SDG Impact

UNDP

SDG IMPACT STANDARDS
Enterprises

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

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About UNDP

The United Nations Development Programme (UNDP) is the UN's global development network. It advocates for change and connects countries to knowledge, experience and resources to help people build a better life. UNDP aims to see our world radically changed for good and is the integrator of the United Nations Sustainable Development Goals (SDGs). UNDP is active in over 170 countries and territories, working with governments and people on their own solutions to global and national development challenges and supporting country-level programs to achieve the SDGs.

About SDG Impact

SDG Impact is a global UNDP initiative, catalyzing investment to achieve the SDGs by 2030:

- **SDG Impact Management:** *Providing a means to better decisions that drive investment capital to where it is needed,* comprising SDG Impact Standards, an SDG Impact Seal and impact management education.

- **SDG Impact Intelligence:** *Producing data and insights needed for increasing financial flows to the SDGs,* offering SDG investor maps of investable business models via a searchable desktop platform.

- **SDG Impact Facilitation:** *Fostering matchmaking and collaboration to realize SDG investment opportunities,* focusing on investor and policy dialogues drawing on UNDP's presence in over 170 countries, deep sustainable development expertise and relationships with governments and other influencers.

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Thanks also to UNDP colleagues, and other UN bodies for their insights and support in developing these Standards. Such leadership in embracing the SDGs and recognizing our collective responsibility is instrumental in realizing the SDGs by 2030.

Foreword

The 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals -- or SDGs -- are the world's *blueprint* to achieve a better and more sustainable future for all. They address global challenges including poverty, inequality, climate change, environmental degradation, and peace and justice. And they now represent our collective *pathway* out of the COVID-19 pandemic. 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*. Moreover, failing to achieve the SDGs is a constraint on economic potential, undermining system stability. However, there has been a longstanding lack of clear guidance on *how* private enterprises can translate intent to action.

These new 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 will assist private enterprises to employ the SDGs to allocate capital more effectively. It will 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. The Standards stem from innovative work being undertaken by SDG Impact, a groundbreaking initiative by the United Nations Development Programme (UNDP) to *empower* investors and businesses with the clarity, insights, and tools required to support and authenticate their contributions to achieving the SDGs. All enterprises -- irrespective of size, geography, or sector -- can use the Standards.

The potential for positive *impact* is immense. By helping private enterprises to make sustainable choices, we can channel billions of dollars towards sustainable development, tackling the "SDG financing gap", which has grown to $4.2 trillion annually in the aftermath of the COVID-19 pandemic.[2] In real-world terms, that will mean everything from providing access to COVID-19 vaccines for millions of people, to supporting countries to drive forward new efforts to restore our natural world and take decisive climate action, to bringing power to homes, hospitals and schools, to rolling-out affordable broadband internet that will bring hundreds of thousands of businesses online for the first time. At the same time, it will be *good for business* and accelerate innovation -- for instance, by driving the development of new products, services and solutions that can lead to new customers and market opportunities. In the aftermath of the worst global economic recession in 90 years, the Standards are helping to *reimagine* the role of enterprises in our societies -- supporting them to play a much more central role in propelling the SDGs towards that greener, more inclusive, and more sustainable future.[3]

Achim Steiner, Administrator, United Nations Development Programme (UNDP)

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[2] Global Outlook on Financing for Sustainable Development, OECD 2021

[3] https://developmentfinance.un.org/fsdr2021-pressrelease

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Introduction

UNDP SDG Impact is delighted to present this Version 1.0 of the SDG Impact Standards for Enterprises (the Standards). The Standards have been developed to help Enterprises operate more sustainably and contribute positively to the United Nations Sustainable Development Goals (SDGs).

About the SDGs

The 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (and associated targets and indicators) are the world's blueprint to achieve a better and more sustainable future for all. They address the global challenges we face including poverty, inequality, climate change, environmental degradation, and peace and justice. The SDGs were agreed upon by all 193 Member States of the United Nations and also call on the private sector to apply its creativity and innovation towards solving sustainable development challenges. The SDGs break down silos between different actors and geographies – creating space and opportunities for new ways of working towards solutions, including by working collaboratively with a broader range of partners and constituencies.

