
**Environmental performance
evaluation — Green debt
instruments —**

**Part 2:
Process for green loans**

*Évaluation de la performance environnementale — Titres de créance
verts —*

Partie 2: Processus pour les crédits verts



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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 207, *Environmental management*, Subcommittee SC 4, *Environmental performance evaluation*.

A list of all parts in the ISO 14030 series can be found on the ISO website.

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

Green debt financing has become an important tool to provide funding to meet growing environmental challenges. For financial and other institutions which offer loans, the designation as “green” can be used to finance projects, assets and supporting expenditures that result in potential environmental benefits such as aligning with global climate goals, protecting the environment and conserving natural resources. For lenders, borrowers and intermediaries, green loans are an attractive option with growing market appeal.

The growth in demand for green investments has also led to concerns over “greenwashing”, i.e. intended or inadvertent misrepresentation of green-related attributes. However, the clear, consistent, robust and transparent assessment, management and reporting of positive and negative impacts can offer confidence and reassurance to investors and other interested parties.

This document expands on the Loan Market Association’s Green Loan Principles^[13] by offering specific requirements and guidance for the eligibility of green loans. The intended result is to provide clarity on, and improve the credibility of, green loans. Like ISO 14030-1, this is achieved by setting requirements for the allocation of funds to projects, assets and supporting expenditures and for requiring reporting on actual or expected impacts.

The following elements of the process for issuing and managing a green loan have been drawn from the process defined within ISO 14030-1 and the Green Loan Principles with a view to promoting consistency across debt instruments:

- use of proceeds;
- process for evaluation and selection;
- management of proceeds;
- reporting.

This document also provides specific requirements for lender and borrower responsibilities related to additional documentation, loan refinancing and reporting.

The process for green loans is similar to ISO 14030-1. Both focus on the elements of green financing: the use of proceeds, the process for project evaluation and selection, the management of proceeds, and reporting.

Figure 1 outlines the relationship between the four parts of the ISO 14030 series.

