Corporate Finance

A Roadmap to Mainstream SDG Investments

Prepared by
The UN Global Compact Action Platform
on Financial Innovation for the SDGs

United Nations Global Compact

UNEP FINANCE INITIATIVE

ABOUT THE UNITED NATIONS GLOBAL COMPACT

The **United Nations Global Compact** is a call to companies everywhere to align their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to take action in support of UN goals and issues embodied in the Sustainable Development Goals. The UN Global Compact is a leadership platform for the development, implementation and disclosure of responsible corporate practices. Launched in 2000, it is the largest corporate sustainability initiative in the world, with more than 9,500 companies and 3,000 non-business signatories based in over 160 countries, and nearly 70 Local Networks.

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ABOUT THE ACTION PLATFORM ON FINANCIAL INNOVATION FOR THE SDGs

The *UN Global Compact's Financial Innovation for the SDGs Action Platform* brings together a multi-disciplinary group of finance practitioners and experts to develop innovative private financial instruments that have the potential to direct private finance towards critical sustainability solutions. Led in collaboration with the Principles for Responsible Investment (PRI) and the United Nations Environment Programme Finance Initiative (UNEP FI), the platform will develop guidance on impact investment strategies that support the Sustainable Development Goals (SDGs), map current and emerging financial instruments, and provide a laboratory for the development of new innovative instruments. Ultimately, the goal is to improve the risk/return profile of SDG investments to attract institutional investors.

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ABOUT

Corporate Finance — A Roadmap to Mainstream SDG Investments is part of a broad agenda of the United Nations Global Compact to secure private capital for the Sustainable Development Goals (SDGs). The goal is to galvanize companies and their Chief Financial Officers (CFOs) or Corporate Treasurers to tap into the capital markets to support their companies' efforts to contribute to the SDGs. We also aim to inspire major players in the investment community to increase their allocation of capital toward SDG investments and to contribute to closing the financing gap for the SDGs.

This document was prepared by the United Nations Global Compact Action Platform on Financial Innovation for the SDGs, a group of organizations representing the entire investment value chain, including corporate and sovereign issuers, banks, institutional investors, UN agencies and development banks.

The goal of the Action Platform is to provide guidance on investment strategies that support the Sustainable Development Goals. The Action Platform maps current and emerging financial instruments and serves as a laboratory for the creation of innovative new instruments.

This document along with the publication *SDG Bonds: A Roadmap to Mainstream SDG Investment* seeks to inspire the development of a market for mainstream SDG investments, with enough scale, liquidity and diversification to attract large institutional investors and finance a broad set of private- and public-sector activities in support of the SDGs.

Action Platform Participants

Real Economy	enel, eni, 中国石化 SINOPEC, IBERDROLA, PIRELLI, Terna
Banks & Insurance	BANK OF AMERICA, ANZ, AVIVA, Itaú
Institutional Investors	PIMCO, SOMPO HOLDINGS Sompo Japan Nipponkoa Asset Management
Development Banks	国家开发银行 CHINA DEVELOPMENT BANK, IDB, Sida, IFC International Finance Corporation WORLD BANK GROUP, THE WORLD BANK
Investor Initiatives	PRI Principles for Responsible Investment, UNEP FINANCE INITIATIVE, GLOBAL IMPACT INITIATIVE, Sustainable Stock Exchanges Initiative
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INTRODUCTION

In September 2015, all 193 Member States of the United Nations adopted the 2030 Agenda for Sustainable Development, a 15-year plan to end extreme poverty, fight inequality and injustice, and protect our planet. At the heart of Agenda 2030 are the 17 Sustainable Development Goals (SDGs) and 169 underlying targets.

According to some estimates, implementation of the SDGs will open market opportunities valued in trillions of U.S. dollars. The Business Commission for Sustainable Development identified some 60 sustainable and inclusive market "hotspots" in four key economic sectors worth at least US$ 12 trillion: Energy, US$ 4.3 trillion; Cities, US$ 3.7 trillion; Food and Agriculture, US$ 2.3 trillion; and Health and Well-Being, US$ 1.8 trillion.[1]

At the same time, many of the world's largest institutional investors see the goals as a key framework to serve the growing demand for impact investments. A recent Principles for Responsible Investment (PRI) publication The SDG Investment Case, points out the alignment of Principles and SDGs:

> Since the launch of the Principles for Responsible Investment in 2006, the preamble to the Principles has said: "We recognise that applying these Principles may better align investors with broader objectives of society." Never before have these "broader objectives of society" been more clearly defined than in the SDGs.[2]

The SDGs create tremendous opportunities for companies, and contributing to them will require substantial capital. Whether entering new markets or developing new business models, companies will need to raise capital for research and development (R&D), human resources, physical assets and other activities.

In this publication, we introduce an integrated model for corporate SDG finance to support the many ways businesses can contribute to the SDGs while creating a broad market for investors seeking credible impact investments. We seek a paradigm shift where companies compete for capital based not only on their investment thesis, but also on their SDG impact thesis. We believe that efficient capital markets can encourage companies to experiment with and improve upon a wide range of sustainability solutions, and overtime, help identify the most effective ways to contribute to the SDGs.

"To drive meaningful sustainable finance strategies, we believe that a company should apply a holistic, consistent and integrated model for corporate SDG finance. At the UN Global Compact, we are creating tools, guidance, and training for companies to incorporate an SDG lens into their corporate strategy."

LISE KINGO, CEO & EXECUTIVE DIRECTOR OF THE UNITED NATIONS GLOBAL COMPACT

The goal is to champion Chief Financial Officers (CFOs) and corporate treasurers as the stewards of trillions of US dollars in investments that can contribute directly to the SDGs. Involving CFOs and corporate finance professionals means giving a voice to companies to participate meaningfully in the SDG finance agenda. It enables companies to compete for impact-oriented capital by proactively communicating the effectiveness and impact of private sector solutions for the SDGs. It further promotes the credibility of companies as scalable investment vehicles for the SDGs, including through foreign direct investments in emerging and least developing markets.

1 *Better Business, Better World*, Business Commission for Sustainable Development, January 2017.

2 *SDG Investment Case*, Principles for Responsible Investment, 2017.

"Sustainability means value. The challenge is to help investors and corporates to shift to a sustainable long-term perspective on corporate strategy and business model. If it's clear to investors that the business model is sustainable, mainstream financing products are an effective way to address the SDG financing GAP."

**FRANCESCO STARACE,
CHIEF EXECUTIVE OFFICER OF ENEL**

The goal is also to develop a model where investors can identify companies dedicated to the SDGs and to provide accountability on how funds raised through traditional corporate finance tools are used for SDG-related activities. In doing so, we address the needs of companies that contribute to the SDGs at the corporate level but cannot always isolate their contribution through a specific investment or a stand-alone asset, as contemplated by the green, social and sustainability bond market. This includes companies that are primarily focused on SDG solutions and those that are partially focused on SDG solutions through one or several of their main activities. It also includes companies adopting sustainable business models or transitioning from stranded assets due to sustainability trends.

