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Form 1: Proposal for a new field of technical activity

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Proposer: BSI	**ISO/TS/P 274** ISO/TC

A proposal for a new field of technical activity shall be submitted to the Central Secretariat, which will assign it a reference number and process the proposal in accordance with the ISO/IEC Directives (part 1, subclause 1.5). The proposer may be a member body of ISO, a technical committee, subcommittee or project committee, the Technical Management Board or a General Assembly committee, the Secretary-General, a body responsible for managing a certification system operating under the auspices of ISO, or another international organization with national body membership. Guidelines for proposing and justifying a new field of technical activity are given in the ISO/IEC Directives (part 1, Annex C).

The proposal (to be completed by the proposer)

Title of the proposed new committee (The title shall indicate clearly yet concisely the new field of technical activity which the proposal is intended to cover.) Sustainable Finance
Scope statement of the proposed new committee (The scope shall precisely define the limits of the field of activity. Scopes shall not repeat general aims and principles governing the work of the organization but shall indicate the specific area concerned.) *Standardization in the field of Sustainable Finance.* The programme of work will promote the integration of sustainability considerations and environmental, social and governance (ESG) practices into institutional investment decision-making and wider finance management. It will ultimately look to support the alignment of the global financial system with sustainable development goals.

Proposed initial programme of work (The proposed programme of work shall correspond to and clearly reflect the aims of the standardization activities and shall, therefore, show the relationship between the subject proposed. Each item on the programme of work shall be defined by both the subject aspect(s) to be standardized (for products, for example, the items would be the types of products, characteristics, other requirements, data to be supplied, test methods, etc.). Supplementary justification may be combined with particular items in the programme of work. The proposed programme of work shall also suggest priorities and target dates.

The initial Sustainable Finance programme of work, outlined here, would align to the conceptual framework given in Figure 1 below (as developed by the United Nations Environmental Programme (UNEP)).

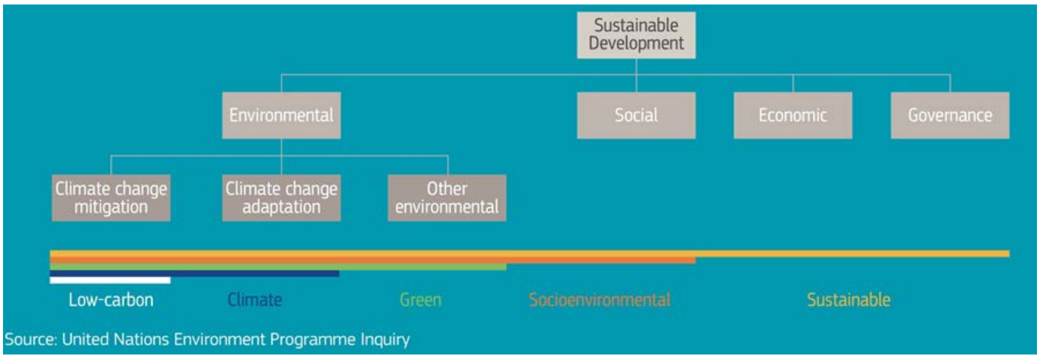

Figure 1. Sustainable Finance framework and parameters

As a priority and to lead the programme, a ***Framework for Sustainable Finance Management Guide*** will be developed to consolidate concepts relating to sustainable finance, agree common terminology (e.g. definitions and taxonomy), and provide practical guidance on principles and practices that constitute sustainable finance (management). It will provide examples of good practice, as well as implementation guidance on the different approaches financial organisations can take to improve and demonstrate their activities and organisational models are in line with Environmental, Social and Governance (ESG) criteria and the Sustainable Development Goals (SDGs). The standard will bring related concepts and activities (e.g. responsible investment management, stewardship, green and environmental finance) under the wider, more holistic umbrella of sustainable finance, thus linking global financial activities with the SDG agenda. Importantly, it will draw upon existing and ongoing standardization effort (such as environmental management, governance, social responsibility, financial services, climate finance work), and will serve as the basis of future international sustainable finance standardization at the process (i.e. fund manager) and product (e.g. fund) level.

