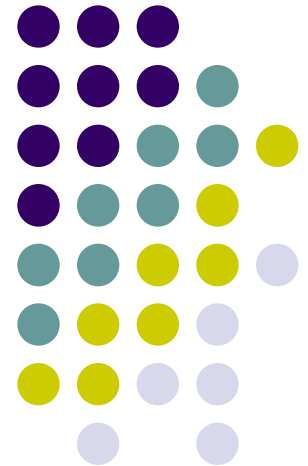


# Role of ISO Standards in Promoting Green Finance and Sustainable Business

**HKQAA Symposium 2018**

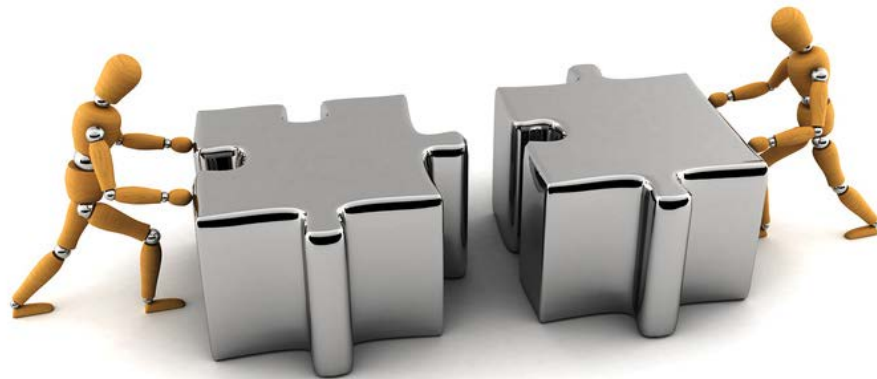
Dr Nigel H Croft

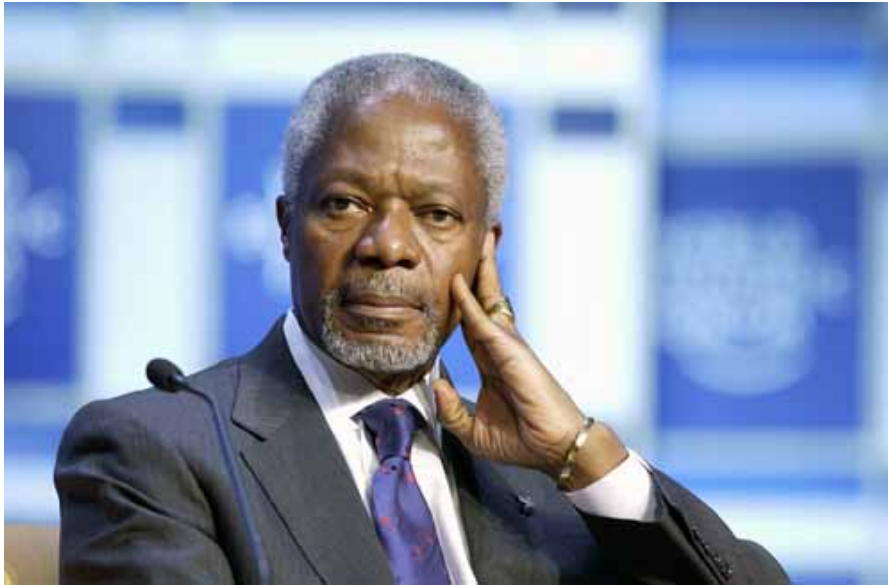




# ISO Mission

- ISO develops high quality voluntary International Standards which facilitate international exchange of goods and services, ***support sustainable and equitable economic growth, promote innovation and protect health, safety and the environment***





## Nobel Peace Prize 2001

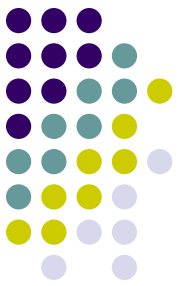
- “ISO standards are crucial to sustainable development as they are key source of technological know how”  
*Kofi Annan,*  
*ISO General Assembly, sept. 2004*

# ISO and Green Bonds



- Three standards currently under development by ISO/TC207/SC 4 (Environmental performance evaluation)
  - ISO 14030-1 “Green Bonds - Environmental performance of nominated projects and assets”
  - ISO 14030-2 “Green Bonds - Taxonomy of eligible investment categories”
  - ISO 14030-3 “Green Bonds - Verification requirements”
- HKQAA is an active participant





# Green debt instruments

[Taken from WD2 of ISO 14030]

- Used to enhance and promote financing of environmental improvements
  - Include but not limited to green bonds.
  - Green bonds used to allocate funds towards projects and assets that can result in potential environmental benefits such as aligning with global climate goals and conserving natural resources.
  - However, investors' expectations as to what is "green" can vary greatly and change over time.

