced and disconnected from business goals. KPMG's research indicates that corporate reporting on the SDGs is one-sided (and therefore also incomplete), focusing almost exclusively on the positive contributions companies make towards achieving the goals, and lacking transparency of their negative impacts – only 10 percent of the G250 report on both positive and negative SDG impacts. Companies that ignore their negative impacts risk losing credibility, public trust and opening themselves to accusations of "SDG washing" or "impact washing".[6] If companies are serious about helping to deliver the SDGs, then clear SDG-related performance goals need to be set and progress against them must be measured.[7] In identifying, measuring, managing and reporting impacts, all important impacts should be reported to provide a complete picture of the company's overall net contribution to impact and the SDGs.

1.2 The national context for the Guidebook

Thailand has made significant progress towards the SDGs. The country has transitioned from a low income to an upper middle-income country in less than a generation.[8] As reported in Thailand's most recent Voluntary National Review (VNR) in 2021, it has made substantial strides across all 17 SDGs. The country experienced remarkable growth lifting millions of people out of poverty, from 67 percent of the population in the mid-1980s to 8.8 percent in 2020. However, as with other countries, the COVID-19 pandemic has adversely impacted the Thai economy and hampered national efforts to achieve the SDGs.[9] In 2020, the Thai economy contracted by 6.1 percent, causing a significant loss of economic output and employment, and reversing hard-won gains in poverty reduction.[10]

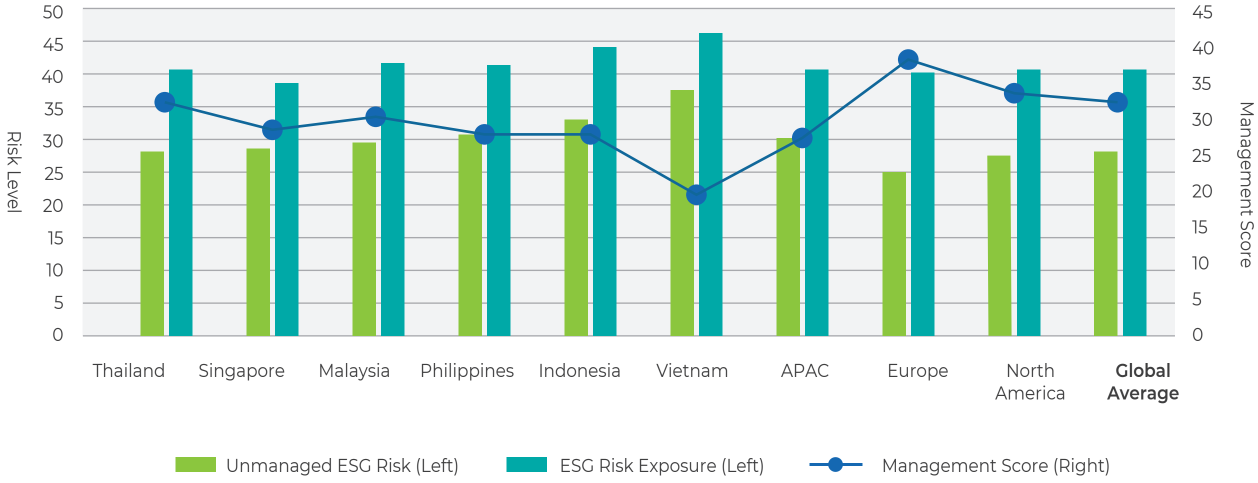
The private sector has been a major contributor to Thailand's growth, but economic growth has come at a cost to the environment. The private sector accounts for 9 in 10 jobs and about 90 percent of GDP in Thailand.[11] However, with considerable environmental costs, this growth is not sustainable going forward. Carbon dioxide (CO_2) emissions have increased rapidly, from 81.5 million tonnes to 244 million tonnes per year between 1990 and 2017.[12] While the country has done well by certain metrics around sustainability, it falls behind comparable countries in the East Asia and the Pacific (EAP) region on ecological sustainability metrics such as energy use, the Environmental Performance Index (EPI) and environmental standards certification.[13] In the COVID-19 response, there is growing awareness that recovery and stimulus measures should be founded in sustainability and climate-friendly measures.[14]

Despite the challenges in ensuring sustainable growth, a positive trend towards sustainability among Thailand's listed companies is evident. In Thailand, an analysis of sustainability reporting of the top 100 companies (by revenue) showed that 81 percent of such companies were found to connect business activity with the SDGs.[15] As of 2021, 776 companies were listed on the Stock Exchange of Thailand (SET) and Market for Alternative Investment (mai),[16] with a combined market capitalization of THB 19.972 trillion (approximately US$ 625 billion).[17] Among these, the number of companies selected in the Thailand Sustainability Investment (THSI)[18] list has increased – to 146 companies in 2021 from 124 the previous year.[19] This reflects a growing readiness from listed companies to demonstrate actions and reporting on sustainability. As of September 30, 2021, companies in the THSI list represented 66 percent of the combined SET and mai market capitalization. Many Thai listed companies have been selected in international sustainability indexes such as Dow Jones Sustainability Indices (DJSI) and MSCI ESG Indexes, a reflection of the international acceptability of the ESG quality of Thailand's businesses.[20]

Several Thai companies have backed their commitment to sustainability with commitments to net zero and financial commitments to the SDGs. Thailand is aiming for carbon neutrality by 2050 and net-zero greenhouse gas emissions by 2065. In the Global Compact Network Thailand (GCNT), a voluntary association of companies committed to sustainability principles, most of the 90 members have already pledged to reach net zero by 2050. At its annual forum in 2020, the members also promised more than US$ 40 billion (THB 1.2 trillion) through 2030 to advance the SDGs.[21]

Thailand is one of the leading countries in South East Asia on sustainability reporting as well as ESG risk exposure and management. In the 2019 sustainability disclosure performance ranking by Corporate Knights, which ranks the world's stock exchanges in terms of the sustainability disclosure of their listed companies,[22] the Stock Exchange of Thailand ranked ninth of 47 stock exchanges worldwide. This was the highest ranking among all exchanges in the APAC region.[23] There is wide recognition among Thai businesses that social and environmental changes pose risks to businesses both in the short and long term. Therefore, taking environmental, social, and governance factors into account is a path of survival that will help companies foresee opportunities and adapt to such changes.[24] Based on Sustainalytics' ESG Risk Ratings[25] (**Figure 1**), Thailand leads the ASEAN-6 countries in terms of average ESG performance, contributed by moderate risk exposure level and relatively good management score.[26]

Figure 1. ESG performance comparison



Source: Sustainalytics, 2021

Local businesses understand the importance of social and environmental risks, as well as the concept of 'doing well while doing good', but there is scope to strengthen impact reporting. Thai listed companies are actively engaging in corporate social responsibility (CSR) activities and demonstrating how they create value in society with early adoption of sustainability reporting. While Thailand is performing well compared to other countries on sustainability disclosures (as noted above), UNDP's discussions with the Securities and Exchange Commission (SEC) suggest that there is scope to strengthen the quality of sustainability reporting, particularly by bringing in a focus on impacts, going beyond describing only activities, policy and process. Impact related information is often generated sparsely, making it difficult to assess accurately the overall contribution of Thailand's private sector to sustainable development. This is a challenge globally, as evidence shows that SDG reporting is often unbalanced and disconnected from global goals as noted earlier.[27] This challenge is further exacerbated by a growing global consensus that well-intentioned ESG rating frameworks have not been able to capture the material impact of businesses with their current focus largely on financial implications of sustainability considerations. This emphasizes the need to re-look at the current frameworks to ensure that businesses have the right tools and guidelines to future proof themselves from unintended social and environmental harms and make a positive contribution towards the SDGs.[28] This Guidebook will help Thai companies to understand impact, its measurement, management and reporting, thereby strengthening their contributions to sustainable development and underpinning future prosperity and business resilience.

Thailand demonstrates strong regulatory commitment towards developing sustainable capital markets. The SEC, which serves as the primary regulator for the Thai Capital Market, aims to develop "a sustainable capital market and economy for the benefit of all stakeholders".[29] The SEC has three tiers of authority: (i) the SEC Board, primarily responsible for policy formulation for market promotion and development, (ii) the Capital Market Supervisory Board, issuing rules and regulations, and (iii) the SEC Office, executing the supervisory policy to ensure compliance with and enforcement of the rules and regulations.

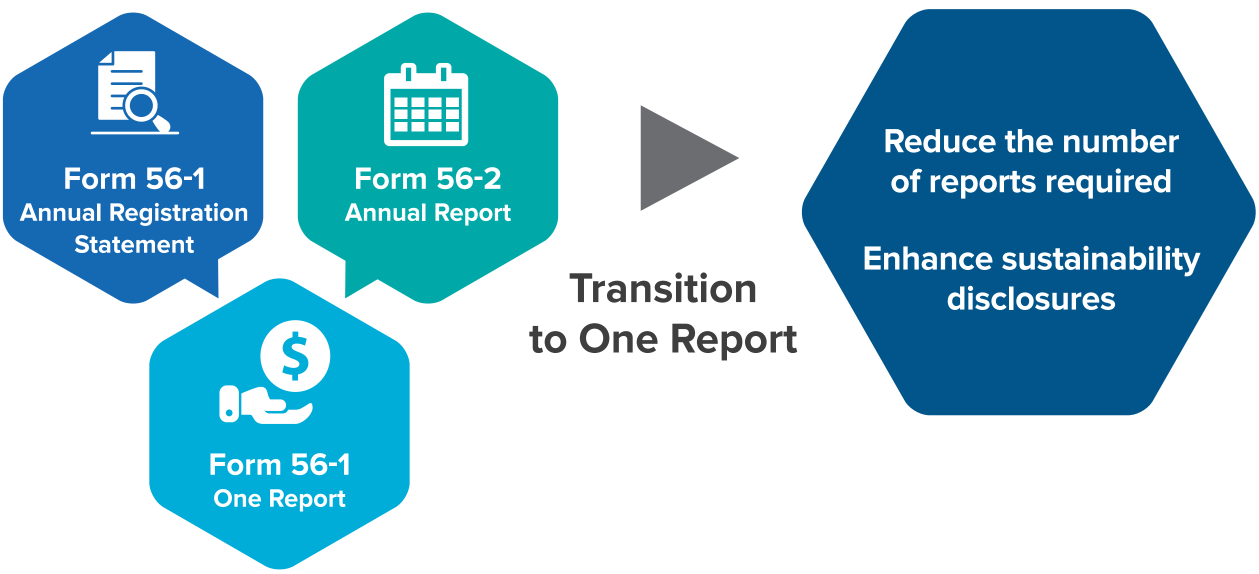
The SEC has taken several steps towards mandating sustainability reporting among Thailand's publicly listed companies, most recent of which is a unified format for financial and sustainability reporting. In September 2020, SEC merged financial and sustainability reporting into a unified annual reporting format, known as the "Form 56-1 One Report". The form requires listed companies to disclose operational information on environmental, social and corporate governance issues throughout the value chain – including business sustainability, corporate governance, and environmental and social footprint (including carbon emissions and human rights commitments). An introduction to the One Report follows below.

1.3 Introducing the One Report

On 1 September 2020, SEC released the Form 56-1 One Report, which contains the minimum information to be disclosed by all Thai listed companies while preparing and filing their annual registration statement[30] as well as their annual report. Through the new One Report, SEC has combined the disclosure format of the Annual Information Statement or Annual Registration Statement (Form 56-1) and the Annual Report (Form 56-2), into One Report (Form 56-1 One Report). Earlier, Form 56-1 was to contain information on important developments of the listed company during the past year including business operations, board of directors, shareholder structure, summary of financial condition and performance, industry conditions, and business risk factors. Separately, an Annual Report was to be filed in the Form 56-2 format.

By unifying the two formats, SEC aims to reduce the reporting burden on companies. This new form is the result of extensive studies and public hearings which found that, although listed companies were required to submit the two annual formats separately, the information covered in the two forms overlapped. **Figure 2** represents the transition to the Form56-1 One Report.

Figure 2. Transition to One Report



The new Form 56-1 One Report now requires enhanced levels of sustainability disclosure from Thai companies. Companies must now disclose material sustainability topics such as sustainability objectives and policy, management of impacts on stakeholders in the value chain, as well as details related to the management of environmental and social impacts including carbon emissions and human rights commitments. With this increased transparency in disclosure, all stakeholders will have more clarity and confidence about how the company integrates sustainability within its corporate purpose and operations.

With both businesses and regulators in Thailand moving increasingly towards sustainability, this Guidebook will offer companies guidance on how to increase alignment with the SDGs – and contribute to achievement of the Global goals while improving measurement and reporting of their company's impacts.

2. Purpose of the SDG Guidebook

2.1 Rationale for developing the Guidebook

As noted in the previous section, the "Form 56-1 One Report" (henceforth referred to as the "One Report" in this Guidebook) is a positive step towards clear and unified reporting in Thailand and aims to enable businesses to integrate social and environmental impacts with financial reporting. In particular, Section 3 of the form on "Business Sustainability Development", contains broad guidelines for businesses, on aspects such as disclosing the policy and objectives of sustainable management, management of impacts on stakeholders in the business value chain, and management of environmental and social sustainability. However, companies have requested that SEC provide more specific guidance on how to understand, measure and report these results in a meaningful way that is relevant and useful to their own stakeholders, while also complying with the One Report. For instance, the Form mentions "analysis of stakeholders in the business value chain" with broad guidance – however, how should companies go about conducting a stakeholder analysis, and what specific steps should they undertake?

Through its collaboration with UNDP and the development of this SDG Guidebook, SEC is supporting the Thai capital market to move beyond ESG to integrate the SDGs and impact considerations into their One Report disclosures.[31] The SDGs provide a universal framework that all stakeholders, including businesses, can align their strategies and activities with to help them make meaningful contributions towards achieving the SDGs and futureproof their businesses from emerging sustainability related mega-trends. While SEC's primary focus is on integrating the SDGs into One Report disclosures, external reporting should also be a reflection of internal management, decision-making and performance. Hence, companies should start with incorporating the SDGs and impact measurement and management (IMM) into internal organizational processes and decision-making, which will then form the basis of such disclosures. This Guidebook recommends practical steps to help companies do this.[32]

2.2 How listed companies can use the Guidebook

The SDG Guidebook for Thai Listed Companies is designed to provide practical guidelines for companies listed on the SET to undertake key IMM activities that will help them integrate the SDGs into their internal management and decision-making, eventually reflecting in their One Report Disclosures. Identifying and prioritizing impacts and aligning their business activities with the Global Goals will allow companies to understand and better respond to potential business risks and opportunities, while also effectively meeting stakeholder's demands, allocating future resources and ensuring continuous innovation. The Guidebook also aims to provide companies with specific suggestions on how to measure and manage their impact, by introducing them to IMM approaches. The UNDP and SEC hope that by using IMM approaches, listed companies can better align their sustainability reporting with SEC's One Report Requirements as well as efficiently manage risks and seize opportunities that sustainability presents.

While this Guidebook focuses more on the measurement and reporting aspects of IMM, integrating sustainability, the SDGs, and managing for impact into organizational strategy and governance practices is equally critical. Appropriate strategy and governance are essential to move beyond reporting current activities differently, to changing how companies make decisions for maximizing their net positive impact. Embedding contributing positively to the SDGs in purpose and strategy drives attention, focus and resources to what matters most and where the business can have the most significant impact including by reducing negative impacts. Governance plays an important role as the company's informal and formal governance mechanisms define behavioural expectations, decision-making processes and accountability within the business and externally, in accordance with its values, principles, and policies.[33]

Specifically, the Guidebook is intended for Thai businesses, to support them in the following:

i) understanding Sustainable Development Goals (SDGs) and how they can contribute to achieving them
ii) understanding what Impact Measurement and Management (IMM) is and how they can integrate IMM frameworks and tools into their business practices
iii) applying IMM framework and tools to measure and report their sustainability contributions per SEC's One Report requirement.

Companies should refer to the Guidebook as a "how-to" guide on impact and SDGs, to help align with the One Report (particularly Section 3 – Business Sustainability Development of the One Report). Accordingly, it contains step-by-step guidance to support companies in their journey towards contributing to the SDGs. These steps are broadly structured in three main parts as described below:

Understanding Impact and IMM

Part 1: SDGs		**Introducing the SDGs** - what are the SDGs, Thailand's performance on the SDGs, why should businesses align with the SDGs and how ESG compares with impact and the SDGs
Part 2: Impact Measurement and Management	Step 1	**Understanding impact and IMM** including what is sustainability, what is impact and what is impact measurement and management; and defining your commitment to sustainability
	Step 2	**Identifying and engaging with stakeholders** including conducting stakeholder mapping and understanding how to engage with stakeholders along the value chain
	Step 3	**Prioritizing impacts** including conducting materiality analysis, mapping and prioritizing SDGs along the business value chain, setting goals and specifying the five dimensions of impact for each goal
	Step 4	**Planning for impact** including developing an impact value chain, selecting indicators and setting baselines and targets
	Step 5	**Measuring impact and integrating impact into business practices** including monitoring results and collecting data; integrating SDGs and impact into business practices; managing impact risks; and reinforcing the company's commitment to impact through governance practices
Part 3: Connecting SDGs, IMM and One Report Requirements	Step 6	**Reporting progress on impact (per One Report requirements)** - overview of reporting impact and SDG progress based on the One Report and breaking down One Report requirements related to impact

The Guidebook is not intended to be prescriptive, but rather aims to provide companies with the knowledge and tools necessary to inform deeper reporting on their impacts. It includes references to share a broader perspective to inform their IMM practices. This Guidebook should also be used in parallel with existing tools provided by the SEC such as the One Report Guideline, the SEC's lectures and guidance for different sectors, the Form 56-1 Annual Registration Statement, the Corporate Governance Code for Listed Companies, the Investment Governance Code for Institutional Investors, Human Rights Due Diligence and Carbon Disclosure Guideline.

- Existing global guidelines such as those provided by the Global Reporting Initiative (GRI), UN Global Compact, and others
- UNDP's SDG Impact Standards for Enterprises and the related self-assessment tool
- Free online Duke University course on Impact Measurement and Management for the SDGs [34]
- UNDP's Impact Lab, a self-paced online tool that helps companies initiate their SDG impact measurement and management journey.[35]

Part 1: Introducing the SDGs

Part 1 of the Guidebook describes what the SDGs are, the list of goals and their structure; current national progress towards the SDGs in Thailand; and the reasons why businesses should align with and make a positive contribution towards achieving the SDGs. It also explains how ESG compares with the SDGs, and why companies should go beyond ESG and explore ways to integrate the SDGs into their business.

3.1 What are the SDGs?

As noted in Section 1.1, the SDGs (also known as the Global Goals) were adopted by all member states of the United Nations in 2015 as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity. Unlike the Millennium Development Goals that came before them, the SDGs apply to all countries – developed and developing, and relevant to everyone – including the private sector, which has an important part to play. The goals came into effect on 1 January 2016, with an implementation period of 15 years (till 2030). Please refer to **Figure 3** for the 17 SDGs.

Figure 3. The 17 SDGs

Goal 1.
End poverty in all its forms everywhere

Goal 2.
End hunger, achieve food security and improved nutrition and promote sustainable agriculture

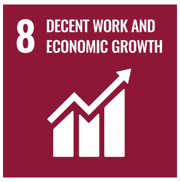
Goal 3.
Ensure healthy lives and promote well-being for all at all ages

Goal 4.
Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Goal 5.
Achieve gender equality and empower all women and girls

Goal 6.
Ensure availability and sustainable management of water and sanitation for all

Goal 7.
Ensure access to affordable, reliable, sustainable and modern energy for all



Goal 8.
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Goal 9.
Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

Goal 10.
Reduce inequality within and among countries

Goal 11.
Make cities and human settlements inclusive, safe, resilient and sustainable

Goal 12.
Ensure sustainable consumption and production patterns

Goal 13.
Take urgent action to combat climate change and its impacts

Goal 14.
Conserve and sustainably use the oceans, seas and marine resources for sustainable development

Goal 15.
Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

Goal 16.
Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

Goal 17.
Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development

Source: https://sdgs.un.org/2030agenda

The SDGs were intended to stimulate action in areas of critical importance for humanity and the planet: people, planet, prosperity, peace and partnership. **Figure 4** highlights the pledge taken by member states with regards to each of these four areas.

Figure 4. Excerpts from 2030 Agenda for Sustainable Development

The Goals and targets will stimulate action over the next fifteen years in areas of critical importance for humanity and the planet

People
We are determined to end poverty and hunger, in all their forms and dimensions, and to ensure that all human beings can fulfil their potential in dignity and equality and in a healthy environment.

Planet
We are determined to protect the planet from degradation, including through sustainable consumption and production, sustainably managing its natural resources and taking urgent action on climate change, so that it can support the needs of the present and future generations.

Prosperity
We are determined to ensure that all human beings can enjoy prosperous and fulfilling lives and that economic, social and technological progress occurs in harmony with nature.

Partnership
We are determined to mobilize the means required to implement this Agenda through a revitalised Global Partnership for Sustainable Development, based on a spirit of strengthened global solidarity, focused in particular on the needs of the poorest and most vulnerable and with the participation of all countries, all stakeholders and all people.

Peace
We are determined to foster peaceful, just and inclusive societies which are free from fear and violence. There can be no sustainable development without peace and no peace without sustainable development.

Source: https://sdgs.un.org/2030agenda

The SDGs and related targets were designed to balance the three dimensions of sustainable development - the economic, social and environmental. Overall, the Global Goals encourage sustained economic growth with higher levels of productivity and innovation, while protecting people and the planet. The social goals include those that aim to meet basic needs (ending extreme poverty and hunger and ensuring universal access to healthcare, clean water and sanitation), as well as those that advance other human rights, empower people through quality education, gender equality, employment and decent work, reduced inequalities, and innovations in industry and infrastructure so people prosper and feel valued. The environmental goals aim to keep the world within key planetary safety boundaries through changing how the economy works across the globe. They cover climate change, access to affordable and clean energy, sustainable consumption and production, and biodiversity on land and below water, treating oceans as vital global commons. The final two goals focus on values and governance - Goal 16 concerns peace, justice and institutions, and Goal 17 describes the need for a global partnership for sustainable development.[36]

Together the 17 goals are interrelated. The SDGs recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – while tackling climate change and working to preserve our oceans and forests. For instance, economic growth is not sustainable without reducing inequality, providing fair living wages for workers, environmentally sustainable production as well as a peaceful and just society. Progress towards the two degrees warming limit (preferably to 1.5 degrees outlined in the Paris Agreement) and the Global Goals will together "reboot" the world's economic systems, making normal business activity sustainable, socially fair and environmentally stable.[37]

As a globally agreed set of goals, targets and indicators, the SDGs provide a framework to make decisions regarding investments that are driven by impact. For the complete list of SDG Goals and targets, please refer to the Global indicator framework for the Sustainable Development Goals and targets of the 2030 Agenda for sustainable development. Today globally, the 2030 Agenda is in grave jeopardy due to multiple, cascading and intersecting crises.[38] It is likely that sustainable development issues will remain relevant and urgent for the world to address even beyond the timeline set to achieve the SDGs, for a shared and prosperous global future.

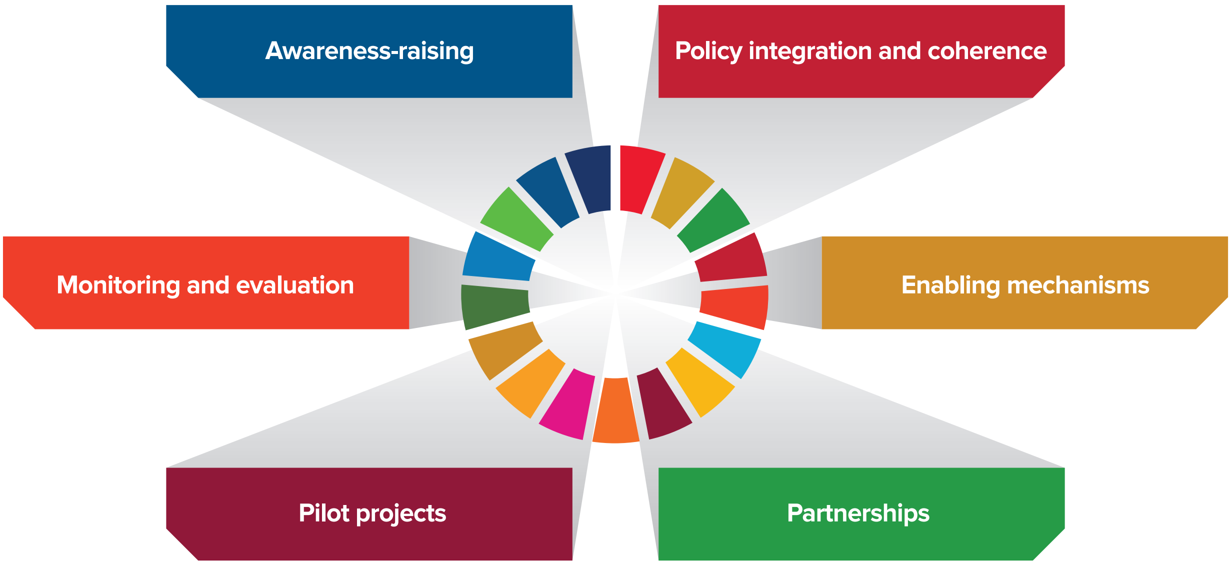
3.2 Thailand and the SDGs

As noted earlier, Thailand's latest Voluntary National Review (VNR) highlights that the country has made significant strides across all 17 SDGs.[39] However, as with other countries, the COVID-19 pandemic adversely impacted the country's economy and society, and hampered Thailand's efforts to achieve the SDGs.

The SDGs are well integrated into Thailand's national strategy, priorities and government mechanisms. Thailand has attached importance to the application of the Sufficiency Economy Philosophy (SEP), as the country's homegrown development approach towards SDG achievement. The SDGs have been integrated into Thailand's main development framework, the 20-Year National Strategy (2018-37). This inclusion speaks to the intent that achievement of the national strategy should go hand-in-hand with sustainable development. In addition, the 2030 Agenda and the SDGs have been integrated into subsequent five year National Economic and Social Development Plans and various Action Plans developed by relevant state agencies. This ensures that development efforts are integrated at all levels and promote collaboration between different implementation agencies.