The business case for operating sustainably and contributing positively to the SDGs

Every day, more and more Enterprises are looking for straightforward ways to operate more sustainably and make a positive contribution to the SDGs. Indeed, Enterprises increasingly recognize that sustainable development is at the very heart of long-term value creation and failing to achieve the SDGs is a constraint on economic potential and undermines system stability and future business prospects. Operating sustainably and contributing to the SDGs can help Enterprises use a common language and shared purpose to [4]:

- Open-up new business opportunities and efficiency gains
- Future proof businesses
- Manage risk more effectively
- Enhance reputation
- Attract and retain employees, consumers, B2B customers, and investors
- Strengthen stakeholder relations
- Drive innovation
- Secure social license to operate
- Keep pace with – and anticipate future – policy developments
- Help stabilize societies and markets.

But we are not yet on a sustainable path and there is a lack of clear guidance on how Enterprises can translate intent to action. The SDG Impact Standards aim to address this knowledge gap and move Enterprises from SDG alignment to SDG action – from thinking about the SDGs as an add-on to what business gets done to how all business gets done.

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[4] Source：https://sdgcompass.org/; https://d306pr3pise04h.cloudfront.net/docs/news_events%2F9.3%2Fbetter-business-better-world.pdf

About 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 foundation of the Standards is operating sustainably and contributing positively to sustainable development and the SDGs. This cannot be achieved without demonstrating respect for human rights in line with the United Nations Guiding Principles for Business and Human Rights (UNGPs), planetary boundaries in line with science-based targets, and other responsible business practices in line with the UNGC's Ten Principles and UN Women's Empowerment Principles and is realized through effective impact management and decision making.

The Standards are organized around four interconnected themes – strategy, management approach, transparency, and governance (see Figure 1) – each of which plays an important role in fully integrating sustainability and contributing positively to the SDGs into organizational systems and decision making.
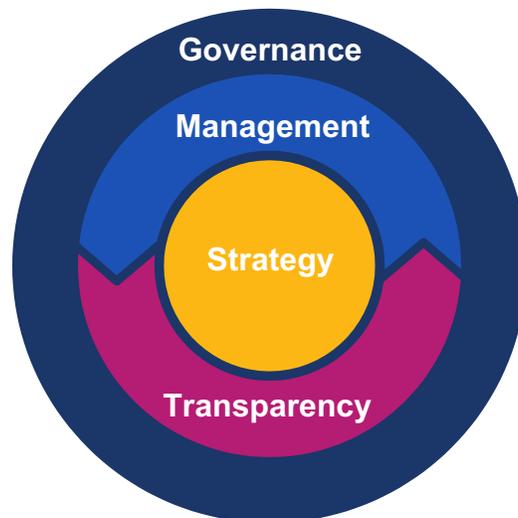
Figure 1: The SDG Impact Standards

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's 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 behavior, 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 will be 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.

The Standards build on and complement existing work undertaken by other industry-led initiatives on impact management and measurement. The same structure is followed across all the SDG Impact Standards (for Enterprises, Bond Issuers and Private Equity Funds and the OECD-UNDP Impact Standards for Financing Sustainable Development). In this way, the Standards create a shared language and approach for integrating impact management and the SDGs into decision-making, fill gaps in current market practices which are undermining progress towards the SDGs, and connect different actors across the ecosystem to create the enabling environment for greater cross-sector collaboration and innovation in SDG financing solutions (see Figure 2).

Figure 2: How the Standards work with other principles, frameworks and tools

HIGH LEVEL PRINCIPLES
Ensure activities and investments have positive impact for people and the planet

DECISION MAKING FRAMEWORK
Integrate operating sustainably and contributing positively to the SDGs into internal decision-making – in line with high level principles AND using a shared language and approach

SDG Impact Standards

| BOND ISSUERS | ENTERPRISES | PRIVATE EQUITY FUNDS |

OECD-UNDP
Impact Standards for Financing Sustainable Development

DEVELOPMENT FINANCE

| STRATEGY | MANAGEMENT | TRANSPARENCY | GOVERNANCE |

IMPACT MANAGEMENT TOOLS
Metrics, taxonomies, valuation models, benchmarking and other tools and frameworks

EXTERNAL DISCLOSURE
Disclose how operating sustainably and contributing positively to the SDGs is integrated into decision-making and report on performance to external stakeholders

Source: UNDP and OECD

The Standards help to make high-level impact management principles[5] actionable, and guide the choice of which frameworks, methodologies and tools should be used to appropriately measure and manage impact. They embed the SDGs and the Impact Management Project (IMP) shared norms and provide an operating system for the application of existing tools and frameworks, including metrics and taxonomies. By creating a robust internal impact management system, Enterprises that adopt the Standards will also be in a much better position to meet the growing and various sustainability reporting and disclosure requirements and expectations of governments, regulators, investors, and other stakeholders.

