
**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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ISO copyright office
CP 401 • Ch. de Blandonnet 8
CH-1214 Vernier, Geneva
Phone: +41 22 749 01 11
Email: copyright@iso.org
Website: www.iso.org

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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).

Attention is drawn to the possibility that some of the elements of this document may be the subject of patent rights. ISO shall not be held responsible for identifying any or all such patent rights. Details of any patent rights identified during the development of the document will be in the Introduction and/or on the ISO list of patent declarations received (see www.iso.org/patents).

Any trade name used in this document is information given for the convenience of users and does not constitute an endorsement.

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.

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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>.

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

1 Scope

This document gives guidance to organizations on the application of overarching sustainability principles, practices and terminology for financing activities.

It addresses what is material from the perspective of the organization and of its stakeholders.

This document is applicable to all organizations active in the financial sector, including, but not limited to, direct lenders and investors, asset managers and service providers.

Beyond financial institutions and intermediaries, this document can be used by other parties in the financial sector such as providers or recipients of sustainable finance, governmental organizations, public and private sector institutions, business entities, industry associations, financial market regulators, and supervisory and control bodies.

2 Normative references

There are no normative references in this document.

3 Terms and definitions

For the purposes of this document, the following terms and definitions apply.

ISO and IEC maintain terminology databases for use in standardization at the following addresses:

- ISO Online browsing platform: available at <https://www.iso.org/obp>
- IEC Electropedia: available at <https://www.electropedia.org/>

3.1

sustainability

state of the global system, including environmental, social and economic aspects, in which the needs of the present are met without compromising the ability of future generations to meet their own needs

[SOURCE: ISO Guide 82:2019, 3.1, modified — Notes to entry deleted.]

3.2

material sustainability impact

impact (3.7) identified either by the *organization* (3.3) or by the organization's *stakeholders* (3.15) as material, either to the financial performance of that organization, or to the organization's impact on *sustainability* (3.1)

3.3

organization

person or group of people that has its own functions with *responsibilities* (3.10), authorities and relationships to achieve its *objectives* (3.4)

[SOURCE: ISO 37301:2021, 3.1, modified — Notes to entry deleted.]

**3.4
objective**

result to be achieved

[SOURCE: ISO 37301:2021, 3.6, modified — Notes to entry deleted.]

**3.5
strategic plan**

document identifying goals and *objectives* (3.4) to be pursued by an *organization* (3.3) over a long-term period in support of its mission and being consistent with its values

[SOURCE: ISO 24516-3:2017, 3.25]

**3.6
transformational change**

activity resulting from a shift in organizational expectation, awareness or purpose, which results in a profoundly different organizational culture, governance, structure, performance and outcomes

**3.7
impact**

past, current or future change, outcome, effect or influence, whether adverse or beneficial

**3.8
governance of organizations**

human-based system by which an *organization* (3.3) is directed, overseen and held accountable for achieving its defined purpose

[SOURCE: ISO 37000:2021, 3.1.1]

**3.9
fiduciary responsibility**

requirement of fiduciaries to act in the best long-term interests of their clients and beneficiaries

Note 1 to entry: Fundamental fiduciary responsibilities include duty of loyalty and duty of care, to consider all value and risk drivers including environmental, social and governance factors.

**3.10
responsibility**

obligation to act and take decisions to achieve intended outcomes

Note 1 to entry: See also *accountability* (3.13).

[SOURCE: ISO/IEC 38500:2015, 2.22, modified — “intended” replaced “required” in the definition. Note 1 to entry added.]

**3.11
top management**

person or group of people who directs and controls an *organization* (3.3) at the highest level

Note 1 to entry: Top management has the power to delegate authority and provide resources within the organization.

[SOURCE: ISO 37301:2021, 3.3, modified — Notes 2 and 3 to entry deleted.]

**3.12
governing body**

person or group of people who have ultimate *accountability* (3.13) for the whole *organization* (3.3)

Note 1 to entry: Every organizational entity has one governing body, whether or not it is explicitly established. When the organization is not an organizational entity, the term governing group is applicable where “governing body” is used throughout this document.

