



The SDG Impact Practice Standards

Private Equity Funds

CONSULTATION DRAFT: SEPTEMBER 2019

SDG Impact is an initiative of the United Nations Development Programme, which is a member of the Impact Management Project Structured Network

**IMPACT
MANAGEMENT
PROJECT**



About SDG Impact

SDG Impact is an initiative of the United Nations Development Programme focused on eliminating barriers and driving integrity for SDG-enabling investment at scale.

SDG Impact's vision is a world in which all capital flows advance the United Nations Sustainable Development Goals (SDGs).

SDG Impact's mission is to provide investors and business with the clarity, insights and tools required to support and authenticate their contribution towards achieving these goals.

SDG Impact has three pillars:

- **Impact Management:** Practice standards that bring clarity to what SDG-enabling investment is and provide tools to support investor and business contribution to the United Nations Sustainable Development Goals. On-line education and training will further support investor and business contributions and certification with an SDG Impact Seal will authenticate SDG-enabling practice.
- **Impact Intelligence:** Country level data that provides insights into SDG-enabling investment opportunities, highlighting areas where development need, political and policy priority and investor appetite and activity coalesce.
- **Impact Facilitation:** Will utilize a network that spans 170 countries to connect investors, business and policy makers to provide insight and tools that translate opportunities to action and facilitate rich policy dialogue.

About the Impact Management Project



The Impact Management Project (IMP) is a forum for building global consensus on how to measure, manage and report impact. Since 2016, the IMP has brought together a Practitioner Community of over 2,000 organizations to establish norms and share best practices. **The IMP also facilitates the IMP Structured Network**, an unprecedented collaboration of standard-setting organizations who are coordinating efforts to provide complete guidelines for impact measurement and management.

WELCOME TO THE SDG STANDARDS CONSULTATION PROCESS

CONSULTATION: This is a consultation draft of the SDG Impact Practice Standards for Private Equity Funds. Your active participation and feedback is invited and welcome. UNDP is committed to ensuring that that SDG Impact Practice Standards are valuable and useful to the field.

Feedback can be provided to sdgimpactstandards@undp.org or by completing the form available on the UNDP SDG Impact website.

THE VALUE OF THE STANDARDS: The SDG Impact Practice Standards are being developed as a public good by the United Nations Development Programme (UNDP) to inform and encourage SDG-enabling investment practice.

They are part of a suite of services that will:

- better enable investors to **navigate and engage with SDG-enabling opportunities** and **credentialize** their impact practices;
- enable **differentiation and competitive advantage** through assurance and certification;
- help others **identify effective practice** that drives impact performance;
- create **efficiencies** through standardized frameworks, data management and governance structures;
- enable greater **clarity, consistency and comparability** of good practice to inform decision-making; and
- **drive demand** for SDG-enabling investment by enhancing trust and confidence.

The SDG Impact Practice Standards **complement** other SDG-enabling components of [UNDP SDG Impact](#) and **other market enabling initiatives** of the [Impact Management Project](#).

STANDARDS MAP TO EXISTING PRINCIPLES & FRAMEWORKS: The Standards are designed to provide actionable guidance for operationalizing good impact practice, facilitate adoption and implementation of principles frameworks already in place and inform performance reporting and benchmarking.

These Standards work with and map to existing frameworks and principles for sustainable and impact investment, including the following, and provide practical guidance to make it easier to operationalize and implement them consistently: UN-supported Principles for Responsible Investment; International Finance Corporation Operating Principles for Impact Management; UN Environment Programme Finance Initiative Principles for Responsible Banking, Principles for Positive Impact Finance; and Global Impact Investing Network Core Characteristics of Impact Investors.

CERTIFICATION FRAMEWORK & SDG IMPACT SEAL: The Standards include a tiered Certification Framework and resources and will be backed with online training to provide guidance for both users and third party accredited independent certifiers. The three tiers of Certification are designed to meet the market where it is and provide structured pathways for improvement. Feedback is invited on levels of attainment incorporated into the design.

SEQUENCING OF STANDARDS DEVELOPMENT: Standards for private equity funds (this draft document) have been developed as the first set of SDG Impact Practice Standards reflecting focus and weight of current of market activity. Practice Standards for bonds are in development as aggregated and fixed interest product for sustainable development grows. Enterprise standards will also follow shortly to connect enterprise level impact management with practice for investment and to include and encourage strong impact management practice for SDG-enabling corporate venturing.

The SDG Impact Practice Standards for Private Equity Funds

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PART A: ABOUT THE STANDARDS & WHO SHOULD ADOPT THEM

These SDG Impact Practice Standards for Private Equity Funds (the Standards) respond to market-identified needs and feedback from various groups engaged and interested in investment that has positive impact for people and the planet.

They form part of the United Nations Development Programme (UNDP) SDG Impact and specifically embed the notion of investment to enable achievement of the United Nations Sustainable Development Goals (SDGs). UNDP's goal is to catalyze much-needed private capital and direct it towards the achievement of the SDGs and help connect impact driven activity with investment to significantly enhance progress toward development goals.

The Standards complement other SDG-enabling components of [UNDP's SDG Impact](#) and other market enabling initiatives of the [Impact Management Project \(IMP\)](#).

About the Standards

The Standards for Private Equity have been developed for Fund Managers and other industry actors as a public good to inform practice that can direct and orient investment activities towards achievement of the SDGs.

They are designed to facilitate implementation of the principles frameworks already in place and inform performance reporting and benchmarking. They embed the SDGs and IMPs five dimensions within a framework for concrete actions to more fully understanding and comparing SDG related impact.

The Standards will be applied to each Fund, recognising that fund managers may manage several funds that may or may not be seeking to apply these Standards.

Adoption of the Standards enables users to more consistently navigate and apply concrete, practical thresholds for impact management, operationalize and implement industry frameworks and principles and inform and drive impact and financial performance.

Context for the Standards

Increasingly, the private sector is recognising the links between sustainable development and future business performance. Governments are also recognising the importance of private and innovative finance to achieve the SDGs, including through multi-lateral initiatives of the G7 and G20.

They recognise the growing trend towards analyzing businesses and investments based on the SDGs and represent a shift from using the SDGs to map existing activities to more integrated practice directing and orienting investment towards activities that create more impact and contribute to progress toward the SDGs.

The Standards apply whether a fund manager's intentions focus on avoiding harm that inhibits achievement of the SDGs, benefiting stakeholders in relation to one or more SDGs, and/or contributing to solutions that advance achievement of the SDGs.

The Standards are designed to provide flexibility by focusing on strong underlying practices applied within a consistent framework based on IMP's five dimensions of impact and alignment with SDGs and associated targets. This enables the requisite consistency to be able to report on a consistent and comparable basis and reduces the tension to set metrics that are consistent but not meaningful at the underlying enterprise/project level.

Who Should Adopt the Standards

The Standards are designed to meet the needs of new and existing actors and apply to established and innovative practice, reflecting the dynamic and growing nature of SDG-enabling impact initiatives and enterprises and investment into them.

The Standards will be valuable and useful to the market including the following groups:

Fund managers that are:

- interested in authenticating and certifying practice for existing private equity funds as meeting industry accepted standards of practice to be SDG-enabling
- seeking to establish an SDG-enabling private equity fund interested in designing practice to meet global standards
- seeking to differentiate their offering in the market through certification that their impact management practice attracts the SDG Impact Seal

Asset owners and Investors that are:

- seeking to identify and make informed comparisons of private equity funds employing SDG-enabling impact practice

Industry bodies and community that are:

- seeking to promote credible, consistent and comparable language and practice
- seeking to ensure voices of people are heard and issues affecting people and planet are fairly represented
- interested in strengthening confidence in investment markets by promoting SDG-alignment, impact integrity, transparency and accountability

Enterprises that are:

- seeking to ensure that their initiatives and operations are seen to connect with credible, consistent practice
- interested in promoting impact integrity, transparency and accountability to ensure their work to strengthen confidence in purposeful business is not diluted

Analysts, advisers, research houses and media that are:

- interested in assessing the SDG-enabling capacity of funds and make informed assessments of capacity to deliver
- accredited agencies for verifying fund adherence to sustainability and impact principles such as the UN-supported Principles for Responsible Investment, International Finance Corporation operating principles for impact investment and the UN Environment Programme Finance Initiative Principles for Responsible Banking and Global Impact Investing Network Characteristics of Impact Investors
- providing guidance on impact management practice.

Development Finance Institutions and government and multilateral organizations that are:

- designing blended finance initiatives and seeking to mobilize private capital to assess capability and capacity of proposals to contribute toward achievement of the SDGs.

Those adopting the Standards will also benefit from resources and the Certification Framework which provide guidance on practical adoption.

Enabling the United Nations Sustainable Development Goals

A fundamental aim of the Standards is to enable the market to make informed decisions about whether and how private equity investments contribute to achievement of the SDGs through universally agreed SDG-enabling impact measurement and management practices.



The 17 interrelated SDGs (**Table 1**) provide a universal framework for addressing some of the world’s most pressing social and environmental challenges. They define the agenda agreed by all 193 Member States of the United Nations (UN) for inclusive economic growth by 2030 and reflect inputs from civil society, businesses, non-profit organizations and academia.

The SDGs are variously referred to as the world’s most comprehensive map of need, risk and opportunity. The scale of the challenge to achieve the goals by 2030 requires both reallocation of public and private investment flows towards the SDGs and new solutions at scale. The Standards aim to support that shift, helping more private equity funds to move beyond using the SDGs operationally as a reporting lens to align their existing investments and activities with the SDGs, to using the SDGs more strategically to reorient and redirect their investment capital towards investment opportunities that contribute to the SDGs, including reducing negative impacts.

Table 1 The Sustainable Development Goals

	<p>1 NO POVERTY: No poverty in all its forms everywhere</p>		<p>10 REDUCED INEQUALITIES: Reduce inequality within and among countries</p>
	<p>2 ZERO HUNGER: End hunger, achieve food security and improved nutrition and promote sustainable agriculture</p>		<p>11 SUSTAINABLE CITIES AND COMMUNITIES: Make cities and human settlements inclusive, safe, resilient and sustainable</p>
	<p>3 GOOD HEALTH AND WELL-BEING: Ensure healthy lives and promote well-being for all at all ages</p>		<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION: Ensure sustainable consumption and production patterns</p>
	<p>4 QUALITY EDUCATION: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p>		<p>13 CLIMATE ACTION: Take urgent action to combat climate change and its impacts</p>
	<p>5 GENDER EQUALITY: Achieve gender equality and empower all women and girls</p>		<p>14 LIFE BELOW WATER: Conserve and sustainably use the oceans, seas and marine resources for sustainable development</p>
	<p>6 CLEAN WATER AND SANITATION: Ensure availability and sustainable management of water and sanitation for all</p>		<p>15 LIFE ON LAND: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss</p>
	<p>7 AFFORDABLE AND CLEAN ENERGY: Ensure access to affordable, reliable, sustainable and modern energy for all</p>		<p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</p>
	<p>8 DECENT WORK AND ECONOMIC GROWTH: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>		<p>17 PARTNERSHIPS FOR THE GOALS: Strengthen the means of implementation and revitalize the global partnership for sustainable development</p>
	<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation</p>		

Source: United Nations Sustainable Development Goals

<https://www.un.org/sustainabledevelopment/sustainable-development-goals/>

How the Standards work with industry principles and frameworks

These standards are designed to provide a bridge between sustainability and impact investment principles and frameworks to encourage more consistent implementation and provide the inputs needed to generate high quality, consistent and comparable performance reporting and benchmarking. Ideally, application and certification under these standards should satisfy the verification requirements of those key principles frameworks.

The Standards are designed to have value for the field as a tool to inform and help others identify **effective** practice that drives impact performance, create **efficiencies** through standardized frameworks, data management and governance structures and enable greater clarity, consistency and comparability of good practice. This is expected to **drive demand** by enhancing trust and confidence and enable **differentiation and competitive advantage** through assurance and certification.

The Standards are **designed to make it easier to:**

- **Implement and operationalize principles and frameworks for sustainable and impact investment by providing one practice guide mapped to UN-supported Principles for Responsible Investment, International Finance Corporation Operating Principles for Impact Management, UN Environment Programme Finance Initiative Principles for Responsible Banking, Principles for Positive Impact Finance and GIIN Core Characteristics for Impact Investors and can accommodate others as they develop** (see accompanying mapping document).
- **Adopt the fundamentals of good impact management practice in a dynamic way appropriate to their goals and operating model** by embedding the five dimensions of impact and associated data categories (see Glossary and www.impactmanagementproject.com) developed by the Impact Management Project as part of global consensus building with over 2,000 organisations. This enables more effective and comparable communication and management of the depth, scale and nature of impact being created.
- **Embed practice to inform impact performance monitoring, measurement, learning and reporting**, by building in the practice steps necessary for inputs to performance reporting standards and initiatives (current and emerging) such as GRI, SASB, GSG, EU Taxonomy for Sustainable Activities.
- **Apply consistent approaches to dimensions of sustainability** because the Standards have been developed with reference to ISEAL's ten credibility principles for Sustainability Standards: sustainability, improvement, relevance, rigour, engagement, impartiality, transparency, accessibility, truthfulness and efficiency and [Code of Good Practice for Setting Social and Environmental Standards](#).

How to adopt the Standards

The Standards are designed to overarch a range of circumstances. They apply to existing and new funds. They are amenable to adaptations in fund strategy and structure. Continuous improvement remains central and is encouraged and built into the certification framework. The Standards put strong practice at the heart of performance.

The SDG Impact Practice Standards for Private Equity Funds (Part B of this document) provide a practical end-to-end checklist to integrate impact into private equity fund design and execution. Summary table 'Standards at a Glance' at the beginning of Part B allows adopters of the Standards to interrogate their funds as to whether and how effectively each Standard has been addressed.

The Standards are numbered sequentially (1 to 18). Three logical groupings classify the Standards as follows:

- **Standards for strategic intent and goal setting:** *provides actionable guidance on embedding strategic objectives to inform operational design, decision-making and risk management, translating the dynamic relationship between why, what and how;*
- **Standards for impact measurement and management:** *provides actionable guidance on what good impact measurement and management practices look like throughout the investment life cycle; and*
- **Standards for transparency and accountability:** *provides benchmark actions for communicating with external stakeholders in an open, balanced and consistent manner to strengthen and maintain credibility and confidence, including providing assurance of practices through independent certification.*

Each Standard is followed by a series of tests designed to assess the core elements of that Standard. For each test, guidance is provided so that users can consistently assess each Fund's level of attainment against the Standards by reference to whether the Fund:

- **Does not Meet**, which reflects the Fund does not yet have in place SDG enabling practice
- **Partially Meets** level of attainment, which provides a baseline of core requirements for SDG-enabling practice (and an entrance level for positive Certification), recognising that organisations will be at different stages of adopting impact measurement and management practices and providing transparent pathways for improvement.
- **Meets** level of attainment is designed to recognise market-leading impact measurement and management practices that provide very strong support for SDG-enabling impact practice, including high levels of integration of impact and investment practices, internal and external alignment, collaboration, systematic feedback loops and continuous learning and improvement, stakeholder involvement, quality assurance, track record, transparency, market leadership and contributions to field building.

The Standards, including the tests, levels of attainment and additional guidance notes and resources will be open source and transparent so they can be used as guidance by Funds before, and whether or not, they seek Certification.

Defined terms are capitalized throughout the document and are included in the Glossary, Part C.

Certification Framework & SDG Impact Seal

Funds that satisfy at least 80% of the tests at each of the Partially meets, and Meets levels of attainment for Standards 1 -17 and (100% of the tests for Standard 18) and agree to an improvement plan to address key opportunities for improvement will be eligible for positive Certification against these Standards from a UN accredited certifier. Certifiers will use the Standards, tests and levels of attainment, along with additional resources and guidance notes provided to undertake the Certifications. The Certification framework will also include training and guidance for certifiers.

The **SDG Impact Seal** will recognize industry leading practice of Funds that achieve and continue to maintain) the Meets level of attainment.