Ultimately, the Standards facilitate Enterprises in adopting responsible business practices and integrating impact management into organizational systems and decision-making practices with the intention of operating sustainably and optimizing contribution to sustainable development

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[5] Examples of impact management principles include Operating Principles for Impact Management (OPIM), the United Nations Environment Programme – Finance Initiative (UNEP-FI) Principles for Positive Impact Finance, United Nations Global Compact CFO Principles on Integrated SDG Investments and Finance, and Social Value International's seven principles of social value.

and the SDGs. The Standards have been designed to accommodate future changes to the SDGs and/or related targets and indicators post 2030. Changes to the structure or form of the SDGs will not, in and of itself, require changes to these Standards.

Who can use the Standards

The Standards are for all Enterprises committed to operating sustainably and contributing positively to sustainable development and the SDGs – regardless of size, geography, or sector – including publicly listed Enterprises, public interest, and private entities (both for-profit and not-for-profit), non-governmental organizations (NGOs), small and medium Enterprises (SMEs) and state-owned and other public sector entities. They are equally relevant for Enterprises seeking to avoid or reduce negative impacts in their direct operations and supply and value chains (e.g., Enterprises transitioning to a net zero carbon future), as for those seeking to create positive impacts for existing and new customers and other Stakeholders through their products and services.

Implementation of these Standards will look different depending on the type, size, and operating context of the Enterprise in question, but the Standards are flexible enough to accommodate this and, as in any audit or assurance assignment, assurers are expected to exercise appropriate judgement to account for these differences when forming their assurance opinions.

Micro and small Enterprises
Implementing these Standards in micro and small Enterprises can be relatively straightforward and does not need to be expensive. Micro and small Enterprises tend to be less complex, more flexible, have less degrees of separation between those making the decisions and those affected by the decisions, and already have close connections with their Stakeholders and the communities they operate within. A user guide for micro and small Enterprises will be made available.

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

How the Standards are organized

The Standards
The objective of the Standards is to define the requirements for strategy, management approach, transparency, and governance that increase the likelihood that an Enterprise is operating sustainably and contributing positively to the SDGs. They do not provide a guarantee. If all Enterprises were applying the Standards, the UNDP believes that there would be positive contribution to sustainability and the achievement of the SDGs.

The Standards are provided to Enterprises as a 'best practice' guide to help them operate

more sustainably and optimize their contribution to sustainable development and the SDGs by integrating responsible business and impact management practices into their organizational systems and internal decision-making. Enterprises are encouraged to use the Standards as a gap analysis and self-assessment tool, and to fill gaps and improve practice over time. The Standards should be used in conjunction with the glossary and guidance provided.

Glossary

A comprehensive Glossary supports, and is an essential extension of, the Standards. Terms have the meaning ascribed in the Glossary when used in the Standards.

Guidance materials

Guidance Notes at the Practice Indicator level are provided to enhance understanding of the scope and practical application of the Standards to assist Standards users in interpreting, implementing, and applying the Standards in a consistent manner. Links to relevant frameworks, tools and resources and examples (where available) are also provided. More examples will be added over time as case studies are developed with Enterprises using the Standards.

Assurance Framework and SDG Impact Seal

An external assurance framework and SDG Impact Seal are being developed in tandem with the Standards. Independent assurance is an important mechanism to build market trust and confidence and reduce the potential for impact washing or the over-statement of claims.

The assurance process is designed to provide assurance that the Enterprise has the policies and processes in place to achieve the objective of the Standards. The development of the Assurance Framework and Assurance Protocols will also reduce the risk of a proliferation of proprietary assurance approaches that may vary in quality and the level of transparency provided. Recognizing that the Standards represent best practice, and it will take Enterprises' time to fully implement them, assurance will be provided against the minimum thresholds that should be met but requiring continuous improvement towards the best practice indicators over time.

