

# STRATEGIC BUSINESS PLAN

## ISO/TC 322 Sustainable Finance

### EXECUTIVE SUMMARY

Financial activities have a vital role to play in the transition to a sustainable global society which should address economic stability, poverty, inequality, climate change, environmental degradation, prosperity, societal stability in peace and justice.

Sustainable finance is considered by ISO/TC 322 to mean financing, as well as related institutional and market arrangements, that contribute to the achievement of strong, sustainable, balanced and inclusive economic activity, through supporting the framework of the United Nations (UN) Sustainable Development Goals (SDGs) and addressing climate change.

The current lack of a globally agreed definition of sustainable finance as applied to the practices, activities and products of the financial sector, and the varying interpretation of what constitutes good sustainable finance practice is part of what ISO/TC 322's standardization work seeks to address.

The stakeholders involved in the field of sustainable finance include all those participating in any location(s) in the financial ecosystem from both the supply and demand sides of the financial market.

A large number of voluntary and regulatory activities are being developed by countries, regions and sectors. Many of these are explicit in recognising the benefit that international standards could offer to accelerate maturity in the sustainable finance markets, although few are involved in developing such standards across the whole market. It is this gap which the work of ISO/TC 322 seeks to address.

Financial services are estimated to be between 12-19% of the global economy - a huge sector characterised by many segments. Achieving the UN SDGs by 2030 will require doubling current investment flows to the range of US\$5 trillion to US\$7 trillion each year, requiring a significant scaling up of capital flows and capacity to practice sustainable finance.

ISO/TC 322's aim is to consolidate the rapid learning and innovations in sustainable finance at an international scale and enable member countries to finance delivery of the UN SDGs at faster pace, lower cost and reduced risk, whilst exposing financial organizations to the value of the international standardization process.

Another key objective of the planned sustainable finance standards will be to anticipate and facilitate the trend towards a more balanced sustainable approach competent in meeting environmental, social, and governance goals in even measure.

ISO/TC 322 will convene experts from across the financial community and include extensive internal and external liaisons to take expertise in sustainability and other arenas into the financial community in a way which is assimilable into established financial methods and processes.

Our work program will cover three sets of standardisation activities:

1. Harmonizing understanding and language, initially through a terminology guide;
2. Setting principles and framework standards applicable to the whole financial system, for example developing Global Sustainable Finance Principles (GSFP), to set out high-level principles for sustainable finance to guide the operations of financial institutions, and frameworks to give a structure and context for the development and role of specific standards;
3. A set of technical standards that cover sustainable finance taxonomies, impact assessment requirements, disclosure requirements including covenants, verification, and stewardship, for each of the major financial products including green, social and sustainable loans, bonds, funds, derivatives, insurance, private equity, and listed stocks.

## 1. INTRODUCTION

### 1.1 ISO technical committees and business planning

The extension of formal business planning to ISO Technical Committees (ISO/TCs) is an important measure which forms part of a major review of business. The aim is to align the ISO work programme with expressed business environment needs and trends and to allow ISO/TCs to prioritize among different projects, to identify the benefits expected from the availability of International Standards, and to ensure adequate resources for projects throughout their development.

### 1.2 International standardization and the role of ISO

The foremost aim of international standardization is to facilitate the exchange of goods and services through the elimination of technical barriers to trade.

Three bodies are responsible for the planning, development and adoption of International Standards: [ISO](#) (International Organization for Standardization) is responsible for all sectors excluding Electrotechnical, which is the responsibility of [IEC](#) (International Electrotechnical Committee), and most of the Telecommunications Technologies, which are largely the responsibility of [ITU](#) (International Telecommunication Union).

ISO is a legal association, the members of which are the National Standards Bodies (NSBs) of some 140 countries (organizations representing social and economic interests at the international level), supported by a Central Secretariat based in Geneva, Switzerland.

The principal deliverable of ISO is the [International Standard](#).

An International Standard embodies the essential principles of global openness and transparency, consensus and technical coherence. These are safeguarded through its development in an ISO Technical Committee (ISO/TC), representative of all interested parties, supported by a public comment phase (the ISO Technical Enquiry). ISO and its [Technical Committees](#) are also able to offer the ISO Technical Specification (ISO/TS), the ISO Public Available Specification (ISO/PAS) and the ISO Technical Report (ISO/TR) as solutions to market needs. These ISO products represent lower levels of consensus and have therefore not the same status as an International Standard.

ISO offers also the International Workshop Agreement (IWA) as a deliverable which aims to bridge the gap between the activities of consortia and the formal process of standardization represented by ISO and its national members. An important distinction is that the IWA is developed by ISO workshops and fora, comprising only participants with direct interest, and so it is not accorded the status of an International Standard.

## 2. BUSINESS ENVIRONMENT OF THE ISO/TC

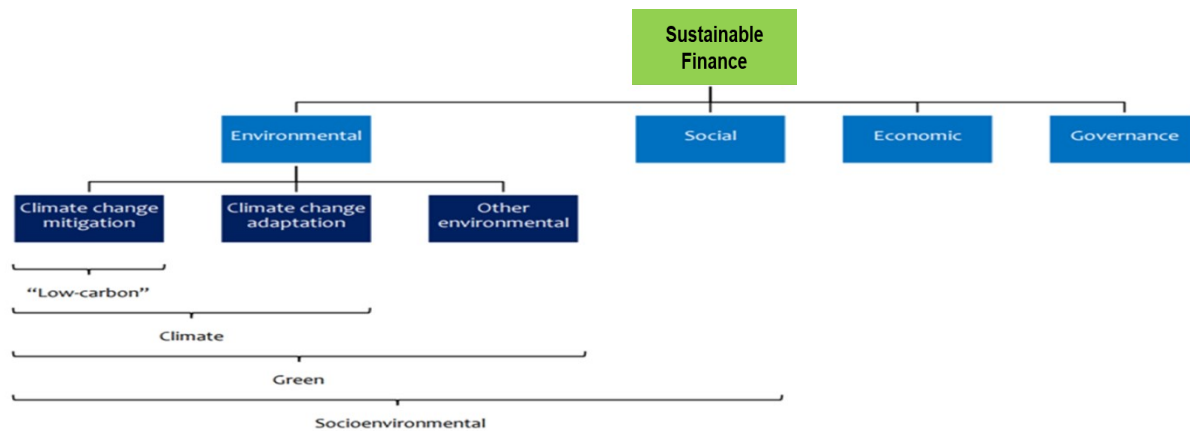
### 2.1 Description of the Business Environment

