FREQUENTLY ASKED QUESTIONS

ABOUT THE PRACTICE ASSURANCE STANDARDS FOR SDG BONDS

ABOUT THE SDGS AND SDG IMPACT

What are the SDGs?

The United Nations Sustainable Development Goals (SDGs) are a universal plan for a more equitable, resilient and sustainable society, planet and economy by 2030. If ever we needed ambitious shared goals to open paths to a better future it is now.

The SDGs represent the best hope we have for tackling the serious challenges all nations are facing and a major investment opportunity. Achieving the SDGs by 2030 requires redirecting both public and private sector investment towards the SDGs and new solutions at scale.

Why isn't enough investment flowing to SDG activities?

More investors and enterprises are aligning their activities with the SDGs. Current levels of investment are insufficient to achieve the SDG targets and as of 2019 only 1% of enterprises that referenced the SDGs in their corporate reports were tracking their progress.

Enterprises and investors find it difficult to translate their interest in SDG investment into action. They do not have impact management to inform better decisions that drive investment capital to where it is needed.

Some investment is labelled as SDG focused but lacks robust impact management and accountability for outcomes. Too often, the SDGs are used as another reporting lens to communicate activities differently, rather than doing things differently to advance the SDGs. Unfortunately, the net effect is that progress toward the SDGs had been slipping, even before the pandemic.

What is SDG Impact?

UNDP (United Nations Development Programme) has a clear mission to see our world radically transformed for good. It is charged by the UN as steward and integrator of the SDGs.

SDG Impact is an initiative of the UNDP. SDG Impact is a catalyst to accelerate investment toward achieving the SDGs.

Three pillars focus on overcoming barriers and making it easier to invest toward achievement of the SDGs.

- **SDG Impact Management:** *A means to better decisions that drive investment capital to where it is needed* comprising Practice Assurance Standards, and SDG Impact Seal and impact management education.
- **SDG Impact Intelligence:** *Producing data and insights needed for increasing financial flows to the SDGs* comprising SDG investor maps of investable business models made available through a searchable desktop platform
- **SDG Impact Facilitation:** *Fostering matchmaking and collaboration to realize investments* focusing on investor and policy dialogue drawing on the UN presence in over 170 countries, deep sustainable development expertise and relationships with governments and other influencers.

The SDG Impact Steering Group is chaired by UNDP Administrator, Achim Steiner. The SDG Impact Steering Group recognize that setting a practical benchmark for what good practice looks like for enterprises and investors wanting to engage with and contribute to the SDGs in a meaningful way is fundamental to changing how decisions are made and what gets done.

What does the COVID-19 pandemic mean for the SDGs and SDG Impact?

COVID 19 has heightened the urgency of finding paths forward to more resilient and viable futures. The pandemic has brought into profound relief the relationship between our social conditions and economic prosperity.

The urgency, scale and complexity of the issues is unprecedented. Economies have slowed; trillions of dollars in value has been wiped from exchanges; daily routines are suspended; enterprises are in hibernation; millions of people are unemployed; and many lives have been lost. The fragility of our planet's ecosystem and disproportionate effects for vulnerable, poor and marginalized communities have been exposed.

If ever we needed ambitious shared goals to open paths to a better future it is now. As UNDP Administrator, Achim Steiner remarked: *As we work through response and recovery from the shocks of the pandemic, the SDGs need to be designed into the DNA of global recovery.*

ABOUT THE PRACTICE ASSURANCE STANDARDS FOR SDG BONDS

Why is the UNDP involved in developing practice assurance standards for SDG investments?

UNDP has a critical stewardship role in achievement of the UN Sustainable Development Goals (SDGs). This is vital in meeting the crisis and in developing the paths forward. The scale and complexity of the issues goes beyond what any sector can address alone. UNDP recognizes that the private sector and private capital have a critical role to play.

UNDP's interest is in promoting sustainable development and achieving the SDGs. That positions it uniquely to provide standards that set the benchmark for good practice as an open-source public good on a competitively neutral platform that practitioners, analysts and assurers can apply.

Why will the Practice Assurance Standards work?

Practice Assurance Standards provide a means to better decisions that drive investment capital to where it is needed. They are the first step in a robust system of impact management. Practice standards bridge a significant gap in the current toolbox between high level principles and impact performance reporting and benchmarking.

