
**Greenhouse gas management and
related activities — Framework
including principles and requirements
for assessing and reporting
investments and financing activities
related to climate change**

*Gestion des gaz à effet de serre et activités associées — Cadre
comprenant les principes et les exigences pour l'évaluation et la
déclaration des investissements et des activités de financement au
regard du changement climatique*

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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).

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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 207, *Environmental management*, Subcommittee SC 7, *Greenhouse gas management and related activities*.

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.

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Introduction

0.1 The impact of financiers' actions on the achievement of climate goals

Every financing or investment decision has an impact, whether positive or negative, on the climate and/or can in turn be affected by climate change. This dual impact is considered as a “double materiality”, i.e. how climate change affects the value of a company and how a company's activities have an impact on the climate by reducing greenhouse gas (GHG) emissions in the real economy, reducing vulnerability to the impacts of climate change and increasing resilience.

To achieve the goals of the 2015 Paris Agreement^[12] and to maintain stability in the financial system, the world needs to transition to a low-carbon and climate-resilient economy. To support this transition, there is a need to undertake a vast reallocation of the investee capital from high-carbon to low-carbon assets, assets with negative emissions and assets that are resilient in the short, medium and long term.

In addition to promoting financing for an already de-carbonized or low carbon activity (e.g. in the area of renewable energy), it is important to promote financing for transition actions towards the de-carbonization of GHG emitting industries and sectors as well, as a part of climate finance contributing to the mitigation of climate change. Climate transition finance should be considered as financing for businesses on a transition path towards achieving the ambition of the Paris Agreement and the reduction target of each country based on the Paris Agreement. While green investments expand across borders worldwide, transition pathways aligned with the Paris Agreement can differ from region to region and from country to country, depending on the industrial structure, and/or the role played in the overall global value chain. Therefore, “financing for a transition” should adopt an inclusive and flexible approach that can be applied to various circumstances of countries and regions without excluding specific sectors, industries or technologies from its scope, and further details should be considered by each country or region based on its respective circumstances.

Financiers have a key role to play in this transformation because their day-to-day decisions can influence the behaviour of “investees” (e.g. companies, clients, borrowers) in the real economy. Such an influence can include capital and research and development expenditure plans, the decision to retire (or not) high-carbon assets, or other aspects of corporate strategies. Similarly, financiers can influence the investment decisions of their clients due to their potentially broad-ranging roles as creditors, financial advisors or asset managers. The day-to-day decisions of financiers can have both positive and negative consequences on the achievement of climate goals.

Most financiers manage their assets without an explicit objective or specific strategy related to climate change. These financiers' decisions and related actions can affect investees that have an impact on the climate and can be exposed to climate-related risks. Any resulting effect, which can be thought of as unintentional, can have positive or negative consequences both for the climate and for the assets of the financiers. This document refers to these financiers as “financiers without climate objectives”.

In contrast, some financiers explicitly aim to support climate goals either by setting explicit objectives or by creating specific strategies related to climate change. This document refers to these financiers as “financiers with climate objectives”. These financiers influence investees through “climate actions” that will lead to mitigation of climate change or enhancement of adaptation, including but not limited to:

- the use of voting rights associated with share ownership;
- the use of influencing power as creditors;
- setting conditionality associated with lending or security issuance;
- making preferential financing available for targeted activities that face a financing gap;
- conducting policy advocacy.

The finance sector's active role in supporting the global concerted efforts to achieve international climate goals has been acknowledged in Article 2.1c of the Paris Agreement^[12] and by the following non-exhaustive list of organizations and initiatives:

- the United Nations (United Nations Environmental Programme Inquiry, Non-state Actors Zone for Climate Action platform hosted by UN Climate Change);
- the Organization for Economic Cooperation and Development (OECD);
- the G20 (Green Finance Study Group);
- the European Commission through the Action Plan on Financing Sustainable Growth (2018)^[16]; the Guidelines on Reporting Climate-related Information (2019)^[17], the Non-Financial Reporting Directive (2014)^[18] and the Non-Binding Guidelines on Non-Financial Reporting (2017)^[19];
- various financial supervisors and central banks across the world who joined forces in the Network for Greening the Financial System (NGFS);
- the UN Principles for Responsible Banking;
- the UN-convened Net-Zero Asset Owner Alliance.

In this context, this document provides principles, requirements and guidance to define, monitor, assess and report on financial institutions' actions related to climate change and their respective contribution to the achievement of the climate goals. The framework can be applied by financiers who undertake deliberate climate actions, as well as by financiers without climate objectives or strategies.

For financiers with climate objectives, the framework is built around the theory of change (TOC) approach, illustrated in [Figure 1](#).

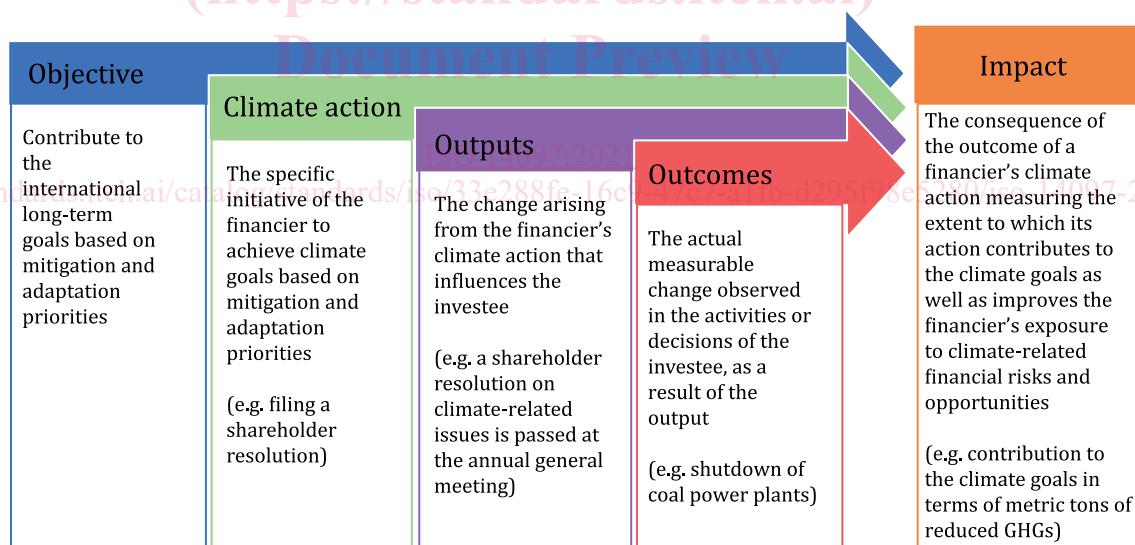


Figure 1 — Theory of change approach

The TOC process depends on defining all of the necessary and sufficient conditions required to bring about a given long-term outcome and impact. The TOC explains the intended path the climate action will take to achieve the (expected) impact. This is done by describing the causal linkages between the objective established by the financier, the climate action the financier plans to take to achieve the objective, the output(s) of the action and finally the outcome that will lead to the impact.

For financiers without climate objectives, the framework describes how to disclose on the GHG emissions changes of investees in their financial portfolio and the decisions and actions taken that can relate to the investees who are responsible for an increase or decrease in emissions.