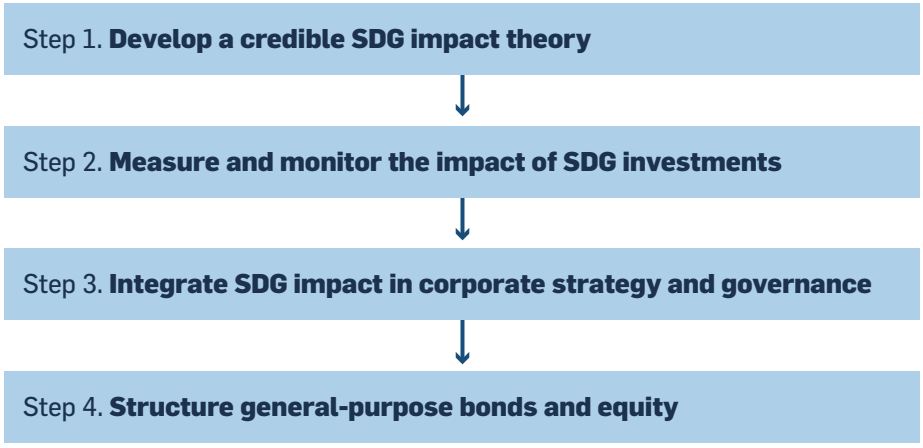
An integrated model for corporate SDG finance provides an answer for the growing interest among investors to support sustainability through investment in general-purpose bonds and equity of companies with a positive contribution to the SDGs.[3]

The Head of Sustainability Investing Research at RobecoSAM describes the creation of new funds invested only in bonds of companies with a positive or at least neutral SDG rating as helping to "define impact in the context of publicly traded securities…providing the scale and financial returns required by the world's largest investors."[4]

WHAT IS THE INTEGRATED MODEL FOR CORPORATE SDG FINANCE?

The Integrated Model for Corporate SDG Finance is designed to inspire companies to develop a unique theory of SDG impact and integrate it into their strategic and governance procedures, including board oversight, internal

Integrated Model for Corporate SDG Finance



3 For example, BlueOrchard SDB Impact Bond Fund, launched in August 2018, is a diversified portfolio of impact bonds that advance the SDGs in emerging markets, issued by development banks, commercial banks and real economy companies.

4 Robeco Global SDG Credits Strategy. See https://www.robeco.com/en/media/press-releases/2018/robeco-and-robecosam-launch-global-sdg-credits-strategy.html.

and external audits, and public reporting. Because the scope of the SDGs is broad and the goals are interconnected, raising capital for the SDGs will require companies to develop a more comprehensive and integrated impact thesis.

The model creates a path toward issuing a full range of corporate finance instruments to support corporate-level SDG contributions. These include loans, use-of-proceeds bonds, general-purpose bonds, and equity. The model supports all SDG contributions from a broad range of corporate activities and industry sectors, whether or not they are tied to a specific asset (real or financial) or managed as a separate project.

The model accomplishes the following:

- It **allows companies to develop unique theories of impact** that describe how they contribute to the SDGs based on their specific capability, footprint, and operating context. The model creates an opportunity to expand the scope of SDG activities that can be financed through SDG bonds, beyond the current taxonomy of eligible assets. It also empowers companies to promote their impact strategy to capital markets, alongside their investment thesis, and compete for impact capital with the most effective solutions for the SDGs.
- It **leverages existing corporate governance mechanisms in place at most publicly listed companies** to provide investors assurance that funds are used toward impactful activities. In this model, companies define and implement their unique SDG impact theory as part of their primary strategy. Compliance with the impact theory is then monitored through corporate governance procedures, including board oversight, internal and external audits, and public reporting. The model builds on ICMA's guidance for green bonds by integrating the structure and governance mechanisms of green bonds into the existing management and governance structure of a corporate environment.
- It provides investors with an understanding of **impact in the context of a company's overall strategy and activities**, beyond isolated assets or projects. This is particularly important as the market expands from green- and social-only bonds to SDG bonds. As the scope of impact of the SDGs is broad and the goals are interconnected, SDG bonds will require a more comprehensive and integrated impact thesis. The model also provides an opportunity for companies to address both the positive and negative aspects of their contribution to the SDGs.
- In this integrated model for SDG Finance, **impact theory is a part of the primary strategy monitored through corporate governance procedures**, including board oversight, internal and external audits, and public reporting. The model builds on ICMA's guidance governance mechanisms of green bond existing management and governance structure.
- It **enables companies to use a variety of financial instruments to support their SDG strategy**, including use-of-proceed bonds, general-purpose bonds, and equity. It helps expand the scale and diversity of corporate SDG bonds while developing a market for SDG-themed equity investments.

LEVERAGING MARKET EFFICIENCY TO SPUR INNOVATION

The bond and equity markets, given their size, benefit from the self-disciplining effect of large and efficient capital markets. Millions of independent agents compete for price discovery and ensure a high level of transparency and accountability.

Mainstream capital markets can play an essential role in finding the most effective solutions for sustainable development by promoting competition and price discovery. Companies and investors will race to the top to maximize their impact investments.

Applying the efficient market hypothesis to sustainable investments, we envision that a critical mass of independent market participants would contribute to the identification and pricing of the most effective private sector solutions to SDGs. Ultimately, an SDG investment market with enough scale, liquidity, and transparency would act as a market clearing mechanism for investments with the highest impact per unit of risk-adjusted return.

FOCUS ON EMERGING MARKETS AND FOREIGN DIRECT INVESTMENT

Another major focus is **SDG financing in emerging markets**, where investments are **critically needed** and access to capital is **limited and expensive**. In these markets, foreign direct investment (FDI) is an important external source of financing.

According to UNCTAD,[5] FDI constituted the most significant external source of financing for developing economies between 2013 and 2017 (39% average), followed by portfolio investments (18%) and bank loans (9%). In the least developed countries (LDCs), the primary sources of external finance during this period were Official Development Assistance (ODA) and remittances; however, FDI remained a substantial source of external financing at 21%, and the contribution of bank loans reached 14%.

Multinational companies with significant operations in emerging markets and access to global capital markets can significantly contribute to closing the SDG funding gap through FDI. By extension, **corporate finance** in the form of corporate bonds and equity that support an integrated SDG strategy in emerging markets can become a major source of SDG investment.

5 *World Investment Report 2018*, UNCTAD.

STEP 1. DEVELOPING A CREDIBLE IMPACT THEORY

A credible impact theory[6] is a necessary starting point for issuing a general-purpose SDG bond because it substantiates how a company contributes to the SDGs, outside of a pre-defined category of eligible assets and projects. It is also a proactive strategy for setting impact goals, targets and KPIs,[7] as well as the basis for developing effective impact measurements.

In the following sections, we introduce important characteristics that should be considered when developing a theory of impact. We also provide guidance on how companies can develop a credible impact theory based on (i) sustainable business models that can deliver both profits and impact, (ii) benchmarking of impact at the industry level to demonstrate competitiveness and address potential negative impact, and (iii) contribution to specific SDGs gaps and solutions identified by Governments as part of their SDG national review and country plan.

CHARACTERISTICS OF A CREDIBLE SDG IMPACT THEORY

The following are important characteristics to consider when creating a credible SDG impact theory:

- **Intentional.** A credible impact thesis is based on a proactive and decisive approach to how and to what extent a company will contribute to the SDGs. This should be defined at the onset of the investment (*ex-ante*).
- **Specific.** The impact thesis should be specific, describing the unique way in which an asset or activity contributes to the SDGs. This should be in addition to the impact already associated with the company's usual assets or activities.
- **Relevant.** Impact should be relevant based on needs. A gap and opportunity analysis can show where investments are most needed and where they can be most effective in providing solutions for the SDGs.[8] Impact is of higher magnitude if companies are making changes where the regulatory environment is less supportive.
- **Intensity.** The intensity of impact refers to the effectiveness of the proposed solution and whether it is the best way to contribute to the specific SDG gap. This can be assessed using a ratio of impact per dollar invested and comparing the level of effort spent to make the same change in different markets.
- **Balanced.** The SDG impact theory should address not only the positive contribution of an SDG investment, but also potential negatives in terms of environmental and social impacts.
- **Comparable.** The impact thesis should allow comparisons with the impacts, both positive and negative, generally associated with similar types of assets or activities.
- **Measurable.** Impact should be measurable and tracked over time. Targets and indicators should be developed so that progress toward the SDGs can be analyzed.
- **Integrated.** The SDG impact theory should be integrated into the company's strategic management and governance procedures.

