WHERE CAN WE HAVE THE MOST IMPACT?

A Community Foundation's Playbook for Investing with the United Nations' Sustainable Development Goals

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SECTION 1

Overview of Sustainable Development Goals

Introduced to the world in 2015, the United Nations' [Sustainable Development Goals (SDGs)](#) (Fig. 1) are a set of 17 broad, global goals that aim to eliminate poverty, hunger and inequality, protect and preserve our planet, and build conditions for peace and prosperity through partnerships and collaboration. They are built on the principles of "leaving no one behind," democratizing community decision-making, and achieving equitable outcomes.

In the service of fostering collaboration to achieve systemic change, the SDGs provide a universal language for articulating specific goals, measuring progress with common indicators, and contributing to sustainable, community-level and global outcomes.

The SDGs are the culmination of more than 30 years of a global effort to develop a holistic understanding of how to build sustainable communities. Capping off this work, more than one million people across the world provided input into the SDGs' development, including thousands of subject matter experts spanning the 17 SDGs. The result is one of the most comprehensive roadmaps ever devised for addressing the world's most pressing issues.

Community foundations worldwide are exploring how the SDGs can contribute to their work. In the U.S., this effort is in its early stages. However, there are indications that aligning foundation work with the SDGs is beginning to pay off. [2] In most instances, the SDGs have been leveraged to strengthen grantmaking strategy and practices. But they have similar potential for enhancing investment strategy and practices, the focus of this report.

This playbook provides a roadmap for community foundations in the U.S. that wish to use SDGs as a more powerful way to put their financial investments into the service of building a more sustainable world.

Figure 1: The United Nations' Sustainable Development Goals (SDGs) [1]

1 Available for download at [sdgs.un.org/goals](#)

2 See "Community Leadership and the Sustainable Development Goals," Foundation Review, vol. 13, issue 4, December 2021.

SECTION 2

The SDG Framework: What You Need to Know to Begin

While the 17 SDG Goals are global, they are achieved through national, regional and local action. Each country has its own "**Targets**" — a set of location-specific human and ecological challenges linked to each Goal. Each set of Targets comes with relevant "**Indicators**" to track progress. For example, a country might focus on Goal 4: Quality Education by tracking progress on secondary school completion that leads to relevant and effective learning outcomes, using completion rate as an indicator of progress.

The one major exception to this process is the United States. It has no formal national goals, targets, or indicators. Instead, regions, cities and communities set their own goals, prioritize their own targets, and adopt appropriate indicators. This puts community foundations, which represent local geographies by state, county, city, or community, in a powerful leadership position to spur collective action using the SDGs as a lever.

"Sustainability" is a guiding force in the SDGs, though in this context, the term encompasses much more than the typical environmental practices and, as such, opens a much broader range of opportunities for directing the financial investments of community foundations. The SDGs aim to make "**sustainability the new standard of investing.**" On its face, this does not sound very different from the investment practices already in place at many organizations, including divestment approaches to mitigate environmental risks. But in theory and practice, it is much broader.

Several SDGs focus on sustainable practices that ensure the physical, social and economic well-being of individuals and communities. For example, each of the first five Goals (no poverty, zero hunger, good health and well-being, quality education, and gender equality) speak to meeting basic human needs and providing opportunities for human growth and development. The majority of SDG targets, in fact, focus on meeting basic human needs for a livable income, food, health, and safety and fostering human empowerment through education, decent work, and reducing inequalities.

The "Five Ps" — **People, Planet, Peace, Prosperity, and Partnerships** — are often used as shorthand to describe the overarching concerns of the SDGs, which view each of these domains as fundamentally interconnected. This expansive perspective on "sustainability" opens a much broader range of opportunities for thinking about community foundations' financial investments.

SIDEBAR **Why Engage with the SDGs? What's the Potential Payoff?**

In the case of foundations' financial investments, the payoff of aligning with the SDGs should be greater social and environmental return on investments without unduly sacrificing financial returns and fiscal responsibilities. Every foundation, including community foundations, stewards substantially more assets for investment purposes than the dollars they distribute annually through grantmaking. Thus, foundations have greater potential to influence social change through the financial investments they select than through their grantmaking alone.

The SDG framework was built with such payoffs in mind. Each target and corresponding indicator can be a driver for aligning the foundation's work with the SDGs. Payoffs for such alignment include:

- **Providing a common language for talking about collective impact, shared objectives, and complementary approaches to addressing social problems,**
- **Using standard metrics and methods for recording those metrics,**
- **Developing clear impact objectives, which inform strategic direction and investment search and selection,**
- **Addressing social problems in a systemic and sustainable way,**
- **Working collaboratively within the foundation and with other nonprofit organizations,**
- **Working collaboratively across sectors, and**
- **Publicly communicating and tracking the impact of philanthropic and investment dollars.**

SECTION 3

Bringing an "Impact-First" Mindset to Investing

The existential question at the core of any foundation is ***where can we have the most impact?*** Impact includes the best way to leverage all the funds, human resources, and tactics at one's disposal (grantmaking, investing, community leadership, etc.) to achieve one's mission.

Traditional community foundation operations tend to focus on perpetuity through grantmaking and conventional investment strategies. The SDGs provide an opportunity to challenge these operating norms and priorities, putting the central existential question back on the table. Using the question of ***where can we have the most impact?*** as the lens to view all assets (financial investments, grantmaking, and personnel) may result in differing approaches. For example, a foundation might decide to prioritize investment advisors who focus on social impact, identify investment funds to achieve a specific goal, and explore alternative forms of investment capital (debt/equity products) to supplement grants.

A foundation's financial investments historically sought to achieve the highest financial return for a given level of risk. This sometimes led to financial investments that were in direct conflict with the foundation's grantmaking. For example, foundations seeking to enhance environmental sustainability might provide grants to nonprofits that encourage sustainable farming practices while simultaneously investing their endowment dollars in corporations that produce synthetic chemicals or fertilizers. Encouragingly, however, investment strategies have been developed to achieve social and environmental returns along with financial returns.

Figure 2 highlights various impact investment strategies available to community foundations. Produced by **Mission Investors Exchange**, Figure 2 describes a spectrum of investment strategies, ranging from "profit-only investing" to "impact-only investing." These two polar opposites represent the traditional "either/or" approach organizations have tended to apply to investment decisions.

