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Date: 20 June 2025

Origin: International

Latest date for receipt of comments: 13 August 2025

Project No. 2025/01159

Responsible committee: SFS/1 Sustainable Finance

Interested committees:

Title: Draft BS ISO 32212 Sustainable finance — Net zero transition planning for financial institutions.

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Introduction

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Template for comments and secretariat observations

Date: xx/xx/20xx	Document: ISO/DIS xxxx
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1	2	(3)	4	5	(6)	7
MB	Clause No./ Subclause No./Annex (e.g. 3.1)	Paragraph/ Figure/Table/Note	Type of comment	Comment (justification for change) by the MB	Proposed change by the MB	Secretariat observations on each comment submitted
	3.1	Definition 1	ed	Definition is ambiguous and needs clarifying.	Amend to read '...so that the mains connector to which no connection...'	
	6.4	Paragraph 2	te	The use of the UV photometer as an alternative cannot be supported as serious problems have been encountered in its use in the UK.	Delete reference to UV photometer.	



DRAFT International Standard

ISO/DIS 32212

Sustainable finance — Net zero transition planning for financial institutions

ICS: 13.020.20; 03.060

ISO/TC 322

Secretariat: **BSI**

Voting begins on:
2025-06-20

Voting terminates on:
2025-09-12

This document is circulated as received from the committee secretariat.

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Reference number
ISO/DIS 32212:2025(en)

Full document details: 25/30512899 DC

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Published in Switzerland

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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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This document was prepared by Technical Committee ISO/TC 322 Sustainable Finance.

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 General

This document specifies requirements and recommendations that enable finance sector institutions to implement and maintain credible processes for net zero transition planning in order to respond to, and contribute towards, the transition to a global net zero and climate resilient economy. This document builds on existing guidance and will help to ensure financial institutions transition in a manner that is consistent with the goals of the Paris Agreement,^[23] specifically in their risk management and financing activities. In setting out these requirements, this document supports the development of a resilient financial system that captures opportunities, minimizes future risks and protects and enhances long-term value.

The Paris Agreement is centred on the ambition of holding the increase in the global average temperature to well below 2 °C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1,5 °C. This ambition sits alongside increasing the ability to adapt to the adverse effects of climate change and foster climate resilience. Specifically related to finance, the Agreement references making finance flows consistent with a pathway towards low greenhouse gas (GHG) emissions and climate resilient development as the goal to be realized in the context of sustainable development and poverty eradication. ([Article 2](#)). COP26 in Glasgow reaffirmed the goals of the Paris Agreement highlighting that every increment of global warming beyond 1,5 °C intensifies the risks and impacts associated with climate change. The associated Glasgow Climate Pact,^[107] emphasized the critical role of scaling up private finance in achieving global climate goals.

02 Relationship to the Paris Agreement – balancing credibility and flexibility

The Paris Agreement^[23] explicitly acknowledges the balance between ensuring credible climate transition actions and accommodating national circumstances. Article 2.2 states that its implementation must reflect equity and the principle of common but differentiated responsibilities and respective capabilities in the light of different national circumstances thereby allowing flexibility for developing countries.

Nationally Determined Contributions (NDCs) reflect this approach describing climate plans that outline a country's mitigation, adaptation, finance and technology needs, and impacts from response measures, thereby acting as the foundation for implementing the Paris Agreement. NDCs (and jurisdictional transition and adaptation planning and associated sector pathways and technology roadmaps) accordingly provide reference points for financial institutions in developing their transition planning. The OECD (2024)^[62] considers finance as a critical enabler underpinning the implementation of NDCs that can also facilitate enhanced ambition.

The Enhanced Transparency Framework (ETF) (UNFCCC, 2022)^[99] builds on existing reporting and review processes established in the Paris Agreement specifically addressing ongoing concerns around credibility and flexibility in a way that is respectful of national sovereignty. The G20 (2024)^[90] also acknowledge the challenge for organizational transition planning in balancing credibility and consistency with the need to remain flexible as organizations align their own planning with jurisdiction-specific circumstances. Where jurisdiction reduction pathways do not exist or are incomplete, finance organizations can apply international sector guidance, global standards or targets, and these can require exemptions, flexibilities or proportionality approaches (TFMR, 2024).^[94] This might mean, for example, differing transition priorities with a greater focus on adaptation activity and operational emissions in some jurisdictions (NGFS, 2024).