The following political, economic, technical, regulatory, legal and social dynamics describe the business environment of the industry sector, products, materials, disciplines or practices related to the scope of this ISO/TC, and they may significantly influence how the relevant standards development processes are conducted and the content of the resulting standards.

Finance plays an important role in society, providing services to investors, lenders and borrowers to ensure the proper management of risk, and efficient and effective allocation of capital. Financial activities have a vital role to play in the transition to a sustainable global society that addresses challenges such as poverty, inequality, climate change, environmental degradation, prosperity, societal stability in peace and justice.

Adapting the 1987 Brundtland definition of Sustainable Development, Sustainable Finance can be defined as ‘financial activity that meets the needs of the present without compromising the ability of future generations to meet their own needs’. This necessarily includes consideration of the low carbon, climate change mitigation, natural and wider environmental, social, governance (ESG) and economic aspects of sustainability as the United Nations Environment Programme (UNEP) have delineated in the Figure 1 below.

The [G20 Sustainable Finance Study Group](#) stated in 2018 that “sustainable finance can be broadly understood as financing, as well as related institutional and market arrangements, that contribute to the achievement of strong, sustainable, balanced and inclusive growth, through supporting directly and indirectly the framework of the [UN] Sustainable Development Goals” and that sustainable investments are those “that achieve positive environmental impacts and social and economic co-benefits.”



**Figure 1: Sustainable Finance Framework and Domains**

Thus, one benchmark for sustainability is the [2030 Agenda for Sustainable Development](#), adopted by all United Nations Member States in 2015. The Agenda is designed to be integrated and indivisible to balance economic, social and environmental dimensions of sustainable development. It is underpinned by 17 Sustainable Development Goals (SDGs), representing an urgent call for action by all countries in a global partnership (Figure 2). None of these goals can be delivered independent of the role that finance has to play, although some are more dependent on large scale investment than others.



**Figure 2: The 17 UN Sustainable Development Goals for 2030**

The SDGs are broken down into 169 targets which can be measured against [232 indicators](#). International standardisation in sustainable finance can play a supporting role to deliver these specific targets and indicators, especially by incorporating environmental, social, and governance metrics. A further potential contribution is by interpreting these goals for specific sectors of goods and services (also called the ‘real economy’) that receive financial services. The finance system and the financial actors involved have a strong role to play in how local, regional and national ‘real’ economies transition to a more sustainable model.

The SDGs are also supported by further specific frameworks such as the [2015 Paris Agreement](#), wherein parties to the United Nations Framework Convention on Climate Change (UNFCCC) aim to strengthen the global response to the threat of climate change. The Intergovernmental Panel on Climate Change (IPCC) [2018 Special Report](#) notes that human activities have caused approximately 1.0 °C of global warming above pre-industrial levels, and if it continues to rise at the present rate it will likely reach 1.5 °C between 2030-2052.

Finance has been recognized as a key element in the implementation of the Paris Agreement, which has a specific goal of “making finance flows consistent with a pathway towards low greenhouse gas emissions and climate resilient development”. Benefits of this alignment might include delivery of new jobs, growth and productivity alongside climate mitigation and adaptation activities, better access to

finance, improved public health, enhanced financial and monetary resilience, greater equality and access to opportunity, improved market integrity and better links between finance and the real economy.

There are numerous other international agreements and frameworks designed to support the transition to a more sustainable society. Examples include the [International Labour Organization Conventions](#) and the [Convention on Biological Diversity and its Protocols](#).

Sustainable finance also encompasses awareness of and transparency relating to ESG risks and opportunities which might have an impact on the viability of investments or other financial instruments, and the sustainability of the financial system and their mitigation. The EU High Level Expert Group considered sustainable finance in relation to these two imperatives in its [final report](#) in 2018:

*“The first is to improve the contribution of finance to sustainable and inclusive growth as well as the mitigation of climate change. The second is to strengthen financial stability by incorporating ESG criteria into investment decision-making. Both imperatives are pressing, given the rising climate-related risks and degradation in the environment and other sustainability areas”.*

Altogether, the breadth of sustainability is commonly referred to as ESG (Environmental, Social, and Governance) in the financial world.

The field of sustainable finance is developing rapidly in response to this need to identify financial activities which support the transition to a sustainable global society, versus those which do not. Some regulatory frameworks, one example is the European Action Plan on Sustainable Finance, have contributed to scale up sustainable finance.

The lack of a globally agreed definition of sustainable finance as applied to the practices, activities and products of the financial sector, and the varying interpretation of what constitutes good sustainable finance governance is what ISO/TC 322's standardization work seeks to address. There is confusion within industry as well as within different markets, and among legislators, regulators, financial institutions and consumers about overlapping terms and concepts. Examples of different terms used to describe similar but somewhat different concepts include sustainable finance, green finance, green investment, ESG investing, impact investing, and SRI (socially responsible investing).