Figure 2: Different Forms of Impact Investment Strategies [3]

Prioritizing of Return vs Impact						
PROFIT-ONLY INVESTING	**RESPONSIBLE INVESTING**	**SUSTAINABLE INVESTING**	**SOCIALLY RESPONSIBLE INVESTING**	**IMPACT INVESTING**		**IMPACT-ONLY INVESTING**
Returns Paramount No regard for ethics or impact	**Impact Risk** Adopt ESG to mitigate risk and retain value	**Impact Opportunity** Adopt ESG to enhance value	**Passive Impact** Adjusting investments based on certain ethical guidelines — regardless of effect on returns	**Equal Priorities** Seeking specific positive impact & competitive return	**Lower and/or Uncertain Return** Seeking specific impact that requires lower return	**No Return** Seeking specific impact, expectation of no return
EG, "business as usual"	EG, screening for coal stock, given risk in long-term	EG, investing in renewables, b/c of market opportunity	EG, eliminating stock in firearms because of moral beliefs	EG, investing in market-rate entrepreneurs of color fund	EG, patient and/or low-cost capital for affordable housing	EG, 0% interest loan, recoverable grant, grant

At the profit-only end of the spectrum are investments that seek solely to maximize financial returns, while impact-only investments represent traditional grantmaking.

Responsible and sustainable investing, which both focus on the environment, social, and governance (ESG) framework and socially responsible investing (SRI), occupy an increasingly diversified middle ground on the investment spectrum. At minimum, **responsible investing** seeks to mitigate the potential for an investment to cause social or environmental harm while maintaining market-rate returns. Meanwhile, **sustainable investing** adopts an ESG framework to identify market opportunities with the potential to simultaneously enhance sustainable outcomes and returns.

3 For additional information refer to the Community Foundation Guide to Impact Investing: missioninvestors.org

Socially responsible investing builds on this approach by actively avoiding investments in ventures that violate the investors' socially defined principles. For instance, an investor concerned about economic inequity might exclude companies that profit from predatory lending practices.

Impact investing may or may not seek market-rate returns, but importantly, this approach places a higher value on the potential social or environmental impact of the investment than the potential financial rate of return. This approach, where the desired impact becomes the primary selection criterion, is often referred to as an "impact-first" lens to investing.

In practice, people often generalize their language to use the term "impact investing" when referencing any of the strategies mentioned to the right of Profit-Only Investing in Figure 2. Regardless of how one categorizes various investment strategies, the SDG framework encourages institutions to adopt an "impact-first" mindset to investing, one that clearly articulates its impact-related goals upfront (consistent with the foundation's mission and vision) and proactively seeks investment opportunities with the potential to contribute to those goals.

THE SDG FRAMEWORK ENCOURAGES INSTITUTIONS TO ADOPT AN "IMPACT-FIRST" MINDSET TO INVESTING

SECTION 4

The Playbook:
Putting the SDGs Into Action

To engage productively with the SDGs, we encourage community foundations to follow a four-step process (see Fig. 3):

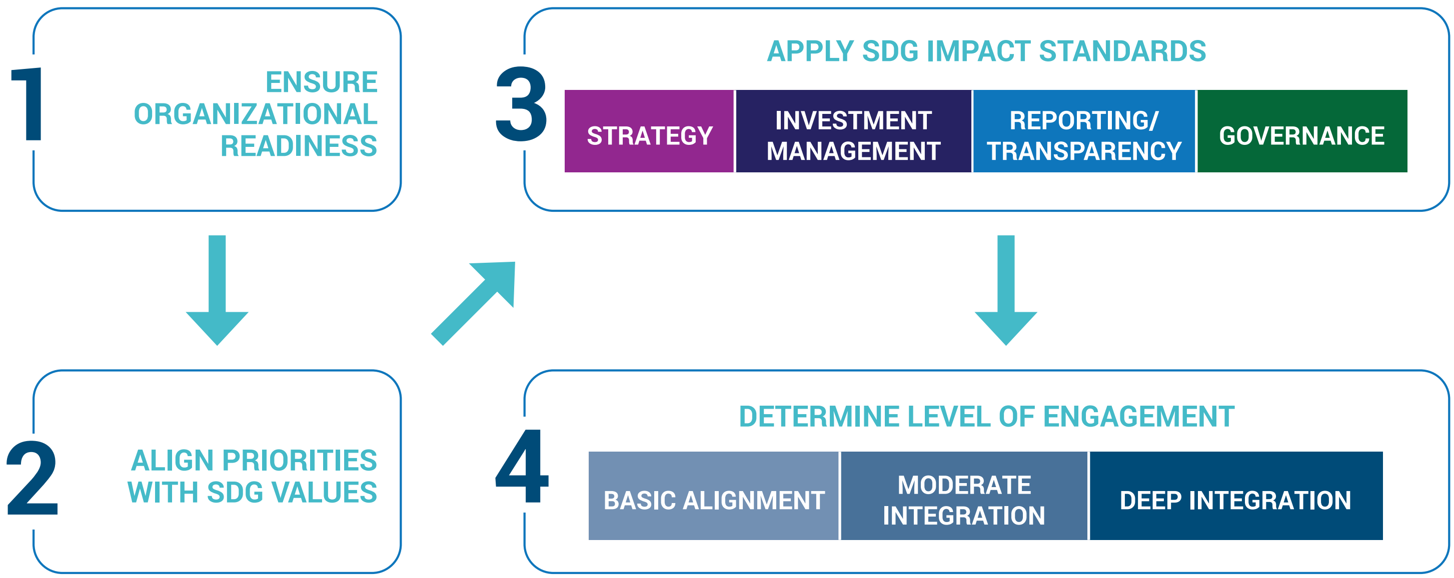
1. Ensure organizational readiness,
2. Align priorities with SDG values,
3. Apply the ***SDG Impact Standards*** to decision-making,
4. Determine level of engagement.

To begin, engaging with the SDGs requires cross-departmental collaboration, along with support and commitment from community foundation leadership. Because organizational functions are often siloed within community foundations, especially larger ones, this means identifying internal barriers to effective interdepartmental communication and devising ways to overcome them. For this reason, ensuring organizational readiness is Step 1 in this playbook.

Steps 2 and 3 focus on the mechanics of aligning foundation priorities with SDG values and understanding how to apply the ***SDG Impact Standards*** to financial investment decision-making. The *SDG Impact Standards*, developed by the United Nations Development Program (UNDP), provide guidance on how to incorporate SDG values into four critical aspects of investing: strategy, management, transparency, and governance.

Lastly, because foundations differ in terms of their readiness and resources available for this work, Step 4 describes three ascending levels of potential engagement with the SDGs to help foundations determine a course of action relevant to their current situation.

Figure 3: Four Steps for Engaging with SDGs



STEP 1 ENSURE ORGANIZATIONAL READINESS

While the impetus to incorporate the SDGs may come from a particular foundation department, the allocation of effort and resources ultimately involves strategic decision-making at the senior leadership level. Identifying a champion or sparkplug to advance the SDGs throughout the foundation is crucial. Who that champion is will differ for each foundation, but an identified role to help drive the thought process will be helpful. Eventually, all departments will come into play.

