# Impact Disclosure Guidance

**Impact Disclosure Taskforce**

*April 18, 2024*

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# Preface

The Impact Disclosure Taskforce (the Taskforce) is a network of financial institutions, capital markets participants, and industry stakeholders convened for drafting voluntary guidance[i] for entity-level impact disclosure. The Taskforce also aims to establish mechanisms to facilitate complete and reliable impact reporting. Reporting will be provided by corporate and sovereign entities who strive to support the UN Sustainable Development Goals (SDGs) with the ultimate goal of facilitating increased financing to these entities. The Taskforce was created in April 2023 and has since met regularly with the objective of publishing a first draft of its guidance for public consultation in April 2024. Experts and relevant stakeholders are encouraged to provide feedback by visiting orrick.com/IDTfeedback by September 1st, 2024.

The Taskforce, co-chaired by J.P. Morgan and Natixis, is comprised of representatives from the following organizations.

**Institutional Investors**

- abrdn
- Amundi
- AXA Investment Managers
- Barings Asset Management
- BlueOrchard*
- Caisse de Dépôt et Placement du Québec (CDPQ)*
- Goldman Sachs Asset Management*
- Natixis Investment Managers
- Pictet Asset Management*
- Rally Assets
- TCW Group

**Commercial & Investment Banks**

- Bank of America
- Blaylock Van*
- Deutsche Bank*
- Emirates NBD
- J.P. Morgan (Co-chair)*
- HSBC
- Natixis Corporate & Investment Banking (Co-chair)*
- Societe Generale
- Standard Chartered

**Other Stakeholders**

- BasisPoint+
- BlueMark
- Breathe Points
- Center on Global Energy Policy, Columbia University
- ClimateAligned
- evolutiq Impact Advisory
- Global Steering Group for Impact Investment (GSGII)
- Heal R World
- impak Analytics
- Linklaters
- Morningstar Sustainalytics*
- Orrick

**Steerco Member*

The Taskforce also obtains input from public development banks including the Asian Development Bank (ADB), the French Agency for Development (AFD), and the United States International Development Finance Corporation (DFC), as well as from the Global Impact Investing Network (GIIN) and members of the Global Investors for Sustainable Development Alliance (GISD). The International Sustainability Standards Board (ISSB) and the International Capital Market Association (ICMA) are observers to the Taskforce.

This document and the voluntary guidance contained herein is for informational purposes only and is not investment advice, legal advice, or any other form of professional advice. The views and opinions expressed in this voluntary guidance do not necessarily reflect the official policy or position of any organization participating in the Taskforce or regulatory body. The content of this publication does not constitute a recommendation or endorsement by the Taskforce or any participating organization of any particular strategy, security, financial product, or investment approach. The Taskforce is not responsible for updating or revising any information contained herein as new information becomes available or as circumstances change. Please see *Appendix 4* for additional disclaimers.

# Introduction

## Closing the SDG finance gaps

The United Nations (UN) 17 Sustainable Development Goals (SDGs) and 169 associated targets, adopted by all UN member states in 2015, outline a global agenda to alleviate poverty and inequality, expand access to health and education, and spur economic growth and employment, while tackling climate change and working to preserve the world's habitats by 2030. Achieving the SDGs requires unprecedented levels of investment, particularly in emerging markets and developing economies (EMDE).[ii] In its most recent report, the UN Conference on Trade and Development (UNCTAD) estimated a $4 trillion annual financing gap in EMDE to achieve the SDGs,[iii] a gap that the international community recognizes cannot be fulfilled without mobilizing private sector investment.[iv] According to the UN, a failure to achieve the SDGs may fuel greater political instability, upend economies, and lead to irreversible damage to the natural environment.[v]

## Challenges in accessing sustainable finance

The segment of private investors seeking financial, environmental, and social returns (sustainable finance) continues to grow. Investors in sustainable finance range from those incorporating environmental, social, and governance (ESG) considerations (estimated at $41 trillion in AUM[vi]), to those with "sustainability strategies" (estimated at $2.8 trillion[vii] in AUM), to self-identified "impact investors" (approximately $1.2 trillion[viii] in AUM). Certain corporates and sovereigns that may have substantial positive impacts on the SDGs, particularly those in EMDE, may face challenges in accessing these sustainable sources of capital, receiving lower ESG scores due to low baselines or a lack of data on ESG factors or lack of sufficiently sizeable sustainable projects for asset level financing.[ix]

## Identifying corporate disclosure practices and needs

The Taskforce conducted a survey to capture insights about current impact disclosure practices for entities and their future interest and issues in impact disclosure. The results of this survey, encompassing 53 corporate entities from diverse geographies, reveal a significant preference for standardized impact disclosure. Approximately half of the survey respondents were operating in emerging markets, with 34% firms present both in developed and emerging markets. The survey highlighted that standardized impact reporting could result in investor base diversification, a priority that holds special significance for EMDE entities due to their unique challenges and the need to overcome data biases. See *Appendix 1* for more details on this survey.

## Proposing a solution to direct capital flows to the SDGs

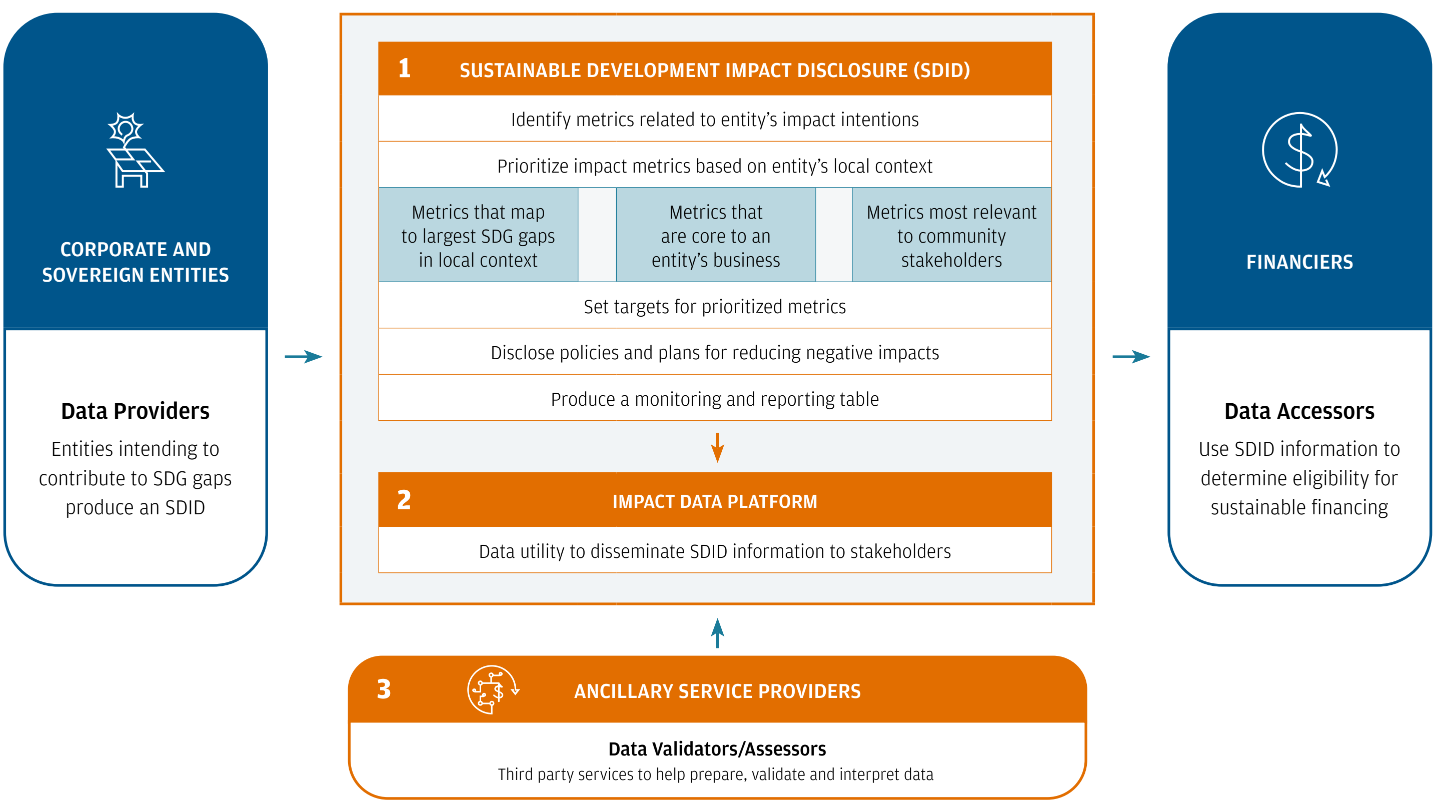
The Taskforce has set out voluntary guidance, drawing on existing resources to help entities set targets and clarify their intentions to address the development challenges that are most relevant to their local context, and to monitor and report their progress against such targets. The Taskforce also intends to establish mechanisms for disseminating and analyzing this entity-level impact information to promote transparency and accountability. Entities that apply the guidance are likely to provide more useful data required for investment decisions, thus making the financial assets issued by the entity and its balance sheet more attractive to sustainable financiers.[x] The additional entity-level information may also support the investment analysis of other financiers as well. While the guidance can be used by corporate entities and sovereigns of all jurisdictions, it is primarily designed for entities that operate in economies facing the largest SDG gaps and in jurisdictions with limited regulatory guidance for sustainability disclosures.

# Executive Summary

The Taskforce provides voluntary guidance to corporate and sovereign entities, particularly those in EMDE, to use the principles of impact measurement and monitoring as a means to attract sustainable pools of capital, including: i) **intentionality**, explicitly specifying the positive impacts they aim to achieve and design adequate strategies for their pursuit; ii) **measurability**, identifying specific metrics to measure progress on socio-economic issues; iii) **ambition**, setting targets for the entity's impact intentions; and iv) **focusing on needs**, prioritizing the most acute development gaps as per empirical data.

