UN GLOBAL COMPACT

FORWARD FASTER

MOVING SDG FINANCE & INVESTMENT FORWARD FASTER

ACTION GUIDE

INTRODUCTION

The action guides for the Forward Faster initiative provide companies that have committed – or are considering committing – with additional, target-specific details that companies can utilize as they define a strategy to meet their target(s) by 2030, including definitions of key terms, actions companies can take, Key Performance Indicators (KPIs), interim targets, resources, programmes to engage in and policies companies can advocate for Governments to implement to facilitate an enabling environment.

CONTEXT

By encouraging all participant companies to set targets for SDG investment and finance, the United Nations Global Compact aims to tap into the US $17 trillion in annual corporate investments and dramatically increase the volume and proportion of SDG-aligned investments and SDG-linked finance.

The Forward Faster initiative targets on SDG investments and finance build upon the work of the UN Global Compact **CFO Coalition for the SDGs** (the CFO Coalition), which aims to "engage the global CFO community to align corporate investments and finance with the Sustainable Development Goals (SDGs), and to leverage trillions of dollars in annual corporate investments, including in developing countries" and to "create a broad market for SDG Investments".

The targets and underlying KPIs are derived from the **CFO Principles on Integrated SDG Investments and Finance** (the CFO Principles) and are already used by companies in the CFO Coalition, as a part of their Annual Implementation Progress Report.

ALIGNMENT WITH GLOBAL STANDARDS

Companies should leverage existing and developing regulations, standards and best practices to define and account for their SDG-aligned investments and financing. This includes:

- Sustainable finance standards, including the green, social, sustainability and sustainability-linked bond and loan principles from the International Capital Market Association (ICMA) and the Loan Syndications and Trading Association (LSTA).
- Country or regional sustainable taxonomies. However, taxonomy alignment is not required for SDG-aligned investments, as the SDGs and taxonomies can cover different scopes of impact.
- Sustainable investment and banking standards and frameworks, even though they are not directly applicable to corporations. For example:
    - The Global Investors for Sustainable Development (GISD) Definition of Sustainable Development Investing and Model Mandate
    - UN Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking
    - Principles for Responsible Investment (PRI)
- Sustainability reporting standards and standardized sustainability metrics, including IFRS Sustainability Standards issued by the International Sustainability Standards Board (ISSB), European Sustainability Reporting Standards (ESRS), Task Force on Climate-Related Financial Disclosures (TCFD), Sustainability Accounting Standards Board (SASB) and the Global Reporting Initiative (GRI).

LEVEL OF AMBITION AND INDIVIDUAL COMPANY TARGETS

The goal of the targets is for companies to align corporate investment to their SDG policies and strategies and link corporate financing to SDG investments and performance. This is a direct application of the CFO Principles for companies to continuously increase the proportion of investments and financing aligned with the SDGs, with the long-term aim of reaching **100 per cent of corporate investments and financing that can be aligned to the SDGs**.

While the ambition should be to align 100 per cent of all corporate investments and financing, in practice it is not always possible to link all types of corporate investments to sustainability, and investment decisions generally consider a number of factors holistically rather than any one factor in isolation. In addition, best practices and standards for what constitutes sustainable finance and investments are still evolving. Therefore, companies committed to the targets are, in effect, committing to the maximum alignment that is practical, considering their industry, geography and unique sustainability transition pathway.

To maximize credibility, companies should follow the following best practices in setting their internal targets on SDG alignment of corporate investment and finance:

- Set a clear and increasing pathway towards maximum alignment over time.
- Benchmark the level of ambition with the company's starting point and industry peers.
- Establish year-on-year improvements following a baseline survey.
- Consider that initial levels of ambition could be strengthened at an interim point towards 2030.

TARGET ON SDG-ALIGNED INVESTMENTS

Align corporate investment — to the fullest extent possible — with SDG policies and strategies and set targets, track and report on the amount and proportion of SDG-aligned investments.

DEFINITION OF KEY TERMS AND ELEMENTS OF THE TARGET

The concepts of SDG-aligned investments and SDG-linked finance are defined in the CFO PRINCIPLES FOR INTEGRATED SDG INVESTMENTS AND FINANCE.

SDG-ALIGNED INVESTMENTS, OR SDG-ALIGNED CORPORATE INVESTMENTS refer to internal resources, investments and funding needed to implement or enable the company's SDG impact thesis and integrated SDG strategy. SDG-aligned investments include investments that are **directly aligned** to an SDG strategy and materiality (direct alignment) **and** investments that are **not directly aligned** but where a potential negative impact on progress towards the SDGs has been mitigated (indirect alignment).