This approach is consistent with several emerging frameworks for impact measurement of investments, including IFC's new AIMM framework (see Box 1).

6 The terms "impact theory" and "impact thesis" are used interchangeably.

7 Guidance on developing an impact theory (Step 1) and measuring and monitoring impact (Step 2) was developed for general-purpose SDG bonds. However, it can also be used to add credibility to corporate use-of-proceed bonds.

8 For example, the relevance of providing low-income access to medicine will depend on the incidence of a certain disease among under-privileged populations in the specific country targeted.

Box 1. IFC's Anticipated Impact Measurement and Monitoring (AIMM) Framework

AIMM is IFC's new framework for impact measurement. It is designed to estimate, monitor, and measure the expected—or ex-ante—development impact of projects. The measurement framework assesses both (i) the development gap that an investment is designed to fill and (ii) the intensity of impact (impact per dollar invested). It builds upon DOTS, IFC's previous impact measurement system.

SUGGESTED ELEMENTS OF AN IMPACT THEORY

In this section, we provide practical suggestions on how to develop an impact theory that is unique, relevant, and comparable. This is based on sustainable business models, industry benchmarks, and alignment with country plans.

Business Models for the SDGs

As outlined in the previous section, a credible impact theory should be unique and describe the specific way in which a company plans to contribute to the SDGs. A company's SDG impact thesis should be developed at the business level, describing new sustainable business models and market opportunities that are aligned with the SDGs and can deliver both impact and profit.

New Business Models

New sustainable business models, such as circular economy, sharing economy, and inclusive economy, are scalable solutions to make business less resource-intensive and more inclusive. Consistent with many of the SDGs, they maximize the resource efficiency of production and consumption and extend the usability of products and assets. These new business models include sustainable practices such as:

- Renewable energy, and energy resilience and efficiency
- Closed-loop manufacturing
- Extending the lifetime of products
- Product-as-a-service
- Leasing vs. owning
- Sharing products and assets with a low-use rate

For example, with the product-as-a-service and leasing models, the incentive for lifecycle efficiency of products shifts from the consumer to the producer and service provider, creating strong economic incentives for energy efficiency and product longevity, safety, and maintenance. These models also reduce upfront financing costs for buyers, which can provide low-income populations better access to basic products and services.

In its position paper *Rethinking Impact to Finance the SDGs,*[9] UNEP FI suggests that an inclusive and holistic approach focused on impact could become the driver of a "complete disruption in business models," with positive impact becoming the driver of long-term value creation rather than the externalities of product/service centric business models. For example, companies could integrate impact-value chains around themes such as mobility, energy access, and efficiency, thereby providing multi-impact solutions. This type of approach would result in significant reductions in cost-to-impact ratios, making the SDGs more affordable and therefore more achievable.

New Markets and Consumers

Ending poverty, reducing inequality, and ensuring universal access to necessities — all pillars of the SDGs — can lead to the creation of new markets and the growth of existing markets. These new markets and consumers include:

- Bottom-of-the-pyramid (BoP) models for affordable products and services
- Rising income from reduced inequality
- An emerging middle class resulting from poverty eradication
- New paying consumers for essential needs, including healthcare and energy

9 *Rethinking Impact to Finance the SDGs, A Position paper and Call to Action*, UNEP FI's Positive Impact Initiative (November 2018).

Transitioning Stranded Assets

While achieving the SDGs will open opportunities for new technologies and markets in many sectors, it may also render certain assets and solutions less relevant or even undesirable. For example, the clean energy transition may cause some incumbent assets in the power industry to become obsolete. Such assets are often described as stranded assets.[10]

While it is understandable for investors to want to identify stranded assets and reduce their exposure, there may be a societal loss when these assets, which represent substantial economic investments and significant sources of employment, are abandoned.[11] In these circumstances, positive social impact can be created by not only financing new technologies, but also by supporting the transition process as companies change their business models or adopt new technologies. Transition strategies could include re-purposing older assets, retiring assets, and retraining the workforce. The goal is to enable an orderly transition from stranded assets while minimizing negative economic and social impact.

Financial Intermediation

Financial intermediation plays a critical role in providing private capital for the SDGs when capital markets are not available, and it can be the basis for a compelling SDG impact theory. In fact, many social bonds and sustainability bonds (including all those designated as SDG bonds) were issued by financial institutions (e.g. ANZ, HSBC, Société Générale, and the World Bank). Some of the benefits of financial intermediation include:

- **Financial access.** Banks and other financial institutions can raise funds in the public capital markets to back SDG-related activities that currently lack access to financing.
- **Multiplier effect.** Financial intermediation can leverage the original investment into many other investments and spur financing at the local level, with high potential for SDG impact. It can also trigger the multiplication effect of money creation typical of well-functioning economies.
- **Local ownership.** If done at the local level, financial intermediation can result in transfer to local ownership of real and financial assets, driving further economic and social development.
- **Leverage for impact.** Banks and other financial institutions have more leverage than public investors when negotiating financing terms and can more easily require commitments from clients to maximize the SDG impact of their activities.

For an example, see Table 1 for an excerpt from ANZ's SDG Bond prospectus, which details various banking-related activities that will be financed by the bond.

Industry-Level Contribution

An industry analysis of the most relevant SDGs can help companies prioritize and align their efforts with industry peers to leverage the power of collective action. It can also establish benchmarks to compare companies and their positive and negative contributions to the SDGs.

Prioritizing and Aligning Sector Contribution to the SDGs

A sector approach to SDG contribution is an opportunity to prioritize and maximize the SDG contribution of companies in a specific sector. Maps of SDG contribution by industry, such as the UN Global Compact-KPMG *SDG Industry Matrix*,[12] can guide companies in selecting the SDGs that are most relevant.

10 "Stranded assets" are assets that have suffered from unanticipated or premature write-downs, devaluations or conversion to liabilities. Source: Stranded Assets Programme, They can be caused by a range of environment-related risks and these risks are poorly understood and regularly mispriced, which has resulted in a significant over-exposure to environmentally unsustainable assets throughout our financial and economic systems. University of Oxford's Smith School of Enterprise and the Environment.

11 See research on this topic by the Climate Policy Initiative. See for example: Moving to a Low-Carbon Economy: The Impact of Policy Pathways on Fossil Fuel Asset Values. October 2014.

12 *SDG Industry Matrix*, UN Global Compact, KPMG, 2015. https://www.unglobalcompact.org/library/3111

Table 1. SDG Bonds for Financial Intermediation — ANZ

Excerpt from Bond Prospectus, Eligible Categories Detail

Eligibility Criteria: Activities that provide access to essential health-care services, promote mental health and wellbeing and achieve universal health coverage

Examples: Public hospitals, private hospitals that are non-for-profit or provide social benefit programs to disadvantaged communities, aged care services

Eligibility Criteria: Activities that provide access to safe and affordable drinking water, improve water quality and/or increase water use efficiency

Examples: Water treatment facilities, water supply and distribution, water recycling facilities

Eligibility Criteria: Activities that promote equal access for all men and women to affordable and quality education

Examples: Technical, vocational and tertiary education providers, construction of facilities such as tertiary campuses, universities, student housing or training infrastructure

Eligibility Criteria: Activities that increase the share of renewable energy in the global mix, and expand infrastructure and upgrade technology for supplying modern, reliable and sustainable energy services for all

Examples: Wind, solar, hydro power, biomass, or geothermal generation, as well as energy efficient technologies in new and refurbished buildings, energy storage, district heating or smart grids

Source: ANZ

When constructing their theory of SDG impact, companies can refer to a recent PRI publication, *Impact Investing Market Map.*[13] The Map provides a practical link between the SDGs and real-world impact investment opportunities around ten environmental and social investment and business themes which, by their nature, are intended to contribute to sustainability and the SDGs.