Note 2 to entry: A governing body can be explicitly established in a number of formats including, but not limited to, a board of directors, supervisory board, sole director, joint and several directors, or trustees.

Note 3 to entry: ISO management system standards make reference to the term “*top management*” (3.11) to describe a role that, depending on the standard and organizational context, reports to, and is held accountable by, the governing body.

[SOURCE: ISO 37000:2021, 3.3.4]

3.13

accountability

obligation to another for the fulfilment of a *responsibility* (3.10)

Note 1 to entry: The obligation includes the duty to inform and to explain the manner in which the responsibility was fulfilled.

Note 2 to entry: The non-fulfilment of a responsibility has consequences that can be enforced on the accountable party.

[SOURCE: ISO 37000:2021, 3.2.2]

3.14

stakeholder engagement

activity undertaken to create opportunities for dialogue between an *organization* (3.3) and one or more of its *stakeholders* (3.15), with the aim of providing an informed basis for the organization’s decisions

[SOURCE: ISO 26000:2010, 2.21]

3.15

stakeholder

person, interested party or *organization* (3.3) that can affect, be affected by, or perceive itself to be affected by a decision or activity

[SOURCE: ISO 44001:2017, 3.2, modified — “interested party” moved from the term into the definition.]

3.16

continual improvement

recurring activity to enhance performance

[SOURCE: ISO 37301:2021, 3.12]

3.17

asset

tangible or intangible item or thing with an actual or potential financial or non-financial value to an *organization* (3.3)

[SOURCE: ISO 55000:2014, 3.2.1, modified — “tangible or intangible item or thing with an actual or potential financial or non-financial” replaced “item, thing or entity that has potential or actual” in the definition. Notes to entry deleted.]

3.18

liability

present obligation of the *organization* (3.3) arising from past events, the settlement of which is expected to result in an out-flow of resources from the organization

[SOURCE: ISO/TS 55010:2019, 3.18]

3.19

risk

effect of uncertainty on *objectives* (3.4)

Note 1 to entry: An effect is a deviation from the expected. It can be positive, negative or both, and can address, create or result in opportunities and threats.

Note 2 to entry: Objectives can have different aspects and categories, and can be applied at different levels.

Note 3 to entry: Risk is usually expressed in terms of risk sources, potential events, their consequences and their likelihood.

Note 4 to entry: Risk can be considered as the likelihood or probability that actual results or outcomes will differ from expected results or return, representing the effect of uncertainty on investment or lending or insurance objectives. This effect can be positive or negative, comprising opportunities and threats over varying time horizons.

[SOURCE: ISO 31000:2018, 3.1, modified — Note 4 to entry added.]

3.20 risk appetite

amount and type of *risk* (3.19) that an *organization* (3.3) is willing to pursue or retain

[SOURCE: ISO Guide 73:2009, 3.7.1.2]

3.21 risk control

actions implementing risk-management decisions to mitigate, limit or reduce frequency or severity of *risks* (3.19) and negative consequences

Note 1 to entry: Risk control can involve monitoring, re-evaluation and compliance with decisions.

[SOURCE: ISO 13824:2020, 3.13, modified — “to mitigate, limit or reduce frequency or severity of risks and negative consequences” added to the definition.]

3.22 risk mitigant

measures implemented by which *risks* (3.19) are reduced to, or maintained within, specified levels

3.23 systemic risk

risk (3.19) leading to potential collapse or failure of an entire market, global economy, or environmental and socio-political systems with the transmission of shocks leading to broader contagion and further systemic impacts

3.24 scenario

plausible description of how the future can develop based on a coherent and internally consistent set of assumptions about key driving forces and relationships

Note 1 to entry: Key driving forces can be, for example, demographics, interest rates, degrees of warming, rate of technological change or prices.

[SOURCE: IPCC, 2018, Annex I^[29], modified — The examples of key driving forces moved to Note 1 to entry and expanded.]