For example, if a set of SDG targets proves helpful in shaping organizational strategy and grantmaking practices, the foundation may find that using the action-oriented language of targets is also helpful in telling the foundation's story publicly, raising funds, and educating donors. Because this work ultimately involves the entire organization, foundation engagement with the SDGs will not succeed without full support from the board and CEO, along with financial support to engage in the work over a sustained period.

Community foundations that have implemented the SDGs in their work all say the effort must be coordinated at the highest level and integrated across the organization. Central Florida Foundation's (CFF) implementation of the SDG framework resulted in the creation of an overarching approach to their work called "Thrive Central Florida." CFF sees Thrive Central Florida as a foundation philosophy, not just a grantmaking philosophy. Not only does the Thrive framework guide grantmaking decisions, but it informs the work of all other departments as well. Accordingly, the financial team works in partnership with the vice president for community strategies and Initiatives and the Investment Committee to identify suitable investment opportunities that are most relevant to the foundation's work.

Similarly, to break down silos, the Cleveland Foundation created a Social Impact Investment Committee (SIIC) that includes both Grantmaking and Investment Committee members. The SIIC oversees the foundation's nearly $40 million Special Purpose Fund. Noting that the programs and investment teams come to these discussions from different perspectives, Anthony Gattuso, senior director of investments and treasury, stressed that having the teams create a common governance structure helps this internal collaboration work. He said foundations that are not well integrated strategically across all departments might find it difficult to have fruitful discussions about the SDGs and impact investing at the organizational level.

SIDEBAR Breaking Down Internal Silos Across Departments

Aligning a foundation's work with the SDGs ultimately involves the entire foundation. Thus, the foundation must develop internal mechanisms that bring the finance, program, and donor services teams into productive strategic conversations with each other. For many foundations, this may be uncharted territory.

Often, the finance team does not typically intersect with the programs team in a meaningful way, in part because the assumption is that the finance team's goal is simply to minimize financial risk and comply with auditing standards. The conversation, however, could shift to ask, what would it mean from a finance perspective to be integrated into the foundation's programmatic work?

These observations raise interesting questions:

1: If a foundation is moving toward a more integrated, cross-functional approach to investing, how might the job descriptions and desired qualifications of finance staff be expanded or revised to include program-related functions or experiences? How can more impact investing knowledge and experience be prioritized in hiring program staff?

2: What changes to organizational structure and reporting relationships might be needed to create a productive space for these types of conversations to take place? If finance were to report, for example, to a chief operating officer (or to a reconfigured chief financial officer), might that create a structural opening for more collaborative strategic conversations and decision-making?

3: What kinds of opportunities within the field could facilitate greater interaction among program and finance professionals in general? How might existing conferences and other professional gatherings be "opened up" to provide more opportunities for cross-functional interaction?

STEP 2 ALIGN IMPACT PRIORITIES WITH SDG VALUES

Aligning the foundation's impact priorities with the SDGs is a two-step process (detailed in appendices A and B):

1. **Identify specific points of connection (targets) between the SDGs and the foundation's priorities.** That means winnowing the number of SDG targets from 169 to a subset of perhaps two or three dozen that map to the foundation's primary areas of interest (see Appendix A). This subset of targets will serve as a mini-SDG framework that can guide the foundation's work across all its activities, from grantmaking and finance to communications and fundraising.
2. **Identify relevant metrics of progress.** Each target comes with a measure (indicator) of progress. These indicators are meant to be both measures of positive change broadly and guides for developing indicators more tailored to a community foundation's local environment. Several organizations have developed extensive lists of indicators that can be used to develop local metrics that make sense for community foundations (see Appendix B).

In social impact investing, both due diligence and monitoring impact outcomes are critical to ensure the investment is aligned to the articulated impact. Indeed, since impact investments aim to generate both a social and financial return, due diligence and monitoring requirements often exceed those for traditional investments. The unfortunate reality, however, is that current data is grossly inadequate to capture the social and environmental alignment of many investment opportunities. Currently, the only industry-wide data available is through ESG ratings, which are heavily subjective and only apply to a subset of the impact investment opportunity set.

Since most foundations invest through third parties (external investment managers), the SDG framework helps to advance conversations about impact measurement with investment managers. Articulating the desired outcomes will help the investment manager select metrics for reporting.

Also, knowing the outcomes (and related measures of progress) one is seeking with a particular investment flips the script, putting the onus on investment firms to demonstrate how their investment strategy helps to achieve those objectives. Even when the investment firms lack the answers, asking these questions creates demand for impact measurement and reporting that expand the existing approaches.

