

Sustainability and **ESG** glossary

110 terms that are good to know





Sustainable strategies require a basic understanding of the foundations of sustainability. Business leaders and their teams can benefit from this list of sustainability essentials and ESG concepts.

Ensuring the health of people, the planet, and even businesses rests on more sustainable practices, which depend on understanding basic concepts and terms.

Many individuals, businesses, non-profits and government organizations are working hard to quickly create and implement specific sustainability strategies and environmental, social and governance (ESG) initiatives. Everyone has their own role. Learning about sustainability and ESG concepts ensures that critical stakeholders have productive conversations that avoid misuse of terms and oversimplification.

Climate change has and will continue to have a negative impact on life around the world. It is imperative that business leaders, citizens and governments take immediate and decisive action.

We highlight some of the key sustainability terms and ESG concepts that provide a basis for taking action.

1. **Benchmarking.** The practice of measuring and comparing ESG performance with other companies in your sector or geographic area to understand your company's position relative to competitors. For accurate benchmarking, alignment with ESG frameworks, standards and measurement methodologies is essential. Learn how to make data-driven decisions with Persephone's climate impact measurement module.
2. **Business sustainability.** Also known as corporate sustainability. Business sustainability is the ethical, responsible management of an organization's continued success in relation to environmental, social and financial issues.
3. **Carbon capture and storage.** Carbon capture and storage (CCS) is the process of capturing waste CO₂ and placing it in geological storage in such a way that it will not enter the atmosphere and contribute to further global warming. CCS uses several technologies including absorption, chemical looping, and membrane gas separation.
4. **Carbon credit.** When companies create carbon offset initiatives, they receive a transferable or tradable carbon credit, or token. A credit represents the right to emit a greenhouse gas and to offset it elsewhere. A credit represents one ton of carbon dioxide reduced or removed from the atmosphere. In practice, using these credits allows owners to reduce greenhouse gas emissions to get closer to net zero. The term also refers to purchased credits that will finance projects to reduce emissions.
5. **Carbon footprint.** A carbon footprint measures the amount of carbon dioxide and methane produced by individuals, organizations, products or practices. The sum of the entity's greenhouse gas (GHG) emissions and removals expressed as CO₂ equivalents.
Note 1 to entry: For a product, the carbon footprint is based on a life cycle assessment using a single climate change impact category in accordance with ISO 14067:2018.
Note 2: For an organization, a carbon footprint is equivalent to the sum of direct GHG emissions, indirect GHG emissions and GHG removals, within subject limits quantified in accordance with ISO 14064-1:2018.

6. **Carbon neutral.** An ideal balance between the emission of carbon dioxide produced by human activity and the absorption of carbon in the atmosphere; the calculation should come to zero.
7. **Carbon offset.** Carbon offsetting is an activity or purchase that aims to offset the carbon emissions produced by individuals and organizations. Carbon storage through tree planting or soil restoration is a common example. Businesses that create programs to reduce carbon emissions receive carbon tokens.
8. **Carbon pricing.** Carbon pricing is a price or tax applied to carbon pollution. It can be an effective way to encourage broadcasters to reduce their CO₂ emissions and thus limit climate change. Carbon prices can take the form of a carbon tax, or be part of carbon trading, where "permits" are issued and traded.
9. **Carbon sequestration.** Carbon sequestration is a proposed way to slow the accumulation of greenhouse gases, mitigate climate change, and avoid climate change through long-term storage of CO₂ and other forms of carbon.
10. **Circular economy.** The circular economy keeps products in circulation as much as possible by reducing material consumption, streamlining processes and collecting waste for reuse.
11. **Clean Tech.** Technologies and processes that aim to limit the negative impact on the environment, such as waste and carbon emissions, especially compared to fossil fuels. Examples of clean technologies -- sometimes called green technologies or eco-technologies -- include solar energy, wind energy, biofuels, recycling and smart lighting. Climate adaptation is act of preparing for and adjusting to climate change's current and projected consequences. For example, cities can build seawalls to protect from rising sea levels.
12. **Climate.** Climate refers to average weather and patterns measured over a defined period of time, such as a series of years, decades, or centuries. By

way of analogy, if the weather were individual meals, the climate would be the overall, long-term diet.

