



## **SDG impact indicators**

A guide for investors and companies

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## 1. Introduction

This guidance document is the result of a joint effort by representatives from Dutch financial institutions and companies that focused on the recommendation by the Dutch SDG Initiative “to collaborate to determine a select set of Sustainable Development Goals (SDG) indicators that can be used to track and compare sustainable development investments”<sup>1</sup>. The joint effort is part of the Sustainable Finance Platform chaired by the Dutch Central Bank (DNB)<sup>2</sup> where Working Group 4 on SDG Impact Measurement was to suggest a limited number of impact<sup>3</sup> indicators per SDG for use by investors<sup>4</sup>. This Working Group met for a kick-off session in December 2016, determined the scope of its work in February 2017 and discussed the intermediate and final list of indicators in March and June 2017, respectively.

SDG-related investment<sup>5</sup> is still in its infancy. One of the commonly stated obstacles is the challenge surrounding impact measurement. This guide provides investors with options for measuring the contribution of their assets (investments or loans) to the SDGs. It proposes a core set of impact indicators per SDG that is neither comprehensive nor prescriptive and allows for flexibility in application. During the coming months the document will be circulated among relevant professional networks and organizations for further improvements.<sup>6</sup> In addition, the relevance and practicability of the proposed indicators will be field-tested by companies who took part in the Working Group. Thus, over time, a standard may emerge, helping investors to increase investments and loans that measurably contribute to the SDGs.

The document is structured as follows. In the next two sections we describe the objectives and the scope of the Working Group. Section 4 brings a discussion on the types of indicators proposed by the Working Group with the actual list of indicators per SDG in Section 5. The appendix provides references to the resources used, other SDG-related initiatives and a list of Working Group members. The document is accompanied by an Excel spreadsheet with the indicators, their attributes and references in much more detail<sup>7</sup>.

## 2. Objectives

The objective of the Working Group was to “design a methodology broadly supported by pension funds, insurers and banks to measure their contribution to the SDGs, focusing on positive impacts. Such a methodology needs to be transparent, credible and practical with a limited number of indicators per investable SDG that will enable and allow for:

- comparability and aggregation of impacts;
- harmonization of data requirements for reporting companies
- consolidated reporting to stakeholders”<sup>8</sup>.

The ultimate goal of the proposed indicators and their measurement is to support the scaling up of investments and loans that contribute to the SDGs. The SDGs provide an opportunity to standardize business’ positive contributions to

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<sup>1</sup> See <https://www.sdgi-nl.org/report/>

<sup>2</sup> The Sustainable Finance Platform is a cooperative venture of De Nederlandsche Bank (chair), the Dutch Banking Association, the Dutch Association of Insurers, the Federation of the Dutch Pension Funds, the Dutch Fund and Asset Management Association, the Netherlands Authority for the Financial Markets, the Ministry of Finance, the Ministry of Infrastructure and the Environment, and the Sustainable Finance Lab. The aim of this platform, set up by DNB in 2016, is to promote and encourage a dialogue on sustainable finance in the financial sector.

<sup>3</sup> Through this document the word ‘impact’ may also refer to outputs or outcomes. Indicators may capture either outputs, outcomes or impacts as contributions to an SDG.

<sup>4</sup> For the purpose of this document we use the term ‘investors’ for pension funds, insurers, asset managers and banks.

<sup>5</sup> APG, PGGM and a number of other institutional investors have proposed to call these investments *Sustainable Development Investments* (see <https://www.pggm.nl/wie-zijn-we/pers/Documents/Institutional-investment-into-the-Sustainable-Development-Goals-statement.pdf>). Other institutions do not have to adopt this definition to be able to use the proposed list of indicators.