These Practice Assurance Standards drive consistency and comparability in the market to enable much better informed decisions and provide a management system that supports adoption of other frameworks and tools. That will drive convergence on how to approach and develop good practice for investment that contributes to achieving the SDGs.

Most importantly, they provide a shared language. Shared language, understanding and application at the global level, is critical to translate intention into concrete examples of success. Standardization, transparency and assurance are necessary preconditions for market development at scale.

The Standards also serve to operationalize important existing Principles to drive more consistent implementation. They provide the platform for authenticating that good practice through mechanisms the market understands through independent assurance and an SDG Impact Seal. That provides credibility for the market, reducing the risk of impact or SDG washing.

Are there major differences between the Practice Assurance Standards and existing market conventions for issuing sustainability-themed bonds?

The Practice Assurance Standards are a tool to operationalize existing principles of practice and market conventions for issuing sustainability bonds.

In some places they go further than existing frameworks to achieve the goal of driving investment capital to where it is needed to achieve the SDGs and away from harmful activities in organizations' direct operations, supply and value chains and business relationships.

That includes requirements for the issuer to:

- commit to building a culture of adhering to and respecting human rights and other responsible business practices, in line with the UN Guiding Principles for Business and Human Rights[1] and the Ten Principles of the UN Global Compact[2].
- consider the harms it may cause or contribute to through its activities, or that are directly linked to its operations, products or services.
- direct capital purposefully toward SDGs with a credible link between the issuer's corporate strategy (or the sustainability component of its corporate strategy) and its SDG Bond Program.

UNDP cannot facilitate capital moving towards enterprises or fund managers with a poor record of human rights and other responsible business practices.

Why do we need practice standards? Why can't UNDP just create taxonomies and metrics for the market?

The SDGs are holistic, interdependent and indivisible, and consider a longer-term horizon than markets tend to operate in. Translating contribution to the SDGs into market-based taxonomies necessarily involves relating activities to intermediate goals with shorter time frames that focus on specific SDG targets. If these activities are taken out of context, actions can be ineffectual or do more harm than good.

Taxonomies and metrics are necessary and important—but not sufficient. Taxonomies must operate within a context, and the Standards provide that context. The Practice Assurance Standards provide a management system that supports adoption of other frameworks and tools, including taxonomies and metrics.

A useful analogy is flying a rocket to the moon. For about 97% of the journey, the rocket is off-course, and constantly checking and resetting its trajectory. In our context, the SDGs are the moon, and the metrics/taxonomies are the rockets.

Enterprises and investors must constantly reassess whether their activities remain fit for purpose as the sustainable development context changes and we better understand what works and doesn't work. By providing a management system, the Standards allow for:

- taxonomies and metrics used within that system to be improved and updated as part of continuous improvement.
- adaptation of the same management system for additional bond programs that may be utilizing different metrics or utilizing a different taxonomy, for example a climate bond program may utilise the EU taxonomy and a program focused on education and health outcomes may utilise IRIS+ metric sets.

Some goals are very well suited to taxonomies and specific metrics and targets (for example, reducing

1 https://www.business-humanrights.org/en/un-guiding-principles
2 https://www.unglobalcompact.org/what-is-gc/mission/principles

carbon emissions, providing social housing). For other goals, it is more challenging, even counterproductive, to create taxonomies. They can quickly become redundant or channel investment in a particular way, crowding out innovation or reducing the ability of those impacted to influence solution design.

We already have various impact principles of practice. Why do we need SDG Impact Practice Assurance Standards as well?

Yes, several sets of principles exist that relate to impact investment—for example, the UNEP Finance Initiative Principles for Positive Impact Finance and Principles for Responsible Banking, the International Finance Corporation's Operating Principles for Impact Management, the GIIN Core Characteristics of Impact Investing and the UN-supported Principles for Responsible Investment.

The Practice Assurance Standards build on and complement these important existing principles and provide a management system to operationalize them. The Standards incorporate the most up-to-date methods, principles and frameworks within the Standards themselves, or reference them in the resources and guidance material.

These Standards provide a practical, actionable guide to operationalize high level principles consistently. They map out how users can generate reliable and consistent inputs to deliver high quality and comparable impact performance reporting and benchmarking. This increases efficiency, consistency and clarity, and reduces the potential for market fragmentation through bespoke implementation and proprietary platforms.

