
**Sustainable finance — Guidance
on the application of sustainability
principles for organizations in the
financial sector**

*Finance durable — Lignes directrices pour l'application des principes
de durabilité aux organisations dans le domaine financier*



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Contents

Page

Foreword	iv
Introduction	v
1 Scope	1
2 Normative references	1
3 Terms and definitions	1
4 Sustainable finance principles	6
4.1 General	6
4.2 Governance and culture	7
4.3 Strategy alignment and objectives	8
4.4 Risk and opportunity management and impact assessment	8
4.5 Stakeholder engagement	8
4.6 Monitoring, measuring and metrics	9
4.7 Reporting, transparency and assurance	9
4.8 Continual improvement and enhancing ambition	9
5 Implementation of sustainable finance	9
5.1 General	9
5.2 Governance and culture	10
5.2.1 Governing body accountability	10
5.2.2 Systematic review	11
5.2.3 Internal performance management and compensation	11
5.3 Strategy alignment and objectives	12
5.3.1 General	12
5.3.2 Sustainability statement or policy	12
5.3.3 Benchmarking and gap analysis	13
5.3.4 Transition plan and strategy implementation plan	13
5.3.5 Development of new products and services	13
5.4 Risk and opportunity management and impact assessment	14
5.4.1 General	14
5.4.2 Organizational-level risk evaluation and impact assessment	16
5.4.3 Client, asset and portfolio-level risk and impact assessment	17
5.4.4 Scenario analysis	18
5.4.5 Alignment with other principles	20
5.5 Stakeholder engagement	20
5.6 Monitoring, measuring and metrics	22
5.6.1 General	22
5.6.2 Asset management plan (for real assets)	23
5.7 Reporting, transparency and assurance	23
5.8 Continual improvement and enhancing ambition	24
Bibliography	25

Foreword

ISO (the International Organization for Standardization) is a worldwide federation of national standards bodies (ISO member bodies). The work of preparing International Standards is normally carried out through ISO technical committees. Each member body interested in a subject for which a technical committee has been established has the right to be represented on that committee. International organizations, governmental and non-governmental, in liaison with ISO, also take part in the work. ISO collaborates closely with the International Electrotechnical Commission (IEC) on all matters of electrotechnical standardization.

The procedures used to develop this document and those intended for its further maintenance are described in the ISO/IEC Directives, Part 1. In particular, the different approval criteria needed for the different types of ISO documents should be noted. This document was drafted in accordance with the editorial rules of the ISO/IEC Directives, Part 2 (see www.iso.org/directives).

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For an explanation of the voluntary nature of standards, the meaning of ISO specific terms and expressions related to conformity assessment, as well as information about ISO's adherence to the World Trade Organization (WTO) principles in the Technical Barriers to Trade (TBT), see www.iso.org/iso/foreword.html.

This document was prepared by Technical Committee ISO/TC 322, *Sustainable finance*.

Any feedback or questions on this document should be directed to the user's national standards body. A complete listing of these bodies can be found at www.iso.org/members.html.

Introduction

Addressing global environmental and social challenges, and supporting sustainability, including tackling climate change, cannot be reached without the support of the financial sector. In understanding and developing an alignment of interest in tackling these challenges, organizations can contribute toward positive environmental and social outcomes, improve governance, address externalities from owned and financed assets, mitigate risk, realize opportunity and drive value. Transparent assessment, management and reporting across all dimensions of sustainability can offer confidence and reassurance to key stakeholders.

This document is designed to support organizations to integrate key principles of sustainability into operations and activities, to help achieve these mutually beneficial outcomes.

The term “sustainable finance” has not been defined in this document, enabling organizations to develop their own approach to the integration of sustainability into operations and activities. However, this document does provide guidance on how key sustainability principles, including those related to environmental, social and governance factors, can be integrated at the organizational level into operations and core business strategy. It can support in mitigating risk, realizing opportunity and driving value. It is designed to be complementary to, and can be implemented alongside, other sustainability initiatives and requirements. This document is based on application of principles and processes within an overarching framework. Components of the framework will already exist, at least in part, within the organization. However, application of the principles and guidance provided in this document will support in adapting or enhancing these components, so that integration of sustainability is more effective, efficient and consistent. This document is designed to demonstrate organizational alignment with wider environmental and social goals such as the appropriate elements of the United Nations Framework Convention on Climate Change’s Paris Agreement^[33] and the United Nations Sustainable Development Goals^[34]. Some elements of this document can also support organizational alignment with the Task Force for Climate-related Finance Disclosures^[31], and other international initiatives and conventions as appropriate.

Although this document is designed primarily for application by organizations, the principles and guidance can also be applied at the product and service level across a range of markets and instruments including within debt, equity, risk transfer, blended products and other financial services.

Implementation of the principles and guidance will require interfacing with a number of organizational departments, roles and stakeholders. This document can be used by personnel within an organization and those supporting and advising an organization. Typically, these roles would be associated with managing and promotion of organizational sustainability performance. However, successful integration of sustainability is supported by engagement with many internal and external stakeholders, including, but not limited to, those responsible for:

- fulfilling fiduciary responsibilities;
- setting and monitoring progress against strategic goals;
- understanding and monitoring risk and threats;
- business development including developing new products, services and partnerships;
- ensuring compliance;
- approving investments and capital allocation;
- monitoring investment portfolios;
- training and capacity building;
- mapping and analysing sustainability performance;
- engagement with, and reporting to, stakeholders.

The document has been designed so that an organization can apply the principles and guidance to the extent applicable, given the organization's scale, activities, geographical presence and ambition. Organizations at different stages of integration of sustainability can apply all or parts of the principles and guidance, depending on existing components and degree of operational capability and capacity.

The document is designed around promoting transparency, so that the organization's stakeholders can consider progress and performance.

Assurance of reported operational performance, whether internal or external, can provide additional trust and confidence to stakeholders and is strongly encouraged.

Organizations using this document will be able to demonstrate alignment with sustainability principles, guidance and practices, and internal governance provided in this document through their actions, including stakeholder engagement, reporting and disclosures.

Continual improvement is a core aspect of the principles and guidance. The progression towards greater sustainability requires ongoing improvement of operational performance and progress to related sustainable outcomes. Therefore, an organization should ensure it is using relevant good practice, leading methods and approaches as appropriate.

Key documents and outputs from implementation of the principles and guidance include:

- a sustainability statement or sustainability policy;
- development of strategic goals on material sustainability issues;
- development of suitable metrics and associated key performance indicators;
- executive and governing body accountability for sustainability matters;
- executive compensation aligned with sustainability performance and outcomes;
- a systematic review of existing organizational processes and resources;
- a stakeholder engagement plan;
- a list or register of material sustainability impacts;
- benchmarking, peer review and gap analysis;
- a transition plan;
- a strategic implementation plan;
- scenario analysis, risk impact assessment and mitigation plan;
- public reporting showing material sustainability impacts and relevant progress, performance and outcomes;
- external assurance.

Additional resources are available on the website of ISO/TC 322 to support users in the application of the principles and practices provided in this document, see: <https://committee.iso.org/home/tc322>.