Enterprises are highly recommended to move from self-assessment to having their impact management practices assured at regular intervals by an independent accredited assurer. The assurance protocols and minimum thresholds will be publicly available and may be helpful to Enterprises in planning their implementation roadmap, before they seek independent assurance of their practices from an accredited assurer.

Other complementary resources

Training on the Standards and for assurers is being developed in conjunction with Social Value International. An introductory online impact measurement and management training course is also being developed through CASE at Duke University. SDG Impact has mapped the Standards to the Sustainable Development Goal Disclosure (SDGD) Recommendations and to the UNGC CFO Principles on Integrated SDG Investments and Finance. Excel workbooks will be provided to guide implementation and help Enterprises use the Standards as a self-assessment tool.

At the time of publication, the guidance, assurance framework and training materials are under development. Visit www.sdginvestorplatform.undp.org to stay up to date and access resources as they become available.

SDG Impact Standards for Enterprises

I. The Standards at a glance

1. STRATEGY – The Enterprise embeds contributing positively to sustainable development and the SDGs into its purpose and strategy, and sets ambitious impact goals.	
1.1	The Enterprise embeds contributing positively to sustainable development and the SDGs into its purpose and strategy.
1.2	The Enterprise sets ambitious impact goals aligned with its purpose and strategy.

2. MANAGEMENT APPROACH – The Enterprise integrates impact management into its management approach to optimize its contribution to sustainable development and the SDGs.	
2.1	The Enterprise has effective processes and other mechanisms to deliver on its strategy and impact goals.
2.2	The Enterprise assesses and compares the material positive and negative impacts associated with its products, services, and operations and makes choices between options to optimize its contribution to sustainable development and the SDGs in line with its impact goals.
2.3	The Enterprise systematically monitors and manages its ongoing impacts and acts to optimize its contributions to sustainable development and the SDGs (including managing unexpected outcomes).

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

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

II. Standards and practice indicators

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

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

Practice Indicators:

1.1.1   The Enterprise links its approach to creating long-term value for the Enterprise with contributing positively to sustainable development and the SDGs.

1.1.2   The Enterprise considers the interdependency of sustainable development issues and the SDGs in its approach.

1.1.3   The Enterprise includes respect for human rights in line with the UNGPs, planetary boundaries in line with science-based targets, and other responsible business practices in line with UNGC's Ten Principles and UN Women's Empowerment Principles in its approach.

1.1.4   The Enterprise uses available evidence and relevant social and scientific data from reputable agencies such as government, scientific, community and civil society organizations to better understand the sustainable development context(s) it is operating in.

1.1.5   The Enterprise has a formal engagement plan to effectively identify and engage Stakeholders (including prioritizing underrepresented Stakeholders and including governments to understand the national sustainable development (SDG) priorities and needs) on an ongoing basis to understand what outcomes matter to them.

1.1.6   The Enterprise implements a formal approach to determine the materiality of sustainable development issues based on what outcomes matter for sustainable development and to Stakeholders, and then makes decisions based on where the Enterprise can make (or is making) the most significant (positive and negative) impacts.

1.1.7   The Enterprise, through its business model(s), partnerships, and collaborations seeks and optimizes opportunities to contribute positively to sustainable development and the SDGs (at a minimum by reducing negative impacts).

1.1.8   The Enterprise incorporates sustainable development risks and opportunities into its formal risk management approach, including Stakeholder perspectives and their tolerance for unexpected outcomes.

1.1.9   The Enterprise uses sensitivity and scenario analysis to test the resilience of its strategy.

1.1.10 The Enterprise determines the resources (including budget, capability, and leadership) it intends to allocate as part of its overall strategy to achieve its impact goals.

1.1.11 The Enterprise implements a formal approach to ensure its purpose, strategy and impact goals remain fit for purpose as the internal and sustainable development contexts change.

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

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

Practice Indicators:

1.2.1 The Enterprise's impact goals align with its purpose, strategy, Stakeholder expectations and the sustainable development context(s) in which it operates.