Illustrative example of the Certification Framework:

UNDP SDG Impact Practice Standards for PE Funds (and related tests)		Levels of Attainment		
		Does not meet	Partially meets	Meets
STRATEGIC INTENT AND GOAL SETTING				
Fund's Motivations, SDG Impact Intentions and Impact Goals				
1 The Fund is encouraged to consider its motivation(s) for engaging with the SDGs, determine its SDG				
1.1	Test 1.1			
1.2	Test 1.2			
1.3	Test 1.3			
2 The Fund is encouraged to set impact goals to help it achieve its SDG impact intentions.				
2.1	Test 2.1			
2.2	Test 2.2			
2.3	Test 2.3			
2.4	Test 2.4			
2.5	Test 2.5			
2.6	Test 2.6			
2.7	Test 2.7			
2.8	Test 2.8			
2.9	Test 2.9			
2.10	Test 2.10			
2.11	Test 2.11			
2.12	Test 2.12			
Governance and Culture				
3 The Fund is encouraged to reinforce that impact matters and integrate its SDG impact intentions and				
3.1	Test 3.1			
3.2	Test 3.2			
3.3	Test 3.3			

How to use the Toolkit

This document is accompanied by the SDG Impact Practice Standards for Private Equity Excel Toolkit. This document and the excel workbook are complementary. Each Standard has a set of tests and various levels of attainment. These levels of attainment are captured in the format outlined below.

Legend: Levels of Attainment

	<i>Does not yet meet minimum SDG Impact Practice Standards</i>
	<i>Partially meets SDG Impact Practice Standards</i>
	<i>Meets SDG Impact Practice Standards</i>

The **SDG Impact Seal** will recognize industry leading practice of Funds that achieve and continue to maintain) the Meets level of attainment.

PART B: SDG IMPACT PRACTICE STANDARDS FOR PRIVATE EQUITY FUNDS

STANDARD #	SDG IMPACT PRACTICE STANDARD	PAGE			
	STRATEGIC INTENT AND GOAL SETTING				
	Fund's Motivations, SDG Impact Intentions and Impact Goals				
1	<i>The Fund is encouraged to consider its motivation(s) for engaging with the SDGs, determine its SDG impact intentions, and develop and make explicit its theory of change.</i>				
2	<i>The Fund is encouraged to set impact goals to help it achieve its SDG impact intentions.</i>				
	Governance and Culture				
3	<i>The Fund is encouraged to reinforce that impact matters and integrate its SDG impact intentions and goals, and by extension its impact measurement and management practices, in its standard business practices, governance and controls.</i>				
4	<i>The Fund is encouraged to ensure it has the necessary skills and resources to support implementation and delivery of its SDG impact intentions and goals.</i>				
	IMPACT MEASUREMENT AND MANAGEMENT				
	Including Stakeholder perspectives				
5	<i>The Fund is encouraged to include Stakeholder perspectives throughout the investment lifecycle</i>				
	Data collection and management				
6	<i>The Fund is encouraged to use impact data and available evidence to make informed impact management decisions</i>				
	Selecting metrics and aligning metrics to the five dimensions of impact and the SDGs				
7	<i>The Fund is encouraged to ask investees for impact performance data for all impacts that matter (from the perspective of the affected Stakeholders)</i>				
	Quality Control Measures				
8	<i>The Fund is encouraged to implement quality control measures to support the integrity of its impact measurement and management practices</i>				
	Continuous Learning and Improvement				
9	<i>The Fund is encouraged to embed a virtuous cycle of continuous learning and improvement at the heart of its impact measurement and management practices.</i>				

STANDARD #	SDG IMPACT PRACTICE STANDARD	PAGE			
	Ex-ante Impact Measurement, Assessment and Decision-making				
10	<i>The Fund is encouraged to conduct impact due diligence on its potential investments in investee companies</i>				
11	<i>The Fund is encouraged to make an impact assessment of each potential investment, including its expected effect on the Fund's portfolio overall.</i>				
	Investment Structuring				
12	<i>The Fund is encouraged to work collaboratively with potential investees and Stakeholders to structure its investments, including agreeing an impact plan and the investment's impact and financial terms.</i>				
	Ex-post Impact Measurement, Management and Assessment				
13	<i>The Fund is encouraged to measure, monitor, analyze and evaluate the progress of each of its investees and its investments against agreed impact plans and terms and performance of the Fund overall against its SDG impact intentions and goals.</i>				
14	<i>The Fund is encouraged to conduct exits considering the effect(s) on Stakeholders and sustained impact.</i>				
	TRANSPARENCY AND ACCOUNTABILITY				
	Public Disclosures				
15	<i>The Fund is encouraged to publicly disclose information about the Fund's impact activities using the shared language embedded in these Standards to promote comparability, transparency and contribute to field building.</i>				
	External Reporting				
16	<i>The Fund is encouraged to provide regular impact data and reports to Stakeholders (at least annually) that meets best practice impact reporting standards (subject to fiduciary and regulatory requirements) and periodically assess its Stakeholder impact reporting to ensure it continues to meet Stakeholder needs and best practice over time.</i>				
	External Assurance				
17	<i>The Fund is encouraged to consider external verification of the impact data it uses to make decisions or report externally.</i>				
18	<i>The Fund is encouraged to obtain periodical Certification of its adherence to the Standards from a UNDP accredited certifier.</i>				

STRATEGIC INTENT AND GOAL SETTING

Standards for **STRATEGIC INTENT AND GOAL SETTING**: provides actionable guidance on embedding strategic objectives to inform operational design, decision-making and risk management, translating the dynamic relationship between why, what and how.

The Standards set out in this section are grouped into 2 themes:

- Fund's motivations, SDG impact intentions and goals; and
- Governance and culture

This section comprises 4 Standards numbered 1 to 4, each followed by tests the Fund can apply to itself to assess its impact practices for strategic goal setting. These tests will also be used by an Accredited Independent Certifier to form the basis of Certification if the Fund seeks to become certified.

Fund's motivations, SDG impact intentions and goals

1 The Fund is encouraged to consider its motivation(s) for engaging with the SDGs, determine its SDG impact intentions, and develop and make explicit its theory of change.

1.1 *The Fund is encouraged to consider its motivation(s) for engaging with the SDGs and determine its SDG impact intentions accordingly.*

	<i>The Fund's motivation(s) for engaging with the SDGs, its impact intentions, financial goals and constraints are not aligned or integrated, lack cohesion or there appears to be tension between them.</i>
	<i>At a minimum, the Fund's motivation(s) for engaging with the SDGs and its impact intentions are well aligned and consistent with its financial goals and constraints.</i>
	<i>The Fund's motivation(s) for engaging with the SDGs, its impact intentions, financial goals and constraints are fully integrated into a cohesive investment and impact thesis.</i>

1.2 *The Fund is encouraged to describe its SDG impact intentions in terms of:*

- **Acting to Avoid Harm** that detracts from achievement of the SDGs. Motivations may include having regulatory requirements to meet (for example, cutting carbon emissions), mitigating risk (for example through effective ESG risk management), or behaving responsibly; and
- **Benefiting Stakeholders** in relation to the SDGs. Motivations may include wanting to have a positive effect on the world to sustain long-term financial performance (for example, pursuing financial outperformance over the long term through pursuing ESG opportunities), or wanting to contribute to world where all businesses try to have a positive effect on society (for example, businesses that proactively upskill their employees or sell products that support good health or education outcomes); and/or
- **Contributing to Solutions** toward achievement of the SDGs. Motivations may include to address pressing societal challenges (for example, wanting to help tackle malnutrition in Africa, the education gap, long-term unemployment, or climate change).

	<i>There are limited indications that the Fund has strategically considered its motivations for engaging with the SDGs and set high level SDG impact intentions for the Fund accordingly. The Fund's engagement with the SDGs may be less strategic and more opportunistic or bottom-up.</i>
	<i>At a minimum, the Fund's motivation(s) for engaging with the SDGs are clearly evident in its stated SDG impact intentions and aligned with specific SDG-enabling activities (i.e. Acting to Avoid Harm that detracts from the achievement of the SDGs, Benefiting Stakeholders in relation to the SDGs and/or Contributing to Solutions toward the achievement of the SDGs).</i>
	<i>The Fund's motivation(s) for engaging with the SDGs is integral to its stated SDG impact intentions and investment thesis. The Fund's SDG impact intentions are clearly defined according to specific SDG-enabling activities (i.e. Acting to Avoid Harm that detracts from the achievement of the SDGs, Benefiting Stakeholders in relation to the SDGs and/or Contributing to Solutions toward the achievement of the SDGs).</i>

- 1.3 *The Fund is encouraged to develop and make explicit and disclose its theory of change, including what outcomes and impacts it expects to contribute to through its investment and other activities.*

	<i>The Fund has not yet developed a theory of change.</i>
	<i>At a minimum, the Fund is considering its theory of change but it may not yet be fully developed. For example, it may still be thinking through and mapping out how its investment and other activities are likely to specifically contribute to and influence the longer term outcomes and impacts desired.</i>
	<i>The Fund has developed and made explicit its theory of change, involving Stakeholders in the development process, integrating with the Fund's investment thesis, and including what outcomes and impacts it expects to contribute to through its investment and other activities.</i>

2 The Fund is encouraged to set impact goals to help it achieve its SDG impact intentions.

- 2.1 *The Fund is encouraged to set impact goals that are aligned with its stated SDG impact intentions and specific SDG-enabling strategies (i.e. Acting to Avoid Harm that detracts from the achievement of the SDGs, Benefiting Stakeholders in relation to the SDGs and/or Contributing to Solutions toward the achievement of the SDGs).*

	<i>The Fund's impact goals are not aligned with its stated SDG impact intentions or not set or framed according to specific SDG-enabling strategies (i.e. Acting to Avoid Harm that detracts from achievement of the SDGs, Benefiting Stakeholders in relation to the SDGs, and/or Contributing to Solutions toward achievement of the SDGs).</i>
	<i>At a minimum, the Fund's impact goals are aligned with its stated impact intentions and set and framed according to specific SDG-enabling strategies (i.e. Acting to Avoid Harm that detracts from the achievement of the SDGs, Benefiting Stakeholders in relation to the SDGs and/or Contributing to Solutions toward the achievement of the SDGs) that (where relevant) are described in terms of at least three of the five dimensions of impact and some of the underlying associated data categories.</i>
	<i>The Fund's impact goals primarily relate to the Fund's direct investment activities with its investees.</i>
	<i>The Fund's impact goals are aligned with its stated impact intentions and set and framed according to specific SDG-enabling strategies (i.e. Acting to Avoid Harm that detracts from the achievement of the SDGs, Benefiting Stakeholders in relation to the SDGs and/or Contributing to Solutions toward the achievement of the SDGs) that (where relevant) are described in terms of the five dimensions of impact and underlying associated data categories (recognizing that data may not be available or feasible to collect in all instances).</i>
	<i>The Fund applies a highly integrated and systems thinking mindset to setting its impact and investment goals, and has also included broader market leadership and field building goals (including sharing impact data and learnings publicly) to extend the Fund's impact beyond its direct investment activities with investees.</i>

2.2 The Fund is encouraged to determine how much of its total portfolio it intends to allocate towards SDG-enabling investments, including the expected percentage breakdown of investments intended to:

- **Act to Avoid Harm** that detracts from achievement of the SDGs: investments that are expected to prevent or reduce significant effects on important negative outcomes for people and the planet;
- **Benefit Stakeholders** in relation to the SDGs: investments that not only expected to act to avoid harm, but also generate various effects on positive outcomes for people and the planet; and/or
- **Contribute to Solutions** toward achievement of the SDGs: investments that are not only expected to act to avoid harm, but also generate one or more significant effect(s) on positive outcomes for otherwise underserved people and the planet."

	The Fund does not specify how much of its total portfolio it intends to allocate toward SDG-enabling investments and specific SDG-enabling strategies (i.e. Acting to Avoid Harm that detracts from achievement of the SDGs, Benefiting Stakeholders in relation to the SDGs, and/or Contributing to Solutions toward achievement of the SDGs).
	At a minimum, the Fund specifies how much of its total portfolio (by each strategy) it intends to allocate toward SDG-enabling investments.
	The Fund specifies how much of its total portfolio (by each strategy) it intends to allocate toward SDG-enabling investments.

2.3 The Fund is encouraged to apply a systems thinking mindset and approach when designing its impact goals to take into consideration how the web of interrelationships between individuals, groups and institutions in the system may affect (positively or negatively) the impact potential of various investment options.

	Not observed.
	At a minimum, the Fund is developing an awareness of systems thinking and the need to understand and take into account different perspectives to anticipate how actions might impact outcomes in complex systems.
	The Fund demonstrates mastery in systems-thinking, applying a holistic approach to setting its impact goals taking into account the context for change, inter-relationships across the system and incorporating different Stakeholder perspectives to channel its impact goals towards higher priority and higher impact activities. The Fund is more likely to set impact goals that reflect deep understanding and appreciation for sustained system change (for example, reflecting sequencing issues, barriers and where in the system interventions are more or less likely to be effective), and is clear and specific about which actors, and which relationships between actors in the system to which the impact goals refer.

2.4 The Fund is encouraged to apply an integrated mindset and approach when designing its impact goals to take into consideration how the Fund's financial and impact goals interact and influence each other.

	Not observed.
	At a minimum, the Fund's impact and financial goals are complimentary and aligned.
	The Fund's impact and financial goals are fully integrated and mutually reinforcing.

- 2.5 *The Fund is encouraged to focus its impact goals on all substantial impacts that matter. An impact matters when the outcome (positive or negative, intended or unintended) is important to the Stakeholder(s) experiencing it.*

	<i>The Fund's impact goals are more likely to focus on highlighting positive intended impacts as perceived by the Fund, rather than on all substantial impacts that matter to the Stakeholder(s) experiencing them.</i>
	<i>At a minimum, the Fund's impact goals focus on all (positive and negative, intended and unintended) substantial impacts that matter as assessed by the Fund, but some limitations in the Fund's impact measurement and management practices (e.g. maturity in using the five dimensions of impact and associated data categories), involvement of Stakeholders and evidence-base mean there are likely to be some gaps (for example, in identifying negative and/or unintended impacts, in classifying substantial impacts that matter according to what's important to the Stakeholder(s) experiencing them, or in selecting impact goals that align with the desired SDG outcomes and impact).</i>
	<i>The Fund's impact goals focus on all (positive and negative, intended and unintended) substantial impacts that matter to Stakeholders, backed by strong impact measurement and management practices, involvement of stakeholders and a strong evidence-base.</i>

- 2.6 *The Fund is encouraged to consider who its Stakeholders are (those people, organizations and ecological systems who experience or contribute to the intended or unintended, positive or negative effects created as a result of the Fund's (and its investees) activities including customers, employees, local communities, suppliers and distributors and the planet) and how it will incorporate Stakeholder voice and involvement (directly and/or indirectly through the Fund's investees) into the setting of its impact goals (including the breadth and depth of Stakeholder participation, for example, in designing solutions, developing impact data collection processes, participating in collecting and analyzing impact data, responding to the findings etc.), and looking to best-practice guidance in this regard (for example, Social Value International's Standard on Applying Principle 1: Involve Stakeholders).*

	<i>The Fund does not systematically consider who its Stakeholders are and/or how it will incorporate Stakeholder voice and involvement into the setting of its impact goals.</i>
	<i>At a minimum, the Fund has a process for identifying who its Stakeholders are and includes consideration of Stakeholders' perspectives when setting of its impact goals.</i>
	<i>The Fund recognizes the value of prioritizing Stakeholder voice when setting its impact goals and engages proactively with Stakeholders to appropriately incorporate their perspectives.</i>
	<i>The Fund adopts best practice for involving Stakeholder(s) in the development of its impact goals (and all aspects of the Fund's impact measurement and management practices).</i>

- 2.7 *The Fund's is encouraged to ensure its impact goals are evidence-based (complementing available research and data), reflecting the substantial impacts that matter (to Stakeholders) or evidence-able based on a logical theory of change that will be tested and assessed over the life of the Fund's investment, for example:*

- *By drawing on existing knowledge from researchers and experts when designing its impact goals, to credibly link the relationships between the activities of the Fund and its investees with the desired outcomes and impacts;*
- *By drawing on available country-specific SDG impact data and information from reputable agencies (for example the UNDP's SDG impact data and the SDG Impact Initiative's SDG Investor Maps where available) to set its impact goals in line with identified SDG country priorities and local context, for instance when the Fund's intention is to contribute to solutions toward achievement of the SDGs.*