3.0 Accelerating the transition in the real economy

The backdrop to this document is the scale of financing required to meet the aims of the Paris Agreement. It is through the real economy impact of their risk management and financing activity that financial institutions play a critical and unique role in supporting the global transition. This document therefore emphasizes planning for economy-wide transition and the role that the finance sector can play in accelerating the transition in the real economy ('real economy' refers to the part of the global economy that produces non-financial goods and services).

Supporting real economy progress towards the Paris Agreement goals requires an understanding of the transmission channels and impacts of financial products and services, using levers including engagement with clients and portfolios, to support their transition pathways. Financial flows need to be based on analysis of what transition actions the real economy organizations intend to take. This document accordingly

describes developing and maintaining appropriate strategy, policies and processes based on forward looking real economy impact as a key requirement. This document is therefore grounded in a theory of change which recognises that robust, credible processes for transition planning, directed towards the goals of the Paris Agreement, can help an institution protect and enhance long-term value, while scaling the provision of finance to support a low emissions, climate resilient economy. At the same time, an institution's financing strategy can minimise adverse impacts and capture opportunities for stakeholders, society, the economy and the natural environment. Furthermore, this document's focus on forward-looking strategies and policies that support real economy transition pathways is aligned with the UNEP (2023) theory of change for climate mitigation^[24].

Acknowledging the need to scale up transition finance rapidly the World Bank Group (2022)^[25] identified adequate climate financial risk assessment across the finance sector as a key mobilizing factor. Accordingly, this document requires consideration of how transition related financial risk is integrated across existing institutional risk and financing processes. This could align with supervisory expectations around risk management.

NOTE The UN convened Independent Expert Group on Climate Finance (2020)^[26] stated that 'Every financial decision should take climate risk into account' in its report on the need for scaling climate finance.

0.4 Looking beyond decarbonization

The Paris Agreement^[23] considers issues beyond decarbonization. For example, it recognizes that adaptation is a key component of, and makes a contribution to, the long-term global response to climate change to protect people, livelihoods and ecosystems including country specific flexibility ([Article 7](#)). The preamble acknowledges both the need for a just transition taking into account '...the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities' as well as nature-related implications noting 'the importance of ensuring the integrity of all ecosystems, including oceans, and the protection of biodiversity...'

This document accordingly addresses the need to look beyond decarbonization, taking into account adaptation activity as well as potential co-benefits and trade-offs with societal and nature-related impacts and dependencies. For example, [Article 5](#) of the Paris Agreement emphasizes the need to conserve and enhance forests as carbon sinks, encouraging action to reduce deforestation. This document accordingly moves towards a strategic framework for supporting the financial sector to contribute and respond to the global transition while having regard to nature, adaptation and a just transition (WWF, 2023)^[27].

Also, recognizing the interconnected nature of climate, nature and human systems it is important to identify and mitigate unintended impacts of potential decarbonization actions, for example the potential trade-offs between climate action, energy access and affordability, and economic development (MAS, 2023b).^[28] This aligns with the Paris Agreement requirement ([Article 4.1](#)) that climate action is undertaken 'on the basis of equity, and in the context of sustainable development and efforts to eradicate poverty'.

NOTE1 Technology developments such as AI can help to identify and quantify the interconnected nature of climate, nature and human systems.

NOTE 2 Decarbonization in the context of this standard extends beyond consideration of carbon dioxide to consider greenhouse gases.

0.5 Building on existing guidance

The requirements for credible transition planning as described in this document are designed to be compatible with, and build on, existing requirements and guidance. This includes jurisdictional developments on public disclosure of transition plans, as well as finance sector supervisory expectations around transition-related financial risk.

Of particular relevance to this document is the iterative development and practical experience reflected in international finance sector initiatives including the Net-Zero Investment Framework (NZIF), the Net-Zero Asset Owner Alliance (NZAOA), the Net-Zero Asset Managers Initiative (NZAMI), the Net-Zero Banking Alliance (NZBA), the Forum for Insurance Transition to Net Zero (FIT), the Glasgow Financial Alliance for Net Zero (GFANZ) and the Japan Public and Private Working Group on Financed Emissions.

Material and guidance produced by other organizations also inform this document, including the Organisation for Economic Co-operation and Development (OECD), the European Financial Reporting Advisory Group (EFRAG), the United Nations Environment Programme Finance Initiative (UNEP FI), CDP, the Middle East Green Initiative (MGI), the Accelerate Climate Transition initiative (ACT), the Transition Pathway Initiative (TPI), the G20 Circular Carbon Economy framework, the IIGCC Climate Resilient Investment Framework, and the Transition Plan Taskforce (TPT).