The wider programme will also address:

1. Integration of Sustainability considerations and ESG principles into financial decision-making and broader financial services and products

Responsible investment aspect
Standards that underpin and encourage management of investments in a responsible, credible manner are vital to the promotion of investor confidence and, more generally, to the uptake of sustainable business practices within the global financial community. Responsible investment-focused standards will address the issue of how firms integrate ESG considerations and related factors into decision-making in a consistent way and report on sustainability performance and risks to promote active disclosure and greater transparency. This would help consumers, private and institutional investors make more informed and responsible choices, and will provide confidence that investments are being made responsibly. Standards for responsible investment can be developed at the strategic/organisational (process) level, e.g. standards for responsible fund-management policies and practices, and could also include terminology, assessment and reporting. Linked closely to responsible investment at the organisational/process level, standards at the product/fund-level could be also developed (and have been suggested by industry) to promote clearer product labelling and consistent classification, and more generally, to enhance the impact of process-level standards.

Stewardship aspect
Further standards would also consider 'stewardship' of assets, i.e. how fund managers engage with their portfolio, monitor sustainability performance and take on active asset ownership in the companies where they have invested, responding to risks and encouraging good practice. Standards in this space would support and strengthen existing industry initiatives, such as the UN Principles for Responsible Investment (PRI).

(Social) impact investment aspect
Impact investing is concerned with making investment decisions to achieve good social outcomes as well as financial return. Standards would ensure consistent approaches (e.g. disclosure/reporting) and provide guidance on how financial providers engage with individuals and communities to support the values and social causes they care about. Future standards will provide definitions, outline principles, approaches, outcomes, assessment, reporting. They could incorporate reporting against the SDGs (and the way SDGs have been integrated into the investment process).

2. Green finance

Green finance bridges global environmental priorities and the financial system. According to the G20 Green Finance Study Group, it is the “financing of investments that provide environmental benefits in the broader context of environmentally sustainable development”. Green finance incorporates ‘climate finance’ (clean energy, low-carbon transport, energy efficiency and climate resilience), as well as broader environmental and conservation finance to fund green growth and protect and restore natural environments, forest and water resources, biodiversity and eco-systems. Green finance is the environmental pillar of sustainable finance. International standards developed within this strand will build upon successful work and initiatives and will provide common taxonomies and globally agreed terminology, guiding principles and assessment criteria. They will harmonize and enhance standards and initiatives on climate finance, and will seek to integrate green/climate finance practices with sustainable finance.

3. ***Sustainable investment at the sector level / sustainable finance applications***

The need to mobilise investment around specific project types, sectors and/or by major investment category could in the long-run inform the development of standards that establish criteria, process and assessment requirements for investments in smart and sustainable cities, natural capital, energy efficiency programmes, green and sustainable infrastructure, etc. Thus, the need for standards for financing green cities has been highlighted by some of the stakeholder communities we have engaged with. Standards for investments in green/smart cities, natural capital, energy efficiency and green infrastructure will therefore link to the impact investment aspect referred to above.

Indication(s) of the preferred type or types of deliverable(s) to be produced under the proposal (This may be combined with the "Proposed initial programme of work" if more convenient.)

Under this new ISO TC new international standards will be developed and published in the specified work areas. Given the scope of the work, it is envisaged that some areas of work may grow into SCs.

A listing of relevant existing documents at the international, regional and national levels. (Any known relevant document (such as standards and regulations) shall be listed, regardless of their source and should be accompanied by an indication of their significance.)

There are no international/formal standards on the wider subject of sustainable finance or significant aspects of sustainable finance (such as sustainable finance management or responsible investment).

ISO/TC 207/SC 7 is developing ISO 14097, Framework and principles for assessing and reporting investments and financing activities related to climate change. The scope of this standard is climate change-specific (i.e. focuses on the climate impact of financial activities) and it therefore does not contradict what is proposed here. This work can be comfortably linked to standards development activity within the proposed Sustainable Finance TC, and could inform such activities (particularly new standards development within strands 2 and 3 above, namely Green finance and Sustainable investment at the sector level/Sustainable finance applications).

More recent developments, such as the green bonds performance ISO 14030 and the China (SAC) proposal on green finance project assessment, relate to specific aspects of the proposed sustainable finance programme, and/or address specific types of application (i.e. the product/project level of work proposed within strand 2 and 3 above). As with the ISO 14097 example above, the green bonds work and the SAC green finance project proposal fill in specific, somewhat narrow standardization gaps within the much wider and complex field of sustainable finance. The value of standards development work under the auspices of TC 207 is undeniable and will inform future standardization effort, however, of concern is the disparate nature of such standardization projects, the lack of a holistic framework within which such standards could exist and refer to, and, perhaps most importantly, the insufficient financial expertise and financial industry representation on committees and subcommittees traditionally populated with environmental management experts. The proposed sustainable finance TC will hold such financial/industry expertise and could therefore provide valuable input into the development of ISO 14097 and ISO 14030, without the need for such work to be re-allocated to the new TC, but linked conceptually, and by cross-references (to the wider and financial industry-focused portfolio of the new TC).