	<i>The Fund's impact goals are neither evidence-based nor evidence-able.</i>
	<i>At a minimum, the Fund's impact goals are evidence-based (complementing available research and data), or evidence-able based on a logical theory of change that will be tested and assessed over the life of the Fund's investment. The Fund draws on existing knowledge from researchers and experts to credibly link the relationships between the activities of the Fund and its investees with the desired outcomes and impacts.</i>
	<i>The Fund's impact goals are evidence-based (complementing available research and data), or evidence-able based on a logical theory of change that will be tested and assessed over the life of the Fund's investment. The Fund draws on existing knowledge from researchers and experts to credibly link the relationships between the activities of the Fund and its investees with the desired outcomes and impacts and draws on available country-specific SDG impact data including information from reputable agencies (for example the UNDP's SDG impact data and the SDG Impact Initiative's SDG Investor Maps (where available) to set its impact goals in line with identified SDG country priorities and local context where feasible and relevant, for instance when the Fund's intention is to contribute to solutions toward achievement of the SDGs.</i>

2.8 *The Fund's is encouraged to ensure its impact goals are measurable, and where appropriate and feasible, based on standardized metrics or metric sets that are tied to outcomes backed by evidence, and aligned with the SDGs and associated targets and the five dimensions of impact (for example, by using the core metric sets of IRIS+, GRI's indicators aligned with the SDGs and associated targets, or certain SASB metrics that would be relevant for specific SDGs for selected industries).*

	<i>The Fund's impact goals are not measurable, or are measurable, but there is little use of standardized metrics tied to outcomes backed by evidence, and/or metrics which are not aligned with the SDGs and associated targets and the five dimensions of impact (for example, by using the core metric-sets of IRIS+, GRI's indicators aligned with the SDGs and associated targets, or certain SASB metrics that would be relevant for specific SDGs for selected industries).</i>
	<i>At a minimum, the Fund's impact goals are measurable, and there is moderate use of standardized metrics tied to outcomes backed by evidence, and metrics that are aligned with the SDGs and associated targets and (where relevant the five dimensions of impact (for example, by using the core metric-sets of IRIS+, GRI's indicators aligned with the SDGs and associated targets, or certain SASB metrics that would be relevant for specific SDGs for selected industries).</i>
	<i>The Fund's impact goals are measurable, and wherever appropriate and feasible, based on standardized metrics or metric sets that are tied to outcomes backed by evidence, and aligned with the SDGs and associated targets and the five dimensions of impact (for example, by using the core metric-sets of IRIS+, GRI's indicators aligned with the SDGs and associated targets, or certain SASB metrics that would be relevant for specific SDGs for selected industries).</i>

2.9 *In setting its impact goals, the Fund is encouraged to take into account its own and investees' full value chains (including products/services, distribution, direct operations and supply chains), or provide a corresponding explanation if it chooses not to.*

	<i>The Fund does not take into account its own and investee's full value chains in its impact goals.</i>
	<i>At a minimum, the Fund considers its own and investee's value chains, however there are gaps in terms of what is included in the Fund's impact goals.</i>
	<i>The Fund takes into account its own and each investee's full value chain in setting its impact goals.</i>

2.10 *The Fund is encouraged to align its impact goals with some or all of the five dimensions of impact, as described below:*

- *What specific type and level of outcomes (including the SDG(s) and targets those outcomes relate to) the Fund aims to generate based on data that demonstrates the importance of those outcomes to the Stakeholder(s) experiencing them, as well as how the threshold for what constitutes a positive outcome has been determined;*

- *Who will experience those outcomes, including their baseline level of outcome (for example, how underserved they are/were before the Fund’s investment) and other relevant demographic information;*
- *How much of the outcomes the Fund aims to generate, in terms of scale, depth and duration;*
- *The contribution the Fund aims to make to the outcomes, by taking into account what would likely happen anyway; and*
- *The risk the Fund is willing to take that the Fund’s SDG impacts may be different from the expected impacts, with reference to specific material impact risk factors, including evidence risk, stakeholder participation risk, drop-off risk, unexpected impact risk, execution risk, external risk, alignment risk, and efficiency risk.*

	<i>The Fund does not align its impact goals (where relevant) with some or all of the five dimensions of impact and associated underlying data categories.</i>
	<i>At a minimum, the Fund aligns its impact goals (where relevant) with at least three of the five dimensions of impact, and is starting to use the underlying data categories as a framework to more systematically describe, compare and contrast impact, however some key gaps remain.</i>
	<i>The Fund aligns its impact goals (where relevant) with the five dimensions of impact and uses the underlying data categories as a framework to systematically describe, compare and contrast impact (taking into account that reliable data across all data categories is not always available or feasible to collect in all cases).</i>

2.11 *When setting its impact goals, the Fund is encouraged to include consideration of the Fund’s own contribution(s) it aims to make towards SDG impact (as distinct from the intended impacts made by the investees the Fund invests in), in the context of the Fund’s own capabilities and/or constraints. For example, these contributions may include (but are not limited to) some or all of:*

- *Signaling that impact matters: choosing not to invest in or to favor certain investments – such that, if all investors did the same, it would ultimately lead to a ‘pricing in’ of effects on the SDGs by the capital markets (for example, requiring a investee to share data on impact, through diligence and the investment period);*
- *Engaging actively: significant proactive efforts using expertise and networks to improve the SDG impact performances of investees. Engagement may include a wide spectrum of approaches – from dialogue with companies to the Fund taking board seats and using their own teams or consultants to provide hands-on management support (for example, sharing experience on impact measurement and management with the investee to build capability);*
- *Growing new or undersupplied capital markets: anchoring or participating in new or previously overlooked opportunities that offer an attractive impact and financial opportunity in line with the Fund’s SDG impact intentions and goals, (for example, taking on additional complexity, illiquidity or perceived higher risk in order to structure a new type of financial product that delivers a certain type of impact);*
- *Providing flexible capital: recognizing that certain types of investees will require acceptance of lower risk-adjusted returns in order to generate certain kinds of SDG impact (for example, providing capital where only a full or partial return of principal is expected in order to ensure an enterprise reaches a certain demographic); and*

- *Demonstrating market leadership and contributing to field building: to further enable the SDGs beyond the impact of the Fund’s direct portfolio. This may include sharing SDG impact data and learnings publicly, mentoring and enabling others, exploring partnerships as an enabler for greater SDG impact, developing industry infrastructure such as open-source tools and resources, helping to scale value-adding intermediaries, platforms, and networks, and promoting policy reforms*

	<i>The Fund does not have clear impact goals about the investment strategies it plans to employ to contribute to the impact(s) to be generated by its investees.</i>
	<i>At a minimum, the Fund has clear impact goals about the investment strategies it plans to employ to contribute to the impact(s) to be generated by its investees.</i>
	<i>The Fund has clear impact goals about the investment strategies it plans to employ to contribute to the impact(s) to be generated by its investees and market development, leadership and field building goals for the Fund beyond its direct investments in investees, including sharing impact data and learnings from the Fund publicly, mentoring and developing industry infrastructure and capabilities, for example, mentoring and enabling others, promoting policy reforms, exploring partnerships as an enabler for greater SDG impact, open-source tools and resources, and creating and/or supporting value-adding intermediaries, accelerators and investors networks.</i>

2.12 *The Fund is encouraged to periodically assesses and (as necessary) reset its impact goals as the context for SDG impact changes and as it develops a deeper understanding of the actual impacts it is having on the SDGs and associated Targets. For example, the Fund may achieve this by:*

- *Analyzing deviations from expected impact performance and re-setting impact goals as appropriate (for example, recognizing unintended positive or negative impacts on SDGs and setting additional impact goals to address these in future);*
- *Responding to changes in the context for SDG impacts (for example, a high likelihood of forthcoming political unrest locally) that affect the impact performance that the Fund is likely able to achieve; and*
- *Incorporating other new and relevant contextual information (for example, about changing in-country SDG priorities or needs, or taking into account new research or evidence). The Fund is encouraged to periodically assesses and (as necessary) reset its impact goals as the context for SDG impact changes and as it develops a deeper understanding of the actual impacts it is having on the SDGs and associated Targets. For example, the Fund may achieve this by:*

	<i>The Fund does not periodically review and refresh its impact goals to ensure they remain fit-for-purpose.</i>
	<i>At a minimum, the Fund periodically reviews the Fund’s impact goals to ensure they remain fit-for-purpose, but does not yet systematically incorporate learnings from actual performance or changes in the context for SDG impact to review and refresh the Fund’s impact goals.</i>
	<i>The Fund periodically reviews the Fund’s impact goals, systematically incorporating its learnings from actual performance, new relevant information on country SDG priorities and new evidence or research, as well as current and anticipated changes in the context for SDG impact to review and refresh the Fund’s impact goals.</i>

Governance and culture

3 The Fund is encouraged to reinforce that impact matters and integrate its SDG impact intentions and goals, and by extension its impact measurement and management practices, in its standard business practices, governance and controls.

3.1 *The Fund is encouraged to clearly set the “tone from the top”, reinforcing that impact and impact measurement and management practices matter, and leading by example and holding others accountable in that regard.*

Impact and impact integrity is not a key priority for the Board and/or senior leaders of the Fund, or the Board's and senior leaders' commitment to impact, impact integrity and sound impact measurement and management practices to support the Fund's impact intentions and goals isn't visible throughout the organization, reducing confidence that impact will consistently be treated as a priority throughout the organization.

Behaviors and/or decisions made by the Board and/or senior leaders appear to contradict stated commitments to impact and impact integrity (for example, the Fund uses tax-minimization structures which reduce tax revenue for the country in which the activity takes place or the underlying investment occurs, including using double taxation agreements or Fund structures that utilize low-tax jurisdictions or tax havens or not complying with the OECD Base erosion and profit shifting requirements and principles. prioritizing financial performance over impact performance including in the CEO and senior leadership team's KPIs), not investing sufficiently in capabilities and resources to support stated impact intentions, more focus on recognizing and celebrating financial performance than impact performance) weakening accountability for impact throughout the organization.

At a minimum, the commitment of the Fund's Board and senior leaders to impact, impact integrity and the importance of sound impact measurement and management practices to support the Fund's impact intentions and goals is visible throughout the organization, providing confidence that impact will be treated as a priority throughout the organization.

At a minimum, the behaviors and decisions made by the Board and senior leaders are not inconsistent with the Fund's impact intentions and goals, for example, not preferencing financial performance above impact performance (for example, not using tax-minimization structures which reduce tax revenue for the country in which the activity takes place or the underlying investment occurs, including not using advantageous double taxation agreements or Fund structures that utilize low-tax jurisdictions or tax havens and complying with the OECD Base erosion and profit shifting requirements and principles; including both financial and impact metrics in the CEO and senior leadership team's KPIs); making adequate investments in impact capabilities and resources, recognizing and celebrating impact performance as well as financial performance, supporting accountability for impact throughout the organization.

The commitment of the Fund's Board and senior leaders to impact, impact integrity and the importance of sound impact measurement and management practices to support the Fund's impact intentions and goals is highly visible throughout the organization. Communications up, down and across the organization appear to be effective, with evidence of a strong "speak up" culture, and high levels of engagement, ownership and personal accountability for impact throughout the organization.

The Board and senior leaders are strong role models for the importance of impact and impact integrity, reinforcing the Fund's stated impact intentions and goals through their own actions, for example, taking a substance over form approach, making impact central to the Fund's reason for being, taking a public stance on the importance of impact (and ensuring that engagement with regulators and policymakers is aligned with the Fund's SDG impact intentions), investing strongly in impact capabilities and resources, treating impact and financial performance as being of equal importance (including not using tax-minimization structures which reduce tax revenue for the country in which the activity takes place or the underlying investment occurs, including not using advantageous double taxation agreements or Fund structures that utilize low-tax jurisdictions or tax havens and complying with the OECD Base erosion and profit shifting requirements and principles; equalizing financial and impact metrics in the CEO and senior leadership team's KPIs), recognizing and celebrating impact performance at least as much as financial performance.

3.2 *The Fund is encouraged to embed its SDG impact intentions and goals into the Fund's standard business practices, governance structures and controls to align the Fund's financial and operational activities and behaviors with its SDG impact intentions and goals, for example:*

- *Integrating the Fund's impact measurement and management intentions, goals and practices with its financial and operational strategies and practices to ensure alignment and complementarity, including its investment decision-making practices;*
- *Reinforcing key principles and values that support sound impact measurement and management practices, for example, involving Stakeholders, evidence-based decision-making, valuing impact and financial performance equally, and being transparent in its dealings with others;*
- *Linking and aligning the Fund's compensation, promotion and incentive structures and its annual performance reviews and objectives-setting processes to its SDG impact intentions and goals – with due regard for unintended consequences, including the creation of perverse incentives – and including mechanisms for Stakeholders' input and feedback on the Fund's impact performance to be taken into account; and*
- *Ensuring the Fund has appropriate practices in place to support exits that consider impacts on Stakeholders and sustained impact post investment exit.*

The Fund's SDG impact intentions and goals are neither aligned nor embedded into the Fund's standard business practices, governance structures and controls. They appear to be an add-on or incidental to the Fund's core financial and operational activities and behaviors reducing confidence that the Fund's stated impact intentions and goals will be implemented in an effective and consistent manner. For example, the Fund's impact intentions, goals and practices are not aligned with its investment decision-making practices including its investment exit decisions, key principles supporting sound impact measurement and management practices (such as involving Stakeholders, evidence-based decision-making, valuing impact and financial performance equally, and transparency) are not reinforced through standard business practices, and staff compensation, performance and incentive structures do not include consideration of impact practices and performance.

The Fund's SDG impact intentions and goals are not sufficiently embedded into its standard business practices, governance and controls to provide confidence that investments will be selected, measured and managed in accordance with the stated impact intentions and goals.

At a minimum, the Fund's SDG impact intentions and goals are sufficiently embedded into the Fund's standard business practices, governance structures and controls and aligned with the Fund's financial and operational activities and behaviors to provide confidence that the Fund's stated impact intentions and goals will be implemented in a consistent manner. For example, the Fund's impact intentions, goals and practices are aligned with its investment decision-making practices including incorporating impact considerations in investment exit decisions, key principles supporting sound impact measurement and management practices (such as involving Stakeholders, evidence-based decision-making, valuing impact and financial performance equally, and transparency) are reinforced through standard business practices, and staff compensation, performance and incentive structures are not inconsistent with the Fund's impact intentions and goals.

The Fund's SDG impact intentions and goals are sufficiently embedded into its standard business practices, governance and controls to provide confidence that investments will be selected, measured and managed in accordance with the Fund's stated impact intentions and goals.

The Fund's SDG impact intentions and goals are integral to the Fund's purpose and fully integrated into the Fund's standard business practices, governance structures and controls, including its investment decision-making practices, providing a high degree of confidence that the Fund's stated impact intentions and goals will be implemented in a consistent manner. Key principles supporting sound impact measurement and management practices (such as involving Stakeholders, evidence-based decision-making, valuing impact and financial performance equally, and transparency) are the

way all business is conducted and decisions-made by the Fund, and staff compensation, performance and incentive structures are based on a balanced and thoughtful set of impact and financial indicators.

The Fund's SDG impact intentions and goals are integral to the Fund's purpose and fully integrated into its standard business practices, governance and controls, providing a high degree of confidence that the Fund's impact focus will be maintained and it will select, measure and manage its investments, as well as make contributions more broadly to the field, in accordance with the Fund's stated impact intentions and goals, and continuously improve its impact practices over time.

- 3.3 *The Fund is encouraged to establish mechanisms to ensure appropriate oversight of impact progress by the Fund's board and investment committee (for example, establishing an impact committee, clearly delineating impact in the board and investment committee's responsibilities and meeting agendas, reporting of breaches or failures against the Fund's impact goals to the investment committee and board).*

The Fund's board and/or investment committee have no formal oversight role for the Fund's impact strategy and progress.

At a minimum, the Fund has established mechanisms to ensure appropriate oversight of its impact strategy and progress (for example, establishing an impact committee, clearly delineating impact in the board and investment committee's responsibilities and meeting agendas, reporting of breaches or failures against the Fund's impact goals to the investment committee and board).

The Fund has established mechanisms to ensure appropriate oversight of its impact strategy and progress (for example, establishing an impact committee, clearly delineating impact in the board and investment committee's responsibilities and meeting agendas, reporting of breaches or failures against the Fund's impact goals to the investment committee and board).

4 The Fund is encouraged to ensure it has the necessary skills and resources to support implementation and delivery of its SDG impact intentions and goals.

- 4.1 *The Fund is encouraged to include impact, systems thinking and integrated thinking and decision-making expertise on its investment committee and board to enable appropriate challenge and oversight of the Fund's SDG impact intentions, goals and progress.*

The Fund's board and investment committee have limited diversity with a predominant focus of finance and investment expertise which may limit the potential for effective challenge and oversight of the Fund's theory of change, impact strategy, practices and performance, and investment proposals including of investees' impact theses and business models and sustainability of impact post exit.