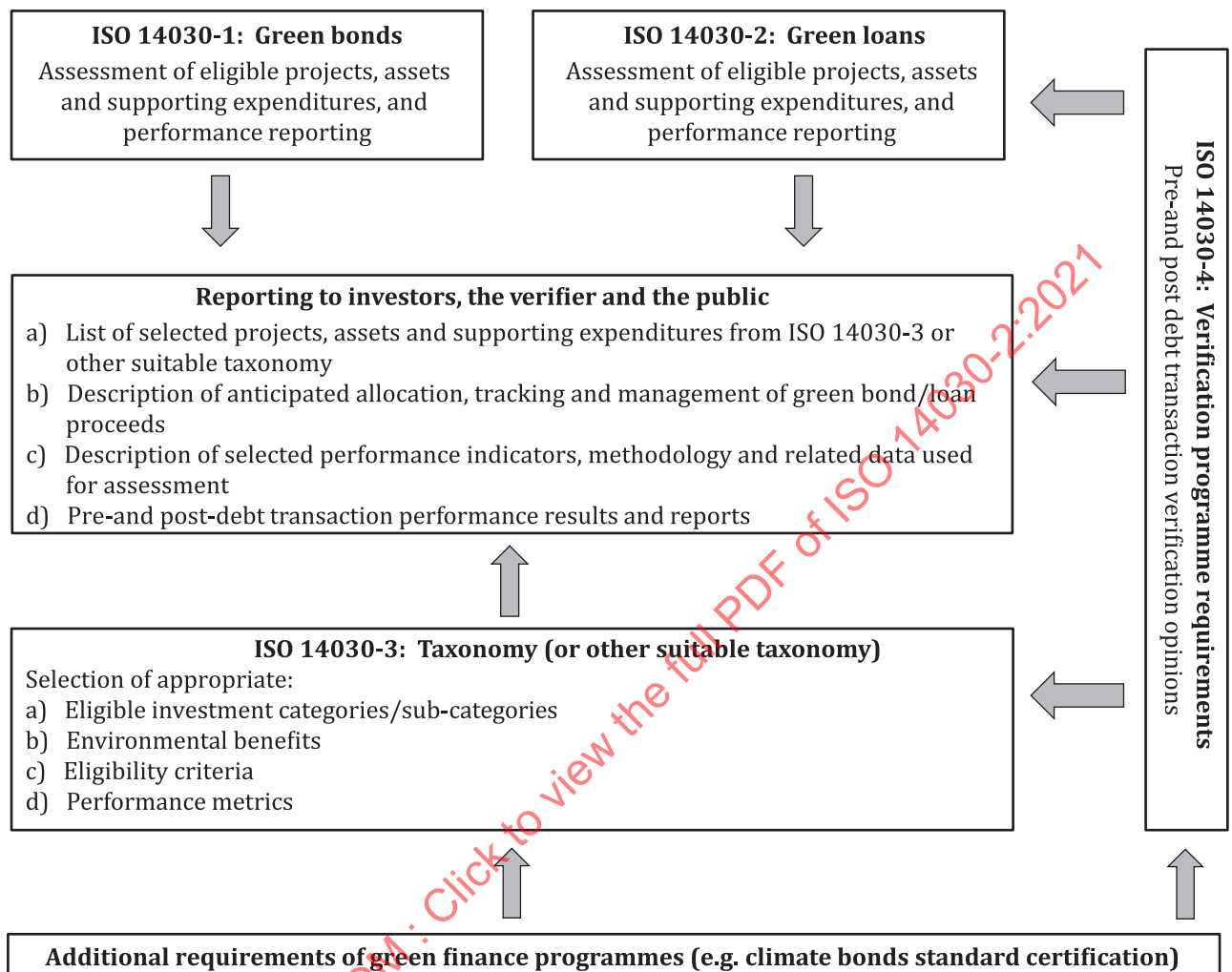


Figure 1 — Relationship between the parts of the ISO 14030 series

In this document:

- “shall” indicates a requirement;
- “should” indicates a recommendation;
- “may” indicates a permission;
- “can” indicates a possibility or a capability.

Information marked “NOTE” is for guidance in understanding or clarifying the associated requirement.

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Environmental performance evaluation — Green debt instruments —

Part 2: Process for green loans

1 Scope

This document establishes principles, specifies requirements and gives guidelines:

- for designating as “green” loans which finance eligible projects, assets and supporting expenditures;
- for managing and reporting on the use of proceeds;
- for defining, monitoring and reporting on the environmental impacts;
- for reporting to interested parties;
- for validation and verification.

This document is applicable to any borrower seeking financing by way of a green loan for eligible green projects, assets and supporting expenditures. It is also applicable to lenders.

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 Terms related to debt instruments

3.1.1 debt instrument

obligation that enables a party to raise funds by promising to repay a *lender* (3.1.6) in accordance with the terms of a contract

3.1.2 green debt instrument

debt instrument (3.1.1) whose net proceeds or an amount equivalent to the net proceeds will be exclusively applied to finance or refinance in part or in full new or existing eligible projects, assets and supporting expenditures

3.1.3 borrower

person or entity who has contracted a *loan* (3.1.4)

3.1.4

loan

money lent, usually at interest, by one or more *lenders* (3.1.6) to a *borrower* (3.1.3) for a limited period

3.1.5

green loan

loan (3.1.4) whose net proceeds will be exclusively applied to finance or refinance, in part or in full, new or existing eligible projects, assets and supporting expenditures

3.1.6

lender

institution or other entity that makes funds available to a *borrower* (3.1.3), with the expectation that those funds will be repaid

Note 1 to entry: For the purposes of this document, the term “lender” is generic and includes all financial organizations that make loans to individuals, small- and medium-sized enterprises, independently to the investees.