<sup>6</sup> Please contact: [responsible.investment@pggm.nl](mailto:responsible.investment@pggm.nl)

<sup>7</sup> See [www.dnb.nl/SFP-working-groups](http://www.dnb.nl/SFP-working-groups)

<sup>8</sup> See [www.dnb.nl/SFP-working-groups](http://www.dnb.nl/SFP-working-groups)

sustainable development. Convergence towards a common set of impact indicators should help companies to improve the disclosure of impact data to their shareholders and creditors, who in turn may grow their interest in SDG-related investments. Steadily improving impact data will allow investors to better monitor, manage and communicate to their clients and participants their contributions to (selected) SDGs.

Obviously, investors can choose to contribute only to a subset of SDGs, and do so in a variety of ways. Which mix of instruments and strategies (incl. exclusions and engagement) investors employ is up to them and is not being prejudged in any way by the proposed indicators.

### 3. Scope

The Working Group decided to demarcate its work along the following lines:

- The focus is on indicators and metrics that capture the absolute positive impact through **products and services** (i.e. the ‘what’), using the definition of product impact (PI) indicators by the Impact Reporting and Investment Standards (IRIS)<sup>9</sup>. Only where the main impact originates from the production process or corporate conduct (i.e. the ‘how’) operational impact (OI) indicators are being proposed.
- The impact of any SDG-related investment or loan should be measurable against **at least one** of the proposed core indicators. Investors and companies can of course always add more generic or region, group or sector-specific indicators to this proposed set of core indicators.
- Indicators are proposed for every **individual SDG** (if investible). Diverse impact themes are consolidated under the most pertinent SDG, e.g. climate change mitigation under SDG7, climate change adaptation under SDG13, and employment under SDG8.
- **Practicability** is valued over comprehensiveness. This implies that the proposed indicators will not capture all possible impacts, but focus on what the Working Group concluded are the most relevant and quantifiable ones<sup>10</sup>.
- Indicators and measurement units capture **tangible impacts** (e.g. tons of carbon, m<sup>3</sup> of water or numbers of lives) to allow for the aggregation of impact for reporting and communication purposes. Only where this is limited by data availability or overly complex, euros are suggested as the measurement unit.
- Proposed indicators are drawn from **existing indicator lists and catalogues** wherever possible, notably those provided by the UN itself, IRIS and the SDG Compass<sup>11</sup>.

The proposed SDG impact indicators are NOT meant to:

- (Re)define an overall framework or eligibility criteria for investments in the SDGs<sup>12</sup>. Whereas investors may have their own definition of what constitutes impact, they may still choose to use proposed indicators. The indicators are not intended for the selection of investments or to maximize impact; they are merely meant to capture the impact of existing (or planned) investments.
- Settle questions of motivation/intention and attribution.
- Manage possible trade-offs between different SDGs or between the positive and negative impacts of an investment. While it is clearly necessary to take the negative impacts of investments into account and weigh

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<sup>9</sup> <https://iris.thegiin.org/metrics>

<sup>10</sup> Still, in a particular contexts, other impacts, or impacts for a specific region, group or sector may be equally or more important. Investors valuing those impacts can simply add the relevant indicators to the core set proposed.

<sup>11</sup> <http://sdgcompass.org/business-indicators/>

<sup>12</sup> Such a framework with eligibility criteria is being developed by APG and PGGM in a separate effort, see <https://www.apg.nl/pdfs/SDI%20Taxonomies%20website.pdf>

these against the positive impacts, the Working Group believes this is best left to individual investors on the basis of their own investment strategies, values, models and data. Negative ESG impacts are typically dealt with by other instruments, as part of ESG integration.

- Assess to what extent positive impact investments may be negated by other investments in the portfolio.

The Working Group also postponed the question of how to deal with double counting of impacts along the value chain (e.g. energy efficiency gains attributed to the provider of the final product or service as well as to the manufacturers of its component parts).

Thus the Working Group attempted to strike a balance between credibility and practicability to arrive at a core set of indicators per SDG. In order to converge to a limited number of indicators, a top-down approach was followed (it would have been much more challenging to start from individual investments and their assorted impacts). A consequence of the top-down approach is that generic impact indicators may not do full justice to the particular aims of an individual investment.