At a minimum, the Fund's board and investment committee has some representation from individuals that contribute a different perspective and some diversity of thought, for example, including one or more of systems thinking, integrated thinking and decision-making, development and impact expertise to enable adequate challenge and oversight of the Fund's theory of change, impact strategy, practices and performance, and investment proposals including investees' impact theses and business models and sustainability of impact post exit.

The Fund's board and investment committee have a broad mix of individuals that contribute a range of perspectives and diversity of thought, for example, including systems thinking, integrated thinking and decision-making, development and impact expertise to enable effective challenge and oversight of the Fund's theory of change, impact strategy, practices and performance, and investment proposals including investees' impact theses and business models and sustainability of impact post exit.

- 4.2 *The Fund is encouraged to appoint a person of suitable seniority/authority who is clearly assigned responsibility and accountability (for example, included in their job description) for*

overseeing the Fund's impact practices and reviewing performance throughout the investment cycle.

	<i>The Fund has not appointed a designated person of suitable seniority, authority and impact capabilities to be responsible and accountable for overseeing the Fund's impact measurement and management processes to support implementation and delivery of its SDG impact intentions and goals.</i>
	<i>At a minimum the Fund has appointed a designated person of suitable seniority, authority and demonstrated impact capabilities to be responsible and accountable for overseeing the Fund's impact measurement and management processes to support implementation and delivery of its SDG impact intentions and goals. While the role may not be full time, it is part of someone's formal job description.</i>
	<i>The Fund has appointed a dedicated person of suitable seniority, authority and demonstrated impact capabilities to be responsible and accountable for overseeing the Fund's impact measurement and management processes to support implementation and delivery of its SDG impact intentions and goals. This "Head of Impact" role is not subordinated to the equivalent "Head of Investments" role in the organizational structure.</i>

- 4.3 *The Fund is encouraged to ensure its staff are appropriately trained in impact measurement and management practices (for example, to understand how data can be manipulated, identify where key elements are missing or unrealistic, have an appreciation for key challenges and sectoral issues, can conduct high quality impact assessments and reviews, diagnose issues and opportunities, and integrate impact and financial analysis and decision-making), or where the Fund supplements its own expertise by relying on outside support, has a baseline level of knowledge in impact measurement and management practices to appropriately manage for impact throughout the investment process (including identifying skill gaps, selecting third parties with appropriate skills and expertise to fill those gaps, and managing third party arrangements).*

	<i>The Fund does not provide training in IMM or the Fund's impact measurement and management practices to staff.</i>
	<i>At a minimum, the Fund provides access to internal or external IMM training to staff directly involved in the Fund's impact measurement and management practices.</i>
	<i>The Fund provides access to internal or external IMM training to all staff (at appropriate levels depending on roles) to reinforce the importance of IMM within the Fund and to ensure staff have the requisite awareness, understanding and capabilities to undertake their roles effectively (including providing effective challenge at the board and/or investment committee level or overseeing external service providers).</i>

- 4.4 *The Fund is encouraged to include assessment of fit with the Fund's SDG impact intentions, goals and practices as part of its recruitment practices.*

	<i>The Fund does not include assessment of fit with the Fund's SDG impact intentions, goals and practices as part of its recruitment practices.</i>
	<i>At a minimum, the Fund includes assessment of fit with the Fund's SDG impact intentions, goals and practices as part of its recruitment practices for example, asking questions to ascertain appropriate fit.</i>
	<i>The Fund provides an overview of the Fund's impact intentions, goals and practices, including behavioral expectations such as ethical decision-making, involving Stakeholders, open communication and challenge, valuing impact and financial performance equally (including for instance, the Fund's Code of Conduct) to prospective staff and asks questions to ascertain appropriate fit.</i>

- 4.5 *The Fund is encouraged to provide training to establish and periodically refresh staff's knowledge and understanding of the Fund's SDG impact intentions, goals, and practices and how these relate to their day-to-day roles.*

	<i>The Fund does not have formalized staff training materials and/or programs or does not include information about the Fund's SDG impact intentions, goals and practices and how these relate to day-to-day roles in its staff training materials and/or programs.</i>
	<i>At a minimum, the Fund includes information about its SDG impact intentions, goals and practices in its staff training materials and/or programs.</i>
	<i>The Fund's SDG impact intentions, goals and practices are integrated into staff training programs so that it is clear how these relate to day-to-day roles. Training is periodically refreshed to ensure staff's knowledge and awareness remain current.</i>

4.6 *The Fund is encouraged to ensure it has appropriate systems in place to store, organize, manage and use impact data in its day-to-day business practices and decision-making.*

	<i>The Fund does not have adequate systems in place to store, organize, manage and use its impact data effectively in its day-to-day business practices and decision-making.</i>
	<i>At a minimum, the Fund has adequate systems in place to store, organize, manage and access its impact data so it can use it in its day-to-day business practices and decision-making.</i>
	<i>The Fund has excellent systems in place to store, organize, manage and use its impact data effectively in its day-to-day business practices and decision-making, for example, systematically incorporating feedback loops and being fully integrated with its investment decision-making processes and throughout the investment life cycle, ability to generate reports efficiently.</i>

4.7 *The Fund is encouraged to regularly review its impact operational plans, capacity and capabilities to ensure they remain fit for purpose and adequate, including responding to sector advances in best practice.*

	<i>The Fund does not periodically review its impact operational plans, capacity and capabilities periodically to ensure they remain adequate and fit for purpose</i>
	<i>At a minimum, the Fund periodically reviews its impact operational plans, capacity and capabilities to ensure they remain adequate and fit for purpose.</i>
	<i>The Fund regularly reviews its impact operational plans, capacity and capabilities to ensure they remain adequate and fit for purpose and stays abreast of sector advances in best practice to continually improve existing practices.</i>

IMPACT MEASUREMENT AND MANAGEMENT

Standards for **IMPACT MEASUREMENT AND MANAGEMENT**: provides actionable guidance on what good impact measurement and management practices look like throughout the investment life cycle.

The Standards set out in this section are grouped into 8 themes:

- Including Stakeholder perspectives;
- Impact data collection and management;
- Selecting metrics and aligning metrics to the five dimensions of impact and the SDGs;
- Quality control measures;
- Continuous learning and improvement;
- Ex-ante impact measurement, assessment and decision-making
- Investment structuring; and
- Ex-post impact measurement, management and evaluation

This section comprises 10 Standards numbered 5 to 14, each followed by tests the Fund can apply to itself to assess its impact measurement and management practices. These tests will also be used by an Accredited Independent Certifier to form the basis of Certification if the Fund seeks to become certified.

Including Stakeholder perspectives

5 The Fund is encouraged to include Stakeholder perspectives throughout the investment lifecycle

5.1 *The Fund is encouraged to include Stakeholder perspectives when setting impact goals and defining an investment strategy.*

	<i>The fund has not considered stakeholder perspectives when setting goals and defining an investment strategy.</i>
	<i>At a minimum, the fund has considered third party evidence that includes stakeholder perspectives when setting goals and defining an investment strategy.</i>
	<i>The fund has proactively sought to understand and incorporate fresh stakeholder perspectives when setting and re-setting goals at regular intervals throughout the investment period.</i>

5.2 *The Fund is encouraged to include Stakeholder perspectives to make informed decisions about which impacts matter and to inform impact data collection and analysis.*

	<i>The fund has not considered stakeholder perspectives when deciding what performance data to collect.</i>
	<i>At a minimum, the fund has ensured that its intended impacts also matter to the people and the planet experiencing them, and is collecting data to understand whether this impact is being achieved through the portfolio.</i>
	<i>The fund collects data from investees on all the impacts that matter from the perspective of the stakeholders affected, which informs which impacts are managed and what is reported to stakeholders on overall performance.</i>

Data collection and management

6 The Fund is encouraged to use impact data and available evidence to make informed impact management decisions.

- 6.1 *The Fund is encouraged to ensure it has adequately resourced systems and processes in place to systematically collect and assess impact data in a secure way.*

	<i>The Fund does not appropriately resource data-collection or store data in a secure way.</i>
	<i>At a minimum, the Fund has a system in place to collect and store impact performance data.</i>
	<i>The Fund has a well-resourced system in place to collect and store impact data and add capacity to investees by leading on impact analysis where required. Sensitive raw data is only accessible to those using it for analysis and appropriate steps are taken to sure data is collected in a secure manner with the same rigor applied to financial performance data.</i>

- 6.2 *The Fund is encouraged to reduce the reporting burden on investees by encouraging investee's to share data in the format that is most convenient for them to make practical use of the data for day-to-day decision-making and management.*

	<i>The Fund does not consider the systems and data usage by investees when collecting data.</i>
	<i>At a minimum, the Fund seeks to understand an investee's current data collection, management and reporting systems before seeking to change them or make additional specific data requests.</i>
	<i>The Fund uses the impact performance data available from investees for their own analysis. Where the data-collection capacity of investees needs improvement, the Fund may advise on strengthening an investee's data-collection systems so that the quality and coverage of impact data is sufficient to drive decision-making at the investee and investor level.</i>

- 6.3 *The Fund is encouraged to systematically record and store the performance data and assumptions used for impact measurement and management practice (including the data used for due diligence and ongoing performance monitoring, assessment, and evaluation), and ensure these are made available to external parties as necessary and appropriate (e.g. for external assurance purposes).*

	<i>The Fund does not record data and assumptions that drive decision-making.</i>
	<i>At a minimum the Fund records and stores the performance data and assumptions used for impact measurement and management practice.</i>
	<i>The Fund systematically records and stores all data and assumptions that the underlying investees use to measure and manage their impact, so as to have full knowledge of all impacts occurring in their portfolio.</i>

- 6.4 *The Fund is encouraged to create regular internal reports from its stored impact data to help it systematically and regularly assess the impact performance of investees against their agreed performance baselines, the Fund's own goals and against the global SDG goals. This practice also enables the Fund to assess the quality and effectiveness of its own impact measurement and management practices in order to make process improvements.*

	<i>The Fund does not create internal impact performance reports to aid evaluation of impact performance.</i>
	<i>Impact measurement and management practices are not systematically and regularly reviewed.</i>
	<i>At a minimum, the Fund produces internal reports to assess performance against one set of goals (be they the investee's own, the Fund's high-level impact goals or the SDGs).</i>
	<i>The Fund creates internal impact performance reports to aid evaluation of performance against all relevant goals.</i>

	<i>There is evidence that impact measurement and management practices have been reviewed and/or updated recently (within the last 12 months).</i>
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6.5 *The Fund is encouraged to be transparent about any data quality risks and/or gaps it identifies, including any inferences, proxies, and/or assumptions made (and its well-reasoned rationale for doing so) in its reporting to Stakeholders.*

	<i>The Fund does not make explicit where it perceives there to be missing or unavailable performance data, preventing a complete assessment to be made, alongside the assumptions made in the absence of this data.</i>
	<i>At a minimum, the Fund is transparent in reporting about where assumptions have been made, or data is unavailable at that point in time (and/or considering available resources).</i>
	<i>The Fund makes explicit in reporting where it perceives there to be missing or unavailable performance data alongside any assumptions made, and has made steps to address these gaps or substantiate assumptions.</i>

6.6 *Where the Fund has based impact analysis during diligence on third party evidence (or on proxies based on assumptions to compensate for data gaps), the fund works with the investee post-investment to collect new impact data to fill data gaps in order to establish actual impact performance, the validity of the proxies and/or to learn more about the impact experienced by this group of Stakeholders recognizing that it might differ from original assumptions or intentions.*

	<i>The Fund does not attempt to substantiate original assumptions or third-party evidence by collecting impact data directly from investees post-investment.</i>
	<i>At a minimum, the Fund tries to assess the feasibility of collecting impact data directly from investees and is transparent in reporting to explain instances where this has not been deemed possible or cost-effective.</i>
	<i>The Fund has clearly worked to substantiate its impact thesis by seeking to collect impact data directly from investees to fill data-gaps or verify assumptions.</i>

6.7 *The Fund is encouraged to make the best use of available impact data and evidence to make informed impact assessments and management decisions that factor in the level of impact risk being taken (i.e. the risk that the data does not necessarily enable total confidence that the desired impact is occurring as expected).*

	<i>The Fund does not consider impact risk when assessing impact performance data.</i>
	<i>At a minimum, the Fund considers some types of impact risk and is aware of the level of confidence that they have in their performance data.</i>
	<i>The Fund considers many types of impact risk when assessing impact performance data and this risk assessment informs future data collection activities. Impact risk taken is also communicated to stakeholders.</i>

Selecting metrics and aligning metrics to the five dimensions of impact and the SDGs

7 The Fund is encouraged to ask investees for impact performance data for all impacts that matter (from the perspective of the affected Stakeholders).

7.1 *The Fund is encouraged to work collaboratively with Stakeholders to select the metrics sets it will use to monitor and assess the impact performance of its investees and the Fund's impact performance overall.*

	<i>The fund does not consult with stakeholders when deciding how to monitor and assess the impact of its investments</i>
	<i>At a minimum, the fund considers the impact data already collected by investee enterprises alongside standardized or evidenced metrics relevant to the type of impact being measured before asking for data to be collected against new metrics.</i>
	<i>The fund works with investees to ensure that the metrics selected are both most effective for daily impact management, and are as consistent as possible with existing data standards.</i>
	<i>Ideally, the fund supports investees to use existing data standards when selecting metrics for both negative impacts and positive impacts to enable comparability. Where these standards do not exist, or a bespoke metric is more appropriate for management, the fund follows existing standards for constructing bespoke metrics and does so in partnership with investee enterprises.</i>

7.2 *The Fund is encouraged to prioritize measuring impacts that matter most to the Stakeholders affected (for example, end users, communities, employees and/or suppliers) and should try and collect data on relative importance of impacts at diligence to ensure measurement approaches and metric-selection are not solely based on the Fund and/or investee's intentions. This is just as important to manage potential unexpected negative impacts, as to manage positive ones.*

	<i>The Fund does not collect data from affected Stakeholders to understand what impacts occur and which matter most.</i>
	<i>At a minimum, the Fund carries out research using available evidence to anticipate potential unintended impacts that could occur, and actively encourages investees to survey Stakeholders to learn what impacts are occurring and which matter most.</i>
	<i>The fund works with all investees to survey affected Stakeholders and use the resulting data to inform future measurement approaches and management decisions. These surveys are repeated regularly in case of changes to Stakeholder experience.</i>

7.3 *Wherever appropriate and feasible, the Fund is encouraged to select standardized metrics and include outcome measures (or at least well-evidenced proxies), that are (where relevant) aligned with the SDGs and associated targets and shared in context (i.e. as are set across the five dimensions of impact). For example, by using the core metrics sets of IRIS+.*

	<i>The fund does not seek to collect outcome data using standardized, evidence metrics.</i>
	<i>At a minimum, the fund ensures that all SDG-related impact measurement uses outcome measures which are shared in a set - i.e. in context of data across the other dimensions of impact</i>
	<i>Where possible the fund ensures that its investees use evidenced and standardized metrics to measure impact in a set across all of the five dimensions for the impacts it is managing.</i>

7.4 *The Fund is encouraged to limit its use of non-standardized metrics and/or metrics sets. If the Fund decides it is necessary to use non-standardized or bespoke metrics where*

standardized metrics do not exist (for example, certain product impacts experienced by end users of the investee’s products and services), the Fund is encouraged to bear in mind that even such bespoke metric sets can still be designed with comparability in mind. Therefore the Fund should support the investee in adhering to existing standards on bespoke metric design. For example, an investee could use consistent, evidenced survey questions that ask users about their experience (such as a net promoter score).

	<i>The fund uses non-standardized metrics and/or metric sets where standardized ones exist. And/or where a bespoke metric is required, the Fund does not follow existing standards when deciding (or helping the investee decide) how to construct this metric.</i>
	<i>At a minimum, the fund works with the enterprise to prevent bespoke metrics being used where standardized ones exist (or have a logical and transparent rationale for using a bespoke version)</i>
	<i>The fund encourages the enterprises to use only standardized metrics and/or metric set and - where necessary - clearly adheres to bespoke data standards where standardized metrics do not exist or are not fit-for-purpose in a specific context.</i>

7.5 The Fund is encouraged to select metrics and/or metrics sets based on a combination of which metrics and/or metric sets are standardized and evidenced, and their ability to drive decision-making in a timely way at a cost relative to the decision it drives. The Fund is encouraged to be guided by sound principles of how to choose what to measure and disclose, for example, as described by Social Value International in its Seven Principles (See Glossary, SVI) and by the Global Reporting Initiative in its reporting principles (see Glossary, GRI).