Additionally, ISO/TC 207/SC 1 is developing ISO 14007, Environmental management: Determining environmental costs and benefits – Guidance, and ISO 14008, Monetary valuation of environmental impacts and related environmental aspects — Principles, requirements and guidelines. This work will be of some relevance to the activity of the newly proposed TC and could inform new work items developed within the sustainable finance programme.

Key (published) standards of relevance to the work of the proposed TC:

BS 8900-1, Managing sustainable development of organizations. Guide and BS 8900-2, Managing sustainable development of organizations. Framework for assessment against BS 8900-1. Specification.
ISO 26000, Guidance on social responsibility
ISO 31000, Risk management. Principles and guidelines.
ISO 22301, Societal security. Business continuity management systems. Requirements.
BS 10500, Specification for an anti-bribery management system (ABMS).
BS 65000, Guidance on organizational resilience.
ISO 14001, Environmental management systems. Requirements with guidance for use.
BS 76000, Human resource. Valuing people. Management system. Requirements and guidance.
ISO 14064-1, Greenhouse gases. Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals.
ISO 14064-2, Greenhouse gases. Specification with guidance for the validation and verification of greenhouse gas assertions.
ISO 22222, Personal Financial Planning. Requirements for personal financial planners

Other standards of relevance to the work of the proposed TC (to inform and feed into the future work of the TC) are listed in Annex 1 to this proposal.

Other initiatives of relevance:

UNPRI, Principles for responsible investment
EC Sustainable Finance, High-Level Expert Group on Sustainable Finance, and EU strategy on sustainable finance setting out a roadmap for further work and upcoming actions (of March 2018)
Financial Stability Board (FSB), Task Force on Climate-related Financial Disclosures, Final report
Financial Reporting Council (FRC) UK, Stewardship Code
Natural Capital Coalition (NCC), Natural capital protocol, finance sector supplement
Climate Bond Initiative (CBI), Climate bonds standard and sector specific standards for water, solar, wind, low carbon buildings, geothermal and low carbon transport
Equator Principles (EP) Association, The Equator Principles
G20 Energy Efficiency Finance Task Group, Energy Efficiency Investment Toolkit
International Capital Market Association (ICMA), Green Bond Principles
International Finance Corporation (IFC), Performance Standards on Environmental and Social Sustainability

A statement from the proposer as to how the proposed work may relate to or impact on existing work, especially existing ISO and IEC deliverables. (The proposer should explain how the work differs from apparently similar work, or explain how duplication and conflict will be minimized. If seemingly similar or related work is already in the scope of other committees of the organization or in other organizations, the proposed scope shall distinguish between the proposed work and the other work. The proposer shall indicate whether his or her proposal could be dealt with by widening the scope of an existing committee or by establishing a new committee.)

The proposed new programme of standards on sustainable finance will complement, harmonize and strengthen existing ISO activity and successful industry initiatives. The scope of the programme, in terms of its technical focus, complexity and dependence on specific industry expertise, cannot be effectively dealt with by widening the scope, or changing the structure, of existing committees. The latter is a complex and lengthy process with uncertain outcome, while, as per industry indications, certain sustainable finance aspects and issues need to be dealt with urgently and swiftly at the ISO level. The proposed new committee offers such a straightforward route forward. It will provide additional benefits in the form of harmonization of current disparate projects, proposals and approaches relevant to discrete areas of green and sustainable finance.

The current ISO technical committee (TC) structure is unsuitable to support a holistic, timely and industry-led standardization approach to sustainable finance. As currently proposed, the sustainable finance standards programme falls outside the expertise and the remit of relevant, existing TCs, namely ISO/TC 207 (Environmental Management), TC 68 (financial services, security and core banking), TC 309 (Organizational governance) and any Social Responsibility committees (ad hoc, existing or dormant).