We've mapped alignment between the existing Principles and Frameworks and the Practice Assurance Standards. The intention is that adoption and certification under these Standards can satisfy verification requirements of any or all of these important sets of existing principles.

Why do we need Practice Assurance Standards now?

If ever we needed ambitious shared goals to open paths to a better future it is now. The SDGs represent the best hope we have for tackling the serious challenges all nations are facing ***and*** a major investment opportunity.

Currently, many enterprises and investors focus on how environmental, social and governance factors impact the financial valuation or performance of their enterprise or investments. There is not a way to differentiate in the market who is using SDGs as another reporting lens to communicate existing activities differently and who is embedding robust impact management and accountability for outcomes.

Directing more capital to where it is needed requires strong impact management as a means to enabling better decisions. A first step in robust impact management is practice standards. These Practice Assurance Standards drive consistency and comparability in the market to enable much better informed decisions.

These Standards give enterprises and investors tools to understand how their activities affect the SDGs or the economic, social and environmental outcomes for people and planet. As a result, enterprises and investors can confidently make more targeted investments and more informed decisions about achieving the SDGs, including the nature and depth of SDG impact created.

What is Impact Management?

Impact Management is the ongoing practice of measuring, monitoring, evaluating and improving impact, so that we can reduce the negative and increase the positive. It is relevant for both enterprises and investors who manage environmental, social and governance (ESG) risks and those who also want to contribute positively to global goals. To adopt Impact management, enterprises and investors need coherent guidelines on how to measure, monitor, evaluate, compare, improve and communicate their impacts.

In effect, impact management enables an enterprise or investor to operationalize an impact management system analogous to an organization's financial management system. That is, a system which enables it to produce management accounting and reporting for internal decision making and to improve its business and financial reports to meet regulatory and other disclosure requirements.

How do the Practice Assurance Standards provide a management system for impact?

The Practice Assurance Standards inform how decisions get made, whose voices get heard, and what gets done, prioritized and communicated.

The Standards:

- Require issuers to set strategic impact goals for their SDG Bond Program. In this way, issuers are using SDGs strategically to make different capital allocation decisions.
- Require a credible link between the issuer's corporate strategy (or the sustainability component of its corporate strategy) and their SDG Bond Program.
- Require the issuer to be committed to building a culture of adhering to and respecting human rights and other responsible business practices in line with the UN Guiding Principles for Business and Human Rights[3] and the Ten Principles of the UN Global Compact[4]. This includes what the issuer may cause or contribute through its own activities, or that are directly linked to its operations, products or services through its supply and value chains and by its business relationships.
- Require meaningful stakeholder engagement throughout the impact measurement and management process.
- Define materiality (i.e. substantial impacts) from the perspective of the issuer's impact on stakeholders.
- Provide a framework and context for applying impact metrics and taxonomies most effectively.
- Provide transparency about the nature and depth of SDG impact being created.
- Require assessment and transparency of all material (positive, negative, intended and unintended) impacts.
- Require ex-ante assessment of impacts, and establishment of baselines and targets against which to measure actual impact performance and ongoing measurement, monitoring, evaluation and response as the issuer's understanding of their impacts evolves and as the sustainable development context changes.
- Embed continuous improvement and learning.
- Require transparency and comparability of practice and performance through consistent disclosures.
- Require robust governance that reinforces and supports commitments and practice.

What core design elements underpin the Practice Assurance Standards?

The Standards embed 4 core design elements:

- **The UN Sustainable Development Goals**: 17 SDGs and related 169 targets and 230 indicators
- **Impact Management Project**: a rigorous and consistent process for measuring impact and selecting metrics, by combining the SDGs with the Impact Management Project's shared logic for measuring, managing and communicating consistently.