	<i>The Fund does not put thought into which metrics the investee should be using to effectively measure and manage impact.</i>
	<i>At a minimum, the Fund engages in a dialogue with investees about what is necessary and viable to measure.</i>
	<i>The Fund clearly follows principles of reporting and uses existing data standards, whilst also factoring in what is viable and cost-effective for each individual investee.</i>

7.6 The Fund is encouraged to document and disclose to Stakeholders which standardized (and if relevant any bespoke) metrics and metrics sets it is utilizing and why the specific metrics and/or metrics sets have been selected. This disclosure might include, for example, evidence on why certain activity or output metrics are suitable proxies for specific outcomes, and/or (where relevant) how metrics are aligned with specific SDGs and associated targets.

	<i>The Fund does not disclose which metrics it has collected data against and why.</i>
	<i>At a minimum, the Fund has an internal logic for why metrics are used but does not make this transparent to stakeholders.</i>
	<i>The Fund discloses to stakeholders which metrics it has collected data against and why.</i>

Quality control measures

8 The Fund is encouraged to implement quality control measures to support the integrity of its impact measurement and management practices.

8.1 The Fund is encouraged to implement quality control measures to ensure the integrity, reliability and quality (i.e. relevance, accuracy, credibility, timeliness, punctuality,

accessibility, interpretability and coherence) of the impact data it collects, including, but not limited to:

- Adherence to pre-defined data quality standards (that adhere to industry standards), and including identifying credible data sources, systematic checking of assumptions and calculations, and accommodation for specific impact related concepts such as checking data for double counting, drop-off and failure rates;
- Ensuring transparent documentation and audit trails for impact data collected, and including periodical reviews;
- Where possible, incorporating a degree of data validation by collecting impact data through multiple channels that provide different perspectives, including secondary data gathered and published by others that corroborates enterprise specific data;
- Where appropriate and feasible, conducting internal and/or external verification of impact data; and
- Making appropriate disclosures where data integrity, reliability and/or quality are weak.

	<i>The Fund does not attempt to enforce quality control measures to ensure the integrity, reliability and quality of its data.</i>
	<i>At a minimum, the Fund has processes in place which enable it to make some assessment of the reliability and quality of the data, and have taken steps to improve data quality where quality is noticeably weak.</i>
	<i>The Fund has processes in place to trace provenance of data, and ascertain its reliability and quality. These processes are well-documented and can be shared with assurers if required.</i>

8.2 The Fund is encouraged to implement data integrity measures for how data is analyzed and reported, to ensure that the utility of the underlying raw data isn't lost by taking data out of the context of other dimensions of impact, or aggregating metrics in a way that prevents clear analysis of performance. The Fund is also encouraged to have clear processes for controlling to whom and how impact data will be reported, to ensure consideration of privacy, ethics and confidentiality.

	<i>The Fund does not consider data integrity or utility when analyzing and reporting data on impact performance.</i>
	<i>At a minimum, the Fund collects and stores data in its raw form in context of all dimensions, in a system that has a privacy mechanism in place.</i>
	<i>The Fund collects and stores data in raw form, accompanied by relevant notes on data-source and in a structure that enables period-to-period comparison (i.e. in keeping with impact data reporting principles). Performance data is shared sensitively (considering ethical and commercial sensitivities) and in a way that enables clear interpretation of performance (in context of appropriate targets and benchmarks).</i>

8.3 The Fund is encouraged to embed checks and balances in its impact measurement and management practices that ensure the highest level of practice is achievable, for example:

- Ensuring that the whole fund team is trained in and - where appropriate - contributes to aspects of the impact management process so that it is not carried out in a silo from other aspects of the fund's activities;
- Ensuring adequate guidance is available to ensure the highest probability of consistent process execution (with occasional checks to test whether employees carrying out the same process step results in the same conclusions or quality of outputs);

- Carrying out regular internal consultation processes to increase buy-in and respond to any implementation challenges

	<i>The Fund does not have an end-to-end impact measurement and management process that has the whole Fund's understanding and buy-in.</i>
	<i>At a minimum, the Fund has a full, documented impact measurement management process that is adequately resourced.</i>
	<i>The Fund has a full, documented impact measurement and management process that is adequately resourced, and carries out regular checks and stakeholder engagement among staff to ensure quality application and respond to implementation challenges.</i>

- 8.4 The Fund is encouraged to provide staff (and any third-parties involved in the Fund's impact measurement and management practices) with adequate information and training on its impact measurement and management practices to carry out their roles consistently and effectively.

	<i>Fund staff and key stakeholders are not provided with training on impact measurement and management practices.</i>
	<i>At a minimum, those responsible for quality execution of the Fund's impact measurement and management processes are given adequate information and training.</i>
	<i>All Fund staff receive adequate information and training on impact measurement and management practices.</i>

- 8.5 The Fund is encouraged to undertake periodic independent reviews to ensure the process is optimized (in terms of resource use, consistency, quality and utility of outputs and addressing any potential issues of bias, perverse incentives or conflicts of interest), and continue to meet industry best practice.

	<i>The Fund has not reviewed the process since implementation began.</i>
	<i>At a minimum, the Fund has carried out a review to establish the quality and consistency of the Fund's impact measurement and management processes.</i>
	<i>The Fund is in the routine of carrying out independent reviews of its impact measurement and management processes and has made adjustments to implement recommended improvements.</i>

Continuous learning and improvement

9 The Fund is encouraged to embed a virtuous cycle of continuous learning and improvement at the heart of its impact measurement and management practices.

- 9.1 The Fund is encouraged to be clear about its SDG impact motivations and intentions, assess the context for SDG impact, develop clear impact goals to achieve its SDG impact intentions, implement plans to achieve those goals, monitor and analyze the Fund's actual impact performance against its expected impact performance and systematically feedback its learnings into its assessment of the context for SDG impact and its impact goals (and if needed, its SDG impact motivations and intentions) and to inform the management of its existing portfolio and activities and its future impact measurement and management practices.

	<i>The Fund does not systematically analyze, evaluate and draw insights from the impact data and information it gathers through its impact measurement and management practices, or it does not</i>
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	<i>systematically use those insights and learnings to inform the management of its existing portfolio and activities and continuously improve its future impact measurement and management practices.</i>
	<i>At a minimum, the Fund analyzes, evaluates and draws insights from the impact data and information it gathers through its impact measurement and management practices, however the systematic feedback loops to apply those learnings and insights to inform the management of its existing portfolio and activities and continuously improve its future impact measurement and management practices are not yet fully developed.</i>
	<i>The Fund analyzes, evaluates and draws insights from the impact data and information it gathers through its impact measurement and management practices, and has systematic feedback loops to apply those learnings and insights to inform the management of its existing portfolio and activities and continuously improve its future impact measurement and management practices.</i>

9.2 *The Fund is encouraged to share its learnings with its investees so they can improve their products/services offerings and their impact measurement and management practices.*

	<i>The Fund does not share its impact insights and learnings from its impact measurement and management practices with its investees.</i>
	<i>At a minimum, the Fund shares its insights and learnings from its own impact measurement and management practices with its investees in an aggregated and summarized format.</i>
	<i>The Fund shares its impact insights and learnings from its impact measurement and management practices with its Investees in a way that enables them to use that information to improve their goods/services offerings.</i>
	<i>The Fund uses its learnings and insights from its impact measurement and management practices to identify investee issues, provide support and advice, assist with impact measurement and reporting and improve investee's impact discipline (for instance assisting the investee to adopt and implement stronger impact practices).</i>

Ex-ante impact measurement, assessment and decision-making

10 The Fund is encouraged to conduct impact due diligence on its potential investments in investee companies.

10.1 *Through undertaking detailed impact due diligence (i.e. ex-ante impact measurements and assessments on potential investees), the Fund is encouraged to collect impact data from potential investees to assess alignment with the Fund's own goals and determine the enterprise's contribution to the SDGs. The fund is also encouraged to assess the potential investee's commitment to impact measurement and management and willingness and ability to improve and adapt activities based on the lessons derived from collecting impact performance data. The Fund should also consider how to ensure the potential investee is likely to sustain any positive impacts beyond exit (for example, by considering whether impact is embedded in the potential investee's business model, or central to its financial performance - which is also known as Alignment Risk, an aspect of impact risk)*

	<i>The Fund has no processes in place to routinely and systematically assess potential investments against its own impact goals or the SDGs as part of due diligence.</i>
	<i>At a minimum, the Fund has processes in place to assess the likelihood that the impact of the investee meets the Fund's impact goals.</i>
	<i>The Fund has a process in place which allows it to routinely and systematically collect data about the current positive and negative impact of potential investees as a routine part of investment due diligence in order to assess potential investments against its own impact goals. The system is effective in driving investment decision-making and informs the ongoing data collection and total impact performance monitoring systems that are put in place post-investment.</i>

10.2 The Fund is encouraged to conduct its impact due diligence alongside (or integrated with) its financial due diligence to assess the relationship and interdependencies between the potential investee's expected impact(s) and financial performance

	<i>The Fund does not consider the relationship and dependencies between the potential investee's impact and financial performance.</i>
	<i>At a minimum, the Fund considers the relationship between the potential investee's impact and financial performance and seeks to assess and mitigate any risks this could pose to achieving the Fund's impact or financial goals</i>
	<i>The Fund conducts a qualitative assessment of the relationships / interdependencies between the impact and financial assessment, which is documented in investment committee papers or minutes.</i> <i>(Ultimately, experienced investors will forecast expected performance using ex-ante impact data for proposed investments, alongside ex-ante expected financial performance data, for some portion of the portfolio (or all of it) to produce a quantitative analysis of those relationships to inform internal decision making.</i> <i>Ideally, if not too sensitive, such data and analysis is shared with external Stakeholders, to increase the clarity and transparency on impact and financial performance in the sector.)</i>

10.3 The Fund is encouraged to be transparent with potential investees about the Fund's goals and SDG-contributing intentions, and take steps to engage proactively with potential investees throughout the impact due diligence process (and thereafter), for example, by:

- *Setting expectations on impact measurement and management processes and requirements (i.e. what to expect from the impact due diligence process, and what data the Fund will require for diligence and ongoing impact performance assessments);*
- *Discussing with the investee how their own impact measurement and management processes can be improved and ensuring the ability and willingness of the potential investee to improve, adapt and learn, including to rectify shortcomings and/or change direction based on results;*
- *Establishing alignment of the investee's impact goals with the Fund's goals and SDG-focus, whilst also ensuring the investee has systems in place to test these goals through stakeholder feedback and stakeholder involvement in decision-making; and*
- *Establishing rules of engagement for a constructive dialogue and partnership post investment*

	<i>The Fund does not engage with investees on impact measurement and management.</i>
	<i>At a minimum, the Fund shares its impact goals with investees, and sets expectations with investees on what impact performance data it will require to assess performance against goals.</i>
	<i>During due diligence the Fund shares its impact goals with investees and sets expectations on what impact performance data it will require to assess the total performance of the investee. Throughout the investment period - and where needed - the Fund also engages to add capacity to support the investee to improve its own impact measurement and management practices.</i>

10.4 The Fund is encouraged to specifically diligence the impact goals of each of its potential investees and establish the likelihood that the enterprise model will be successful at achieving these goals, whilst managing all other unexpected negative impacts and risks. This involves assessing, among other things:

- *The evidence base and assumptions underpinning the investee's theory of change. This includes documenting all the expected outcomes (positive and negative, intended and unintended and the relevant SDGs and associated targets), based on well-reasoned*

assumptions and evidence. It should also include an examination of the potential investee's past (if there is sufficient track record), current and forecasted impact(s) over the life of the investment, along with an assessment of the current and potential future impact risks (and risk mitigation plans).

- *The extent to which the potential investee understands its target Stakeholders needs and involves Stakeholders in its decision-making processes and impact data collection and analysis (for example how the potential investee identifies its Stakeholders; involves Stakeholders in the design process for its products and services, involves Stakeholders in determining what impacts matter and collecting and analyzing impact data (while not being overly burdensome), and how it corroborates information about Stakeholders (for example, by collecting and analyzing various perspectives from different Stakeholders as well as through third party-research or evidence), and identifies and mitigates the risks associated with using information received from different Stakeholder groups (for example, reliability, bias, relevance to context);*
- *The relationship and interdependencies between the investee's impact performance and its financial performance and how the management team make decisions regarding trade-offs. This may include whether the investee has financial incentives linked to impact performance;*
- *The pathways to and options for exit and likelihood of sustained impact post exit, taking into consideration the expected growth trajectory of the investee's business.*

	<i>The Fund does not carry out a detailed assessment of the impact goals of the investee nor assess the likelihood that the enterprise will meet these goals and manage all other unexpected negative impacts and risks.</i>
	<i>At a minimum, the Fund collects sufficient data and third-party evidence to test the investee's theory of change to adequately judge whether its impact goals are likely to be met, and to inform metric selection for analysis of progress and reporting throughout the investment period.</i>
	<i>The Fund conducts a full assessment of the investee which enables it to assess the likelihood that the enterprise model will be successful at achieving its impact goals, whilst managing all other unexpected negative impacts and risks. This assessment should consider the availability of data for all impacts that matter to people and planet affected and include forecast impact performance data for the whole investment period along with detailed assumptions. The Fund should gather information on the investee's own stakeholder engagement practices, the interrelationship between the investees impact and financial goals and how management decisions are made, and an assessment of what impact locks are in place to prevent mission-drift at exit.</i>
	<i>If the diligence discovers that any of these practices are not up to the required standard required, an engagement plan is put in place which the Fund monitors throughout the investment period, in relation to time-bound targets.</i>

10.5 *The Fund is encouraged to consider its own investor contribution goals (for example, signalling that impact matters, and/or engaging actively, and/or growing new or undersupplied capital markets, and/or providing flexible capital) and whether the potential investee meets those goals. The actions taken by the Fund in pursuit of these investor contribution goals should be documented, alongside a qualitative or quantitative assessment of the effect that this contribution has on the investee's own impact performance (where relevant), and this should be reported to the Fund's stakeholders.*

	<i>The Fund does not consider performance against its own investor contribution goals.</i>
	<i>At a minimum, the Fund sets goals in relation to investor contribution and assesses the likelihood that each potential investee will enable them to meet these goals.</i>

The Fund sets goals in relation to investor contribution, documents actions taken to meet these goals, and shares results in reporting to stakeholders.

10.6 *The Fund is encouraged to classify each of the potential investees' expected impacts according to whether they may or do cause harm that detracts from achievement of the SDGs, acts to avoid harm that detracts from achievement of the SDGs, benefits Stakeholders in relation to the SDGs or contributes to solutions toward achievement of the SDGs. This classification enables the Fund to make an assessment of the overall expected contribution of each potential investment to SDG targets so it can assess the overall SDG-alignment and contribution of its portfolio, specifically as outlined in Test 2.1. In making its assessment, the Fund is encouraged to (i) utilize the Impact Management Project's five dimensions of impact, the associated impact data categories and the guidance on how to classify an investment or equivalent to support market standardization in understanding, measuring and reporting impact, (ii) focus on the impacts that matter to those affected and (iii) consider the impacts on different groups of people and the planet separately, rather than assuming that positive impacts can offset negative impacts (except in cases where the unit of measurement is identical across impacts for example, carbon emissions or mega-litres of water).*

	<i>The Fund does not classify potential investees using available data, in relation to the SDGs and the IMP's 'ABC' framework.</i>
	<i>At a minimum, the Fund carries out a 'top-down' classification for each investee based on a combination of the investees own goals, intentions and impact management practices.</i>
	<i>The Fund carries out a classification of each investee based on impact performance data across the five dimensions for each impact that matters.</i>

11 The Fund is encouraged to make an impact assessment of each potential investment, including its expected effect on the Fund's portfolio overall.