Note 2 to entry: “Lenders” include, without limitation, chartered banks, insurance companies, cooperative banks, crowdfunding companies, revolving credit companies, Islamic banks, individuals and solidarity-based finance providers.

3.1.7

standardized green loan

green loan (3.1.5) provided on standard terms and conditions, typically made available to *borrowers* (3.1.3) with limited size and resources

3.1.8

specialized green loan

green loan (3.1.5) provided on bespoke terms and conditions, where the *borrower* (3.1.3) has the resources to assess the eligibility of a proposed project, asset and supporting expenditure

3.2 Terms related to environmental objectives and performance of projects, assets and supporting expenditures

3.2.1

objective

result to be achieved

[SOURCE: ISO 14001:2015, 3.2.5, modified — The notes to entry have been deleted.]

3.2.2

environment

surroundings in which an organization operates, including air, water, land, natural resources, flora, fauna, humans and their interrelationships

Note 1 to entry: For the purposes of this document, the phrase “in which an organization operates” is understood as “inherent to or affected directly or indirectly by the eligible projects, assets and supporting expenditures of the loan or other debt instruments.”

[SOURCE: ISO 14001:2015, 3.2.1, modified — Notes 1 and 2 to entry have been deleted and a new Note 1 to entry has been added.]

3.2.3

environmental objective

objective (3.2.1) set by the *borrower* (3.1.3) or *lender* (3.1.6) that relates to the *environment* (3.2.2)

3.2.4**environmental performance**

performance related to the management of *environmental aspects* (3.2.9)

[SOURCE: ISO 14001:2015, 3.4.11, modified — Note 1 to entry has been deleted.]

3.2.5**impact**

change that can be adverse or beneficial

[SOURCE: ISO 15392:2019, 3.17, modified — The words “result of a change or existing condition” have been replaced with “change” and the words “may be adverse, neutral or beneficial” have been replaced with “can be adverse or beneficial”.]

3.2.6**environmental impact**

impact (3.2.5) to or conservation of the *environment* (3.2.2), wholly or partially resulting from eligible projects, assets and supporting expenditures

3.2.7**outcome**

change resulting from the use of the output from a project, asset and supporting expenditure

[SOURCE: ISO 21502:2020, 3.13, modified — “asset and supporting expenditure” has been added.]

3.2.8**natural capital**

stock of renewable and non-renewable natural resources (e.g. plants, animals, air, water, soils, minerals) that combine to yield a flow of benefits to people

[SOURCE: Natural Capital Coalition^[15]]

3.2.9**environmental aspect**

element of an organization’s activities or products or services that interacts or can interact with the *environment* (3.2.2)

Note 1 to entry: An environmental aspect can cause (an) *environmental impact(s)* (3.2.6). A significant environmental aspect is one that has or can have one or more significant environmental impact(s).

Note 2 to entry: Significant environmental aspects are determined by the organization applying one or more criteria.

[SOURCE: ISO 14001:2015, 3.2.2]

3.2.10**prevention of pollution**

use of *processes* (3.3.3), practices, techniques, materials, products, services or energy to avoid, reduce or control (separately or in combination) the creation, emission or discharge of any type of pollutant or waste, in order to reduce adverse *environmental impacts* (3.2.9)

Note 1 to entry: Prevention of pollution can include source reduction or elimination; process, product or service changes; efficient use of resources; material and energy substitution; reuse; recovery; recycling, reclamation; or treatment.

[SOURCE: ISO 14001:2015, 3.2.7]

3.3 Terms related to performance evaluation

3.3.1

indicator

quantitative, qualitative or binary variable that can be measured or described, representing the status of operations, management, conditions or impacts

[SOURCE: ISO 14031:2021, 3.4.1]

3.3.2

monitoring

determining the status of a system, a *process* (3.3.3) or an activity

[SOURCE: ISO 14001:2015, 3.4.8, modified — Note 1 to entry has been deleted.]