3 https://www.business-humanrights.org/en/un-guiding-principles
4 https://www.unglobalcompact.org/what-is-gc/mission/principles

- **Stakeholder Engagement**: ongoing, two-way engagement with stakeholders, that is conducted in good faith and responsive. Stakeholders include those (people and planet) who are affected by the issuer's activities, directly and indirectly, not only those who affect the issuer's performance. These impacts can be economic, social and/or environmental. Stakeholders are those an Issuer affects (intentionally or unintentionally) including:
    1. **Customers** who use the enterprise's products/services
    2. **Employees** who work for the enterprise
    3. **Local communities** who are directly or indirectly affected by an enterprise's activities (e.g. unhealthy factory emissions that negatively affect surrounding local communities; or affordable housing units for underserved communities)
    4. **Suppliers and distributors** who are affected by the enterprise's volume of procurement, regulations and quality control (e.g. a zero-tolerance policy on child labour that affects suppliers)
    5. **The planet**, which an enterprise affects through extracting, using and creating environmental resources; and through pollution that is emitted by these processes.
- **Interoperability**: the Standards use, consolidate, harmonise and build upon what's already available, including:
    1. UN Guiding Principles for Business and Human Rights[5] and the Ten Principles of the UN Global Compact[6], the OECD Guidelines for Multinational Enterprises[7], OECD Due Diligence Guidance for Responsible Business Conduct[8] and principles of free, prior and information consent (FPIC) in relation to indigenous peoples[9].
    2. Existing principles of practice including the International Finance Corporation's Operating Principles for Impact Management[10], the UN Environment Programme FI's Principles for Positive Impact Finance[11] and Principles for Responsible Banking[12], the Global Impact Investing Network's Core Characteristics of Impact Investing[13], and the UN-supported Principles for Responsible Investment[14].
    3. Market conventions, taxonomies, metrics sets and reporting frameworks, including ICMA[15], Climate Bonds Initiative[16], the EU Taxonomy for Sustainable Activities[17], GRI[18], SASB[19], IRIS+[20] and the <IR> Framework[21].
    4. To the extent practicable, the Sustainable Development Goals Disclosure (SDGD) Recommendations[22] which in turn align with the Taskforce on Climate-related Financial Disclosures

5 https://www.business-humanrights.org/en/un-guiding-principles
6 https://www.unglobalcompact.org/what-is-gc/mission/principles
7 https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/development+impact/principles/opim
8 https://www.oecd.org/investment/due-diligence-guidance-for-responsible-business-conduct.htm
9 https://www.un.org/development/desa/indigenouspeoples/publications/2016/10/free-prior-and-informed-consent-an-indigenous-peoples-right-and-a-good-practice-for-local-communities-fao/
10 https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/development+impact/principles/opim
11 https://www.unepfi.org/positive-impact/positive-impact/
12 https://www.unepfi.org/banking/bankingprinciples/
13 https://thegiin.org/characteristics
14 https://www.unpri.org/
15 https://www.icmagroup.org/green-social-and-sustainability-bonds/
16 https://www.climatebonds.net/
17 https://ec.europa.eu/info/publications/sustainable-finance-teg-taxonomy_en
18 https://www.globalreporting.org/Pages/default.aspx
19 https://www.sasb.org/
20 https://iris.thegiin.org/
21 https://integratedreporting.org/resource/international-ir-framework/
22 Adams, C.A., with Druckman, P. B., and Picot, R. C., (2020), Sustainable Development Goal Disclosure (SDGD) Recommendations, published by ACCA, Chartered Accountants ANZ, ICAS, IFAC, IIRC, and WBA. ISBN: 978-1-909883-62-8 EAN: 9781909883628.

framework[23] (TCFD, 2017), the GRI Standards[24] and the International <IR> Framework[25] (IRC, 2013).

5. Most up-to-date methods, principles and frameworks within the Standards themselves or reference them in the resources and guidance material.

How do the Practice Assurance Standards relate to the Impact Management Project?

The Standards adapt and embed the Impact Management Project's (IMP)[26] shared logic for measuring, managing and communicating impact consistently. Working with its practice community of over 2000 organizations, IMP reached consensus on how to define, measure, manage and report on impact.

Users have the flexibility to select the metrics or taxonomies that are most appropriate and useful for decision-making at the activity level. These activity level metrics are used to assess impacts across the five dimensions of impact and to classify activities according to the 'ABC' classifications. Comparability at a market level is achieved by reporting against the SDG targets and 'ABC' impact classifications. This is analogous to the differences between internal management accounting and external financial accounting and disclosures.