There is a close link between sustainability and environmentalism, which uses the descriptor 'green' widely. In the financial world the term 'green' is used as in green funds, green bonds, green banks etc. However, the lack of international standards or agreed nomenclature means that currently it can refer to anything from low carbon, through climate, natural environmental improvement and efficient use of resources, to a wider range of sustainability outcomes. However green rarely incorporates the full spectrum of sustainability aspects relating to social (such as gender equality, access to education, hunger elimination), economic (such as resilience and risk mitigation of natural disasters, poverty alleviation and access to prosperity) and governance (of organisations, companies and governments).

Socially responsible investment and responsible investment are undergoing a similar maturing process from a purely social context towards a fully sustainable one including social, governance and environmental aspects of sustainability. These trends are increasing the demand for internationally agreed approaches to sustainable finance to remove barriers in understanding, confidence and trade in sustainable financial services and products.

The stakeholders involved in the field of sustainable finance include all those participating in the global financial ecosystem from both the supply and demand sides of the market. The key roles to be targeted where needs are focussed on improving a common purpose are:

- Investment (debt, including bonds; and equity, including stocks).
- Banking (consumer and business to business - B2B) and peer to peer lending (including crowd funding).
- Insurance (including life, non-life and re-insurance) and alternative risk transfer.
- Intermediaries (including consultants, brokers, and pensions advisers).
- Real economy players (including consumer goods, extractives & mineral processing, food & beverage, health care, infrastructure, renewable resources & alternative energy, circular economy, services, transportation, technology and communications).
- Private and public users of finance (including voluntary organizations).
- Public market exchange places (including for equities, fixed income, futures, derivatives and environmental rights).

- Independent supervisory bodies like central banks and regulators.
- Governmental organizations.
- Professional bodies (including label providers, assurers and verifiers).
- Stakeholders representing social and environmental interests such as NGOs, Trade Unions and consumer organisations.

Currently concerns and needs of stakeholders to address sustainability more effectively are led by investors, financial regulators and central banks increasingly taking action to address the risks and opportunities posed by climate change. These risks include physical risks relating to property and safety (such as more frequent or severe weather events like flooding, droughts and storms); and transition risks (associated with legal and regulatory risks as well as market changes, capital being reallocated to lower carbon sectors and business activities, in turn resulting in shifts in asset values or higher costs of doing business). Such environmental and social risks and opportunities play a growing and integral part of many investment and asset management strategies. Even investment activity currently viewed as mainstream, e.g. in sectors such as real estate, retail, and information technology, will be impacted in the future.

The Global Sustainable Investment Alliance ([GSIA](#)) notes many activities and strategies which consider at least some aspects of ESG, even if in many cases those do not directly contribute to tackling environmental or social problems, or the SDGs. The challenge is therefore to take this rapidly increasing attention to ESG by financial markets and channel it into accessible, systematic and international outputs which facilitate common understanding and tradeable outcomes. As a result, a large number of voluntary and regulatory activities are being developed by countries, regions and sectors. Examples include:

- APEC [Guideline for Quality Electric Power Infrastructure](#)
- APEC [Guidebook on Quality of Infrastructure Development and Investment](#)
- Blended Finance Task Force – [Blended Finance Initiative](#)
- [China Green Banking \(Credit\) Guidelines](#)
- [Climate Bonds Initiative](#) (CBI) – Climate Bonds standard
- EC Sustainable Finance – [High-Level Expert Group on Sustainable Finance](#) (HLEG)
- EC [Technical Expert Group on EU Taxonomy](#)
- [Equator Principles](#)
- [EU Strategy on Sustainable Finance](#)
- Financial Reporting Council (FRC) – [UK Stewardship Code](#)
- [Financial Stability Board and Task Force on Climate-related Financial Disclosures](#)
- [G20 Sustainable Finance Study Group](#)
- [G20 Quality Infrastructure Principles](#)
- [Green Industry Guidance Directory \(China\) 2019](#)
- [Green Investment Principles for the Belt and Road](#)
- Loan Market Association (LMA) – [Green Loan Principles](#)
- [Guidelines of Green Bond issuing \(China\) 2015](#)
- International Capital Market Association (ICMA) – [Social Bonds Principles](#)
- Natural Capital Coalition (NCC), [Natural Capital Protocol, Finance Sector Supplement](#)
- Sustainability Accounting Standards Board ([SASB](#))
- [The TCFD consortium, Japan](#)
- [UNPRI](#) – Principles for Responsible Investment
- UNEP – [UN Inquiry into the Design of a Sustainable Financial System](#)
- [UNEP FI](#) – Principles for Responsible Banking
- [UNEP FI](#) – Principles for Sustainable Insurance
- Specific Green and Sustainable Labels.

*Note: these are examples only, this is not intended to be a comprehensive list (at 1<sup>st</sup> March 2020). Please inform the TC Committee Manager – [mike.henigan@bsigroup.com](mailto:mike.henigan@bsigroup.com) – if you have any additional examples to add.*

Many of these are explicit in recognising the benefit that international standards could offer to accelerate maturity in the sustainable finance markets, although none are involved in developing such standards across the whole market. It is this gap which the work of ISO/TC 322 seeks to address.

A further need relates to the transition of developing countries where access to capital markets is constrained and impacts on social and environmental wellbeing are often greatest. Standards and transparency are essential to remove market barriers and increase the flow of inward investment to deliver development compatible with SDG targets in such countries.

## 2.2 Quantitative Indicators of the Business Environment

The following list of quantitative indicators describes the business environment in order to provide adequate information to support actions of the ISO/TC.

The precise size of the global financial services sector is not known, not least because the definition and scope of industries that fall within the financial services sector is not consistent among data sources. The Organization for Economic Co-operation and Development (OECD) suggests that financial services typically make up about 20% of the total gross domestic product in developed economies, and an estimate of [12-19% of the global economy](#) has been calculated. It is therefore a huge sector characterised by many segments which are often operating and regulated with limited overlap. The shift towards sustainable finance will therefore require both an increase in coherence across the sector as well as facilitation by common approaches, such as international standards can provide.

