INTRODUCING
CFO PRINCIPLES ON INTEGRATED SDG INVESTMENTS AND FINANCE
CFO TASKFORCE FOR THE SDGS
FOREWORD

FINANCING OUR FUTURE

Even before Covid, financing the SDGs appeared a daunting task — yet, theoretically, attainable. The pandemic has amplified this challenge. Still within reach, but not without finance to the fore. This is our call-to-action.

We require a global financial system that works for everybody, channeling capital and investment towards activities that benefit societies and economies writ large — with no one left behind.

The founding Chief Financial Officers of these principles are visionaries in this regard. They recognize that healthy societies and healthy markets go hand-in-hand. They envision a world — our world— where business, finance, and society are aligned for shared prosperity.

With the launch of these CFO Principles on SDG Investments and Finance, we signal a new era for finance in world affairs — one with profound implications for societies and markets.

Chief Financial Officers as stewards of trillions of investments are mobilizing, they are switching on — the crucial last piece of the sustainable finance puzzle.

When the Sustainable Development Goals were launched five years ago, few could have imagined our world in 2020.

Global threats — some known, others new — are presenting humankind with its greatest test in modern history.

How we use the twin crises of Covid and Climate to create a more secure, sustainable, and equitable society becomes humanity’s most urgent priority.

Corporates specifically and the private sector generally are rising to the promise of Agenda 2030.

Alberto De Paoli
Chief Financial Officer, ENEL, S.p.A.
Co-chair, CFO Taskforce for the SDGs

Scott Mather
CIO U.S. Core Strategies, PIMCO
Co-chair, CFO Taskforce for the SDGs

THIS IS THE WORLD WE WANT — AND THE WORLD WE WILL CREATE, TOGETHER.
PLEASE JOIN US.
STATEMENT FROM THE CFO TASKFORCE

21 September 2020

Sanda Ojiambo
CEO & Executive Director
United Nations Global Compact

INTRODUCING THE CFO PRINCIPLES ON INTEGRATED SDG INVESTMENTS AND FINANCE

Dear Ms. Ojiambo,

Today, as members of the CFO Taskforce for the SDGs, we are proud to introduce the CFO Principles on Integrated SDG Investments and Finance. These principles are designed to supplement the UN Global Compact’s Ten Principles and stem from our common vision and ambition to support companies in the transition to sustainable development and to leverage corporate finance and investments toward the realization of the Sustainable Development Goals (SDGs).

As CFOs in the Taskforce, we commit to implement these principles and to share our experience and learnings with others. We also commit to set and report against ambitious targets on integrated SDG investments and finance that can substantially accelerate our companies’ transition to a sustainable development.

Our goal is to inspire a new meaning for the role of CFOs as the architects of long-term sustainable value creation. We also aspire to create a market for corporate SDG investments and finance that is sufficiently diverse and transparent to channel trillions of dollars of financial investments towards effective private-sector solutions for the SDGs.

We invite CFOs of all our peer Global Compact companies to join us in committing to the CFO Principles and starting on the journey to implement them in our operations. We also invite other actors in the investment value chain — investors and financial intermediaries — to leverage the CFO Principles as a tool to dramatically increase the sourcing of sustainable investments and unleash the full potential of private investments for the 2030 Agenda for Sustainable Development.

Yours sincerely,

The Members of the CFO Taskforce for the SDGs
FOUNDING MEMBERS OF THE CFO TASKFORCE

CHIEF FINANCIAL OFFICERS
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Scott A. Mather*
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Accounting for Sustainability (A4S)

Impact Management Project

ACKNOWLEDGMENT

We also want to thank the following organizations for providing valuable feedback during the preparation of the CFO Principles:

- The Principles for Responsible Investment (PRI)**
- UNEP Finance Initiative (UNEP FI)**
- SDG Impact (a UNDP initiative)**
- The International Finance Corporation (IFC)
- The Swedish International Development Cooperation Agency (SIDA)

* Co-Chair of the CFO Taskforce for the SDGs.
** PRI, UNDP, and UNEP FI are also key partners of the UN Global Compact.
GOALS AND VISION OF THE CFO TASKFORCE

INTEGRATE THE SDGS INTO CORPORATE INVESTMENTS AND FINANCE

Our goal is to engage the global CFO community to align corporate investments and finance with the SDGs, and to leverage trillions of dollars in annual corporate investments, including in developing countries. Together we hope to:

- Promote the growth of corporate finance for technologies, sectors and geographies that are critical for the SDGs;
- Compete for capital through innovative and effective private-sector solutions for the SDGs;
- Translate ambitious commitments into corporate investments to transform or adapt business models, enable longer-term corporate strategies, and maximize corporate impact on sustainable development;
- Elevate the measurement of SDG impact from process-based to performance-based methodologies and support financial institutions and investors looking to shape real-world outcomes in line with the SDGs; and
- Define consistent and comparable metrics to assess companies’ integrated SDG strategies and investments and ultimately measure their contribution to the SDGs and related targets and indicators.