Availability, quality and granularity of impact data will remain a concern for some time to come. However, the Working Group expects that more and better data will become available once investors adopt core indicators to facilitate companies' disclosure of positive impact.

#### 4. Characteristics of proposed indicators

The indicators proposed by the Working Group are in line with the SDG indicators and targets defined by the UN<sup>13</sup>. However, as many SDG targets and indicators are of a 'macro' nature for use by governments, a number of indicators had to be (re)defined in a way that better suits investors. Also, many of the UN indicators and targets have context-specific attributes such as 'safe', 'equitable', 'fair', 'inclusive' etc. The Working Group has not attempted to define or quantify these terms, referring instead to their original sources or recommending to use the most widely accepted definition.

The Working Group suggests to measure the contribution to SDGs on an annual basis, either as an increase over last year or a performance standard, or as a total impact at the end of the year. However, investors may collect data at shorter intervals where possible and needed.

The proposed top-line SDG impact indicators do not specify which groups or geographies are targeted. However, possible breakdowns to gender, vulnerability (e.g. small farmers, disabled, refugees), income group or location are indicated, on the suggestion by the UN or by Working Group members who judged such a breakdown to be relevant. Of course, investors and companies can choose to dissect any indicator further or in a different way, in order to capture the impact on a particular target group or region.

The proposed indicators (presented in Section 5) have the following attributes<sup>14</sup>:

- Type of impact, to make the basic distinction between different ways in which impact is achieved.
  - Access: the ability of people to obtain the needs underpinning the SDG

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<sup>13</sup> See <http://www.un.org/sustainabledevelopment/sustainable-development-goals/>

<sup>14</sup> See the background materials (spreadsheet) to this guide

- Productivity/efficiency: improvements in the monetary cost, time or resource efficiency in which the need is met
- Quality: improvements in the effectiveness or reduction of adverse side-effects of a solution
- Reference point, to express the impact as the change compared to a reference point. The choice of the most relevant reference point for each specific investment is key to measuring impact. It is left to the user of this guide to select the most relevant reference point, using an accepted methodology.
  - Baseline: point in time, allowing data to be aggregated through time to determine trends and improvement against historic baseline
  - Benchmark: performance standard allowing comparison at any one time against global, national, industry or peer group to determine improvement against comparable standards
- Type of metric, to distinguish between ‘flow’ indicators measuring incremental improvement over the previous year, and ‘stock’ indicators capturing a cumulative improvement.
  - Absolute, annual increase: year-on-year change
  - Absolute, annual total: can be compared to previous years and/or historic baseline
  - Ratio: principally percentages such as share of revenue. Note that ratios need to be converted to absolute numbers for impact to be aggregated.
- Impact value chain, to rate the extent of the positive contribution to the result that is ultimately intended. For reasons of practicability, outcomes and outputs may serve as proxies for the ultimate, but very hard to measure, impact.
  - Output: result of the activity in question
  - Outcome: change in the lives of the target population
  - Impact: change in the wellbeing of those affected over the longer term
- Maturity of metric, to rate the difficulty in obtaining data<sup>15</sup>.
  - Base: a quantitative measure of the impact of an asset across its life cycle
  - Stretch: an enhanced measure to be implemented when the required data becomes available
  - Ideal: an enhanced measure allowing comparison of performance with the level required by the relevant SDG

Most indicators have been linked to either the most relevant Project Impact (PI) or Operational Impact (OI) indicators from the IRIS indicator base<sup>16</sup> or the indicators from the SDG Compass by GRI, WBCSD, CDP and the CEO Water Mandate<sup>17</sup>. In those cases where no indicators were already available, the Working Group included links to relevant initiatives or information sources.