The suggested guidance and mechanisms presented in this document are primarily designed for EMDE entities, but entities in all jurisdictions are encouraged to consider the guidance when providing disclosure on their intentions to address development gaps. The guidance aims to assist entities in their journey to produce an impact measurement and monitoring framework, called a Sustainable Development Impact Disclosure (SDID), for their business strategies or governments' national development plans. The guidance also recommends establishing mechanisms for disseminating and analyzing entity-level impact information, fostering transparency and accountability. This would in turn, provide financial institutions with the factual basis desired to inform sustainable investment and engagement decisions.

The Taskforce proposes the creation of an ecosystem with three components: 1) a SDID for entities to measure and disclose their intended and realized SDG impacts, 2) a data platform to facilitate aggregating and disseminating this information at scale, and 3) a network of ancillary service providers to validate and analyze the impact information. This guidance is thus comprised of three sections, providing details on each of the three components.



# Section 1: Sustainable Development Impact Disclosure (SDID)

| | |
|---|---|
| Identify the metrics related to the entity's impact intentions | **Identify the entity's impact intentions and related metrics based on theories of change,** drawing on existing impact taxonomies and sustainability reporting standards. |
| Prioritize impact metrics based on the entity's local context | **Prioritize metrics** core to the entity's operation, address the most acute development gaps in the local economy, and incorporate community voice. |
| Set targets for prioritized metrics | **Set targets to achieve additional results,** detailing plans to achieve targets, and disclosing time horizon and baselines; refresh periodically. |
| Disclose policies and plans for reducing negative impacts | **Disclose plans for mitigating negative impacts,** identifying material negative impacts, setting targets on adverse impact indicators and disclosing E&S risk. |
| Produce a monitoring and reporting table | **Publish a comprehensive table** that lays out the entity's impact targets, negative impact mitigants, and commitment to monitoring and reporting. |

This section details the 5-step process for an entity to produce a Sustainable Development Impact Disclosure (SDID). The SDID can then help entities (including companies, sovereigns, sub-sovereigns, and state-owned enterprises) identify development gaps in the countries in which they operate, set targets on metrics that contribute to addressing those development gaps, and commit to monitor and report progress against such targets. The SDID illustrates how an entity's growth and operational strategies will produce **outputs** in the short- and/or medium-term (products, services, and effects directly under its control) that are expected to contribute to socio-economic **outcomes** over a longer period (the consequences of outputs for individuals, economies, groups, or communities) and ultimately contribute to the SDGs. The SDID thus supports an entity's business strategy and transformation planning as it addresses climate, environmental and social themes.

The guidelines are not meant to define a final threshold for impact measurement and reporting to be met to obtain a certification. Rather, they intend to guide entities through the process of prioritizing and enhancing the credibility and robustness of their sustainability disclosure. They also aim to support reporting practices as entities move through various levels of data collection and reporting capabilities. Entities should always consider the fact that any level of impact measurement, disclosure, and reporting is superior to not measuring and reporting their impact and can use this guideline to chart their journey. At the same time, producing an SDID facilitates dialogue amongst corporate and sovereign entities and institutional investors on impact disclosure and reporting, allowing expectations to adjust and align over time. The SDID also provides investors that practice stewardship with the fact-base of the entity's sustainable development impact intentions and their performance against those intentions. However, it remains within the remit of investors and third-party service providers to ultimately assess whether the SDID's disclosures and performance reporting meet the definitions of their sustainability criteria. Investors are within their prerogative to make investment or analytical decisions based on this information.

This SDID leverages existing classifications, standards, and other documents to outline an entity's development impact intentions and performance (please see *Appendix 2* for how the SDID interacts with other related frameworks or reports). The SDID is primarily characterized by being:

- **Entity-level:** assesses the entity's overall strategy in countries of focus, as opposed to project-level frameworks;
- **Impact-oriented:** focuses on outputs and outcomes, rather than a taxonomy of sustainable activities or eligible investments;
- **Forward-looking:** establishes targets that measure intended impacts, as opposed to reporting on current sustainability levels; and
- **Context-specific:** tailors disclosure to account for development gaps in local jurisdictions.

## Section 1.1: Sustainable Development Impact Disclosure Guidance for Companies *(Private or State-owned Commercial Organizations)*

Before creating an SDID, an entity (and their advisor, if applicable) should understand the entity's existing impact intentions. To do so, entities should review their existing vision, mission, and business strategy to understand their intentions for impact. This should be understood over a specified period and for a specified scope of jurisdictions as well as vis-à-vis specific end-beneficiaries. Entities are encouraged to engage with a broad range of stakeholders, including constituents in their local communities, to identify these intentions

Developing an entity's growth and transformation plan (e.g., 5-year strategic plan) is out of scope of this guidance. The purpose of this guidance is to create an impact measurement and monitoring framework for an entity's existing strategic plans. However, going through the SDID process provides an opportunity to reflect on the potential social and environmental impacts of an entity's strategic plan, reevaluate its intentions, and augment those plans to achieve its impact objectives.

## Step 1: Identify the metrics related to the entity's impact intentions

Entities should identify their intentions for positive impact on people (society) and planet (the environment) based on their business plan and/or transformation strategy/plan. Entities should strive to ensure a 'theory of change' connects their strategic plans to their intended impacts. As defined by United Nations Development Group, a theory of change is a method that explains how a given intervention, or set of interventions, is expected to lead to a specific development change, drawing on a causal analysis based on available evidence.

They should then follow the steps below to identify the most relevant metrics to measure their intended impacts. Unintentional positive impacts are out of scope and should not be included in the SDID.

**1.A. Identify the sector-specific metrics that are relevant to an entity's impact intentions and the remit of its business.** Entities should utilize external sources, including but not limited to:

- Global Reporting Initiative (GRI) – Sector Standards
- Harmonized Framework for Impact Reporting (ICMA)

- Harmonized Indicators for Private Sector Operations (HIPSO)
- Illustrative SLB KPI Registry (ICMA)
- IRIS+ Catalog of Metrics
- The SASB® Standards
- SDG-related Reporting and Metrics

**Note:** Entities are encouraged to use impact- and outcome-oriented metrics when possible.

**1.B. Identify the cross-cutting metrics that are sector-agnostic, and thus relevant to all types of business operations.** Examples of categories for cross-cutting metrics include:

- Effects on workforce (job creation, training, capacity building and employee development, diversity and inclusion)
- Impact on gender (gender equity in the workforce, promoting female ownership, entrepreneurship, leadership and consumption)
- Support of environmental objectives defined in internationally recognized environmental taxonomies (climate change mitigation and adaptation, circular economy, pollution prevention, etc.).

Entities should use external sources to identify metrics such as those listed in **Step 1.A**, as well as resources focused on workforce, gender, and environment, including but not limited to:

- 2X Challenge Financing for Women
- GRI 304 – Biodiversity
- GRI 405 – Diversity and Equal Opportunity
- HIPSO Joint Impact Indicators
- GHG Protocol

**Note:** Depending on the entity's sector, environmental sustainability may be a direct part of the remit of the business. If this is the case, environmental metrics would align directly to the entity's business, and be considered sector-specific metrics and not cross-cutting metrics. If environmental sustainability directly aligns to the corporate strategy, then it should be included in **Step 1.A.**

## Step 2: Prioritize impact metrics based on the entity's local context

**2.A. Map entity-level metrics to country-level UN SDG targets.** The entity will connect the entity-level metrics identified in Step 1 to the 169 UN SDG targets using the 231 unique SDG indicators. Such reconciliation is often complex because the individual metrics of an entity may not directly overlap with nation-wide SDG indicators. However, this step is encouraged and is done by identifying SDG targets that could be advanced through an improvement of the entity-level sector-specific and sector-agnostic metrics and targets in accordance with a theory of change (i.e., the entity's explanation on how their outputs would contribute to, or have a causal relationship with, the SDG outcomes). Entities may leverage and resources such as ICMA's High-Level Mapping to the SDGs or the SDG Compass for this purpose.

**2.B. Conduct a development gap assessment to benchmark the current level of development of the country where the entity has identified SDG targets it expects to advance.** The entity will identify the development indicator(s) best suited to measure the progress of a country and/or region to the SDG target(s) identified in **Step 2.A**. The result of the assessment can be assessed using a variety of benchmarking approaches, to assess the gap's overall magnitude. Suggested methodologies are detailed below:[xi]

- Refer to the UN's SDG Progress Report to understand remaining global challenges and triggers, and the country's most recent Voluntary National Review (VNR) to understand country-level challenges and triggers.
- Utilize the country's SDG Scorecard from the Sustainable Development Report to assess how far a country's relevant SDG indicator(s) is below the 2030 target identified.
- Identify the SDG indicators that best align with the SDG target in **Step 2.A** from the UN Statistics database and benchmark the country's statistic(s) on the indicator(s) against a set of peer countries (e.g., OECD countries, other developing countries, countries in the region). A gap assessment of low, moderate, high, or very high can be provided based on whether the country's statistic falls in the first, second, third, or fourth quartile of the distribution.
- Leverage development indicators that measure a country's progress on such targets from the World Bank Data Bank and benchmark the country's statistic(s) on the indicator(s) against a set of peer countries.
- Leverage development indicators collected by national statistical agencies based on national frameworks and priorities.

**Note:** It is recommended to produce the gap assessment at the same geographic granularity of the intended outputs (e.g., if an entity intends to grow in a certain area/region within a country, the gap assessment is best done using statistics from the corresponding area/region). If the entity operates in multiple countries, the entity is encouraged to perform the gap assessments for each of the countries that are relevant to the metrics in Step 1.A. The process of the gap assessment may be facilitated by the impact platform utility envisioned in Section 2.