The UN Environment Programme [inquiry into the design of a sustainable financial system](#) has identified that encouraging momentum is building in sustainable finance activity, but the deployment of private capital for sustainable finance is still relatively limited. Studies have concluded that achieving the SDGs will require a significant increase in the flow of sustainable investment from current levels. For example, in 2014 it [was estimated](#) that investment in the range of US\$5 trillion to US\$7 trillion will be required each year to deliver the SDGs by 2030, yet current flows are less than half this, and [in 2014 the shortfall was >\\$4 trillion](#). All countries have shortfalls, the greatest being in developing countries where a large increase in foreign direct investment is required. This can only be facilitated by increasing consistency, transparency and security in the market.

In 2016, the G20 Green (now Sustainable) Finance Study Group (GFSG) developed seven options for scaling up green finance globally which were reviewed and progress reported [in March 2019](#):

1. Provide strategic policy signals and frameworks;
2. Promote voluntary principles for green finance;
3. Expand learning networks for capacity-building;
4. Support the development of local/green sustainable bond markets;
5. Promote international collaboration to facilitate cross-border investment in green bonds;
6. Encourage and facilitate knowledge sharing on environmental and financial risk; and
7. Improve the measurement of green finance activities and their impacts.

All these options need to work in parallel and all will be assisted by the emergence of widely used international standards. They are arguably biased towards the environmental goals of the SDGs, and to the investment activity of finance, reflecting where the G20 found the greatest market activities.

To meet SDG goals by 2030 will take more than re-directing investment activities, capacity will need to be built across wider sustainable finance practices. This includes lending, insurance, ratings and intermediaries, as well as improved mutual understanding of risks and opportunities with the users of finance, including those operating businesses and enterprises in sectors of the real economy. An increasing emphasis can be anticipated in social aspects, including building resilience from both the supply and demand perspectives to enhance people's well being, living standards and access to services. Similarly, in governance aspects, widespread adoption of sustainable business strategies that deliver stable and resilient value growth, including in particular the small-middle sized enterprises (SMEs) in the real economy, will be required to accelerate progress throughout the next decade. A key objective of the planned sustainable finance standards will therefore be to anticipate and facilitate this trend towards a more balanced sustainable approach competent in meeting environmental, social, and governance goals.

A variety of early responses are underway through national and sector based voluntary standards but these risk divergence and collectively undermining progress in the market. In the last few years various well-intentioned initiatives have introduced a myriad of interpretations, definitions and criteria for determining sustainability in finance.

Existing ISO/TCs which are making a contribution include ISO/TC68 on global standards for financial services, ISO/TC207 on environmental management (with workflows in diverse sub-committees, particularly ISO/TC207/SC1 on environmental management systems, ISO/TC207/SC4 on environmental performance evaluation (including WG7 on green debt instruments) and ISO/TC207/SC7 on greenhouse gas management and related activities), ISO/TC251 on asset management (particularly related to physical assets), ISO/TC268 on sustainable cities and

communities, ISO/TC307 on blockchain and distributed ledgers, ISO/TC309 on governance of systems, and ISO/TC323 on circular economy.

Addressing the needs of the financial system will require all these and more work to be aligned and to form part of an emerging framework by which global flows of capital, investment and financial support can be accelerated to the levels required. At the same time the critical issues of transparency, whole life costing and full valuation of impact on the real economy, will need to be addressed to create credible and stable economies. To be meaningful these issues will also need to be tackled in a way which is materially relevant to each real economy sector. One of many examples to address materiality is set out by the [SASB](#).

The role of ISO/TC 322 is to establish a framework of standards, under which new standards may be developed to define and guide sustainable finance activities, complementing products of existing ISO/TCs that define and guide other sustainable finance activities. This approach is designed to increase the coherence, reach and relevance of international standards in established areas so that they can form part of, and be integrated into, the new architecture of sustainable finance without duplicating existing efforts. Such a framework will also require promotion of consistent global principles and terminologies to underpin a common understanding of the approach.

In addition, the standards can help identify gaps, normalise metrics and improve comparability, focussing on material aspects of sector relevant performance.

The planned work has global implications and is of interest to a great number of countries. This structured ISO standards programme for Sustainable Finance will help align global financial systems with sustainability, particularly the SDGs, thereby delivering significant environmental, economic and societal benefits. The specific benefits of the ISO/TC 322 work will include:

- Developing common terminologies, principles and standards for sustainable finance, to help reduce market confusion and communication costs for players engaged in the sustainable finance market.
- Clearly defined standards to help prevent “sustainability-washing” and underpin the credibility and integrity – and therefore scalability – of the sustainable finance market.
- A set of globally recognized standards to help facilitate cross-border sustainable capital flows by reducing transactions costs (such as duplication of verifications under multiple standards).
- Clear definition of sustainable finance activities, to facilitate the innovation and development of sustainable financial products, as well as related services such as third-party verifications and ESG evaluation such as specified in ISO 26000.
- Sustainable finance principles and standards to guide financial institutions (including banks, investors and insurers) to better integrate ESG considerations into investment and finance practices.
- Standardized metrics to allow the measurement and improved transparency of sustainable finance flows and the ESG performance of sustainable finance activities, financial institutions and markets.
- Sustainable finance standards that may assist governments, regulators and markets to award good performers, e.g. by introducing tax and regulatory incentives and to measure overall contribution to global goals.

All the above together will help increase capital flows to support sustainable economic activities, especially in countries where the sustainable investment gap is largest.

### **3. BENEFITS EXPECTED FROM THE WORK OF THE ISO/TC**

ISO/TC 322 will take a staged and prioritized approach to deliver unmet needs and benefits to the financial community. The following benefits are expected through ISO/TC 322's work, in alignment with ISO's core strategic objectives.