3.3.3

process

set of interrelated or interacting activities which transforms inputs into outputs

[SOURCE: ISO 14001:2015, 3.3.5, modified — Note 1 to entry has been deleted.]

3.3.4

validation

process (3.3.3) for evaluating the reasonableness of the assumptions, limitations and methods that support a statement about the outcome of future activities

[SOURCE: ISO 14065:2020, 3.3.16]

3.3.5

verification

process (3.3.3) for evaluating a statement of historical data and information to determine if the statement is materially correct and conforms to criteria

[SOURCE: ISO 14064-3:2019, 3.6.2]

3.3.6

verifier

competent and impartial person with responsibility for performing and reporting on a *verification* (3.3.5)

[SOURCE: ISO 14064-3:2019, 3.2.6]

4 Principles

4.1 Transparency

Reports and communication on the environmental aspects are based on an open, comprehensive and understandable presentation of information.

4.2 Accuracy

Bias and uncertainties are reduced as far as is practical.

4.3 Completeness

All relevant information is included.

4.4 Relevance

Information and data are selected that are appropriate to the needs of the intended user.

4.5 Robustness

Organizations use appropriate methodological approaches and information sources grounded in the latest science to support their decision-making and environmental actions. Acknowledgement of uncertainties is recognized as a particularly valuable contribution to decision-making.

4.6 Accountability

Organizations acknowledge and assume responsibility for their positive and negative environmental aspects and assessment processes. They accept appropriate scrutiny and also accept a duty to respond to this scrutiny.

4.7 Precautionary principle

Significant risks to the environment, natural habitats, biodiversity, and human health and welfare are avoided, reduced and mitigated.

5 Eligibility requirements

5.1 General

Projects, assets and supporting expenditures that meet the eligibility criteria described in ISO 14030-3 or other suitable taxonomy are eligible to be funded by a green loan. For projects, assets and supporting expenditures not described in ISO 14030-3 or other suitable taxonomy, eligibility shall be determined in accordance with [6.3](#) or [7.3](#). A borrower or lender shall explain its selection of a suitable taxonomy.

NOTE Guidance on the selection of a suitable taxonomy is provided in [Annex A](#).

All eligible projects, assets and supporting expenditures shall positively contribute to at least one environmental objective, which shall be identified. Where practicable, the extent to which the projects, assets and supporting expenditures contribute to environmental objective(s) shall be quantified by the borrower or lender, as applicable. The borrower or lender, as applicable, shall only allocate proceeds to projects, assets and supporting expenditures where significant environmental aspects are managed and significant negative environmental impacts are mitigated.

The fulfilment of a primary objective of eligible projects, assets and supporting expenditures should not significantly conflict with other environmental objectives (see [6.2](#)).

In the case of the selection of new or replacement projects, assets and supporting expenditures taking place during the life of the loan, the lender or borrower shall undertake the same identification and quantification process with the results being disclosed in subsequent lending reports (see [6.8.4](#) and [7.5.4](#)).

5.2 Environmental objectives

Environmental objectives can include, but are not limited to:

- climate change mitigation;
- climate change adaptation;
- sustainable use and protection of water and marine resources;
- transition to a circular economy, waste prevention and recycling;

- control and prevention of pollution;
- protection and restoration of ecosystems.

Objectives should be qualitatively or quantitatively measurable.

6 Standardized green loan requirements

6.1 Use of proceeds

The lender of a standardized green loan shall establish, document, implement and maintain a process for evaluating and selecting eligible projects, assets and supporting expenditures.

The borrower shall allocate an amount equivalent to the net proceeds of any standardized green loan to eligible projects, assets and supporting expenditures that meet the eligibility requirements of this document.

6.2 Project evaluation and selection

The lender shall evaluate the environmental impact of each project, asset and supporting expenditure, considering the relevant environmental objectives (see 5.2), including possible interactions among them. The precautionary principle shall be considered in the evaluation of the project, asset and supporting expenditure.