**2.C. Select the metrics with the most development materiality.** The entity should select metrics identified in Step 1 (both sector-specific and cross-cutting metrics) that are expected to drive impact based on the entity's theory of change. While all metrics identified in Step 1 may be utilized by the entity, the entity is encouraged to select and showcase metrics that have a level of development materiality. Once selected, the external source where the metric was selected from should also be disclosed. Development materiality can be shown through metrics that are:

1. Associated with the core business (i.e., products and services) of the entity (if possible, show how metrics support or are tied to the entity's revenues and where the metrics support those revenues by geography if possible);
2. Mapped to SDG targets that show existing development gaps in the countries of operation of the entity; and
3. Relevant to management's decision making in pursuit of intended impacts and that are most relevant to stakeholders of the entity (including shareholders, managers, employees, customers, and the communities in which they reside).

## Step 3: Set targets for prioritized metrics

**3.A. Establish a baseline for metrics chosen in Step 2.** The process of establishing a baseline is another opportunity to inform stakeholders on the entity's impact intentions and transformation strategy/plan. The best practice would be to include the most recent year's values as the baseline value of the metrics that have development materiality and to disclose the methodology employed for calculating the baseline values.

**3.B. Set targets for prioritized metrics.** Targets should be set in line with the entity's ambitions for their existing impact intentions. Targets should be specific, measurable and time bound. An entity should be able to describe how they set these targets by sharing relevant methodologies, hypotheses, or underlying assumptions. The entity is also encouraged to explain why the targets are ambitious in the context of the entity's respective sector, geography, or other variables. Entities may explain the level of ambition through various means, including a comparison to a baseline, comparisons with peers or their market context, or comparison with a counterfactual (i.e., the expected results if the entity does not take action).

Entities may use sustainable development pathways to understand current and future impact and the action needed to achieve the SDGs. Entities may also refer to the UN's Global Compact SDG Ambition Benchmarks to translate the SDGs into concrete business outcomes. Targets should aim to be:

1. Consistent with the entity's corporate strategy or project-specific intentions;
2. Set within a predefined timeline;
3. Calibrated and shown to be additional to the business; and
4. Aligned to at least one of the 17 SDGs and other international agreements (e.g., Paris Agreement, Global Biodiversity Framework).

**Note:** Where possible, a peer benchmarking exercise should be performed through the World Benchmarking Alliance SDG2000 dataset and TPI Transition Pathway Initiative. This exercise can also draw on sector guidance from SBTi and Climate Bonds Initiative standards. To further analyze the interlinkages between climate change and socio-economic factors, entities can combine the use of Shared Economic Pathways (SSP) and Representative Concentration Pathways (RCPs). Entities may also draw on recommended practices for calibrating Sustainability Performance Targets (SPTs) from the Sustainability-Linked Bond Principles for their target setting.

**3.C. Explain plans for achieving set targets.** The entity should disclose its planned activities to achieve its targets. These plans may include expansion/growth in production quantity, improvement in production quality, and/or improvement on affordability. It is important to provide data that is as granular as possible (e.g., geographic, demographic) on the intended end-beneficiaries of the products and services. Entities are also encouraged to disclose the alignment of planned activities with local or regional taxonomies of sustainable activities. Entities should also highlight potential headwinds that may hinder such achievements.

**3.D. Define a time-horizon for the achievement of the targets, including short-, medium-, and long-term milestones and interim targets with a multi-year interval as defined by the entity.** This allows for any adjustments to be made that reflect changes to strategies, plans and/or activities. Key dates should ideally be consistent with national, regional and/or international goals and targets (e.g., the SDGs, the Paris Agreement, the Global Framework for Biodiversity, etc.).

## Step 4: Disclose policies and plans for reducing negative impacts

Once entities disclose their intentions for positive sustainable development impact (Steps 1-3), they should also explain how the expected positive impact will not occur at the expense of other social and environmental dimensions. This attention to interlinkages between positive sustainability goals and sustainability risks or negative impacts is also known as *"do no significant harm."* [xii]

In this step, entities should disclose how they will minimize and mitigate the negative impacts of their overall operations and future growth ambitions. This is done both by disclosing quantitative negative impacts as well as qualitative information, including the policies and procedures they have in place (or intend to implement in the foreseeable future) that would mitigate negative impacts and uphold social safeguards. Entities are encouraged to think about how they may affect these negative impacts directly, or indirectly through their supply chains. Entities may reference existing material that provide this information throughout this section.

For the purpose of this step, the negative impacts of the entire entity should be considered where possible. If this is not feasible or appropriate, then the entity should mirror the scope of the disclosure from Steps 1-3.

Entities should disclose their negative impacts and intentions to reduce harm across 8 themes, which have been drawn from the IFC Performance Standards on Environmental and Social Sustainability, which include:

1. Climate Change Mitigation and Adaptation
2. Biodiversity Preservation
3. Water Usage
4. Waste Management
5. Labor and Safety
6. Land Acquisition and Involuntary Resettlement
7. Indigenous Peoples
8. Cultural Heritage

**4.A. Disclosing quantitative targets associated with reducing negative impacts.** Entities should disclose their negative impacts and intentions to reduce harm as measured by negative impact indicators. Entities can draw on external sources, such as (but not limited to) the SFDR Principal Adverse Impact (PAI) indicators to identify relevant negative impact indicators.

For metrics that highlight how an entity is reducing or mitigating its negative impacts, an entity should establish a baseline value for the metric and include the most recent year's baseline value. An entity should then set targets that are specific, measurable and time bound. An entity should be able to describe how they set these targets by sharing relevant methodologies, hypotheses, or underlying assumptions. For each negative metric, the entity should disclose the external source from where they selected the impact indicator. The entity should also disclose its plans to achieve these disclosed quantitative targets, based on defined 'theories of change' when possible.

Entities should especially focus on themes that are most relevant to their sector and country context (i.e., country vulnerabilities), as well their scope of operations (e.g., % of revenue), which can be aided or validated by third parties (see Step 5). The indicators listed below are not exhaustive but meant to provide a sample of the metrics that can be used to disclose an entity's plans for reducing negative impacts.

| Themes | Quantitative Metrics / Indicators | Baseline Value | Baseline Year | Target Value | Target Year | Source / Methodology | Plan to Achieve Target |
|---|---|---|---|---|---|---|---|
| **Climate Change Mitigation and Adaptation** | ▪ Scope 1, 2, and / or 3 GHG emissions (tCO2e)<br>▪ Total GHG emissions (tCO2e)<br>▪ Non-renewable energy consumption & production (% of total energy consumption)<br>▪ Energy consumption (GWh per million EUR of revenue) | | | | | | |
| **Biodiversity Preservation** | ▪ Biological corridors established (#)<br>▪ Biodiversity offsets implemented (#) | | | | | | |
| **Water Usage** | ▪ Tons of emissions to water (metric tons) | | | | | | |
| **Waste Management** | ▪ Tons of hazardous waste (metric tons)<br>▪ Tons of radioactive waste (metric tons) | | | | | | |
| **Labor and Safety** | ▪ Occupational fatalities per 100,000 workers<br>▪ Proportion of women in managerial positions | | | | | | |
| **Land Acquisition and Involuntary Resettlement** | ▪ Individuals displaced through involuntary resettlement (#) | | | | | | |
| **Indigenous Peoples**[xiii] | ▪ Land-based or cash-based compensation provided to indigenous peoples (in case of commercial use of land) | | | | | | |
| **Cultural Heritage** | ▪ Retention of professionals to assist in identification and protection of cultural heritage (#) | | | | | | |

**4.B. Disclosing policies and procedures to mitigate negative impacts.** Entity should disclose the relevant policies and procedures they have in place to mitigate negative impacts and uphold minimum safeguards across each of the eight themes. These policies and procedures may often be drawn from the organization's Environmental and Social Risk Management (ESRM) operational and governance standards and practices. The entity should also note which of their policies and procedures are compliant with international operational and governance standards.

| Themes | Qualitative Policies and Procedures | LINK to Policy / Procedures |
|---|---|---|
| **Climate Change Mitigation and Adaptation** | ▪ Policy on Climate Change Mitigation and Adaptation<br>▪ Activities in fossil fuel sector? | |
| **Biodiversity Preservation** | ▪ Policy on activities negatively affecting biodiversity sensitive areas | |
| **Water Usage** | ▪ Water Policy and Procedures | |
| **Waste Management** | ▪ Waste Policy and Procedures | |
| **Labor and Safety** | ▪ Policies to monitor compliance with UNGC principles or OECD Guidelines<br>▪ Exposure to controversial weapons? | |
| **Land Acquisition and Involuntary Resettlement** | ▪ Policy on Land Acquisition and Involuntary Resettlement in Environmental and Social Management System (ESMS)<br>▪ Grievance mechanisms established<br>▪ Resettlement Action Plan or Livelihood Restoration plan | |
| **Indigenous Peoples**[xiv] | ▪ Policy on Indigenous Peoples in ESMS<br>▪ Engagement with indigenous peoples' organizations | |
| **Cultural Heritage** | ▪ Policy on Cultural Heritage in ESMS<br>▪ Field-based study and documentation of cultural heritage implemented | |

**4.C. Disclose rationale for omission(s) or plans for remediation.** Entities should explain if they deem a certain theme out of scope or do not have the capabilities to report quantitative and qualitative information against a theme, as well as any plans for remediation in the future.

| Themes | Explanation for Omission | Plan for Remediation |
|---|---|---|
| **Climate Change Mitigation and Adaptation** | | |
| **Biodiversity Preservation** | | |
| **Water Usage** | | |
| **Waste Management** | | |
| **Labor and Safety** | | |
| **Land Acquisition and Involuntary Resettlement** | | |
| **Indigenous Peoples** | | |
| **Cultural Heritage** | | |

## Step 5: Produce a monitoring and reporting table

The SDID should include a commitment to ongoing monitoring and reporting their progress against quantitative targets (positive and negative) and compliance with their policies and procedures. It is recommended that entities produce a reporting table, such as the one illustrated below, for this purpose.

| Sustainability Metric | Unit | Baseline Value | Baseline Year | Target Value | Target Year | Realized Development Outcome | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
| Metric #1 | | | | | | | | | | |
| Metric #2 | | | | | | | | | | |

**Thus, the entire SDID will include:**

- **Prioritized metrics (Steps 1 and 2):** Clear articulation of the entity's initiatives to achieve impact on metrics that have been determined to have developmental materiality should be highlighted.