CORPORATE INVESTMENTS refer to long-term investment in the productive capacity of the company and typically include capital expenditure (capex), capitalized expenses (like Resource and Development), acquisition of assets or companies (Mergers and Acquisitions, Foreign Direct Investment) and joint ventures, depending on the amount of control, the nature of the industry and their contribution to sustainability. They can also include operating expenditures (opex) that are not capitalized for accounting purposes but nonetheless contribute to long-term environmental and social benefits.

MULTIPLE CAPITALS; MULTIPLE INVESTMENTS. Corporate SDG investments are broadly defined to allow for diverse ways that companies can invest in the SDGs to be included, to promote all types of solutions that contribute to the SDGs and to encourage all industries to participate. This is consistent with the concept of multiple capitals — accounting for integrated investment should include not only investments in physical or financial assets but also investments in people (human capital), community development (social capital), protection of the environment (natural capital) and innovation (intellectual capital).

RELATIONSHIP WITH OTHER DEFINITIONS OF SDG INVESTMENT

In determining SDG-aligned investments, companies can take into account the following concepts adopted by the Principles for Responsible Investment (PRI) related to sustainable investment:

- **SUSTAINABILITY OUTCOMES** are the positive and negative effects of investment activities on people and/or the planet. They are understood in the context of global sustainability goals and thresholds.
- **TAKING ACTION ON (SUSTAINABILITY) OUTCOMES** is the use of levers/tools to work towards global sustainability goals and thresholds. This means working to increase positive sustainability outcomes and/or decrease negative sustainability outcomes. These levers/tools include capital allocation and stewardship.
- **GLOBAL (SUSTAINABILITY) GOALS AND THRESHOLDS** are goals and thresholds reflected in internationally recognized frameworks and that provide pathways towards a sustainable economy, society and environment. These frameworks include, but are not limited to, the International Bill of Human Rights, the UNFCCC Paris Agreement, the SDGs and the UN Guiding Principles on Business and Human Rights (UNGPs).

Companies should also take into account the definition of Sustainable Development Investing (SDI) by the Global Investors for Sustainable Development (GISD)

- Sustainable Development Investing (SDI) refers to deploying capital in ways that make a positive contribution to sustainable development, using the Sustainable Development Goals (SDGs) as a basis for measurement.

EXAMPLES OF COMPANY KPIS AND INTERIM TARGETS

2030 TARGETS:

- Align 80 per cent of corporate investment with SDG policies and strategies by 2030.

INTERIM TARGETS:

- Develop an accounting definition of SDG-linked investments by end of year.
- Align 40 per cent of corporate investment with SDG policies and strategies by 2027.

CONSIDERATIONS FOR INTERNAL TARGET SETTING:

- Companies should set a 2030 target with intermediate milestones to ensure an upward trajectory and allow investors and stakeholders to monitor progress.
- Companies should benchmark their targets with those set by their peers in similar industries.
- Targets set at less than 100 percent should include a description of whether this is considered the maximum that the company can achieve by 2030.

REPORTING

Companies committing to the targets will report on their progress annually to the UN Global Compact by responding to the following questions:

1. What is your target for the amount and proportion of SDG-aligned investments for 2030?* (Please also indicate any interim targets)
2. How much of your current corporate investment is aligned with the SDGs (as of the end of reporting year)? Please indicate the total amount in USD and per cent of total corporate investments.
3. What is included in the definition of SDG-aligned investments?
4. Is this information independently verified?

**This should be reported annually to track any revisions of the target that are only asked in the first year of reporting.*

It is key for companies to be transparent on what they count as SDG-aligned investment and demonstrate the causal link between the investment and the strategy and its impact on performance on SDG targets.

Participants are also encouraged to share their progress broadly, including through their own investor and sustainability communications platforms.

Public reporting should include:

- Internal targets
- Interim targets
- Starting point and annual performance
- Revisions of internal targets over time

To improve accountability and credibility, performance against the targets should be independently verified.

TARGET ON SDG-LINKED FINANCING

Establish a corporate financing strategy that is linked to SDG investments and performance, and report on the amount and proportion of such SDG-linked finance.

DEFINITION OF KEY TERMS AND ELEMENTS OF THE TARGET

The concepts of SDG-aligned investments and SDG-linked finance are defined in the CFO PRINCIPLES FOR INTEGRATED SDG INVESTMENTS AND FINANCE.