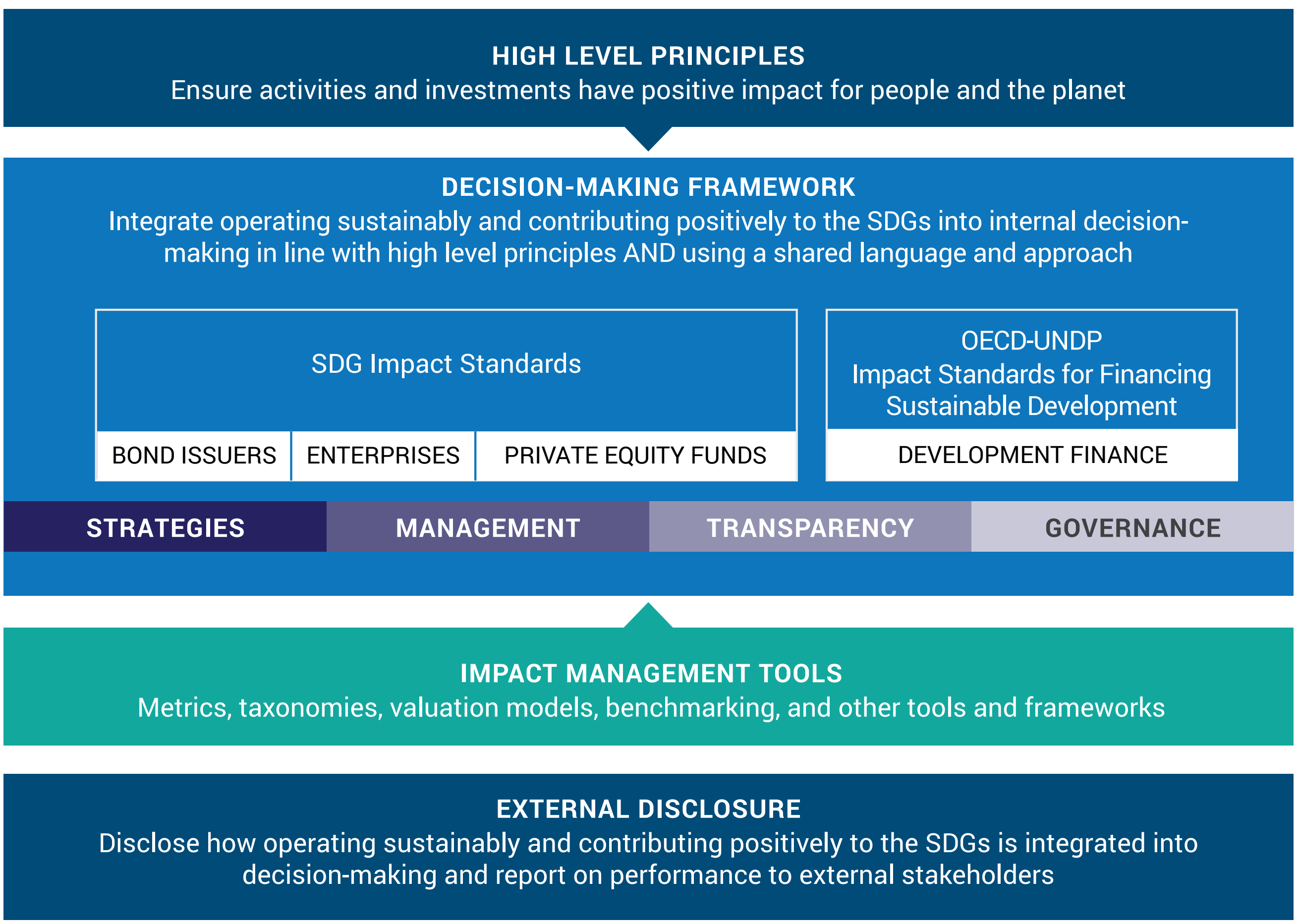
STEP 3 APPLY THE SDG IMPACT STANDARDS TO DECISION-MAKING

Recognizing that the SDGs cannot be achieved without leveraging the funding potential of investment capital, the United Nations Development Program created a decision-making framework to help steer investors toward more sustainable investment options (Fig. 4).

The **SDG Impact Standards** define a set of overarching concepts to inform the review and selection of various impact measurement frameworks explicitly aligned with the SDGs (e.g., IRIS+, Voluntary National Reviews, Investor Maps). Moreover, the standards are supported by detailed sets of resources (see Appendix B) for applying them to internal management and day-to-day investment decisions by business enterprises (including investment management firms), private equity funds, and bond issuers.

Specifically, the SDG Impact Standards focus on four organizational functions: strategy, management, transparency, and governance.

Figure 4: Decision-making Framework for Sustainable Investing [4]



From an asset class perspective, this framework may appear to apply only to a subset of the foundation's investment portfolio. However, the standards outline a process of orienting the work of both investor and investee organizations toward "operating sustainably and contributing positively to the SDGs." The process can be applied broadly at the strategic level and across asset classes, although some of the specifics will not apply to all circumstances.

4 Available for download at sdgimpact.undp.org/practice-standards.html

STEP 3 (CONTINUED) APPLY THE SDG IMPACT STANDARDS TO DECISION-MAKING

Applied to community foundations' investment practices, they provide guidance in answering four critical questions:

1. **Strategy:** How is the community foundation embedding SDG values into its purpose and strategy?
2. **Investment Management:** How is the foundation integrating that strategy into its investment decision-making and management approach?
3. **Reporting/Transparency**: How is the foundation tracking and reporting on its purpose, strategy, management approach, and impact performance?
4. **Governance:** What governance practices reinforce the foundation's commitment to SDG values?

STRATEGY	INVESTMENT MANAGEMENT	REPORTING / TRANSPARENCY	GOVERNANCE
INVESTMENT GOALS: Role of SDGs in defining investment goals and parameters of success (KPIs) **UNRESTRICTED ASSETS**: Commitment to assign a portion of foundation's unrestricted assets to the progress of SDG values **RESTRICTED ASSETS**: Extent of influence over allocation towards values aligned to the SDGs **TOTAL ASSETS:** Portion of total assets committed, and the clarity of timeline set to meet said commitment	<u>Pre-investment:</u> • **SCREENING**: Extent to which sourcing and diligence screening methodologies incorporate impact and operational parameters that indicate progress towards SDGs • **DIVERSITY:** Diversity of sourcing channels to reflect needs of community <u>During investment:</u> • **PROGRESS**: Extent to which the impact of the investment is measured against progress towards the values of the SDGs • **SDGs ADDITIONALITY**: Consideration of the additionality of the foundation's investment in advancing SDG values <u>Post-investment</u> • **CONTINUED PROGRESS**: Extent to which the foundation facilitates continued progress towards SDG values after investment period	**MEASUREMENT**: Extent to which impact goals/ KPIs are measured against specific goals or outcome objectives aligned to the SDGs **REPORTING:** Depth of aggregated reporting at investment, strategy, or organization level **COMMUNICATIONS:** Extent to which SDG alignment of goals/KPI, outcome objectives, etc. are externally communicated	**POLICIES:** Organization policies and procedures align with SDGs values **BOARD:** Role of board members in supporting progress towards SDG values **STAKEHOLDERS/PARTNERS:** External stakeholders (donors, community leaders and individuals) play a role in alignment to SDG values **DONORS:** Investment options & education to donors are aligned with progress to SDGs/its values **COMMUNITY LEADERSHIP**: Foundation external engagement in sector-wide thought leadership, research, advocacy and representation. **ECOSYSTEM ALIGNMENT:** Progress towards facilitating deeper integration of SDG values into the work of other organizations

5 Table adapted from research conducted by CapShift, an impact investing platform that works with philanthropic and financial institutions to mobilize capital for social and environmental change (content derived from UNDP SDG Impact Standards for Private Equity Funds).

STRATEGY

Implementation hinges on the extent to which foundations leverage the SDGs to define investment goals and parameters for determining success. The first step is to align the foundation's priorities with the SDG targets and indicators (described in Appendix A). In effect, this amounts to translating the foundation's work into the language of the SDGs. Doing so clarifies investment objectives in terms of a universal set of goals and metrics that have been adopted worldwide.

Consider SDG Goal 4: Quality Education. A foundation interested in pursuing this goal might invest in venture capital funds that fund educational technology companies. In addition to tracking readily available metrics like user engagement with a particular technology platform, the foundation might also request evidence of effective learning outcomes using students' secondary school completion rates as an indicator. Expressing investment goals in this way puts greater collective pressure on investment firms to develop measurable indicators of the invested company's social impact driven outcomes.

Once the foundation's priorities have been mapped to the SDGs, the focus shifts to which of the foundation's investment assets can be committed to align with SDG values. While endowment assets represent a logical place to start, the foundation should also consider the extent to which it can exert influence over the investment objectives of donor-advised fund assets.

INVESTMENT MANAGEMENT & DECISION-MAKING

Prior to investing, the foundation can create a way to screen potential investments to ensure they align with its SDG-informed investment priorities. This SDG alignment process will identify a set of questions to ask of potential investment opportunities to ensure they contribute to the social and environmental outcomes (SDG targets and indicators) the foundation seeks. Currently, answers about the investments' impact may be hard to come by, given the state of existing data on sustainability and socially related issues. However, the data will never improve if the questions are not asked.