- **Disclosed targets for prioritized metrics (Steps 3)**: The template is best formatted as a table with all intended output metrics identified as rows, left to right with (i) **current baseline** (utilize the most recent year's available metric) as a first column, (ii) **intended target value** (the entity's forward-looking goal to achieve) and (iii) **target year** (the year by which the entity aims to achieve the target) as the next columns, to create a template for ongoing annual reporting.
- **Quantitative and qualitative data for reducing negative impacts (Step 4):** Disclose targets for reducing and mitigating negative impacts of the entity's operations and the policies and procedures to uphold minimum safeguards across each of the eight themes.
- **Monitoring and Reporting (Step 5):** A table for ongoing impact monitoring and reporting to help track and communicate the entity's progress towards its identified impact targets and promote accountability on impact ambitions.

This disclosure chapter can be included in transaction-specific or company-level materials to communicate the company's impact intentions, targets, and management mechanisms, including the company's sustainability report, integrated report, annual report, or securities offering documents.

**Annual reporting and updates:** Impact performance or delivery should be published annually. While information and interpretation on performance should be presented objectively, recognizing positive evolution (targets achieved) and explaining potential improvements (targets missed) to get on track to achieve targets. Entities are encouraged to review their targets every five years (or as is consistent with their existing business review cycle) to capture any positive/negative changes to its performance and update their targets in line with their broader strategy.

**Impact Data Platform:** The Taskforce envisions the creation of a centralized database (see Section 2) to be designated for entities to publish their SDID and to use for ongoing impact reporting.

**Ancillary Services:** It is also envisioned that entities may undertake an independent review of their SDID (see Section 3).

## Section 1.2: Additional considerations for producing a Sustainable Development Impact Disclosure for Sovereign Entities

This section provides relevant modifications and additional considerations for **sovereign entities[xv], defined as national governments, municipalities and states,** to produce a SDID. This section should therefore be read in conjunction with the steps set forth in **Section 1.1**.

Before creating an SDID, an entity (and their advisor, if applicable) should understand the sovereign entity's existing impact intentions. To do so, sovereign entities may review their national development plans to understand their intentions for impact. This should be understood over a specified period and the sovereign entity's respective jurisdictions as well as vis-à-vis specific end-beneficiaries. Sovereign entities are encouraged to engage with a broad range of stakeholders, including constituents in their local communities, to identify these intentions. Other resources may include the World Bank's Systematic Country Diagnostic Guidance and the UN Country Team's (UNCT) report to understand development challenges and priorities.

Developing a country's National Development Plan or National Strategy (e.g. SDG Roadmap) is out of scope of this guidance. The purpose of this guidance is to create an impact measurement and monitoring framework for a sovereign entity's existing strategic plans. However, going through the SDID process provides an opportunity to reflect on the potential social and environmental impacts of an entity's strategic plan, reevaluate its intentions, and augment those plans to achieve its impact objectives.

Sovereign entities can utilize the SDID as an impact measurement framework to effectively communicate developmental priorities and progress in specific and measurable terms. By adopting a SDID, sovereign entities can enhance transparency, which in turn may make financing the sovereign's general budgetary capacity more attractive to sustainable financiers. Additionally, the deployment of a sovereign SDID has the potential to encourage investments in private sectors that align with the identified developmental priorities, while also empowering associated companies to develop their own SDID to raise sustainable capital.

## Steps 1 and 2: Identify the metrics in scope for the sovereign entity and prioritize impact metrics based on the sovereign entity's context

Since the SDGs are already set at the country level, sovereign entities can utilize the SDGs directly to identify the most pressing sustainable development challenges in their country / local regions. To do so, the sovereign entity may employ the methodologies list below:[xvi]

- Utilize the country's SDG Scorecard from the Sustainable Development Report to assess how far a country's SDG indicators are below the 2030 targets. Where relevant, disclose locally set targets in tangent with the prescribed international target. Refer to the UN's SDG Progress Report to understand remaining global challenges and triggers, and the country's most recent Voluntary National Review (VNR) to understand country-level challenges and triggers.
- Benchmark a country's UN SDG indicators from the UN Statistics database or relevant development indicators from the World Bank Data Bank and benchmark the country's statistic against a set of peer countries (e.g., other developing countries, countries in the region). A gap assessment of low, moderate, high, or very high can be provided based on whether the country's statistic falls in the first, second, third, or fourth quartile of the distribution.

**Note**: For sovereign entities that have their own methodology for prioritizing development needs and mapping them to the SDGs, it is recommended to disclose this information for additional transparency.

## Step 3: Set targets for prioritized metrics

Sovereign entities can promote sustainable development either directly or indirectly through actions on three fronts: (1) state-owned enterprises (SOEs), bureaucracies, and agencies that provide citizens products and services, (2) fiscal policies (i.e., taxes and transfers) and (3) regulations which shape the private sector's operating environment. Similar to guidance in **Section 1.1**, sovereign entities are encouraged to use impact- and outcome-oriented metrics when possible.

A sovereign entity therefore may provide targets for metrics that address development gaps for the SOEs, agencies, and bureaucracies that it controls following the same process described for companies in **Section 1.1**. Sovereign entities are not expected to produce such disclosures for all government agencies, rather, they are encouraged to provide such disclosure only for agencies that are instrumental in achieving their national development priorities.

For indirect outputs and outcomes through fiscal and regulatory policies, sovereign entities may leverage their research or reports from multilateral agencies to extract relevant fiscal recommendations and identify outputs and outcomes for short and medium term targets related to those recommendations.

The recommended best practice is for the sovereign entities to ensure that the disclosures they provide are aligned to the SDGs/sustainability priorities and incorporated in their Voluntary National Reviews (VNRs). If sovereign entities, through the process of creating their SDID, modify their sustainability targets, they should carry through these updates in their upcoming VNR accordingly.

## Step 4: Identify the sovereign entity's intentions for mitigating negative impacts

Similar to above, sovereign entities can mitigate negative impacts either directly or indirectly through actions on three fronts: (1) state-owned enterprises (SOEs), bureaucracies, and agencies that provide citizens products and services, (2) fiscal policies (i.e., taxes and transfers) and (3) regulations which shape the private sector's operating environment.

1. For sovereign entities sponsoring or implementing projects (e.g., infrastructure development) through SOEs, bureaucracies, or agencies, sovereign entities should describe their intentions for mitigating negative impacts following the same process described for companies in **Section 1.1/Step 4**. Sovereign entities should use external sources to identify relevant negative impact indicators and to describe their policies and procedures for minimizing significant harm to environmental objectives and for promoting responsible practices. These external sources may include, but are not limited to:
    - Resources for climate transition-related purposes: Climate Action Tracker, Net Zero Tracker, 1.5 NDC Pathway
    - SFDR Principal Adverse Impact (PAI) indicators
    - Relevant NDCs/National Adaptation Plans
    - Country assessments such as ASCOR
2. Sovereign entities that participate in global initiatives around transparency, as disclosure in policymaking and budgeting processes can further mitigation of negative impact and promote enhanced governance processes. Such initiatives may include the International Budget Partnership, the Open Contracting Partnership, Public Expenditure and Financial Accountability (PEFA) program.
3. Sovereign entities can disclose national level regulations that uphold minimum safeguards in each of the eight themes identified in **Section 1.1/Step 4.**

Sovereign entities thus should use tables similar to **Section 1.1/Step 4** to describe how they intend to mitigate their negative impacts, both quantitatively with metrics and targets, as well as qualitatively with policies, procedures, and regulations, across the eight themes that have been identified.

**Note:** As with entities in **Section 1.1**, all eight themes may not be relevant to the sovereign entity and in this case, can be left blank with an explanation as to why. If a sovereign entity does not have the capabilities or reason to report against a theme, they should explain their rationale for this omission or plans for remediation in the future.

## Step 5: Produce a monitoring and reporting table

A recommended best practice for a sovereign is to appoint an entity (e.g., an existing ministry or public institution, or newly formed unit) to be responsible for publishing the disclosure table. This entity would also be responsible for collecting the realized impact information across various government entities and provide the consolidated annual reporting. This entity should also communicate, at the time of publishing the SDID, the date by which it would publish its realized impact data.

## Section 1.3: Investor Engagement and Interaction with SDIDs

### Active Investors: Interaction with SDIDs

The SDID addresses critical information gaps and asymmetries for sustainable financiers, particularly active investors, by standardizing impact disclosures from both corporate and sovereign entities. This framework equips active investors with the necessary data to identify and invest in entities that signal their intentions to manage their organizations to achieve SDG impact. By disclosing and clarifying the impact intentions, strategies, and performance of potential investees, the SDID enables more precise investment decision-making, allowing for the effective management of impact risks and the diligent monitoring of impact performance over time. As such, the SDID empowers active investors to identify opportunities for engaging in financial and non-financial activities that directly contribute to achieving sustainable outcomes.