#### **3.1 ISO Standards Used Everywhere**

- Provide a forum to consolidate the rapid learning and innovations in sustainable finance at an international scale and enhance progress through update of standards;
- Enable member countries to finance delivery of the UN SDGs at faster pace, lower cost and reduced risk;

- Support the efforts and objectives of international organizations like [WRI](#), [UNEP](#), [UN PRI](#), [UNIDO](#);
- Expose financial organizations to the international standardization process and widen their awareness of the complementary role standards can play to the current regulatory and industry specific voluntary initiatives;
- Create frameworks which are applicable across the financial ecosystem, and are directly relevant to investment, banking, insurance, intermediaries (e.g. consultants and pensions advisers), private (e.g. real economy sector organisations) and public users of finance (e.g. voluntary organizations, regulators, governmental organizations, and professional bodies);
- Reduce barriers to capital flows deployed for sustainable financing purposes such that the cost of capital decreases, volumes of transactions increase, foreign direct investment - especially from developed to developing nations – increases; and
- Develop the methodologies and metrics so that sustainability outcomes can be assured and improved, and undermining of the market by false claims is eliminated.

### 3.2 Develop High Quality Standards

- Convene experts from across the financial community to ensure relevance to each segment and build a common set of terminologies, principles and frameworks to support wide uptake of standards;
- Engage with existing industry, government, NGOs and other international body initiatives to integrate their contributions with appropriate international standards;
- Include extensive internal and external liaisons to take expertise in sustainability and other arenas into the financial community in a way which is assimilable into established financial methods and processes;
- Meet the specific needs articulated by parts of the financial community for sustainable finance standards by a process of consultation and prioritization.

### 3.3 Engage Stakeholders and Partners

- From the outset the work of ISO/TC 322 has engaged widely through both external and internal liaisons and these will be maintained throughout – current liaisons can be viewed on ISO's website: <https://www.iso.org/committee/7203746.html>. Regular updates on liaison approaches will be provided to the TC.
- Organise external events when appropriate coincident with ISO/TC 322 meetings, for example the Guildhall event for 100+ Senior finance representatives at the first meeting, a workshop in Shenzhen with senior Chinese officials at the second plenary, and joint meetings with relevant ISO/TCs as in May 2019 with TC207. Opportunities for capacity building events in the major financial centre cities will be targeted.
- Engagement with experts in the field of development assistance and from developing countries is particular area of focus.
- Use the segmented networks of the financial community and access these through careful selection of group memberships to reach as wide a community as appropriate including NGOs, academics and sector specialists for example from prioritised areas of the real economy (as done by the [TCFD](#) for the case of environmental aspects).

### 3.4 People and Organization Development

- By operating cross sector and bringing the financial community into a discussion on how to make holistic standards, ISO/TC 322 expects to play a significant indirect role in personal development learning and standardization of metrics for measuring sustainability,
- The successful development of international standards for sustainable finance hinges on skill transfer between the established disciplines of the financial sector and emerging skills in sustainability, responsible investment, social impact assessment and impactful governance amongst others.
- Organizational development will also be enhanced by the adoption of standards to align organizations with the requirements of sustainable finance and outcomes which progress the SDGs and related targets such as the Paris Climate Agreement, UN Biological Diversity and International Labour Organization Conventions.

### 3.5 Use of Technology



- A key challenge, and a perceived barrier to engagement of the financial sector with standardisation activity more widely, is the historical structured approach to standard making around lengthy face to face meetings. ISO/TC 322 aims to contribute to the erosion of this perception and the delivery of modern standard making processes, mindful that time constraints of experts in this sector is particularly acute.
- A special opportunity exists with global financial organizations which are well equipped in terms of new video and virtual meeting technologies, and with appropriate hosting these should allow for high quality engagement remotely.
- Innovative planning of work programmes will also minimise travel demands and demonstrate sustainable outcomes through the standard making process itself, including use of technologies which operate in countries with poor infrastructure (e.g. WebEx) and do not risk exclusion where costly travel can be a greater barrier than time.

### 3.6 Communication

- ISO/TC 322 will utilise the extensive liaison organisation network to promote its work and the international standards in preparation, and more so when they are published.
- A website is established and will be made suitable as a gateway, not just to the work of the Committee, but to the process of standard making more generally, where organisations may be unfamiliar with the processes involved. This is considered important to engage with hard-to-reach segments of the financial community. Ideally this will be developed in appropriate multiple languages to support the engagement of international users.
- A dedicated Advisory Group Communications and Engagement will be established to ensure this area receives continuous attention.