The process for evaluation and selection shall include:

- a) setting one or more environmental objectives for projects, assets and supporting expenditures financed or refinanced by the standardized green loan (see 5.2);
- b) developing a list of projects, assets and supporting expenditures, or categories for allocation of the amount equivalent to the net proceeds;
- c) selecting a suitable taxonomy to which the projects, assets and supporting expenditures shall conform.

NOTE Guidance on the selection of a suitable taxonomy is provided in [Annex A](#).

6.3 Eligibility process test

6.3.1 Projects, assets and supporting expenditures description

The lender shall apply an eligibility process test to determine the eligibility of projects, assets and supporting expenditures that are not described within ISO 14030-3 or a suitable alternative taxonomy. For the proposed projects, assets and supporting expenditures, the lender shall document the following:

- a) the scope;
- b) the need for adding the projects, assets and supporting expenditures to the taxonomy;
- c) necessary terms and definitions;
- d) positive contribution to at least one environmental objective;
- e) environmental risks or negative environmental impacts;
- f) project exclusion(s), where applicable;
- g) a methodology for identifying, assessing, monitoring, managing and reporting on environmental impacts, risks and exclusions.

The results of the evaluation of items a) to g) shall be documented.

6.3.2 Development of eligibility criteria

The lender shall develop eligibility criteria for the proposed projects, assets and supporting expenditures.

6.3.3 Validation of eligibility

The lender shall obtain an independent validation of the eligibility of the proposed projects, assets and supporting expenditures.

6.4 Requirements for eligible projects, assets and supporting expenditures

The lender shall establish documentation for standardized green loan products to describe:

- a) the environmental benefits provided by the projects, assets and supporting expenditures;
- b) the project, assets and supporting expenditures which can be financed, with the minimum and maximum amount;
- c) how the borrower can access the standardized green loan;
- d) the duration of the loan, the starting point and the end point of the standardized green loan;
- e) instances where public subsidies are applied due to the environmental benefits achieved and the duration of these;
- f) the metrics used to evaluate the environmental benefits;
- g) environmental benefit units (e.g. kgCO₂e reduced).

NOTE The environmental statements and reports issued in accordance with ISO 14034 (ETV) can be used to identify the metrics for evaluating the environmental benefits.

The lender shall ensure the eligibility of all the standardized green loans it transacts, and a verification process shall be implemented. The lender shall maintain an up-to-date record of the outstanding standardized loans and the associated projects, assets and supporting expenditures during the term of the standardized loan.

The borrower shall not allocate proceeds to eligible projects, assets and supporting expenditures to which proceeds have been allocated under another green loan, unless this is to separate and distinguish portions of the eligible projects, assets and supporting expenditures identified by the borrower.

6.5 Time frame for allocation of green standardized loan

The proceeds of the loan shall be allocated to eligible projects, assets and supporting expenditures as soon as practicable.

6.6 Refinancing

In the case of refinancing, the lender shall ensure the standardized green loans can be identified in a portfolio. The borrower should provide information related to its own green project, asset and supporting expenditure to the lender.

6.7 Management of proceeds

The outstanding amounts of standardized green loans shall be tracked by the lender in an appropriate manner to maintain transparency and promote the integrity of the debt instrument.

Borrowers should establish an internal governance process through which they can track the allocation of funds towards green projects.

6.8 Reporting

6.8.1 General

The borrower shall make and keep available up-to-date information on the use of proceeds.

This information shall be reviewed at least annually until full allocation, and on a timely basis in the event of material developments.

NOTE Material developments can include, but are not limited to, early repayment, change of control or acquisition, change of name, changes to the eligibility of assets and projects, as well as any material amendments, supplements and other updates to deal documents, including during the life of the debt instrument (including any winding up process or enforcement).

6.8.2 Environmental performance indicators

The lender shall identify significant environmental aspects associated with a project, asset and supporting expenditure, and shall characterize their impact.

Borrowers with the ability to monitor achieved impacts shall include those in their reporting.