### Passive Investors: Interaction with SDIDs

A passive manager's role is to replicate the index exposure that its clients seek. A passive manager does not dictate the construction of indexes but offers input to the various index providers through index advisory panels. In some cases, passive managers may create proprietary indices, but the vast majority of passive AUM is tied to a third-party benchmark provided by the likes of Russell, S&P, MSCI and their peers.

For example, a passive manager may seek a ratings provider that uses a consistent scoring methodology to score the SDIDs provided by entities. The ratings provider may then create an index which includes having an SDID that obtains a score above a certain threshold as a criteria for inclusion in the index. The passive fund manager can then create a fund that replicates exposure to such an index.

# Section 2: Vision for Establishing an Impact Data Platform

As evidenced in Section 1 of this guidance, the aim of the Sustainable Development Impact Disclosure (SDID) is to **enable the disclosure of entities' impact intentions, as measured by forward-looking targets, and their performance against those intentions reported over time.**

To centralize data and ensure accessibility, the Taskforce proposes the creation of an "Impact Data Platform" to facilitate:

- Socialization and uptake of the SDID
- Allowing reporting entities, investors, and ancillary service providers to access, analyse, and use disclosed information in decision-making

The platform is intended to provide a centralised repository of disclosed information to be used by investors and third parties, as well as information and resources to help disclosing entities to get started and to continue making these data available to demonstrate their impact intentions and progress over time.

## Section 2.1: Impact Data Platform Objectives

The platform is envisaged to be an online web tool where disclosing entities can upload information, where investors and other market stakeholders can interact with the disclosed data, and where ancillary service providers may disclose their assessment reports and other data / assessment products using SDID disclosure information. For a full breakdown of suggested use cases and accompanying functionality, please refer to *Appendix 3*.

Considering the stakeholders that the SDID has been developed for, the Platform should be designed with **three broad user types** in mind: i) disclosing entities (corporates and sovereigns), ii) investors and financiers and iii) ancillary services providers.

The platform is envisaged to be used by these users in the following ways:

**a. Disclosing entities**

1. Access supporting resources to prepare an SDID
2. Upload accurate and verifiable data (on an ongoing basis)
3. Understand investors and financiers' data requirements (for financing and investment decisions)

**b. Investors and financiers**

1. Access and use the reported data from a permanent repository (for financing and investment evaluation and decision-making)
2. Engage with (potential) corporate and sovereign entities, as investees, to make specific requests for SDID data to fill gaps or provide additional color
3. Share details with (groups of) corporate and sovereign entities on sustainable financing and / or investment data requirements

**c. Ancillary Service Providers**

1. Provide and/or distribute ancillary services/products (e.g. external verification) for the preparation of an SDID and on the integrity of a published SDID
2. Increase the credibility for ratings / other third-party data products by using directly relevant SDID data
3. Complement directly disclosed information by adding public and / or proprietary data to enhance coverage and make information more comparable (thus more usable for investors)

## Section 2.2: Impact Data Platform Development

The Taskforce invites service providers and other interested parties wishing to engage on the build-out of the platform to read the preliminary specification, including suggested features in *Appendix 3*.

# Section 3: Envisioned Roles of Ancillary Service Providers

The Taskforce recognizes four main products as the most relevant for corporate and sovereign entities and investors in this ecosystem. However, **products/services providers have the autonomy to decide whether they will integrate the SDID guidance into their offerings to the market.** The purpose of such services is to support or analyze self-reported information of entities as specified in Section 1.

**"Products and services providers" may include:**

- **Advisory:** entities involved in the sustainability market that provide advisory and consultancy services to corporate and sovereign entities.
- **Independent reviewers:** entities involved in the provision of independent second party opinion, verification, and assurance.
- **Analytics providers:** organizations involved in the provision of sustainability and impact data and analytics products, entities involved in creating and maintaining indices.
- **Commercial and academic researchers:** private and public organizations involved in providing insights and intelligence on sustainability topics.

### Potential products and services

#### 1 Advisory

**1.1 Consultancy and advisory services** in relation to the preparation of SDIDs.

**Current and future offerings**

Banks, consultants and public development banks provide broad sustainability consulting and advisory services to clients, including access to data sets. They may provide the SDID in their suite of services considering individual capabilities and client needs.

**Potential SDID use**

- Advisory on developing and disclosing the SDID
- Provision of niche data sets (e.g., geography, industry, impact theme)
- Training and capacity building

**Consultancy and advisory providers**

Banks, consultants and public development banks

## 2 Independent Review

2.1 There are several types of **independent review, which are not mutually exclusive and that can be used to demonstrate that the entity has provided credible and fair information in its SDID.**

### Potential SDID use

Drawing on Impact Frontiers' Impact Performance Reporting Norms (for Private Markets Investors) and accompanying Supplement on Independent Review of Impact Performance Reports, the following types of independent review may include but are not limited to:

I. **Assurance:** The conclusion of an assurance provides confidence that information presented in the SDID is accurate and fairly presented in all material respects;

II. **Verification:** The conclusion provides an opinion about the degree of alignment with the SDID Guidance;

III. **Agreed-Upon Procedures:** The reviewer issues a report of findings resulting from a review of the SDID based on specific procedures performed; and

IV. **Impact / Outcome Evaluation:** The conclusion provides an opinion about the level or quality of impacts or outcomes achieved (as presented in the SDID).

### Independent External Reviewers

An independent organization specialized in environmental, social, and sustainability issues and/or independent internal committee that reports to the board. The institution should be independent from the entity's advisers, such as for its SDIDs, or appropriate safeguards, such as information barriers, should be in place to guarantee the independence of an external review. When conducting the assessment, opinion providers should consider widely recognized practices such as ICMA's External Review Guidelines.

## 3 Analytics[xvii]

**3.1. Sustainability and impact ratings and scores:** to be carried out upon the publication of the SDID or revised SDID.

### Current and future offerings

The current offering of sustainability ratings and scores is not standardized. The Taskforce's view is that the SDIDs will likely be more relevant to sustainability ratings and scores providers that are focused on assessing the environmental and social impact of an entity's business activities. Providers focused on assessing the impact of sustainability factors on credit risk are less likely to benefit directly from using the SDIDs. In future, ratings and scores providers may not only incorporate aspects of the SDIDs into their current methodologies and drivers for changing ratings and scores but develop and apply separate and independent impact rating and scoring methodologies on the basis of the SDID.

### Potential SDID use

Providers may consider incorporating the following areas of the SDIDs into their assessments:

- Alignment of metrics identified by the entity in its SDID (Step 1) with those considered material by the impact rating and analytics providers;
- Comparing the SDG targets utilized by the entity (Step 2) with those employed by sustainability ratings and scores providers to evaluate progress in bridging SDG gaps as described earlier. The entity's in-depth local understanding of significant sustainability challenges can assist sustainability ratings and scores providers, often more global in their understanding of impact, in their assessment of whether the issuer is focusing on supporting priority SDGs capable of generating the greatest positive impact.
- Comments regarding an entity's progress with meeting published sustainability targets and metrics (Step 3); these could be tracked alongside progress reported in the SDIDs;
- Cross-checking of stated impact intentions described in the entity's SDID (Step 4) with actual performance track record of material achievements or failures in these areas; such data may drive sustainability and impact ratings and scores changes, depending on the providers' methodology;
- Comments on an entity's key environmental and social policies and procedures disclosed in the SDIDs (Step 4), highlighting evidence of good adherence or failures

### Analytics Providers

Entities that produce impact analytics may be authorized to provide impact rating and scoring services. When providing such products, sustainability rating and data providers should consider relevant practices such as the ICMA's Code of Conduct for ESG Rating and Data Product Providers and upcoming regulatory frameworks.

**3.2. Financial indices,** across asset classes (debt, equity), that use the information published in an SDID as a criteria for inclusion in their indices.

**Current and future offerings**

There are several providers of financial indices that include non-financial factors (e.g., ESG factors) as criteria for inclusion in their indices. The SDID provide index providers a new set of non-financial criteria that can be used for existing products or the new product development purposes. The taskforce's view is that the SDIDs will likely be more relevant to ESG index providers who may use elements of the **SDID as additional criteria for inclusion in existing ESG indices.** Other time, providers may **develop separate and independent impact-related indices with methodologies utilizing the information published in SDIDs.**

**Potential SDID use**

Providers may consider the following areas of the SDIDs in their criteria for index inclusion:

- Securities issued by entities that have published SDIDs that meet certain quality standards (i.e., signifying that the issuing entity meets impact disclosure/reporting requirements)
- Indices comprised of securities issued by entities that have a published SDID and meet additional requirements (e.g., have met certain thresholds of progress on impact targets)

**Index providers**

Specialized firms that develop, calculate, maintain and set rules for indices, which may serve as benchmarks and/or references for investment products.

## 4 Research

**4.1 Commercial and academic research** on data needed to prepare and SDID and/or on the impact metrics provided and disclosed in the SDID

**Current and future offerings**

Commercial banks, academia and think-tanks carry out research on sustainability topics to address specific stakeholder needs. The data provided in the SDID can inform research on impact reporting and also allow such organizations to provide research services for reporting entities as they prepare their SDID.