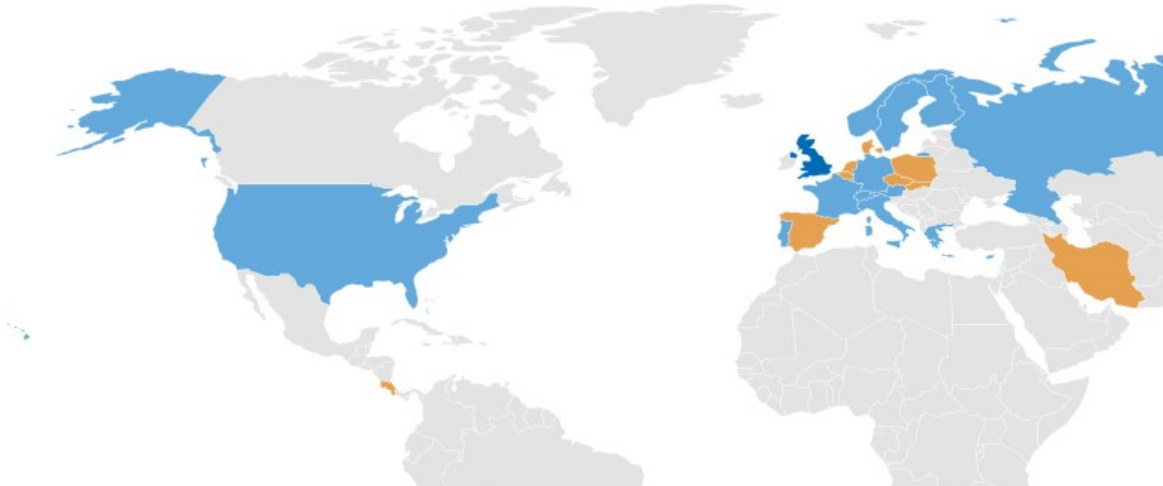
## 4. REPRESENTATION AND PARTICIPATION IN THE ISO/TC

### 4.1 Membership

Countries/ISO member bodies that are P (Participant) and O (Observer) members of the ISO committee can be viewed at <https://www.iso.org/committee/7203746.html>

### 4.2 Analysis of the participation

In its first year of existence, to 23<sup>rd</sup> March 2020, ISO/TC 322 has attracted confirmed involvement of 35 countries, 22 'P' members and 14 'O' members, see map below (blue and orange respectively)



In these early stages a plan is being drawn up to identify barriers and access developing countries in order to build participation. This is particularly important given the imbalance of sustainable financing activity towards developing countries and emerging markets in Africa, South America and Asia to meet the SDGs by 2030. It is therefore the intention to focus effort on wider participation through a dedicated developing countries coordination group (DCCG) which can in turn liaise with ISO's [DEVCO](#) committee on developing country matters.

### **4.3 External liaison organizations**

A key element of TC322 stakeholder engagement is to include a wide range of relevant external organizations which meet the ISO criteria. The [list of liaisons](#) will be kept under continuous review. There are 9 external liaisons as at 31<sup>st</sup> March 2020:

- Asia Pacific Loan Market Association (APLMA)
- Climate Bonds Initiative
- European Commission
- Global Alliance for Banking on Values (GABV)
- Institute of Environmental Management and Assessment (IEMA)
- Loan Market Association (LMA)
- Sustainability Accounting Standards Board Foundation (SASB Foundation)
- World Wide Fund for Nature (WWF).
- Ecosystem Services Partnership (ESP) holds a category C liaison with WG1.

Note: European Association for the Co-Ordination of Consumer Representation in Standardisation (ANEC) and Institute of International Finance (IIF) are currently under TC322 ballot approve their liaison.

### **4.4 Internal liaison organizations**

The note to the scope of TC322 identifies key committees for an internal liaison, where there will be 'close operation', namely:

- TC68 Financial services
- TC207 Environmental management
- TC251 Asset Management
- TC309 Governance of organizations.

In addition, TC322 has identified a number of other relevant TCs and SCs where liaisons should be established. These will be kept under regular review and others added as appropriate:

- TC207/SC 2 Environmental auditing and related environmental investigations
- TC207/SC 4 Environmental performance evaluation
- TC207/SC 7 Greenhouse gas management and related activities
- TC268 Sustainable cities and communities
- TC268/SC 1 Smart community infrastructures,
- TC292 Security and resilience
- TC307 Blockchain and distributed ledger technologies
- TC309 Governance of organizations
- TC323 Circular economy

## **5. OBJECTIVES OF THE ISO/TC AND STRATEGIES FOR THEIR ACHIEVEMENT**

### **5.1 Defined objectives of the ISO/TC**

ISO/TC 322 aims to support the alignment of the global financial system with sustainable development goals by developing standards (including a terminology guide, high-level principles, a framework and technical standards to populate the framework) for financial institutions and financial products. This is a very broad remit which cannot be achieved without considerable contributions from other ISO/TCs (several of which already have directly applicable standards which support management and reporting on outcome) and from external stakeholders and organizations. ISO/TC 322 will reach its goals partly by providing a harmonizing and collaborative platform for all relevant sustainable finance work, and partly by developing new standards, often in co-operation with other ISO/TCs as appropriate. The harmonization process will also be assisted by utilisation of ISO's Guide 82: Guidelines for addressing sustainability in standards.

The specific objectives of ISO/TC 322 will be to deliver a set of harmonized standards for guiding sustainable operations of financial institutions and investees; defining and classifying sustainable finance activities; measuring the sustainability impact, enhancing transparency and ensuring integrity of sustainable finance activities. These standards will help accelerate the growth of sustainable finance, and provide reliable mechanisms for mobilising finance globally to address the pressing social and environmental challenges, including climate change.

A test of value for these standards will be demonstrable provision to, and uptake by, businesses and financial organizations of a clear framework. This framework will ensure alignment of their products and processes with the transition towards socially responsible, well governed and environmentally sustainable economic activity, including climate neutral or restorative growth.

In addition to evidence of enhanced progress towards sustainability measured for example against the SDG goals for 2030, long term indicators of success will come from:

- Scaling up of sustainable investment flows
- Accelerated global adoption of sustainable finance practices, including integration of wider sustainability and ESG considerations into financial decision-making processes
- Adoption of common reporting and benchmarking to inform investment decision-making
- Growth of, and market confidence in, sustainable financial products and investments
- Support and strengthening of existing sustainability codes, initiatives and schemes

Our work program will cover three sets of standardisation activities:

- 1) Harmonizing understanding and language, initially through a terminology guide;
- 2) Setting principles and framework standards applicable to the whole financial system, for example developing Global Sustainable Finance Principles (GSFPs), to set out high-level principles for sustainable finance to guide the operations of financial institutions, and frameworks to give a structure and context for the development and role of specific standards;
- 3) A set of technical standards that cover sustainable finance taxonomies, impact assessment requirements, disclosure requirements including covenants, verification, and stewardship, for each of the major financial products including green, social and sustainable loans, bonds, funds, insurance, private equity, and listed stocks.