The Standards deliver this clarity, consistency and transparency about the nature and depth of SDG impact by embedding the Impact Management core elements:

- Five dimensions of impact
- Everything we do has impacts on people and the planet. To understand any impact, we must understand five dimensions of performance: What, Who, How Much, Contribution and Risk.
- Impact data categories
- To understand performance on each dimension of impact, we use a consistent framework comprising 15 data categories. Users can then estimate the positive, negative, intended and unintended impacts of each asset or activity consistently, which provides greater context about the nature and depth of SDG impact (and where there may be limitations or gaps in our understanding).
- ABC impact classifications
  The total impact of an asset or activity is the combination of its impacts on people and planet, which can be assessed as 'Acting to Avoid Harm', 'Benefiting Stakeholders', or 'Contributing to Solutions'.

23 https://www.fsb-tcfd.org/
24 https://www.globalreporting.org/Pages/default.aspx
25 https://integratedreporting.org/resource/international-ir-framework/
26 https://impactmanagementproject.com/

The **IMP ABC Impact Classifications** have been adapted for these Standards to better clarify the differences between act to Avoid harm, Benefit Stakeholders, and Contribute to solutions in the context of the SDGs:

May or Does Cause Harm that Detracts from achieving the SDGs

A — **Acting to avoid harm that detracts from achieving the SDGs** (preventing or significantly reducing important negative outcomes for people and the planet). For example, reducing CO_2 emissions, or reducing child labour in supply chains. This includes environmental, social and governance risk management.

B — **Benefiting Stakeholders in relation to the SDGs** (not only acting to avoid harm, but also generating positive outcomes for people and the planet). For example, selling products that support good health or educational outcomes. This includes pursuing environmental, social and governance opportunities.

C — **Contributing to solutions towards achieving the SDGs** (not only acting to avoid harm, but also generating a significant change resulting in important positive outcome(s) for previously underserved people and the planet, where the outcomes are linked to identified SDG priorities in their specific context). For example, providing health or educational services in communities that currently have no access to them, or providing financial services to people without credit or banking services.

What if we don’t have all the impact data?

The five dimensions of impact and 15 data categories provides a consistent framework for measuring and understanding impact. It is not uncommon for issuers to find there are gaps in the data they have collected, or that some data are not available or reliable.

The Standards provide a framework for identifying these gaps and promoting transparency about where gaps exist and the veracity of available data. This process of identifying and disclosing data gaps or limitations also facilitates better decision making at the market level, by demonstrating good practice. Over time, gaps will become clearer, allowing enterprises and investors to identify where to devote resources.

An important rule of thumb in considering whether data is sufficient is to ensure there is *sufficient precision for the decision.* Data is important only to the extent that it helps users make better decisions.

Will using the Practice Assurance Standards increase our reporting burden?

No. The Practice Assurance Standards facilitate more streamlined, consistent reporting.

In the same way that well-defined and transparent management accounting practices provide the foundation for financial reporting, robust impact management systems provide the foundation for internal impact decision making and external reporting requirements under multiple frameworks.
Adopting the Practice Assurance Standards can deliver significant benefits and efficiencies over time.

Do the Practice Assurance Standards prescribe specific metrics or taxonomies?

No. A key strength of the Standards is that they give users the flexibility to choose the impact metrics or taxonomies that are most relevant at the underlying activity/project/investment level.

They provide the framework or decision tree to ensure a rigorous process of metric selection and ongoing review (as knowledge advances or the sustainable development context changes). The guidance provided reflects that good practice involves using established, evidence-based and accepted metrics or taxonomies first and set an expectation that users will be transparent about when that is not done and why.

By incorporating the SDG goals and targets and IMP's five dimensions of impact and 'ABC' impact classifications into the core design of these Standards, the underlying activity/project/investment specific metrics are transformed into higher order metrics that enable impacts to be aggregated and communicated using a consistent and comparable basis.

This provides consistency and comparability at the portfolio and market level, without compromising on relevance at the underlying activity/project/investment level.

ADOPTING THE PRACTICE ASSURANCE STANDARDS

What are the Practice Assurance Standards for SDG Bonds?

Step by step, the Standards guide users through defining their SDG goals, including linking these to in-country SDG priorities and (for issuers) the SDGs that are most relevant to their business and those impacted by its activities, and embedding impact measurement and management into design. They embed positive feedback loops for continuous improvement, maintain transparency and comparability in reporting, and establish effective governance and responsible business processes.

Six Standards reflect core elements of accountable impact practice.

These six Standards are organized in four parts:

- Strategic intent and impact goal setting
- Impact measurement and management
- Transparency and comparability
- Context and governance.