It also draws on (and references where appropriate) existing and planned ISO standards including IWA 42,^[22] ISO 32210^[15] and ISO TS 32211^[16]. A number of standards in the ISO 14000 series are also relevant including ISO 14001,^[1] ISO 14019,^[2] ISO 14030,^[3] ISO 14100,^[5] ISO 14054,^[6] ISO 14064,^[8] ISO 14068^[9] and ISO 14097^[11]. ISO 55001^[19] on asset management and ISO 37000^[17] on governance are also relevant. The ISO 14019 series,^[2] currently under development, provides guidance on validation and verification of sustainability information.

This document is designed to be consistent with and complement ISO 14060^[7] (under development), which addresses broad transition planning elements including real economy organizations, who are linked to the finance sector as clients/investees.

0.6 Key elements of this document

Key elements of this document include the following activities

- carefully assessing the climate-related impacts and dependencies associated with the institution's financing activities, and the associated climate-related risks and opportunities;
- developing and maintaining an institution specific transition pathway and setting prioritized objectives and targets that enable the institution to effectively manage the climate-related risks that it faces, and harness opportunities, by responding and contributing to a low GHG emissions, climate resilient economy;
- developing implementation and engagement strategies (underpinned by effective governance, policies, processes, and controls) to integrate its objectives and targets into its transition risk management and financing decisions (tailored to its institution type and business model);
- monitoring and reporting on progress internally and externally;
- reviewing transition performance, iterating and adapting plans in response to external developments;
- establishing guardrails and controls to ensure transition planning is credible, including institution-wide governance with high level oversight.

These key elements are shown in [Figure 1](#), with cross references to the relevant clauses. The dynamic and iterative nature of transition planning and its implementation is represented in the figure as a circular process with overarching and ongoing requirements of governance, resourcing and documentation to ensure the credibility of transition planning. These [clauses \(9 and 10\)](#) apply across all the elements identified in the process flow.

The need for continual review and update is highlighted, reflecting the need for financial institutions to identify and respond to developments both in national/international policies (including regulation) and in the real economy (where the financial institution can exert influence but cannot control actions).

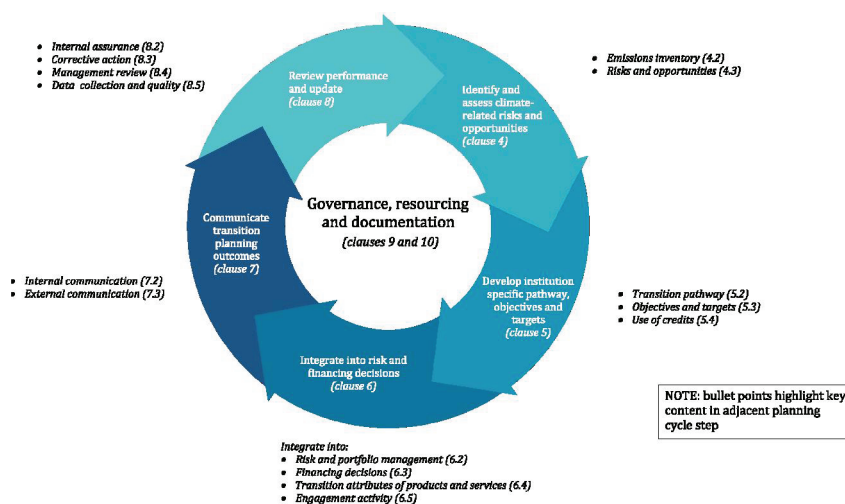


Figure 1 — Key elements of transition planning

In seeking to conform to the requirements of this document, financial institutions might already have existing arrangements in place that satisfy some of the requirements of this document. In such situations there is no requirement to develop and implement new processes and therefore their progress might not directly align with the sequence of the steps shown in [figure 1](#) (and steps can be undertaken simultaneously rather than sequentially). It is likely however that many institutions will begin their implementation journey around 'Identify and assess climate-related risks and opportunities'.

NOTE The planning cycle approach in this document represented by [Figure 1](#) can be seen as consistent with and building on the TPT (2024x)^[45] planning cycle involving: assessing the institution's current position, setting the institution's strategic ambition for its response and contribution to the transition, planning the institution's actions and implementing the plan.

0.7 Use of this document

In this document, the following verbal forms are used:

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

“Notes to entry” provide additional information that supplements the terminological data and can contain provisions relating to the use of a term.

Sustainable finance — Net zero transition planning for financial institutions

1 Scope

This document specifies the requirements that enable financial institutions to develop and maintain processes to respond to and contribute towards the transition to a global net zero and climate resilient economy in a systematic and iterative manner, delivering continual performance improvement.