NOTE Guidance on planning for the collection of quantitative environmental information is provided in ISO 14033.

6.8.3 Reporting prior to lending

The lender shall make available to the borrower the following information prior to the standardized green loan being closed:

- a) categories of eligible green projects, assets and supporting expenditures;
- b) the methods and eligibility criteria (quantitative or qualitative) for assessment of eligible projects, assets and supporting expenditures in accordance with [6.2](#);
- c) the frequency for which reporting is required on performance indicators and metrics associated with the environmental impacts of funded projects and assets during the term of the standardized green loan.

6.8.4 Reporting after lending

The lender shall maintain and make available the results from environmental performance indicators as provided in the specified taxonomy describing projects, assets and supporting expenditures prior to the standardized green loan being closed.

Where applicable and possible, borrowers or lenders can calculate the contribution to natural capital conservation, restoration or enhancement through a monetary valuation of environmental impacts and related aspects.

NOTE Examples of contributions are found in the Natural Capital Protocol^[15] and in ISO 14008.

6.9 Verification

When claiming conformity to this document for standardized green loans, the lender shall ensure that conformity to the requirements of this document have been verified.

7 Specialized green loan requirements

7.1 Use of proceeds

The borrower of a specialized green loan shall establish, document, implement and maintain a process for evaluating and selecting eligible projects, assets and supporting expenditures. The borrower shall then attribute an amount equivalent to the net proceeds of any specialized green loan to eligible projects, assets and supporting expenditures that meet the eligibility requirements of this document.

7.2 Project evaluation and selection

The borrower shall evaluate the environmental impact of each project, asset and supporting expenditure, considering the relevance of environmental objectives (see 5.2), including possible interactions among them. The precautionary principle in 4.7 shall be considered in the evaluation of the project, asset and supporting expenditure.

The process for evaluation and selection shall include:

- a) setting one or more environmental objectives for projects, assets and supporting expenditures financed or refinanced by the green loan (see 5.2);
- b) developing a list of eligible projects or categories for allocation of the amount equivalent to the net proceeds;
- c) determining whether the projects, assets and supporting expenditures conform to eligibility criteria and fit within the taxonomy of green projects, assets and supporting expenditures defined in ISO 14030-3 or a suitable taxonomy selected by the borrower.

NOTE Guidance on the selection of a suitable taxonomy is provided in [Annex A](#).

If not using ISO 14030-3, the borrower shall explain its selection of a suitable taxonomy.

Suitable taxonomies are: public or private initiatives; publicly available; locally appropriate; accepted nationally, regionally or internationally; commonly acknowledged by market participants; and aligned with the principles presented in [Clause 4](#).

Where projects, assets and supporting expenditures are not described within ISO 14030-3 or a suitable alternative taxonomy, the borrower shall fulfil the requirements of [7.3](#).

7.3 Eligibility process test

7.3.1 Projects, assets and supporting expenditures description

The borrower shall apply an eligibility process test to determine the eligibility of projects, assets and supporting expenditures that are not described within ISO 14030-3 or a suitable alternative taxonomy. For the proposed projects, assets and supporting expenditures, the borrower shall document the following:

- a) the scope of the proposed projects, assets and supporting expenditures;
- b) the need for adding the projects, assets and supporting expenditures to the taxonomy;
- c) necessary terms and definitions;
- d) a methodology for identifying environmental impacts, risks and exclusions;
- e) positive environmental impacts resulting from projects, assets and supporting expenditures;
- f) environmental risks or negative impacts resulting from projects, assets and supporting expenditures;

g) any exclusion criteria that have been applied.

The results of the evaluation of items a) to g) shall be documented.

7.3.2 Proposed projects, assets and supporting expenditures eligibility criteria

The borrower shall develop eligibility criteria for the proposed projects, assets and supporting expenditures.

7.3.3 Validation of eligibility

The borrower shall obtain an independent validation of the eligibility of the proposed projects, assets and supporting expenditures.