The indicators for the following SDGs were subject to special considerations by the Working Group:

- SDG 1 No Poverty: The underlying targets focus on all people, of all ages. We have selected to focus on the output metric which is the delivery of products and services to lower income groups. This way we understand the reach of an organization.
- SDG 5 Gender Equality: We could not find many products and services that specifically contribute to gender equality. Our approach here recognizes that, for the corporate sector at least, the greatest contribution they can

<sup>15</sup> As considered by the Investment Leaders Group, 2016; see <http://www.cisl.cam.ac.uk/publications/publication-pdfs/impact-report.pdf>

<sup>16</sup> See <https://iris.thegiin.org/metrics>.






<sup>17</sup> See <http://sdgcompass.org/business-indicators/>

make is in providing opportunities and fair remuneration for their direct employees and those in their supply chains.

- SDG 8 Decent Work and Economic Growth: The goal is very broad. In essence all companies can claim to contribute to work and economic growth through their employment, through the consumption element of economies, and through the investment element of economies. Here we have focused on job creation and living wage, as well as the financial sector's contribution to the SDGs.
- SDG 9 Industry, Innovation & Infrastructure: Target 9.1 "Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all" is very broad. We have selected to focus on specific access measures, as well as the output measure relating to R&D expenditure to the extent this supports other SDGs.
- SDG 10 Reduced Inequalities: We have found very few products & services that contribute directly to reducing inequalities. Our approach here recognizes that, for the corporate sector at least, the greatest contribution they can make is in providing opportunities for their direct employees and those in their supply chains.
- SDG 13: Climate Action: The SDG defers to the Paris Agreement and most of the specific targets relate to adaptation and resilience to climate changes through government actions (rather than the private sector). The metrics we have adopted here similarly relate to adaptation. We have opted to focus metrics for climate change mitigation into SDG 7: Affordable & Clean Energy.

To conclude, the proposed list is a first attempt to define a credible and practicable set of 'top-line' impacts indicators per SDG. The Working Group encourages other investors and companies to test and provide feedback on the indicators and the guide. Thus, over time, a standard may emerge, helping investors to increase investments and loans that measurably contribute to the SDGs, from millions to billions.

## 5. Impact indicators per SDG

	Product (or service) Impact indicator (PI) or Operational Impact indicator (OI, in italics)	Breakdown to gender (G), vulnerability (V), income group (I) or location (L), according to UN (☑) or Working Group (✓)				Unit of measurement for aggregation
		G	V	I	L	
	1.1 % of revenue from products serving low income groups			✓		€
	1.2 Number of people provided with access to financial services, incl. microfinance	☑ <sup>18</sup>	☑	☑	☑	# people
	2.1 Number of people provided with safe, nutritious and sufficient food					# people
	2.2 Ecologically sustainable agricultural production per hectare		☑			tonnes
	2.3 % avoided harvest, transport, storage losses					tonnes
	2.4 % products with certified improvements in nutritional value					€ (from % revenues)
	3.1 Number of people reached with improved health care	☑ <sup>19</sup>		☑		# people
	3.2 Cost reduction for standard treatments and medicines					€
	4.1 Number of people receiving education services (split pre-school, primary, secondary, tertiary, vocational)	☑ <sup>20</sup>	☑			# people
	4.2 % students attaining standard for education level					# people
	4.3 Education facilities for inclusive and effective learning environments					m2
	5.1 % women in workforce (full-time equivalent), employed at equal pay (OI)	☑				# people

<sup>18</sup> E.g. Number of women provided with access to financial services







<sup>19</sup> E.g. Number of women provided with access to health services; Number of people in underserved markets reached with improved health care

<sup>20</sup> E.g. Number of girls and women receiving education services; Number of vulnerable people, including persons with disabilities, indigenous peoples and children in vulnerable situations receiving educational services