The themes are:

- Energy Efficiency
- Green Buildings
- Renewable Energy
- Sustainable Agriculture
- Sustainable Forestry
- Water
- Affordable Housing
- Education
- Inclusive Finance
- Health

Another resource for formulating an impact theory is the *SDG Sector Roadmaps*, created by the World Business Council for Sustainable Development (WBCSD). The Roadmaps articulate how industry sectors can contribute to the achievement of the SDG agenda and establish a common pathway for companies within a sector to accelerate and optimize their contribution (see Figure 2).

Lastly, a sector approach can help assess the competitiveness of companies in delivering positive impact while addressing potential negative impacts generally associated with the industry. The *SDG Sector Roadmaps* also feature a sectoral SDG materiality matrix that highlights areas (i) where companies can make the most difference and (ii) where the need is greatest in terms of mitigating negative impact and maximizing positive impact.

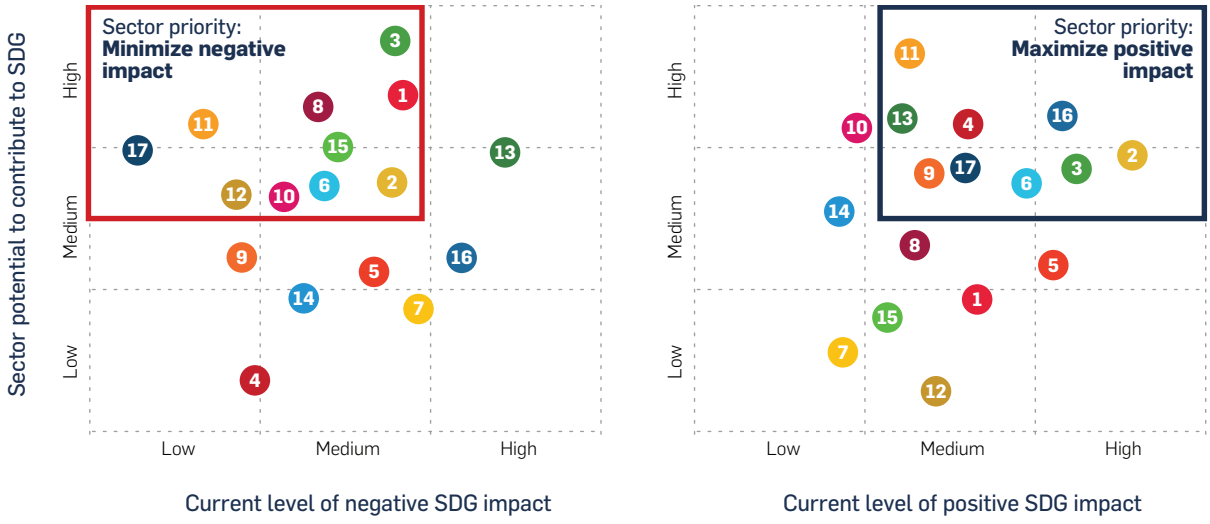
For an example, see Figure 1 on Sustainable Agriculture.

13 *Impact Investing Market Map*, Principles for Responsible Investment, 2018.

Figure 1. PRI Impact Investing Market Map (Excerpt)

Source: Principles for Responsible Investment

Figure 2. Sectoral SDG Matrices



Source: World Business Council for Sustainable Development

Benchmarking

As discussed in the previous section, a company's impact thesis should be **comparable** and balanced, considering the positive and negative impacts that are generally associated with similar types of assets or activities. This can be done through a comparison of the company's SDG contribution with industry peers. The World Benchmarking Alliance has a mission to provide free, publicly available corporate sustainability benchmarks based on sector-level contribution to the SDGs. Industry benchmarking can help identify key areas where companies in a specific industry can maximize positive impacts while minimizing negative impacts (see Figure 2).

Implementation Processes and Quality — Managing the 'How'

When evaluating the SDG contributions of companies, implementation processes and the quality of output should be taken into consideration. Typical elements include:

- Safety, reliability, resilience and economic efficiency given life-cycle cost and sustainability—particularly relevant for social services and infrastructure
- Social and environmental considerations, including protection measures and stakeholder participation in preparation and implementation
- Local job creation and transfer of expertise to contribute to sustainable growth

Location Specificity and Relevance to SDG Country Plans

A credible impact thesis should be relevant, based on a gap and opportunity analysis of where investments can be most effective in providing SDG solutions. This can be done by considering the specific challenges that countries face in implementing the SDGs and aligning company efforts with countries' economic, social, and environmental policies and strategies.

As part of their implementation of Agenda 2030, countries have been developing a series of national, regional, and local strategies that are documented in their Voluntary National Reviews (VNRs) and Nationally Determined Contributions (NDCs) and translated into national development plans. These national plans highlight the unique needs and challenges of a country and can function as a roadmap for private sector investment in the SDGs. They provide a baseline indication of where countries stand in their implementation of the SDGs and the gaps that can be filled by private sector solutions and private capital. They also provide a sense of how a Government prioritizes among the SDGs based on the situation in that country. Rather than making their own judgments on where investments are needed, investors can use these national plans to prioritize their investments and maximize impact at the local level.

SDG country plans can also inspire a collective effort by the private sector, increasing the scale and intensity of impact. For example, if a country has committed to climate mitigation through significant bolstering of solar energy capacity, impact will be magnified when multiple companies invest in building solar energy capacity in that country.

Investing in accordance with countries' SDG plans can also lead to better financial returns since the activities will likely receive direct or indirect support from the Government in the form of incentives, subsidies, or favorable policies and regulations. In turn, this can lead to more stable and longer-term private sector solutions to the SDGs.

Market risk and SDG investments

At a macro level, successful implementation of the SDGs can lead to a lower country risk premium in emerging and frontier markets. One of the main barriers to allocation of capital to the SDGs is the additional cost of capital resulting from higher risk associated with weaker country governance and lower economic development. This not only raises the cost of capital for local Governments and companies, but it can also exclude the participation of many institutional investors whose investment mandate and fiduciary duties restrict them to investment-grade options.

The challenge, however, is that the country risk premium in emerging markets often reflects the same development and institutional gaps that the SDGs aim to address. Therefore, investors in developing countries and least developed countries with strong commitments to successful implementation of the SDGs could expect lower country risk premiums.

Better financial results through aligning SDG investments with country plans

At the country level, SDG investments can benefit from the momentum created by Government commitment to Agenda 2030 and concrete actions to meet the SDGs, as detailed in their VNRs and NDCs. As discussed above, aligning SDG investments to country plans reinforces the credibility of an impact thesis and can lead to financial benefits such as co-investments or incentives offered by the public sector, potentially improving the risk-return profile of specific SDG investments. Businesses that implement the SDGs could benefit from Government incentives, subsidies, or favorable policies. For example, in the green bond market, some Governments have started to provide incentives in covering the additional costs related to issuance.[14]

Resources: SDG Compass

The SDG Compass guides companies in aligning their strategies as well as measuring and managing their contributions to the SDGs. It presents five steps that assist companies in maximizing their contributions: understanding the SDGs, defining priorities, goal setting, integrating sustainability, and reporting. The Compass was developed by the Global Reporting Initiative (GRI), the UN Global Compact and the World Business Council for Sustainable Development (WBCSD).