A CORPORATE FINANCE STRATEGY is defined in the CFO Principles as a comprehensive approach to finance a company's contribution to the SDGs and as the process of linking the capital structure, as much as possible, to investment or performance on material SDGs. Sustainable finance frameworks are increasingly used by companies to describe how their corporate finance strategy is aligned with SDG investments and performance.

SDG-LINKED FINANCE refers mainly to debt products and other borrowed capital (bonds, loans and credit), whether privately placed or publicly traded, with short- and long-term maturities[1]. It is an umbrella concept that includes both performance-based (SDG-linked) and investment-based (use-of-proceeds) products:

- Performance-based products include SDG- or sustainability-linked bonds, loans and credit facilities with interest rates tied to ambitious targets in key sustainability areas for the issuer. These products align companies' financial incentives with their sustainability goals.
- Investment-based products include use-of-proceeds debt, including green, social and sustainability bonds and loans, with funds allocated to specific projects deemed sustainable (according to global standards, as outlined below).

These definitions are aligned with global sustainable finance standards, including the green, social, sustainability and sustainability-linked bond and loan principles by ICMA and LSTA.

Companies increasingly use "super structures" combining both investment- and performance-based features to maximize the accountability and credibility of sustainable finance.

1 UNTIL FURTHER DEVELOPMENT IN FINANCIAL PRODUCTS AND MARKETS, EQUITY PRODUCTS ARE NOT INCLUDED IN THE DEFINITION OF SDG-LINKED FINANCE.

EXAMPLES OF COMPANY KPIs AND INTERIM TARGETS

2030 TARGET:

- Link 75 per cent of all long-term debt outstanding to SDG investments and performance by 2030.

INTERIM TARGETS:

- Develop and publish a sustainable financing framework by the end of the year.
- Issue a sustainability-linked financial product by 2025.
- Link 55 per cent of all long-term debt outstanding to SDG investments or performance by 2027.

CONSIDERATIONS FOR INTERNAL TARGET SETTING

Companies are encouraged — but not required — to set targets on the future percentage of SDG-linked finance. However, they should, at a minimum, disclose the total and per cent of SDG-finance outstanding in their annual investors and stakeholder communications.

REPORTING

Companies committing to the targets will report on their progress annually to the UN Global Compact by responding to the following questions:

1. What is your strategy to link corporate finance to SDG investments and performance?
2. How much SDG-linked finance was issued during the reporting period?
3. How much of the company's outstanding corporate finance is linked to SDG-aligned investments or SDG performance (as of end of reporting year)?
4. What is included in the definition of SDG-linked finance?

Participants are also encouraged to share their progress broadly, including through their own investor and sustainability communication platforms.

Public reporting should include:

- Internal targets
- Interim targets
- Starting point and annual performance
- Revisions of internal targets over time

To improve accountability and credibility, performance against the targets should be independently verified.

ACTIONS COMPANIES CAN TAKE TO ADVANCE PROGRESS

For companies committing to the Target on SDG-Aligned Investments and/or the Target on SDG-Linked Financing, below are some actions companies can take to advance progress.

The CFOs of companies who have committed to the targets are encouraged to consider signing the CFO Principles on Integrated SDG Investments and Finance and to consider joining the Advanced Group of the CFO COALITION FOR THE SDGS to access resources and network with peer CFOs embracing the sustainability transition within a year of committing.

To advance progress towards reaching the targets set on SDG-aligned Investments and SDG-linked financing, CFOs of committed companies can also take the following steps:

- Develop a specific and credible SDG impact thesis.
- Put in place a system to measure and track impact systematically.
- Identify the link between the SDGs and all areas of corporate investment.
- Identify the link between areas of operations in need of capital/investment and the SDGs.
- Define and get third-party verification for ambitious and competitive targets.
- Adopt SDG-aligned investment criteria into the investment decision-making process.
- Establish a system to ensure transparent and effective governance of SDG-aligned investments.
- Establish and disclose an accounting definition of SDG-aligned investment for the company.
- Disclose publicly the company's absolute and relative levels of SDG-aligned investments in the company's annual report and other investor and stakeholder communications.
- Develop a sustainable financing framework for investors that details how the company's corporate financing strategy is linked to SDG -aligned investments and performance.
- Issue a sustainability-linked or general-purpose financial instrument (bond, loan, credit facility, etc.).
- Issue a use-of-proceeds financial instrument (bond, loan, credit facility, etc.).