11.1 *The Fund is encouraged to make an impact assessment of each potential investment in relation to its goals, while also considering the progress towards its goals at the portfolio level.*

	<i>The Fund does not consider the impact performance of the portfolio overall when making investment decisions.</i>
	<i>At a minimum, the Fund considers how far a new potential investee would contribute to the overall portfolio goals.</i>
	<i>The Fund takes a portfolio approach to investment selection, considering with each new potential investee how far the goals of the Fund will be met and -based on this analysis - seeking out investments to ensure future investments contribute to impact goals where the portfolio may be underweight (e.g. a certain SDG or geography) and to balance out impact risk taken on aggregate across the portfolio to ensure it is at the target level.</i>

11.2 *The Fund is encouraged to use the information and insights from its impact due diligence process to establish performance baselines for each potential investee which may include historical impact performance (if relevant and available), current impact performance (which can provide a measure of baseline impact performance at the start of the investment period), the investee's forecast impact performance, and the Fund's forecast expected impact taking into account Fund's own contribution(s) to the investee's impact.*

The Fund does not use data from diligence to establish a baseline or forecast for impact performance.

	<i>At a minimum, the Fund uses the data from diligence to establish the baseline impact performance and uses targets and forecasts set by the investee themselves.</i>
	<i>The Fund uses the data from diligence to establish the baseline impact performance and - in consideration of the Fund's own investment strategy - builds a forecast of the impact performance over the projected life of the investment. This forecast is based on a combination of the investee's historical data, their own targets and forecasts and the financial model or growth plan for the investee that the fund itself has put together.</i>

11.3 The Fund is encouraged to monitor and assess the total impact performance of each investment at regular intervals during the term of the investment, at exit and where feasible post-exit, relative to the baseline established in Test 11.2. The fund is encouraged to use this ongoing assessment to drive impact management decisions and engagement with investees. Where possible, the fund will align financial incentives with investment impact performance to encourage staff to focus on increasing impact as far as possible (whilst considering financial and other constraints).

	<i>The Fund does not collect data to record the change in impact performance of the investee over time relative to baseline and use this data to drive engagement strategies.</i>
	<i>At a minimum, the Fund assesses performance at regular intervals relative to the baseline and uses this assessment to inform engagement with the investee to drive improved performance.</i>
	<i>The Fund assesses performance at regular intervals relative to the baseline and uses this assessment to inform engagement with the investee to drive improved performance. The Fund also uses this assessment to re-set goals and targets where new information is learned about the type or level of impact desired by the affected stakeholders. This may involve also selecting different metrics or choosing to prioritize measurement of different outcomes from those identified during diligence at baseline.</i>
	<i>If appropriate metric sets can be identified, that do not risk driving perverse incentivizes, these metric sets should be linked to the Fund's carry and incentive structured. The Fund should also consider putting in place similar incentive structures to focus the investee management team on achieving specific SDG-enabling goals.</i>

11.4 The Fund is encouraged to implement a consistent approach for assessing and comparing the impact of different potential investments in relation to the fund's impact goals, where necessary making sure that this approach works across different SDGs, sectors and themes. Having a consistent investment assessment framework in place enables the fund to make data-driven investment decisions and manage the Fund's overall expected risk, return, and impact by factoring in how each new investment will affect the portfolio overall.

	<i>The fund does not have a way of consistently assessing and comparing different investment opportunities to ensure it selects those with the best chance of meeting both its impact and financial goals.</i>
	<i>The fund has constructed a framework for consistently assessing and comparing different investment opportunities which successfully drives decision-making towards maximizing performance towards their goals (given the relevant, available opportunity set).</i>
	<i>The Fund has constructed a framework for consistently assessing and comparing different investment opportunities which successfully drives decision-making towards maximizing performance towards their goals (given the relevant, available opportunity set).</i>
	<i>The framework also enables the Fund to summarize impact performance against their goals at the portfolio level, and use it to make portfolio construction decisions - for example on where to engage with existing investees and/or what investment profile the portfolio should target next.</i>

Investment Structuring

12 The Fund is encouraged to work collaboratively with potential investees and Stakeholders to structure its investments, including agreeing an impact plan and the investment's impact and financial terms.

12.1 *The Fund is encouraged to use the investment structuring process to work collaboratively with investees and Stakeholders to establish alignment, build a clear notion of mutual success, and set shared objectives and clear expectations for post close).*

	<i>The investment structuring process appears to be transactional, with low levels of engagement, collaboration and transparency between The Fund and its investees and co-investors on impact during the investment structuring process.</i>
	<i>At a minimum, the Fund demonstrates good levels of engagement, collaboration and transparency with its investees (and any co-investors) on impact throughout its investment structuring processes.</i>
	<i>The Fund demonstrates strong levels of engagement, collaboration and transparency with its investees (and any co-investors) and Stakeholders on impact throughout its investment structuring processes, driving alignment and clarity, building a clear notion of mutual success, and setting shared objectives and expectations for impact post investment close.</i>

12.2 *the Fund is encouraged to work collaboratively with potential investees and including Stakeholder perspectives to agree an impact plan pre-investment close that sets out an agreed action plan to focus on particular aspects of the business the potential investee's management can drive to lead to greater impact (including with contributions from the Fund) post-investment.*

	<i>The Fund does not agree impact plans with its potential investees.</i>
	<i>At a minimum, the Fund agrees impact plans with potential investees to address deficiencies in the potential investee's impact practices (for example, its impact measurement and reporting capabilities) identified during the ex-ante impact measurement and due-diligence process.</i>
	<i>The Fund works collaboratively with its potential investees and involving Stakeholders to agree impact plans pre-investment close to focus on particular aspects of the business the potential investee's management can drive to lead to greater impact, outline ongoing technical assistance the Fund may provide to help the potential investee achieve its plans, or include a plan for improving the potential investee's impact measurement and reporting system over time as its business grows and matures and alongside its standard business processes and internal reporting capacity.</i>

12.3 *The Fund is encouraged to work collaboratively with potential investees (and any co-investors) and involving Stakeholders to agree the investment's impact terms, providing clarity and setting expectations about roles and responsibilities, impact measurement and management and impact performance.*

	<i>The Fund does not include specific impact terms in its investment term sheets or seems to take a more perfunctory approach to incorporating impact terms in its investment term sheets.</i>
	<i>At a minimum, the Fund works cooperatively with its investees (and any co-investors) to agree the investment's impact terms, which at a minimum include the baseline expected impact performance and the metrics and/or metrics sets that the Fund will use to monitor the investment's performance against, and who will be responsible for impact data collection, and the expected frequency, methods and quality of impact data collection and reporting.</i>
	<i>The Fund works collaboratively with its investees (and any co-investors) and involving Stakeholders to agree the investment's impact terms, including: § The baseline historical (if relevant), current (if relevant), investee's forecast pre-investment, and expected impact performance (taking into account the investment and Fund's other contribution(s) to the investee's impact performance) for the investee, and the metrics and/or metrics sets against</i>

which the Fund will monitor, assess and evaluate the actual impact performance of the investee and the investment;

§ Which investment strategies (for example, signalling that impact matters, and/or engaging actively (for example capacity building support), and/or growing new or undersupplied capital markets, and/or providing flexible capital) the Fund intends to employ to contribute to the investment's expected impact;

§ Who will be responsible for impact data collection and calculating metrics (where relevant), and the expected frequency, methods, and quality of impact data collection and reporting (including ensuring that the relevant parties have the capacity and capability to undertake the task effectively);

§ How impact data about the investee and/or investment will be used by the Fund (for example to monitor and assess the investee's impact performance, to assess the Fund's contribution to the investee's impact, and to report to investors and other Stakeholders on the performance of the Fund's investments (in investees) and the performance of its portfolio overall);

§ Ensuring appropriate impact measurement and management resources are allocated and costed into business plans;

§ Investments to be made in building the potential investee's impact measurement and management capacity and capability (for example, if a portion of the investment funds are being earmarked for capacity building, or if the Fund has agreed to provide technical assistance to the potential investee);

§ How investment exits will be conducted, including consideration of impacts on Stakeholders and how impact will be sustained post investment;

§ Governance roles and needs (including alignment and agreement with co-investors and limited partners about the investee's impact and growth strategy);

§ Consequences for breaches, for example if the potential investee fails to provide impact data of the agreed quality and frequency

§ Dispute resolution measures to resolve disagreements that may arise during the course of the investment;

§ Investor protection measures (if applicable) should the investment or investee not perform as expected; and

§ Expected conduct in circumstances of duress and investments in distress (for example, agreeing to a managed wind down and transition of services rather than a hard stop).

which at a minimum include the baseline expected impact performance and the metrics and/or metrics sets that the Fund will use to monitor the investment's performance against, and who will be responsible for impact data collection, and the expected frequency, methods and quality of impact data collection and reporting.

Ex-post impact measurement, management and evaluation

13 The Fund is encouraged to measure, monitor, analyze and evaluate the progress of each of its investees and its investments against agreed impact plans and terms and performance of the Fund overall against its SDG impact intentions and goals.

- 13.1 The Fund is encouraged to monitor and periodically evaluate the progress of the investee in implementing any agreed upon impact plan and adhering to the investment's impact terms, including whether the investee's initial commitment to evidencing impact and developing its impact measurement capacity and capabilities is borne out in practice and it is devoting the appropriate human and financial resources to the task; whether the investee is using and accounting for the investment capital appropriately and in line with the impact plan and agreed use (for example, if specific funds were to be applied to improving the investee's impact measurement and management capacity and capability); and whether the investee is delivering its impact (and financial) reports as agreed (for example, with respect to content, quality, frequency and timeliness).

The Fund does not systematically monitor and assess the progress the investee in implementing any agreed upon impact plan or its adherence to the investment's impact terms post investment.

	<i>At a minimum, the Fund monitors the progress of the investee in implementing any agreed upon impact plan and adhering to the investment's impact terms.</i>
	<i>The Fund monitors and evaluates the progress of the investee in implementing any agreed upon impact plan and adhering to the investment's impact terms (incorporating Stakeholders perspectives into its evaluation where relevant and appropriate), including whether the investee's initial commitment to evidencing impact and developing its impact measurement capacity and capabilities is borne out in practice and it is devoting the appropriate human and financial resources to the task; whether the investee is using and accounting for the investment capital appropriately and in line with the impact plan and agreed use (for example, if specific funds were to be applied to improving the investee's impact measurement and management capacity and capability); and whether the investee is delivering its impact (and financial) data and/or reports as agreed (for example, with respect to content, quality, frequency and timeliness).</i>

13.2 *The Fund is encouraged to periodically reassess whether the data collection methods and the quality and sufficiency of impact data being used remains current and relevant for the context of change and fit-for-purpose to support informed decision-making (for example, that proxies are proving to be sufficiently correlated with the intended outcomes/impacts, whether there have been developments in the use of standardized metrics and/or metrics sets).*

	<i>The Fund does not periodically reassess whether its data collection methods and the quality and sufficiency of impact data being used remains current and relevant for the context of change and fit-for-purpose to support informed decision-making.</i>
	<i>At a minimum, the Fund periodically reassesses whether the data collection methods and the quality and sufficiency of impact data being used remains fit-for-purpose (for example, that the data is not producing unexpected results).</i>
	<i>The Fund periodically reassesses whether the data collection methods and the quality and sufficiency of impact data being used remains current and relevant for the context of change and fit-for-purpose to support informed decision-making (for example, that proxies are proving to be sufficiently correlated with the intended outcomes/impacts, and whether there have been developments in the use of standardized metrics and/or metrics sets).</i>

13.3 *During the term of the investment, the Fund is encouraged to periodically (and at least annually) measure the actual impact performance of each investee so as to monitor and assess each investee's actual impact performance against its agreed baseline expected impact (and other performance baselines established and agreed (if relevant and appropriate) using the agreed upon metrics and/or metrics sets and identify and analyze the reasons for deviations from expected impact, including any unanticipated impacts and respond accordingly (for example, working with the investee to make adjustments to improve their impact performance, reallocating investments, or moving towards exit (taking into account impact(s) on Stakeholder(s) for investments no longer expected to generate positive impacts).*

	<i>The Fund does not have an effective (systematic, timely, comprehensive) framework in place to systematically monitor and evaluate the actual impact performance of its portfolio investments as against their baseline and expected impact performance as estimated in its ex-ante impact measurement and assessment framework.</i>
	<i>At a minimum, the Fund has pre-defined practices in place to periodically (and at least annually) measure, monitor and assess the actual impact performance of its portfolio investments against their respective expected impact performance as estimated in the Fund's ex-ante impact measurement and assessment framework.</i>
	<i>The Fund has a highly effective measurement, monitoring and evaluation framework in place to systematically measure, monitor and evaluate the actual impact performance of its portfolio investments as against their baseline and expected impact performance as estimated in the Fund's ex-ante impact measurement and assessment framework, including identifying and analyzing the reasons for deviations from expected impact and unanticipated impacts, and, where necessary,</i>

responding appropriately as well as communicating its learnings and insights to Stakeholders and feeding its learnings and insights back into its impact measurement and management practices to improve future performance and to reassess the effectiveness of the Fund's impact goals.

The Fund's ex-post impact measurement and management framework is thorough (with a focus on substantial impacts that matter), replicable (i.e. it can be applied to different investees by different analysts, and produces consistent and comparable results) and evaluative (i.e. it enables judgement of the Fund's and its investees' performance relative to its objectives and base-line and expected impacts estimated in its ex-ante impact measurement and assessment process).

- 13.4 *The Fund is encouraged to periodically (and at least annually) measure, monitor and evaluate the Fund's overall actual impact performance against its SDG impact intentions and goals, including identifying and analyzing the reasons for deviations from the Fund's impact goals, and, where necessary, responding accordingly (for example, changing its portfolio mix or reallocating investments, reassessing or refining its impact goals).*

The Fund does not periodically (and at least annually) measure, monitor and evaluate the Fund's overall actual impact performance against its SDG impact intentions and goals.

At a minimum, the Fund periodically (and at least annually) measures and monitors the Fund's overall actual impact performance against its SDG impact intentions and goals.

The Fund has pre-defined, systematic and timely practices to periodically (and at least annually) measure, monitor and evaluate the impact performance of the Fund overall against its impact intentions and goals, including identifying and analyzing the reasons for deviations from the Fund's impact goals, and, where necessary, responding appropriately (see Tests 16.12 and 16.13);

- 13.5 *The Fund is encouraged to implement a pre-defined process for taking and pursuing appropriate action when its impact monitoring and evaluation practices indicate that investments are no longer expected to achieve their baseline expected impact(s), or if investees fail to perform, for instance in implementing their agreed impact plans or adhering to the agreed impact terms of the investment.*

The Fund does not have a pre-defined process for taking and pursuing appropriate action when its impact monitoring and evaluation practices indicate that investments are no longer expected to achieve their baseline expected impact(s), or if investees fail to perform against agreed impact plans or impact terms of the investment.

At a minimum, the Fund has a pre-defined process for taking and pursuing appropriate action when its impact monitoring and evaluation practices indicate that investments are no longer expected to achieve their baseline expected impact(s), or if investees fail to perform, for instance in implementing their agreed impact plans or adhering to the agreed impact terms of the investment.

The Fund has a pre-defined process for taking and pursuing appropriate action (including considering the perspectives of Stakeholders) when its impact monitoring and evaluation practices indicate that investments are no longer expected to achieve their baseline expected impact(s), or if investees fail to perform, for instance in implementing their agreed impact plans or adhering to the agreed impact terms of the investment (including having these agreed and specified pre-investment with the investee in the investment's impact terms).

- 13.6 *Where the Fund reclassifies an investment for purposes of portfolio allocation or exits an investment (including reallocations and exits as a result of actual impact performance underperforming expected impact performance), the Fund is encouraged to continue to include the investment in its internal and external reporting to ensure the integrity of the Fund's impact measurement and management practices and reported impact performance.*

The Fund does not include disclosure or consideration of portfolio reallocations or exits (especially those as a result of impact underperformance) in its assessment and reporting of the Fund's overall impact performance.