A BROAD MARKET FOR SDG INVESTMENTS

Our goal is to work with the investment value chain, including investors, banks, development finance institutions, credit rating agencies and sustainability assessment firms, to create a broad, liquid, and efficient market for SDG investments and capital flows. Together we hope to:

- Develop a wide-range of solutions to finance business contribution to the SDGs — including both capital markets and banking products and building upon existing sustainable finance solutions and frameworks;
- Contribute to the identification and pricing of the most effective business solutions to the SDGs, including methods to price positive and negative externalities and integrate sustainability in traditional investment analysis and metrics (ROI, P/E ratio);
- Leverage transparency and accountability mechanisms in capital markets to maximize the credibility of SDG-linked corporate finance; and
- Ensure that sustainable finance frameworks — including taxonomies, standards, and verification methodologies — promote a balance between (i) ensuring credibility and comparability and (ii) encouraging private sector experimentation and innovation.

2. The SDBs consist of 17 goals, 169 targets and 232 indicators.
3. These include the ICMA principles for Green, Social and Sustainability Bonds and Sustainability-linked Bonds, the Impact Management Project, the Positive Impact Principles (UNEP FI), the Responsible Banking Principles (UNEP FI) and SDG Impact (UNDP).
COMMITMENT OF CFOS IN THE TASKFORCE

ADOPTING THE PRINCIPLES

As CFOs in the Taskforce, we commit to the CFO Principles on Integrated SDG Investments and Finance, as a complement to our organization’s commitment to the Ten Principles of the UN Global Compact. As CFOs we also commit to work with other members of our executive management team, the board of directors and relevant departments (including strategy and sustainability) in our companies to adopt the set of best practices suggested for each principle.

CREATING A BLUEPRINT

As CFOs in the Taskforce, we commit to work with other members of the Taskforce, partner organizations, and key actors in the investment value chain to develop, test, and refine further guidance and recommendations to implement the CFO Principles, including:

- Industry-specific guidance
- Examples of best practice
- New research into areas that require further conceptual development

SETTING AMBITIOUS TARGETS

As CFOs in the Taskforce, we commit to set targets and a timeline to implement the CFO Principles inside our organizations. While recognizing differences in geographic and economic contexts, we will strive to set ambitious individual targets that not only maximize our collective impact as a CFO Taskforce, but also inspire leadership for the rest of the CFO community to accelerate the transition of corporate finance and investments to sustainable development.

To facilitate individual target-setting and aggregation of our collective impact, we will work with other members of the Taskforce to identify relevant key performance indicators (KPIs) for key areas of implementation of the principles:

- Aligning corporate strategies and investments with the SDGs
- Linking issuance of financial products to SDG-aligned strategies and investments
- Integrated reporting and communications on SDG-aligned strategies and investments

TRANSPARENCY AND ACCOUNTABILITY

As CFOs in the Taskforce, we commit to publicly disclose annually our progress in implementing the CFO Principles, including the setting of individual targets and results on key performance indicators. We will strive to maximize the credibility of our reporting through self-assessment or independent third-party verification.

4. This includes leveraging relevant resources from our key partners, including the work of A4S CFO Leadership Network on strategic planning, budgeting, and forecasting, sustainable finance framework, debt finance, and investor engagements.
CFO PRINCIPLES ON INTEGRATED SDG INVESTMENTS AND FINANCE

As Chief Financial Officers and Corporate Treasurers, we have a responsibility to support our companies in the transition to sustainable development and to leverage corporate finance and investments toward the realization of the Sustainable Development Goals (SDGs). We also recognize the opportunity to create a market for corporate SDG investments and finance that is sufficiently diverse and transparent to channel trillions in financial investments towards private-sector solutions for the SDGs.

Therefore, we commit to the following principles, as a complement to our companies commitment to the Ten Principles of the UN Global Compact and we will work within our company to adopt the set of best practices suggested under each principle.

**PRINCIPLE 1. SDG IMPACT THESIS AND MEASUREMENT**

- Business should develop a specific SDG impact thesis, which maximizes their unique capabilities and assets, promotes the most effective private-sector solutions to sustainable development and is updated or expanded over time;
- Identify and mitigate significant negative impacts on relevant SDGs, based on an analysis of the corporate portfolio and the supply chain and benchmarked against impacts generally associated with comparable assets, activities, or operating contexts;
- Align impact theses with countries' own needs and priorities for SDG investments (climate and SDG gap analyses and investment plans), and where relevant, focus on priority sectors in less developed markets, considering the unique characteristics of each market, and respecting a common but differentiated approach to the sustainability transition; and
- Set goals, targets, and indicators that promote and credibly measure the company’s contribution to relevant SDGs and its mitigation of significant negative impacts, using consistent and comparable metrics that are based on the official SDG targets and indicators.