RESOURCES TO INFORM IMPLEMENTATION STRATEGIES

For companies committing to the Target on SDG-Aligned Investments and/or the Target on SDG-Linked Financing, below are some resources to inform implementation strategies.

The Blueprint for Implementation of the CFO Principles represents the CFO Coalition's collective experience in implementing the principles and understanding underlying concepts. It is a dynamic, online platform that will evolve as our community continues to grow and progress towards integrating the SDGs in corporate finance.

- CFO PRINCIPLE 1 - SDG IMPACT THESIS AND MEASUREMENT
- CFO PRINCIPLE 2 - INTEGRATED SDG STRATEGY AND INVESTMENTS
- CFO PRINCIPLE 3 - INTEGRATED CORPORATE SDG FINANCE
- CFO PRINCIPLE 4 - INTEGRATED SDG COMMUNICATION AND REPORTING

Companies can use the blueprint's guidance, tools, frameworks and other resources to help with the implementation of their commitment to the targets.

UN GLOBAL COMPACT PROGRAMMING TO GUIDE IMPLEMENTATION

For companies committing to the Target on SDG-Aligned Investments and/or the Target on SDG-Linked Financing, below is some UN Global Compact Programming to guide implementation.

- UN GLOBAL COMPACT ACADEMY: The Academy is the main learning platform of the UN Global Compact that provides business leaders and practitioners with the skills and knowledge to fast track their sustainability strategy. The self-paced learning helps companies get acquainted with the topic of just transition and get ready to take action at their own pace.
    - TAKING FINANCIAL ACTION FOR THE SDGS: IMPLEMENTING THE CFO PRINCIPLES
- CFO COALITION FOR THE SDGS: The CFO Coalition is a platform for CFOs to interact with their peers, investors, financial institutions and the UN to share ideas, develop new concepts and frameworks and provide recommendations to unlock private capital and create a market for mainstream SDG investments. It will continue to work with leading companies and their CFOs in collaboration with investors and standard setters to develop tools and best practices to integrate the SDGs in corporate investments and finance. This will include a focus on advancing the definition and tracking of SDG-aligned corporate investments.

  Thematic workstreams on investments and financing will be carried out by the CFO Coalition annually to guide companies towards an understanding of ambitious targets, available technologies, resources for investments and opportunities for financing.
- PEER LEARNING GROUP: SDG INVESTMENTS & FINANCE: The UN Global Compact offers Peer Learning Groups to create a safe space for companies to share their best practices and challenges on critical sustainability issues with like-minded professionals. Run in collaboration with Global Compact Country Networks, the groups provide participants the opportunity to learn about the latest best practices through facilitated sessions, curated resources and group discussions. You can find out if your Country Network is running a Peer Learning Group HERE.

ENABLING ENVIRONMENT

To scale action toward the SDGs, companies can send strong signals to Governments to implement enabling policies that support them in meeting the ambitious targets under the Forward Faster initiative and provide the clarity and confidence they need to catalyze further investments.

Investments covered by the EU taxonomy will automatically be considered as SDG-aligned, as well as investments covered by other sustainability taxonomies. We encourage all companies to look at the latest regulatory developments to ensure alignment within the reported SDG-aligned investments and what is required by regulators in the countries in which companies operate.

Companies can call on their Governments to implement:

- Mechanisms to align foreign direct investment (FDI) with local sustainable development priorities (e.g., through International Investment Agreements);
- Allocation of development finance for SDG-aligned corporate investment and finance in least developed countries (LDCs);
- Government and multilateral support for just transition finance.

THE TEN PRINCIPLES OF THE UNITED NATIONS GLOBAL COMPACT

HUMAN RIGHTS

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

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

LABOUR

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

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

5 the effective abolition of child labour; and

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

ENVIRONMENT

7 Businesses should support a precautionary approach to environmental challenges;

8 undertake initiatives to promote greater environmental responsibility; and

9 encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

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

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

ABOUT THE UNITED NATIONS GLOBAL COMPACT

As a special initiative of the United Nations Secretary-General, the **UN Global Compact** is a call to companies worldwide to align their operations and strategies with Ten Principles in the areas of human rights, labour, environment and anti-corruption. Our ambition is to accelerate and scale the global collective impact of business by upholding the Ten Principles and delivering the Sustainable Development Goals through accountable companies and ecosystems that enable change. With more than 20,000 companies based in over 160 countries, and more than 60 Global Compact Country Networks, it is the largest corporate sustainability initiative in the world.

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

United Nations Global Compact

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