### **1) Glossary of sustainable finance terms**

This technical note will serve as a glossary for commonly used terms in sustainable finance, including sustainable finance concepts, financial products, analytical tools, organizations and initiatives. This guide is already under development with a view to publishing in 2020.

### **2) Global sustainable finance principles and framework**

Establishing a Global Sustainable Finance Principles (GSFPs) standard could consolidate key elements of all existing principles which relate to green, social, sustainable or ESG subject matter. GSFPs could be adopted throughout the financial community by financial institutions, corporates, governments and industrial associations. The GSFPs will cover strategy, governance, investment decision making processes, disclosure, tools and products. Its adoption will be enhanced by drawing on existing segmented principles established, *inter alia* by the Equator Principles, UNPRI, UNEP Sustainable Banking Principles, Green Investment Principles for the Belt and Road, G20 Quality Infrastructure Principles, the Green Bond Principles, the work of the Technical Expert Group on Sustainable Finance of the European Commission, and in existing regulatory frameworks. National governments, financial institutions, securities exchanges, corporates, and industrial associations would be encouraged to adopt GSFPs in their operations or use GSFPs as a basis for developing their internal/local principles and/or standards.

The intended development of technical standards by TC322 will be signposted through a framework standard or generic guidance document developed alongside the GSFPs. This framework will also help provide context for existing ISO and other standards already in place to address specific sustainability issues for parts of the financial system. Such a framework will first require a high-level understanding of existing standards, guides and other instruments which will be achieved through a stock-taking exercise, working closely with other ISO committees and external liaisons.

This work to develop an international standard on GSFPs alongside a framework guide or standard is expected to take 2-3 years to complete. The standard(s) will be supported by the terminology guide to harmonise understanding of the core processes and approaches described.

### **3) Technical standards on sustainable finance**

In addition to the terminology guide and the high-level GSFPs, there will be strong needs for a large number of technical standards to cover important stages/aspects of sustainable financial transactions

for demonstrating and embedding sustainable outcomes into financial activities. ISO/TC 322 will work with other ISO/TCs and external organisations to establish and complete this set of technical standards.

The following illustrative matrix depicts the needed technical standards in order to cover all major financial products and for all key stages/aspects of the transactions. This matrix can be populated with delivery targets according to work already done, industry requirements and societal urgency. A further layer of analysis will be needed relating to the real economy and the criteria for those seeking finance as well as those providing it. This work is more developed in some areas than others, for example in the bond and loan markets regarding environmental aspects of sustainability.

Sustainable Finance Subject Area <sup>1</sup>	Definitions (Classification, Taxonomy)	Impact Assessment	Disclosure	Assurance & Verification	Stewardship <sup>2</sup>
Loans <sup>3</sup>					
Bonds					
Funds (including standardised investment products)					
Derivatives including structured finance					
Public Equity (Listed Stock)					
Private Equity <sup>4</sup>					
Impact Investing					
Insurance					

**Notes to table**

<sup>1</sup> These are the primary areas, other financial markets such as derivative markets will be expected to follow standards of primary market segments rather than be served by separate standards

<sup>2</sup> Stewardship is a widely accepted term for responsible care and management through the lifetime of a business activity]

<sup>3</sup> Loans and bonds will often have common aspects, together with funds they may also be considered the debt market

<sup>4</sup> Private equity and listed stock together constitute the equity market which may often have common needs

The total programme might take a further 4 to 8 years to complete with regular publishing of standards according to a disclosed road map. Some standards may be best published by extension of work in other TCs (e.g. related to sustainable lending/bonds) and some by joint working groups (e.g. with ISO/TC207 WG11 on green finance) to ensure the necessary expertise is convened during the standard production process. Close working relationships will also need establishing with external liaison organisations who have published standards or codes which are already being applied in segments of the financial community.

**5.2 Identified strategies to achieve the ISO/TC’s defined objectives**

New international standards will be developed and published in the specified work areas according to the programme indicated above. Given the scope of the work, it is envisaged that some areas of work may grow into sub-committees (SCs), and at least one joint working group (WG) is already envisaged (with ISO/TC207 WG11).

Priority will first be given to completing the GSFPs and supporting terminology guide. Full use of remote working tools will allow for more rapid progress than relying on face to face to meetings alone and will facilitate outreach to the relevant internal and external liaison organisations identified (see 4.3, 4.4 above). An ad-hoc group (AHG) is already established and working on the terminology guide.

Through developing a common approach and understanding of sustainable finance this initial framework level work aims to support the development of trust and transparency across the value chain. Offering a holistic view on the relevance of sustainable finance approaches can help

organizations see how it impacts their business. It aims to help organizations address sustainability challenges and encourage industry and societal confidence in how the financial sector is addressing sustainability issues and contributing to internationally agreed goals.

During engagement of this work a mapping exercise will be completed to produce a comprehensive plan of how well existing and under development standards will meet the matrix of needs envisaged above. This dialogue has started and already an early need is emerging in sustainable fund management. Industry is identifying a need for a standard that clarifies and sets consistent terminology; provides a set of requirements describing a systematic approach that fund managers can use to improve responsible and sustainable investment; defines the levels of stewardship needed; and provides a consistent and transparent approach to outcome-based reporting and monitoring progress. This is an example area where ISO/TC 322 may receive a specific work proposal given no active ISO standardization is addressing this need, and it fits within the wider road map for standardization requirements of sustainable finance.

## 6. FACTORS AFFECTING COMPLETION AND IMPLEMENTATION OF THE ISO/TC WORK PROGRAMME

ISO/TC 322 does not see any fundamental risks to delivery of the planned standardization activity, but many risks could impact on the pace of work. Given the acceleration in policy and voluntary activity as the materiality of the shortfall in progress towards a sustainable world becomes apparent, the biggest risk is perhaps the reputational risk of failing to deliver at a pace to meet industry and wider societal expectations.