Thailand's SDGs Roadmap (2019) supports a coherent national effort to achieve the SDGs, aiming to ensure that efforts to achieve the SDGs advance in one unified direction (**Figure 5**). It provides the blueprint to move forward in six key areas, namely, policy integration and coherence, enabling mechanisms, partnerships, pilot projects, monitoring and evaluation and awareness-raising.[40]

Figure 5. Thailand's SDGs Roadmap (2019)



Source: Thailand's Voluntary National Review *on the Implementation of the 2030 Agenda for Sustainable Development*, 2021

Thailand has made strong progress to achieve the SDGs, but several challenges remain. As Thailand's VNR points out, the country has achieved considerable success in eradicating extreme poverty as part of SDG 1. Data from UNESCAP also shows that although Thailand is progressing on several SDG indicators, progress is stagnant or regressing on several indicators, such as within SDG 2, 4, 8, 12, 15 and 17.[41]

3.3 Why should businesses align with the SDGs?

The Global Goals need business, as noted in the 2017 report of the Business and Sustainable Development Commission. The 2030 Agenda recognizes the private sector as a key partner for delivering sustainable development outcomes. Article 67 of the 2030 Agenda, agreed to by all 193 UN Member States, states: 'Private business activity, investment and innovation are major drivers of productivity, inclusive economic growth and job creation... We call on all businesses to apply their creativity and innovation to solving sustainable development challenges'.[42] The Royal Thai Government recognizes that businesses play a key role in achieving the SDGs – also SEC, as the capital market regulator, has promoted the role of the private sector in the implementation of sustainable development, and takes a "whole of society approach" in the latest VNR.

But equally, business needs the Global Goals. The SDGs offer a roadmap to the kind of future that most people want.[43] For businesses, pursuing social impact and engaging with the SDGs, is useful because of the call for greater sustainability, transparency and accountability today. Additionally, aligning with the Goals can create new market opportunities, resilience in the face of fast changing environmental and societal contexts and risks, and a competitive advantage when dealing with increasingly discerning consumers, investors and employees.

When businesses contribute to the SDGs, they can create value for key stakeholders. In August 2019, a prominent group of 181 global CEOs released a new statement on the Purpose of a Corporation. They pledged to deliver long-term value for the benefit of all stakeholders – employees, customers, suppliers, communities as well as shareholders – marking a shift from shareholder primacy to corporate responsibility.[44] The rationale for why the private sector should align with the SDGs can be understood in terms of how the SDGs can strengthen this comprehensive view of corporate purpose, by enabling companies to deliver value for all key stakeholders. **Figure 6** provides a snapshot of this framework, followed by a brief discussion about the SDGs value proposition for each stakeholder. Further details can be found in **Annex 1**.

Figure 6. Creating value for stakeholders through the SDGs

Shareholders: the SDGs can spur growth by creating new market opportunities that meet long-term societal and environmental needs. Achieving the Global Goals in just four economic systems - food and agriculture, cities, energy and materials, and health and well-being - opens US$ 12 trillion of market opportunities, over 50 percent of which are expected to be in developing countries.[45]

The SEC and UNDP Thailand with support from the Centre for Impact Investing and Practices, have identified 15 SDG-linked investment opportunities in the Thai context through the Thailand SDG Investor Map (2022). The Map offers analysis around market size, return profile, impact risks among others. For example, under Renewable Energy, the map identifies decentralized electricity generation from Solar PV as an opportunity that can help provide households and businesses with a reliable source of electricity, while also generating revenue from selling surplus electricity to the national grid. The market size for this opportunity is currently US$ 1.4 billion and is expected to increase to US$ 4.5 billion by 2031.[46] Similar tremendous SDG-linked investment opportunities exist across the other Investment Opportunity Areas identified for the Thai context.

Potential Investors: aligning with the SDGs can help companies attract investment. Socially responsible investing has grown exponentially across the globe, and continues to rise. The value of global assets applying environmental, social and governance data to drive investment decisions has almost doubled from 2016-2020, and more than tripled over eight years, to US$ 40.5 trillion in 2020.[47] Impact investing – investing specifically to generate positive social and environmental outcomes or impacts – is on the rise.[48] Data from the Global Impact Investing Network (GIIN) suggests that impact investing assets under management (AUM) from the same set of investors grew by annual growth rate (CAGR) of 17 percent between 2015-2019.[49] Today, the GIIN estimates the size of the worldwide impact investing market to be US$ 1.164 trillion and 73 percent of impact investors use the SDGs for at least one measurement and management purpose.[50] Companies working towards social impact as a part of their core business strategies are seeing increased access to financing in different forms. A possible rationale for this is that high sustainability firms are shown to outperform low sustainability firms by 4.8 percent.[51, 52] High sustainability firms generate significantly higher stock returns, suggesting that the integration of sustainability issues into a company's business model and strategy may be a source of competitive advantage in the long run. Increasingly, the SDGs are seen as a framework for investments to be assessed for sustainability and for social and environmental impact with 73 percent of impact investors using the SDGs for at least one measurement and management purpose.[53]

The prominence of millennials in investment decisions of the future is another noteworthy trend. Millennials will hold five times as much wealth as they have today and will inherit over US$ 68 trillion from their Baby Boomer parents by the year 2030.[54] They will be making the investment decisions of the future. Millennial investors are also two times as likely as the overall investor population to invest in companies targeting social or environmental goals.[55]

Consumers: the SDGs can help companies respond to shifting consumer preferences. In 2013, before the SDGs were announced, a survey[56] of over 10,000 global consumers across 10 countries highlighted that 91 percent of global consumers are likely to switch brands to one associated with a good cause, given comparable price and quality.[57] Consumer demand and preferences continue to lean towards a similar direction today - according to PWC's recent Global Consumer Insights Survey, ESG factors affect consumer shopping behaviours for half of all consumers surveyed.[58]

Employees: the SDGs can help employers recruit and retain talent, ultimately improving company performance. The SDGs can serve as a powerful recruitment tool for a new generation of employees whose values align with the Goals.[59] For instance, 76 percent of Unilever's employees feel their role at work enables them to contribute to the sustainability agenda, and about half of all new employees entering the company from university cite Unilever's ethical and sustainability policies as the primary reason for wanting to join.[60] By strengthening corporate citizenship (i.e., a company's role in, or responsibilities towards society), the SDGs offer companies a way to differentiate themselves in a world where businesses now compete globally for progressively scarce technical and professional skills.[61, 62]

By encouraging companies towards goals related to diversity and inclusion, the SDGs can also help them move towards better business performance. There is growing evidence that more diverse talent produces better business results. According to a global study by McKinsey, there is a substantial performance differential (48 percent) between the most and least gender-diverse companies; and companies in the top quartile of ethnic and cultural diversity outperformed those in the fourth quartile by 36 percent in terms of profitability in 2019.[63, 64]

Suppliers: adopting the SDGs can help increase supply chain resilience and safeguard against shocks. The COVID-19 pandemic has exposed the fragility of global supply chains, and demonstrated how disruptions can wreak havoc on businesses, the global economy as well as on public health. Ninety four percent of Fortune 1000 companies are seeing supply chain disruptions from COVID-19.[65]

Supply chain disruptions can tarnish company reputations. When managed poorly, supply chain issues can involve catastrophic losses such as the suicides linked to low pay and brutal working conditions at an industrial park in Shenzhen, China in 2010[66] as well as the deaths related to the collapse of a garment factory and separate factory fire in Dhaka, Bangladesh in 2013.[67] These incidents highlighted issues related to poor and unsafe working conditions and brought home the potentially devastating consequences of weak supply chain oversight.

When supply chain management is handled ethically, it can help an organization achieve its sustainability goals, reduce its costs and improve its image.[68] For instance, sustainable supply chains can help companies reduce cost and increase production efficiency by minimizing waste and ensuring better employee morale and productivity. Adopting the SDGs can help companies reduce potential negative social and environmental impacts, increase production efficiency and trust among stakeholders across the supply chain.[69]

Communities: aligning with the SDGs can help companies manage risks and assure a license to operate in the communities. Greater transparency and accountability, strong community relations, goodwill from governments and respect from local populations can mitigate political and regulatory risks. In turn, giving companies a stronger license to operate in local contexts. In today's world with rapid transmission of information through social media, mitigating these risks becomes especially important.

For example, beverage companies operate in communities where they use large volumes of local water resources, potentially competing with local communities for the use of such resources. However, when these companies align their strategy with SDG 6 – Clean Water and Sanitation, they might invest in improved watersheds by working to replenish the aquifer water they use, thereby also committing to provide access to clean water to people in those water-stressed regions.[70]

Clearly, aligning with the SDGs and integrating them into corporate purpose and practices can enable businesses to create value for all stakeholders– shareholders, potential investors, consumers, employees, suppliers and communities - and there is therefore a strong business case for aligning with the SDGs. Further details on how businesses create value for each stakeholder group can be found in **Annex 1**.

3.4 ESG compared with impact and SDGs

ESG, impact and the SDGs are all closely related terms with important differences. ESG approaches focus on the impact of environmental, social and governance (ESG) factors on company (financial) performance, whereas SDG and impact approaches focus more on a company's environmental, social and economic impacts on others. ESG approaches measure factors that investors, ESG rating providers or others believe affect the company's financial performance, directly or indirectly (for instance through reputational damage, ability to attract and retain workers, suppliers, customers etc.) SDG and impact approaches take a broader perspective – measuring the social, environmental and/or economic impacts the company has on the SDGs or people and the planet as well as on company performance. Related to this, ESG often focuses more on managing organizational risk, whereas SDG and impact approaches also have a strong focus on creating net positive impact (by maximizing positive impacts, while acknowledging and minimizing negative impacts whether or not those are evidently financially material).

ESG measures efforts, while impact (SDGs) measurement measures outcomes and impacts. According to a NYU study, 92 percent of the 1750 'S' indicators in use to measure companies' efforts, such as: issuing policies or commitments; conducting audits, risk assessments, or training; participating in membership organizations or other collaborations; engaging stakeholders are activities.[71]

ESG usually measures "efforts", activities and outputs, by asking:

Environmental: How does the company perform as a steward of nature. Examples: reducing climate impact, managing resources, implementing environmentally friendly practices, and disclosing all environmental reporting related to the company.

Social: How does the company manage relationships with employees, suppliers, customers, and the communities where it operates. Examples: data protection and privacy, a diverse management team, promoting health and safety in the workplace, increasing employee morale, and reducing turnover.

Governance: How does the company run, including dealing with a company's leadership, executive pay, audits, internal controls, and shareholder rights. Examples: proper data management, protecting shareholder's rights, holding the board accountable, and corporate risk management.

Impact, including the SDGs, on the other hand, focuses on the impacts (positive and negative) for people and the planet, from the company's operations, and the products or services a company produces. Examples include improvements in education outcomes or health conditions, reduction in poverty, improved financial health etc. Going beyond a focus on ensuring proper ESG protocols, impact measurement helps to ensure that business models achieve specific goals (such as the SDGs), that benefit people and the planet; with evidence of impacts achieved.

Part 1 of this Guidebook introduced the SDGs and highlighted Thailand's progress on the SDGs. It explained why businesses should align with the SDGs as well as compared key concepts related to ESG and impact. Next, Part 2 explains key IMM steps to help build a strong foundation for IMM within a company.

Part 2: Impact Measurement and Management

As explained under Part 1 of this Guidebook, IMM practices can enable businesses to intentionally integrate the SDGs and impact considerations into their management practices. This can enable companies to increase their net positive impact and provide more useful information to external stakeholders through their One Report disclosures.

Here, Part 2 discusses key steps for implementing IMM in company operations and reporting, to help get companies started on understanding, articulating, measuring and managing their material impacts in a practical way (**Figure 7**).

The IMM steps in this Guidebook are consistent with the four components of the SDG Impact Standards for Enterprises, which encompass the different components of a company's impact journey. The SDG Impact Standards are a 'best practice' guide providing a more comprehensive and end-to-end framework on IMM. By using the Standards, companies can integrate sustainability, the SDGs and managing for impact throughout their strategy, management, transparency, governance and decision-making practices. The Standards cover a much wider range of IMM practices related to these aspects than is possible within the scope of this Guidebook. Users of this Guidebook can refer to the SDG Impact Standards for Enterprises and related Enterprise Actions to guide their progress over time and for more specific IMM guidance. **Figure 7** below lists how each IMM step in this Guidebook relates to the four themes or components of the Standards (strategy, management approach, transparency and governance), while **Annex 2** provides a more detailed introduction to the Standards.

Figure 7. IMM Steps aligned with SDG Impact Standards for Enterprises

IMM Steps according to the SDG Guidebook		High level alignment with components of SDG Impact Standards	
Step 1	**Understanding impact and IMM**, including what is sustainability, what is impact and what is impact measurement and management; defining your company's commitment to sustainability	Strategy	
Step 2	**Identifying and engaging with stakeholders,** including conducting stakeholder mapping and understanding how to engage with stakeholders along the value chain	Strategy	
Step 3	**Prioritizing impacts,** including conducting materiality analysis, mapping and prioritizing SDGs along the business value chain, and setting goals; specifying the five dimensions of impact for each goal	Strategy	
Step 4	**Planning for impact,** including developing an impact value chain, selecting indicators and setting baselines and targets	Management approach	
Step 5	**Measuring impact and integrating impact into business practices,** including monitoring results and collecting data; integrating SDGs and impact into business practices and decision-making; managing impact risks; and reinforcing the company's commitment to impact through governance practices	Management approach	Governance
Step 6	**Reporting progress on impact in line with the One Report**	Transparency	

Part 2 discusses Steps 1-5 in more detail below. Step 6, related to reporting progress on impact in line with the One Report, is discussed in **Part 3** of this Guidebook.

Step 1

Understanding impact and IMM; defining your commitment to sustainability

Understanding IMM involves understanding (i) sustainable development, (ii) impact and (iii) impact measurement and management. This section provides a brief introduction to these terms and the business context, to help companies make their commitments to sustainability and the SDGs.

What is sustainable development?

As noted earlier, sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. The SDGs are the minimum sustainable development thresholds that UN Member States have agreed are needed in order to assure our common future.

Underlying sustainable business is the need to focus on the needs of all stakeholders of a business, marking a growing shift from shareholder capitalism to stakeholder capitalism. Shareholder capitalism refers to a company's exclusive focus on enhancing shareholder value, serving the interests of its shareholders – often prioritizing short-term returns. Stakeholder capitalism, on the other hand, involves creating long-term value not only for shareholders but also for customers, suppliers, employees and communities by creating a safe and healthy work environment, greater employee security, respect for human rights and increased well-being for communities. Potentially, this can improve resilience, sustainability and performance of the company in the future.

What is Impact?

Impact is a widely used term today, and one that many types of entities, including businesses, governments and the general public, are interested in. Before a business can achieve impact, it is important to define and understand 'impact' clearly.

Understanding and framing impact clearly is an essential first step in contributing to it. The way a business frames its impact or the problem(s) it intends to solve can influence the way the business contributes to it as well. For instance, what a business defines as its impact or impacts (such as reducing poverty or contributing to good health and well-being), will influence how the business aligns its products or services to deliver that impact (such as pricing products or services in a way that they are accessible to the poor, or designing products with measurable effects on the health of customers). How impact is framed shapes how a company, as well as its stakeholders, perceive success, particularly when such perceptions of success are tied to how a company contributes to the society and the planet.

In the business context, impact is the long-term effect an enterprise achieves for people and the planet. Such effects may include poverty reduction, avoiding GHG emissions, improved child health, reduced maternal mortality, among others. Essentially, impact refers to a long-term change in aspects of well-being, caused by an entity's actions or decisions either directly through its products, services or own operations; or indirectly through its supply and value chain(s).[72]

Impacts may be positive or negative, intended or unintended, and direct or indirect.[73] For example, a company may upskill local people for employment within its factory, and therefore decreased unemployment rates in local communities may be an intended positive impact of such upskilling. Here, an unintended positive impact may be improved local high school graduation rates in the long-term, when upskilled and employed workers can keep their children in school. However, an unintended negative impact could be higher income inequality between employed workers and the unemployed, resulting in greater social unrest in local communities.

Direct impacts refer to impacts where there is a direct point of contact between the product or service in question, and the people it intends to benefit - such as an app used by school children to improve their language skills. Indirect impact on the other hand, might occur where the ultimate beneficiaries only experience the impact indirectly (e.g. through others) - such as a software developed for a school that indirectly impacts students by delivering better education services.

There are several different dimensions of impact, which are described later in **Step 3**.

What is Impact Measurement and Management?

Impact Measurement and Management (IMM) refers to identifying and considering the positive and negative effects one's business actions have on people and the planet, and then figuring out ways to mitigate the negative and maximize the positive in alignment with one's goals.[74] Identifying positive and negative effects includes not only the short-term but also the long-term effects on people and the planet. Breaking IMM down further, we can define impact measurement and impact management separately:

Impact measurement involves quantifying effects directly or indirectly attributable to a company's actions.[75] This includes determining what to measure, analyzing the data and measuring progress against stated objectives, by tracking results related to specific outcome and impact indicators or measures of progress. This often calls for using different methods and approaches to measure impact, such as stakeholder perception surveys, Social Return on Investment (SROI), pre-post comparisons, Difference-in-Differences (DiD) and Randomized Control Trials (RCTs).

Impact management involves setting up systems and processes that gear a business for successfully meeting its impact goals. Systems, processes, culture and capabilities can enable an organization to actively manage and optimize its impact.[76] Creating a feedback loop to decision-making in the company is critical to reflect continuously on both achievements as well as gaps in performance and improve in the future. Managing for impact should mean fully integrating sustainability and the SDGs into company purpose and strategy, management approach (including aligning the organizational culture, systems, structures and incentives with the integrated strategy), transparency and governance practices. This aims to use impact data to generate options, make choices between those options and manage trade-offs, and in so doing, to achieve net positive impact.

Overall, the purpose of IMM is to make better decisions to improve business performance and increase positive impacts (including by avoiding or significantly reducing negative impacts).

Defining your company's commitment to sustainability

Armed with an understanding of impact, sustainability and IMM, businesses can develop a clear statement of the company's intent in terms of sustainability and the SDGs. To do this, it may be necessary to make the business case for sustainability within the company and get buy-in from the board and senior leadership team (please also refer to **Part 1, Section 3.3: Why should businesses align with the SDGs?**). This involves understanding how the company defines value; what kinds of value matter to the company; how central sustainability is to the future of the company; and how sustainability and contributing to positive impacts is linked to the long-term success of the company. The commitment to sustainability may be embedded in the CEO's vision, corporate purpose or other such statements of intent.

The Olam Group is one example of a company that sees sustainability as central to its core business. Olam is a leading global food and agribusiness headquartered in Singapore that has built a competitive edge through data-driven and technology-powered sustainability initiatives and services. The company puts sustainability at the heart of its business, both in its purpose and CEO's vision (**Figure 8**).

Figure 8. OLAM Group: Putting sustainability at the heart of business

"Sustainability has always been something that we have embedded in and embraced in our business. We do not do it as a separate activity."

Suresh Sundararajan, CEO of Olam Ventures.

In 2017, Olam refreshed its purpose to "re-imagine Global Agriculture and Food Systems" within the ethos of Growing Responsibly, driven by:

- CEO's vision for long-term sustainability and recognition that response based mainly on doing less harm is not enough to meet pressing global sustainability challenges
- Pressure from larger stakeholders for greater transparency, traceability and accountability across its supply chain

Source: Olam Group: Sustainability As a Competitive Edge – Unlocking Value Through Data, Technology and Innovation, CIIP, 2022; as cited in UNDP SDG Impact Standards Training of Trainers, 2023

Once the high-level intent in terms of sustainability and SDGs is defined, companies should also ensure senior management commitment towards this. This may include, for example, ensuring that senior management sign off on the statement of intent, and/or that they endorse the commitment on the company's website as well as through internal communication. When specific impact goals related to this commitment are also defined (**Step 3**), companies can take deeper action on integrating the commitment and goals into business decision-making (**Step 5**).

After articulating a commitment for the company's contribution to sustainability and the SDGs, the company should also integrate sustainability and the SDGs into its purpose and strategy. This means ensuring that the company's purpose (vision and mission) is aligned with its sustainability and impact intentions. This broad purpose should also translate into organizational strategy – the company will decide how it will contribute positively to sustainability and then identify its strategic priorities and business plan accordingly. For example, sustainability commitments from Unilever are integrated into its purpose and strategy via the Unilever Compass for Sustainable Growth (**Figure 9**).

Figure 9. Unilever's Sustainability Commitment & Strategy

Planet & Society

We're a company of brands and people with a clear purpose: to make sustainable living commonplace.

We're determined to prove that our purpose-led, future-fit business model delivers superior performance: the Unilever Compass is our strategy to deliver growth that is consistent, competitive, profitable and responsible.

The Unilever compass for sustainable growth

Our vision is to deliver winning performance by being the global leader in sustainable business

Our financial framework consistent and competitive growth driving top third total shareholder return (TSR)

Where to play

Build a high growth **portfolio** across five business groups

Beauty & Wellbeing	Personal Care	Home Care	Nutrition	Ice Cream

Win with our **brands**, powered by superior products, innovation and purpose

Win with differentiated science and technology	Improve the health of the planet	Improve people's health, confidence and wellbeing	Contribute to a fairer, more socially inclusive world

Accelerate in key growth **markets**

USA, India and China	Leverage emerging market strength

Lead in the **channels** of the future

Accelerate digital commerce	Win with top customers	Drive category value

Source: Extracted from https://www.unilever.com/planet-and-society/

Overall, based on Step 1 companies can understand what impacts they create and for whom, and shape their commitment to impact making it central to their "business as usual" practices. Next, companies can identify who the stakeholders of the business are and engage with them, as described in **Step 2**.

Step 2 Identifying and engaging with stakeholders

The second step involves understanding who the stakeholders of the business are; and engaging with them to understand what matters to them, as well as how they are impacted by the company and its operations. This step, divided into stakeholder mapping and stakeholder engagement, is detailed below.

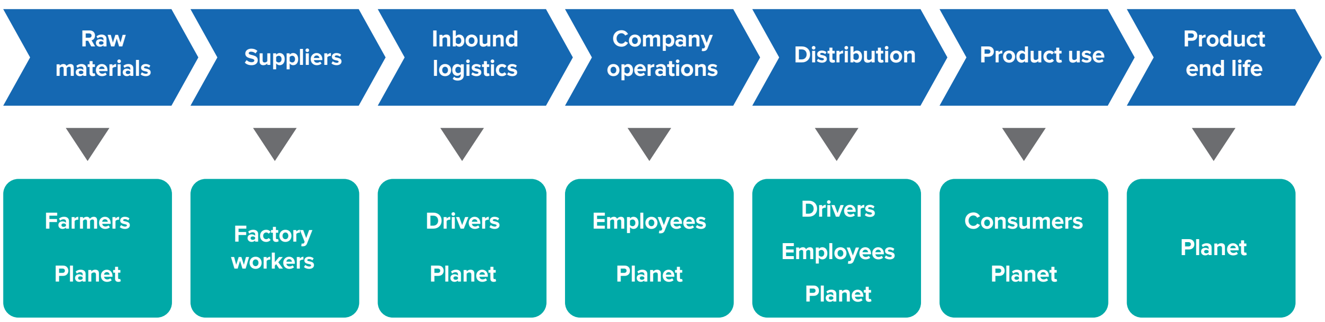
Stakeholder mapping

Stakeholders are persons or groups who have interests that could be affected by a company's activities.[77] Stakeholders are people or organizations that experience change as a result of your activity, or those who affect the activity under analysis.[78] The former may include, for example, customers who benefit from better health conditions due to a healthcare company's products or services, whereas the latter may include, for example, employees who deliver such products or services. Furthermore, in serving all stakeholders, companies should consider the wellbeing of the planet as the most vital stakeholder for our shared survival and development.

Start with stakeholder identification and mapping, i.e., identifying who your stakeholders are and developing a list of these stakeholders. This list may include individuals, groups of individuals and organizations such as customers, employees and other workers, local communities, suppliers, distributors, government and regulators, shareholders and investors, as well as nature and the planet.[79] Stakeholders should include those that have been affected (impacted stakeholders) as well as those whose interests have not been affected but could be (potentially impacted stakeholders).[80] It is important to think about underserved stakeholder groups or sub-groups whose voices may be missing.

Mapping out the company's value chain to identify relevant stakeholders across it, could be a helpful initial step. As noted in SDG Compass, a guide for business action on the SDGs, it is important to consider the entire value chain, from the supply base and inbound logistics, across production and operations, to the distribution, use and end-of-life of products.[81] This may help identify areas with a high likelihood of either negative or positive impacts on the issues that matter to stakeholders. Here it is also important to understand national priorities, such as SDG priorities, in the country/context in which the business operates. **Figure 10** illustrates an example of a business value chain, and key stakeholders that are/could be impacted at relevant points in the chain.