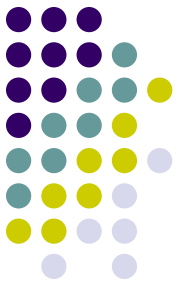
# Scope of ISO 14030 standards



- Cover Green Bonds and various types of fixed-income investments, but not equity products
- Social impacts may be considered, but main focus is on environment (including, but not limited to climate change)
- Green is not equivalent to “sustainable”
- Not acceptable to designate a bond as “green” if it finances assets/projects that are not “green”
- Environmental indicators may be qualitative, but preferably quantitative

# Some working definitions\*

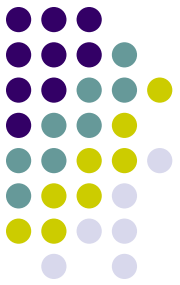
\* Subject to change



- Green
  - “set of attributes that demonstrates a net environmental benefit”
- Environmental goals [of a bond’s underlying assets]
  - environmental issues and/or policy goals towards which the underlying assets seek to contribute. Can include:
    - climate change mitigation
    - climate adaptation
    - healthy natural habitats including protected and enhanced biodiversity
    - water resource management and conservation
    - waste minimisation (reuse of waste and circular economy)
    - pollution prevention and control

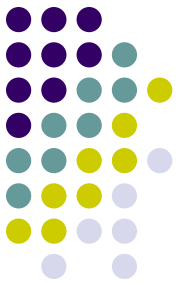
# ISO 14030-1

- Expands on the International Capital Market Association's Green Bond Principles and addresses.....
  - eligibility criteria for the use of proceeds;
  - process for nomination of projects and assets;
  - management of proceeds;
  - expected environmental impacts;
  - reporting





# ISO 14030-1 (Performance)



- Provides specific requirements and guidance for the issuance and verification of green bonds.
  - common framework for designating a bond as green.
  - provide clarity in the marketplace and improve the credibility of bonds designated as green.
- Considers two key phases:
  - At pre-issuance stage investors want to know that an issuer has followed an appropriate process for designating a bond as green and that the nominated projects and assets have the potential to deliver positive environmental outcomes.
  - After green bonds have been issued, investors seek confirmation that the net proceeds have been allocated to eligible green projects.

# ISO 14030-2 ("Taxonomy")



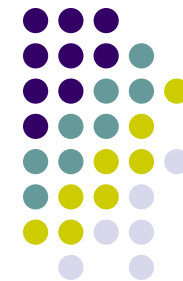
- Classification of eligible investment projects:
  - Categories that are green “by default”; (e.g. wind, marine, tidal and solar photovoltaic renewable energy power plants)
  - Green by meeting category qualification (e.g. Renewable energy power plants using biomass, biogas and bioliquid, but EXCLUDING PEAT)
  - Bond issuer-defined categories that pass a process test with screening criteria such as:
    - Climate change mitigation / increases in GHG sequestration
    - Climate adaptation
    - Healthy natural habitats, including biodiversity
    - Water resource management and conservation
    - Waste minimisation (reuse of waste and circular economy)
    - Pollution prevention and control (air, land, water and sea)

# ISO 14030-3 (Verification)



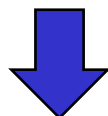
- Requirements for verification scheme owners and conformity assessment bodies
- Requires pre-issuance verification engagement and at least one post-issuance verification engagement.
- Refers to:
  - ISO 14065 (Requirements for bodies verifying and validating environmental information)
  - ISO/IEC 17030 (General requirements for third party marks of conformity), for those verification scheme operators who choose to issue marks of conformity (e.g. labels).