By diversifying its investment opportunity sourcing channels, a foundation can better reflect community needs. It can do this by looking beyond its typical network for recommendations and seek insights from diverse facets of the community. Doing so also provides an opportunity to collaborate with other community foundation departments. For example, the community foundation's program team could engage community partners and share compelling ideas with finance staff for further due diligence. This is an ongoing process.

Once investments have been made, staff must monitor progress on the extent to which SDG values are being supported. The questions asked in the screening rubric should be regularly revisited to assess connections to the targets and indicators. Also monitored at this stage is "additionality," the demonstration that, but for the investment made, the action or activity would not occur. Finally, post-investment progress toward the stated goal is a part of the monitoring process.

REPORTING/TRANSPARENCY

Communicating the results of SDG-aligned investments builds knowledge of the feasibility of aligning financial investments with their social returns. For example, raising the topic in more investment conversations increases awareness and shared knowledge of effective practices, lessons learned, and the impacts of the investments. Interest from community foundations, donors, and other corporate and philanthropic partners may encourage investment managers to advance aligned financial investments to address identified social issues and deepen investments with those who are already aligning their assets to achieve the goals of SDGs. Increased interest by investors also may expand the number of investment managers offering SDG-aligned investments. For those managers, pressure needs to be applied to encourage greater transparency regarding the results of their own efforts to further sustainability. To put a finer point on it, greater transparency should tie to increased investment opportunities and greater impact.

STEP **3** (CONTINUED)

For community foundations that choose to align their work with the SDGs, reporting publicly about their investments is another opportunity for cross-team collaboration to develop compelling narratives about SDG-aligned investing for donors and other investors.

GOVERNANCE

It will take organizational commitment to ensure SDG goals become the North Star guiding financial investment practices. Policies must be reviewed and aligned with SDG targets and indicators.

The foundation's board must be committed to supporting SDG values as integral to its work. Donors should be encouraged to learn about the organization's commitment to identified priorities and how the community foundation's investments align with SDG values.

The foundation can identify and create opportunities to engage in sector-wide research and advocacy regarding sustainable investing. The foundation's long-term vision can also be ecosystem alignment with SDG values to provide community-wide definitional understandings for the community's future.

STEP 4 DETERMINE LEVEL OF ENGAGEMENT

Whether a foundation's ultimate intent is to go all in on the SDGs or not, the first phase of the work focuses on achieving basic alignment with the SDGs across the four functions highlighted in the SDG Impact Standards Framework (strategy, investment management, reporting/transparency, and governance). From there, the foundation can take further steps to expand the level of SDG integration with its work, ranging from basic to deep integration.

Basic alignment means a foundation has committed to exploring how its work can help to advance the SDGs. At a minimum, it attempts to understand how its impact goals are thematically aligned with the Global Goals. It may or may not engage with the SDGs at the level of targets or indicators, but it is beginning to identify points of connection between specific investments and SDGs. While the foundation may publicly indicate how some of its investments align with the SDGs, the reporting/transparency and organizational governance functions remain relatively underdeveloped.

At the **moderate integration** level, a commitment to making a positive contribution to the SDGs has been embedded in the foundation's overall investment strategy, and specific SDGs have been singled out as investment priorities. Most, if not all, investments are being classified in relation to specific SDGs, and methods for evaluating SDG-related impact are being developed. Some of these efforts to contribute to the SDGs, along with available evidence of impact, are reported publicly but without much detail regarding the process by which outcomes were achieved. A formal organizational commitment to advancing the SDGs may be in the works but is not typically disclosed publicly.

Deep integration signals the foundation has made an organization-level commitment to align business practices with SDG values, including employment practices, diversity, equity and inclusion efforts, and climate impacts. Portfolio impact objectives are based on strategically selected SDG targets and indicators. Methods for assessing investment impacts are in place and assessments are conducted regularly. Portfolio adjustments are made as necessary to increase the desired impact. Outcomes are reported publicly at the individual investment level, along with methods used to assess impact.

Most foundations are still in the early stages of this work. That said, several U.S. community foundations have taken significant steps to integrate the SDGs into their work. These include Collaboratory (Ft. Myers, Fla.), Central Florida Foundation, West Central Initiative (Minn.), Cleveland Foundation, Community Foundation of Greater Flint, The Chicago Community Trust, Pittsburgh Foundation, and East Bay Community Foundation, among others. Because other sectors are further along in terms of SDG-related investment practices, specific examples illustrating each level of engagement are drawn from outside the field of community philanthropy.[6]

Basic Alignment

	Strategy	Investment Management/ Decision Making	Reporting / Transparency	Organization Governance
BASIC ALIGNMENT	• State commitment to helping advance the SDGs through its work • Thematically align impact-area targets with SDG's	• Classify some or all investments by SDG	• Some reporting on investment classification by SDG	• Typically no organization level commitment to advancing the SDGs, more on a case by case basis

Example:
Nuveen, a global investment manager, has mapped its investments to the SDGs at the target level to demonstrate its contribution to the goals and track the number of holdings and assets under management by SDG. In addition to gathering this data, Nuveen publishes its annual contribution to the SDGs at the portfolio level, showing the number of holdings and assets under management aligned with the SDGs. In terms of governance, it does not disclose the alignment of its business practices with the SDGs.

Moderate Integration

	Strategy	Investment Management/ Decision Making	Reporting / Transparency	Organization Governance
MODERATE INTEGRATION	• Embed contributing positively to SDGs into fund/portfolio purpose • Thematically align impact targets with the SDGs at the goal and/or indicator level • Some strategic targeting of specific SDGs	• Classify some or all investments by SDG • Develop methodology to evaluate an opportunity's SDG impact during and/or post investment • Some determination of investor contribution to SDGs at goal or indicator level	• Report contribution by SDG at overall portfolio level • Some reporting of outcomes by SDG indicators at individual investment level • Minimal disclosure of process to achieve outcomes	• Typically some organization-level or broader than fund-level commitment to advancing the SDGs, specifics not typically disclosed

Example:
The stated business strategy of Calvert, a nonprofit investment firm, is to "launch products that address the SDGs." It measures investment outputs and outcomes at the SDG target and indicator levels. While Calvert reports on these outputs and outcomes, it does not disclose its methodology for measuring SDG impact, nor does it explicitly express any alignment between organizational business practices and the SDGs.