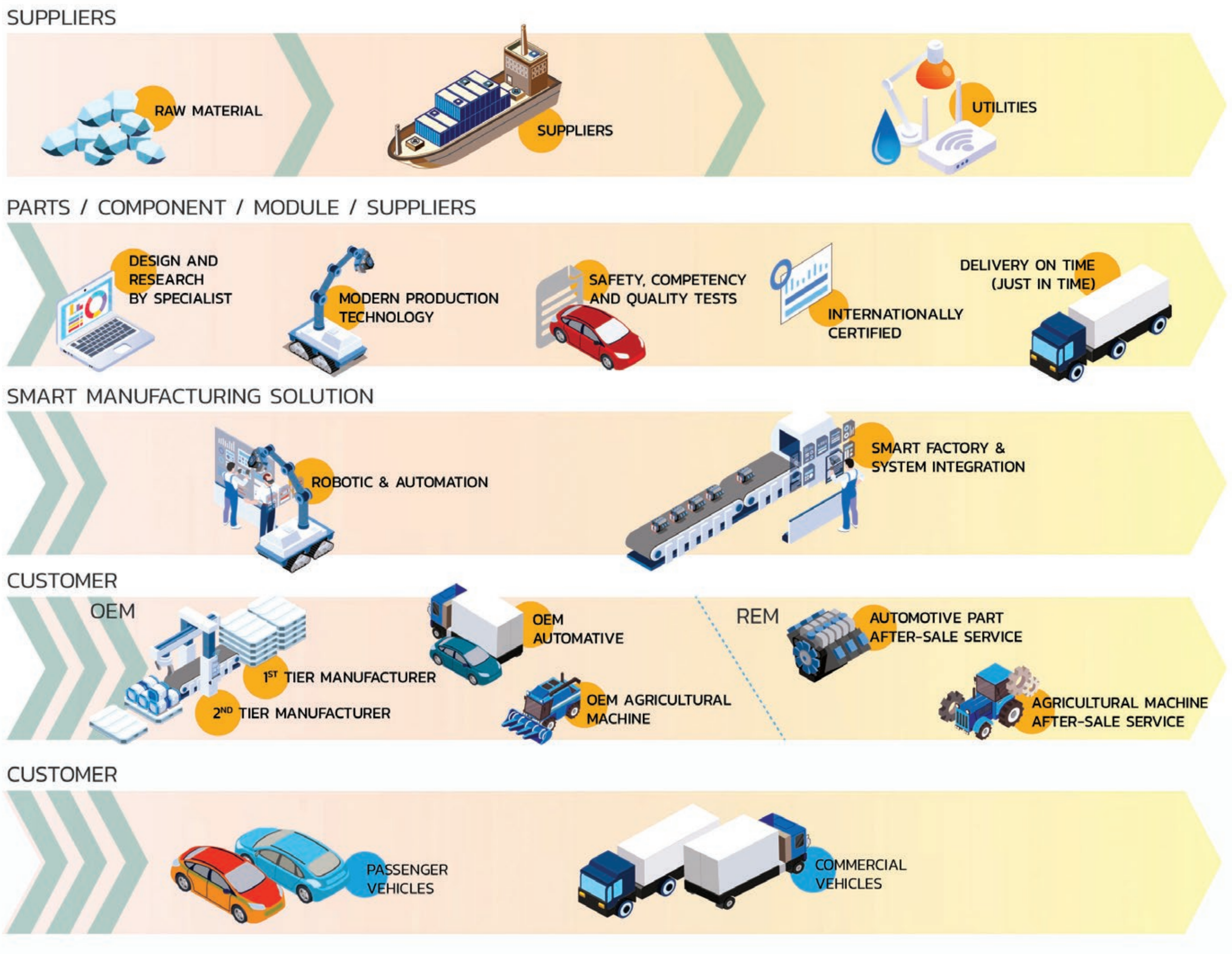
Figure 10. Example of a business value chain and stakeholders



Source: Top panel adapted from SDG Compass: A guide to business action on the SDGs, GRI/UNGC/WBCSD

Another example of how to represent the value chain is from Somboon Advance Technology Co. Ltd. (SAT), a Thailand-based company engaged in the manufacturing and distribution of motor vehicle parts, where the company provides a visual representation of its value chain (**Figure 11**).

Figure 11. Somboon Advance Technology Solutions: Business value chain - an example



Source: Somboon Advance Technology, Sustainability Report 2021

Building on the value chain, a company can identify and map relevant stakeholders that are affected by its operations. Consider an example from the Bank of Ayudhya Public Company Limited, or Krungsri, one of Thailand's largest commercial banks. Krungsri places importance on stakeholders of the entire value chain, upstream and downstream, focusing on sustainable value creation in parallel with managing impacts on stakeholders. In its stakeholder mapping (**Figure 12**), the first panel shows Krungsri's value chain, while the second panel shows the stakeholder map categorizing stakeholders into nine groups.

Figure 12. Krungsri: Value chain and stakeholder mapping

VALUE CHAIN

PRIMARY ACTIVITIES

- Funding sources
- Operations
- Marketing and Sales
- Access to Financial Innovations and Products
- Financial Transactions
- After-sales Services

SUPPORT ACTIVITIES

- Risk Management
- Procurement Management
- Human Resources Management
- Digital innovation and Technology Management
- Other Infrastructures, e.g., Accounting and Finance System, Business Administration, Legal Tasks, etc.

STAKEHOLDER MAPPING

Primary Stakeholders
Secondary Stakeholders

Source: Krungsri Annual Registration Statement/Annual Report 2021 (Form 56-1 One Report)

The second step involves understanding who the stakeholders of the business are; and engaging with them to understand what matters to them, as well as how they are impacted by the company and its operations. This step, divided into stakeholder mapping and stakeholder engagement, is detailed below.

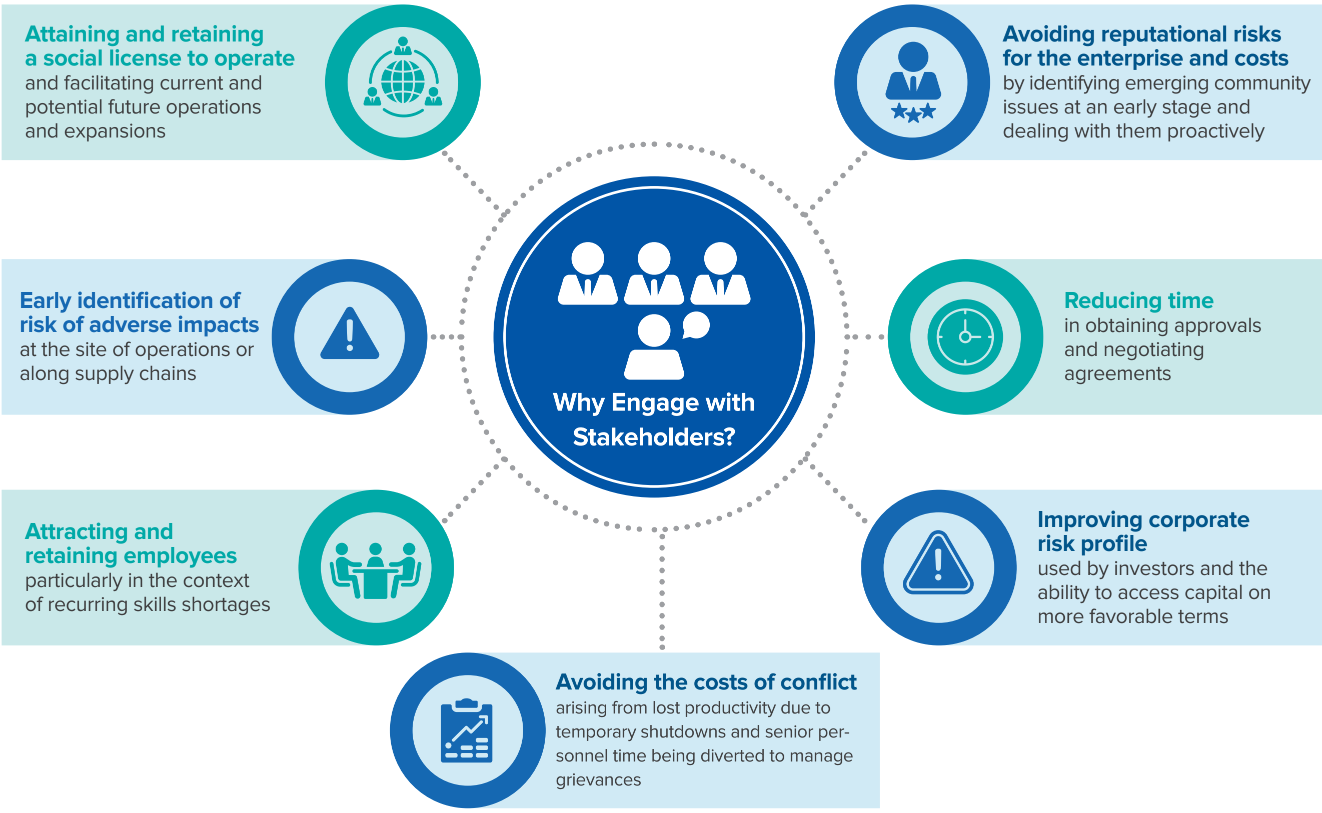
Stakeholder engagement

Next consider stakeholder engagement, to understand the views and concerns of stakeholders in relation to the company's current or potential impact on them. Stakeholder engagement means understanding what and how much changes for which stakeholders (through the company's activities and operations), and which change or changes matter most to them. This can be done by speaking to the stakeholders themselves, gathering information from company staff or others who have knowledge of what changes are occurring for stakeholders, and using secondary research to help triangulate information gathered from stakeholders. Through this process, the company can understand which outcomes really matter to stakeholders (and therefore if these outcomes are important or "material" for the company). Understanding stakeholders' priorities can help the company to develop a priority list of impacts, for the present and the future. For example, for a company that provides housing to low-income families, stakeholders' priorities and the impacts that matter to them might vary from those for a company that primarily caters to middle to upper-income households.

At this stage, it is important not to dismiss issues that are important to stakeholders which you do not see as being relevant to your company. These may represent opportunities to consider "pivot" strategies or collaboration opportunities. For example, a company operating pre-schools in low-income areas, might provide these premises free of charge to offer speech therapy or other services of importance to the community, by collaborating with other organizations. To learn more about this process as well as the underlying risks, please refer to SVI's Standard on applying Principle 1: Involve Stakeholders.

Stakeholder engagement is an expectation of responsible business conduct. Stakeholder engagement is especially crucial for the responsibility to respect human rights as set out in the UN Guiding Principles on Business and Human Rights, and is also a pivotal element of the OECD Due Diligence Guidance for Responsible Business Conduct Involving stakeholders. Stakeholder involvement is also the first of seven Social Value Principles outlined by Social Value International. These Principles intend to guide organizations and individuals from all sectors on best practice in accounting and reporting social value (which is the quantification of the relative importance that people place on the changes they experience in their lives). Stakeholder engagement is also often an effective activity for identifying and avoiding potential adverse impacts of a company's operations and can make good business sense.[82] **Figure 13** illustrates the potential business benefits of engaging with stakeholders.

Figure 13. Business benefits of engaging with stakeholders



Source: Developed from "OECD Due Diligence Guidance for Meaningful Stakeholder Engagement in the Extractive Sector", OECD, 2016

Meaningful stakeholder engagement involves interaction, two-way communication, good faith as well as responsive and ongoing engagement. To be effective, stakeholder engagement involves interaction with relevant stakeholders, for example, through meetings, hearings or consultation proceedings. It is characterized by two-way communication between the company and stakeholders where they both freely express opinions, share perspectives and act in good faith. This means that the company engages with the genuine intention to understand how relevant stakeholder interests are affected by its activities and is prepared to address adverse impacts it causes or contributes to; and that stakeholders honestly represent their interests, intentions and concerns (although it is incumbent on the company to take into consideration factors that might make it challenging for stakeholders to share their insights comfortably - see below). Responsive engagement means that the company understands its role as a duty bearer and seeks to inform its decision by eliciting the views of those likely to be affected by the decision – that is, engage potentially impacted stakeholders and rightsholders prior to taking any decisions that may impact them, and follow-through on implementation. Ongoing engagement means that stakeholder engagement activities continue throughout the lifecycle of an operation or activity and are not a one-off endeavor.[83]

Engagement with potentially vulnerable stakeholders is also critical. It is important to make a deliberate consideration of disadvantaged and marginalized stakeholders or other vulnerable groups such as women, children, indigenous peoples and migrant workers. This may involve removing potential barriers to stakeholder engagement (language, culture, gender and power imbalances). For instance, sharing information orally in a community where literacy is low, could be one such approach. Often, the most vulnerable stakeholders (such as women, children, and socially marginalized communities) will also be the most significantly affected by a company's activities and may need additional attention in the context of stakeholder engagement activities.[84] It is also vital to make a special effort to understand the interests and concerns of stakeholders who are unable to articulate their views (such as future generations or ecosystems).[85]

For example, Krungsri engages with stakeholders across the various stakeholder groups identified in its stakeholder mapping (**Figure 14**). Krungsri believes that greater stakeholder engagement will not only enable the bank to make strategic business decisions (enabling it to respond to expectations across all stakeholder groups), but also to mitigate potential risks and adverse impacts through better stakeholder relationships.[86] The figure highlights the engagement process for customers; please refer to Krungsri's Sustainability Report 2021 for details on the engagement processes for its other stakeholder groups.

Figure 14. Krungsri: Stakeholder engagement process - Customers

Customers
(Retail, SME, and Corporate)

Interests and Expectations

- Provision of accurate and complete information of products and services
- Provision of appropriate products and services which match customer needs
- Professional and speedy services
- Advice about diverse financial service, particularly those on the online channels, websites, and in smartphone applications
- Customers' rights and personal data protection
- Assistance measures for customers impacted by the COVID-19 crisis

Engagement and Communication Channels

- Provision of officials to facilitate customer convenience and to socialize with customers, including customer visits as appropriate and needed, such as relationship managers (RMs)
- Annual customer satisfaction survey conducted at least once a year
- Communication about product and service information via diverse channels including the website 'Krungsri.com', online and social media accounts of 'Krungsri Simple', leaflets, brochures, marketing activities, etc.
- Year-round activities to build strong relationships with customers, e.g. seminars, business matching activities, which have been adjusted to comply with the COVID-19 preventive measures for ultimate safety.
- Customer visit activities on an as-needed basis, including communication activities that convey information of sustainability performance, ESG trends, e.g., ESG knowledge sharing activities for JPC/MNC customers, etc.
- Krungsri Call Center 1572
- Communication about assistance measures for customers impacted by the COVID-19 crisis via the Bank's branches, website, and social media channels.

Approaches / Responses

- Fair treatment of customers
- Maintaining customers' personal data protection with utmost care
- Maintaining cybersecurity
- Provision of accurate and complete product and service information per best market-conduct practices
- Accountability to customers in terms of products and services
- Provision of impressive customer experiences through product and service innovations taking into account economic, social and environmental dimensions
- Adopting digital innovation and technology that help increase customer access to products and services, such as Krungsri Mobile Application (KMA), Krungsri Online, and Krungsri Biz Online, Kept by Krungsri Application, QR Code payment via Krungsri Mung-Mee, Krungsri Mung-Mee SHOP Appllication, and the website www.krungsri.com.
- Provision of a whistleblowing channel and a customer complaint resolution process (CCRP)
- Assistance measures for customers impacted by the COVID-19 crisis

Source: Krungsri Sustainability Report 2021

Another example is from Asset World Corporation (AWC) (**Figure 15**). AWC is one of Thailand's leading integrated lifestyle real estate groups, engaged in real estate development and investment across hospitality, lifestyle destinations and commercial workspaces. The company mentions the stakeholder/s, their specific interests/concerns, the company's actions and responses to those concerns, how the company creates value for the stakeholder/s, and the engagement channels through which it engages with the stakeholder/s.

Figure 15. Asset World Corporation: Stakeholder analysis and engagement

Stakeholders	Issues of Interests	Actions & Responses	Values Creation	Engagement & Communication Approaches
Employee	• Career progression • Skill development training • Occupational health safety • Compensation, benefits, and remuneration • Sustainable business growth • Transparency	• Provide necessary training for continuous development • Establish programme(s) to retain good and talented employees • Provide employees with fair compensations and benefits • Enact occupational health & safety policy and guidelines among employees • Comply with Thai labour standard • Treat employees with respect following human rights principles • Provide channels for employees to submit opinions, suggestions, or complaints • Establish AWC Core values	• Employees receive adequate training for career progression • Continuous capability development • Career promotion and stability • Assessments on safety, occupational health, and workplace environment • Grievances and whistleblower mechanism	• Intranet • AWC Connext • E-mail: compliance and HR • Townhall by Chief Executives • Conversations, meetings, and operation team meetings • Employee engagement survey • Annual Report • Sustainability Report • Company website • Grievance and whistleblower channel https://www.assetworldcorp-th.com/en/corporate-governance/whistleblowin-gand-complaint
Customer	• Business ethic and transparency • High-quality products and services at a fair price • Customer relationship management • Innovative product development • Data security and privacy • Resource conservation	• Strictly conduct business in compliance with applicable laws and regulations • Offer products and services that respond to the requirements at a reasonable price • Appoint a department to receive opinions, suggestions, or complaints from customers • Source raw materials from a sustainable source • Initiate environmental protection initiatives	• Quality products and service as expected • A positive relationship between AWC and customers	• Customer services • Call centre • Customer satisfaction survey • Various media channels • Annual Report • Sustainability Report • Company website • Grievance and whistleblower channel https://www.assetworldcorp-th.com/en/corporate-governance/whistleblowin-gand-complaint
Tenant	• Fair treatment • Environmental protection • Prime location	• Strictly comply with the Business Code of Conduct, and Corporate Governance Policy • Conduct business in compliance with applicable laws and regulations • Integrate green building initiative into both existing and new developments	• Long-term trust and confidence with AWC • The positive relationship between AWC and tenant • Environmental benefit from green building initiative	• Tenant relationship management • Tenant satisfaction survey • Property anniversary ceremony • Annual report • Sustainability report • Company website • Grievance and whistleblower channel https://www.assetworldcorp-th.com/en/corporate-governance/whistleblowin-gand-complaint
Vendor & Supplier	• Business ethic, transparency, and fairness • Future business direction and business growth • Supplier capacity building	• Establish standardized supplier codes of conduct • Develop supplier partnership projects • Appoint a department to communicate with suppliers on various and related issues • Treat all suppliers equally and fairly as stated in Business Codes of Conduct	• Supplier capability development • The positive relationship between AWC and supplier • Long-term trust and relationship • Quality products and services to other groups of stakeholders	• Supplier joint meeting • Supplier assessment • Annual Report • Sustainability Report • Company website • Grievance and whistleblower channel https://www.assetworldcorp-th.com/en/corporate-governance/whistleblowin-gand-complaint

Source: Asset World Corporation, Sustainability Report 2020

Overall, the key output of Step 2 is a mapping of the stakeholders along the business value chain, and identification of the priorities of different stakeholders based on an engagement process as outlined above. This would help companies move to prioritizing impacts, in **Step 3**.

Step 3

Prioritizing impacts

The third step involves prioritizing impacts which are most relevant to the company by carrying out materiality analysis, mapping SDGs along the business value chain, identifying priority SDGs and setting goals. These methods are described in detail below.

Materiality analysis

Once a business has clarity on which outcomes and impacts matter to stakeholders, it can prioritize them by carrying out materiality analysis. Materiality analysis helps companies understand which outcomes and impacts matter most to the stakeholders that experience the impacts, are most relevant in the company's context and where the company can have the most significant impacts. A business activity will result in many different outcomes for different people, and a business cannot prioritize every outcome that every stakeholder considers material. Therefore, a way of prioritizing the most important outcomes is necessary. This is referred to as determining the material outcomes. Material outcomes are those that are important enough to consider when making decisions about allocating resources.[87]

Stakeholder materiality must be considered, going beyond financial materiality. Building on Step 2, materiality should not be restricted to what is relevant to business goals or financial performance and must include what is relevant to the business's stakeholders, both in terms of positive as well as negative impacts.[88] As noted previously, understanding national SDG priorities is also useful here.

For instance, as part of its Materiality Identification Process, Krungsri identified material aspects by considering stakeholders' expectations and recommendations towards the bank, the bank's practices in sustainability as well as national and international assessment guidelines on sustainability.[89, 90] The Daiwa Securities Group (Japan) identified materiality (priority areas and issues) by starting with a longlist of 65 environmental and social issues it could engage with, that might either provide opportunities or pose risks. It then narrowed these down to 10 issues based on dialogue with internal and external stakeholders.[91] As part of their "Vision 2030" exercise, the company prioritized material impacts based on communication with stakeholders, and identified a total of 14 priority issues across key priority areas (**Figure 16**).

Figure 16. Daiwa Securities Group: Materiality identification process

Previously	**Incorporating the SDGs perspective as the basis of our business strategy** In 2018, Daiwa Securities Group established the Sustainability Promotion Committee (formerly SDGs Promotion Committee), chaired by President and CEO Seiji Nakata. It subsequently formulated the “Passion for SDGs 2019 -Daiwa Securities Group Action Plan-,” which detailed the Group’s commitment to actively contributing to SDGs through its businesses.
STEP 1	**Understanding and assessing environmental and social issues** Based on its Corporate Principles, and taking into consideration various international frameworks (GRI, ISO 26000, SASB, TCFD, etc.), international initiatives such as the UN Global Compact, indices established by ESG evaluation organizations, and issues raised by governments and economic organizations, Daiwa Securities Group identified important environmental and social issues that might either provide opportunities or pose risks. It then drew up a long-list of 65 issues which it could engage with in order to strengthen its management foundations.
STEP 2	**Dialogue with internal and external stakeholders** Through communications with both internal and external stakeholders, the Group evaluated the impact and the importance to society of the environmental and social issues it identified in Step 1. To this end, it consulted with outside members of the Sustainability Promotion Committee (formerly SDGs Promotion Committee) and internal experts on which priority issues and directions it should focus on in the medium and long term. The Group also engaged in dialogue with Sustainability Promotion Managers at various headquarters and Group companies, and with young employees who will comprise the heart of the Group’s workforce in 2030, on the topic of what goals it should set for 2030.
STEP 3	**Formulation of the Materiality (draft)** Based on the results of the evaluations outlined in Step 2, Daiwa Securities Group identified 10 issues it should engage with through its businesses, and 4 issues it should engage with in order to strengthen its management foundations. The Group then discussed what opportunities and risks the formulated Materiality (draft) would present and pose.
STEP 4	**Discussions and decisions made by the management** The Materiality (draft) was discussed by outside directors, outside members of the Sustainability Promotion Committee (formerly SDGs Promotion Committee), and the management at Board of Directors, Executive Committee of the Group, and Sustainability Promotion Committee (formerly SDGs Promotion Committee) meetings. Vision 2030, including Materiality, was resolved at the Board of Directors meeting. At the same time, a set of KPIs was drawn up to manage the progress of Materiality initiatives. Going forward, the Materiality will be continually revised, according to international trends in environmental and social issues, changes in business environments, and feedback from both internal and external stakeholders.
Going forward	**Taking on Materiality and realizing Vision 2030** Representatives of various headquarters and Group companies will carry out progress management, seek to understand issues, and implement related measures. The state of progress will be regularly monitored by the management at committees, including the Sustainability Promotion Committee (formerly SDGs Promotion Committee) and Board of Directors.

Source: https://www.daiwa-grp.jp/english/sdgs/group_sdgs/value.html

Daiwa Group's Approach to Materiality analysis

In "Vision 2030," Daiwa Securities Group identified priority areas and priority issues it should focus on as "Materiality."

Priority Areas	Priority Issues
100 years of life Realization of a society where everyone can spend 100 years of life affluently	1. Support for household asset formation and conservation toward the realization of a prosperous 100-year life 2. Realization of local revitalization with private funds 3. Financial support for economic growth in Asia
Innovation Innovation that enriches society Promote and realize your own transformation	4. Support for accelerating corporate metabolism toward the realization of innovation that enriches society 5. Reform of business portfolio to create new added value 6. Leading social transformation as a one-of-a-kind financial platformer
Green & Social Promoting the transition to a carbon-free society and realizing a resilient society	7. Promotion of green finance to support the realization of a carbon-free society 8. Development and provision of new financial products and services that contribute to the realization of a sustainable society
Foundation of sustainable management	
Diversity & Inclusion Realization of a society where everyone can play an active role by acknowledging diverse personalities	9. Fostering human resources who can provide added value 10. Building an organization where everyone can play an active role by acknowledging diverse personalities
Strengthening the foundation that supports sustainable corporate management	11. Strengthening a sound and highly transparent management base 12. Leading the maintenance and development of financial and capital markets 13. Creating a beautiful global environment that will lead to the next generation 14. Realization of a better future community / society

Source: https://www.daiwa-grp.jp/english/sdgs/group_sdgs/value.html

In prioritizing the most material impacts, businesses should apply a few key considerations. The following are always material when prioritizing impacts: avoiding significant harm, reducing inequality, gender equality, climate action and decent work. Companies should consider potential risks of negative impacts and opportunities for positive impacts. For instance, a positive impact is an organization adopting measures that lower the cost of renewable energy for customers, thereby allowing more customers to switch to renewable energy and thus contributing to mitigating climate change. However, the company should also consider any negative impacts that could result from activities that aim for a positive contribution to sustainable development. For example, a renewable energy installation may bring energy to underserved communities; but if it displaces local indigenous communities from their lands or territories without their consent and/or is contrary to local laws, this negative impact should be addressed and remediated, and it cannot be compensated by the positive impacts.[92]

Prioritization of material outcomes and impacts can be done by defining prioritization criteria, which consider thresholds. In defining prioritization criteria, a company may need to include thresholds below which the quantified impact for a stakeholder is considered immaterial and need not be included[93] - for example if there were even one human fatality a result of an activity this would be considered material. Carbon emissions would be another example, where the quantified emission may not be a large impact relative to other outcomes but may still be included. A company may therefore include outcomes as material, above a threshold, despite having a low quantified impact. Once prioritization criteria are set, the company can apply the criteria to the list of identified material impacts, and then rank the impacts on which the business will focus.

Both relevance and significance need to be considered in materiality analysis. Identifying material outcomes and impacts for the business includes understanding whether these are relevant to company policies, stakeholders, societal norms as well as financial impacts. The company should also understand whether these are *significant*. i.e., the real or potential impact of the issue passes a threshold that means it influences decisions and actions.[94] For instance, the Science Based Targets initiative (SBTi) notes that at a minimum, a company's Scope 1 and Scope 2 near-term targets must be consistent with the level of decarbonization required to keep global temperature increase to 1.5°C compared to pre-industrial temperatures.[95] This may signify the threshold for GHG emissions that is significant to the planet as a stakeholder.