13. **Climate clock.** The climate clock is a means of demonstrating how much more carbon can be released into the atmosphere without violating the Paris Agreement. Two of the most famous are the MCC Carbon Clock run by German scientists and the local Climate Clock launched by a network of activists.
14. **Climate funds.** Climate funds are investment portfolios that seek to buy stocks or bonds of companies that are aligned with the goals of the Paris Agreement. They can also target sovereign bonds from governments that reduce greenhouse gas emissions and thereby reduce their contribution to global warming.
15. **Climate change.** Changes over time in average temperature and weather patterns that define specific locations. In particular, climate change has caused global temperatures to rise due to heat-trapping gases resulting from the mining and use of oil, coal and other fossil fuels. Climate change indicators include sea level rise; the increase and severity of extreme weather events, such as hurricanes, droughts and floods; and the loss of ice at the Earth's poles.
16. **Climate mitigation.** The process of reducing the flow of heat-trapping pollution. For example, reducing the burning of fossil fuels by using renewable energy sources can help.
17. **Climate resistance.** The ability to support a community, company or natural environment before, during and after a climate event in a timely, effective manner. Climate resilience is different from climate adaptation, but the two are often used interchangeably.
18. **Climate risk.** As fires, droughts, food shortages, hurricanes and other effects of climate change occur, businesses face increased vulnerability. Climate risk describes that vulnerability. It is the potential for climate change to create negative effects on human or ecological systems. The risks fall into two main categories: risks based on the transition to a greener econo-

my, such as the loss of market share by moving away from fossil fuel-based products, and risks associated with the physical effects of climate change, such as flooded offices.

19. **Closed-loop.** A manufacturing process that reuses material waste to create additional products or repurpose recycled materials.
20. **CMAP - Climate Management and Accounting Platform CMAP** is a software platform that simplifies the carbon accounting process so that calculations are done in days, not months. These platforms use codified guidelines such as GHGP and PCAF to calculate carbon emissions and thus deliver solutions based on organizational data. CMAPs allow companies to monitor their emissions, set carbon reduction targets, measure progress and benchmark against peers. This means organizations can assess their progress in reducing emissions over time and accurately track their progress towards science-based and net-zero commitments using the latest available data. CMAPs are just one of a growing number of ESG software that help collect and report ESG data.
21. **Conscious capitalism.** Conscious capitalism is a socially responsible framework for capitalism in the corporate and political spheres. It emphasizes the creation of human value in addition to profit value.
22. **Consolidation.** Consolidation Combining data on GHG emissions from separate operations belonging to one or a group of companies.
23. **Corporate citizenship.** The concept that corporations have both rights and obligations towards the societies and jurisdictions in which they operate and are themselves actors in society.
24. **Corporate governance.** A set of rules, practices and processes by which a company is governed And management is under supervision.
25. **Corporate social responsibility (CSR).** For-profit companies use the CSR business model to evaluate social and environmental benefits in addition to organizational goals such as profitability.

26. **Digital carbon footprint.** A digital carbon footprint is the amount of greenhouse gas emissions that digital devices, tools and platforms produce. All technology, from cloud computing to mobile phones to internet usage, produces a digital carbon footprint.
27. **Digital sobriety.** Digital sobriety aims to limit the harmful environmental impact of smartphones, internet use, digital media and other technology in ways big and small every day. The move towards digital sobriety involves a wide range of actions. buying fewer devices, deleting email, opting for lower definition media consumption, sustainable software development and buying less powerful machines.
28. **Drawdown.** A drawdown is the point at which atmospheric greenhouse gas levels stop rising and begin to decline.
29. **Due diligence in supply chain.** Supply chain due diligence is a process in which the company investigates potential suppliers in order to identify all the risks associated with their work.
30. **Eco-design .** Systematic approach that considers environmental aspects in design and development with the aim to reduce adverse environmental impacts throughout the life cycle of a product
31. **Electronic waste (e-waste).** Electronics at or near the end of their working life. Green technology and sustainability approaches seek to extend the life of devices and use circular economy principles to reduce the amount of e-waste to an absolute minimum. The priority is first to reduce waste, then to refurbish devices and only then to switch to recycling.
32. **Energy efficiency.** The same task or result is achieved with less energy. For example, heating, cooling and operation devices and electronics are less energy intensive in energy efficient homes and buildings.
33. **Environmental due diligence assessment (EDD assessment).** Comprehensive, proactive process to identify the actual and potential consequences, risks and opportunities for an agreed scope related to an asset or