<b>6</b> CLEAN WATER AND SANITATION 	6.1 Number of people provided with safe and affordable drinking water				✓	# people
	6.2 Number of people provided with adequate and equitable sanitation	☑			✓	# people
	6.3 Volume of water saved				✓	m3
	6.4 Volume of wastewater treated for reuse					m3
<b>7</b> AFFORDABLE AND CLEAN ENERGY 	7.1 Renewable energy produced					MWh
	7.2 Avoided greenhouse gas emissions					tonnes CO <sub>2</sub> eq
	7.3 Number of people with access to affordable, reliable and modern energy services				✓	# people
<b>8</b> DECENT WORK AND ECONOMIC GROWTH 	8.1 Number of loans, deposits or insurance products in line with SDGs				✓	# people or €
	8.2 Number of jobs created (full-time equivalent) (OI)					# people
	8.3 % of employees earning living wage (OI)	✓			✓	# people
<b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE 	9.1 Length of sustainable road construction with equitable access				✓	km
	9.2 Length of rail construction					km
	9.3 Number of first-time internet connections	☑ <sup>21</sup>			☑	# people
	9.4 R&D expenditure in line with SDGs, as % of sales (OI)					€
<b>10</b> REDUCED INEQUALITIES 	10.1 Number of jobs created (full-time equivalent) in low-income areas, among disadvantaged groups, incl. minorities, refugees (OI)		☑			# people
	10.2 Number of local SME suppliers and smallholder farmers in supply chain (OI)		☑			# people
<b>11</b> SUSTAINABLE CITIES AND COMMUNITIES 	11.1 Number of people with access to safe, affordable and sustainable housing		✓			# people
	11.2 Number of people with access to sustainable transport systems					# people
	11.3 Floor space of green real estate					m2

<sup>21</sup> E.g. Number of women provided with access to ICT services

<b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION 	12.1 Avoided resource waste					tonnes
	12.2 Avoided emissions to air (other than greenhouse gases)					tonnes
	12.3 Avoided emissions to water					tonnes
	12.4 % input materials sourced sustainably or recycled (OI)					tonnes
	12.5 Reduction of hazardous materials used (OI)					tonnes
<b>13</b> CLIMATE ACTION 	13.1 Water storage capacity					m3
	13.2 Flood-resilient floor space					m2
	13.3 High-risk assets with climate insurance cover				✓	€
<b>14</b> LIFE BELOW WATER 	14.1 Avoided or reduced marine and fresh water pollution (ecotoxicity, eutrophication)					km2
	14.2 % of biodiversity loss avoided or reduced					# species
<b>15</b> LIFE ON LAND 	15.1 Avoided or reduced land pollution (ecotoxicity, acidification, salinization, transformation)					km2
	15.2 % of biodiversity loss avoided or reduced					# species
	15.3 Certified afforested or reforested land					km2
<b>16</b> PEACE, JUSTICE AND STRONG INSTITUTIONS 	Not directly investible					
<b>17</b> PARTNERSHIPS FOR THE GOALS 	Not directly investible					

## 6. Working Group members

The organizations below propose the core set of indicators for quantifying positive impact for further discussion among a wider set of experts and professional networks.

	 Achmea Investment Management	 THE RESPONSIBLE INVESTOR	
<p>g.s.r. de nederlandse verzekering maatschappij voor alle verzekeringen</p>	 Entrepreneurial Development Bank		
			
	 <i>Rabobank</i>	 The Investment Engineers	
		 	

Initiative of the Sustainable Finance Platform, chaired by the Dutch Central Bank (DNB)