1.2.2 The Enterprise's impact goals are ambitious – expressed in terms of the expected change in outcome levels relative to suitable baseline and threshold levels and taking into account the rate of change required to move from current baseline performance to each impact goal in a timely way.

1.2.3 The Enterprise's impact goals relate to the material sustainable development issues identified in 1.1.6 alongside any need for collective action including cross-cutting goals relating to gender equality, climate action, and decent work.

1.2.4 Each of the Enterprise's impact goals specify the relevant sustainable development outcome area (e.g., SDG target) and the type of impact (i.e. ABC Impact Classification) it intends to achieve.

1.2.5 The Enterprise's impact goals address all material negative impacts in its direct operations, supply and value chains, and through its business relationships.

1.2.6 The Enterprise's impact goals consider the potential for unintended consequences and seek to limit the potential for negative and/or perverse outcomes.

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

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

Practice Indicators:

2.1.1   The Enterprise embeds respect for human rights in line with the UNGPs, planetary boundaries in line with science-based targets, and other responsible business practices in line with the UNGC's Ten Principles and UN Women's Empowerment Principles in its policies and practices including:

    2.1.1.1   implementing effective grievance and reparation mechanisms with whistleblowing safeguards for potentially affected Stakeholders

    2.1.1.2   ensuring visibility of senior leadership commitment throughout the organization

    2.1.1.3   avoiding or reducing negative impacts and promoting respect for human rights, planetary boundaries, and other responsible business practices in supply and value chains.

2.1.2   The Enterprise complies with relevant local and international laws and regulations, striving to comply with the highest possible level of industry best practice, particularly in cases where there is a lack of local regulation or the standard is comparatively low, and reconciling when local and international laws and regulations conflict.

2.1.3   The Enterprise implements a formal approach to involve Stakeholders on issues that impact them, including by (i) supporting Stakeholder involvement with adequate budget and resources (including training and local leadership), (ii) identifying opportunities for participation in decisions that might affect them, and (iii) transparently keeping Stakeholders informed of actions, progress and lessons.

2.1.4   The Enterprise implements a formal approach to integrate (i) engagement with government bodies to assess how it can best support the achievement of the SDGs in its country/(ies) of operation, and (ii) collaboration with peers, potential partners and other experts (including the people experiencing the impacts) to arrive at collective solutions.

2.1.5   The Enterprise integrates accountability for responsible business practices and impact management into organizational culture, business operations, information systems, day-to-day roles, cross-functional teams and decision-making processes, including by:

    2.1.5.1   implementing appropriate culture, communication systems and training to enable decision-making

    2.1.5.2   aligning its incentive mechanisms with its strategy and impact goals

        2.1.5.3 having sufficient impact management capability and diversity across gender, race and other dimensions at the appropriate level of seniority and authority to influence decision-making

        2.1.5.4 holding people at all levels accountable for operating in accordance with its responsible business and impact management policies and practices.

        2.1.5.5 monitoring its impact performance and conformance with responsible business and impact management policies and practices, to drive a culture of continuous improvement.

2.1.6   The Enterprise implements a formal approach to identify relevant metrics, and collect, verify, manage and use impact data, including:

        2.1.6.1 managing data ownership on behalf of Stakeholders – including privacy, ethical and commercial issues around data gathering, use and disclosure

        2.1.6.2 systematically capturing impact data from activities relevant to Stakeholders experiencing the outcome changes

        2.1.6.3 taking a risk-based approach (including to Stakeholders) to if and when impact data needs to be verified or assured, and taking into account findings in decision-making

        2.1.6.4 integrating impact data and impact considerations into management decisions.

2.1.7   The Enterprise implements a formal approach to ensure its impact management practices continue to improve over time and remain fit for purpose including by:

        2.1.7.1 analyzing deviations from expected performance

        2.1.7.2 incorporating lessons from its decision-making process and implementation, engagement with partners and Stakeholders, and updated research and evidence

        2.1.7.3 considering changes in the sustainable development context

        2.1.7.4 assessing the effectiveness of its impact management practices in driving decision-making and impact performance and taking corrective action as needed.

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

2.2 The Enterprise assesses and compares the material positive and negative impacts associated with its products, services, and operations and makes choices between options to optimize its contribution to sustainable development and the SDGs in line with its impact goals.