**Potential SDID use**

- Use of data for the publication of market reports and academic papers
- Provision of research services for SDID reporting entities

**Commercial and academic researchers**

Banks, academia and think-tanks

# Appendix 1: Corporate Survey Results

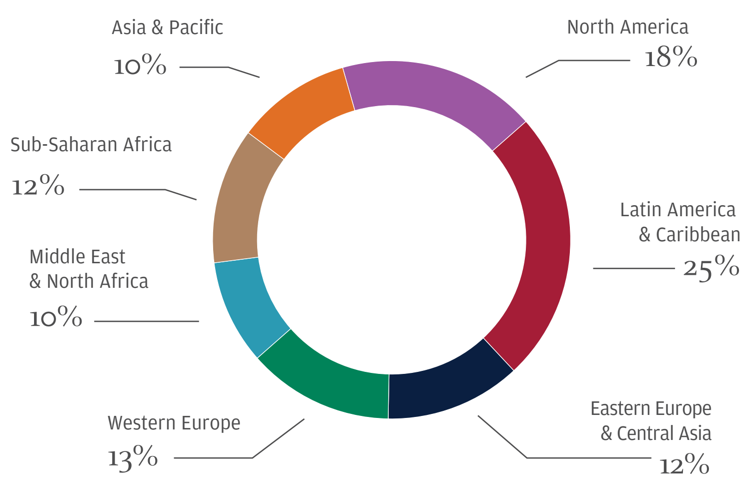
## Corporate Entity Survey

In August of 2023, the Taskforce conducted a survey of 53 corporate entities to capture insights about impact disclosure practices, roadblocks and interest in impact disclosure for corporate entities. The aim of this survey was to collect and implement these companies' feedback in the development of the impact disclosure guidance and draft the guidance in consideration of their needs and challenges.

Of the 53 survey respondent companies, 51% are based in emerging markets, 15% are based in developed markets, and 34% have a presence in both. Respondents were distributed across sectors (23% financials, 16% extractives and minerals processing, 9% food and beverage, 9% transportation, 9% technology and communications, 9% infrastructure, 7% consumer goods, 7% renewable resources and alternative energy, 4% resource transformation, 4% healthcare, 3% services, and 23% of respondents reporting more than one sector).

Survey respondents were geographically distributed per the below chart, and 38% of companies reported having operations in more than one region.

### Survey Respondents by Region



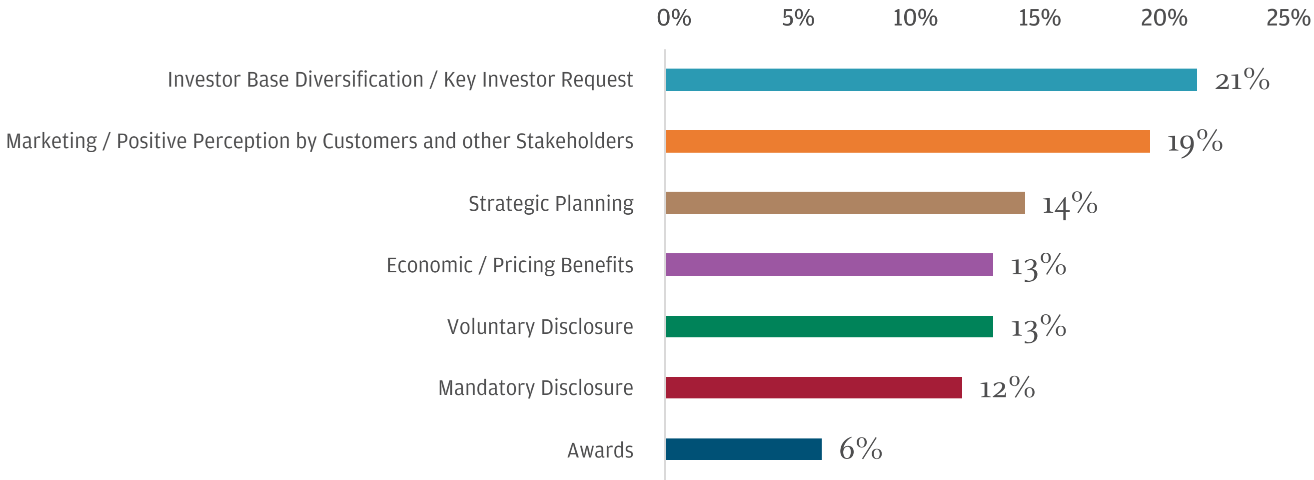

## Results

Of the 53 companies that the Taskforce surveyed on their current practices to measure and manage environmental and socio-economic impacts and contributions to the UN Sustainable Development Goals, over half confirmed having adopted a combination of negative, positive and climate-oriented targets. Respondents that have such a framework in place publish them in the following ways:

- 44% publish in an annual report
- 38% publish in a standalone ESG, sustainability, or corporate impact report
- 9% publish internal board reports
- 9% publish Corporate Social Responsibility reports

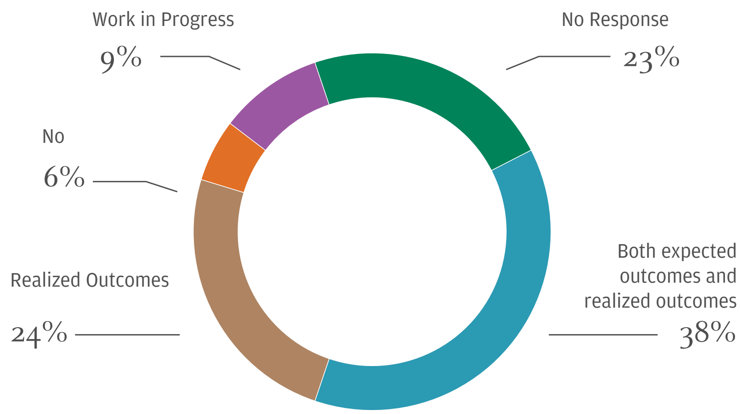
Respondents reported disclosing their socio-economic impacts primarily for the purposes of investor base diversification or key investor request.

## Reasons for disclosing socio-economic impact




*Companies disclosed environmental and socio-economic impacts primarily for their investors (21%) and enhance their brand (19%). Strategic planning (14%), financial gains (13%), and voluntary disclosures for transparency (13%) also played key roles, with regulatory requirements (12%) and award recognition (6%) completing the list of motivators.*

The majority of those surveyed disclose both expected and realized outcomes (38%), followed by 24% of respondents reporting disclosing realized outcomes.




Additionally, the survey identified top three challenges related to impact measurement and management: (i) lack of available data, (ii) too many metrics, and (iii) lack of consensus on how to measure and report impact.

69% of surveyed companies have had conversations with investors or bondholders that included a discussion about the socioeconomic impact of the business and 65% of surveyed companies reported having interest in using a database built by the financial sector to publish targets and ongoing peraformance on socioeconomic impact.

# Appendix 2: Interoperability Table

| Reference Documents | Relation to the SDID |
|---|---|
| **1. Classifications / Standards for Metrics**<br>• The SASB® Standards<br>• ICMA Handbook – Harmonized Framework for Impact Reporting<br>• Illustrative Sustainability KPI Registry (ICMA) / Sustainability-Linked Bond Principles<br>• SDG-related Reporting and Metrics<br>• IRIS+ catalogue of indicators<br>• Harmonized Indicators for Private Sector Operations (HIPSO)<br>• Global Reporting Initiative (GRI) - Sector Standards<br>• SFDR Principal Adverse Impacts (PAI) | **Reference:** Utilize these classifications / standards to identify metrics relevant to an entity (sector and non-sector specific) in **Step 1**; chosen metrics further influence analysis in **Step 2.** |
| **2. Mapping Frameworks**<br>• ICMA's High-Level Mapping to the SDGs<br>• SDG Compass | **Reference:** Leverage existing mapping frameworks in **Step 2.A.** |
| 3. Policy-based loans or programs from multilateral institutions (e.g., Program-for-Results (PforR) | **Reference:** Refer to existing sovereign programs in **Step 3** in **Section 1.2** when setting targets for prioritized metrics for sovereign entities |
| 4. IFC Performance Standards | **Reference:** Utilize framework in **Step 4.B.** |
| 5. UN Global Compact | **Reference:** Disclose adherence in **Step 4.B.** |
| 6. National or regional taxonomies of sustainable activities (e.g., EU Taxonomy) | **Complementary:** While the guidance helps entities disclose their intended impacts, it encourages entities to share their plans on how they intend to achieve those impacts in **Step 3,** including any alignment of their planned activities with national or regional taxonomies of sustainable activities. |
| 7. The Global Reporting Initiative (GRI) Standards | **Complementary:** The suggested guidance set forth in this document complements GRI reporting standards by helping companies provide forward-looking guidance on incremental impact intentions. |
| 8. International Sustainability Standards Board (ISSB) | **Complementary:** The suggested guidance set forth in this document complements ISSB, which is meant to provide regulatory standards for companies to disclose their sustainability-related risks and opportunities, including dependencies and related impacts, while this document provides guidance for voluntary disclosures on intentions and performance of an entity on addressing gaps to achieving the SDGs in their jurisdictions. |

| Reference Documents | Relation to the SDID |
|---|---|
| 9. European Sustainability Reporting Standards (ESRS) | **Complementary:** The suggested guidance in this document can be used in line with ESRS but should not be considered a replacement for ESRS given its specificity to Europe and focus on backward-looking reporting. ESRS provides guidance for sustainability disclosure for companies subject to the Corporate Sustainability Reporting Directive (CSRD). The guidance is differentiated by helping entities set targets on metrics that address SDG gaps specific to their jurisdictions, which can be used by entities regardless of whether they are subject to CSRD. |
| 10. Impact Investing frameworks and best practices for investors (e.g., OPIM, Impact Management Project) | **Complementary:** The guidance helps corporate and sovereign entities, as investees, provide the data required for investors that follow such frameworks have the data they need for their investment decision making and managing the impact of their portfolio of investments. |
| 11. Asset-level sustainability certifications (e.g., Blue Dot Network, FAST Infra) | **Complementary:** This guidance does not set up any certification criteria and is at the entity-level rather than assessing the quality of a certain infrastructure asset. That said, entities engaged in building and operating infrastructure projects may find using this guidance to help them obtain such certifications. |
| 12. KPI-linked instruments (e.g., Sustainability-linked bonds, Sustainability-linked loans) | **Complementary:** This guidance helps companies set KPIs with targets but does not link the achievement of certain targets to the coupon/interest rate of any financial instrument (bonds/loans). However, entities can decide to use a subset of metrics/targets set out through applying this guidance for the issuance of such instruments (subject to its adherence to the guidance of such instruments). |
| 13. Country reports and consultations from multilateral institutions (e.g., IMF Article IV consultations, World Bank country economic updates) | **Complementary:** Sovereign entities may use the reports from multilateral institutions as input into forming their impact targets in **Step 3.** |
| 14. Use of Proceeds Bond Principles (Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines) | **Unrelated:** This guidance does not include reference to these principles as the guidance does not require entities to report on the allocation of proceeds towards financing any specific projects or refinancing specific assets. Furthermore, this guidance provides disclosure at the entity level, rather than providing any disclosure tied to a specific financing instrument. |

# Appendix 3: Impact Data Platform Specifications for data providers

## Key Considerations

When designing and developing the platform, key issues that should be taken into consideration are listed below.