	<i>At a minimum, the Fund includes disclosure and consideration of portfolio reallocations or exits (especially those as a result of impact underperformance) in its assessment and reporting of the Fund's overall impact performance.</i>
	<i>Where the Fund reclassifies an investment for purposes of portfolio allocation or exits an investment (including reallocations and exits as a result of actual impact performance underperforming expected impact performance), it continues to include the investment in its internal and external impact reporting to ensure the integrity of the Fund's impact measurement and management practices and reported impact performance.</i>

13.7 *The Fund is encouraged to measure the impact of each investment at exit (and after exit if relevant and feasible) to assess the overall impact of the investment (taking into account the investee's impact and the Fund's contribution to the investee's impact).*

	<i>The Fund does not systematically measure and assess the impact of investments at (and if appropriate after) exit to evaluate the overall impact generated by the investment or the sustainability of impact post exit.</i>
	<i>At a minimum, the Fund measures and assesses the impact of investments at exit to evaluate the overall impact generated by the investment.</i>
	<i>The Fund systematically measures and assesses the impact of investments at (and if appropriate after) exit to evaluate the overall impact generated by the investment and the sustainability of impact post exit.</i>

14 The Fund is encouraged to conduct exits considering the effect(s) on Stakeholders and sustained impact.

14.1 *The Fund is encouraged to consider exit pathways - including the effect(s) of exit on Stakeholders and sustained impact post exit when structuring its investments, monitoring its investments and conducting its exits from investments.*

	<i>The Fund does not conduct its exits considering the effect(s) on Stakeholders and sustained impact post exit.</i>
	<i>At a minimum, the Fund considers the effects on Stakeholders and sustained impact post exit when conducting its exits (for example, agreeing to a managed wind down and transition of services rather than a hard stop; supporting the sustainability of impact post exit by timing exits well and/or selecting the right buyer to reduce the risks of mission drift or business failure).</i>
	<i>The effect(s) on Stakeholders and sustained impact post exit are primary considerations for the Fund throughout the investment's lifecycle, including at exit - having been actively considered pre-investment and monitored during the course of the investment to assess and reassess the most advantageous exit options and timing accordingly.</i>

TRANSPARENCY AND ACCOUNTABILITY

Standards for **TRANSPARENCY AND ACCOUNTABILITY**: provides benchmark actions for communicating with external Stakeholders in an open, balanced and consistent manner to strengthen and maintain credibility and confidence, including providing assurance of practices through independent certification.

Standards set out in this section are grouped into 3 themes:

- Public disclosures;
- External reporting;
- External assurance.

This section comprises 4 Standards numbered 15 to 18, each followed by tests the Fund can apply to itself to assess its public disclosure, impact reporting, and external assurance practices. These tests will also be used by an Accredited Independent Certifier to form the basis of Certification if the Fund seeks to become certified.

Public disclosures

15 The Fund is encouraged to publicly disclose information about the Fund's impact activities using the shared language embedded in these Standards to promote comparability, transparency and contribute to field building.

15.1 *The Fund is encouraged to publicly describe and classify its impact activities using the SDGs (and associated targets), the five dimensions of impact and the three impact categories set out in these Standards (i.e. Acting to Avoid Harm that detracts from achievement of the SDGs, Benefiting Stakeholders in relation to the SDGs, and Contributing to Solutions toward achievement of the SDGs) to promote consistency and market comparability.*

	<i>The Fund does not disclose publicly, or does not use the SDGs (and associated targets), the five dimensions of impact and the three impact categories set out in these Standards (i.e. Acting to Avoid Harm that detracts from achievement of the SDGs, Benefiting Stakeholders in relation to the SDGs, and Contributing to Solutions toward achievement of the SDGs) to describe and classify its impact activities in public disclosures.</i>
	<i>At a minimum, the Fund discloses its impact activities to its Stakeholders (but not publicly) using the SDGs (and associated targets), some of the five dimensions of impact (to the extent they are relevant to the Fund's chosen impact strategies) and the three impact categories set out in these Standards (i.e. Acting to Avoid Harm that detracts from achievement of the SDGs, Benefiting Stakeholders in relation to the SDGs, and Contributing to Solutions toward achievement of the SDGs) to describe and classify its impact activities in a consistent manner that supports market comparability.</i>
	<i>The Fund publicly discloses its impact activities using the SDGs (and associated targets), the five dimensions of impact (to the extent they are relevant to the Fund's chosen impact strategies) and the three impact categories set out in these Standards (i.e. Acting to Avoid Harm that detracts from achievement of the SDGs, Benefiting Stakeholders in relation to the SDGs, and Contributing to Solutions toward achievement of the SDGs) to describe and classify its impact activities in a consistent manner that supports market comparability.</i>
	<i>The Fund actively participates in industry initiatives to build and/or adopt shared industry terms and conventions and standardized metric-sets and reporting to further promote consistency and market comparability.</i>

15.2 *The Fund is encouraged to disclose its motivations for engaging with the SDGs, its SDG impact intentions and impact goals (either actual or illustrative), and its theory of change on its website and in its offering document(s).*

	<i>The Fund does not disclose its motivation(s) for engaging with the SDGs, its SDG impact intentions or goals, or its theory of change publicly or to Stakeholders, for example in its offering document(s).</i>
	<i>At a minimum, the Fund discloses its SDG impact intentions and goals to its Stakeholders, including in its offering document(s).</i>
	<i>The Fund publicly discloses its motivation(s) for engaging with the SDGs, its theory of change, and its SDG impact intentions and goals, on its website and in its offering document(s).</i>

15.3 *The Fund is encouraged to share its SDG impact data, metrics, reports, learnings and insights publicly to enable them to be widely applied and to contribute to field building and promote the flow of capital toward SDG-enabling activities and away from harmful activities.*

	<i>The Fund does not share its SDG impact data, information, reports and learnings publicly.</i>
	<i>At a minimum, the Fund shares some of its SDG impact data, reports, insights and learnings publicly in a highly aggregated and summarized format.</i>
	<i>The Fund is very transparent with its SDG impact data, information, reports and learnings, sharing most of its SDG impact data, learnings and insights publicly to enable them to be widely applied and to contribute to field building and promote the flow of capital toward SDG-enabling activities and away from harmful activities.</i>

External reporting

16 The Fund is encouraged to provide regular impact data and reports to Stakeholders (at least annually) that meets best practice impact reporting standards (subject to fiduciary and regulatory requirements) and periodically assess its Stakeholder impact reporting to ensure it continues to meet Stakeholder needs and best practice over time.

16.1 *The Fund is encouraged to report to its Stakeholders periodically (and at least annually) on its SDG impact characteristics and performance using the shared language embedded in these Standards to promote comparability, transparency and contribute to field building.*

	<i>The Fund does not regularly (at least annually) report its SDG impact characteristics and performance to its Stakeholders.</i>
	<i>At a minimum, the Fund provides a good baseline of impact reporting to its Stakeholders on a regular (at least annual) basis. This includes how much of the Fund's total portfolio is allocated to SDG-enabling investments by each of the A, B, C impact categories, including reasonably comprehensive information on most of the five dimensions of impact and some of the underlying data categories, providing information on the metrics and metrics-sets selected and why, reporting impacts on different groups of people and the planet separately, and providing impact performance information at the portfolio level against the Fund's SDG impact intentions and goals.</i>
	<i>The Fund reports on its impact characteristics and performance to its Stakeholders on a regular (at least annual) basis, including:</i> <ul style="list-style-type: none"> — <i>the overall proportion of the portfolio allocated to SDG-enabling investments and to each category (i.e. Acting to avoid harm that detracts from the achievement of the SDGs, Benefiting stakeholders in relation to the SDGs, and Contributing to solutions toward achievement of the SDGs), information about the underlying investments' impact characteristics using the five dimensions of impact and the SDGs and associated targets and the Funds contribution(s) to SDG impact ;</i> — <i>Reporting on the Fund's overall actual impact performance against its SDG impact intentions and goals, and the actual impact performance of its investments as against their agreed baseline expected</i>

	<p>impact, along with the actual financial performance against its targeted financial performance (at a minimum at the portfolio level), including explanations for deviations from expected performance;</p> <ul style="list-style-type: none"> — Communicating which standardized (and if relevant any bespoke) metrics and metrics sets the Fund is using and why they were selected; — Communicating its impacts on different groups of people and the planet separately, rather than assuming that positive impacts can offset negative impacts (except in cases where the unit of measurement is identical across impacts for example, carbon emissions or mega-litres of water); and
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16.2 The Fund is encouraged to include in its Stakeholder reports the methods and key limitations and assumptions used in the calculation of the Fund's reported impact performance metrics and other impact data used (if relevant), including any external verification of impact data.

	<p>The Fund does not include the methods and key limitations and assumptions used in the calculation of the Fund's reported impact performance metrics and other impact data used (if relevant), including any external verification of data.</p>
	<p>At a minimum, the Fund discloses the methods and key limitations and assumptions used in the calculation of the Fund's reported impact performance metrics and other impact data used (if relevant), including any external verification of impact data.</p>
	<p>The Fund discloses the methods and key limitations and assumptions used in the calculation of the Fund's reported impact performance metrics and other impact data used (if relevant), including any external verification of impact data.</p>

16.3 The Fund is encouraged to provide access or links to raw form data (at the fund and/or underlying investee level subject to confidentiality and privacy constraints) so users can choose how to normalize and organize it.

	<p>The Fund does not provide users with access or links to raw form data.</p>
	<p>Except in very limited circumstances (for example, to participate in market impact performance surveys) it is likely that the Fund does not provide users with access or links to raw-form data.</p>
	<p>Subject to confidentiality and privacy constraints, the Fund provides users with access or links to raw-form impact data at the Fund and underlying investment (investee) level so users can choose how to normalize, organize, and analyze it.</p>

16.4 The Fund is encouraged to support and adopt standardized and harmonized SDG impact reporting (for example, looking to reporting standard setting bodies such as GRI and SASB), but ensuring it reports all substantial impacts that matter (positive and negative, intended and unintended) to Stakeholders (as defined in these Standards), given the different meanings that may be accorded to terms such as 'stakeholders' and determination of 'materiality' in different reporting standards.

	<p>The Fund's impact reporting does not meet baseline minimum requirements as set by leading sustainability reporting standard setters (e.g. GRI, SASB).</p> <p>The Fund's impact reporting may be incomplete (for example, only reporting positive impacts, reporting on the basis of financial materiality of impacts on the Fund rather than impacts as experienced by Stakeholders).</p>
	<p>At a minimum, the Fund's impact reporting meets baseline minimum requirements as recommended by leading sustainability reporting standard setters (for example, from GRI, SASB).</p> <p>At a minimum, the Fund reports its impacts based on all substantial positive and negative, intended and unintended impacts that matter to Stakeholders but there are some significant gaps in reliability based on underlying data limitations.</p>
	<p>The Fund's impact reporting reflects best-practice in terms of leading sustainability reporting standards (for example, from GRI, SASB), making adjustments where needed to report impacts on all substantial positive and negative, intended and unintended impacts that matter to Stakeholders.</p>

- 16.5 *The Fund is encouraged to periodically review its external reporting to ensure it continues to meet the needs of Stakeholders, reflects best practice for impact reporting and reporting against the SDGs (and associated targets) and continues to promote transparency, consistency and comparability.*

	<i>The Fund tends to apply a compliance mindset to its impact reporting, only adopting minimum legal or regulatory requirements when required to do so, or when it believes it is in the Fund's commercial interests to do so (e.g. from a competitive standpoint relative to its peers).</i>
	<i>At a minimum, the Fund periodically reviews market developments in impact reporting and seeks feedback from its Stakeholders to update and improve its impact reporting standards over time.</i>
	<i>The Fund is market-leading in its approach to impact reporting, being committed to best-practice and continuous improvement, actively piloting new initiatives to improve impact reporting standards, systematically involving Stakeholders to ensure its impact reporting continues to meet their current and emerging needs, and being a fast adopter of new and improved impact performance reporting and benchmarking initiatives and responding to environmental changes (for example, responding to new regulatory and/or legislative requirements such as the EU Taxonomy for Sustainable Activities).</i>

External assurance

17 The Fund is encouraged to consider external verification of the impact data it uses to make decisions or report externally.

- 17.1 *The Fund is encouraged to consider external verification of impact data it uses to make decisions or report externally, especially in instances where that impact data has a significant effect and/or is not corroborated through other validation techniques (see 8.1).*

	<i>Impact data and information used by the Fund to make decisions or report externally is not externally verified.</i>
	<i>At a minimum, some of the impact data and information used by the Fund to make decisions and report externally is externally verified, however the Fund applies a much lower standard for external assurance of its impact data than to its financial data, so some significant gaps remain.</i>
	<i>The Fund applies equivalent standards and risk-based approach for external assurance of its impact data as it does its financial data (recognizing that the systems and methodologies for assuring impact data are not yet as well developed as for financial data which may result in some gaps, limitations and variations in how external assurance for impact data is achieved).</i>

- 17.2 *The Fund is encouraged to consider external assurance of its impact reports to Stakeholders.*

	<i>The Fund does not consider obtaining external assurance of its impact reports to Stakeholders.</i>
	<i>The Fund considers, but decides against obtaining external assurance of its impact reports to Stakeholders.</i>
	<i>The Fund obtains external assurance of its impact reports to Stakeholders.</i>

18 The Fund is encouraged to consider external verification of impact data it uses to make decisions or report externally, especially in instances where that impact data has a significant effect and/or is not corroborated through other validation techniques (see 8.1).

- 18.1 *To qualify for Certification under the Standards, the Fund, and by extension the Fund manager(s), will first need to satisfy the relevant sections of UNDP's Social and Environmental Standards (SES). (Funds who are not currently seeking Certification under these Standards, but using the Standards as guidance, are also encouraged to meet UNDP's SES criteria.)*

	<i>Not applicable</i>
	<i>The Fund (and Fund Manager) satisfy the relevant sections of UNDP's SES.</i>
	<i>The Fund (and Fund Manager) satisfy the relevant sections of UNDP's SES.</i>

18.2 Where the Fund obtains independent Certification from a UNDP accredited certifier, it publicly discloses the date and outcome of its most recent Certification and the intended frequency of future Certification's on its website and in its regular reporting to its Stakeholders.

	<i>Not applicable</i>
	<i>The Fund agrees to publicly disclose and does publicly disclose the date and outcome of its most recent Certification and the intended frequency of future Certification's on its website and in its regular reporting to its Stakeholders.</i>
	<i>The Fund agrees to publicly disclose and does publicly disclose the date and outcome of its most recent Certification and the intended frequency of future Certification's on its website and in its regular reporting to its Stakeholders.</i>

18.3 Where the Fund obtains independent Certification from a UNDP accredited certifier as to its adherence with the Standards, the Fund publicly discloses the details of the Certification including, the date of the certification, who conducted the certification, the outcome of the certification, changes from the previous Certification (if relevant), and the intended frequency of future Certifications on its website and in its regular reporting to Stakeholders.

	<i>Not applicable</i>
	<i>The Fund agrees to publicly disclose (and does publicly disclose) the details of its Certification including, the date of the certification, who conducted the certification, the outcome of the certification, changes from the previous Certification (if relevant), and the intended frequency of future Certifications on its website and in its regular reporting to Stakeholders.</i>
	<i>The Fund agrees to publicly disclose (and does publicly disclose) the details of its Certification including, the date of the certification, who conducted the certification, the outcome of the certification, changes from the previous Certification (if relevant), and the intended frequency of future Certifications on its website and in its regular reporting to Stakeholders.</i>

18.4 Where the Fund obtains independent Certification from a UNDP accredited certifier, it reports significant changes from the previous Certification (if relevant) and any findings or agreed improvement plans coming from the most recent Certification process, and includes updates against such agreed improvement plans in its regular reporting to Stakeholders.

	<i>Not applicable</i>
	<i>The Fund agrees to report (and does report) significant changes from the previous Certification (if relevant) and any findings or agreed improvement plans coming from the most recent Certification process, and includes updates against such agreed improvement plans in its regular reporting to Stakeholders.</i>
	<i>The Fund agrees to report (and does report) significant changes from the previous Certification (if relevant) and any findings or agreed improvement plans coming from the most recent Certification process, and includes updates against such agreed improvement plans in its regular reporting to Stakeholders.</i>

18.5 Where the Fund obtains independent Certification from a UNDP accredited certifier, and where the Fund satisfies the requirements for certification of the "Meets SDG Impact Practice Standards" level of attainment, it is eligible to apply to use the UNDP SDG Impact Seal for a period not exceeding 12 months from the last Certification date.