DeNederlandscheBank

EUROSYSTEEM

## Appendix 1: Working Group individuals

- Richard Kooloos (ABN-AMRO)
- Dennis Teijsse (Achmea Investment Management)
- Nikkie Pelzer; Kees Ouboter (ACTIAM)
- Piet Sprengers; Stephan Langen (ASN)
- Raquel Criado (ASR Nederland)
- Marta Jankovic; Willem Hettinga; Els Knoope (APG)
- Jurgen Willemsen (DNB)
- Mikkel Kallesoe; Miriam Valstar (FMO)
- Jochen Harkema; Nishant Parekh; Sandra Schoonhoven (ING)
- Simon Braaksma (Royal Philips NV)
- Marcel Jeucken; Piet Klop (PGGM, chair)
- Narina Mnatsakanian; Valeria Dinershteyn (Kempen Capital Management); Danny Dekker (Van Lanschot)
- Bas Bijleveld; Karlijn van Lierop (MN)
- Nathalie van Toren; Babs Dijkshoorn (NN Group); Adrie Heinsbroek (NN Investment Partners)
- Bas Ruter; Herma Paanstra; Marlies de Kock (Rabobank)
- Silva Deželan (Robeco); Francis Condon (RobecoSAM)
- Marianne Oomkes (TKP Investments)
- Hadewych Kuiper (Triodos)
- Truus Huisman (Unilever)
- Karianne Lancee (Unilever Pensioenfond)

## Appendix 2: Resources used by the working group

This list below includes the main resources that the Working group used:

- UN Sustainable Development Goals: <http://www.un.org/sustainabledevelopment/sustainable-development-goals/>
- UN Sustainable Development Solutions Network, *Indicators and a Monitoring Framework for the SDGs (Suggested SDG Indicators arranged by OWG Targets)*: <http://unsdsn.org/wp-content/uploads/2015/05/150612-FINAL-SDSN-Indicator-Report-Table-2.pdf>
- Impact Reporting and Investment Standards (IRIS) Metrics: <https://iris.thegiin.org/metrics>
- SDG compass (GRI, WBCSD, CDP, CEO Water Mandate): <http://sdgcompass.org/business-indicators/>
- Investment Leaders Group, *In search of impact: Measuring the full value of capital*: <http://www.cisl.cam.ac.uk/publications/publication-pdfs/impact-report.pdf>
- MSCI: <https://www.msci.com/esg-sustainable-impact-metrics>
- B-Analytics: <http://b-analytics.net/investors>
- Morgan Stanley: <https://ny.matrix.ms.com/eqr/article/webapp/4816d674-c215-11e6-8665-1cced0a54e90?ch=apsh>
- BNPP/Vigeo/Eiris: <http://www.vigeo-eiris.com/vigeo-eiris-rating/sustainable-goods-services/>
- Oekom: [http://oekom-research.com/index\\_en.php?content=sustainability\\_solutions\\_assessment](http://oekom-research.com/index_en.php?content=sustainability_solutions_assessment)
- World Bank/IFC: <http://datatopics.worldbank.org/sdgs/>

### Appendix 3: Other initiatives related to SDG impact measurement

This list below is not exhaustive:

- Business and Sustainable Development Commission: <http://businesscommission.org/>
- Climate Bonds Initiative: <https://www.climatebonds.net/standards>
- GRI and UNGC:  
[https://www.globalreporting.org/resource/library/GRI%20UNGC%20Corporate%20Action%20Group%20\(002\).pdf](https://www.globalreporting.org/resource/library/GRI%20UNGC%20Corporate%20Action%20Group%20(002).pdf)
- GRI, UNGC, PRI Stockholm Declaration: <https://www.globalreporting.org/resource/library/Stockholm-Declaration.pdf>
- Impact Management Project: <http://www.impactmanagementproject.com/>
- National Dutch SDG Gateway: <https://gateway.sdgcharter.nl/>
- PRI SDG Advisory Committee: [https://www.unpri.org/download\\_report/32030](https://www.unpri.org/download_report/32030)
- S&P Ratings Green Evaluation: [http://www.spratings.com/en\\_US/products/-/product-detail/s-p-global-ratings-green-evaluations](http://www.spratings.com/en_US/products/-/product-detail/s-p-global-ratings-green-evaluations)
- Sinzer: <http://www.sinzer.org>
- Sustainable Development Goals Investment Initiative (SDGI): <https://www.sdgi-nl.org/>