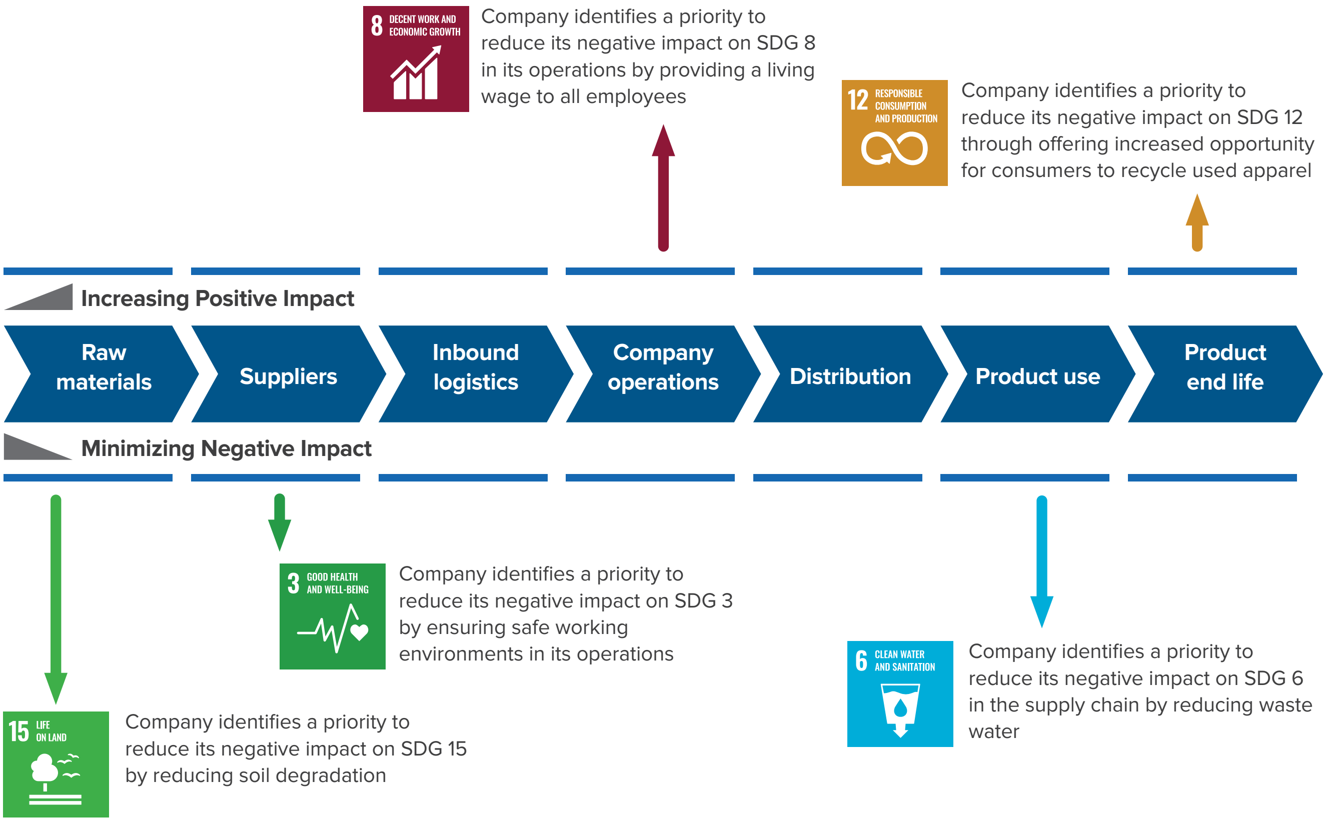
An often-used approach to present a materiality assessment is a materiality matrix presented on x-y axes, where a company compares the importance of the issue to stakeholders with the issue's influence on business success. However, such an approach misses two key points: one, that what is important to business success should be based on what is important to stakeholders and should not be viewed as a trade-off. Second, stakeholders are not one homogenous group, and each group of stakeholders must be considered deliberately, to understand the outcomes that are material to them.[96] Instead, companies should consider listing each stakeholder group, and then mapping its relationship to the company, issues of interest, whether the issue is relevant to the stakeholder group, whether the issue is material to the stakeholder group, and thresholds used to define materiality.

For more guidance on materiality analysis, please refer to GRI's Universal Standards, specifically GRI 3: Material Topics 2021; and Social Value International's Standard on applying Principle 4: Only include what is material.

Mapping and prioritizing SDGs along the business value chain

Once a company understands its expected material outcomes and impacts, both current and potential, as well as positive and negative, it can map how it contributes to the SDGs. Not all 17 SDGs may be relevant for a particular company. To narrow these down, a company can build on the business value chain developed above, to identify and prioritize the material impacts and relevant SDGs along the value chain (**Figure 17** provides an example).

Figure 17. Prioritizing SDGs across the apparel value chain



Source: Integrating the SDGs into Corporate Reporting: A Practical Guide, GRI and UN Global Compact

While identifying SDG priorities, the company should think about its own purpose and how operating sustainably and contributing to the SDGs fits into that purpose. For instance, Hitachi's sustainability journey began over a century ago and is rooted in its founder's determination to "contribute to society through the development of superior, original technology and products".[97] With the overall goal to contribute to a sustainable society, the company analysed all 17 SDGs, through the lens of identifying business opportunities and minimizing risks. It identified 11 Goals that represented its most important social challenges. It then divided these 11 SDGs into two categories: five SDGs which are aligned with five focus sectors and where Hitachi can have the greatest impact through its business strategy; and six SDGs that are particularly relevant to Hitachi's corporate commitment to society. Hitachi recognized that it contributes to the SDGs through its core products and services in various fields and sectors (business strategy). On the other side, it realized that it can have an impact on other SDG areas – positively or negatively – even if its business model changes. The company notes that "even though these goals may not be directly linked to our commercial activities, we believe that contributing to their achievement is critical for all our Group companies because of the impact they generate on our long-term sustainability and operational success". For example, **Figure 18** highlights how Hitachi sees SDG 8 aligning with its corporate commitment.

Figure 18. Hitachi: How corporate commitment aligns with SDG 8

8 DECENT WORK AND ECONOMIC GROWTH

As Hitachi's value chain expands on a global scale, we find diverse working environments, business norms, and trade practices in countries and regions around the world, and this has highlighted the need to ensure respect for human rights in our operations and business relationships across our supply chain.

Based on the Hitachi Group Human Rights Policy, we respect and promote human rights through trainings targeted at all our executives and employees. We are also engaged in awareness raising and capacity-building activities, strengthening human rights due diligence and expanding the scope of other human-rights-related activities. We believe our efforts will particularly contribute to the achievement of SDG 4, 5, 8 and 12.

Source: https://sdghub.com/tackling-the-sdgs-through-core-business-strategy-and-corporate-commitment-to-society/

Other examples of companies' SDG priorities are shown in **Figure 19** below, from the Daiwa Group and from CISCO.

Figure 19. Examples of companies' SDG priorities

Daiwa Securities Group Inc.

"In the world surrounding us, there are still a large number of social issues that are unresolved, and companies are expected to take further action towards 2030—the target year for the SDGs.

Against this backdrop, we have positioned "Vision 2030," as a set of action guidelines and are encouraging all employees to "own" SDGs. We are also exploring ways in which, we as the Daiwa Group can contribute in achieving the SDGs."

Keiko Tashiro
Executive Head of Overseas Operations,
Head of Sustainability and Think Tank
Daiwa Securities Group Inc.

CISCO

"At Cisco we support the United Nations' Sustainable Development Goals (SDGs) and share the UN's vision for peace and prosperity for people and the planet. We have been a participating company in the UN Global Compact since 2001, and our ESG strategy and priorities, which are shaped by our stakeholder engagement and ESG materiality assessment initiatives, align with and support the SDGs. Below, explore some examples of how Cisco contributes to the SDGs while working to fulfill our purpose to Power an Inclusive Future for All.

1 NO POVERTY

Cisco contributes to a world without poverty via our social investment strategy, through which we provide support to early-stage, technology-enabled solutions that benefit underserved communities. By improving access to inclusive digital financial services, for example, we create opportunities for education and employment that help break the cycle of poverty.

4 QUALITY EDUCATION

Cisco champions learning and digital skills development to prepare learners for the evolving digital workforce, and invests in equitable and inclusive access to technology-based education on a global scale.

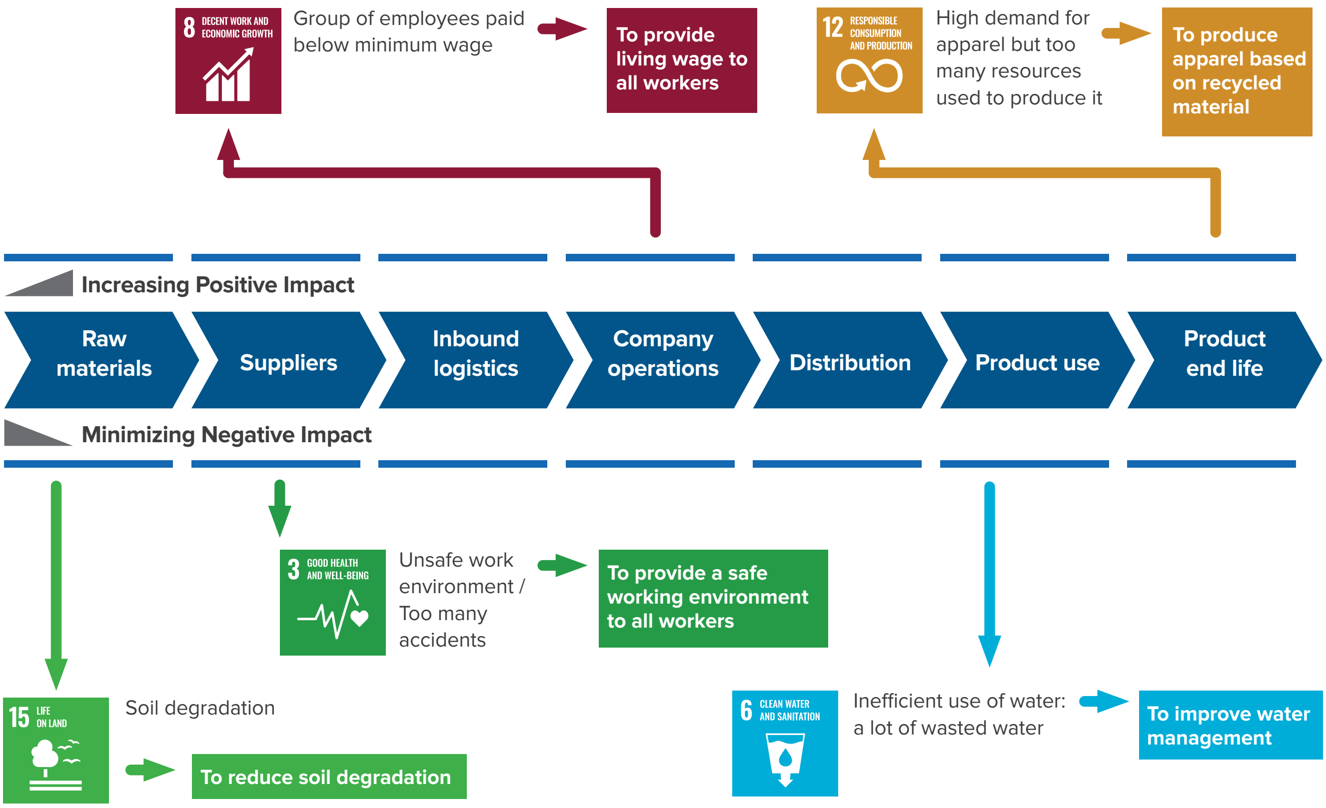
Source: Our Strategy for Sustainability, Daiwa Securities Group

Source: Strategy and Governance, Cisco

Setting goals

Once the company identifies its SDG priorities and intentions, it can integrate those SDG priorities into its business strategy and set impact goals accordingly. Impact goals are the strategic (impact) objectives of a company, where impact is the change in an aspect of well-being caused by the company.[98] The impact goals should cover all of the company's defined priorities (which in turn should cover its material positive and negative impacts) across the economic, social and environmental aspects of sustainable development. **Figure 20** shows how to translate the SDG priorities identified earlier to impact goals.

Figure 20. From priority SDGs to impact goals



Source: : Adapted by UNDP SDG Impact, 2022 from Integrating the SDGs into Corporate Reporting: A Practical Guide, GRI and UN Global Compact

A company should also go a step further and set specific targets aligned with the goals. For example, Central Pattana (CPN) in Thailand has set a number of targets in relation to the SDGs (**Figure 21**). CPN is engaged in the development of shopping complexes and other complementary mixed-use projects which include residences, office buildings and hotels. The figure shows the company's targets for environmental sustainability goals mapped to the SDGs - the company also has targets for economic, social and community sustainability related goals.[99] For more details on target setting, please refer to **Step 4** of this Guidebook.

Figure 21. Central Pattana - Environmental sustainability targets

Priority Sustainability Issues	2021 Targets	Targets for 2022-2026
Environmental Sustainability		
7 Resource efficiency and climate change 8 Net zero organization	• 15% reduction in Scope 1 and 2 GHG emissions intensity (compared to 2015)	• Reduce Scope 1 and 2 GHG emissions intensity by 20% (compared to 2015) • Become a net zero organization by 2050
	• 4.5% of total energy consumption come from renewable sources • 4% reduction in energy consumption by 2021 (compared to 2019)	• Increase the share of renewable energy to 12% of total energy consumption • Reduce energy consumption by 20% (compared to 2019)
	• 5% of water used across shopping centres which onsite wastewater recycling systems installed	• Increase the share of recycled water across shopping centres to 20%
	• 15% reduction in the amount of waste sent to landfill	• Reduce the amount of waste sent to landfill in half

Source: : Extracted from Central Pattana One Report 2021

Specifying the five dimensions of impact for each goal

Once the company sets broad impact goals, it is necessary to be more specific about the types of impacts it intends to achieve. This involves specifying different dimensions of impact in alignment with globally accepted impact management norms. The norms used in the Guidebook come from the Impact Management Project (IMP) and are fully integrated into the SDG Impact Standards. The resultant understanding about impact can help articulate the framework for managing various impact dimensions and create pathways for decision-making.

The Impact Management Project (IMP) offers a set of globally accepted norms for Impact Measurement and Management. The IMP began in 2016 as a time-bound forum for building global consensus on how to measure, assess and report impacts on people and the natural environment. From 2016 to 2018, the IMP convened a Practitioner Community of over 3,000 enterprises and investors to build global consensus on how we measure, improve and disclose our positive and negative impacts. The resulting consensus (or impact management "norms") provide a common logic to help enterprises and investors understand their impacts on people and the planet to reduce the negative and increase the positive impacts. These resources migrated to Impact Frontiers, following the IMP's conclusion in 2021.

The impact management norms from the IMP (now Impact Frontiers) are best seen as building blocks for a company's impact management framework. If a company is developing an IMM framework for the first time, it could build this framework based on the norms. If a company already has an impact management framework, it can use the norms as a checklist to ensure that no essential elements are missed.[100] This Guidebook focuses on the five dimensions of impact from within the norms. These dimensions are - What, Who, How Much, Enterprise Contribution, and Impact Risk (**Figure 22**). The five dimensions are accompanied by a set of fifteen data categories that serve as a practical guide to assess and manage impact performance by collecting, assessing and reporting different categories of data. **Annex 3** of the Guidebook provides more details on the five dimensions and related data categories.

Figure 22. The five dimensions of impact

The IMP reached global consensus that impact can be measured across five dimensions: What, Who, How Much, Contribution and Risk

Impact dimension	Impact questions dimension seek to answer
What	• What outcome is occuring in the period? • Is the outcome positive or negative? • How important is the outcome to the people (or planet) experiencing them?
Who	• Who experiences the outcome? • How underserved are the affected stakeholders in relation to the outcome?
How Much	• How much of the outcome is occurring – across scale, depth and duration?
Contribution	• Would this change likely have happened anyway?
Risk	• What is the risk to people and planet that impact does not occur as expected?

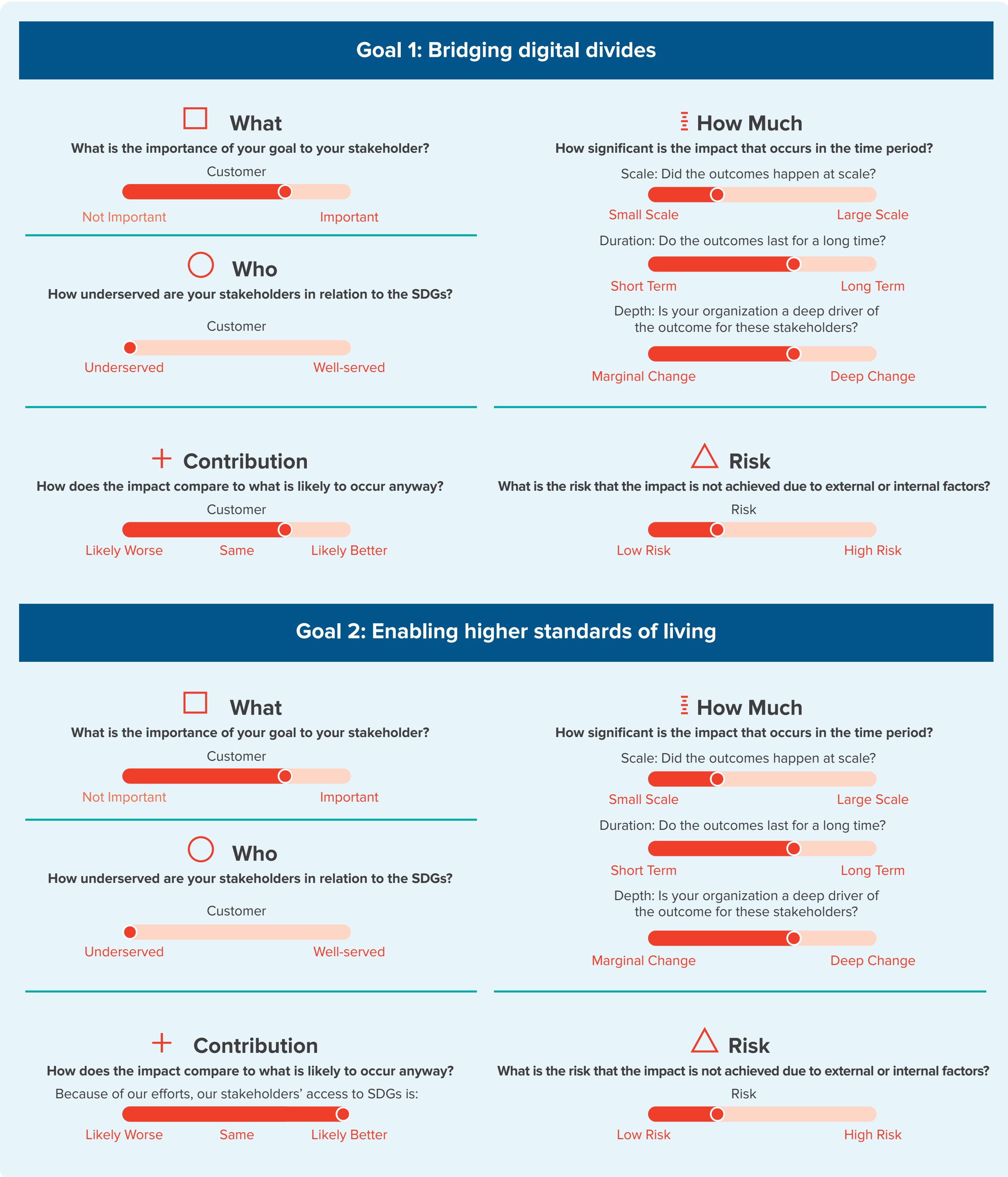
Source: Impact Management Project

In reality, especially when implementing an IMM framework, companies will not have high-quality data for all material impacts across the five dimensions. Therefore, in their decision-making, they need to consider the uncertainty associated with any gaps in quality and completeness of data. If the risk that actual impacts may be different from what is expected is high, and the consequences for those experiencing the impacts of not achieving the impacts are also high, then investment in more data, or impact assessments, or effective (including more frequent) monitoring and mitigation plans should be considered and put in place. To allocate resources efficiently, companies should ask themselves how much information they need to make a decision – and apply the rule "enough precision for the decision".

BLUETOWN (**Figure 23**) provides an example of how the five dimensions of impact can come together to provide a clear picture of the impacts a company intends to achieve. BLUETOWN is a global internet service provider that strives to make connectivity accessible and affordable for everyone by connecting underserved communities using solar-powered, off-grid Wi-Fi solutions. Since 2014, BLUETOWN has provided internet access to more than a million people in communities across Ghana, Rwanda, Mozambique and Tanzania, and to four Indian states. The company has planned installations in Ghana, India, Nigeria and Brazil that will cover more than five million people in 2023.[101] In collaboration with UNDP Denmark and Monitor Deloitte, BLUETOWN conducted several impact measurement studies and developed an SDG impact framework as part of the UNDP's SDG Accelerator programme. This experience motivated the company to design an even more extensive and structured approach allowing deeper insights to be gained on how its operations directly and indirectly impact communities.

BLUETOWN joined Business Call to Action's Impact Champions Programme to establish a baseline in the Ghanaian village of Asumura and assess changes in the lives of customers over time. BLUETOWN dove deeper into the IMP norms for two key impact goals it set for itself: (1) Bridging digital divides, and (2) Enabling higher standards of living (**Figure 23**).

Figure 23. Application of Impact Management Norms - BLUETOWN



Source: BLUETOWN Impact Lab Case Study, Business Call to Action (BCtA)

Overall, based on Step 3, companies can prioritize their impacts, set goals and specify these using the five dimensions of impact. This would help them to plan for achieving impact, in **Step 4**.

Step 4

Planning for impact

The fourth step guides companies on developing a theory of change and indicators, as simply defining impact goals and breaking these down in terms of the five dimensions of impact is not sufficient. As described below, a company should understand the pathway to achieving those goals, aided by a robust theory of change; and set indicators to measure progress on the SDGs and other impacts and outcomes, along with relevant baselines and targets.

Developing an impact value chain

The theory of change visually shows the flow of how your business would eventually lead to each impact goal or SDG. It describes the change you want to make, and the steps involved in making that change happen. To understand how your company impacts the SDGs, it is important to realize how business activities translate into (positive and negative, intended and unintended, direct and indirect) economic, environmental and social impacts. Theories of change (TOC) also depict the assumptions that form reasoning, and where possible, are backed up by evidence. According to SDG Compass, it is often helpful to develop such a model together with stakeholders, including those affected. When defining how the business expects to drive the desired change in the outcomes, it is important to consider not only its operations but also, its network and potential partners and collaborators to accelerate and increase the likelihood of achieving impacts – especially those targeting solutions where there are significant gaps between current performance and SDG targets. In addition, there should be agility to revisit assumptions on what is required to achieve impacts as context can change.

For the purpose of this Guidebook, we focus on the basic structure of the TOC, or a simplified TOC, which is the Results Chain or the impact value chain – this is the impact pathway component of the TOC (**Figure 24**). For more advanced work on the TOC, please refer here.

Figure 24. Impact value chain

Problems & Needs	Activities & Inputs	Outputs	Outcomes	Impact
Where are we?	**How will we get there?**		**What do we want to achieve?**	
What are the problems and needs we are seeking to address?	What are the specific activities we will undertake to address the problem or opportunity?	What are the immediate results of our activities?	What are the short- and medium-term effects we expect to see following our outputs?	What are the positive and negative long-term effects to which we will contribute?

Source: UNDP Impact Aim Training Content, 2020

The impacts or impact goals outlined in the TOC are shown in the extreme right of the chart. In order to achieve these impacts, a number of steps need to be articulated, from left to right. First, the company would clearly state the challenges and needs of its stakeholders, that it attempts to address through its business. Next, it would articulate the activities to be undertaken to address the problem or opportunity it is trying to address. Through those activities, certain outputs will be delivered, which are the direct products or services delivered by the company, or the immediate results of its activities. Based on those outputs, the company will contribute to certain outcomes, which are the short and medium term effects the company seeks to observe following its outputs. It is also important to take into account any unintended negative impacts and trade-offs that are created in the pursuit of positive intended outcomes. For definitions of key terms used in the TOC, see here.

Consider an example of an impact value chain from BLUETOWN (see Step 3 for more information about the company). The value chain includes problems, inputs/activities, outputs, outcomes and impacts (**Figure 25**). It also maps these to the broad SDGs the company aligns with. Additionally, the company identifies decision-making questions that each step in the value chain allows it to address – this helps to ensure that IMM is relevant to the company's core business strategy and operations.

Figure 25. BLUETOWN - Impact value chain

	Problems & Needs	Activities & Inputs	Outputs	Outcomes	Impact
	Insufficient ICT capabilities Lack of affordable connectivity services No access to quality connectivity services Limited awareness of relevant digital information sources products and services High CO_2 emissions and local air pollution caused by diesel-powered connectivity infrastructure	Micro-operators are trained to be local digital change agents Offer affordable internet data bundles Local digital content and services made accessible on LOCAL CLOUD Solar powered connectivity infrastructure deployed in underserved communities	Micro-operators run ICT capacity-building training sessions Underserved communities are connected to green affordable and quality connectivity services Increased awareness of relevant digital information sources, products and services Cost savings on connectivity services	Inclusive adoption and use of connectivity services Improved access to information, products and services Air pollution and CO_2 emissions avoided	Bridging digital divides Enabling higher standards of living Reducing carbon footprint of connectivity
Decision-Making Questions	Are these really the barriers keeping people unconnected? Is there a demand for connectivity services from low-income segments in underserved communities?	Are these inputs and activities effectively addressing the barriers that prevent people from adopting and benefiting from connectivity services?	Are enabled access to affordable and quality internet services leading to inclusive adoption and usage? Are users representative of the population in the connected communities?	Are relevant digital information and services available? How are adoption and use patterns changing over time? Are users able to find relevant digital information and services?	Are users able to effectively utilize information, products and services? Is improved access to information, products and services leading to improved health, better education, higher incomes and better jobs?

Source: BLUETOWN Impact Lab Case Study, BCtA

Selecting indicators

In previous steps, the company would have articulated its SDG priorities, impact goal statement and a set of output, outcome and impact statements in its impact value chain. Next, in order to understand results achieved, it is necessary to have specific measures of progress, known as indicators. These would allow the company to measure both progress on the SDGs, as well as on any other outcomes and impacts as defined in its impact value chain.

Indicators allow stakeholders to verify changes in outcomes and impacts relative to what was planned. Indicators enable us to observe changes, i.e. how much change (in outcomes or impacts) has occurred – for example, have income levels of farmers increased as planned through the use of a company's drip irrigation system. Indicators also help reduce a large amount of information to the elements needed to make decisions – for example, by narrowing down to specific aspects of maternal health that the company's medical device helps to improve, rather than attempting to measure all aspects of health. Indicators help to make the assessment of progress objective – for example, by assessing how a company is helping achieve improvements in education outcomes for students, rather than broad improvements in quality of life for customers.