Standards developed within ISO TC 68 – Financial Services – Standardization in the field of banking, securities and other financial services, primarily concern projects relating to financial industry reference data and semantics (e.g. securities identification numbering systems), information exchange (e.g. messaging formats for payments and transactions) and related security. Whilst some of the standards are known and used by the investment industry, they are designed as technical standards to facilitate transaction interoperability and security and are not related to management processes, principles and assessment of products or funds. The TC's current work programme does not refer to any planned activities in the field of green and sustainable finance. Therefore it is felt that TC 68 would not be a natural home to develop standards for sustainable finance as it would be outside of its current scope, remit and technical focus, i.e. TC 68 does not concern itself with sustainability issues, integration of ESG criteria into investment decision-making or related needs and challenges.

Similarly, the current scope of TC 207, Environmental Management, hinders this TC from moving from strictly environmentally related matters to also including a broader take on sustainability. Neither committee has representation and/or sufficient expertise from within the financial, and respectively the sustainability community, to carry out sustainable finance standardization of the type and urgency needed to support the global financial industry's recent SDG alignment work, and the growing policy commitment to mobilizing finance to benefit green and sustainable initiatives, programmes and aspirations. The proposed sustainable finance TC could therefore foster more consistency across future standards to be developed of relevance to the financial, environmental, governance, etc. standardization communities, while putting ISO in a better position to provide global solutions to implement the SDG agenda.

Regarding the topic of environmental finance which TC 207 has been increasingly focusing on, with projects in development (such as ISO 14097 and ISO 14030), it is our expectation that such work will inform the *Green finance* component of the sustainable finance programme proposed here, and any new/additional work items developed within this component. We do not see the need for any existing work items to be re-allocated to the new TC. However, our expectations would be that any additional, new item proposals for green/environmental finance standards with finance community focus would be led by the new TC which will have the required expertise and representation to carry out such work, while new environmental management community-focused work would continue to be carried out by TC 207.

The successful delivery of a holistic sustainable finance standardization programme therefore requires a new committee, and dedicated committee support, which brings together all relevant stakeholders. By establishing liaisons with relevant technical committees, in particular ISO/TC 207 and its related SCs, and TC 68, any overlap would be managed and duplication minimized. Engagement will be put in place to ensure effective collaboration among BSI, SAC and ANSI and other interested members in moving related activities forward.

BSI has already reached out to a number of industry leaders (with global presence), policy makers, international organisations, subject experts and the like, to procure their support in the delivery of an international sustainable finance standards programme, and would be looking to channel that support and knowledge into the new TC and into the collaboration mechanisms established between the sustainable finance TC, and the aforementioned existing ISO TCs. It is also hoped that this proposal and the future sustainable finance TC will inform and complement the work of the TMB Taskforce on the SDGs.

A listing of relevant countries where the subject of the proposal is important to their national commercial interests.

The subject area proposed here would have global implications and is of interest to a great number of countries. A holistic standards programme for Sustainable Finance at the ISO level will help align global financial systems with sustainable development goals, thereby delivering significant environmental, economic and societal benefits, including:

- driving innovation, further collaboration and thought-leadership in the financial sector;
- better integration of ESG issues into investment and finance practices;
- common terminologies and standardized approaches to reporting and benchmarking to enable informed investment decision-making;
- overcoming the gaps and challenges associated with existing industry initiatives to add rigour, thereby driving behavioural change;
- supporting growth in the market for sustainable financial products and initiatives by building capacity.

Countries to which this subject is of most relevance and that have been proactive in promoting initiatives relating to (aspects of) sustainable finance, include: the UK, USA, China as well as the countries within the European Union and EU's Capital Market Union (see below).

A listing of relevant external international organizations or internal parties (other ISO and/or IEC committees) to be engaged as liaisons in the development of the deliverable(s). (In order to avoid conflict with, or duplication of efforts of, other bodies, it is important to indicate all points of possible conflict or overlap. The result of any communication with other interested bodies shall also be included.)

1. **Internal parties (other ISO committees)** – these are all committees, sub-committees and structures named above.

2. **External organizations**:

Liaisons will be sought from the following national and global organisations:

UNPRI

GFI (Green Financial Initiative)

FSB (Financial Stability Board)

EC Sustainable Finance, High-Level Expert Group on Sustainable Finance

Natural Capital Coalition

Climate Bond Initiative (CBI)

Equator Principles (EP) Association

G20 Energy Efficiency Finance Task Group

International Capital Market Association (ICMA)

International Finance Corporation (IFC)

Conversations with many of these groups and organizations have already started and support for this proposal procured.

