
**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
comprénant 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).

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).

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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.

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](#).

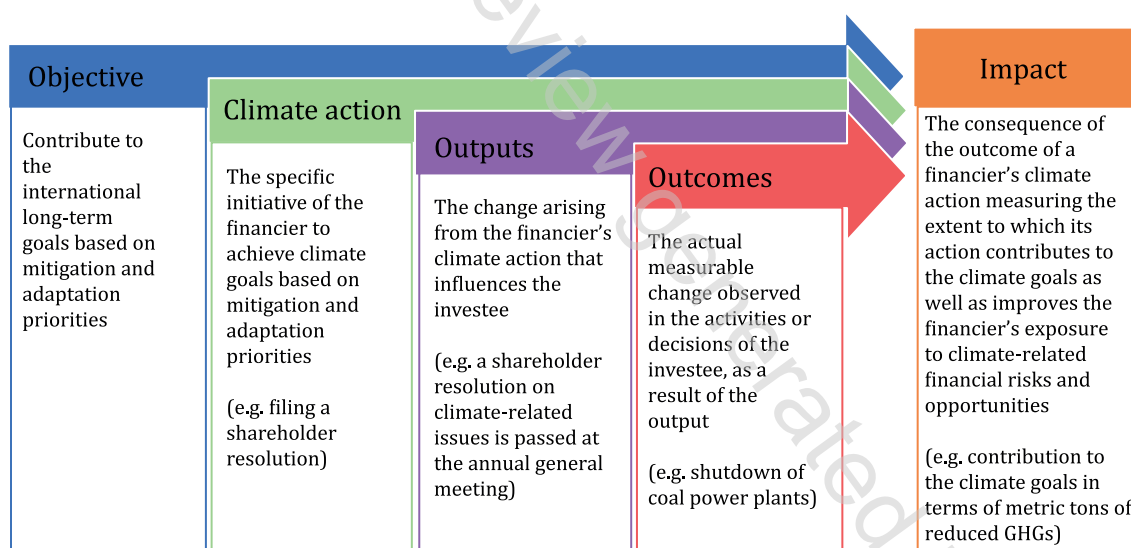


Figure 1 — Theory of change approach

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.

0.2 The financial implications of climate change for the finance sector

For the finance sector, both the transition to a low-carbon emission and climate-resilient economy and the negative impact arising from environmental upheavals and civil society preferences can influence asset valuation and thus result in risks and opportunities for financiers.

In 2016, the G20's Financial Stability Board (FSB) initiated a private sector-led group, the Task Force on Climate-Related Financial Disclosures (TCFD), which explored these climate-related risks and opportunities and developed a set of high-level recommendations regarding their disclosure of the assessment and management of climate-related risks and opportunities.

These climate-related risks and opportunities for the finance sector have also been acknowledged by many financial regulators and supervisory authorities across the world, including the European Commission, the G20 and the NGFS.

Following the release of the TCFD recommendations in 2017^[13], a number of methodological, reporting and disclosure frameworks have been and are in the process of being produced by various organizations to facilitate stakeholders to measure and report on climate-related risks and opportunities.

In this context, this document contributes to the implementation of the TCFD recommendations^[13], by providing guidance on the disclosure of the identification, assessment and management of climate-related risks and opportunities and related climate actions.

This document can also be used to correlate climate performance and financial performance.

0.3 How to approach this document

As mentioned, a financier has financial and other objectives underpinning its business activities. In relation to climate change, the financier can have different motivations for integrating climate-related issues in its investment and lending processes. Objectives can include, but are not limited to:

- a) understanding and managing climate change risks and leveraging opportunities;
- b) contributing to the achievement of climate goals through the influence they have on investees.

This document provides the following requirements and related guidance for the processes implemented to achieve these objectives. Depending on its objectives, the financier applies the clauses indicated for the following purposes.

- Managing climate change risks and leveraging opportunities: [Clause 5](#) provides requirements and guidance on the identification, assessment and disclosure of climate change risks and opportunities.
- Understanding its contribution to the achievement of climate goals: [Clause 6](#) provides a framework to identify, monitor and assess the impact of climate action and estimate the GHG emissions associated with investment, as well as for financing activities related to investees for which no climate action is carried out.

NOTE See [Annex A](#) for a flow chart on the different clauses and subclauses of this document.

A financier's business decisions can be driven only by financially related objectives (or at least no climate objectives). However, these financier decisions can also have an impact on the climate and, consequently, on the achievement of its climate goals, as well as exposing its business to climate-related risks. In this instance, the financier shall follow [Clause 7](#) to understand the GHG emissions changes and trends associated with the investees in its portfolio and [Clause 5](#) for disclosing climate-related risks.

Since the framework can be used for a variety of purposes, and also by financiers without climate objectives or strategies, it is important to note that conformity does not equate to high ambition or success with regard to climate actions. Users of the framework are encouraged to observe this caveat in their reporting to third parties.

[Clause 9](#) recommends verification and validation as the preferred approaches for conformity assessment.

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

1 Scope

This document specifies a general framework, including principles, requirements and guidance for assessing, measuring, monitoring and reporting on investments and financing activities in relation to climate change and the transition into a low-carbon economy. The assessment includes the following items:

- the alignment (or lack thereof) of investment and financing decisions taken by the financier with low-carbon transition pathways, adaptation pathways, and climate goals;
- the impact of actions through the financier's investment and lending decisions towards the achievement of climate goals in the real economy, i.e. mitigation (greenhouse gas emissions) and adaptation (resilience);
- the risks to owners of financial assets (e.g. private equities, listed stocks, bonds, loans) arising from climate change.

To support the financier's assessment of the impact of investment and lending decisions, this document provides guidance for the financier on how to:

- set targets and determine metrics to be used for tracking progress related to the low-carbon transition pathways of investees;
- determine low-carbon transition and adaptation trajectories of investees;
- document the causality or linkage between its climate action and its outputs, outcomes and impacts.

This document is applicable to financiers, i.e. investors and lenders. It guides their reporting activities to the following third parties: shareholders, clients, policymakers, financial supervisory authorities and non-governmental organizations.

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 terminological databases for use in standardization at the following addresses:

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