Practice Indicators:

2.2.1   The Enterprise identifies all material (positive and negative) outcomes in its direct operations and in its supply and value chains including:

2.2.1.1 assessing outcomes consistently, using wellbeing as the common measure

2.2.1.2 determining suitable baselines, counterfactuals and thresholds in line with SDG targets

2.2.1.3 assessing the potential outcomes on Stakeholder groups, and sub-groups, separately (with a particular focus on underrepresented Stakeholders and on the core SDG objective of 'leaving no-one behind')

2.2.1.4 taking into account uncertainty when it is unable to quantify outcomes, recognizing that measurement in direct operations, supply and value chains can be challenging, and developing strategies to reduce impact risk over time.

2.2.2   The Enterprise estimates the depth, scale and efficiency of its expected contribution to the outcomes identified in 2.2.1, taking into account: (i) what would have happened anyway, (ii) what others contribute to the outcomes, (iii) how long the impact is likely to last, and (iv) how efficiently the impact is achieved relative to the resource inputs required.

2.2.3   The Enterprise assesses the risk that actual impacts do not occur as and when expected, taking into account: (i) the likelihood and magnitude of the risks, (ii) the tolerance for unexpected outcomes (including by those experiencing the impacts), and (iii) any risk mitigation measures.

2.2.4   The Enterprise considers which metrics to use and how much data is sufficient to make a decision including:

2.2.4.1 selecting and using decision-useful outcome metrics (i.e. rather than activities or output metrics) that: (i) wherever possible include context by taking into account what matters most to the Stakeholders experiencing the outcomes (including magnitude and duration of the impact), (ii) value outcomes consistently using wellbeing as the common measure, (iii) provide the required level of confidence that the targeted outcome is being achieved, and (iv) align with SDG indicators and the National Development Strategy/(ies) in the relevant country/(ies) of operation

2.2.4.2 using relevant standardized metrics and metrics sets where possible, but recognizing management accounting and internal metrics will likely be needed

2.2.4.3 assessing the risk (including to Stakeholders) of uncertainty when impact data is unavailable or insufficient, and possible risk mitigation measures, including the opportunity to fill data gaps (quality and completeness) and build the evidence base over time

2.2.4.4 where activity or output (rather than outcome) metrics are used as proxies for expected outcomes, having a robust process to assess the implications for decision-making, both on the number of potential decisions and the risk to those decisions, and to replace those metrics with outcome metrics as soon as practicable

2.2.4.5 considering the potential for unintended consequences and seeking to limit the potential for unintended negative and perverse outcomes in how it collects data and selects and uses metrics.

2.2.5 The Enterprise makes (relative and absolute) choices between its product, service and operational options in a transparent way to optimize its contribution to sustainable development and the SDGs, taking into account the risk (including to Stakeholders) that impacts may not occur as expected, and trade-offs between different outcomes or Stakeholder groups or sub-groups.

2.2.6 The Enterprise takes a risk-based approach (including to Stakeholders) to if and when comprehensive independent impact evaluations are required for certain activities.

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

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

2.3 The Enterprise systematically monitors and manages its ongoing impacts and acts to optimize its contribution to sustainable development and the SDGs (including managing unexpected outcomes).

Practice Indicators:

2.3.1 The Enterprise implements a formal approach to measure and monitor its actual impact performance against: (i) expected impact performance (its impact goals and targets), and (ii) suitable baselines, counterfactuals, and thresholds.

2.3.2 The Enterprise fills data gaps, including by: (i) replacing proxies with outcome measures, where possible, and (ii) testing the validity of any assumptions made and updating them as needed (e.g., as the context changes).

2.3.3 The Enterprise identifies and analyzes the reasons for unexpected impacts, and acts to optimize impact, including by:

2.3.3.1 developing mitigation plans including actions to ensure impact performance ahead of ceasing or exiting activities

2.3.3.2 managing unexpected negative impacts on Stakeholders arising from the emergence of additional impact risks or under-performance

2.3.3.3 capitalizing on unexpected positive impacts.

2.3.4 The Enterprise includes the positive and negative impacts from exited activities/projects in its overall assessment of its impact performance and considers long term impact after exit.