- assets and as appropriate an organization's decisions and activities
The determination of business consequences is optional, at the discretion of the client
34. **Environmental justice.** Environmental justice aims to treat all people fairly, regardless of race, color, national origin, or income, equally in terms of environmental laws, regulations, and policies. The approach holds that no group should bear a disproportionate share of negative environmental consequences.
35. **Environmental, Social and Governance.** Sustainable and ethical interests that may be central to the financial and corporate interests of the organization. Otherwise known as ESG.
36. **ESG framework.** A set of objectives that companies can use to report on ESG issues. The process begins when an organization chooses an ESG reporting method. Examples of standardized reporting frameworks include the following.
37. **CDP.** A non-profit global environmental disclosure system for investors, companies, cities, states and regions using the system.
38. **Science-based target initiatives.** Objectives based on scientific initiative. A non-profit partnership that helps private sector organizations set science-based emissions targets aimed at supporting climate science and the Paris Agreement. The partnership is between CDP, the World Resources Institute, the World Wide Fund for Nature and the UN Global Compact.
39. **SASB - Sustainability Accounting Standards Board.** SASB is a non-profit organization formed to create industry-based standards that help companies identify and disclose material financial information about sustainability. SASB's standards identify which ESG standards are relevant to 77 industries. The SASB defines "sustainability" as corporate activities that enhance or maintain a company's capacity to create shareholder value over the long term.
The Financial Accounting Standards Board (FASB) and the International Ac-

counting Standards Board (IASB) have long been responsible for creating financial accounting and reporting standards. SASB aims to specifically create standards that will help companies manage and disclose sustainability information that affects enterprise value. It was established to reflect the FASB's and other financial standards in order to align with the objectives of the SASB.

40. **ESG funds.** ESG funds are portfolios of stocks and/or bonds for which environmental, social and governance factors are integrated into the investment process. This means the stocks and bonds contained in the fund have passed strict tests of how sustainable the company or government is in terms of its ESG criteria.
41. **ESG integration.** Structural integration of information on environmental, social and governance (ESG) factors in the investment decision-making process.
42. **EPA - Environmental Protection Agency** An independent executive agency of the United States federal government responsible for environmental issues. President Richard Nixon proposed the creation of the EPA on July 9, 1970. It began operations on December 2, 1970 after Nixon signed an executive order. EPA publishes sets of emission factors that we maintain on the Persephone platform.
43. **Feed-in tariff.** A policy designed to accelerate investment in renewable energy sources. Policies of this type usually involve long-term government contracts.
44. **Fair trade.** Fair trade is a methodology that aims to help producers in developing countries to ensure sustainable and fair trade relations.
45. **Fossil fuel.** Fossil fuel is a generic term for organic material (from decayed plants and animals) that has been exposed to heat and pressure from the Earth's crust over hundreds of millions of years and turned into oil, coal or natural gas.
46. **Fugitive emissions.** Emissions that are not physically controlled but are the result of the intentional or unintentional release of greenhouse gases.

They are usually caused by the production, processing, transfer, storage and use of fuels and other chemicals, often through joints, gaskets, packing, gaskets, etc.

47. **Geothermal energy.** Geothermal energy is electrical energy that is produced by using hot water or steam from the ground.
48. **GHG sink.** A GHG Sink - or Carbon Sink - is any physical unit or process that stores greenhouse gases. This usually refers to forests and underground or deep CO₂ reservoirs.
49. **GHG sources.** Source of the greenhouse. Any physical unit or process that releases GHGs into the atmosphere.
50. **GIIN - Global Impact Investing Network.** GIIN - Global Impact Investing Network. A non-profit organization dedicated to increasing the scope and effectiveness of impact investing, which are investments made to create social and environmental impact in addition to financial returns.
51. **Global warming.** Global warming refers to the warming of the Earth from trapped greenhouse gases resulting from human activities such as transportation, agriculture, overfishing, fossil fuel energy production, and overconsumption. Unless companies, governments and consumers make big changes, global warming and climate change will heat the planet so much that it will be uninhabitable in the near future.
52. **Green bonds.** A green bond is a bond that is specifically intended to be used for environmental and climate projects. These debt securities are usually linked to the assets and backed by the balance sheet of the issuer. Climate bonds are a subset of green bonds.
53. **Green cloud.** The green cloud refers to the potential environmental benefits of IT services delivered over the Internet. Relying on the supposed benefits, which are usually considered buzzwords, allows technologists to feel that further efforts to reduce the carbon footprint are unnecessary.