Summary Table

STRATEGIC INTENT AND IMPACT GOAL SETTING	
1	The SDG Bond Program has clearly defined and contextualized SDG impact intentions and strategic impact goals
IMPACT MEASUREMENT AND MANAGEMENT	
2	The Issuer embeds sound impact measurement and management practices into the design and operation of the SDG Bond Program
3	The Issuer establishes Eligibility Criteria to select and undertake ex-ante impact assessments of potential Qualifying Activities for its SDG Bond Program
4	The Issuer systematically measures and manages the ongoing impact performance of its SDG Bond Program
TRANSPARENCY AND COMPARABILITY	
5	The Issuer discloses information about, and regularly reports on, its SDG Bond Program in a manner that promotes SDG impact integrity, transparency and comparability
CONTEXT AND GOVERNANCE	
6	The Issuer's governance processes provide the appropriate operating context for, and effective oversight of, the SDG Bond Program

Who can use the Standards?

- The Standards are targeted at actors who direct private investment activity towards achieving the SDGs and promoting market development. This audience includes:
- Issuers
- Investors, and
- Other actors (such as assurers, development finance institutions and governments).

Why should SDG Bond issuers use the Standards?

By using these Standards, issuers can:

- map out their own internal impact measurement and management practices (and design their impact management systems) to support both internal decision making and external reporting requirements under multiple frameworks
- review strengths and possible gaps in an SDG Bond Program's adherence to the Standards
- note any implications for rectification and marketing of an SDG Bond Program's adherence to SDG claims
- model future bond issues to comply with the Standards
- determine readiness to apply for certification of the SDG Bond Program by a UN accredited certifier, if desired.

Why should investors use the Practice Assurance Standards?

By using these Standards, investors can assess the SDG-enabling attributes of various SDG Bonds. They can frame their investment guidelines and identify questions for issuers about the SDG-enabling attributes of their bonds.

They can set their expectations about SDG-enabling attributes of bonds, and signal these expectations to the market. By doing so, they help develop the market for SDG Bonds.

The Standards can also help investors to push for greater standardization of practice and external assurance of bonds making SDG-enabling claims.

Why should other actors use the Practice Assurance Standards?

By using these standards, assurance providers, analysts, advisors and research houses can:

- assess and / or verify the impact practices of SDG Bond issuers
- benchmark and compare the impact management practices across SDG Bond Issuers, or
- provide guidance on impact management practices.

Like investors, these other actors can use the Standards to set and signal expectations about the attributes of SDG Bonds.

What do the Practice Assurance Standards–SDG Bonds cover?

These Practice Assurance Standards apply to defined SDG Bond Programs, including:

- Use-of-Proceeds bond programs issued under the International Capital Markets Association's (ICMA) Green/ Social/ Sustainability (GSS) Bond Principles and Voluntary Process Guidelines for Issuing GSS

Use-of-Proceeds Bonds[27], certified by the Climate Bonds Institute[28], or issued under the proposed EU Green Bond Standard[29]

- SDG-linked bonds where the coupon payable by the bond issuer is linked to achieving targets against specific SDG outcomes.[30]

Can the Practice Assurance Standards–SDG Bonds be applied to government bonds?

The intention is that the Practice Assurance Standards are agnostic as to the issuer. Both sovereign and sub-sovereign bonds will have a significant role to play in achieving the SDGs, including response and recovery to COVID 19. Adaptations will be made in the subsequent versions to cater to the governance and operating context of national, sub-national and municipal governments.

Feedback is welcome through the consultation process on which Indicators of Practice, evidence and guidance will require adaptation: for example, in Indicators of Practice for Standard 6 Government, institutional frameworks including advisory and governance bodies replace corporate governance and Board, links to national development plans and strategies including Voluntary National (or Local) Reviews on SDGs and related policy priorities replace corporate strategy, application of the rule of law and related considerations replace responsible business practices.

Are there practice assurance standards for other asset classes?

SDG Impact is also developing two more sets of practice assurance standards:

- Practice Assurance Standards for Private Equity, which will apply to private equity and debt and venture capital. Feedback on the first consultation draft of the Private Equity Standards has informed the SDG Bond Standards. We expect to release a second consultation draft of the Private Equity Standards in Quarter 2. This will follow the simplified structure of the SDG Bond Standards.
- Practice Assurance Standards for Enterprises, which will apply to other activities of enterprises, including general purpose bonds and other obligations (such as loans and equities). We expect to release a first consultation draft of the Enterprise Standards by mid-year.