**PRINCIPLE 2. INTEGRATED SDG STRATEGY AND INVESTMENTS**

- Business should translate their SDG impact thesis into strategic objectives and initiatives that build upon the existing corporate strategy and business model;
- Determine specific internal resources, investments (R&D, capex, M&A, FDI) and funding needs to implement the SDG impact thesis and integrated strategy and analyze the financial risk-return profile (IRR) of SDG investments;
- Adopt investment criteria and decision-making processes based on SDG impact, alongside financial risk and return investment criteria; and
- Leverage and strengthen corporate governance mechanisms to incentivize and monitor the implementation of the integrated SDG strategy and investments (board oversight, internal controls and audit, executive remuneration, and disclosure).
**PRINCIPLE 3. INTEGRATED CORPORATE SDG FINANCE**

- Business should develop a comprehensive corporate SDG finance approach to support their contribution to the SDGs, and raise SDG-linked finance commensurate with the nature of SDG investments and the degree of their strategic integration;
- Leverage a full range of financial instruments for SDG-linked finance, including debt (loans and bonds) and equity, whether privately placed or publicly traded, and ranging from short- to long-term maturities;
- Structure financial instruments based on the nature of SDG-aligned investments and the degree of their strategic integration, starting with specific-purpose instruments for isolated assets and activities with generally accepted impact theses (e.g. EU Taxonomy), and evolving towards general-purpose and performance-based instruments for more integrated SDG strategies and investments;\(^{iv}\)
- Maximize the credibility of SDG-linked financial products through a combination of contractual mechanisms (use of proceeds, covenants, pricing) and corporate governance oversight (board of directors, internal controls, accounting, audit and verification, and reporting); and
- Leverage blended finance from governments, development finance institutions, philanthropic foundations and impact investors to de-risk or subsidize corporate investments for technologies, sectors and geographies that are critical for the SDGs but currently underfunded.

**PRINCIPLE 4. INTEGRATED SDG COMMUNICATION AND REPORTING**

- Business should engage in proactive investor communications about their SDG impact thesis, strategy, and investments, including through investor calls and engagement, annual financial disclosures, and integrated financial and sustainability reports;
- Enhance integrated reporting practices with key elements of SDG-aligned investments and finance, including impact measurement and valuation, alignment of investments with strategy, and accounting and monitoring performance;
- Work with rating agencies, external auditors, and second-party opinion providers\(^{iv}\) to ensure the relevance and accuracy of publicly disclosed information and data related to SDG impact, SDG-aligned investments, and SDG-linked finance; and
- Work with peer companies and standard setters to harmonize practices and maximize the utility of integrated reporting, by promoting simplification, readability and a balance between innovation and comparability.\(^{iv}\)
END NOTES

i. The term “integrated” is used here and throughout this document to ensure that activities pursuant to the CFO Principles are nested within existing management and governance processes, rather than new or separate processes. The terms “SDG-aligned” and “SDG-linked” are also used in the document to convey the same concept.

ii. The term “impact thesis” means a theory of change on how a business contributes towards achieving the SDGs. It is a corollary to an investment thesis, which is a reasoned argument for an investment strategy designed to attract potential investors, and the formulation of which is typically under the responsibility of a CFO or a Corporate Treasurer.

iii. The term “significant impact” refers to important or prominent impacts of the company — in relative and absolute terms. It relates to the financial concept of “materiality”, which refers to information necessary for investors to make informed decisions. It also relates to the concept of “salience” in Human Rights, which is defined in the UN Guiding Principles Reporting Framework as most severe, potential, and negative.

iv. The term “corporate portfolio” refers to the various divisions or units of a diversified company with multiple product or services lines.

v. These include Nationally Determined Contributions (NDCs) to the Paris Accord and Voluntary National Reviews (VNRs) on the implementation of the SDGs.

vi. Common but Differentiated Responsibilities and Respective Capabilities (CBDR–RC) is a principle within the United Nations Framework Convention on Climate Change (UNFCCC) that acknowledges the different capabilities and differing responsibilities of individual countries in addressing climate change.

vii. The 17 Sustainable Development Goals each include a list of 169 targets and 232 indicators to measure their implementation. Further guidance can be found in “An Analysis of the Goals and Targets”, developed by GRI and the UN Global Compact as part of their collaboration on Business Reporting on the SDGs.

viii. Specific-purpose instruments include use-of-proceed bonds and loans; general-purpose and performance-based instruments include SDG-linked bonds or loans and equity.

ix. Second-party opinions are used for the issuance of green, social or sustainability bonds to ensure that use-of-proceed frameworks are in line with market expectations and industry best practices.

x. While comparability is important, companies are encouraged to actively disclose their endeavor toward the SDGs even if not immediately quantifiable and comparable.
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.

ANTICORRUPTION

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

ABOUT THE UNITED NATIONS GLOBAL COMPACT

As a special initiative of the UN Secretary-General, the United Nations Global Compact is a call to companies everywhere to align their operations and strategies with ten universal principles in the areas of human rights, labour, environment and anti-corruption. Launched in 2000, the mandate of the UN Global Compact is to guide and support the global business community in advancing UN goals and values through responsible corporate practices. With more than 10,000 companies and 3,000 non-business signatories based in over 160 countries, and more than 60 Local Networks, it is the largest corporate sustainability initiative in the world.

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

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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.