54. **Green computing.** A sustainable approach to the use of computing devices and equipment is green computing. Some methods include reducing the use of resources, responsible disposal of e-waste and introducing energy-efficient IT equipment.
55. **Green hushing.** Green hushing involves companies deliberately hiding sustainability goals. Companies may do this for fear of not meeting charges or not meeting set targets.
56. **Green IT.** The practice of designing, manufacturing, operating and disposing of IT products and devices to minimize the negative effects of IT operations on the environment is green IT.
57. **Green premium.** Coined by Bill Gates, the green premium refers to the economic and environmental costs of choosing clean technology over financially sound options with higher greenhouse gas emissions.
58. **Green software.** Green software refers to applications that are designed, developed and implemented in ways that aim to minimize energy consumption and environmental impacts.
59. **Greenhouse effect.** The resulting carbon dioxide, methane and nitrogen oxides in the Earth's atmosphere trap the sun's heat.
60. **Greenhouse gas emissions.** The sum of the emissions of different heat-trapping gases. Greenhouse gases include carbon dioxide, methane, nitrogen oxides and fluorinated gases such as fluorocarbons.
61. **Greenhouse Gas Protocol GHGP.** A globally recognized set of reporting and accounting frameworks for managing greenhouse gas emissions from private and public sector operations, value chains and mitigation actions. Created in 1997, the GHGP is the original carbon accounting standard. It provides guidance to organizations for developing inventories of greenhouse gas (GHG) emissions. According to the GHGP, all emissions are divided into three bands. Ranges 1 and 2 must be measured, while range 3 is currently optional.

- Scope 1 refers to direct emissions from the organization's operations, including company vehicles and buildings
 - Scope 2 categorizes indirect emissions from purchased electricity, heating and cooling
 - Scope 3 includes all other indirect emissions in the company's value chain
62. **Greenwashing.** Misleading or false claims or actions that an organization, product or service has a positive impact on the environment is called greenwashing. Whether intentional or unintentional, the practice is harmful.
 63. **GRESB - Global Real Estate Sustainability Benchmarks.** GRESB is an investor-led initiative with a mission to provide ESG data on real investment assets for investors, managers and the wider industry. GRESB assessments provide a consistent framework for measuring ESG performance based on self-assessment data, i.e. validated, scored and peer benchmarked. Their approach allows investors to analyze their portfolios for ESG risks, opportunities and impacts and engage with managers on their performance.
 64. **GRI - Global Reporting.** A non-profit and independent organization for standards that helps organizations report on ESG impacts. Initiative Founded in 1997 following the public outcry over the Exxon Valdez oil spill, GRI created the first global sustainability reporting standards (GRI Standards) and today is one of the most widely used reporting frameworks, helping businesses, governments and other organizations understand and communicate companies' impact on critical sustainability issues.
 65. **GWP - Global Warming Potential.** Each GHG has a GWP which is a factor relating to its ability to retain heat relative to CO₂. Because GHGs vary in their ability to trap heat in the atmosphere, some are more damaging to the climate than others. For example, methane is 25 times more potent than CO₂, so methane has a GWP of 25.
 66. **High emitters.** A label given to companies or countries that emit relatively large amounts of greenhouse gases. Emissions per capita are used to measure a nation's emissions.

67. **Hydrogen.** Hydrogen is a clean fuel that, when consumed in a fuel cell, produces only water. Hydrogen can be produced from a variety of domestic resources, such as natural gas, nuclear power, biomass, and renewable energy such as solar and wind. These qualities make it an attractive fuel option for transportation and power generation. It can be used in cars, in homes, for transmission power and in many other applications. Hydrogen is an energy carrier that can be used to store, move and deliver energy produced from other sources. Today, hydrogen fuel can be produced by several methods. The most common methods today are natural gas reforming (thermal process) and electrolysis. Other methods include solar and biological processes.
- **Blue hydrogen.** Blue hydrogen is produced mainly from natural gas, using a process called steam reforming, which combines natural gas and heated water in the form of steam. The output is hydrogen, but carbon dioxide is also produced as a by-product
 - **Gray hydrogen.** Gray hydrogen is created from natural gas, or methane, using steam methane reforming, but without capturing the greenhouse gases produced in the process. Gray hydrogen is essentially the same as blue hydrogen, but without the use of carbon capture and storage.
 - **Green hydrogen.** Green hydrogen is hydrogen produced from renewable energy. Green hydrogen has significantly lower carbon emissions than gray hydrogen, which is derived from fossil fuels without carbon capture. Green hydrogen can be used to decarbonize sectors that are difficult to electrify, such as cement and iron production.
68. **IIRC - International Integrated Reporting Council.** An international cross-section of leaders from the corporate, investment, accounting, securities, regulatory, academic and standard-setting and civil society sectors. It promotes value creation communication as the next step in the evolution of corporate reporting.
69. **Impact investing.** Impact investments refer to investments made with the intention of generating a measurable, beneficial social or environmental impact with a financial return. Impact investments provide private capital to address social and/or environmental issues. This can also be called socially responsible investing.