14 In 2017, the Monetary Authority of Singapore launched a Green Bond Grant scheme to cover the costs of external reviews for green bond issuance.

STEP 2. MEASURING AND MONITORING THE IMPACT OF SDG INVESTMENTS

In this section, we provide guidance on how the impact of SDG investments can be measured and tracked.

Methods for measuring and monitoring the impact of SDG investments should reflect the uniqueness, intentionality, and relevance of a company's impact theory (Step 1). Measurement methods should also allow for comparison with industry peers to ensure benchmarking and accountability. Structuring considerations for general-purpose corporate SDG bonds (Step 4) can also affect the choice of methods.

REFLECTING A COMPANY'S UNIQUE SDG IMPACT THEORY

As described previously, a credible impact thesis will be **unique, intentional, and relevant.** Measuring and monitoring the impact of corporate SDG investments should be based on the impact theory's pre-defined goals, targets, and indicators and allow investors to monitor progress in its implementation. Measures can reflect input or output of activities and assets. They can also gauge actual progress in filling the specific gaps in the realization of the SDGs.

At a broad level, we can distinguish **two categories of measurement methods: effort-based methods** (input) **and result-based methods** (output and outcome). See Figure 3.

Effort-Based Methods (Input)

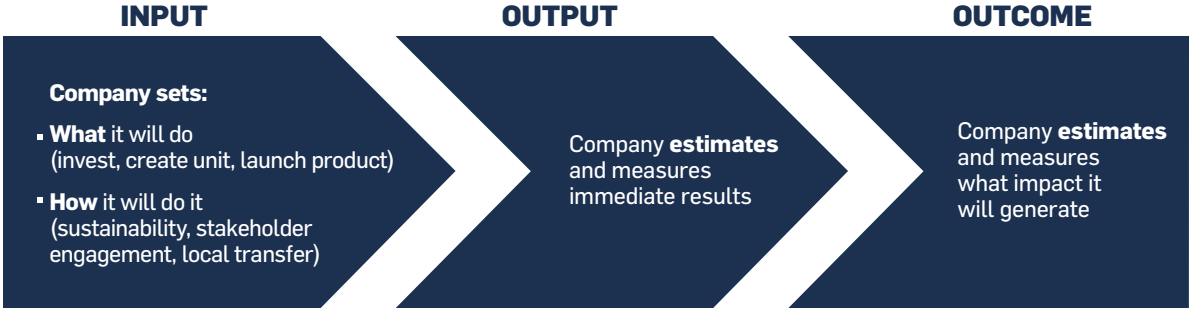
Effort-based methods consist of tracking the resources and efforts (input) directed towards the SDGs. Input tracking is ideal when there is a high correlation between efforts and results (e.g. investments in a solar power plant and reduction in GHG emissions). Effort-based measures of impact take two forms: monitoring investments, either internal or external, and monitoring strategic initiatives.

Monitoring Investments

Monitoring internal or external investments is the most straightforward form of impact measurement. For example, a company could invest internally in R&D for new products and services or a new production technology (e.g. clean energy and supply chain monitoring). It could also make an external investment to enter a new market. Similarly, a bank can invest internally in data security technology or it can invest externally, providing financing for access to essential services, energy efficiency technology, or renewable energy capacity.

In this case, impact can be measured through the amount and quality of investments in impactful areas. In other words, the focus is on the strategic deployment of capital toward impactful activities. This is the primary method for measuring the impact of green and social bonds, where the use of proceeds is restricted to eligible assets and projects that are "pre-qualified" for impact.

Figure 3. Comprehensive Model for Impact Measurement



For banks and financial institutions, an essential part of this strategic deployment of capital is to conduct the necessary due diligence and include contractual conditions that ensure downstream impacts of loans and other financial services. For example, a bank could include strong covenants for energy efficiency or other responsible business practices in its corporate loans.

Monitoring Strategic Initiatives

Effort-based measurement can also track internal strategic efforts or initiatives. Such efforts could include launching SDG-related products and services, improving the energy efficiency of internal operations, training employees to transition to new technology, or improving working conditions in supply chains. This type of measurement applies to companies that contribute to the SDGs through their overall organization and capabilities rather than through a specific financial investment or an asset that can be separately managed.

In this case, impact measurement can be done by establishing strategic goals and targets, followed by reporting on performance against these targets using key performance indicators (KPIs). For example, if a strategic goal were to improve working conditions in the supply chain, targets could be developed around the implementation of safety procedures and training. KPIs could then measure the stage of application of safety procedures and the number of employees who have received safety training.

Result-Based Methods (Output and Outcome)

Result-based methods can be grounded either on direct outputs (first-degree impact) or the ultimate outcome (second-degree impact) of SDG investments or strategic initiatives.

Output-Based Measures

Output-based measures focus on the quantity produced by an investment or strategic effort to promote the SDGs. For example, if the purpose of an SDG investment were to finance the construction of a solar power plant, the output could be the amount of solar-powered electricity produced. If the goal were to build capacity to provide basic goods and services to underserved populations, the output could be the number of goods sold and services provided. If funds were targeted for financial intermediation to empower certain communities or provide access to basic needs, the output could be the number of loans and financial services provided to the targeted communities.

Outcome-Based Measures

Outcome-based measures of impact focus on the consequences of investments or strategic initiatives, beyond their direct output. Staying with the examples above, the outcome from investments in clean energy could be reduction in total GHG emissions, and the outcome from providing financial access could be increased economic opportunity and a rise in income and standard of living. Other examples include improvement in education (Goal 4) and reduction of inequalities (Goal 10).

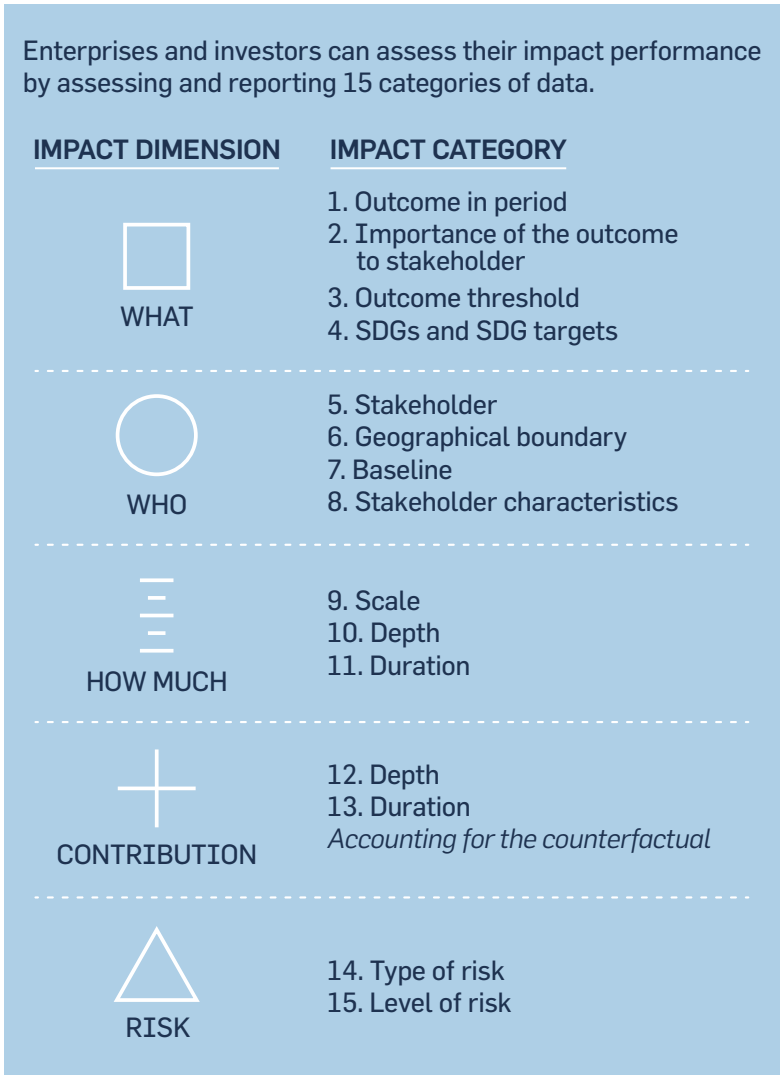
The benefit of outcome-based indicators is that they relate a company's contribution to the official goals and targets of the SDGs and provide insight into how the company is addressing a specific SDG gap at the country, regional, or global level. In other words, outcome-based indicators speak to the relevance of impact, a critical element of an impact theory

Outcome-based indicators can therefore be considered the **highest form of impact measurement**.