A simple and concise statement identifying and describing relevant affected stakeholder categories (including small and medium sized enterprises) and how they will each benefit from or be impacted by the proposed deliverable(s).

This portfolio of standards would be designed to meet the needs of different stakeholders in the financial supply chain including institutional investors, fund managers and asset owners, consultants, advisers (IFAs), pension fund trustees, consumers, etc.

The objectives of the proposed programme is to coordinate and enhance ongoing international effort by the global finance industry, national governments, regional and international financial institutions to align the global financial sector with sustainable development (goals). The delivery of this proposal will therefore meet such national and international objectives set by these different actors.

More specifically, the proposal will support national governments in delivering on domestic green finance policies where such policies have been developed.

It will provide assurance to global stakeholders, particularly the users and beneficiaries of financial services and products (including consumers), of the credibility of financial practices.

An expression of commitment from the proposer to provide the committee secretariat if the proposal succeeds.

The UK will provide secretariat for this new TC if the proposal is successful.

Purpose and justification for the proposal. (The purpose and justification for the creation of a new technical committee shall be made clear and the need for standardization in this field shall be justified. Clause C.4.13.3 of Annex C of the ISO/IEC Directives, Part 1 contains a menu of suggestions or ideas for possible documentation to support and purpose and justification of proposals. Proposers should consider these suggestions, but they are not limited to them, nor are they required to comply strictly with them. What is most important is that proposers develop and provide purpose and justification information that is most relevant to their proposals and that makes a substantial business case for the market relevance and the need for their proposals. Thorough, well-developed and robust purpose and justification documentation will lead to more informed consideration of proposals and ultimately their possible success in the ISO IEC system.)

There is strong evidence to support the need for the proposed work programme - from industry research to calls from European and international organizations and communities for a joined-up, holistic approach to sustainable finance (standardization). As no one existing ISO technical committee represents that stakeholder community adequately (and therefore cannot develop the proposed standards within its current scope and expertise) the creation of a new technical committee is necessary to bring together the key stakeholders and deliver a successful programme of standards on the wider subject of sustainable finance. Further evidence of the need for this proposal (based on extensive research and engagement with relevant stakeholders and their international networks) is provided below:

With regard to Sustainable Finance in general and the issue of Sustainability and ESG integration in organizational policies, financial decision-making, services and products (and specifically its Responsible Investment component):

United Nation's Environment Programme (UNEP) have highlighted an urgent need to accelerate the transition to a green economy by better aligning the financial system to the resilience of the real economy[1]. UNEP's global inquiry into the Design of a Sustainable Financial System indicates how the "convergence of national-level innovation with international frameworks, goals and ambitions provides the opportunity to create a new pathway for promoting green finance in the broadest sense".

In 2016 the European Commission appointed a High-Level Expert Group on sustainable finance to elaborate a comprehensive set of recommendations for the financial sector to support the transition to the low-carbon economy. Inspired by their final report (of January 2018) in early March 2018 the Commission proposed an EU strategy on sustainable finance setting out a roadmap for further work and upcoming actions covering all relevant actors in the financial system, and responding to a number of pressing challenges. These include:

- Establishing a common language for sustainable finance, i.e. a unified EU classification system – or taxonomy.
- Creating EU labels for green financial products on the basis of this EU classification system.
- Clarifying the duty of asset managers and institutional investors to take sustainability into account in the investment process and enhance disclosure requirements.
- Requiring insurance and investment firms to advise clients on the basis of their preferences on sustainability.
- Incorporating sustainability in prudential requirements.
- Enhancing transparency in corporate reporting.

Although efforts have been made to incorporate sustainable development into financial services via responsible investment drives and a variety of industry-led initiatives designed to better address ESG practices, there is no work underway yet to meet the challenges and opportunities of sustainable finance *holistically*, through recognized and influential international standards. Thus, there have been calls from global fund managers for the development of international standards covering responsible investment as part of a commitment towards a sustainable finance policy. Examples include Aviva's *How finance can further the sustainable development goals* - https://www.aviva.com/media/thought-leadership/money-talks-how-finance-can-further-sustainable-development-goal/; and file:///C:/Users/daleym/Downloads/Money_Talks_-_How_Finance_Can_Further_the_Sustainable_Development_Goals.pdf

A BSI workshop held in March 2018 with the financial (investment) and sustainability communities identified a number of specific challenges and opportunities where internationally-relevant standardization was needed to promote greater transparency, confidence and help mobilize green and sustainable finance. These included:

- Signalling and trust – standards could be used to create demand for sustainable investments and trust with end-customers, e.g. improved disclosure practices and product labelling could help investor confidence.
- Simplification – there is a need for an agreed set of definitions and common terminology for the industry.
- Build upon and strengthen existing efforts – promote more consistent and reliable integration of sustainability and ESG (environmental, social and governance) practices into investment decision-making.