# How the parts of ISO 14030 fit together



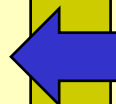
**ISO 14030-1** Assessment of nominated projects/assets and reporting of performance

**ISO 14030-2** Eligible investment categories (“taxonomy”); eligibility and performance criteria



- 1) Assessment process resulting in a list of eligible investment products to be nominated for funding [and anticipated allocation of bond proceeds]
- 2) Anticipated tracking and management
- 3) Pre-environmental performance (EP) plan and Post-EP documentation
- 4) Pre- and Post-issuance performance reports

- 1) Eligible investment categories
- 2) Eligibility criteria
- 3) Potential performance metrics

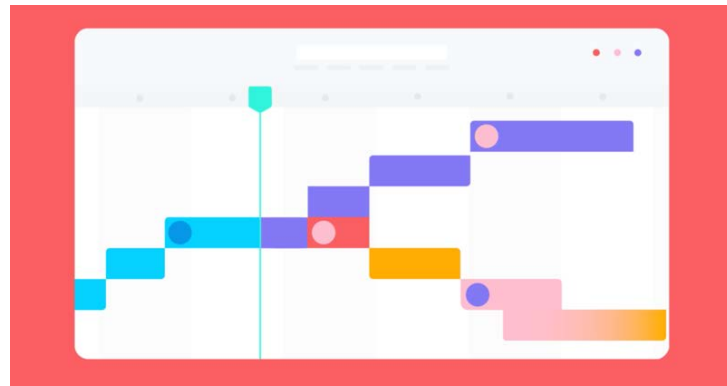


External review engagement type consistent with needs of intended user

**ISO 14030-3** External review of pre- and post-issuance assertions within performance reports



# Timeline



- Initial working group meeting held Dec 2017
  - Working Draft developed
- Currently preparing Committee Draft
  - Comments due by Sept 2018
- Draft International scheduled Feb 2019
  - Three-month ballot period
- Publication scheduled for November 2019

# The role of other standards in the context of Sustainable Development Goals

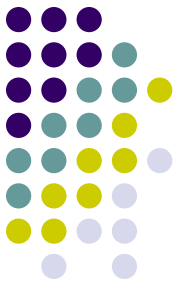


## Joint UNIDO, IEC, ISO and ITU (World Standards Cooperation) brochure highlights

- Goals of Standards
- Development of standards
- How standards can support achieving the 2030 development agenda
- How international standards can support the implementation of specific SDGs

[https://www.unido.org/fileadmin/user\\_media\\_upgrade/What\\_we\\_do/Topics/Quality\\_and\\_compliance/SDG\\_Standards\\_2.pdf](https://www.unido.org/fileadmin/user_media_upgrade/What_we_do/Topics/Quality_and_compliance/SDG_Standards_2.pdf)

# UN 2030 Sustainable Development Goals



**THE GLOBAL GOALS**  
For Sustainable Development

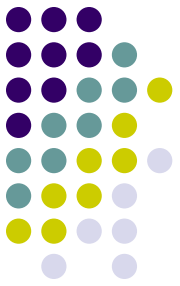
In Nov 2015, World Leaders committed to 17 Global Goals to achieve 3 extraordinary things in the next 15 years.

**End extreme poverty.  
Fight inequality & injustice.  
Fix climate change.**

The Global Goals for sustainable development could get these things done. In all countries. For all people.