This document is applicable to any financial institution, regardless of size, type and geographic location, including institutions involved in lending, insurance and investment activities. It also applies to emerging institution types, many of which leverage digital technologies and can be subject to different or bespoke regulatory frameworks (for example decentralized finance platforms and electronic money institutions). It applies to the transition-related aspects of activities, products and services that the institution determines it can either control or influence, using a life cycle perspective.

The scope of the transition planning in this document applies to all institution related financing activities such as those described in 6.3.

This document includes both requirements and related guidance.

This document is harmonized with the requirements of ISO 14060^[7] (under development) which describes transition planning requirements for real economy organizations (which make up the client base and portfolios of financial institutions). This includes the treatment of direct (scope1) and indirect energy related (scope 2) emissions requirements.

Claims of conformity to this document are not acceptable unless all its requirements are incorporated into an institution's transition planning processes and fulfilled without exclusion.

NOTE 1 This document is intended for global application across the full range of financial products and services addressing particular concerns about applicability to EMDEs where there might be constraints in the enabling local regulatory environment and data availability.

NOTE 2 The ISO 55000 series^[18] of standards, including detailed guidance in ISO 55002^[20], may be useful for financial institution asset management activity, particularly as it relates to alignment of asset management with business objectives, for example those related to transition planning.

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 Transition-related terms

3.1.1

transition plan

an aspect of an entity's overall strategy that lays out the entity's targets, actions or resources for its transition towards a lower-carbon economy, including actions such as reducing its *greenhouse gas (GHG) emissions* (3.1.17)

[SOURCE: IFRS (2023) IFRS S2 Climate-related Disclosures^[29]]

3.1.2

transition planning

process through which an institution defines and delivers its strategy for responding to, and contributing towards, the transition to a sustainable global economy consistent with the goals of the Paris Agreement, thereby minimizing the likelihood of increasing climate impacts

[SOURCE: GFANZ, 2022 Financial Institution Net-zero Transition Plans, adapted^[30]]

3.1.3

transition finance

lending, financing, investment, insurance, and related products and services that are critical to delivering *real-economy* (3.1.4) emissions reduction in support of an orderly, *net zero* (3.1.10) transition of the global economy

Note 1 to entry: Finance identified as transition has intended beneficial real economy impacts, for example those addressed in the GFANZ financing strategies.

Note 2 to entry: Such finance takes into account environmental objectives and social considerations, beyond decarbonization such as those addressed in the Sustainable Development Goals.

Note 3 to entry: For the purpose of this document, a broad definition of transition finance has been adopted.

[SOURCE: GFANZ, 2022 Financial Institution Net-zero Transition Plans, adapted^[30]]

3.1.4

real economy

economic activity that concerns the production, purchase and flow of goods and services outside of the financial sector

Note 1 to entry: *Financial institutions* (3.2.9) are significant intermediaries that support activity in the real economy – production and consumption by households, businesses, and government – through their lending, investing, underwriting, and advising activities.

[SOURCE: GFANZ, 2022 Financial Institution Net-zero Transition Plans, adapted^[30]]

3.1.5

blended finance

an approach available to public *financial institutions* (3.2.9) to address market failures and to help mobilize private investment in pioneering projects and challenging environments.

[SOURCE: IFC Blended Finance Sectors and Expertise (2025)^[92]]

3.1.6

adaptation

climate change adaptation

process of adjustment to actual or expected climate and its effects

Note 1 to entry: In human systems, adaptation seeks to moderate or avoid harm or exploit beneficial opportunities.

Note 2 to entry: In some natural systems, human intervention can facilitate adjustment to expected climate and its effects.

[SOURCE: ISO Guide 84:2020 3.1.3]

3.1.7

conversion

change of a natural ecosystem to another land use or profound change in a natural ecosystem's species composition, structure, or function.

Note 1 to entry: Conversion includes severe degradation or the introduction of management practices that result in a substantial and sustained change in the ecosystem's former species composition, structure, or function.

Note 2 to entry: Change to natural ecosystems that meets this definition is considered to be conversion regardless of whether or not it is legal.

[SOURCE: The Investor Agenda (2023) Investor Action Plans (ICAPs) Expectations Ladder^[89]]

3.1.8

deforestation

loss of natural forest as a result of: other non-forest land use (whether or not it is legal), *conversion* (3.1.7) to a tree plantation or sustained degradation.

Note 1 to entry: Severe degradation constitutes deforestation even if the land is not subsequently used for non-forest land use.