Deep Integration

	Strategy	Investment Management/ Decision Making	Reporting / Transparency	Organization Governance
DEEP INTEGRATION	• Embed contributing positively to SDGs into fund/portfolio purpose • Set portfolio impact targets based on SDG indicators • Strategically target specific SDGs	• Develop rigorous methodology to evaluate impact of investments tied to SDGs • Strategically select opportunities based on SDG impact, at either goals or indicator level • Assess impact performance of investments regularly • Act to optimize for SDG impact by supporting portfolio to increase impact activities	• Thoroughly report contribution by SDG at overall portfolio level • Report outcomes by SDG indicators at individual investment level • Disclose methodology for integrating SDGs • Audit both process and underlying investment alignment to advancing the specified SDGs	• Alignment of organization-level business practices with SDG goals such as employment practices, organization leadership, DEI, and organization climate impacts • Field building to advance SDG integration more widely outside the organization

Example:

KL Felicitas Foundation, a $10 million family foundation based in Pittsburgh, is committed to having 100 percent of its assets in “impact” holdings. It considers its contribution to the SDGs as a core strategy for 100 percent of its investment portfolio, specifically targeting selected SDGs considered most important to the foundation’s goals. Its investment management practices include:

1. assessing the proportionate impact of investments by SDG for the overall portfolio and across asset classes;
2. measuring impact in terms of a company’s SDG impact as well as the extent to which its governance comports with SDG values;
3. measuring outputs and outcomes at the indicator level;
4. collecting feedback from investees on how the foundation can better support them; and
5. refining its strategy to focus its efforts on two to four targeted SDGs.

The foundation publicly discloses its scoring methodology, reports on indicator-level outcomes for seven SDGs, and discloses its strategy for making relevant investments in each area. While it does not explicitly disclose how its internal business practices align with the SDGs, it does engage in field-building to advance SDG usage among asset managers.

The Chicago Community Trust

The Chicago Community Trust (the Trust) is at the basic alignment level.

In 2018, the Trust deepened its presence in social impact investing with the goal of enhancing its investment portfolio options for donors and increasing dollars available to support mission-aligned investments. Its goal was to develop the next iteration of impact investing options for Trust donors, following its successful collaboration with the MacArthur Foundation and Calvert Impact Capital to create **Benefit Chicago**.

The Trust started its research with a series of conversations with donors about their interests and factors they would consider in allocating assets to social impact investments. Unsurprisingly, they learned through these conversations that no donor looks exactly alike when it comes to impact investing objectives and preferences. This key insight informed the Trust's decision to build a platform-based approach to offering impact investment options, whereby they allowed donors to self-select into impact investment opportunities, outlined below, curated by the Trust. In 2020, the Trust launched a pilot program with a goal to build a proof-of-concept to test donor interest and willingness to invest, as well as the feasibility of curating a set of regional investments aligned to the Trust's mission.

The investment selection process did not explicitly target the SDGs but rather sought an impact that would align with donors' interests and the Trust's strategic mission and geographic focus. However, the Trust wanted to effectively evaluate and demonstrate the impact of those investments, which sparked an interest in the SDGs, the power of the shared outcomes and measurement approaches, and an accessible, shared "language" for describing impact for both donors and prospective investment managers. As a result, the pilot called out the relevant SDGs for all investment options offered on the platform, communicating broad impact categories rather than curating funding opportunities tied to specific SDG targets and indicators.

Today, the Trust offers eight individual impact investment options on its impact investing platform, ranging from ESG-focused mutual funds with broad impact goals to loans to local community development financial institutions (CDFIs) with regionally focused, strategically aligned impact objectives. Donors with donor-advised funds of $250,000 or more can access the platform and choose from the array of options, self-selecting among the eight investment options offered to create an impact portfolio for their fund.

Participation in the program is possible if their selections meet the investment option minimums (as low as $15,000, depending on the investment) and the overall donor-advised fund maintains a modest amount of liquidity for grants and fees. The Trust continues to look for ways to enhance the program, both from a donor engagement perspective and as an impact investment opportunity. Relevantly, it continues to use the SDGs as a tool to achieve these objectives.

SECTION 5

Conclusion

Community foundations around the world are exploring how SDGs can contribute to the impact of their work. In most instances, attempts to leverage the SDGs have been in the service of strengthening grantmaking strategy and practices. However, they have similar potential to improve financial investment strategies and practices.

The existential question at the core of any foundation is, ***Where can we have the most impact?***

Impact includes the best way to leverage all the funds, human resources, and tactics at the foundation's disposal (grantmaking, investing, technical assistance, convenings, community leadership, etc.) to achieve its mission. The SDG framework encourages foundations to adopt an "impact-first" mindset to investing, one that clearly articulates its impact-related goals upfront (consistent with the foundation's mission and vision) and deliberately seeks investment opportunities with the potential to contribute to those goals.

This playbook presents a four-step process to help community foundations engage productively with the SDGs as a tool for enhancing the impact of their investments:

Step 1 ***ensure organizational readiness to do this work.*** Because traditional functions are often siloed within community foundations, especially larger ones, this means identifying and overcoming potential internal barriers that may inhibit effective interdepartmental communication.

Step 2 ***focus on the mechanics of aligning foundation priorities with SDG values.*** This involves identifying specific points of connection (targets and related indicators) between the SDGs and the foundation's priorities. Drawing on the experiences of foundations that have done this work, the playbook outlines a detailed protocol (in appendices A and B) for zeroing in on the two to three dozen SDG targets (out of 169 in total) that map most closely to the foundation's primary areas of interest.

Step 3 ***apply a set of best practices — the UNDP's SDG Impact Standards — to four key aspects of investing: strategy, management, transparency, and governance.*** These standards provide guidance in answering four critical questions:

1. How is the community foundation embedding SDG values into its purpose and strategy?
2. How is the foundation integrating that strategy into its investment decision-making and management approach?
3. How is the foundation tracking and reporting on its purpose, strategy, management approach, and impact performance?
4. What governance practices continuously reinforce the foundation's commitment to SDG values?

Step 4 ***guide your foundation's course of action relevant to its current situation with three ascending levels of SDGs engagement.*** Whether a foundation's ultimate intent is to go all-in on the SDGs or not, the first phase of the work necessarily focuses on achieving basic alignment with the SDGs. From there, further steps can be taken to expand the level of SDG integration with the foundation's work.

In many respects, this is pioneering work in a field that has yet to develop a consistent set of standards to guide mission-aligned investing. The lack of data on the social and environmental impact of investments is a huge challenge, as is community foundations' heavy reliance on external investment managers to vet and recommend potential investments. While many impact-focused investment managers are making progress, their collective ability to provide meaningful data on impact outcomes is still underdeveloped.

That said, the SDG framework can help advance productive conversations with investment managers. Approaching investment opportunities knowing the kinds of outcomes (and related measures of progress) an organization is seeking flips the script, putting the onus on investment firms and companies to demonstrate how the way they operate helps to achieve those objectives. Even when the investment firms in question lack answers, asking these questions can create demand for impact measurement and reporting that go beyond existing approaches.

We hope this playbook provides a roadmap for community foundations seeking a more powerful way to put their financial investments into the service of building a more mission-aligned world. In the process, foundations may begin to formulate more compelling answers to philanthropy's existential question of where they can have the most impact.