They can, however, also be the **most challenging** and often involve assumptions on causality and ambiguity as to the exact role of the issuer in bringing about the impact. Outcome-based measurements are particularly challenging in the following situations:

- When the outcomes sought are not necessarily within the company's control, for example, efforts to improve working conditions or the environmental footprint of supply chains
- When outcomes are less directly correlated to investments or efforts, for example, the impact of financial access on economic development

Figure 4: Impact Management Project



Source: Impact Management Project

ALLOWING FOR COMPARABILITY

While measurement of SDG impact should reflect a company's unique impact theory and strategies, it should also be comparable to allow investors to benchmark the effectiveness of the company's proposed solution against those of peers in similar industries, locations, and operating contexts. That is, measuring and monitoring of SDG impact should use comparable, business-level indicators for similar investments by companies in the same industry. As discussed above, measurements should also be comprehensive to assure investors that companies are accountable for any negative impacts associated their activities.

Guidance on selecting business-level indicators can be found in a series of recent publications by the UN Global Compact and GRI on *Corporate Reporting on the SDGs* (see the Resources box below).

Another challenge is the lack of impact data. While empirical measurement is the most desirable reference, it is often necessary to rely on predictive models and the use of proxies, including taxonomies.

In developing an outcome-based impact measurement, a company can consult the impact measurement framework developed by the Impact Management Project, a collaborative effort to build consensus on how to measure and manage progress toward goals and performance (see Figure 4).

LEVERAGING THE TARGETS AND INDICATORS OF THE SDGs

Companies can directly use many of the targets and indicators delineated in the SDGs to measure their contribution. Table 2 shows an excerpt of relevant targets and indicators for Goals 7 and 8, including measurements of positive contributions toward the SDGs (in blue) and measurements of efforts to mitigate potentially negative impacts (in black). A full list of goals, targets, and indicators relevant for business is included in Appendix B.

Resources: Corporate Reporting on the SDGs

Business Reporting on the SDGs: An Analysis of Goals and Targets
This joint publication from the UN Global Compact and GRI contains a list of existing and established disclosures that businesses can use to report, and identifies gaps when disclosure is not available. It also lists illustrative actions that companies can take to make progress towards the SDG targets.

Integrating the SDGs into Corporate Reporting: A Practical Guide
This joint publication by the UN Global Compact and GRI helps companies of all sizes prioritize SDG targets so they can set related business objectives, measure them, and report on progress.

In Focus: Addressing Investor Needs in Business Reporting on the SDGs
This joint publication by the UN Global Compact and GRI provides additional information about investor-relevant aspects of corporate SDG reporting.

Table 2. SDGs, Targets and Indicators for Companies (Excerpt from Appendix B)

Legend: ***indicates a positive contribution**; ***indicated mitigation of a negative impact**

Goal 7. Ensure access to affordable, reliable, sustainable, and modern energy for all	
7.1.1	Proportion of population with access to electricity
7.1.2	Proportion of population with primary reliance on clean fuels and technology
7.2.1	Renewable energy share in the total final energy consumption
7.3.1	Energy intensity measured in terms of primary energy and GDP
7.2.1	Renewable energy share in the total final energy consumption
7.3.1	Energy intensity measured in terms of primary energy and GDP
Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all	
8.10.1	(a) Number of commercial bank branches per 100,000 adults and (b) number of automated teller machines (ATMs) per 100,000 adults
8.10.2	Proportion of adults (15 years and older) with an account at a bank or other financial institution or with a mobile-money-service provider
8.4	Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-Year Framework of Programmes on Sustainable Consumption and Production, with developed countries taking the lead
8.5.1	Average hourly earnings of female and male employees, by occupation, age, and persons with disabilities
8.5.2	Unemployment rate by sex, age, and persons with disabilities
8.7.1	Proportion and number of children aged 5–17 years engaged in child labour, by sex and age
8.8.1	Frequency rates of fatal and non-fatal occupational injuries, by sex and migrant status
8.8.2	Level of national compliance with labour rights (freedom of association and collective bargaining) based on International Labour Organization (ILO) textual sources and national legislation, by sex and migrant status

Source: United Nations

STEP 3. INTEGRATING SDG IMPACT INTO CORPORATE STRATEGY AND GOVERNANCE

Our model for corporate SDG finance is premised upon the integration of SDG impact into a company's core strategy, governance, and financing. It also reflects a company's gradual transition toward the SDGs.

Strategy

A company's unique impact theory and methods for measuring impact (Steps 1 and 2) should be translated into a pro-active SDG strategy that is integrated into the core company strategy with specific goals, targets, and KPIs. A key purpose of this integration is to evaluate impact in the context of the company's overall activities, assessing not only positive contributions to the SDGs, but also mitigation of negative impacts. The SDG strategy should also be translated into funding needs and specific investment plans such as R&D, capital expenditures, and other internal investments.

Governance

Monitoring of the SDG strategy should be integrated into the company's existing corporate governance mechanisms, including oversight by the board of directors or a specialized committee, internal control and audit, and reporting through the main communication channels for financial and sustainability information. A key element of this integration is to use governance mechanisms to assess and mitigate the potential downside of activities.

Financing

The SDG strategy should be financed as part of the overall corporate finance program, using a variety of financial instruments including loans, bonds, and equity. Initially, companies can leverage specific SDG assets or activities with more impact-oriented investors by issuing use-of-proceeds bonds with strict monitoring of how the funds are used.

As the market matures and companies fully integrate their SDG contribution into strategy and governance, companies can start issuing general-purpose SDG bonds, leveraging internal corporate governance mechanisms and the credibility mechanisms of the bond markets (see Step 4 for additional guidance). Eventually, a company's SDG impact theory can be communicated to a broader set of investors who typically invest in general bonds and equity, promoting the overall company as an SDG investment.

Box 2. Corporate SDG Finance: A Company's Gradual Transition Toward the SDGs

1. **A company transitions to SDGs** through various strategies, including investments, strategic initiatives, and business model transformation. It **identifies SDG opportunities and assets**, which need financing. It also assesses potential negative social and environmental impacts.
2. The company **integrates SDG contribution into corporate strategy and governance**, including goals, targets, KPIs, internal controls, verification, and reporting. Mechanisms are put in place to **assess and mitigate the potential downside of activities.**
3. The company **issues general-purpose SDG bonds** with a detailed thesis and strategy for SDG impact and a robust management, oversight, and reporting process. It **leverages the structure and contractual nature of bonds** to strengthen credibility, including commitments on procedures such as reporting.
4. The company **communicates its overall SDG impact theory** to existing and new equity investors to **promote the company as an SDG investment** in the primary (IPO and follow-on) and secondary equity markets.