<https://sustainabledevelopment.un.org/?menu=1300>

# Some other recent ISO standards

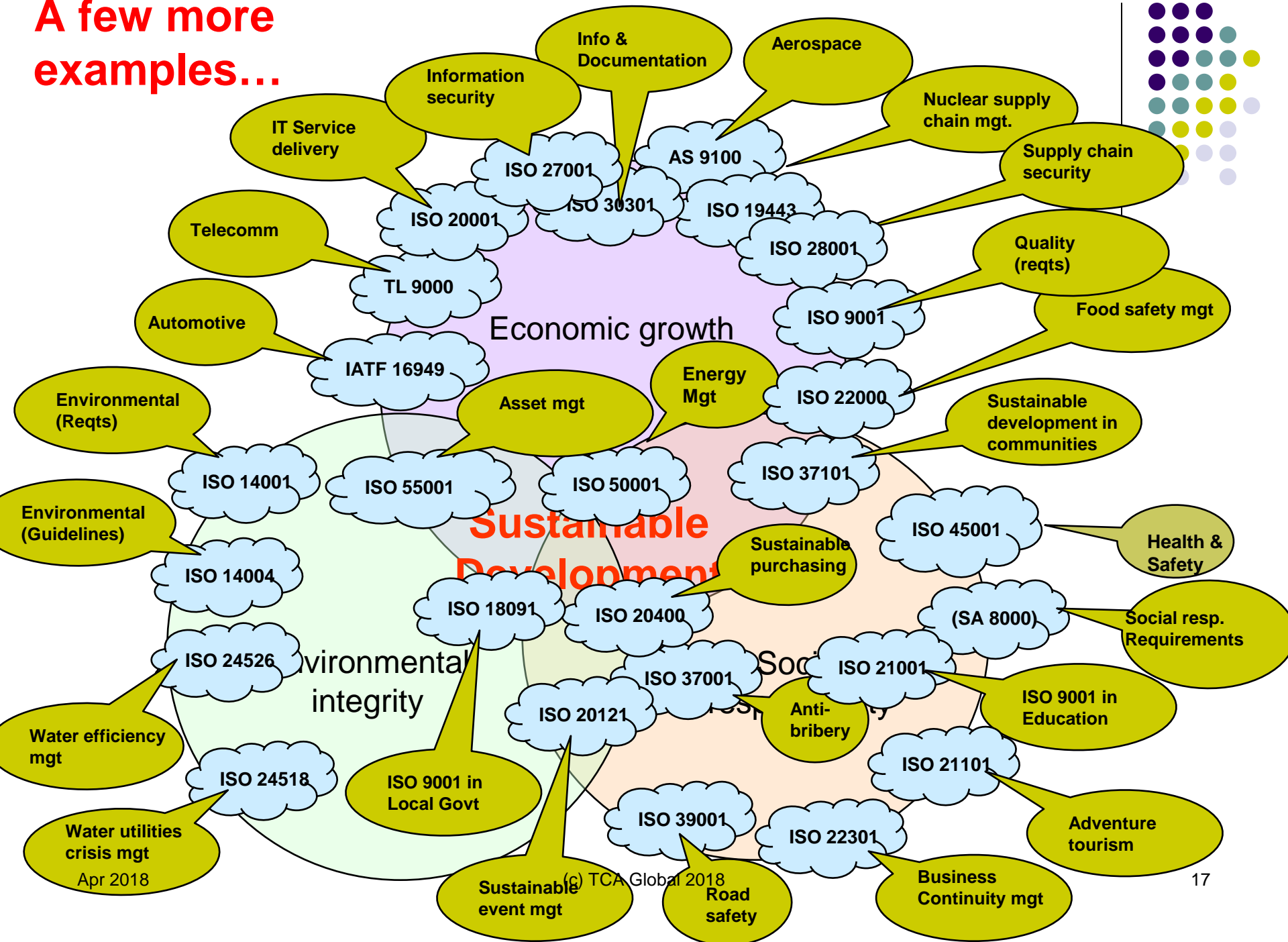


- New or revised standards on wide range of sustainability-related topics
  - ISO 14001 Environment (Revised 2015)
  - ISO 45001 Health & Safety (published 2018)
  - ISO 50001 Energy (under revision)
  - ISO 20400 Sustainable procurement
  - ISO 20121 Event sustainability
  - ISO 37001 Anti-bribery
  - ISO 50501 Innovation (under development)
- ISO “Annex SL” structure and core content for management system standards (2012)
  - Currently 45 ISO management system standards (30 based on Annex SL)

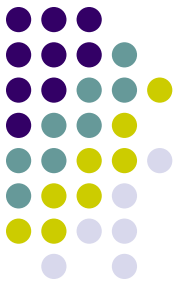




# A few more examples...



# Conclusions



- ISO has a whole range of standards to support sustainable development:
  - Quality
  - Environment
  - Health & Safety
  - Energy
  - Corporate responsibility
  - Sustainable purchasing
  - .....and now for Green bonds
- Use the standards wisely, and they can help to promote HK's sustainability initiatives



# THANK YOU!

[nhc@tcaglobal.org](mailto:nhc@tcaglobal.org)