7.4 Management of proceeds

7.4.1 Allocation of net proceeds

The borrower shall allocate an amount equivalent to 100 % of the net proceeds to eligible projects, assets and supporting expenditures as soon as practicable, but before the maturity of the specialized green loan. The borrower shall maintain an up-to-date list of allocated projects, assets and supporting expenditures during the term of the loan.

The borrower shall not allocate proceeds to eligible projects, assets and supporting expenditures to which proceeds have been allocated under another specialized green loan unless this is to separate distinct portions of the eligible projects, assets and supporting expenditures identified by the borrower.

7.4.2 Tracking of proceeds

The amount equivalent to the net proceeds of the specialized green loan should be credited to a sub-account, moved to a sub-portfolio, or otherwise tracked by the borrower in a systematic manner. This shall be documented in the appropriate internal process and procedures.

The borrower shall establish, implement and maintain a process for tracking the net proceeds or an amount equivalent to the net proceeds of each specialized green loan. The borrower shall track, as applicable:

- a) net proceeds or an amount equivalent to the net proceeds;
- b) unallocated proceeds;
- c) allocation of net proceeds or an amount equivalent to the net proceeds to eligible projects, assets and supporting expenditures.

7.4.3 Managing unallocated proceeds

While the specialized green loan remains outstanding, the balance of the tracked proceeds or an amount equivalent to the net proceeds shall be periodically adjusted to match allocations to eligible projects, assets and supporting expenditures. Pending the allocation of such balances to eligible projects, assets and supporting expenditures, unallocated proceeds should be held in:

- a) temporary investment instruments that are assets with high liquidity and safety, such as cash, cash equivalent instruments, or short-term financial assets, within a treasury function; or
- b) temporary placements that do not include projects, assets and supporting expenditures that are inconsistent with the nature of a green loan.

The borrower shall make available to lenders the intended types of temporary placement for the balance of unallocated proceeds.

7.4.4 Refinancing

In the case of refinancing eligible projects, assets and supporting expenditures where funds are to be used, in whole or part, for refinancing, the borrower should provide an estimate of the share of financing versus refinancing. Where appropriate, the borrower should also clarify which investments or project portfolios can be refinanced and, to the extent relevant, the expected look-back period for refinanced green projects.

7.4.5 Nonconformity with allocation of proceeds

In the event that net proceeds from the loan are not allocated to eligible projects, assets and supporting expenditures, the borrower shall disclose the nonconformity to the lender. The lender should remove any green designation from the loan upon disclosure of the nonconformity.

7.5 Reporting

7.5.1 General

The borrower shall make available to any lender up-to-date information on the use of proceeds.

The borrower should renew this information at least annually until fully drawn, and on a timely basis in the event of material developments.

7.5.2 Environmental performance indicators

The borrower shall identify significant environmental aspects associated with a project, asset and supporting expenditure, and shall characterize their impact.

Lenders and borrowers with the ability to monitor achieved impacts should include those in their reporting.

NOTE Guidance on planning for the collection of quantitative environmental information is provided in ISO 14033.

7.5.3 Information for lenders

Borrowers should make the following available to potential lenders and, where appropriate, to other interested parties:

- a) their environmental objectives;
- b) categories of eligible green projects, assets and supporting expenditures;
- c) the methods and eligibility criteria (quantitative or qualitative) for assessment of eligible projects, assets and supporting expenditures in accordance with [7.2](#);
- d) expected results from environmental performance indicators as provided in ISO 14030-3 or other suitable taxonomy;
- e) the frequency for which reporting on performance indicators and metrics associated with the environmental impacts of funded projects and assets during the term of the specialized green loan.

7.5.4 Reporting after lending

7.5.4.1 Update reports

The borrower shall prepare an update report at least annually while the specialized green loan remains outstanding. Borrowers shall provide an update report to lenders on a timely basis in case of material developments.