[SOURCE: The Investor Agenda (2023) Investor Action Plans (ICAPs) Expectations Ladder^[89]]

3.1.9

climate solutions

solutions that directly reduce, reuse, recycle or remove emissions; enablers that contribute indirectly; and nature-based solutions that mitigate climate impacts, and solution to adapt to the impacts of climate change

Note 1 to entry: Climate solutions have two attributes - that they represent a significant contribution to *real economy* (3.1.4) emissions reduction and removal and that the solution's own emissions should be reasonably expected to progress toward net-zero over time.

[SOURCE: GFANZ (2023a) GFANZ Secretariat Technical Review Note Scaling Transition Finance and Real-economy Decarbonization - Supplement to the 2022 Net-zero Transition Plans report, modified^[108]]

3.1.10

net zero

net zero greenhouse gases (GHG)

condition in which human-caused residual *GHG emissions* (3.1.17) are balanced by human-led removals over a specified period and within specified boundaries

Note 1 to entry: Human-led removals include ecosystem restoration, direct air carbon capture and storage, reforestation and afforestation, enhanced weathering, biochar and other effective methods.

Note 2 to entry: The words "human-caused" and "human-led" are intended to be understood as synonymous with the word "anthropogenic" in IPCC definitions.

[SOURCE: IWA 42:2022, 3.1.1]

3.1.11

carbon credit

tradeable intangible instrument issued by a GHG/carbon-crediting program, representing a *GHG emission* (3.1.17) reduction to, or removal from, the atmosphere equivalent to one metric tonne of carbon dioxide equivalent

Note 1 to entry: Carbon credits can be retired without being used for offsetting, as a contribution to global climate action or global *net zero* (3.1.10). Credits and offsets are not interchangeable terms.

Note 2 to entry: Carbon credits can be of different types: avoidance/reduction credits or removal credits.

Note 3 to entry: Carbon credit projects are validated and their impacts verified by carbon-crediting programs. Carbon credits are uniquely serialised, issued, tracked and retired or administratively cancelled by means of an electronic registry operated by an administrative body, such as a carbon-crediting program.

[SOURCE: ISO 14068-1:2023, modified - "removal enhancements" replaced with "removals". Alternative term "GHG credit" not used. Note 1 modified.]

3.1.12

counterbalancing

using carbon removal and reduction credits to take responsibility for *residual emissions* (3.1.22) to achieve and maintain *net zero* (3.1.10) at organizational level. This requires the amount of greenhouse gas (GHG) removal in any given year from the point of net zero to be equal to or greater than the residual emissions in that same year.

Note 1 to entry: counterbalancing residual emissions from the point of net zero is a specific use-case that allows durable carbon removals to be used for a limited amount of emissions that cannot be reduced at that time. It requires specific quality criteria to ensure that the removals will be an effective counterbalance

Note 2 to entry: once net zero is achieved, the organization counterbalances residual emissions as necessary each subsequent year to at least maintain net zero at organizational level.

[SOURCE: ISO 14060 (under development)]

3.1.13

offsetting

counterbalancing (3.1.12) all or part of the GHG inventory, by retiring *carbon credit(s)* (3.1.1)

Note 1 to entry: The process of offsetting includes retiring the carbon credits in a public registry by, or on behalf of, the organization. Some registries use 'to cancel' as synonymous with 'to retire'. The two terms 'retire' and 'cancel' result in the same outcome of ensuring that the carbon credits cannot be used again or be further traded.

[SOURCE: ISO 14068-1:2023, modified: 'carbon footprint' replaced with 'all or part of the GHG inventory']

3.1.14

carbon lock-in

estimates of future *GHG emissions* (3.1.17) that are likely to be caused by an undertaking's key assets or products sold within their operating lifetime.

[SOURCE: EFRAG (2022) Draft European Sustainability Reporting Standards Appendix VI Acronyms and Glossary of Terms^[38]]

3.1.15

facilitated emissions

GHG emissions (3.1.17) arising as a consequence of capital market transactions, i.e. those associated with services provided by *financial institutions* (3.2.9) to support the issuance of capital market instruments

[SOURCE: PCAF 2023 The Global GHG Accounting and Reporting Standard Part B Facilitated Emissions, modified^[51]]

3.1.16

financed emissions

indirect *GHG emissions* (3.1.17) arising as a consequence of financing activities – such as lending and investments – of *financial institutions* (3.2.9)

[SOURCE: PCAF (2022). The Global GHG Accounting and Reporting Standard Part A: Financed Emissions. Second Edition^[50]]

3.1.17

greenhouse gas emission

GHG emission

release of a greenhouse gas into the atmosphere

[SOURCE: ISO 14050:2020, 3.9.8]