Source: UN Global Compact

STEP 4. CONSIDERATIONS FOR STRUCTURING GENERAL-PURPOSE CORPORATE SDG BONDS

In this step, we provide guidance on how companies can issue general-purpose SDG bonds that maximize both scale and impact. We also introduce a matrix that allows for experimentation and fine-tuning as market participants maximize the credibility and scale of new forms of SDG investments. Lastly, we discuss considerations for different types of issuers and market conditions.

INTRODUCING A MODEL FOR GENERAL-PURPOSE SDG BONDS

The goal of general-purpose SDG bonds is to maximize both scale and credibility by leveraging traditional bond structure and corporate governance mechanisms. Below are some examples of how corporate governance mechanisms and bond documentation can be used to issue general-purpose SDG bonds:

1. **Bond Prospectus.** The prospectus, or offering memorandum, is a document that is legally required when advertising a bond to investors. It can be used to describe a company's SDG strategy and impact theory.
2. **Use of Proceeds.** Bond indentures typically include a description of the use of proceeds, although these are generally non-binding. A use-of-proceeds clause in an SDG bond could be used to describe specific investments that a company is contemplating as part of its SDG strategy.
3. **Corporate Governance.** Traditional corporate governance mechanisms such as board oversight, internal controls, and audits can be used to ensure a transparent process for monitoring and reporting on the implementation of a company's SDG strategy.
4. **Independent Verification.** Existing processes for external audit of financial information and assurance of sustainability information can be used for independent verification of financial and non-financial information related to implementation and results of the SDG strategy.
5. **Disclosure and Transparency.** Existing investor communication channels such as annual, sustainability, and integrated reports can be used to report on implementation of the SDG strategy and measurement of impact.

TRANSPOSING BEST PRACTICES FROM THE GREEN BOND MARKET

The concept of general-purpose SDG bonds transposes some of the best practices in the green, social and sustainability (GSS) bond market into a broader corporate context.

For example, one of the key sources of credibility of green bonds is the strict definition and monitoring of use-of-proceeds, assuring investors that the funds are used for pre-determined eligible assets or activities. With general-purpose bonds, investors cannot track the exact allocation of funds; however, other mechanisms can be used to ensure that the company is accountable for using the funds for activities that contribute to the SDGs.

Rather than specifying the use of proceeds, a general-purpose SDG bond could feature a credible SDG impact theory with specific goals and KPIs that can be monitored and reported. In addition, board oversight can ensure that the company delivers on its strategy and makes effective use of its financial and other resources.

Table 3. A Progression Matrix for Maximizing Credibility and Scale

Restrictiveness		Less <<< Credibility >>> More		
Less	**Scope of activities covered**	Specific positive activities	***add*** Potential downside of positive activities	Overall business contribution
	Impact thesis	Unintentional/Existing activities	Intentional/New activities	Intentional Pre-defined (KPIs)
	Impact measurement	Efforts/Investments (input)	***add*** 1st Degree Results (output)	***add*** 2nd Degree Results (outcome)
	Scope of accounting, disclosure & verification	Use of proceeds or strategic goals and targets	***add*** 1st Degree Results	***add*** 2nd Degree Results
More	**Contractual Obligations**	Commitment on disclosure	***add*** Commitment on internal accounting	***add*** Commitment on Verification

Note: "***add***" denotes that items are additional to those in the left column.

PROGRESSION MATRIX TO MAXIMIZE CREDIBILITY AND SCALE

The matrix above (Table 3) shows different internal processes, structures, and contractual conditions that can affect the credibility of general-purpose SDG bonds and indicates their progression from lower credibility to greater credibility. It also shows a hierarchy of how these processes, structures, and contractual conditions can potentially restrict the liquidity and scale of investments. The matrix can be used to choose different permutations of elements and select the structure that maximizes both impact credibility and scale in the context of a specific company or investment.

The matrix allows for experimentation and progress as market participants build a new class of SDG investments. Companies can return to it as a reference as they continuously improve the credibility of their SDG bonds to compete for SDG-related capital. As for investors, they can use it to calibrate the trade-off between credibility-related restrictions and the risk-return profile they are willing to accept.

ADAPTING BOND STRUCTURE TO ISSUER TYPE AND MARKET CONDITIONS

The appropriate bond structure will depend on the type of company and its impact theory, the sophistication of the underlying capital market, and market conditions.

Issuer characteristics

Choosing an appropriate structure for an SDG bond will depend on the issuer, whether it is a multinational corporation with multiple businesses including some activities focused on the SDGs, or a smaller company entirely focused on SDG solutions (pure play). It will also depend on whether the issuer contributes to the SDGs through outward investments or through internal operations, products, and services. Lastly, the bond structure should take into consideration the methods for measuring impact and whether they are based on efforts, results, or outcomes. Choice of measurement and tracking methods can depend on difficulty and the desired level of credibility.

Sophistication of the underlying capital market

The right structure for SDG bonds also depends on the sophistication of the underlying capital market and existing levels of corporate governance, transparency, and disclosure — including for environmental, social and governance (ESG) factors. Specific governance structures, contractual obligations, and other considerations could drive bond desirability.

Market conditions

Another factor in the structuring of SDG bonds is the balance between supply and demand for SDG investments. Competition among issuers for scarce capital (an investor's market) may create a race to the top where companies compete on the strength of mechanisms to ensure credible impact of their bonds, including contractual obligations. Conversely, competition among investors for scarce SDG-related investments (an issuer's market) could mean that issuers only need a minimal framework that is sufficiently credible for investors given the market infrastructure and other outside considerations.

Ultimately, the right level of contractual conditions and structuring considerations will depend on investors' willingness to pay for them.

APPENDIX A: DEFINITIONS

The terms defined below are descriptive, with conceptual definitions intended to aid understanding of how corporate finance can contribute to financing the Sustainable Development Goals (SDGs) of the United Nations (UN). Our purpose is not to create official names, standards, or principles related to any financial product.

Over time, the market itself will establish clear labels and categories for products. Product issuers and their advisers will adopt designations that best reflect their strategies, and investors will in turn champion those categories that provide meaningful signals to the market and support portfolio construction.

For this paper, SDG Bonds, Use-of-Proceeds SDG Bonds, General-Purpose SDG Bonds, SDG Equity and Corporate SDG Finance will be defined as follows:

SDG Bonds: Bonds issued by private enterprises, Governments, and municipalities for the purpose of financing and supporting SDGs. When the issuers are companies, SDG bonds can either be use-of-proceed or general-purpose bonds.

Use-of-Proceeds SDG Bonds: SDG Bonds with strict accountability for the use of proceeds toward eligible green, social, or climate activities, in accordance with the Green and Social Bond Principles (ICMA) or the Climate Bond Standard (CBI). They can be unsecured, backed by the creditworthiness of the issuer, or they can be secured with collateral on a specific asset.

General-Purpose SDG Bonds: SDG Bonds issued by companies that have adopted a corporate-level strategy to contribute to the SDGs and that are committed to providing accountability for the general use of funds and corporate-level SDG impacts. General-purpose SDG bonds can also be issued by Governments. These bonds are secured by the credit-worthiness of the issuer.

SDG Equity: Common stock of companies that have adopted a corporate-level strategy to contribute to the SDGs and that are committed to providing accountability for the general use of funds and corporate-level SDG impacts.

Corporate SDG Finance: The funding of corporate-level SDG strategies using a range of financial instruments including, but not limited to, the instruments listed above.