How do we address each Standard?

The information requirements for each Standard are layered, to engage with different users at different levels, and to make the requirements as digestible as possible.

Practice Indicators identify points of assurance. There are 25 core indicators and 13 expanded indicators:

- The core indicators reflect current market practice, setting a high—but attainable—bar that will drive the change needed to meet SDG targets by 2030.
- The expanded indicators encourage continuous improvement and provide a pathway for those leading practice to differentiate themselves from the rest of the market.

Evidence relating to each Practice Indicator guides implementation and informs self-assessment and independent assurance.

27 https://www.icmagroup.org/green-social-and-sustainability-bonds/
28 https://www.climatebonds.net/
29 https://ec.europa.eu/info/publications/sustainable-finance-teg-green-bond-standard_en
30 UN Global Compact, SDG Bonds: Leveraging Capital Markets for the SDGs, 2019; for example, Enel 2019 general purpose SDG-linked bond

Guidance notes and resources inform consistent application and list useful resources, including links to best practice tools, frameworks or examples.

The Standards were developed to guide both issuers—to implement and operationalize good practice—and assurers—to determine and assure good practice.

What if we don't have all the evidence we need?

It is not uncommon for issuers to find that initially they do not have all of the evidence they need to demonstrate they meet the Standards. Some issuers may not meet all of the core Standards at the outset.

The Standards provide a framework for identifying these gaps – whether they be in practice and/or in record keeping. This enables issuers to identify where to devote resources and to plan towards fully meeting and/or evidencing conformance with the Standards.

How can we demonstrate we meet the Practice Assurance Standards?

The draft Standards propose the following assurance and certification process for issuers.

Each Practice Indicator will be assessed as *'not yet observed'*, *'developing'* or *'developed'*. Evidence of practice for each indicator is set out in the Standards.

Issuers can have the impact practices relating to their SDG Bond Programs certified by an independent, UNDP accredited verifier. Issuers assessed as *'developed'* in each of the 25 core Practice Indicators will be certified as complying with the Standards. An issuer may be certified subject to qualification, if they and the accredited certifier agree on realistic plans to address key areas.

The accreditation process for assurers is being developed in tandem with consultation on the Standards.

How will eligibility for an SDG Impact Seal be determined?

Issuers can apply for the SDG Impact Seal if they are independently certified as *'developed'* on all core Practice Indicators and as *'developing'* or better in at least half of the expanded Practice Indicators.

If approved to use the SDG Impact Seal, issuers must agree to the terms and conditions.

We are working with experts on developing the governance framework for certification and approval to use the SDG Impact Seal. The governance framework will cover:

- accrediting assurers
- quality assurance of assurance
- managing complaints and reviewing decisions
- periodic review, currency and revocation of certification.

We will provide more information on the governance structure and procedures will be available in Q4 of 2020.

Will assurance and certification be compulsory?

No. We recommend issuers have their impact practices assured against these Standards by an independent, UNDP accredited certifier.

Enterprises and investors can use the Standards to guide practice without being assured but will not be eligible for certification.

How will UNDP support implementation of the Standards?

UNDP is commissioning a training program to accredit certifiers. It is also commissioning an online course led by Duke University, which practitioners can access which is expected to be available in 2021.

UNDP is investigating delivery of the Standards via an interactive web-enabled platform to make interaction with the Standards more efficient, enable more active participation and engagement with the Standards, and support the governance of the assurance framework.

How can I engage in this process?

The public consultation period for these Practice Assurance Standards for SDG Bonds is 3 three months.

Your feedback is welcome. UNDP is seeking input from a broad range of stakeholders and you are encouraged to draw the opportunity to contribute to others, including:

- the investment and business community
- civil service organizations
- organizations expert in human rights and the rights of indigenous peoples
- other United Nations bodies and initiatives
- relevant industry groups.

Download the Practice Assurance Standards and FAQs at: https://sdgimpact.undp.org/#what-we-do

Provide your feedback to sdgimpact.standards@undp.org

If you have any questions, contact us at sdgimpact.standards@undp.org