### 1. Funding

- The Taskforce is open to considering a range of funding models, including joint fundraising and public-private partnerships.
- This is to ensure the uptake of the platform and for it to serve as a central access point to SDID-relevant information.
- Some features and functionality (e.g. data extraction in bulk, service provision, analytics products) could be paywalled and thus contribute to the development and maintenance of the platform.

### 2. Data and its uses

- Relevant terms and conditions for:
  - Data uploads:
    - Only registered and authenticated users should be able to access data.
    - Appropriate permissions should be assigned for those seeking to upload, edit and use data, ensuring there is a full audit trail.
  - Data downloads: Permissions to download and / or otherwise extract data from the platform, and how it can be further used.

### 3. Security and indemnity

- Relevant terms and conditions for:
  - Data privacy and confidentiality in accordance with finalized specification and uses.
  - Uptime requirements, data backup and retention requirements, and disaster recovery requirements.
  - Liability for any data, analytics, and / or services offered behind a paywall.
  - Agreement between the disclosing entity and the database provider should at a minimum (ICMA 2021, Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds Impact Reporting Databases):
    - Describe the use of information – for what purposes and how the information is used;
    - State the responsibilities and liabilities for both Database providers and the entity;
    - State ownership to information and intellectual property rights;
    - State responsibilities for direct or indirect consequential damage based on the use/misuse of information;
    - State responsibility for updating data, and the correctness of data at any time; and
    - Provide Entities with the right to preview information to be published, and the right to require information relating to it or part thereof be removed, deleted, or corrected, if necessary.

4. **Service level**

- Relevant terms and conditions for:
  - Service Level Agreement (if any) for user support, such as:
    - A user guide and FAQ
    - A support contact mechanism in the event of bug fixes / correcting errors (with a defined response time)
    - A contact mechanism for requesting new functionalities, and
    - Responsibility for collecting feedback and prioritizing improvements.

## Suggested uses and features

Providers interested in designing, hosting and / or managing the platform should consider the following general characteristics, user groups, and corresponding use cases and features.

1. **General characteristics**

- The web interface of the Impact Data Platform should be:
  - User-friendly, simple in design, clear labeling, easy access to definitions, and with the intention to cater to all users;
  - Designed to display accurate, verifiable data as reported.
  - Built to ensure smooth, manual and automated data uploads and exports.

2. **Specific use cases and requirements by user group**

**a. Disclosing Entities (data providers)**

- Privately held and publicly traded corporations
- State-owned enterprises
- Local/municipal government entities
- Sovereign governments

- **Use cases**
  - **Create login**
    - Create a secure login to the platform
    - Select user preferences corresponding to the user type
  - **Create SDID**
    - Analyse data to benchmark and identify gaps on relevant indicators, e.g. sustainability/impact strategy (forward-looking), policy and practices, financial reporting, GHG performance, scopes, climate transition plan, targets, benchmarking (and rationale), risks/opportunities, governance
    - Enter and manage structured data at entity-level data (e.g. baselines and impact targets, development gaps) with a full audit trail of any changes

- **Report performance data / results**
  - Revise and/or update targets periodically according to an established protocol and with a full audit trail of any changes
  - Upload data on results on Sustainability/impact performance (backward-looking) and Sustainability/impact strategy and plans (forward-looking) with a full audit trail of any changes
- **Access support** resources and services
- **Engage** with investors and financiers

- **Features**
  - **Data Upload portal:** In accordance with the above, including an entity-specific private page for each disclosing entity.
  - **Knowledge Hub:** A library of resources and tools for standardized metrics and guidance on calculation methodologies, target-setting, and ongoing reporting.
    - **Case studies:** examples on corporate and sovereigns, including instructions on the application of the SDID.
  - **Stakeholder engagement:** A communication channel with investors / financiers (e.g. messaging, bilateral meeting request function)
  - **Technical support and expert consultation:** A list of ancillary service providers and expert consultation services (e.g., independent verification, technical assistance)

**b. Investors, financiers and other market stakeholders (data accessors) Features**

- Institutional Investors
- Financiers
- Academia
- Standard Setters
- Civil Society

- **Use cases**
  - **Create login**
    - Create a secure login to the platform
    - Select user preferences corresponding to the user type
  - **Use data for decision-making**
    - Search, sort, and filter data:
      i. Search for data across multiple entities through list selection or universe filtering based on criteria listed in “entity profiles” to be displayed in tabular form.
    - Create lists of entities: Upload or manually create lists of (reporting) entities, save watchlists

- Benchmark entities: Search individual entity-level data, including current and historical data, and compare entities against peers.
- Analyse gaps: Identify gaps in disclosure.
- Export data: download raw bulk data to reprocess, disaggregate and compare.
- Integrate with external databases: create library of indicators, drawing on calculation tools and underlying methodologies.

• **Resources**

- **Database:** Sorting, filtering and data extraction capabilities as outlined above.
- **Stakeholder engagement:** A communication channel with disclosing entities for engagement (e.g. messaging, bilateral meeting request)
- **Analytics and services:** Third-party analytics, data products and services building on / complementing disclosed SDID data

### c. Ancillary Service Providers

- Auditors, Assurance and Verification Providers, and Ratings Agencies
- mpact analytics providers
- Benchmark index providers
- Researchers
- Multilateral and bilateral development banks representatives
- Sell-side banking advisors

• **Use cases**

- **Market product and services:** Market products and services (e.g., opinions, audit services, etc.) to entities and investors and redirect them to their own website.
- **Deliver products and services:** Distribute products and services to entities and investors (i.e., publish independent verification results, publish ratings) within the platform.
- **Provide industry insights and benchmarks:** Promote standards/criteria and provide benchmarking to assess disclosure and performance. Additionally, provide clear calculation methodologies for impact measurement and aggregation.
- **Upload analytics:** Upload third-party analytics into the platform through an integrated verification process.

• **Resources**

- **Knowledge Hub:** Capacity building/guidance material for educational purposes
- **Stakeholder engagement:** engagement with corporate/sovereign entities and investors on services and products.

# Appendix 4: Legal Considerations (Background and Framework)

## Key Legal Considerations

1. **Summarize framework and principal policies in liability-neutral language,** without linking to a more extensive set of policy documents even if these are publicly available.
2. **Try to position ESG disclosure as generally decoupled from/in a separate part of the disclosure document/ separately organized from the issuer fundamentals/credit story.** For fixed income securities, arguably "materiality" relates to information necessary or desirable to establish creditworthiness/debt service capacity etc. Entities operating in sensitive areas (e.g., energy generation, mining, oil, gas, etc.) are implementing guidance and embedding better governance procedures and setting operational targets for governance, social and stakeholder reasons independent of any particular financing. There may be heightened disclosure risk with respect to an entity prompted to develop metrics/targets/framework only as part of a financing. For shelf registrants, ordinarily it would be preferable not to incorporate frameworks and policy statements by reference into the registration statement/prospectus. The decoupling approach and argument may, over time, be less sustainable as the buy side shifts to investors specifically seeking out ESG characteristics of an issuer for investment so this point will need to be continuously re-evaluated. Issuers should consider the relevant legal regimes and disclosure standards based on the applicable jurisdictions of the financial markets into which they are entering as they consider where and how to make such disclosure.
3. **While there is a liability "safe harbor" for forward-looking information, not all relevant information will be eligible.** Forward-looking statements and objectives/targets are, if correctly identified as forward-looking information, protected. Baselines and historical information are not. Uncertainties around the latter may be partially mitigated by risk factor disclosure.
4. **For policy/framework and baseline/historic disclosure in particular, include robust risk factor disclosure describing uncertainties and information limitations.** This is particularly important for information which is not technically "forward-looking" and thus not within the relevant "safe harbor".
5. **Disclosure document accuracy is the issuer's best defense.** Recall that issuers, unlike underwriters and control persons, do not have a due diligence defense. An issuer escapes liability only if the disclosure document does not contain a material misstatement or omission.
6. **For financial institutions, it is important to understand the limits of certain due diligence procedures.** Diligencing of broad, aspirational or promotional statements concerning ESG policies, practices and objectives is inherently difficult. This is why summaries, prepared to emphasize the concrete, are generally preferable – see 2. above. Financial institutions should understand that 10b-5 disclosure letters from counsel are not in any sense "insurance policies" or the product of a verification exercise or in any sense an affirmative confirmation of the correctness or fairness of statements in the disclosure document. Instead, the 10b-5 disclosure letter is, primarily, a negative assurance statements, saying only that based on a review of the disclosure document and the performance of certain limited procedures, nothing came to counsel's attention to cause it to believe that the disclosure document contained a material misstatement or omission, with an express statement that the letter express no affirmative view as to accuracy or fairness (except for the limited disclosure statements summarizing provisions of law or of the relevant legal documents drafted by counsel), and an express exclusion of financial statements and data.