■	<i>Not applicable</i>
■	<i>The Fund agrees to the terms of using the SDG Impact Seal, including ceasing to use the SDG Impact Seal after the date of the Fund's last Certification exceeds 12 months.</i>
■	<i>The Fund agrees to the terms of using the SDG Impact Seal, including ceasing to use the SDG Impact Seal after the date of the Fund's last Certification exceeds 12 months.</i>

PART C: GLOSSARY

Activities	The actions undertaken by a investee, including running direct operations, selling products and/or services (either directly to customers or through distributors), buying from suppliers and engaging with shareholders, local community, government and other stakeholders.
Business model	A company's system of transforming inputs through its activities into outputs, outcomes and impacts that fulfil the enterprise's strategic purpose.
Data taxonomy	The classification of an organisation's data into categories and sub-categories, with controls to improve data consistency and comparability.
Five dimensions of impact	<p>Developed by the Impact Management Project. The five dimensions of impact are used to deconstruct impact across fifteen impact data categories (see Table 2 in the Appendix) to form a more nuanced and complete understanding of the nature of impact being created or expected to be created. The five dimensions are:</p> <ol style="list-style-type: none"> (1) what specific type and level of outcomes in relation to SDG targets and (where appropriate) SDG indicators the activities of the investee generate, and the importance of those outcomes to the Stakeholders experiencing them, as well as how the threshold for what constitutes a positive outcome has been determined; (2) who experiences the outcomes, including their baseline level of outcome (for example, how underserved they are) at the time of investment and any other relevant demographic information; (3) how much of the outcomes the investee aims to generate, in terms of scale, depth and duration; (4) the contribution the investee's activities make to the outcomes, taking into account what would likely happen anyway; (5) the risk that the investee's actual impacts on the SDGs may be different from the expected impacts, with reference to specific material impact risk factors.
Fund	The Fund whose intention it is to enable the SDGs.
Fund's contribution(s) to SDG Impact	<p>(1) – (4) developed by the Impact Management Project. The contribution(s) the Fund makes to investees' impact on the SDGs, including:</p> <ol style="list-style-type: none"> (1) Signalling that SDG impact matters: choosing not to invest in or to favor certain investments – such that, if all investors did the same, it would ultimately lead to a 'pricing in' of effects on the SDGs by the capital markets. Often referred to as values alignment, this strategy expresses the investors' values and is an important baseline. But alone, it is not likely to advance progress on societal issues when compared to other forms of contribution;

(2) **Engaging actively:** significant proactive efforts using expertise and networks to improve the impact performances of investees. Engagement may include a wide spectrum of approaches – from dialogue with companies to the Fund taking board seats and using their own teams or consultants to provide hands-on management support;

(3) **Growing new or undersupplied capital markets:** anchoring or participating in new or previously overlooked opportunities that offer an attractive SDG impact and financial opportunity in line with the Fund’s SDG impact intentions and goals. This may involve taking on additional complexity, illiquidity or perceived higher risk;

(4) **Providing flexible capital:** recognising that certain types of investees do require acceptance of disproportionate risk-adjusted returns in order to generate certain kinds of SDG impact.

(5) **Demonstrating market leadership and contributing to field building:** to further enable the SDGs beyond the impact of the Fund’s direct portfolio. This may include sharing SDG impact data and learnings publicly, mentoring and enabling others, exploring partnerships as an enabler for greater SDG impact, developing industry infrastructure such as open-source tools and resources, helping to scale value-adding intermediaries, platforms, and networks, and promoting policy reforms.

GIIN Global Impact Investing Network. The GIIN is a global network dedicated to increasing the scale and effectiveness of impact investing around the world.

GIIN’s Core Characteristics of Impact Investing GIIN’s Core Characteristics of Impact Investing define the baseline expectations of what it means to practice impact investing. They include:

- (1) Intentionality;
- (2) Use evidence and impact data in investment design;
- (3) Manage impact performance; and
- (4) Contribute to the growth of the industry.

GRI Global Reporting Initiative. The GRI is an international independent standards organisation that helps businesses, governments and other organizations understand and communicate their environmental, economic and social impacts. The GRI Standards are global and distributed as a free public good.

GRI’s Reporting Principles **Principles for defining report content:**

- **Stakeholder inclusiveness:** The organisation should identify its stakeholders, and explain how it has responded to their reasonable expectations and interests;
- **Sustainability Context:** The report should present the organisation’s performance in the wider context of sustainability;
- **Materiality:** The report should cover Aspects that reflect the organisation’s significant economic, environmental and social impacts;

or substantively influence the assessments and decisions of stakeholders;

- **Completeness:** The report should include coverage of material Aspects, and their Boundaries, sufficient to reflect significant economic, environmental and social impacts, and to enable stakeholders to assess the organisation's performance in the reporting period.

Principles for defining report quality:

- **Balance:** The report should reflect positive and negative aspects of the organisation's performance to enable a reasoned assessment of overall performance.
- **Comparability:** The organisation should select, compile and report information consistently. The reported information should be presented in a manner that enables stakeholders to analyze changes in the organisation's performance over time, and that could support analysis relative to other organisations;
- **Accuracy:** The reported information should be sufficiently accurate and detailed for stakeholders to assess the organisation's performance;
- **Timeliness:** The organisation should report on a regular schedule so that information is available in time for stakeholders to make informed decisions;
- **Clarity:** The organisations should make information available in a manner that is understandable and accessible to stakeholders using the report;
- **Reliability:** The organisation should gather, record, compile, analyze and disclose information and processes used in the preparation of the report in a way that they can be subject to examination and that establishes the quality and materiality of the information.

(Source: Global Reporting Initiative, and as updated from time to time.)

GSG	Global Steering Group for Impact Investment. The GSG is an independent global steering group catalysing impact investment and entrepreneurship to benefit people and planet. Countries (and the EU) participate in the GSG through their own National Advisory Boards (NABs).
IFC	International Finance Corporation—a sister organization of the World Bank and member of the World Bank Group—is the largest global development institution focused on the private sector in developing countries. The Bank Group has set two goals for the world to achieve by 2030: end extreme poverty and promote shared prosperity in every country. In 2018, they issued Operating Principles for Impact Management.
IIRC	International Integrated Reporting Council. The IIRC is a global coalition of regulators, investors, companies, standard setters, the accounting profession

and NGOs that have developed an integrated reporting framework (<IR> Framework).

IMP	Impact Management Project. IMP is a forum for building global consensus on how to measure and manage impact. IMP convenes a Practitioner Community of over 2,000 practitioners and facilitates the IMP Structured Network – a collaboration among key organisations (including Global Impact Investing Network, GRI, Global Steering Group on Impact Investing, IFC, OECD, PRI, SASB, SVI, UNDP, UNEP Finance Initiative) to provide complete standards for impact measurement and management.
Impact	Impact is a change in positive or negative outcome (that may be intended or unintended) for people or the planet. To understand any impact, we need to understand five dimensions of performance: What, Who, How Much, Contribution and Risk. <i>(Source: Impact Management Project)</i>
Impact data categories	Developed by the Impact Management Project. The types of data required to assess performance (expected or actual) across the five dimensions of impact in a consistent and comparable manner (see https://impactmanagementproject.com/impact-management/what-is-impact/risk/ for more information on the data categories and supporting resources and worksheet templates for using the data categories).
Impact risk	<p>Developed by the Impact Management Project. The likelihood that the actual impact(s) are different to the expected impact(s). Types of impact risk include:</p> <ul style="list-style-type: none"> • Evidence risk: The probability that insufficient high-quality data exists to know what impact is occurring (or will occur) across the other four dimensions of impact, for all Stakeholders. • External risk: The probability that external factors disrupt the ability to deliver the expected impact. • Stakeholder participation risk: The probability that the expectations and/or experience of Stakeholders are misunderstood or not taken into account. • Drop-of risk: The probability that the positive impact does not endure and/or that negative impact is no longer mitigated. • Efficiency risk: The probability that the expected impact could have been achieved with fewer resources or at a lower cost. • Execution risk: The probability that the activities are not delivered as planned and do not result in the desired outcomes. • Alignment risk: The probability that impact is not locked into the enterprise model, making mission-drift more likely. • Endurance risk: The probability that the required activities are not delivered for a long enough period. • Unexpected impact risk: The probability that substantial unexpected positive and negative impact is experienced by people and the planet.

Impacts that matter	An impact matters when the outcome (positive or negative, intended or unintended) is important to the Stakeholder experiencing it.
Integrated Reporting	A process founded on integrated thinking that results in a periodic integrated report by an organisation (for example, IIRC’s Integrated Reporting Framework, TCFD’s framework for integrating impact on climate into financial performance).
Integrative (or integrated) Thinking	A decision-making process in which tensions between opposing variables (for example, social, environmental and economic or financial) are balanced and creative resolutions of the tensions are generated that contain elements of the opposing ideas but are superior to each. Generally, integrative thinking follows a four-step process incorporating feedback loops in which each step links forward to the next step as well as backwards to the previous step. (1) <i>Salience</i> – defining the relevant aspects of the problem. (2) <i>Causality</i> – determining the relationships between related and seemingly unrelated parts of the problem. (3) <i>Architecture</i> – creating a model outlining the relationships defined in steps (1) and (2). (4) <i>Resolution</i> – outlining the decision and how it was reached.
Investee	The enterprise in receipt of the investor’s investment capital; the portfolio company.
IRIS+	IRIS+ is a public good managed by the Global Impact Investing Network (GIIN). It is a comprehensive system to help investors measure, manage and optimize their impact. It provides Core Metrics Sets aligned to the SDGs and organized by the five dimensions of impact, the IRIS catalog of standard metrics, evidence maps connecting common strategic goals to outcomes, and practical how-to guidance and resources.
ISEAL	An international membership association working to strengthen sustainability standards for social and environmental issues. ISEAL aims to: deliver credibility expertise, measure and share impacts, catalyse improvements and scalable solutions, build support for credible standards. ISEAL has published, within their Code of Good Practice for Setting Social and Environmental Standards , a set of ten credibility principles for Sustainability Standards: sustainability, improvement, relevance, rigour, engagement, impartiality, transparency, accessibility, truthfulness and efficiency.
Metric set	The quantitative and/or qualitative set of indicators that allow funds and investees to measure and assess their SDG performance across the five dimensions of impact. Metric sets may or may not include SDG Targets and Indicators and will likely require additional metrics to properly capture the fund’s and investees’ performance across the five dimensions of impact. These additional metrics should be aligned to the relevant SDG Targets and, where appropriate, the associated SDG Indicators.
OECD	Organisation for Economic Co-operation and Development, an intergovernmental economic organisation with 36 member countries, founded

in 1961 to stimulate economic progress and world trade. The OECD has been playing a key role in developing global standards on definitions, data collection, measurement and evaluation of policies for impact investment.

Output	The direct result of an investee’s activities (for example, wages paid, hours of training provided, or products and/or services sold)
Outcome	The experience of a Stakeholder when engaging with an investee’s outputs (for example, if an investee leads to a greater supply of healthcare services, then the specific level of health experienced by the Stakeholder who buys the service is the outcome).
Perverse incentives	An incentive that has an unintended and undesirable effect on behaviour.
Practices	A standard set of methods, procedures, processes or rules used by a group of people, an organisation or across a sector or industry.
PRI	Principles for Responsible Investment. An international network of investors working to understand the investment implications of environmental, social and governance factors (ESG) and incorporate these factors into investment and ownership decisions. Six Principles for Responsible Investment are voluntary and aspirational: incorporate ESG issues into investments, be active owners, seek appropriate disclosure, promote the Principles, enhance implementation effectiveness, report activities and progress.
Protection measures	Pre-determined agreed actions in response to potential adverse events.
Proxy	An indirect measure of an outcome which is itself highly correlated to that outcome. Proxies may be used when direct measures of the outcome are unavailable or unfeasible to collect.
SASB	Sustainability Accounting Standards Board. A non-profit organisation that aims to create industry sustainability standards for the disclosure and recognition of financially material environmental, social, and governance impacts of publicly traded U.S. companies.
SDG(s)	Sustainable Development Goals. A collection of 17 global goals (see Table 1) set by the United Nations General Assembly in 2015 to be achieved by 2030. The 17 SDGs each have a list of Targets that are measured with Indicators (see https://unstats.un.org/sdgs/metadata/ for a complete listing of the UN SDGs, Targets and Indicators).
SDG enabling investments	Increased private sector allocation of capital towards the advancement of the SDGs and related targets, including acting to avoid harm to the SDGs, benefiting stakeholders in relation to the SDGs, and contributing to solutions to the SDGs.

SDG Impact	A UNDP initiative to create a suite of complimentary resources to facilitate increased private sector investment towards the advancement of the SDGs, and of which the Standards forms part.
SDG Indicator(s)	The 232 Indicators that are used to measure the 169 Targets related to the 17 SDGs. The SDG Indicators are generally set at the country level, so may not be appropriate or relevant indicators to apply at the investee level.
SDG Target(s)	The 169 Targets that have been set in relation to the 17 SDGs.
Substantial	Is not inconsequential; is of considerable importance to Stakeholders.
Stakeholders	<p>Developed by the Impact Management Project. The people, organisations and/or systems affected, intentionally or unintentionally by an investee and/or the Fund, including:</p> <ol style="list-style-type: none"> 1. Customers who use the investee’s or Fund’s products/services; 2. Employees who work for the investee or Fund; 3. Local communities who are directly or indirectly affected by an investee’s or the Fund’s activities (e.g. unhealthy factory emissions that negatively affect surrounding local communities; or affordable housing units for underserved communities as part of a CSR initiative); 4. Upstream and downstream suppliers and distributors who are affected by the investee’s or the Fund’s volume of procurement, regulations and quality control (e.g. a zero-tolerance policy on child labour that affects suppliers); 5. The planet or specific ecological ecosystems which an investee or the Fund affects through extracting, using and creating environmental resources; and through pollution that is emitted by these processes.
(The) Standards	<p>The SDG Impact Practice Standards for Private Equity Funds. The Standards have been developed for Private Equity Fund Managers and other industry actors as a public good to inform and encourage increased private sector investment towards the advancement of the SDGs. They form part of the United Nations Development Programme (UNDP) SDG Impact. They complement other components of UNDP SDG Impact that inform opportunity identification for SDG-enabling investment and facilitate country level access and investment pathways and other market enabling initiatives of the Impact Management Project. Adoption of the Standards enables users to more consistently navigate and apply concrete, practical thresholds for impact management, operationalize and implement industry frameworks and principles and inform and drive impact and financial performance.</p>
SVI	<p>Social Value International. An international membership network focused on adopting decision making, ways of working and resource allocation that embed principles for social value measurement and analysis—with a view to promoting equality and well-being and reducing environmental degradation.</p>

SVI's Seven Principles of Social Value

SVI's seven principles of social value are a set of social accounting principles:

1. **Involve stakeholders**— Inform what gets measured and how this is measured and valued in an account of social value by involving stakeholders.
2. **Understand what changes** – Articulate how change is created and evaluate this through evidence gathered, recognising positive and negative changes as well as those that are intended and unintended.
3. **Value the things that matter** – Making decisions about allocating resources between different options needs to recognize the values of stakeholders. Value refers to the relative importance of different outcomes. It is informed by stakeholders' preferences.
4. **Only include what is material** – Determine what information and evidence must be included in the accounts to give a true and fair picture, such that stakeholders can draw reasonable conclusions about impact.
5. **Do not over-claim** – Only claim the value that activities are responsible for creating.
6. **Be transparent** – Demonstrate the basis on which the analysis may be considered accurate and honest, and show that it will be reported to and discussed with stakeholders.
7. **Verify the result** – Ensure appropriate independent assurance.

(source: Social Value International, and as updated from time to time)

System

The web of interrelationships between individuals, groups and institutions constituting the complex whole.

Systems Thinking

A method of critical thinking that first defines the bounds of the system you are operating in and then analyzes the relationships between the system's parts to enable a better understanding of the connections and interdependencies across the system to facilitate better decision-making and reduce unintended consequences.

TCFD

Taskforce on Climate-related Financial Disclosures. The TCFD comprises 31 members selected by the Financial Stability Board (FSB) to include both users and preparers of disclosures from across the G20's constituency covering a broad range of economic sectors and financial markets. The TCFD seeks to develop recommendations for voluntary climate-related financial disclosures that provide decision-useful information to lenders, insurers, and investors.

UNDP

United Nations Development Programme. UNDP is the UN's global development network, advocating for change and connecting countries to knowledge, experience and resources to help people build a better life. UNDP is on the ground in 176 countries and territories, working with governments

and people on their own solutions to global and national development challenges.

UNEP FI

United Nations Environment Programme – Finance Initiative. UNEP FI is a partnership between United Nations Environment and the global financial sector created following the 1992 Earth Summit with a mission to promote sustainable finance.

**World
Benchmarking
Alliance**

The World Benchmarking Alliance (WBA) seeks to generate a movement around increasing the private sector's impact towards a sustainable future for all by incentivising and accelerating companies' efforts towards achieving the SDGs.