With regard to Green/Environmental Finance

The global green finance community has also called for standards to address issues of integration of ESG practices into investment decisions, as well as the need for more consistent assessment, reporting and monitoring. Standards are therefore, increasingly seen as enablers of greater comparability within industry, used to inform investment decision-making in complex markets.

A City of London Corporation research report from 2017, 'Globalising green finance: the UK as an international hub' included a key recommendations for the 'promotion of voluntary principles for green finance and ability to measure impact'. The report suggested consistency and confidence from a common set of minimum standards and guiding principles will help remove the risk of 'green washing' and reputational risk to green finance. The research report concluded that there is need for:

- Consistent labelling of green financial products through the development of industry guidelines;
- A common checklist covering the principles, processes and criteria to be completed at the institutional and/or product level;
- Common performance metrics for green impacts and established methodologies, approaches and verification procedures for their calculation.

The final report[2] of the Task Force on Climate-related Financial Disclosures also makes reference for the need for standardization - https://www.fsb-tcfd.org/wp-content/uploads/2017/06/FINAL-TCFD-Report-062817.pdf.

Signature of the proposer

Amanda Richardson, Head of External Policy, BSI

[2] https://www.fsb-tcfd.org/wp-content/uploads/2017/06/FINAL-TCFD-Report-062817.pdf

Annex 1

Standards of relevance to the work of the proposed TC

BS 8900-1, Managing sustainable development of organizations. Guide.
BS 8900-2, Managing sustainable development of organizations. Framework for assessment against BS 8900-1. Specification.
ISO 26000, Guidance on social responsibility
EN ISO 22301, Societal security. Business continuity management systems. Requirements.
BS 76000, Human resource. Valuing people. Management system. Requirements and guidance.
ISO 20400, Sustainable procurement. Guidance.
BS 8904, Community sustainable development. Guidance.
BS 10500, Specification for an anti-bribery management system (ABMS).
BS 65000, Guidance on organizational resilience.
ISO 31000, Risk management. Principles and guidelines.
ISO 22301, Societal security. Business continuity management systems. Requirements.
BS 76000, Human resource. Valuing people. Management system. Requirements and guidance.
ISO 14001, Environmental management systems. Requirements with guidance for use.
ISO 9001, Quality management systems. Requirements.
ISO 14004, Environmental management systems. General guidelines on implementation.
ISO 14051, Environmental management. Material flow cost accounting. General framework.
ISO 14044, Environmental management. Life cycle assessment. Requirements and guidelines.
ISO 14025, Environmental labels and declarations. Type III environmental declarations. Principles and procedures.
BS 8555, Environmental management systems. Phased implementation. Guide.
ISO 14031, Environmental management. Environmental performance evaluation. Guidelines.
PD ISO/TS 14033, Environmental management. Quantitative environmental information. Guidelines and examples.
ISO 19011, Guidelines for auditing management systems.
PAS 2050, Specification for the assessment of the life cycle greenhouse gas emissions of goods and services.
PAS 2070, Specification for the assessment of greenhouse gas emissions of a city.
PAS 2080, Carbon management in infrastructure.
ISO 14064-1, Greenhouse gases. Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals.
ISO 14064-2, Greenhouse gases. Specification with guidance for the validation and verification of greenhouse gas assertions.
PD CEN ISO/TS 14067, Greenhouse gases. Carbon footprint of products. Requirements and guidelines for quantification and communication.
EN 15804, Sustainability of construction works. Environmental product declarations. Core rules for the product category of construction products.
ISO 55000, Asset management. Overview, principles and terminology
ISO 55001, Asset management. Management systems. Requirements
ISO 55002, Asset management. Management systems. Guidelines for the application of ISO 55001
ISO 22222, Personal financial planning. Requirements for personal financial planners