2.3.5 The Enterprise systematically captures the results and lessons from its impact management activities to inform future decision-making.

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

Practice Indicators:

3.1   The Enterprise discloses how sustainability and contributing positively to the SDGs is integrated into decision-making and reports (at least annually) on its performance in line with the Sustainable Development Goal Disclosure (SDGD) Recommendations.

3.2   The Enterprise communicates its impacts consistently by:

   3.2.1   using the SDGs (and related targets and indicators) and ABC Impact Classifications

   3.2.2   providing sufficient context by relating actual impact performance against impact goals and targets and against suitable baselines, counterfactuals and thresholds

   3.2.3   disclosing any assumptions, limitations, gaps, risks and trade-offs made between different sustainable development outcomes or Stakeholder groups or sub-groups.

3.3   The Enterprise implements reporting mechanisms to meet the needs of Stakeholders affected by its activities and the civil society organizations that act on their behalf, including considering additional non-public, tailored reporting or changes to existing public reporting to make disclosures more relevant and accessible to a broader range of Stakeholders.

3.4   The Enterprise makes publicly available its policies concerning respect for human rights in line with the UNGPs, planetary boundaries in line with science-based targets and other responsible business practices in line with UNGC's Ten Principles and UN Women's Empowerment Principles and discloses how it implements and manages its performance and conformance.

3.5   The Enterprise complies with relevant laws and regulations regarding social, environmental and governance disclosures.

3.6   The Enterprise has its external sustainability and/or impact related reporting assured by an independent third party (or otherwise explains why it has selected not to) and follows up findings with suitable rectification measures in a timely way.

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

Practice Indicators:

4.1   The Enterprise's governing body has active oversight of matters relating to:

    4.1.1   the Enterprise's policies concerning respect for human rights in line with the UNGPs, planetary boundaries in line with science-based targets and other responsible business practices in line with UNGC's Ten Principles and UN Women's Empowerment Principles, including its effective grievance and reparation mechanisms with whistleblowing safeguards for affected Stakeholders, and its performance and conformance against those policies and associated practices

    4.1.2   Stakeholder complaints and remedial actions taken (ensuring no instances of adverse findings without having adequate remedies in place)

    4.1.3   the Enterprise's process of Stakeholder identification and involvement in decision-making

    4.1.4   determination of material sustainable development issues and how these are integrated into the Enterprise's purpose and strategy

    4.1.5   the Enterprise's purpose, culture, strategy and business model(s) and corresponding alignment with these Standards

    4.1.6   the compatibility of the Enterprise's impact goals, financial return targets, and its and Stakeholders' impact risk appetite and tolerance for unexpected outcomes

    4.1.7   adequacy of the Enterprise's budget and resources to manage Stakeholder involvement effectively and to deliver its strategy and impact goals

    4.1.8   the Enterprise's policies concerning impact management, and its performance and conformance against those policies and associated practices

    4.1.9   a separation between roles of drafting and approving impact goals, where those approving the goals recognize they are acting in both the interests of the Enterprise and Stakeholders likely to be impacted

    4.1.10   the Enterprise's impact performance and progress against its impact goals relative to suitable outcome baselines, counterfactuals and thresholds

    4.1.11   third party evaluations (performance assessments), assurance findings and remedial actions

    4.1.12   the Enterprise's impact-related external disclosures and reporting.

4.2   The Enterprise's governing body meets the national minimum corporate governance standards, as appropriate, and:

    4.2.1   has competencies concerning sustainable development issues and impact management

4.2.2 operates transparently

4.2.3 prioritizes gender and other dimensions of diversity, including from underrepresented Stakeholders

4.2.4 recognizes the implications of low accountability to those impacted and the need to act on their behalf in decisions

4.2.5 holds the CEO/Managing Director accountable for the Enterprise operating sustainably and contributing positively to sustainable development and the SDGs, including operating in accordance with its responsible business and impact management policies and practices.

4.3 The Enterprise's parent and/or holding company – including its ultimate holding company – has policies, practices and performance relating to corporate governance, and respect for human rights in line with the UNGPs, planetary boundaries in line with science-based targets and other responsible business practices in line with UNGC's Ten Principles and UN Women's Empowerment Principles that are consistent with the requirements set out in these Standards.