3.25 scenario analysis

process for identifying and assessing the potential implications of a range of plausible future states on operations, activities, products and services under various conditions

3.26 biodiversity

variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part

Note 1 to entry: This variability includes diversity within species, between species and of ecosystems.

[SOURCE: United Nations Convention on Biological Diversity, 1992, Article 2^[32], modified — “biodiversity” replaced “biological diversity” as the term.]

3.27**circular economy**

economy that is restorative and regenerative by design, and which aims to keep products, components and materials at their highest utility and value at all times, distinguishing between technical and biological cycles

[SOURCE: ISO 20400:2017, 3.1]

3.28**resilience**

ability to absorb and adapt in a changing environment

[SOURCE: ISO 22300:2021, 3.1.206, modified — Note 1 to entry deleted.]

3.29**transition plan**

actionable proposal, embedded in organizational strategy, that outlines how an entity will shift from unsustainable economic activities and operational processes and systems toward sustainable activities and operational processes and systems

Note 1 to entry: The transition plan can include short-, medium- and long-term targets to achieve net-zero carbon emissions by 2050 or sooner.

3.30**key performance indicator****KPI**

quantifiable level of achieving an *objective* (3.4)

Note 1 to entry: The KPIs are derived directly from, or through an aggregation function of, physical measurements, data and/or other KPIs.

[SOURCE: ISO 22400-1:2014, 2.1.5, modified — “critical” deleted before “objective”.]

3.31**metric**

defined measurement method and measurement scale that can demonstrate contribution to a *key performance indicator* (3.30)

[SOURCE: ISO/TR 37150:2014, 3.5, modified — “that can demonstrate contribution to a key performance indicator” added to the definition.]

3.32**transparency**

open, comprehensive and understandable presentation of information

[SOURCE: ISO 14040:2006, 3.7]

3.33**baseline**

agreed reference value or set of values which can be derived from past experience, often used for comparing with ongoing performance data, values or outcomes

[SOURCE: ISO 37500:2014, 3.1, modified — “or” replaced “and/or” before “outcomes”.]

3.34**benchmarking**

comparing attributes, processes or performance between *organizations* (3.3)

[SOURCE: ISO 30400:2016, 3.17]

3.35

asset management

coordinated activity of an *organization* (3.3) to realize value from *assets* (3.17)

[SOURCE: ISO 55000:2014, 3.3.1, modified — Notes to entry deleted.]

3.36

asset management plan

documented information that specifies the activities, resources and timescales required for an individual *asset* (3.17), or a grouping of assets, to achieve the *organization's* (3.3) asset management objectives

Note 1 to entry: This includes the organization's sustainable finance objectives within *asset management* (3.35).

[SOURCE: ISO 55000:2014, 3.3.3, modified — Notes to entry deleted and a new Note 1 to entry added.]

3.37

business-as-usual scenario

ongoing and unchanging state of affairs

3.38

modern slavery

all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered their self voluntarily

[SOURCE: ILO, Forced Labour Convention, 1930 (No. 29)^[28], modified — “modern slavery” replaced “forced or compulsory labour” as the term. “their self” replaced “himself” in the definition.]

3.39

climate change adaptation

process of adjustment to actual or expected climate and its effects

Note 1 to entry: In human systems, adaptation seeks to moderate or avoid harm or exploit beneficial opportunities.

Note 2 to entry: In some natural systems, human intervention can facilitate adjustment to expected climate and its effects.

[SOURCE: ISO 14090:2019, 3.1, modified — “climate change adaptation” replaced the preferred term “adaptation to climate change”.]

3.40

whistleblower

person who reports suspected or actual wrongdoing, and has reasonable belief that the information is true at the time of reporting

[SOURCE: ISO 37002:2021, 3.9, modified — Notes to entry deleted.]

3.41

value chain

entire sequence of activities or parties that create or receive value through the provision of a product or service

[SOURCE: ISO 14050:2020, 3.5.28, modified — “or service” added.]

4 Sustainable finance principles

4.1 General

This clause describes the key sustainable finance principles (hereinafter referred to as “Principles”) which form the core elements of this document. The Principles outlined in 4.2 to 4.8 are aimed at