APPENDIX A

Working with Targets and Indicators

On the surface, it seems it should be a simple task to map a community foundation's priorities to the SDGs. Glancing through the goals, it would be an unusual community foundation that was not contributing in some way to SDG 2 (Zero Hunger), especially during the COVID-19 crisis. The same goes for SDG 3 (Good Health). SDG 4 (Quality Education) also tends to be a key focus of most community foundations. Almost by definition, community foundations are likely contributing in some way to SDG 11 (Sustainable Cities and Communities).

Yet, identifying the broad areas the foundation's work fits into is just the beginning of the process. Within each of the 17 high-level goals, there are multiple targets, that is, specific challenges the SDGs are trying to address.

Figure A1: 10 Targets for SDG Goal 4

SDG 4. QUALITY EDUCATION — 10 TARGETS

4.1. Expand access to free, equitable, and quality **primary and secondary education**

4.2. Expand access to quality **early childhood care and pre-primary education**

4.3. Expand affordable access to quality **technical, vocational and tertiary education**, including university

4.4. Increase the number of youth and adults with **relevant skills for employment**

4.5. Ensure that **vulnerable populations have equal access** to education and training

4.6. Increase **youth and adult literacy and numeracy**

4.7. Ensure all learners acquire **knowledge and skills to promote sustainable development**

4.a. Provide **safe, inclusive, and effective learning environments**/educational facilities for all

4.b. Expand globally the number of **scholarships available to developing countries**

4.c. Increase the **supply of qualified teachers in developing countries**

For example, the 10 targets nested under SDG 4 (Fig. A1) express the specific **intentions and actions needed** to make progress on this goal, ranging from "expanding access to free, equitable, and quality primary and secondary education" to "increasing the supply of qualified teachers in developing countries." Across all 17 goals, there are a total of 169 discrete targets that must be met by 2030 in order to achieve the SDGs. **The task of mapping a foundation's priorities to the SDGs consists of identifying which of the 169 targets are congruent with its work.**

Before going further, it is worth noting several nuances in these 10 targets. First, while they were written from a global vantage point, the majority are clearly relevant to the work of community foundations in the United States. The only two that might not apply are 4.b and 4.c, both of which focus specifically on pressing needs in developing countries. Second, because a significant number of the targets relate primarily to developing countries, the total number of targets relevant to the work of U.S. community foundations is nearer 100, not 169. Although 100 is still a large number, it is more manageable than 169.

Foundations can take several approaches to mapping their work to the targets. These include cross-walking the targets to the foundation's mission and strategic priorities, relating them to the types of work being done across program areas, analyzing foundation grants to identify points of connection, and surveying foundation staff and leaders regarding the foundation's work and aspirations. These methods are currently works in progress, as only a few U.S. foundations have completed this type of mapping work.

The "Total" column in Figure A2 shows how many targets are associated with each of the 169 SDGs at the global level. The adjacent column shows how many are relevant to the work of U.S. community foundations (100).

Figure A2. Number of Targets Associated with Each SDG, Globally and for Community Foundations

Sustainable Development Goal	TARGETS: Total	TARGETS: Relevant to Community Foundations	TARGETS: Potentially Relevant to CFGF*
SDG 1 - No Poverty	7	4	4
SDG 2 - Zero Hunger	8	5	2
SDG 3 - Good Health & Well-Being	13	12	6
SDG 4 - Quality Education	10	8	8
SDG 5 - Gender Equality	9	8	2
SDG 6 - Clean Water & Sanitation	8	7	1
SDG 7 - Affordable & Clean Energy	5	3	
SDG 8 - Decent Work & Economic Growth	12	7	1
SDG 9 - Industry, Innovation & Infrastructure	8	4	
SDG 10 - Reduced Inequalities	10	4	2
SDG 11- Sustainable Cities & Communities	10	9	4
SDG 12 - Responsible Consumption & Production	11	7	
SDG 13 - Climate Action	5	2	
SDG 14 - Life under Water	10	3	
SDG 15 - Life on Land	12	6	
SDG 16 - Peace, Justice & Strong Institutions	12	8	3
SDG 17 - Partnerships for the Goals	19	3	2
Totals	**169**	**100**	**35**

*Community Foundation of Greater Flint

The Community Foundation of Greater Flint (CFGF) is mapping its work to the SDGs. Through a process that combines grant-level analyses with staff and leadership surveys, CFGF has identified 35 targets as potentially relevant to its work. These targets span 11 SDGs. Six SDGs have no direct connection with the foundation's work. The foundation has since narrowed the list to about two dozen targets that capture 95 percent of the foundation's activities. **It is likely that the work of other U.S. community foundations can be mapped to a similar number of targets.**

Once relevant targets have been identified, the focus shifts to identifying relevant metrics to measure progress. Looking again at SDG 4 (Quality Education), 10 indicators assess progress across the eight U.S.-relevant targets. A closer look reveals that a number of these indicators have sub-indicators. For example, Indicator 4.1.1 (the first of two related to Target 4.1 – "Access to primary and secondary education") is broken down into 12 specific subcategories. Not only does it suggest measuring the proportion of children achieving "at least minimum proficiency in (i) reading and (ii) mathematics" at each of the three levels of schooling, but it also breaks out the data by gender. The point is that the weeds get a lot thicker at the level of Indicators.

This, however, is the most critical stage of the work. It is by having a set of preferred indicators that confident assessments can be made regarding potential financial investments. The preferred indicators represent the foundation's core programmatic priorities. If a potential investment option cannot convincingly demonstrate that it will advance one or more of the foundation's preferred indicators, that should raise at least a yellow flag.

The task of identifying preferred indicators can expand rapidly beyond the 232 listed in the SDG framework, perhaps to the point of diminishing returns. That said, there are extensive databases of viable indicators that can help in pinpointing the specific indicators that make the most sense in the local context (see Appendix B).

Additionally, the UN Statistics Division offers **detailed explanations** of the rationales behind the selection of official indicators, how they are constructed, how data are collected, and how to access the data. This information, while sometimes quite technical, can be helpful in thinking through the characteristics that signify a well-constructed indicator.

A final caveat regarding the SDG indicators is that despite the care and thoroughness with which the SDG targets were developed, the ability to measure progress against many of those targets lags far behind. The costs are significant to implement rigorous data collection systems to measure progress. Also, some things are inherently more difficult to measure than others. Political will to collect data is often hard to muster. Bottom line, there are some significant holes in the existing measurement system. Another way to look at it is there are plenty of opportunities for local innovation when it comes to measurement strategies. If the right indicator does not exist for investment purposes, it means the world is waiting for an innovative solution to emerge.

THERE ARE PLENTY OF OPPORTUNITIES FOR LOCAL INNOVATION WHEN IT COMES TO MEASUREMENT STRATEGIES.