SMART principles should be followed while designing good indicators. The acronym "SMART" stands for S-Specific, M-Measurable, A-Achievable or Attainable, R-Relevant and T-Time framed or Time-bound.

S	**"Specific"** means that the indicator conveys simple and precise information about what needs to be measured – it is specific enough to measure progress towards results
M	**"Measurable"** means that the indicator is clear and unambiguous about what is measured – regardless of who uses the indicator, it would be measured in the same way
A	**"Attainable"** means that the indicator is realistic and can be achieved within the designated time frame – the results which it seeks to track are realistic
R	**"Relevant"** means that the information provided by the indicators is relevant or closely linked to the outcome or impact that needs to be measured, and the information that is provided will likely be used for decision-making to improve operations or implementation
T	**"Time-bound"** means that a clear timeframe is defined for which the indicator will be measured, and progress can be regularly tracked for a set period

It is important to design each indicator while keeping in mind the decisions that it will help to inform, i.e., the indicator should be decision-useful. As each indicator involves time, cost and effort to measure and analyse, companies should analyse which indicators are most relevant to informing decisions and decide on the number accordingly. According to guidance from the UN, it is important to develop a manageable set of indicators, rather than have too many which are beyond our capacity to track - one to four indicators, per result, should be adequate.[102]

A good way to identify decision-useful indicators is to overlay the indicators onto the impact value chain designed in previous steps. Taking the case of BLUETOWN, a company discussed earlier in this Guidebook, **Figure 26** shows how indicators can be mapped across the impact value chain and the SDGs, and the indicators relevant at each step of the value chain across outputs, outcomes and impacts.

Companies can also use standardized indicators (from globally accepted frameworks) or design custom indicators (sometimes also known as bespoke or organization specific indicators), or a combination of both. Some examples of standard indicator frameworks are IRIS+, SDG Indicators, SDG Compass, HIPSO, GISD, B Analytics, Joint Impact Indicators, GRI, and Science Based Targets, among others. The advantage of using standardized indicators is that these are already aligned to global frameworks and best practices. They have clear definitions and calculation methodologies, and the company then does not need to re-invent the wheel to design new indicators. Considering the widespread uptake of these indicators, in many cases these also allow for comparability and benchmarking with industry peers. However, in many cases, a company might find that the standardized indicators are not necessarily decision-relevant to its own specific operations, and in such cases, the company may find it useful to design custom indicators (using the SMART principles outlined above). Custom indicators enable companies to use indicators that better suit their needs. These do not allow for benchmarking across industry peers, as they are specific to the company itself. In practice, many companies use a combination of standardized indicators and custom indicators, depending on their specific requirements, balancing the trade-offs between decision-usefulness and comparability to serve the different needs of internal and external decision-makers.

Figure 26. BLUETOWN - Indicators

	Problems & Needs	Activities & Inputs	Outputs	Outcomes	Impact
	Insufficient ICT capabilities Lack of affordable connectivity services No access to quality connectivity services Limited awareness of relevant digital information sources products and services High CO_2 emissions and local air pollution caused by diesel-powered connectivity infrastructure	Micro-operators are trained to be local digital change agents Offer affordable internet data bundles Local digital content and services made accessible on LOCAL CLOUD Solar powered connectivity infrastructure deployed in underserved communities	Micro-operators run ICT capacity-building training sessions Underserved communities are connected to green affordable and quality connectivity services Increased awareness of relevant digital information sources, products and services Cost savings on connectivity services	Inclusive adoption and use of connectivity services Improved access to information, products and services Air pollution and CO_2 emissions avoided	Bridging digital divides Enabling higher standards of living Reducing carbon footprint of connectivity
Decision-Making Questions	Are these really the barriers keeping people unconnected? Is there a demand for connectivity services from low-income segments in underserved communities?	Are these inputs and activities effectively addressing the barriers that prevent people from adopting and benefiting from connectivity services?	Are enabled access to affordable and quality internet services leading to inclusive adoption and usage? Are users representative of the population in the connected communities?	Are relevant digital information and services available? How are adoption and use patterns changing over time? Are users able to find relevant digital information and services?	Are users able to effectively utilize information, products and services? Is improved access to information, products and services leading to improved health, better education, higher incomes and better jobs?
Indicators	Internet penetration rate	Number of micro-operators trained Price per GB as a percentage of local monthly income Number of content and services made available on the LOCAL CLOUD Number of hotspots deployed Number of direct full-time jobs created	Number of individuals connected Number of healthcare facilities connected Number of schools connected Number of government offices connected Number of SMEs connected Number of markets connected Number of public transport hubs connected Number of households connected Number of training sessions conducted by micro-operators Renewable energy produced (Mwh) Awareness of connectivity use possiblities Cost per GB	Number of unique individuals who are users of the service Number of users utilizing connectivity for educational information and/or services Number of users utilizing connectivity for farming-related information and/or services Number of users utilizing connectivity for health information and/or services Number of users utitlizing connectivity for government information and/or services Number of users utitlizing connectivity for commercial information and/or services Number of users utitlizing connectivity for financial information and/or services CO_2 emissions saved per connected individual	Poverty Probability Index score CO_2 emissions saved per connected individual Proportion of people in connected communities utitlizing digital

Source: BLUETOWN Impact Lab Case Study, BCtA

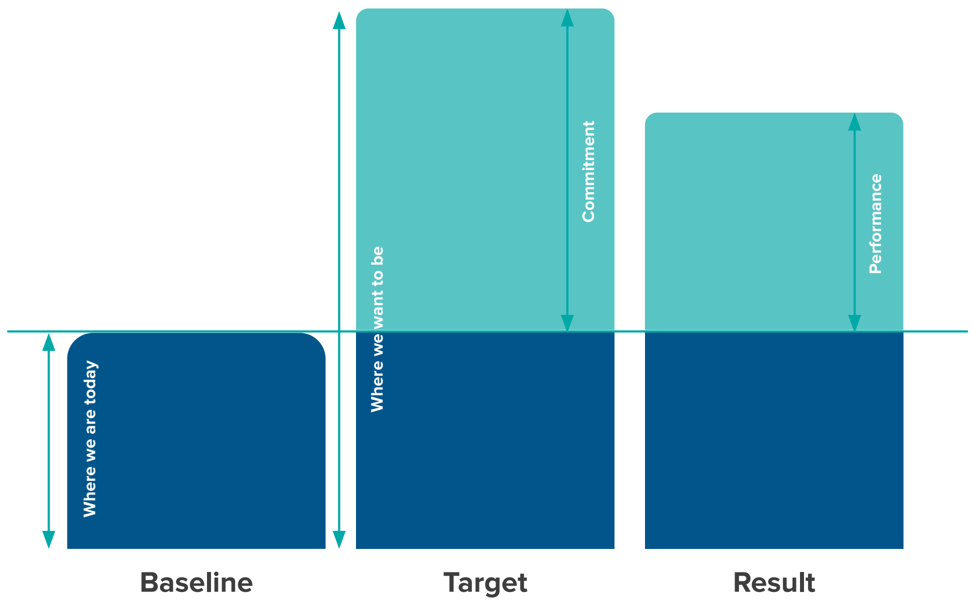
Setting baselines and targets

Indicators for outcomes and impacts should be accompanied both by a baseline value as well as a target value. The baseline value shows the current status with regards to the outcome or impact you want to measure, and acts as a reference point against which progress can be assessed. Usually, it refers to information gathered before certain activities or operations begin, such as before a new product or service is delivered by the company. For instance, for an agribusiness company, this might be the average level of crop productivity for farmers before using a company's drip irrigation product. This will form the basis against which future variations will be measured, such as the changes in productivity levels that occur after the product or service is delivered to customers.[103] The target value shows where you want to be or what you want to achieve. It specifies the particular value that an indicator should reach in the future. For instance, the current level of suppliers' income today (in 2023) is US$ 30,000 per annum, while the target level of income (by 2025) is US$ 40,000 per annum.

When defining the target, it is critical to consider thresholds. While thresholds have been discussed in detail in **Step 3**, it is important to reiterate that positive change is not any change in the right direction. It's a change above a minimum threshold[104] set by a mix of science (e.g., SDG targets, science-based targets[105] or net zero commitment by 2050), stakeholder expectations and social norms (e.g., elimination of child labour).

Performance monitoring of the indicator tells us about the actual achievement, against the original target, (**Figure 27**).[106] This allows the company to compare what was achieved versus targets and understand the reasons for variations as well as the intended course of action to address variations to mitigate such deviations in the future.

Figure 27. How baselines and targets help to understand performance



Note: Simplified illustration, not considering the counterfactual. It assumes positives performance, i.e. above baseline levels.

Overall, following **Step 4** would help companies plan a pathway to impact through the impact value chain, and to set baselines and targets to measure progress. This paves the way to measuring impact in **Step 5**.

Step 5

Measuring impact and integrating impact into business practices

Once the company has prioritized the SDGs it will contribute to, set its impact goals, and articulated the pathway to those goals, the fifth step is to measure impact, as well as to integrate impact and IMM into the company's management approach and business practices. This involves collecting data to monitor progress, integrating impact and SDGs into business practices, and managing impact risks. At this stage, companies should align their internal culture, structure and incentives with their impact goals and tie together the resultant impact data into quality assurance and governance practices.

Monitoring results and collecting data

The availability of timely information on the achievement of impact goals facilitates both internal decision-making as well as external reporting. As the executive leadership are responsible for the delivery of the strategy, business goals and targets, they require timely and reliable data on progress towards these targets. This helps the leadership team make decisions and take action as needed to increase the likelihood of achieving the goals. Availability of data for internal decision-making also facilitates reporting to the board and other stakeholders (e.g. external reporting). When data is limited, impact risks should be assessed and considered in the decision-making process (see below).

A useful tool to track progress is a monitoring plan. The monitoring plan outlines expected outputs, outcomes and impacts, indicators, the baselines and targets, results as well as means of verification. **Figure 28** offers a monitoring plan template. The monitoring plan helps the company to think through and represent its progress. It helps to outline a protocol for data collection – what will be collected, how often, how and by whom. It enables the company to collect, store and analyse the data periodically, identify trends, and red flags. Most importantly, by identifying the decisions each data point helps to inform, it allows the company to give feedback to teams to ensure accountability and corrective action where necessary.

Figure 28. Sample monitoring plan

Results	Indicators	Baseline Value (Year)	Targets	Sources of information	Frequency	Responsibility
Output, outcome or impact statement from the Theory of Change	Indicator/metric name	Baseline value	Total target	Source of data, e.g., survey, dashboard, mobile app, reports	How often the data will be collected e.g., daily, weekly, monthly, quarterly	Who within the company or externally is responsible for collecting the data?

Source: Adapted from UNDP RBM Handbook

While designing the monitoring plan, the company should keep in mind which stakeholders (e.g. investors, donors, management, staff, government and customers) will use the data. They should consider what the stakeholders are likely to use the data for, such as reporting, communication, decision-making, or further investment decisions. An additional section in the monitoring plan, on "decisions this data allows us to make" may be useful. The company can then ensure that decision-useful data is prioritized, and that any data required by investors, partners or other key stakeholders is integrated into the monitoring system up-front.

A key component of the monitoring plan is the means of verification that help verify that results are being achieved as planned. The means of verification are defined for each indicator, and are sources of information from which the data will be collected. These sources may include customers, staff, suppliers, government departments or other organizations. Stakeholders, such as community members or customers, should be able to participate in the process of monitoring the results that affect their lives. For instance, a health tech company might get data from customers benefiting from the company's products or services, mid-wives who use the product or service, or government officials such as those operating government-run health centres at which the devices are deployed. While collecting data, taking a human-rights based approach and applying the principle of "do no harm" and cultural sensitivity need to be emphasized.[107] This should include, but is not limited to, obtaining respondents' consent to collect and use the data prior to data collection.

Monitoring requires data, in order to know whether the indicators are on track for achieving the identified targets. Surveys can be a useful way to gather such data, including customer and employee surveys that ask questions about levels of satisfaction, income etc. There are three main sources of data – primary data (collected by the company through field research or surveys); secondary data (data from existing sources or research such as government records or census data); and internal or administrative data, i.e. data that already exists within the company and needs to be analysed for a specific purpose. According to SDG Compass, the cost and complexity of measuring must be proportional to the value that measuring helps to create and the risks to affected stakeholders, if actual impacts are different from what was expected. Using existing business systems and processes for data collection, for example extracting the required data from purchasing or sales systems, will be more efficient than developing new processes. If the required data is not available through existing systems, other general methods of collecting and aggregating data may include implementing reporting systems (for company operations and/or suppliers), performing field visits, questionnaire-based surveys, focus groups, interviews and so on. Useful tools for this include, but are not limited to: LEAN Data Field Guide, Google forms, SurveyMonkey and KoboToolbox.

When collecting data, it is important to make sure the company can draw insights from the data, including based on different sub-groups within various stakeholder groups. Often times important insights can be lost in averages, so being able to segment data based on different characteristics can help companies target their activities and investment to where it is needed most – especially if the focus is on contributing to SDG solutions. For instance, consider gender disaggregated indicators for a (hypothetical) company providing education to children (**Figure 29**). In validating its contribution to SDG 4 – "Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all", the company can disaggregate the data by gender, to understand if boys and girls benefit equally from its services.

Figure 29. An example of data disaggregated by gender

Indicator	Baseline(2021)	Targets (2022)	Results (2022)
Number of children achieving proficiency in functional literacy	10,000 Girls: 6,000, Boys: 10,000	15,000 Girls: 9,000, Boys: 6,000	14,000 Girls: 8,000, Boys: 6,000

Once goals are set, indicators are defined and monitoring mechanisms are put in place, the company should ensure that managing for impact is integrated into its core business operations. The company should make data available for the executive team to track progress in the delivery of the organization strategy and business plan, and make timely decisions as needed.

Integrating SDGs and impact into business practices and decision-making

Senior management and board commitment to sustainability and the SDGs are important to making them integral and core to business purpose, strategy and management decision-making. This requires ensuring that senior management of the company fully endorse and are committed to the impact goals set out in earlier steps, and that these goals are embedded within company strategy and decision-making. For instance, the board of directors of a company can ensure that impact goals and contributions to SDG commitments are integrated into the recruitment and remuneration criteria for senior management. The commitment from top management will help drive necessary actions from all levels of the company. Integrating impact targets into performance reviews for key organizational staff can also be effective. Integrating impact goals into the company's public commitments, such as its mission statement on its website, is another way to do this. For industry-specific leadership examples and concrete opportunities to advance the SDGs, companies can refer to the SDG Industry Matrix developed by the UN Global Compact and KPMG.

Another key action is to ensure that sustainability and SDG commitments permeate the entire organization and are not necessarily restricted to dedicated teams such as sustainability or CSR teams. All teams across the organization, whether human resources, supply chain management, business development, sales and marketing must embed the impact goals and SDG priorities into their actions, though some actions may be delegated to teams that are more directly responsible for those areas.

As mentioned, one of the most critical aspects of integrating impact is to ensure that impact data and information is integrated into decision-making – helping to make impact-aware and informed business decisions. This requires using impact data to generate insights and options, choose between those options and manage trade-offs appropriately. It also means reflecting on data collected in the monitoring plan, to consider the expected, the unexpected, and what actions then need to be taken to address issues if any. This may also involve considering alternative options to maximize positive impacts or minimize negative impacts, and taking action accordingly. See **Figure 30** for an example of how a company integrates IMM into decision-making.

Figure 30. Bive – Integrating IMM into decision-making

Bive is an enterprise in Colombia that aims to close the existing health access gap between rural and urban communities. Bive partners with farmer associations and coffee growers' cooperatives in low-income communities, to provide access to quick and high-quality health services that decrease preventable morbidity and mortality and promote appropriate diagnosis and treatment for diseases. Bive has benefited 152,166 people from rural, low-income populations through low-cost membership programmes, with savings of up to 50 percent in healthcare costs as compared to the average market price.

Bive used impact data to inform business decisions in several initiatives, one example of which is its Coffee Vision Project or "Visión Cafetera". Under this project, Bive works with coffee growers to help increase the detection of high-risk diseases and to strengthen growers' self-care behaviours that improve their vision – ultimately aiming to increase labour productivity as well. The company evaluated the impact of this project on the quality of life of coffee growers as well as on their productivity, collecting data on metrics such as growers' access to health services, growers' physical and visual health as well as satisfaction with the project. This generated important information for Bive's business model, which allowed the company to plan its expansion strategy with coffee growers, as well as to identify weaknesses in its business model.

For instance, the evaluation showed a positive linkage between participation in the project and labour productivity, and this helped inform a phased expansion of the project's scope to various services such as optometry, ophthalmology and eye surgery. Data also showed that the project increased risk prevention behaviours among growers, through Bive's workshops informing them about the risks associated with their work – as a result, the company expanded these risk prevention workshops to continue increasing labour productivity. The evaluation also indicated that hypertension was a major issue to focus on, particularly among women, and in response Bive connected with the official Colombian health system so that such patients could enter risk prevention and management programmes to get priority care. Additionally, Bive identified that the health care service providers through which it delivers services to growers, constitute a major part of project costs with minimal profits for the company itself. This led to a change in Bive's business model, moving the company towards direct service delivery – Bive recently created a mental health project that will be its first pilot for direct delivery of mental health services.

Source: BIVE, 2023

Managing impact risks

As impact data can sometimes be incomplete, outdated, or not fully reliable, it is important to assess the risks for stakeholders (those experiencing the impacts) and for the company of having limited data. The impact management norms require companies to consider what the risks are in seeking to create impact, and how to evaluate and mitigate these impact risks. The IMP's data categories under the 'Risk' impact dimension (see **Annex 3**) help address these questions. Impact risk is the likelihood that a company's impact on people and planet will be different from what is expected, and that the difference will be material from the perspective of people or the planet who experience impact.[108]

For each outcome they seek to deliver, companies are exposed to various types of impact risks. For example, what is the likelihood that trainees from a skill development company will not obtain long term, decent employment opportunities after graduation? What are the consequences for patients of a healthcare provider, if medicine is not delivered on time? The impact management norms identify nine types of impact risks (see **Annex 3**). For each data collection action, it is suggested that the company identifies the risks of misreporting and puts in place controls to ensure data quality and integrity. Internal and external verification will help increase the reliability of data.[109]

The impact management norms recommend that companies consider impact risks separately from financial risks. Companies should also keep in mind that impact risks must be assessed in terms of risks to stakeholders, rather than only risks to financial/business performance. The data categories under the 'Risk' impact dimension provide companies and investors with a roadmap for assessing and mitigating impact risks. These categories are (1) type of impact risk: nine types of impact risks can undermine the delivery of the outcome; and (2) level of impact risk: the likelihood and severity of the impact risk. By collecting data across these categories, companies can understand the potential risks and work towards decreasing their likelihood and severity.

While both impact and financial risks should be considered separately, they are often interconnected and together can provide a more holistic view of the risks facing the business and its stakeholders. For instance, when pricing a loan product intended for low-income stakeholders, if affordability is not sufficiently considered, there is a potential impact risk that low-income stakeholders would not experience the intended impact of the loan (as they cannot afford/access the loan); but also, the company may not be able to meet sales targets thereby affecting revenue and profitability (financial risk). Companies may need to consider how their business models can better serve low-income populations, by not only considering price/affordability, but also factors such as accessibility and awareness. For more details on working with impact risks, please refer to the impact management norms on Impact Risk and to **Annex 3**.

Reinforcing the company's commitment to impact through Governance practices

Governance is at the basis of the organization's purpose and success. Businesses should ensure the board has the competencies for effective oversight and support of the organization activities, including those aimed at maximizing positive impacts and minimizing negative impacts.

Board leadership and oversight are critical to the integration of impact and SDGs within business decision-making. Boards send a strong message to their workers and stakeholders about what is important by virtue of what makes it to the board agenda. If the board is not engaged actively and taking ownership of respect for human rights and responsible business practices, operating sustainably and making positive contributions towards achieving the SDGs, it is unlikely that these will be embedded in the culture, purpose, and strategy of the organization. Sound governance policies and oversight practices – including consequences for breaches – are needed to ensure the board's intent is realized and to create a culture of accountability for actions in line with stated policies and commitments.

Board competencies can be strengthened to ensure that impact drives the company's business agenda. The board may consider the following to ensure it has adequate capacity to do this: including human rights/sustainability/impact skills in its board skills matrix; implementing a 'fit and proper' test for new board members/directors; including appropriately skilled stakeholders with relevant scientific or social sustainability expertise – especially in the SDGs most relevant to the enterprise's context; nominating an independent director/member to have responsibility for championing human rights/sustainability/SDG/impact management issues; creating an independent sustainability/SDG/impact management advisory committee of suitably qualified and experienced personnel; and/or promoting diversity for example by including representation by women and underrepresented stakeholder groups. Training for the whole board could also be helpful to strengthen the board's competencies in relation to sustainability matters.

SDG Impact Standards – Self-Assessment Tool

By incorporating the guidance provided under Steps 1 to 5, companies may want to assess themselves on progress related to integrating sustainability and the SDGs into their internal practices and decision-making. For this purpose, the UNDP SDG Impact Standards' self-assessment tool can help companies map their internal practices against 12 key business actions within the SDG Impact Standards for Enterprises. They can use the Standard's practice indicators to perform a gap analysis and develop an implementation road map to fill gaps and improve their IMM practice over time. Fully understanding that each company's impact journey is different and is shaped by factors specific to the contexts that they operated in, the format of this tool is designed in a way that can aid businesses in their evolution towards embedding sustainability at the core of their business and best practice impact management. Companies can access the self-assessment tool at this link.

Part 2 of this Guidebook, capturing IMM Steps 1-5, provided the foundational elements to help companies understand, measure and manage their impact. Next, Part 3 builds on these efforts towards Step 6, linking these elements to the specific requirements of the One Report.

Part 3: Connecting SDGs, IMM and One Report Requirements

Part 3 of this Guidebook discusses SEC's One Report requirements for impact for listed companies, and connects the One Report to Steps 1-5 outlined in Part 2. With increased transparency in disclosure through the Form 56-1 One Report, all stakeholders would have more clarity and confidence about how companies integrate sustainability in corporate purpose and operations. To support this aim, SEC recommends that companies integrate IMM Steps 1 to 5 of this Guidebook into their One Reports.

With a strong impact management practice in place based on IMM Steps 1-5, companies will be poised to report on their impact journey and outcomes with transparency and accountability. Therefore, in addition to discussing the specific impact-related content of the One Report, Step 6 in Part 3 covers how companies that are seeking to embed sustainability and SDGs into their business models can rely on previous Steps 1-5 to strengthen their management, decision-making and reporting on impact, and to report relevant information in specific sections of the One Report.

Companies using this Guidebook should treat the integration of IMM Steps 1-5 (described in preceding sections of the Guidebook) into the One Report as *recommended* but *not mandated* by SEC, at the time of publishing this Guidebook.

The Form 56-1 One Report contains four parts (**Figure 31**). The SDG Guidebook focuses on Part 1, Section 3 of the One Report, which relates to 'Business Sustainability Development'. The following sections explain how the IMM steps discussed earlier in the Guidebook, can strengthen One Report disclosures related to business sustainability development.

Figure 31. Components of Form 56-1 One Report

Part 1: Business Operation and Operating Results

1. Organizational structure and operation of the group of companies
2. Risk management
3. Business sustainability development
4. Management discussion and analysis (MD&A)
5. General information and other material facts

Part 2: Corporate Governance

6. Corporate governance policy
7. Corporate governance structure and material facts related to the board subcommittees, executives, employees and others
8. Report on key operating results related to corporate governance
9. Internal control and related party transactions

Part 3: Financial Statements

[Attaching the annual financial statements of the relevant financial period]

Part 4: Certification of Information

Certification of Information for Submission of 56-1 One Report of Non-listed Company.

Source: Form 56-1 One Report

Step
6

Reporting progress on impact (per One Report requirements)

IMM Step 6 provides an overview of how to report impact and SDG progress within the Form 56-1 One Report. It also describes the specific impact related requirements within the One Report, and how IMM Steps 1-5 link with these requirements. Step 6 relates to transparency, one of the four components of the SDG Impact Standards (**Figure 7**).

Reporting impact and SDG progress based on One Report requirements – an overview

Companies can rely on IMM Steps 1-5 to strengthen strategy, management and reporting in compliance with the One Report. As noted in Section 1.3 of the Guidebook, the One Report contains disclosure requirements for companies that want to demonstrate how they integrate sustainability within their corporate purpose and operations. Additionally, the SDG Guidebook (Steps 1-5) provides detailed guidance on the SDGs and IMM – this aims to help companies strengthen management decision-making related to impact. Applying these IMM steps can help companies develop a strong foundation for IMM, and strengthen strategy, management approach and governance; by doing so, they can also ensure better transparency as well as quality and depth of reporting on impacts and SDGs within the One Report. Companies that wish to get a deeper understanding of their impacts and how to manage them, can also refer to UNDP's SDG Impact Standards for Enterprises as mentioned in Part 2.

Figure 32 provides an overview of how Section 3 of the One Report relates to IMM Steps 1-5 outlined in the SDG Guidebook. It summarizes the key guidelines for One Report Sections 3.1-3.4 listed above (**Figure 31**), and maps these to the IMM Steps and to the broad components of the SDG Impact Standards for Enterprises. For more detailed mapping of the One Report content to each IMM step, please refer to **Annex 4**: One Report in Detail and Steps in Impact Measurement and Management.