7. **"Expert review" by independent third parties for data verification, validation and publication "expertizes" ESG disclosure and can add protection to the disclosure and the disclosing entity and instrument.** Under the U.S. federal securities laws, information included or incorporated by reference into a disclosure document which is stated to be included on the authority of the providing or certifying party as an expert is understood to lessen the degree of due diligence investigative responsibility with respect to such information. The paradigmatic examples of this are the inclusion/incorporation of audited financial statements and the inclusion of certified third-party reserves reporting by oil and gas and mining issuers (these are required in SEC-registered settings.) Environmental audits and other audit-style reports on climate metrics performance, attestation reports required under the SEC Climate-Related Rules, or other ESG metrics or performance reports could well assist in introducing comfort around such disclosure to the market. If the assessment of ESG/climate performance by independent reporting parties and inclusion/incorporation in disclosure documents continues to be a trend, this development could facilitate the evolution disclosure towards fuller and more comprehensive ESG/climate disclosure, as well.

8. **With respect to the SEC climate-related rules, begin preparing for the first reporting year, applying materiality thresholds, and establishing oversight.** To prepare to start reporting under the SEC climate-related rules, issuers should identify gaps between current voluntary disclosures and the SEC climate-related rules and other rules applicable to their jurisdiction(s). Institutions should also start applying SEC materiality principles to GHG emissions, transition plan, scenario analysis or targets and goals as applicable. Moreover, entities should ensure that a climate oversight structure exists at both the board and management level.[xviii] Financial institutions need to adapt their mature financial reporting infrastructure to integrate climate-related information, which may necessitate enterprise integration, upskilling and outsourcing. If the financial institution is already conducting scenario analysis, it should be careful to comply with the SEC Climate-Related Rules' requirements thereon. If it has not started scenario analysis, it may need to consider the costs of initiating such an analysis. Together with the proposed climate risk management principles of the U.S. Office of the Comptroller of the Currency,[xix] the SEC Climate-Related Rules present a pressing need for companies to integrate climate issues into their risk management programs. Since it could be difficult to separate financial impacts stemming from climate events or clients' transition activities from impacts created by non-climate factors, financial institutions will need to augment their tracking and analysis capabilities to trace climate-related impacts and quantify climate-related risks.

## Regulatory Liability: Focus on U.S. Federal Securities Law

Disclosure issues associated with liability risk arising for issuers and the underwriters/initial purchasers/lead managers (the "financial intermediaries") in connection with the identification and, to the extent practicable, standardization, of approaches associated with ESG policies and practices are key to the work of the Taskforce. The below overview (1) describe the basic framework of liability risk in respect of offers and sales of securities under U.S. federal securities law and (2) address certain specific questions and themes with respect to the potential recommendations of the Taskforce which arise out of that liability risk framework. While the focus is on U.S. federal securities law, other jurisdictions are advancing climate-related disclosure rules and regulations.

Broadly, in an offer and sale of securities into the U.S., whether registered with the U.S. Securities and Exchange Commission (SEC) or made in reliance on an exemption from registration under Rule 144A, the key liability trigger will be whether the disclosure document pertaining to the securities and their issuer and its business, operations, and risks, is deemed to have contained a material misstatement or omission. In the context of a securities offering, speaking generally, there is liability risk for the issuer, the financial intermediaries, and their respective control persons. While liabilities of various types may arise in respect of primary and secondary securities sales under

Sections 11, 12, 15 and 17 of the U.S. Securities Act of 1933 (the "Securities Act") and Sections 10 (and Rule 10b-5 thereunder), 18 and 20 of the U.S. Securities Exchange Act of 1934 (the "Exchange Act"), this summary discussion will focus on the subset of these provisions that provide private rights of action for disappointed investors bottomed on an allegation of a material misstatement or omission in the relevant disclosure document. This subset includes Sections 11 and 12(a)(2) of the Securities Act, which apply to registration statements and prospectuses respectively, in respect of SEC-registered offerings (including offerings of debt securities pursuant to shelf registration statements) and Rule 10b-5 under the Exchange Act, which applies to all offers and sales of securities.

In addition to the requirement of establishing that there was a material misstatement or omission in the disclosure document, Rule 10b-5 requires a plaintiff to demonstrate that the defendant acted with "scienter", which is generally interpreted to require a showing of wilfulness, recklessness, or gross negligence.

While Sections 11 and 12(a)(2) provide for strict liability on the part of an issuer in the event that a registration statement and/or prospectus is deemed to have contained a material misstatement or omission, other transaction parties (e.g., control persons and underwriters) can avail themselves of a due diligence defense, seeking to demonstrate that, in the course of conducting a reasonable investigation of the business and affairs of the issuer, they did not discover, and could not reasonably have discovered, the relevant misstatement or omission. As a result, underwriters and their counsel conventionally conduct certain due diligence procedures (including review of key issuer documents, receipt of "comfort letters" from the issuer's auditors and the receipt of so-called "disclosure letters" or "10b-5 letters" from the issuer's counsel and their own counsel, in order to document the availability of the due diligence defense. In an SEC-registration-exempt offering into the U.S., such as a Rule 144A offering, the financial intermediaries will typically perform and document due diligence procedures based on, and broadly similar to, those conducted in SEC-registered offerings, on the basis that such procedures should be sufficient to rebut any allegation of "scienter", and will generally follow, and expect to be applied by analogy, a number of the procedures and federal securities law provisions as would be followed or applied in a typical SEC-registered securities offering.

As a threshold matter, the SEC has generally taken a principles-based approach to ESG disclosure that is based on materiality. For the most part, ESG disclosures are only required in SEC filings if the company determines that ESG matters would be material to an understanding of its business or would be reasonably likely to have a material effect on its financial condition and/or results of operations or are a significant risk factor. A significant exception to this is the SEC's rules on climate-related disclosure (the "SEC Climate-Related Rules"), which was issued in March 2024. The SEC Climate-Related Rules are complex, and no attempt will be made here to summarize them completely, but in general, they involve disclosure of any oversight by the board of directors of climate-related risk, disclosure of management's role in assessing and managing material climate-related risks, including disclosure of relevant management-level climate expertise, transition planning, financial impact of certain specific climate-related impacts, materiality threshold for disclosure of Scope 1 and Scope 2 greenhouse gas ("GHG") emissions and climate-related targets and goals and, for some issuers, an attestation report with respect to Scope 1 and Scope 2 emissions (initially on the basis of "limited assurance" and subsequently on the basis of "reasonable assurance"), among other things. The SEC climate-related rules provide a "safe harbor" for disclosures pertaining to transition plans, scenario analysis, internal carbon pricing, and targets/goals. All information required to be disclosed under these sections of the rules, except historical facts, is considered a forward-looking statement. Financial statement effects disclosure is required for specific costs, expenditures, charges, and losses due to severe weather events and natural conditions; no financial statement effects disclosure is required for transition risks.

Market practices and views in respect of potential disclosure in securities disclosure documents of many of the items under consideration by the Taskforce are in flux and very much subject to change.

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# Endnotes

[i] This guidance is not meant to direct how and what commercial decisions any company will make, nor is adoption of the guidance mandated.

[ii] EMDE is typically defined as low income to upper-middle income countries.

[iii] United Nations Conference on Trade and Development, Developing countries face $4 trillion investment gap in SDGs, 2023.

[iv] ISID, CEOs Explore Solutions to Bridge Annual USD 4.3 Trillion SDG Financing Gap, 2022; UN, Addis Ababa Action Agenda for the Third International Conference on Financing for Development, 2015.

[v] UN, The Sustainable Development Goals Report, 2023.

[vi] Bloomberg, ESG May Surpass $41 Trillion Assets in 2022, But Not Without Challenges, 2022.

[vii] Global Sustainable Fund Flows, Morningstar, Q3 2023.

[viii] GIIN, Sizing the Impact Investing Market, 2022.

[ix] OECD, Green, Social and Sustainability Bonds in Developing Countries: The Case for increased donor co-ordination, 2023.

[x] Initial feedback suggests that the guidance may not meet the impact criteria for every type of sustainable investor. For instance, certain "impact investors" may only invest in instruments that provide transparency on their use of proceeds. For such investors, the SDID is a complement to any instrument-level use-of-proceed reporting. Other investors, such as those that actively manage "sustainability strategies," may find the guidance to provide the data needed to satisfy their impact criteria. A passive manager managing a sustainability strategy would rely on ratings and index providers who may utilize the data published in the guidance as inputs into their ratings methodology or index construction. Ultimately, each investor has the duty to make their own independent decision on the factors that meet their investment decisions.

[xi] See annex for additional methodological tools to perform the mapping.

[xii] The reference to Do No Significant Harm ('DNSH') is referencing the expression widely known in sustainability practices but not the principle that is embedded in several pieces of Sustainable Finance ('SF') legislation. Entities under the SDID are not required to comply with the DNSH principle.

[xiii] There is no universally accepted definition of "Indigenous Peoples." Indigenous Peoples may be referred to in different countries by such terms as "Indigenous ethnic minorities," "aboriginals," "hill tribes," "minority nationalities," "scheduled tribes," "first nations," or "tribal groups."

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[xv] SOEs should exclusively refer to Section 1.1 when producing an independent SDID.

[xvi] See annex for additional methodological tools to perform the mapping.

[xvii] Independent reviews and rating and scoring methods can be combined.

[xviii] For more guidance, see Orrick's "SEC Climate-Related Disclosure Rules: Highlights, Data Insights, and Key Action Items."

[xix] For more information, see "Risk Management: Principles for Climate-Related Financial Risk Management for Large Banks."