APPENDIX B

Resources for the Journey

The SDG framework is not easy to grasp at first glance. Much to its credit, it was developed with the global input of thousands of qualified specialists across dozens of issue areas. The final list of targets and associated indicators reads more like a technical manual than a rousing call to action. It has been left to practitioners in specific fields to decode the manual and develop insights for practical action.

RESOURCES

There are **three essential, publicly available resources** for community foundation investment managers:

- **SDG Impact** – SDG Impact is a global UNDP flagship initiative working to accelerate private-sector activity and investment in the Sustainable Development Goals.
- **The GIIN** – The Global Impact Investing Network is a global champion of impact investing, dedicated to increasing impact investing's scale and effectiveness around the world.
- **Mission Investors Exchange** –MIE is a leading impact investing network for foundations, philanthropic asset owners, and their partners.

SDG Impact is the official UNDP site that sets the standards for SDG-driven investment (presented in Section 4). The goal of SDG Impact is to establish "sustainability [as] the new standard for investing." ***SDG Impact: Investment Solutions for Global Impact*** provides a high-level overview of "the three main pillars that address the main barriers to SDG achievement: impact management, impact intelligence, and impact facilitation."

The Impact Management pillar addresses the need for a clear set of standards by which impact investments can be considered "SDG-enabling." Armed with such standards, an **SDG Impact Assurance Design and Implementation Working Group** is developing an "**SDG Impact Seal**" that would be awarded to funds or firms certified to the standards. The hope is that this will significantly streamline the work of identifying SDG-enabling investment opportunities.

B.1. SDG Impact (https://sdgimpact.undp.org/)

The best place to start learning about the **SDG Impact Standards is SDG Impact Standards: Frequently Asked Questions**, which provides a basic introduction to the SDGs and the need for impact standards. The standards are outlined in detail in **About the SDG Impact Standards**. Information on how to apply the Impact Standards to enterprises (both as investment opportunities and as **internal standards for community foundations**) can be found in three publications:

- About the SDG Standards for Enterprises
- **SDG Impact Standards: Enterprises**
- **Standards Guidance for the SDG Impact Standards for Enterprises**

The Impact Intelligence pillar scouts country-level market intelligence that identifies Investment Opportunity Areas (IOAs) that could advance the SDGs. **SDG Investor Maps** that highlight these IOAs provide useful examples of how to identify SDG-enabling investments.

In the area of **Impact Facilitation**, SDG Impact "convenes investor forums to foster investor connections and partnerships that are aligned with the SDGs, as well as public-private policy dialogues aimed at improving the environment for SDG-enabling investments."

B.2. Global Impact Investors Network (thegiin.org/)

The Global Impact Investing Network (GIIN), established in 2009, predates the Sustainable Development Goals and constitutes a global community of practice for impact investing. Its definition of impact investing is broad enough that it comfortably includes SDG-aligned investing. According to the GIIN, "Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return."

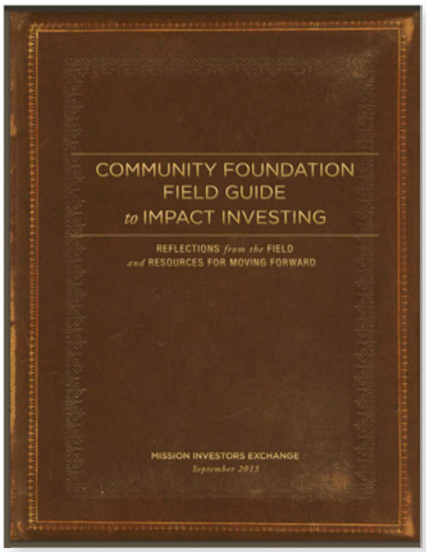
The GIIN describes its **members** as "a diverse, global community of more than 440 organizations in approximately 59 countries that works to deepen engagement with impact investing by connecting with peers, building the impact investment community, and accelerating the industry's development. Our community includes Asset Owners, Asset Managers, and Service Providers."

Of particular relevance to community foundation investors is the **GIIN's IRIS+ impact measurement system**. (See this **two-pager** for a quick overview.) Claiming to be "impact investing's most widely used impact performance metrics," IRIS+ is an invaluable resource for tracking down and identifying indicators that may be relevant to monitoring progress against a community foundation's highest priority targets.

This **short history** of IRIS+'s development is worth reading, as it describes the involvement of leading investors and funders that supported its development. Foundations such as Rockefeller, Ford, Annie E. Casey, Kresge, MacArthur, and Robert Wood Johnson have been significant supporters of this work.

Recognizing the importance of the Sustainable Development Goals and the importance of aligning measurement standards whenever possible, the extensive catalog of IRIS+ indicators was released in 2019 and updated in July 2022. While the official SDG framework may list one or two indicators per target, the IRIS+ crosswalk may list a dozen or more. This allows investors to hone in on specific aspects of social and environmental return on investment (ROI) that resonate most closely with their investment goals. The entire IRIS+ **catalog of metrics** is freely available online.

B.3. Mission Investors Exchange (missioninvestors.org/)



Like the GIIN, Mission Investors Exchange (MIE) has a fascinating **history**, developing from a small group of Baltimore-area funders interested in Program-Related Investments (PRIs) in 2002 to an association of more than 250 full and associate members today. It became a formal network in 2005 (PRI Makers Network) and merged with the More for Mission campaign in 2012 to become Mission Investors Exchange. MIE describes itself as "the leading impact investing network for foundations, philanthropic asset owners, and their partners." (MIE's use of the term "impact investing" includes both PRIs and mission-related investments (MRIs).)

MIE offers a robust array of resources designed to help community foundations achieve social and environmental returns on their investments. In particular, MIE partnered with the Council on Foundations in 2013 to produce the **Community Foundation Field Guide to Impact Investing**, a comprehensive how-to handbook that holds up very well 10 years later. It covers the nuts and bolts of impact investing in two sections, LEARN and DESIGN, which serve as a detailed checklist for developing an impact investing strategy. A third section, ACTIVATE, describes a set of principles and best practices for implementing that strategy. While some of the resources it names may be dated, its focus on principles is timeless.

The **Tools and Resources section** of MIE's website features an impressive library of reports, case studies, guides, and other publications that examine investment opportunities and practices across 17 "impact sectors," ranging from agriculture and food to women and girls. **Several recent publications looking at impact investing through a racial equity lens are particularly worth noting:**

- **Investor Blueprint for Racial and Economic Equity** (March 2023)
- **Racial Equity and Climate Investing** (February 2022)
- **Examining Existing and Potential Investments with A Racial Equity Lens** (January 2022)

On a related note, the Urban Institute has also developed an excellent resource on this topic related to private foundations:

- **Mission-Related Investments to Advance Racial Equity and Justice** (March 2023)