Figure 32. One Report overview and steps in Impact Measurement and Management

One Report - Sections *	SDG Guidebook – Recommended IMM Steps		SDG Impact Standards – Components
One Report Section 3: Business sustainability development			
3.1 Policy and objectives of sustainable management	Step 1	**Understanding impact and IMM; Defining your commitment to sustainability** • Defining your company's commitment to sustainability	Strategy
One Report Section 3.2: Management of impacts on stakeholders in the business value chain			
3.2.1 Business value chain	Step 2	**Identifying and engaging with stakeholders** • Stakeholder mapping	Strategy
3.2.2 Analysis of stakeholders in the business value chain	Step 2	**Identifying and engaging with stakeholders** • Stakeholder engagement	Strategy
One Report Section 3.3: Management of environmental sustainability			
3.3.1 Environmental Policy and guidelines	Step 3	**Prioritizing impacts** • Materiality analysis • Mapping and prioritizing SDGs along the business value chain • Setting goals • Specifying the five dimensions of impact for each goal	Strategy
	Step 4	**Planning for impact** • Developing an impact value chain • Selecting indicators • Setting baselines and targets	Management approach
3.3.2 Environmental operating results	Step 5	**Measuring impact and integrating impact into business practices** • Monitoring results and collecting data • Integrating SDGs and impact into business practices and decision-making • Managing impact risks • Reinforcing the company's commitment to impact through governance practices	Management approach Governance
One Report Section 3.4: Social sustainability management			
3.4.1 Social policy and guidelines	Step 3	**Prioritizing impacts** • Materiality Analysis • Mapping and prioritizing SDGs along the business value chain • Setting goals • Specifying the five dimensions of impact for each goal	Strategy
	Step 4	**Planning for impact** • Developing an impact value chain • Selecting indicators • Setting baselines and targets	Management approach
3.4.2 Social operating results	Step 5	**Measuring impact and integrating impact into business practices** • Monitoring results and collecting data • Integrating SDGs and impact into business practices and decision-making • Managing impact risks • Reinforcing the company's commitment to impact through governance practices	Management approach Governance

Breaking down One Report requirements related to impact

This section breaks down the One Report in greater detail and provides suggestions on how to integrate Steps 1-5 with the requirements of the One Report.

Section 3 'Business Sustainability Development' within the One Report covers the following key sub-sections (**Figure 33**):

3.1 Policy and objectives of sustainable management
3.2 Management of impacts on stakeholders in the business value chain
3.3 Management of environmental sustainability
3.4 Social sustainability management

Figure 33. Business Sustainability Development - One Report

Source: Developed by UNDP from Form 56-1 One Report

Section 3 and required disclosure formats are discussed in detail below.

Note: The sections below highlight key content of the One Report with additional explanations and guidance for the purpose of this Guidebook and should not be treated as a substitute for the detailed requirements of the mandatory One Report.

Section 3.1: Policy and Objectives of Sustainable Management

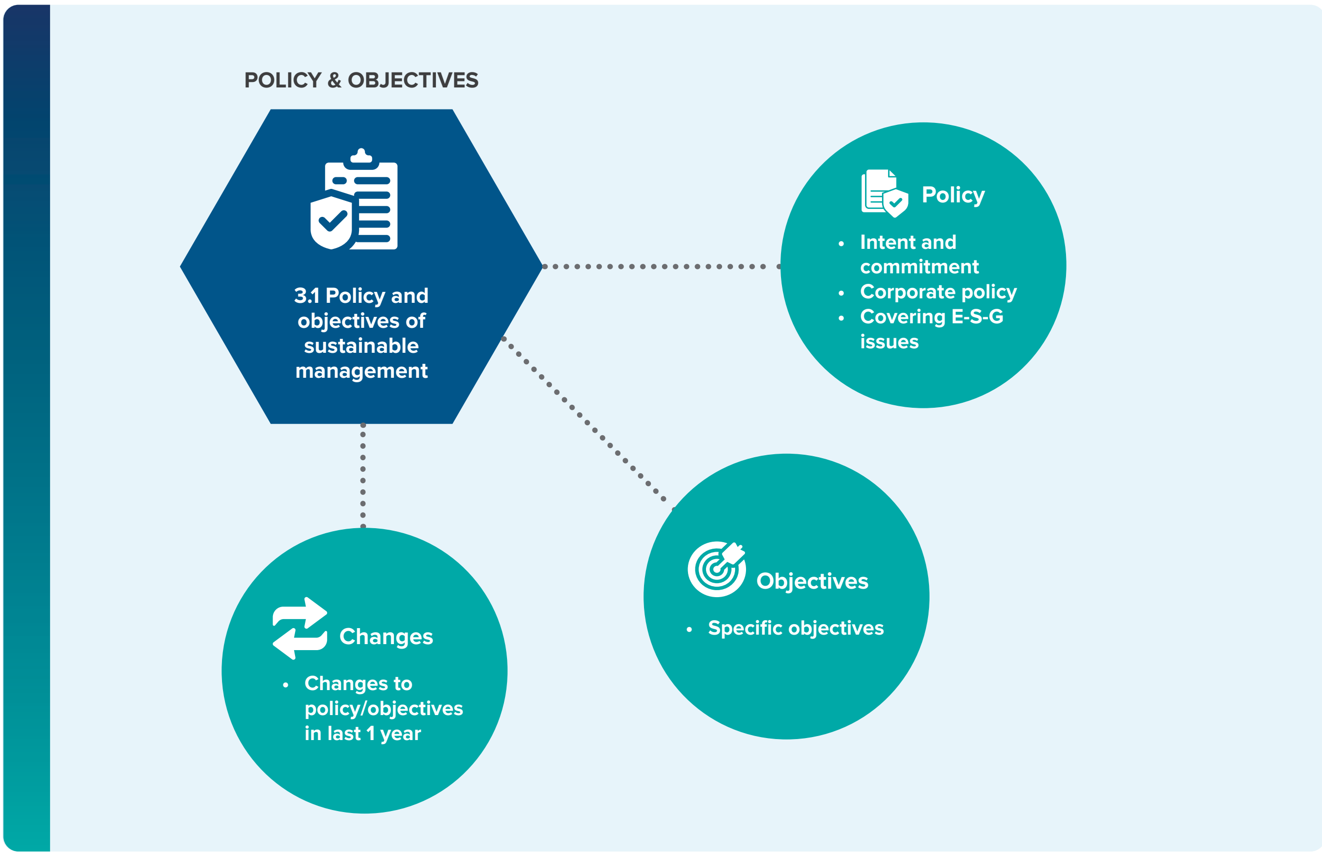
There are three main elements of the disclosures in this sub-section (**Figure 34**):

i) **Policy:** The company shall clarify its sustainability policy at the corporate level, which expresses its overall intent and commitment towards sustainability. This must cover environmental, social and governance aspects of sustainability.

ii) **Objectives:** The company shall mention specific objectives related to sustainability (that are aligned with business strategy), showing the direction in which, the company is headed. These objectives should reflect the company's intended impacts on the environment and society and can be used by investors to track performance on sustainability over time.

iii) **Changes:** Any changes to either the policy or the objectives in the last year shall be briefly mentioned.

Figure 34. Policy and objectives of sustainable management



Source: Developed by UNDP from Form 56-1 One Report

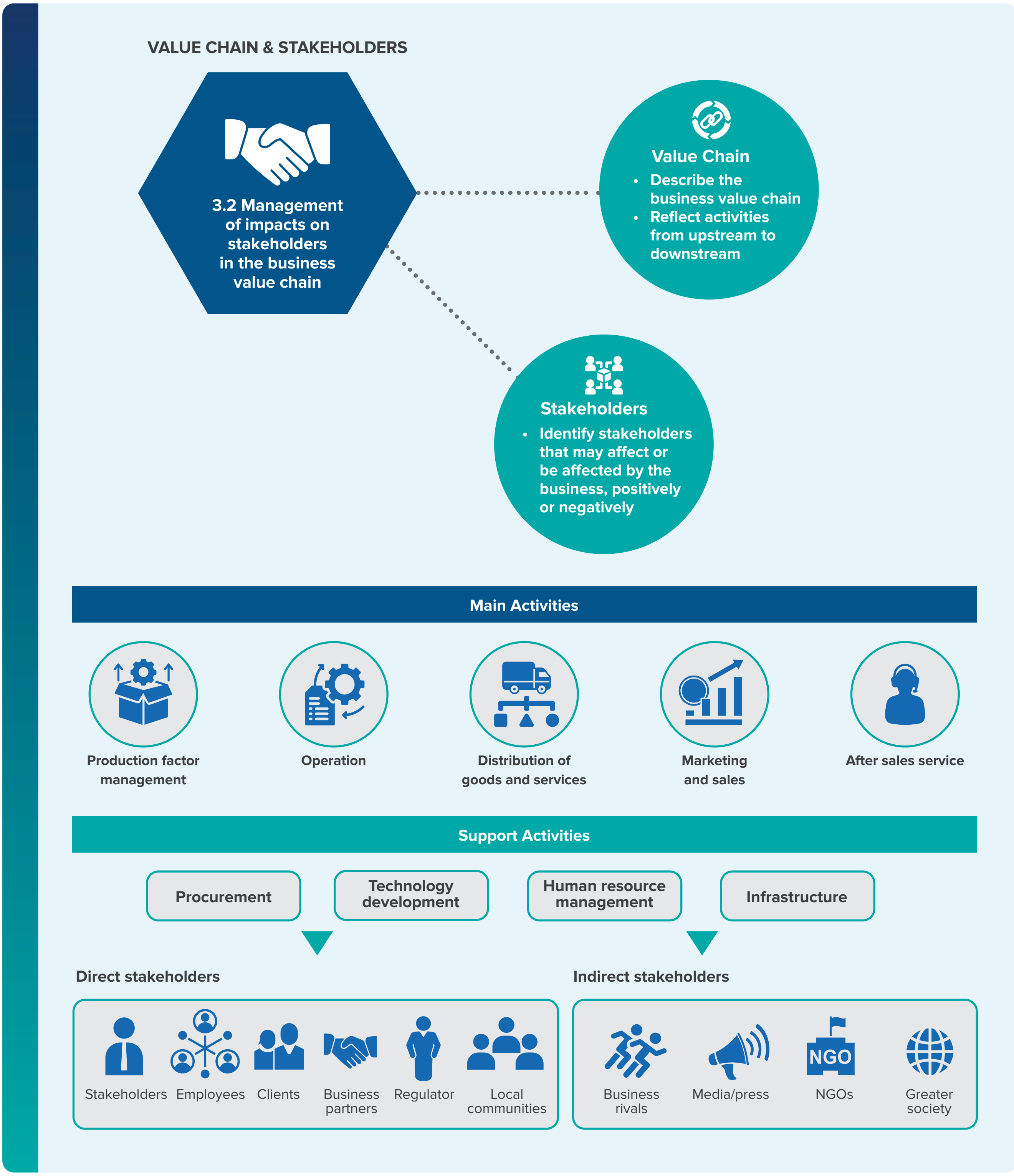
Linking the SDG Guidebook with the One Report:

While developing One Report Section 3.1 "Policy and Objectives of Sustainable Management", it is recommended that companies take action under IMM Step 1 of the Guidebook, Understanding impact and IMM; defining your commitment to sustainability. This step helps understand the meaning of sustainability and impact. It provides guidance on defining the company's commitment to sustainability, along with real world examples. Companies can use this guidance to define their corporate sustainability policy in a credible way, by specifying their commitment to positive impact and the SDGs.

Section 3.2: Management of impacts on stakeholders in the business value chain

There are two main elements of the disclosures in this sub-section (**Figure 35**):

Figure 35. Management of impacts on stakeholders in the business value chain



Source: Developed by UNDP from Form 56-1 One Report

3.2.1 Business value chain: Describe the company's value chain, reflecting business activities from upstream to downstream. For example, the value chain may range from inbound logistics, manufacturing, and operations to outbound logistics, sales and customer services. State who the company's key stakeholders are relevant to business operations. Several internal and external stakeholders may exist across the value chain, and key stakeholders must be mapped out as described previously. For inbound logistics, for example, key stakeholders may include employees, suppliers, creditors, transporters etc. In case of a holding company, focus on the core business lines to identify the activities in the value chain of the group of companies.

3.2.2 Analysis of stakeholders in the business value chain: Describe the company's relationship with the key stakeholders through its business activities, from upstream to downstream. Describe how the people involved in the value chain may affect or be affected by business activities and operations in positive and negative ways. Also describe how the company responds to the expectations of those stakeholders. This could be useful for understanding stakeholder expectations and identifying risks as well as opportunities to add value to stakeholders in response to these expectations or concerns.

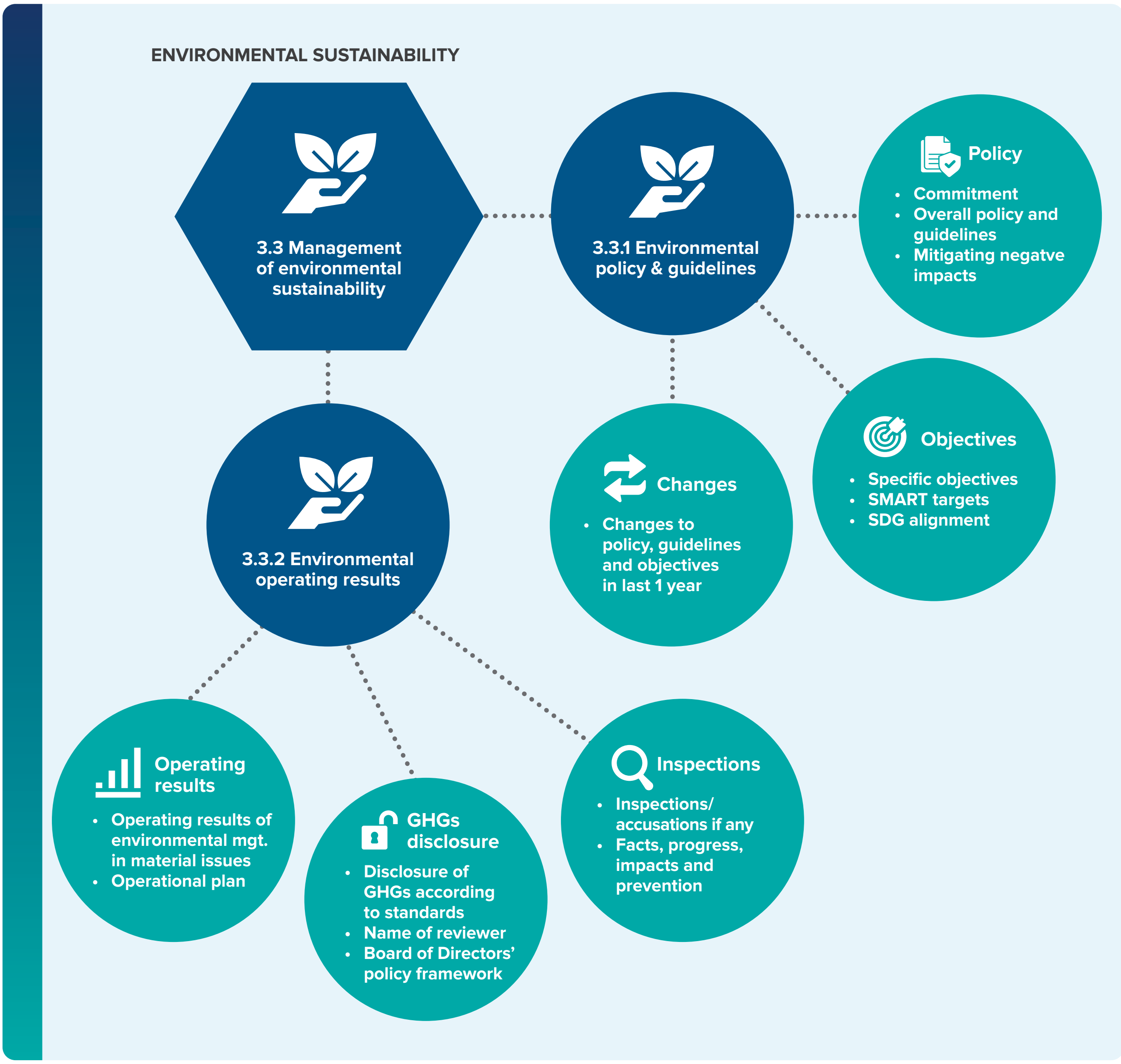
Linking the SDG Guidebook with the One Report:

While developing One Report Section 3.2 "Management of impacts on stakeholders in the business value chain", companies can refer to IMM Step 2 of the Guidebook - Identifying and engaging with stakeholders. IMM Step 2 contains guidance and examples on topics such as the business value chain, how to map and engage with stakeholders along the business value chain, and links to related resources for more detailed information where applicable. Following this step can enable companies to describe their business value chain and stakeholders clearly and to identify opportunities to add value to these stakeholders.

Section 3.3: Management of environmental sustainability

There are two main elements of the disclosures in this sub-section (**Figure 36**):

Figure 36. Management of environmental sustainability



Source: Developed by UNDP from Form 56-1 One Report

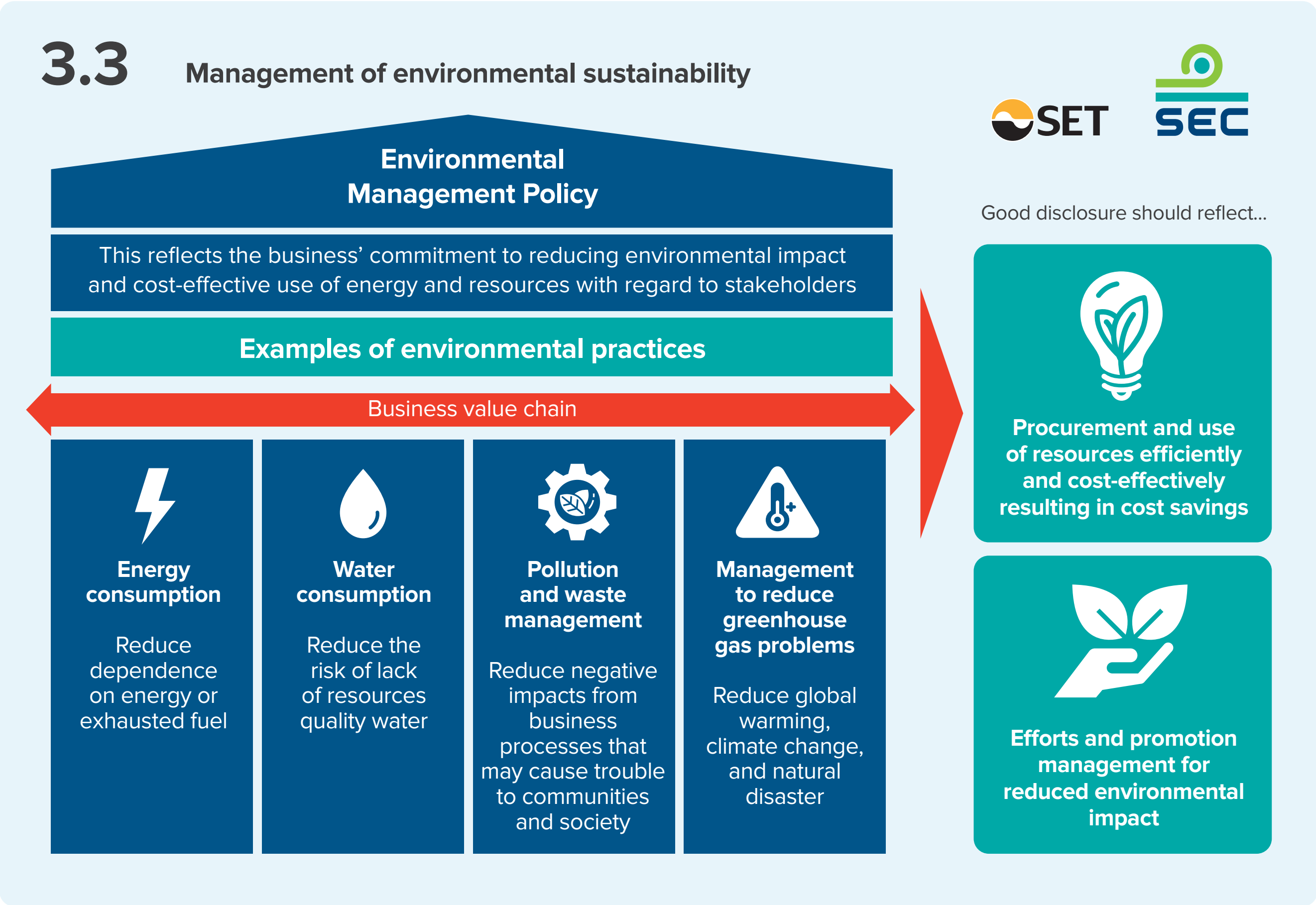
3.3.1 Environmental policy and guidelines

- **Environmental management policy:** The environmental management policy reflects the business's commitment to mitigating negative environmental impact and ensuring cost-effective use of energy and resources for stakeholders. Describe the policy and guidelines in accordance with the laws, rules and regulations in the environmental area related to business operation of the company and subsidiaries, by reflecting how the company is committed to mitigating negative impacts on various environmental issues, for example, power, water, garbage, waste, pollution and mitigation of greenhouse gas problems. Describe only the information on the overall policy and guidelines as the company deems important and relevant to business context. For this, the company may disclose various environmental practices across the value chain (**Figure 37**).

- **Environmental management objectives:** Disclose the information on the environmental management objectives (if any) in accordance with the business operation strategy, both short-and/or long-term periods, for investors to be able to compare and monitor the operating results. SMART targets should accompany these objectives, to help monitor performance, both short and long-term. For example, the company aims to achieve x% reduction in GHGs along the value chain in one year, and y% reduction in five years (specifying the absolute target as well). The goal should also be relative to the threshold e.g., for climate targets, net zero by 2050 could be the relevant threshold. Here, the company can also discuss the priority SDGs it aligns with in relation to environmental priorities, and the related specific targets it intends to achieve.

- **Changes:** If the company has reviewed the policy, guidelines and/or objectives in the environmental area during the past year, identify the essence of the changes in brief.

Figure 37. Examples of environmental disclosures across the value chain



Source: SEC and SET

Linking the One Report with the SDG Guidebook:

While developing One Report Section 3.3.1: "Environmental policy and guidelines", companies can refer to the following steps in the Guidebook:

- **IMM Step 3 of the Guidebook:** Prioritizing impacts, which provides guidance on materiality analysis, mapping and prioritizing SDGs along the business value chain, setting goals and specifying the five dimensions of impact for each goal. Companies can use this guidance to detail their environmental management policy including analysis of material environmental issues and specifying priority SDGs relating to environmental priorities. Step 3 could also help companies specify their environmental management objectives, as it recommends how to set impact goals and specify them using the five dimensions of impact.

- **IMM Step 4 of the Guidebook:** Planning for impact which provides guidance on developing an impact value chain, selecting indicators and setting baselines and targets. Companies could use this to specify their environmental management objectives in a clear and credibly way, such as by developing the impact value chain or pathway to achieve the objectives, as well as selecting SMART indicators, setting baselines, and setting targets that pass thresholds.

3.3.2 Environmental operating results

- **Operating results related to environmental management:** Describe the operating results and the results related to environmental management, only in material issues in the business operational process, for example, management of power, water, garbage, waste and pollution, etc. The company should clarify the operational plan that reflects its capacity of maximizing the use of resources to the fullest degree. The company may also disclose the operating results, the outcomes including the action plan (if any) related to other environmental management. Performance/achievements should be compared with objectives and targets described above.

- **Disclosure of GHGs according to international standards or equivalent, and disclosure of verifier:** Disclose the information on GHG according to the international standards or equivalent by identifying the name of the reviewer of the carbon footprint preparation of the organization registered with Thailand Greenhouse Gas Management Organization (Public Organization) or the reviewer the company regards acceptable according to international standards. The board of directors' policy framework in this matter shall also be disclosed to reflect the board's determination to mitigate the negative impacts on the environment or management of the GHG.

- **Disclosure of inspections/accusations:** In the case where the company and subsidiaries are being inspected by an authorized agency regarding whether or not the operation of the company and subsidiaries has a material issue on violation of laws or regulations in the environmental area, or is under the accusation of causing a negative impact on the environmental issue, especially the issue appearing in the news for public information, that may affect the business operation, image, reputations and assets of the company. In this regard, the facts, progress, reasons, impacts and preventive measures shall be clarified as well.

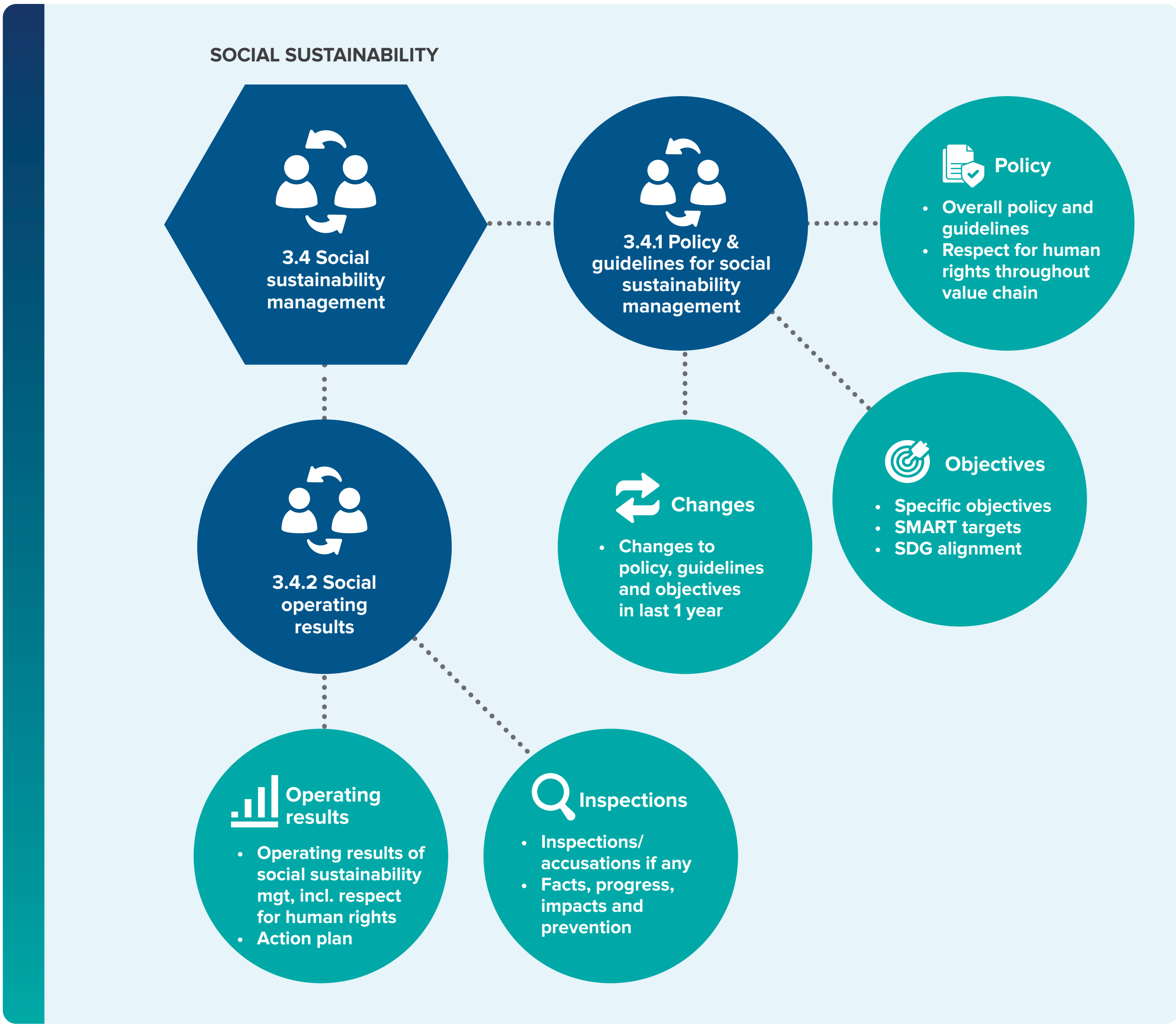
Linking the One Report with the SDG Guidebook:

While developing One Report Section 3.3.2" Environmental operating results", companies can refer to the IMM Step 5 of the Guidebook: Measuring impact and integrating impact into business practices. This provides guidance on monitoring results and collecting data, integrating SDGs and impact into business practices and decision-making, managing impact risks and reinforcing the commitment to impact through governance practices. Following Step 5 can help companies to measure, monitor and therefore disclose their contributions to impact and SDGs in a credible way. This would also be built on a strong foundation where impact is not only used for annual reporting, but where impact and SDGs are integrated within business decision-making, risk management and governance practices – and from which external reporting flows.