Several issues will require careful management to ensure that the goals for, and cohesion in, the standardization process are not negatively impacted:

- **Common understanding of ISO/TC 322 purpose and scope.** The diverse member bodies, internal and external liaisons, and experts in the various working groups will require a common understanding of the TC's objectives, purpose and portfolio of work to deliver the cohesion required. This will be facilitated by agreed documentation, such as this plan, and clear communications with a dedicated Advisory Group Communications and Engagement. But success will also require a willingness to accept agreed positions, and with internal liaisons high quality communication with respective leadership teams will be essential to avoid risks of duplication or friction.
- **Penetration into new financial segments with little precedent in participation in international standard making.** Active outreach and design of appropriate stakeholder events, and participation in industry events, will be required to demystify the process. Expressed needs by the industry will need aligning with the work of ISO/TC 322 as a solution to meet those needs.
- **Access to experts.** This is most important from the mainstream finance rather than sustainability aspects as leading experts are known to have little appetite to participate in external activities and are very time poor due to the intense short-term internal targets of many financial organizations. Care will be needed to maintain balance of expertise and ensure that the hard to reach mainstream players have an adequate voice alongside the specialists in sustainable finance. Use of remote working tools and on-line meetings (Zoom, WebEx etc.) will increase engagement.
- **Engagement with the real economy.** The mainstreaming of sustainable finance will be dependent on good representation and knowledge of the demand side sectors of the real economy. A balance between the demand and supply sides of the market will need to be maintained to ensure outputs are material, sector relevant and practical, thus driving volume and quality outcomes from the deployment of sustainable financing.
- **Maintain a clear road map.** The overall work programme must deliver consistency and coherence in the standards produced to have best impact on the financial community. The pace of change and new initiatives is also high so all key plans, including this business plan, will need to be maintained as living documents and developments communicated regularly and more frequently than when meetings occur. Full use of the website and ISO structures for on-line communicating will be made to mitigate this risk.
- **Liaison fatigue.** The large number of liaisons which need to be maintained effectively will require a specific liaison group to report to the CAG and ensure sufficient capacity is available to maintain dialogue. The biggest risk is that after initial interaction, the contact becomes dormant,

and new developments are not tracked as they occur for incorporating into the Committee's work. Selection of experts and representatives will be made with specific consideration of liaison coverage to reduce the risk of liaison work involving too few individuals to be effective.

- **Work breadth.** The potential breadth of the Committee's work may strain the ability of NMBs to provide appropriate resources. As part of the submission of new work, member bodies will be encouraged to conduct preliminary work with other members to establish the likelihood of attracting sufficient experts to their national mirror committees so that a quality standard can be developed in a timely manner.
- **Timeliness.** The financial industry has been rapidly changing, and will continue to do so, for example with the development of Fin-Tech, and blockchain finance, requiring currency and revision of standards to keep them relevant. The development process will need to be kept efficient and under review to avoid lengthy gestation periods or reduced relevance and applicability. This will also require a carefully planned structure within the TC with all groups well managed and co-ordinated.

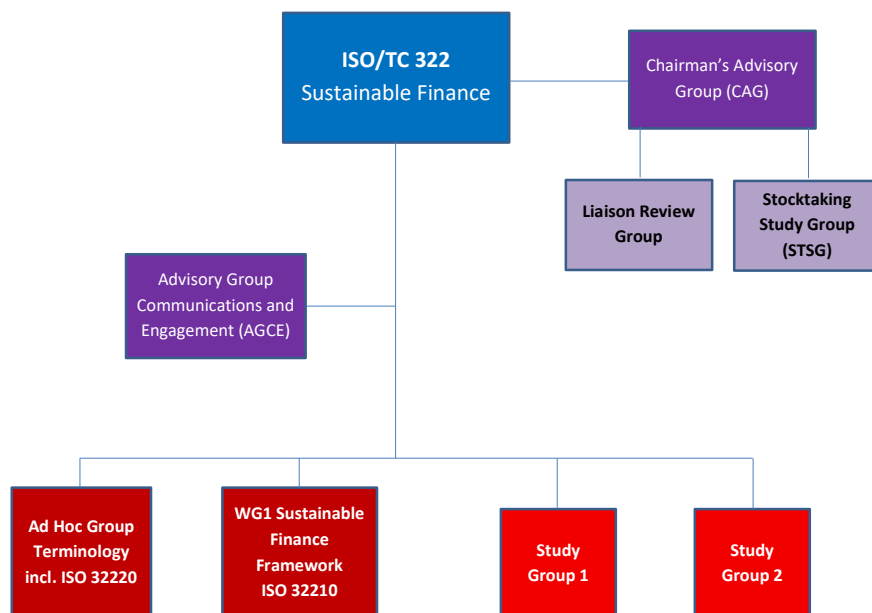
## 7. STRUCTURE, CURRENT PROJECTS AND PUBLICATIONS OF THE ISO/TC

This section gives an overview of the ISO/TC's structure, scope, projects and publications. All of this information is updated regularly and is available on ISO's website at:

<https://www.iso.org/committee/7203746.html> Click on the tabs and links on this page to find the following information:

- About (Secretariat, Secretary, Chair, Date of creation, Scope, etc.)
- Contact details
- Structure (Subcommittees and working groups)
- Liaisons
- Meetings
- Tools
- Work programme (published standards and standards under development)

### TC322 Structure at 1<sup>st</sup> March 2020



Note: Study Groups are indicative only and have not yet been set up.

### Reference information

[Glossary of terms and abbreviations used in ISO/TC Business Plans](#)

[General information on the principles of ISO's technical work](#)