APPENDIX B:
RELEVANT SDGs, TARGETS AND INDICATORS FOR COMPANIES

Legend: ***indicates a positive contribution**; ***indicated mitigation of a negative impact**

Goal 1. End poverty in all its forms everywhere	
1.4.1	Proportion of population living in households with access to basic services
Goal 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture	
2.1.1	Prevalence of undernourishment
2.1.2	Prevalence of moderate or severe food insecurity in the population, based on the Food Insecurity Experience Scale (FIES)
2.3.1	Volume of production per labour unit by classes of farming/pastoral/forestry enterprise size
2.3.2	Average income of small-scale food producers, by gender, and indigenous status
Goal 3. Ensure healthy lives and promote well-being for all at all ages	
3.3.1	Number of new HIV infections per 1,000 uninfected population, by gender, age, and key populations
3.3.2	Tuberculosis incidence per 100,000 population
3.3.3	Malaria incidence per 1,000 population
3.3.4	Hepatitis B incidence per 100,000 population
3.3.5	Number of people requiring interventions against neglected tropical diseases
3.4.1	Mortality rate attributed to cardiovascular disease, cancer, diabetes or chronic respiratory disease
3.6.1	Death rate due to road traffic injuries
3.7.1	Proportion of women of reproductive age (aged 15–49 years) who have their need for family planning satisfied with modern methods
3.8.1	Coverage of essential health services (defined as the average coverage of essential services based on tracer interventions that include reproductive, maternal, newborn and child health, infectious diseases, non-communicable diseases and service capacity and access, among the general and the most disadvantaged population)
3.8.2	Proportion of population with large household expenditures on health as a share of total household expenditure or income
3.9	By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water, and soil pollution and contamination
Goal 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	
4.2.1	Proportion of children under five years of age who are developmentally on track in health, learning and psychosocial well-being, by gender
4.2.2	Participation rate in organized learning (one year before the official primary entry age), by gender
4.3.1	Participation rate of youth and adults in formal and non-formal education and training in the previous 12 months, by gender
4.4.1	Proportion of youth and adults with information and communications technology (ICT) skills, by type of skill
4.6.1	Proportion of population in a given age group achieving at least a fixed level of proficiency in functional (a) literacy and (b) numeracy skills, by gender
4.5	By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples, and children in vulnerable situations
Goal 5. Achieve gender equality and empower all women and girls	
5.1	End all forms of discrimination against all women and girls everywhere
5.5.2	Proportion of women in managerial positions
4.5	By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples, and children in vulnerable situations

Source: United Nations

RELEVANT SDGs, TARGETS AND INDICATORS FOR COMPANIES (CONT.)

Legend: ***indicates a positive contribution**; ***indicated mitigation of a negative impact**

Goal 6. Ensure availability and sustainable management of water and sanitation for all	
6.1.1	Proportion of population using safely managed drinking water services
6.3.1	Proportion of wastewater safely treated
6.4.1	Change in water-use efficiency over time
6.4.2	Level of water stress: freshwater withdrawal as a proportion of available freshwater resources
6.6.1	Change in the extent of water-related ecosystems over time
6.b	Support and strengthen the participation of local communities in improving water and sanitation management
Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all	
7.1.1	Proportion of population with access to electricity
7.1.2	Proportion of population with primary reliance on clean fuels and technology
7.2.1	Renewable energy share in the total final energy consumption
7.3.1	Energy intensity measured in terms of primary energy and GDP
7.2.1	Renewable energy share in the total final energy consumption
7.3.1	Energy intensity measured in terms of primary energy and GDP
Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	
8.10.1	(a) Number of commercial bank branches per 100,000 adults and (b) number of automated teller machines (ATMs) per 100,000 adults
8.10.2	Proportion of adults (15 years and older) with an account at a bank or other financial institution or with a mobile-money-service provider
8.4	Improve progressively through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-Year Framework of Programmes on Sustainable Consumption and Production, with developed countries taking the lead
8.5.1	Average hourly earnings of female and male employees, by occupation, age and persons with disabilities
8.5.2	Unemployment rate, by gender, age, and persons with disabilities
8.7.1	Proportion and number of children aged 5–7 years engaged in child labour, by gender and age
8.8.1	Frequency rates of fatal and non-fatal occupational injuries, by gender and migrant status
8.8.2	Level of national compliance with labour rights (freedom of association and collective bargaining) based on International Labour Organization (ILO) textual sources and national legislation, by gender and migrant status
Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	
9.1.2	Passenger and freight volumes, by mode of transport
9.3.2	Proportion of small-scale industries with a loan or line of credit
9.c.1	Proportion of population covered by a mobile network, by technology
9.4.1	CO2 emission per unit of value added
Goal 10. Reduce inequality within and among countries	
10.2	By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, gender, disability, race, ethnicity, origin, religion or economic or other status

Source: United Nations

RELEVANT SDGs, TARGETS AND INDICATORS FOR COMPANIES (CONT.)

Legend: ***indicates a positive contribution**; ***indicated mitigation of a negative impact**

Goal 11. Make cities and human settlements inclusive, safe, resilient, and sustainable	
11.1.1	Proportion of urban population living in slums, informal settlements or inadequate housing
11.2.1	Proportion of population that has convenient access to public transport, by gender, age and persons with disabilities
11.4	Strengthen efforts to protect and safeguard the world's cultural and natural heritage
11.6.2	Annual mean levels of fine particulate matter (e.g. PM2.5 and PM10) in cities (population weighted)
Goal 12. Ensure sustainable consumption and production patterns	
12.2.1	Material footprint, material footprint per capita, and material footprint per GDP
12.2.2	Domestic material consumption, domestic material consumption per capita, and domestic material consumption per GDP
12.3.1	Global food loss index
12.4.2	Hazardous waste generated per capita and proportion of hazardous waste treated, by type of treatment
12.5.1	National recycling rate, tons of material recycled
Goal 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development	
14.1	By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution
14.2	By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans
14.4	By 2020, effectively regulate harvesting and end overfishing, illegal, unreported and unregulated fishing and destructive fishing practices and implement science-based management plans, in order to restore fish stocks in the shortest time feasible, at least to levels that can produce maximum sustainable yield as determined by their biological characteristics
14.7.1	Sustainable fisheries as a proportion of GDP in small island developing states, least developed countries and all countries
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	
15.1	By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements
15.2.1	Progress towards sustainable forest management
15.3.1	Proportion of land that is degraded over total land area
15.4	By 2030, ensure the conservation of mountain ecosystems, including their biodiversity, in order to enhance their capacity to provide benefits that are essential for sustainable development
15.5	Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species
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	
16.5.1	Proportion of persons who had at least one contact with a public official and who paid a bribe to a public official, or were asked for a bribe by those public officials, during the previous 12 months

Source: United Nations

THE TEN PRINCIPLES OF THE UNITED NATIONS GLOBAL COMPACT

HUMAN RIGHTS

1 Businesses should support and respect the protection of internationally proclaimed human rights; and

2 make sure that they are not complicit in human rights abuses.

LABOUR

3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

4 the elimination of all forms of forced and compulsory labour;

5 the effective abolition of child labour; and

6 the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

7 Businesses should support a precautionary approach to environmental challenges;

8 undertake initiatives to promote greater environmental responsibility; and

9 encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

10 Businesses should work against corruption in all its forms, including extortion and bribery.

The Ten Principles of the United Nations Global Compact are derived from: the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.

ABOUT THE UNITED NATIONS GLOBAL COMPACT

As a special initiative of the UN Secretary-General, the United Nations Global Compact is a call to companies everywhere to align their operations and strategies with ten universal principles in the areas of human rights, labour, environment and anti-corruption. Launched in 2000, the mandate of the UN Global Compact is to guide and support the global business community in advancing UN goals and values through responsible corporate practices. With more than 9,500 companies and 3,000 non-business signatories based in over 160 countries, and more than 70 Local Networks, it is the largest corporate sustainability initiative in the world.

For more information, follow **@globalcompact** on social media and visit our website at **unglobalcompact.org**.

United Nations Global Compact

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