Section 3.4: Social sustainability management

There are two main elements of the disclosures in this sub-section (**Figure 38**):

Figure 38. Social sustainability management

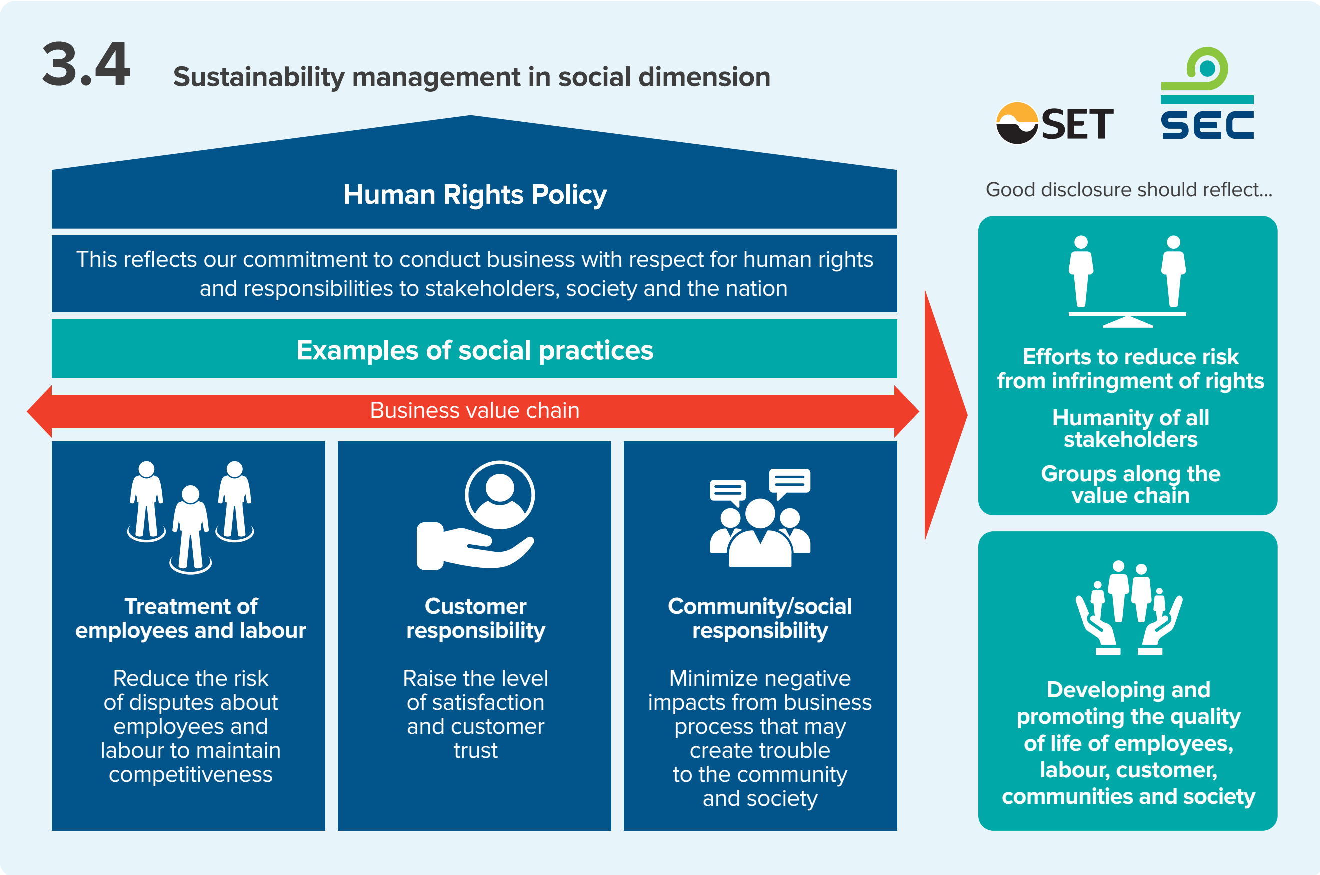


Source: Developed by UNDP from Form 56-1 One Report

3.4.1 Social policy and guidelines

- Policy and guidelines related to social sustainability management: Describe the company's policy and guidelines in accordance with the laws, rules and regulations related to social sustainability management in the business operational process, which includes respect for human rights throughout the value chain, for example, fair labour treatments, responsible production and services for customers, and participation in social and community development. The Human Rights Policy reflects the company's commitment to conduct business with respect for human rights and responsibilities to stakeholders, society and the nation. In this regard, clarify only the information on the overall policy and guidelines as the company deems important and relevant to business context. For this, the company may disclose various social practices across the value chain (**Figure 39**).

Figure 39. Examples of social sustainability management practices across the value chain



Source: SEC and SET

- **Describe the information related to the social sustainability management objectives** (if any) in accordance with the business operation strategy, both short-and/or long-term periods, for investors to be able to compare and monitor the operating results. If the company has reviewed the policy, guidelines and/or objectives in the social area during the past year, identify the essences of the changes in brief. SMART targets should accompany such objectives, to help monitor performance, both short and long-term. For e.g., the company aims to achieve x% improvement in income levels for low-income suppliers along the value chain in one year, and y% increase in five years. Here, the company can also discuss the priority SDGs it aligns with in relation to environmental priorities, and the related specific targets it intends to achieve.

Linking the One Report with the SDG Guidebook:

While developing One Report Section 3.4.1: "Social policy and guidelines", companies can refer to the following steps in the Guidebook:

- **IMM Step 3 of the Guidebook: Prioritizing impacts,** which provides guidance on materiality analysis, mapping and prioritizing SDGs along the business value chain, setting goals and specifying the five dimensions of impact for each goal. Companies could use this guidance to detail their environmental management policy including analysis of material environmental issues and specifying priority SDGs relating to environmental priorities. Following Step 3 could also help the company to specify its environmental management objectives, as it recommends how to set impact goals and how to specify them using the five dimensions of impact.

- **IMM Step 4 of the Guidebook: Planning for impact,** which provides guidance on developing an impact value chain selecting indicators and setting baselines and targets. Companies could use Step 4 to specify their environmental management objectives in a clear and credibly way, such as by developing the impact value chain or pathway to achieving such objectives, as well as selecting SMART indicators, setting baselines, and setting targets that pass thresholds.

3.4.2 Social operating results

- **Operating results related to social sustainability management:** Describe the operating results and the results related to social sustainability management, including respect for human rights throughout the value chain, for example, fair labour treatment, responsible production and services for customers, participation in the social and community development in material issues for business operational process. In addition, the action plan that shows the company's capability of managing social sustainability issues in the efficient business operational process should be disclosed. The company may also disclose the operating results, the outcomes and the action plan (if any) related to other social management. Performance/achievements should be compared with objectives and targets described above.

- **Disclosure of inspections/accusations:** In the case where the company and subsidiaries are being inspected by an authorized agency regarding whether or not the operation of the company and subsidiaries may have a material issue on violation of laws or regulations in the social area or is under accusation of causing a negative impact on the social issue, especially the issue appearing in the news for public information, that may affect the business operation, image, reputations and assets of the company, clarify the facts, progresses, reasons, impacts and preventive measures. In the case where the company had major labour disputes during the past three years, clarify the reasons and action in that regard, including the relationship between the executives and the labour union (if any).

Linking the One Report with the SDG Guidebook:

While developing One Report Section 3.4.2 "Social operating results", companies can refer to the IMM Step 5 of the Guidebook: Measuring impact and integrating impact into business practices. IMM Step 5 provides guidance on monitoring results and collecting data, integrating SDGs and impact into business practices and decision-making, managing impact risks and reinforcing the company's commitment to impact through governance practices. Following Step 5 can help companies to measure, monitor and therefore disclose their contributions to impact and SDGs in a credible way. This would also be built on a strong foundation where impact is not only used for annual reporting, but where impact and SDGs are integrated within business decision-making, risk management and governance practices – and from which external reporting flows.

Part 3 of this Guidebook, focusing on the One Report disclosures related to impact and IMM Step 6, offered guidance to integrate IMM within a company's One Report disclosures. Companies could follow these steps to establish strong IMM practices, to strengthen better strategy, management and reporting on impact and disclosures based on the One Report.

Conclusion

The Guidebook intends to provide a set of IMM tools and guidance that can help companies progress on their sustainability journey. As a recommended and voluntary set of tools accompanying the Form 56-1 One Report, the Guidebook provides suggestions that can assist companies with their mandatory disclosures under the One Report. The SEC views integration of IMM into internal business management systems and decision-making as a core foundational element for strong sustainability disclosures and offers the Guidebook as a "how to" guide on IMM.

In addition to the SDG Guidebook which is intended for Thai Listed Companies, UNDP and SEC continue to collaborate to ensure that *all* companies in Thailand have access to best practice tools and resources to strengthen their contributions to the SDGs. Thai versions of both the free online course on Impact Measurement and Management for the SDGs, as well as of the SDG Impact Standards for Enterprises, are under development at the time of releasing this Guidebook. Additionally, a web-based software on IMM is being developed and UNDP and SEC are jointly providing regular training for Thai companies on IMM.

UNDP and SEC hope that the guidance and resources provided in the SDG Guidebook for Thai Listed Companies help businesses leverage IMM to strengthen their strategy, decision-making, governance and transparency and by doing so, make meaningful and credible contributions to sustainable development and the SDGs.

Annex 1: Why should businesses align with the SDGs?

Businesses should align with the SDGs to create value for all stakeholders. How businesses can create value for each group of stakeholders is discussed in detail below:

Shareholders: the SDGs can spur growth by creating new market opportunities that meet long-term societal and environmental needs. The Goals offer businesses ideas to innovate and explore new models that meet long term societal and environmental needs. Achieving the Global Goals in just four economic systems - food and agriculture, cities, energy and materials, and health and well-being - opens up US$ 12 trillion of market opportunities. This is because the Goals would open up 60 market "hot spots" in these economic systems, that generate business savings and revenue. Over 50 percent of these market opportunities are expected to be located in developing countries. Furthermore, achieving the Goals in these four economic systems could create 380 million new jobs by 2030, almost 90 percent of them in developing countries.[110]

In food and agriculture, for example, reducing food waste in the value chain is a key opportunity which can reduce losses and increase smallholder farmers' incomes, and is worth US$ 155-405 billion a year by 2030. In cities, affordable housing represents an opportunity of US$ 650-1,080 billion, through innovations that unlock new land and better use of space for development, as well as more efficient techniques and resource use. In energy and materials, expansion of renewables including hydro, wind and solar in generation represents tremendous opportunities (US$ 165-605 billion). In health and well-being, remote patient monitoring (an opportunity of US$ 300-440 billion), could reduce the cost of treating chronic diseases in health systems by 10-20 percent by 2025.

More recently, SEC and UNDP Thailand with support from the Centre for Impact Investing and Practices, have identified several SDG-linked investment opportunities in the Thai context, under the Thailand SDG Investor Map (2022). The map identifies 15 Investment Opportunity Areas (IOAs) that are both commercially viable and have the potential for deep development impact. The IOAs represent investment hotspots in Thailand that are regenerative and sustainable, covering sectors like agriculture, renewable energy, education, healthcare, infrastructure, transportation and financial services. For each IOA, the map collates analysis around economic indicators such as market size, return profile, investment timeframe, sustainable development needs, expected outcomes, impact risks, as well as policy enablers that promote the growth and scale of business models active in the space. For example, under Renewable Energy, the map identifies decentralized electricity generation from Solar PV as an opportunity that can help provide households and businesses with a reliable source of electricity, while also generating revenue from selling surplus electricity to the national grid. The market size for this opportunity is currently US$ 1.4 billion and is expected to increase to US$ 4.5 billion by 2031.[111] Similarly, tremendous SDG-linked investment opportunities exist across other IOAs identified for the Thai context.

Potential Investors: aligning with the SDGs can help companies attract investment. Socially responsible investing has grown exponentially across the globe, and trends suggest that such investments will continue to rise. The value of global assets applying environmental, social and governance data to drive investment decisions has almost doubled over four years, and more than tripled over eight years, to US$ 40.5 trillion in 2020 (Pensions & Investments, 2020). Impact investing – investing specifically to generate positive social and environmental outcomes or impacts – is on the rise.[112] Data from the Global Impact Investing Network (GIIN) suggests that impact investing AUM from the same set of investors grew by annual growth rate (CAGR) of 17 percent between 2015-2019.[113] Today, the GIIN estimates the size of the worldwide impact investing market to be US$ 1.164 trillion, marking the first time that the organization's estimate has topped the US$ 1 trillion mark.[114] In South East Asia, the quantum of impact capital deployed in the region, in just the three years from 2017-2019, was more than 50 percent of that invested in the 10 years prior (from 2007-2016).[115]

Impact investing – investing specifically to generate positive social and environmental outcomes or impacts – is on the rise. Data from the Global Impact Investing Network (GIIN) suggests that impact investing AUM from the same set of investors grew by annual growth rate (CAGR) of 17 percent between 2015-2019.[116] Today, the GIIN estimates the size of the worldwide impact investing market to be US$ 1.164 trillion, marking the first time that the organization's estimate has topped the US$ 1 trillion mark.[117] In South East Asia, the quantum of impact capital deployed in the region, in just the 3 years from 2017-2019, was more than 50 percent of that invested in the 10 years prior (from 2007-2016) (GIIN, 2019).[118]

Companies working towards social impact as a part of their core business strategies are seeing increased access to financing in different forms – from philanthropic grants and impact investments to pay for performance. This phenomenon is not new, but it is becoming more common.[119] A possible rationale for this is that high sustainability firms are shown to outperform low sustainability firms by 4.8 percent.[120, 121] High sustainability firms generate significantly higher stock returns, suggesting that the integration of sustainability issues into a company's business model and strategy may be a source of competitive advantage in the long-run.

The SDGs are increasingly coming to be seen as a framework against which investments will be assessed for sustainability and for social and environmental impact. Globally, 72 percent of companies mention the SDGs in their reporting. Within impact investing, 73 percent of impact investors use the SDGs for at least one measurement and management purpose.[122] Further, 71 percent of impact investors target 'decent work and economic growth' (SDG 8); 62 percent target 'no poverty' (SDG 1) and 59 percent target 'good health and well-being' (SDG 3).

The prominence of millennials in investment decisions of the future is another noteworthy trend – they will hold five times as much wealth as they have today and will inherit over US$ 68 trillion from their Baby Boomer parents by the year 2030.[123] This is important for businesses, because according to Morgan Stanley, 95 percent of millennials in the United States now express interest in sustainable investing, compared to 85 percent of the general population. As investors, millennials also show strong interest for tracking the impact returns of their investment, and 91 percent want an impact report for this purpose.[124] Millennial investors are also two times as likely as the overall investor population to invest in companies targeting social or environmental goals.[125]

Consumers: the SDGs can help companies respond to shifting consumer preferences. By signaling directions towards a better society, environment and future for the planet, the SDGs can provide businesses with a roadmap that signals shifting consumer preferences. In 2013, before the SDGs were announced, a survey[126] of over 10,000 global consumers across 10 countries highlighted that 91 percent of global consumers are likely to switch brands to one associated with a good cause, given comparable price and quality.[127] It also showed that 31 percent of global consumers believe businesses should change the way they operate to align with greater social and environmental needs. Consumer demand and preferences continue to lean towards a similar direction today. For instance, according to PWC's recent Global Consumer Insights Survey, ESG factors affect consumer shopping behaviours for half of all consumers surveyed.[128] Millennials are helping to fuel the trend towards more sustainable business. Young people are particularly tuned into ESG concerns, with millennials and Generation Z significantly more likely to consider ESG in relation to trust, advocacy and purchasing from companies.[129]

Employees: the SDGs can help employers recruit and retain talent, ultimately improving company performance. The SDGs can serve as a powerful recruitment tool for a new generation of employees whose values align with the goals.[130] For instance, 76 percent of Unilever's employees feel their role at work enables them to contribute to the sustainability agenda, and about half of all new employees entering the company from university cite Unilever's ethical and sustainability policies as the primary reason for wanting to join.[131] By strengthening corporate citizenship (i.e., a company's role in, or responsibilities towards society), the SDGs also offer companies a way to differentiate themselves in a world where businesses now compete globally for progressively scarce technical and professional skills. This has led to more socially conscious companies gaining an edge in attracting, engaging and retaining top employees.[132] This trend is underscored by the importance and preferences of millennials - a 2020 study found that 75 percent of respondents aged 18 to 34 expect their employer to "take a stand on important issues affecting the country, including immigration, equal rights, and climate change"; but this is also true for older generations, many of whom are changing careers to fit their need for purpose.[133]

By encouraging companies towards goals related to diversity and inclusion, the SDGs can also help companies to move towards better business performance. There is growing evidence that more diverse talent produces better business results. According to a global study by McKinsey, there is a substantial performance differential (48 percent) between the most and least gender-diverse companies; and companies in the top quartile of ethnic and cultural diversity outperformed those in the fourth quartile by 36 percent in terms of profitability in 2019.[134, 135] Board Gender Diversity in ASEAN, a study by the International Finance Corporation (IFC) found that Asian companies with more than 30 percent of women on the board report an average Return on Assets (ROA) of 3.8 percent and an average Return on Equity (ROE) of 6.2 percent, compared to an ROA of 2.4 percent and ROE of 4.2 percent for companies with no female board members.[136, 137]

Increasingly, institutional investors are also engaging with investee companies to level out gender representation, as more research highlights the positive correlation between diversity and positive financial performance. For instance, asset manager Nuveen has put in place a three-year escalation strategy that supports shareholder proposals and voting against boards of directors that are failing to meet those standards - as a result of these gender diversity initiatives, almost 50 percent of Japanese companies in Nuveen's target universe added one woman board member.[138]

Suppliers: adopting the SDGs can help increase supply chain resilience and safeguard against shocks. Corporate supply chains are now large and increasingly complex, all the way from the sourcing of raw materials, to manufacturing and product delivery. The COVID-19 pandemic has exposed the fragility of global supply chains, and demonstrated how disruptions can wreak havoc on businesses, the global economy as well as on public health. Ninety four percent of Fortune 1000 companies are seeing supply chain disruptions from COVID-19, and 75 percent of companies have had negative or strongly negative impacts on their business.[139] For example, the Suez Canal blockage[140] in March 2021 temporarily stopped 369 ships from passing through the canal and held up an estimated US$ 9.6 billion worth of trade along the waterway each day.[141] The fact that the blockage took place during the pandemic exacerbated the global public health emergency, as several countries were greatly affected by the delayed shipment of hospital and pharmaceutical supplies. This incident also underscored the need to increase the resilience of global supply chains, especially in case of disruption of just-in-time production of essential goods.

Supply chain disruptions can also potentially severely damage company reputations. When managed poorly, supply chain issues can involve catastrophic losses such as the suicides linked to low pay and brutal working conditions at an industrial park in Shenzhen, China in 2010[142] as well as the deaths related to the collapse of a garment factory and separate factory fire in Dhaka, Bangladesh in 2013.[143] These incidents highlighted issues related to poor and unsafe working conditions and brought home the potentially devastating consequences of weak supply chain oversight and responsibility.

When supply chain management is handled ethically, it can help an organization achieve its sustainability goals, reduce its costs and improve its image.[144] Supply chain sustainability is increasingly understood to generate business value while also strengthening companies' reputations and brands. Adopting the SDGs can help companies to reduce potential negative social and environmental impacts across the supply chain, as well as to develop trust among all stakeholders across the supply chain. Optimizing supply chains for resilience can lower transaction costs and increase operational efficiency, and engagement in social impact can help to manage costs and optimize efficiency.[145] For instance, sustainable supply chains can help companies reduce cost and increase production efficiency by minimizing waste and ensuring better employee morale and productivity. Suppliers can also use these opportunities to differentiate themselves by integrating social and environmental considerations, and thereby also reduce costs by mitigating the risk of potential disruptions.

Communities: aligning with the SDGs can help companies manage risks and assure a license to operate in the communities. Greater transparency and accountability, strong community relations, goodwill from governments and respect from local populations can mitigate political and regulatory risks, giving companies a stronger license to operate in local contexts. In today's world with rapid transmission of information through social media, mitigating these risks becomes especially important.

Companies can maintain their social license to operate by responding to stakeholder needs in areas linked to the SDGs. For example, beverage companies operate in communities where they use large volumes of local water resources, potentially competing with local communities for the use of such resources. However, when these companies align their strategy with SDG 6 – Clean Water and Sanitation, they might invest in improved watersheds by working to replenish the aquifer water they use, thereby also committing to provide access to clean water to people in those water-stressed regions. While providing water supplies to sustain their bottling franchises near those watersheds, they are also investing in their social license to operate and thus strengthening their brands in these communities.[146]

There is also evidence to support the business case for social risk mitigation practices. An ODI report analysed 137 development finance institution investments in Asia and Africa, showing that social risk mitigation practices can on average help to avoid potential financial losses of US$ 25-40 million from physical risks mitigated and avoided.[147, 148]

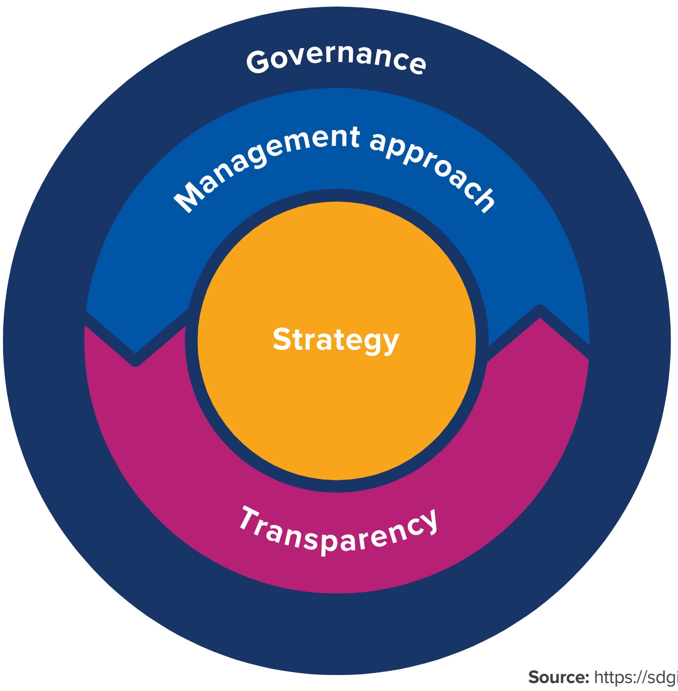
Annex 2: About UNDP SDG Impact Standards

The SDG Impact Standards address the management practice gap by guiding businesses and investors on a path to embedding sustainability and the SDGs in internal decision-making. The Standards stem from innovative work being undertaken by SDG Impact, an initiative by UNDP to empower investors and businesses with the clarity, insights, and tools required to support and authenticate their contributions to achieving the SDGs. A family of four SDG Impact Standards that stretches across the economic ecosystem has been developed so far: Standards for Enterprises, Private Equity and Fund Managers and Bond Issuers, as well as the OECD-UNDP SDG Impact Standards for Financing Sustainable Development. Among the suite of Standards, Thai listed companies may find it useful to refer specifically to the Standards for Enterprises, and these are introduced below.

Every day, more and more businesses are looking for straightforward ways to operate more sustainably and make a positive contribution to the SDGs. Indeed, enterprises and investors increasingly recognise that sustainable development is at the very heart of long-term value creation. However, there has been a longstanding lack of clear guidance on how private enterprises can translate intent to action. The SDG Impact Standards for Enterprises aim to address this knowledge gap. They provide private enterprises with a common language and approach to fully integrate the SDGs into all business and investment decision-making processes, in line with existing principles and leveraging available tools and frameworks. The Standards aim to help shift enterprises from SDG alignment to SDG action - from thinking about the SDGs as a mere “add-on”, to being central to how all business transactions are conducted. In particular, the Standards assist private enterprises to employ the SDGs to allocate capital more effectively. They also help them to explore different business models and new ways of working that strengthen both business performance and drive forward better outcomes for people and planet. By helping to create robust internal management systems, enterprises will also be in a much better position to meet the growing and various reporting and disclosure requirements and expectations of Governments, regulators, investors, and other stakeholders. All enterprises - irrespective of size, geography, or sector - can use the Standards.

The Standards are decision-making standards, not performance or reporting standards. They are designed to help enterprises integrate operating responsibly and sustainably and contributing positively to sustainable development and the SDGs into organizational systems and decision- making practices, using a common language and shared approach to do so. The Standards are organized around four interconnected themes – strategy, management approach, transparency, and governance (**Figure 40**) – each of which plays an important role in fully integrating sustainability and contributing positively to the SDGs into organizational systems and decision-making.

Figure 40. The SDG impact standards



Source: https://sdgimpact.undp.org/practice-standards.html

Strategy

Embedding sustainability and contributing positively to the SDGs in purpose and strategy is important because it drives attention, focus and resources to what matters most and where the enterprise can have the most significant impact on important outcomes – including by reducing negative ones.

Management approach

Integrating responsible business practices and impact management into organizational systems and decision-making helps enterprises generate options and make more informed choices between options to optimize their contribution towards sustainable development and the SDGs. Operating responsibly and sustainably and contributing to the SDGs is not an add on to what business gets done, it is how all business gets done.

Transparency

Being transparent is an important element of being accountable to Stakeholders – all interested parties including those affected or potentially affected in future by the enterprise's decisions and activities. It also helps stakeholders make more informed decisions, for instance about whether they want to work with or for the enterprise, invest in or lend to the enterprise, or buy or use the enterprise's products and services.

Governance

Governance is an essential element of embedding responsible business and impact management practices into organizational decision-making. The enterprise's informal and formal governance mechanisms define expectations of behaviour, how decisions are made and how the enterprise holds itself and others accountable for their decisions and actions in accordance with its values, principles, and policies.

The Standards are provided as a public good for all enterprises who want to operate more sustainably and 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 and the SDGs into decision-making. They are part of what is a harmonized suite of Standards and complementary tools, including a glossary, guidance materials, assurance framework and training for different actors across the capital and investment spectrum.

For more details about the SDG Impact Standards for Enterprises, please refer to https://sdgimpact.undp.org/enterprise.html

Annex 3: The Five Dimensions of Impact/ Impact Management Norms

The text below is extracted from www.impactfrontiers.org/norms, and briefly describes the five dimensions of impact as per global impact management norms laid out by the Impact Management Project/Impact Frontiers.

What: "What" tells us what outcome the enterprise is contributing to, whether it is positive or negative, and how important the outcome is to the stakeholders experiencing it.

For example, to manage their impacts effectively, simply measuring whether CO_2 emissions decreased or employees are satisfied, is not sufficient. Companies need also to understand if these changes are positive / sustainable (i.e., do they surpass a nationally or internationally-recognized threshold) or negative / unsustainable (do not surpass the threshold), how the change maps to the SDGs and associated targets, and whether or not this meets the needs of stakeholders.

For more details and resources on data categories for the "What" and working through the "What" dimension, please refer to Impact Frontiers – Five Dimensions of Impact - What.

Who: "Who" tells us which stakeholders are experiencing the outcome and how underserved they are in relation to the outcome.

"Who" helps to understand whom do companies affect, and how underserved these stakeholders are in relation to the social or environmental outcomes delivered by companies. Understanding the 'Who' allows companies and investors to maximize their impact by directing resources to those who are most underserved.

Data categories under the 'Who' dimension of impact allow companies to capture practical stakeholder data. Companies can use this data to (re)allocate resources towards stakeholders who have the highest need (underserved) or who are likely to experience the biggest degree of change.

For more details and resources on working through the "Who" dimension, please refer to Impact Frontiers – Five Dimensions of Impact - Who.

How Much: "How Much" tells us how many stakeholders experienced the outcome, what degree of change they experienced, and how long they experienced the outcome.

The 'How Much' dimension covers the extent of the impact — across scale, depth, and duration. Knowing the number of people reached (i.e., scale) is only one part of the equation.

For example, consider a solar energy company with operations in three East African countries. Reporting that 500,000 solar home systems have been distributed, reaching 450,000 households, gives some insight into the magnitude of the outcome; however, it does not reveal whether the solar home systems improved customers' productivity, or for how long those improvements lasted. Conversely, knowing that customers' productivity increased by 20 percent provides meaningful information about the degree of change that target stakeholders experience. But without scale and duration data to back the depth results, the enterprise is missing two important points for understanding and improving its impact performance.

In an ideal scenario, companies would generate important positive outcomes that affect many people, bring deep change, and last for a long time. But none of these is necessarily more important than the other. Some companies and investors will prioritize a deep, enduring outcome for relatively fewer people, over a more marginal outcome for many – or vice versa. Others will see scale, depth, and duration as equally important.

For more details and resources on working through the "How Much" dimension, please refer to Impact Frontiers – Five Dimensions of Impact – How Much.

Contribution: **"Contribution" tells us the proportion of the impact the company contributed to, whether or not the company's efforts resulted in outcomes that were likely better than what would have occurred otherwise.**

"Contribution" helps to answer two key questions. Did the enterprise's activities contribute to the outcome achieved? What would have likely been the outcome in the absence of the enterprise? Companies and investors operate in a dynamic social system, with various actors – from competing firms to government bodies to NGOs – seeking to contribute to the same set of outcomes.

To understand their own contribution to a social or environmental outcome, companies need to consider what likely would have happened in the absence of their activities. The data categories in the 'Contribution' dimension help companies and investors assess a company's contribution to the social (environmental) outcomes that people (planet) experience, relative to what likely would have occurred anyway (i.e., the outcome counterfactual).

Consider a solar energy company aiming to improve the health of slum residents by reducing kerosene use. This enterprise operates in an environment where other companies, government policies and NGOs are all striving to achieve the same outcome but through different mechanisms. Accordingly, if customers' health improved by 20 percent, the solar energy company would need to consider how these other initiatives contributed to this percentage change, to understand its own contribution to the outcome.

For more details and resources on working through the "Contribution" dimension, please refer to Impact Frontiers – Five Dimensions of Impact - Contribution.

Risk: **"Risk" tells us the likelihood that impact will be different from what is expected. The norms refer specifically to impact risk, rather than to all types of risk such as financial, reputation etc.**

The data categories under the 'Risk' impact dimension help us address two key questions. What are the risks that the impacts the company expects to contribute to, will not occur as expected? How can they evaluate and mitigate these impact risks?

When companies and investors set financial goals, they face the risk of not achieving them. The same is true for impact including the differences in how such impacts are experienced by various stakeholders. For example, the impact of a company offering education technology-based solutions to improve learning outcomes will be different for students, their parents, teachers, schools/institutions, the community and so on. The 'Risk' dimension of impact assesses the likelihood that impact will be different from what is expected, and that the difference will be material from the perspective of those who experience the impacts. Therefore, in assessing the risk associated with actual impacts being different from what is expected, the stakeholder engagement process should help develop an understanding of stakeholders' risk tolerance for unexpected outcomes. Companies should take into account how severe the implications for stakeholders are if outcomes or impacts are different from what is expected, including whether any negative consequences can be easily reversed. Often times, this may lead to different treatment of the risks. Where companies do not have insights from stakeholders about their risk tolerance, they should assume stakeholder risk tolerance for unexpected outcomes is low.

While financial risk assessments may capture impact risks, this is not always the case. A simple example illustrates the point. A financial risk assessment may suggest that a company increase its prices to increase profitability, with negative implications for customers at the bottom of the economic pyramid. By contrast, consideration of impact risk may suggest that the enterprise explore other alternatives (such as a cross-subsidy model) to prevent pricing out those who are likely to benefit the most from the product or service.

By collecting data across different categories of impact risks, companies and investors can understand potential risks, make risk-informed decisions, including choosing between different options, and actively work towards decreasing their likelihood and severity.

For more details and resources on working through the "Risk" dimension, please refer to **Figure 41** and to Impact Frontiers – Five Dimensions of Impact - Risk.

Figure 41. Impact risk - nine types

Risk Enterprises and investors face nine types of impact risks

	Impact risk	Definition
1	Evidence risk	The probability that insufficient high-quality data exists to know what impact is occurring
2	External risk	The probability that external factors disrupt our ability to deliver the impact
3	Stakeholder participation risk	The probability that the expectations and/or experience of stakeholders are misunderstood or not taken into account
4	Drop-off risk	The probability that positive impact does not enduce and/or that negative impact is no longer mitigated
5	Efficiency risk	The probability that the impact could have been achieved with fewer resources or at a lower cost
6	Execution risk	The probability that the activities are not delivered as planned and do not result in the desired outcomes
7	Alignment risk	The probability that impact is not locked into the enterprise model
8	Endurance risk	The probability that requires activities are not delivered for a long enough period
9	Unexpected impact risk	The probability that significant unexpected positive and/or negative impact is experienced by people and planet

Source: Impact Management Peoject

Looking across the five dimensions, there are a total of 15 data categories (Figure 42). Companies can measure their impact performance by assessing and reporting on these 15 data categories together – all dimensions of impact must be considered to get a holistic view of impact. The IMP offers a consolidated template that allows companies to work through all of these data categories. This can be accessed at Impact Frontiers – Impact of an enterprise template. Companies can refer to www.impactfrontiers.org/norms for more detailed information on the data categories within each impact dimension.

Figure 42. Impact data categories

Dimension	Data category	Description
What	SDG target	• The SDG target that outcome relates to. An outcome may relate to more than one target
	Outcome	• The type of outcome experienced by the stakeholder when engaging with the enterprise
	Outcome threshold	• The level of outcome that the stakeholder considers to be positive or 'good enough'. The threshold can be a nationally-or internationally-agreed standard.
	Importance of outcome to stakeholder	• The stakeholder's view of whether the outcome they experience is important
Who	Baseline	• The level of outcome experienced by the stakeholder prior to engaging with the enterprise
	Stakeholder characteristics	• Socio-demographics and behavioural characteristics of the stakeholder
	Boundary	• The area or location where stakeholder experiences the outcome
How Much	Scale	• Number of individuals experiencing the outcome
	Depth	• The degree of change experienced by the stakeholder
	Duration	• The time period for which the stakeholder experiences the outcome
Contribution	Depth counterfactual	• The estimated degree of change that would occur anyway for the stakeholder
	Duration counterfactual	• The estimated time period that the outcome would last for anyway
Risk	Risk type	• The type of risk that impact is not as expected
	Risk level	• The level of the risk

Source: Impact Management Project

Annex 4: One Report in Detail and Steps in Impact Measurement and Management

Figure 43. Details of One Report and Steps in Impact Measurement and Management

One Report – Sections	One Report – Mandatory Content (summarized)*	SDG Guidebook – Recommended IMM Steps		SDG Impact Standards – Components
One Report Section 3: Business sustainability development				
3.1 Policy and objectives of sustainable management	• Describe the organizational sustainability management policy which is in harmony with the business directions and strategies, taking into consideration environmental and social issues as well as respect for human rights and good corporate governance. • Disclose the information related to the organizational sustainability objectives (if any) in accordance with the business strategy, both short-and/or long-term periods, for investors to be able to make a comparison and monitor the operating results. • If the company has reviewed the policy and/or the sustainability management objective during the past year, specify the essences of the changes in brief.	Step 1	**Understanding impact and IMM; defining your commitment to Sustainability** • Defining your company's commitment to sustainability	Strategy
One Report Section 3.2: Management of impacts on stakeholders in the business value chain				
3.2.1 Business value chain	• Describe the characteristics of the business value chain that show the relationship of the key stakeholders with the activities related to business operation from upstream to downstream. • In case of a holding company, identify the activities in the value chain of the group of companies according to the core business lines as deemed important and appropriate.	Step 2	**Identifying and engaging with stakeholders** • Stakeholder mapping	Strategy
3.3.1 Environmental Policy and guidelines	• Describe the policy and guidelines in accordance with the laws, rules and regulations in the environmental area related to business operation of the company and subsidiaries, by reflecting how the company is committed to mitigating negative impacts on various environmental issues, for example, power, water, garbage, waste, pollution and mitigation of greenhouse gas problems. Describe only the information on the overall policy and guidelines as the company deems important and relevant to business context. • Disclose the information on the environmental management objectives (if any) in accordance with the business operation strategy, both short-and/or long-term periods, for investors to be able to compare and monitor the operating results. • If the company has reviewed the policy, guidelines and/or objectives in the environmental area during the past year, identify the essence of the changes in brief.	Step 3	**Prioritizing impacts** • Materiality Analysis • Mapping and prioritizing SDGs along the business value chain • Setting goals • Specifying the five dimensions of impact for each goal	Strategy
		Step 4	**Planning for impact** • Developing an impact value chain • Selecting indicators • Setting baselines and targets	Management approach

One Report – Sections	One Report – Mandatory Content (summarized)*	SDG Guidebook – Recommended IMM Steps	SDG Impact Standards – Components
3.3.2 Environmental operating results	• Describe the operating results and the results related to environmental management, only in material issues in the business operational process, for example, management of power, water, garbage, waste and pollution, etc. The company should clarify the operational plan that reflects the company's capacity of maximizing the use of resources to the fullest degree. The company may also disclose the operating results, the outcomes including the action plan (if any) related to other environmental management. • Disclose the information on GHG according to the international standards or equivalent by identifying the name of the reviewer of the carbon footprint preparation of the organization registered with Thailand Greenhouse Gas Management Organization (Public Organization) or the reviewer the company regards as having work widely accepted according to international standards. The Board of Directors' policy framework in this matter shall also be disclosed to reflect the Board's determination to mitigate the negative impacts on the environment or the management of the GHG. • In the case where the company and subsidiaries are being inspected by an authorized agency regarding whether or not the operation of the company and subsidiaries has a material issue on violation of laws or regulations in the environmental area, or is under the accusation of causing a negative impact on the environmental issue, especially the issue appearing in the news for public information, that may affect the business operation, image, reputations and assets of the company. In this regard, the facts, progresses, reasons, impacts and preventive measures shall be clarified as well.	**Step 5** **Measuring impact and integrating impact into business practices** • Monitoring results and collecting data • Integrating SDGs and impact into business practices and decision-making • Managing impact risks • Reinforcing the company's commitment to impact through governance practices	**Management approach** **Governance**

One Report – Sections	One Report – Mandatory Content (summarized)*	SDG Guidebook – Recommended IMM Steps	SDG Impact Standards – Components
One Report Section 3.4: Social sustainability management			
3.4.1 Social policy and guidelines	• Describe the company's policy and guidelines in accordance with the laws, rules and regulations related to social sustainability management in the business operational process, which includes respect for human rights throughout the value chain, for example, fair labour treatments, responsible production and services for customers, and participation in social and community development. In this regard, clarify only the information on the overall policy and guidelines as the company deems important and relevant to business context.	**Step 3** **Prioritizing impacts** • Materiality Analysis • Mapping and prioritizing SDGs along the business value chain • Setting goals • Specifying the five dimensions of impact for each goal	**Strategy**
	• Describe the information related to the social sustainability management objectives (if any) in accordance with the business operation strategy, both short-and/or long-term periods, for investors to be able to compare and monitor the operating results. If the company has reviewed the policy, guidelines and/or objectives in the social area during the past year, identify the essences of the changes in brief.	**Step 4** **Planning for impact** • Developing an impact value chain • Selecting indicators • Setting baselines and targets	**Management approach**
3.4.2 Social operating results	• Describe the operating results and the results related to social sustainability management, including respect for human rights throughout the value chain, for example, fair labour treatment, responsible production and services for customers, participation in the social and community development in material issues for business operational process. In addition, the action plan that shows the company's capability of managing social sustainability issues in the efficient business operational process should be disclosed as well. The company may also disclose the operating results, the outcomes and the action plan (if any) related to other social management.	**Step 5** **Measuring impact and integrating impact into business practices** • Monitoring results and collecting data • Integrating SDGs and impact into business practices and decision-making • Managing impact risks • Reinforcing the company's commitment to impact through governance practices	**Management approach**
	• In the case where the company and subsidiaries are being inspected by an authorized agency regarding whether or not the operation of the company and subsidiaries may have a material issue on violation of laws or regulations in the social area or is under accusation of causing a negative impact on the social issue, especially the issue appearing in the news for public information, that may affect the business operation, image, reputations and assets of the company, clarify the facts, progresses, reasons, impacts and preventive measures. In the case where the company had major labour disputes during the past three years, clarify the reasons and action in that regard, including the relationship between the executives and the labour union (if any).		**Governance**

***Note:** The table presents relevant extracts of One Report content for the purpose of this Guidebook. This should not be treated as a substitute for the complete One Report - for complete content, please refer to SEC's to Form 56-1 One Report.

Endnotes

1 World Commission on Environment and Development 1987

2 UNCTAD 2014

3 UNCTAD 2022

4 The term “G250” refers to KPMG’s research sample for the purpose of the quoted report; these are the world’s 250 largest companies by revenue as defined in the Fortune 500 ranking of 2019.

5 KPMG 2020

6 “SDG washing”, as defined in the KPMG report cited here, is the practice of using the SDGs as a platform to create positive PR for themselves rather than as a framework to deliver genuine change.

7 KPMG 2020

8 UNDP 2022a

9 Ministry of Foreign Affairs of Thailand 2021

10 IFC 2022

11 Sabharwal and Chearavanont 2022

12 OECD 2022

13 IFC 2022

14 Sabharwal and Chearavanont 2022

15 KPMG 2020

16 The Market for Alternative Investment (mai) provides a market for listing the securities of innovative small and medium-sized businesses in Thailand.

17 SET 2021

18 SET created a Thailand Sustainability Investment (THSI) list in 2015, to identify high performance ESG stocks for investors while supporting sustainable Thai companies. It annually announces the list, covering Thai companies with outstanding sustainability performance. SET defines sustainable companies as companies that embrace risk management, supply chain management and innovations together with responsibility for environmental, social and governance aspects.

19 Mondo Visione 2021

20 SET 2021

21 Sabharwal and Chearavanont 2022

22 The evaluation of corporate sustainability disclosure was based on seven quantitative indicators of corporate ESG performance: GHG emissions; water use; energy use; occupational safety (injury rate); waste; payroll, and employee turnover. The stock exchanges were scored in three categories: disclosure rate (how many of the seven indicators were reported by their listed companies); growth (in ESG disclosure among issuers compared with previous years); and timeliness (how quickly the data was published by issuers relative to the reporting period).

23 Corporate Knights 2019

24 SET 2021

25 Sustainalytics’ ESG Risk Ratings require the assessment of two dimensions: ESG risk exposure and ESG risk management. Exposure reflects the extent to which a company is exposed to material ESG risks. The Management component incorporates company commitments and/or actions that demonstrate how the company approaches and handles ESG issues.

26 Pan 2021

27 KPMG 2020

28 Larcker, Pomorski, Tayan and Watts 2022

29 SEC n.d.

30 The Annual Registration Statement contains the minimum information required to be disclosed by the issuing company (which is listed on the Stock Exchange of Thailand), to cover the important developments related to the company in the past year.

31 UNDP 2022b

32 For a comprehensive end-to-end approach which extends beyond the scope of this Guidebook, SEC also encourages companies to refer to the SDG Impact Standards for Enterprises. The Standards provide an overarching management decision-making framework designed to help companies integrate sustainability, the SDGs and managing for impact into business decision-making in a holistic and systematic way. They are organized around 12 actions across organizations’ strategy, management, transparency and governance practices.

[33] The SDG Impact Standards for Enterprises have a strong focus on strategy and governance, alongside management and transparency practices. Companies can refer to the Standards for more details. The Standards are also introduced in Part 2 of the Guidebook.

[34] Thai versions of both the free online course on Impact Measurement and Management for the SDGs, as well as of the SDG Impact Standards for Enterprises, were under development at the time of developing this Guidebook.

[35] The Impact Lab is part of UNDP's corporate tools for IMM and is integrated in UNDP's SDG Finance Academy.

[36] Business and Sustainable Development Commission 2017

[37] Business and Sustainable Development Commission 2017

[38] United Nations 2022

[39] Ministry of Foreign Affairs of Thailand 2021

[40] Ministry of Foreign Affairs of Thailand 2021

[41] UNESCAP n.d.

[42] United Nations General Assembly 2015

[43] Business and Sustainable Development Commission 2017

[44] Business Roundtable 2019

[45] Business and Sustainable Development Commission 2017

[46] UNDP 2022c

[47] Baker 2020

[48] Comtois 2019

[49] GIIN 2020

[50] GIIN 2020

[51] The study found that corporations that voluntarily adopted sustainability policies by 1993—termed as High Sustainability companies—exhibit by 2009 distinct organizational processes compared to a matched sample of companies that adopted almost none of these policies—termed as Low Sustainability companies.

[52] Eccles, Ioannou and Serafeim 2014

[53] GIIN 2020

[54] Kelly 2019

[55] Morgan Stanley 2017

[56] Based on an online survey of 10,287 consumers in 10 of the largest countries in the world by GDP, including the United States, Canada, Brazil, the United Kingdom, Germany, France, Russia, China, India and Japan.

[57] Cone Communications and Echo Research 2013

[58] PwC 2022

[59] PwC 2019

[60] Polman and Bhattacharya 2016

[61] de Jongh and Sobhani 2017

[62] The Choice 2021

[63] McKinsey & Company 2020

[64] The study covered 15 countries and more than 1,000 large companies.

[65] Fortune 2020

[66] The Guardian 2017

[67] ILO n.d.

[68] McCarthy 2022

[69] de Jongh and Sobhani 2017

[70] EY 2017

[71] NYU Stern 2017

[72] UNDP 2022d

[73] OECD-DAC 2002

[74] GIIN n.d.

[75] UNDP 2022d

[76] Esade Center for Social Impact n.d.

[77] OECD 2018

[78] SVI n.d.

[79] SVI n.d.

[80] OECD 2018

[81] GRI, UNGC and WBCSD 2015

[82] OECD 2016

[83] OECD 2018

[84] OECD 2018

[85] GRI, UNGC and WBCSD 2015

[86] Krungsri 2021

[87] SVI n.d.

[88] UNDP 2022d

[89] Some of the guidelines Krungsri considers include: Stock Exchange of Thailand's sustainability assessment questionnaires for listed companies, the self-assessment in accordance with the Bank of Thailand (BOT)'s sustainable banking guideline, the corporate governance evaluation framework designed by the Thai Institute of Directors Association (Thai IOD), the Sustainable Banking Assessment (SUSBA) Report of the World Wide Fund for Nature (WWF), the Fair Finance Thailand guidelines for assessing domestic commercial banks, etc.

[90] Krungsri 2021

[91] Daiwa Securities Group n.d.

[92] GRI 2021

[93] Outcome thresholds: The level of outcome that is 'good enough' according to societal goals or ecological limits. The outcome threshold defines the acceptable range for the outcome. Performance outside of the acceptable range is negative or unsustainable. Performance within the acceptable range is positive or sustainable. Outcome thresholds can be set locally, nationally or internationally. They should also represent the affected stakeholder's perspective, so stakeholder feedback can be an important way to corroborate outcome thresholds, especially when they are not well-established. SDG and/or other sustainable development outcome thresholds are outcome thresholds that specifically relate to the SDGs or other sustainable development outcomes. See SDG Impact Glossary of Terms for more details.

[94] UNDP 2022d

[95] SBTi 2021

[96] UNDP 2022d

[97] WBCSD n.d.

[98] UNDP 2022d

[99] CPN 2021

[100] Impact Frontiers n.d.

[101] Business Call to Action 2020

[102] UNSDG 2014

[103] The counterfactual, or what would have happened without the company's products/services, should also be considered in this analysis.

[104] There are two methods of arriving at thresholds for sustainable development: The first is grounded in natural or social sciences. Through research and empirical study, this method produces evidence to help organizations understand how their actions affect the people and natural resources they interact with (e.g., climate science). The second is stakeholder expectations, recognizing that stakeholder expectations are critical to gaining insights that will inform decisions to maximizing contribution to sustainability and the SDGs. Companies should look to identify authoritative institutions which provide credible sources of thresholds for the impact they are trying to measure. Where established thresholds are not available, companies will need to determine a relevant threshold themselves. These also require stakeholder engagement, so that at least the perspective of the affected Stakeholder is included).

[105] Science Based Targets. Thresholds for sustainable development are mostly set at global, national or regional levels. This means metrics may need to be adapted so they are relevant to companies operating in a private sector context. The https://sciencebasedtargets.org/ is a prominent effort which outlines three methods of allocating the global carbon budget to an enterprise, which are rooted in the best available science for a various decarbonization scenarios.

[106] This is a simplified illustration which assumes positive performance, i.e. above baseline levels. Performance could instead also be negative or below baseline.

[107] UNSDG 2011

[108] Impact Frontiers n.d.

[109] GRI, UNGC and WBCSD 2015

[110] Business and Sustainable Development Commission 2017

[111] UNDP 2022c

[112] Comtois 2019

[113] GIIN 2020

[114] GIIN 2022

[115] GIIN 2019

[116] GIIN 2020

[117] GIIN 2022

[118] GIIN 2019

[119] de Jongh and Sobhani 2017

[120] The study found that corporations that voluntarily adopted sustainability policies by 1993—termed as High Sustainability companies—exhibit by 2009 distinct organizational processes compared to a matched sample of companies that adopted almost none of these policies—termed as Low Sustainability companies.

[121] Eccles, Ioannou and Serafeim 2014

[122] GIIN 2020

[123] Kelly 2019

[124] Morgan Stanley 2018

[125] Morgan Stanley 2017

[126] Cone Communications and Echo Research conducted an online survey of 10,287 consumers in 10 of the largest countries in the world by GDP, including the United States, Canada, Brazil, the United Kingdom, Germany, France, Russia, China, India and Japan.

[127] Cone Communications and Echo Research 2013

[128] PwC 2022

[129] PwC 2022

[130] PwC 2019

[131] Polman and Bhattacharya 2016

[132] de Jongh and Sobhani 2017

[133] the choice 2021

[134] The study covered 15 countries and more than 1,000 large companies.

[135] McKinsey & Company 2020

[136] The study surveyed over 1,000 companies in China and six ASEAN (Association of Southeast Asian Nations) countries including Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam.

[137] IFC 2019

[138] Medha 2021

[139] Accenture n.d.

[140] On March 23, 2021, a 224,000-tonne and 400-metre-long cargo ship Ever Given ran aground near the southern end of the Suez Canal due to low visibility and poor navigation, causing a blockage in the major waterway. The blockage was resolved on March 29, 2021.

[141] BBC 2021

[142] The Guardian 2017

[143] ILO n.d.

[144] McCarthy 2022

[145] de Jongh and Sobhani 2017

[146] EY 2017

[147] Specifically, these actions help to avoid delays caused by disputes between investors and local communities (‘tenure risk’). The costs of these actions are typically 2 percent of overall project expenditure, with an average cost of approximately US$ 10 million across the projects analysed.

[148] Feyertag and Bowie 2021

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