70. **Impact sourcing.** A procurement strategy that directs employment and career development opportunities to people from economically disadvantaged backgrounds.
71. **International Integrated Reporting Framework.** Created IIRC, the International Integrated Reporting Framework is being used to accelerate the adoption of integrated reporting worldwide. The integrated report is a concise communication about how the organization's strategy, management, performance and prospects, in the context of its external environment lead to the creation of value in the short, medium and long term.
72. **ILO - International Labor Organization.** United Nations agency that sets international labor standards and promotes social protection and work opportunities for all. The ILO brings together governments, employers and workers from 187 member states to set labor standards, develop policies and design programs to promote decent work for all women and men.
73. **Integrated reporting.** Communicating sustainability and financial goals and results in one report, linking them to each other.
74. **Investment stewardship.** Investment management involves engaging public companies as a way of advocating for corporate policies and management practices that promote long-term stakeholder value creation.
75. **IPCC - Intergovernmental Panel on Climate Change.** The IPCC is the intergovernmental body of the United Nations responsible for advancing knowledge about human-induced climate change. It provides policy makers with regular scientific assessments of climate change, its implications and potential future risks and suggests adaptation and mitigation options.
76. **ISO 14064** Created in 2006, ISO 14064 is an international standard for measuring and reporting greenhouse gas emissions. The standard is part of the International Organization for Standardization's environmental management standards and is divided into three parts, each with a different technical approach. The first part addresses the GHG inventory

quantification guidelines for organizations using a bottom-up approach to data collection. Part 2 deals with quantifying and reporting emissions from individual project activities. Part 3 establishes a process for checking the validity of emissions from an organization.

ISO 14064 is constantly evolving with new iterations improving and fine-tuning the standard. ISO 14064 is consistent with and derived from the GHGP. The two documents differ in that the GHGP focuses on best practice provisions for the development of GHG inventories. At the same time, ISO14064 establishes minimum levels of compliance with GHGP best practices. Although they differ only slightly, these two standards complement each other.

77. **Kyoto Protocol.** An extension of the UNFCCC, the Kyoto Protocol applies to seven greenhouse gases: carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF₆) and nitrogen trifluoride (NF₃). While the Convention requires industrialized countries to adopt policies to reduce GHG emissions, the Kyoto Protocol obliges nations to take concrete action – limiting and reducing GHG emissions in accordance with agreed individual targets.
78. **Loss and damage.** Consequences related to climate change to which people are unable to adapt, either because the consequence is too severe or because the affected community does not have access to adaptation resources. Loss and damage result from sudden natural disasters, such as floods, or gradual changes, such as desertification.
79. **Materiality assessment.** Materiality assessment is a formal way of assessing stakeholder commitment to specific ESG issues and calculates an organization's ESG score. It works by identifying the impact of a particular issue on company performance and market competitiveness.
80. **Millennium Development Goals (MDGs).** The Millennium Development Goals (MDGs) were eight goals for the improvement of human society launched by the United Nations in 2000. The eight Millennium Development Goals are:

1. Eradicate extreme poverty and hunger
2. Achieve universal primary education
3. Promote gender equality and empower women
4. Reduce child mortality
5. To improve the mother's health
6. Fight against HIV/AIDS, malaria and other diseases
7. Ensure environmental sustainability
8. Develop a global partnership for development

81. **Net zero.** The result of reducing greenhouse gas emissions as close to zero as possible and balancing the remaining emissions with removals.
82. **The Paris Agreement.** The Paris Agreement is a legally binding international climate change agreement that aims to limit global warming to a temperature rise of 1.5°C by the end of the century. The agreement was adopted at the UN Conference on Climate Change in 2015.
83. **PCAF - Partnership for Carbon Accounting Financials.** Published in 2020 in response to industry demand for a global standard, PCAF is a standardized approach for measuring and reporting financed emissions, PCAF was created to add additional guidance to GHGP Scope 3, Category 15 (Investment Activities). The standard provides detailed methodological guidance for measuring and disclosing greenhouse gas emissions in relation to six asset classes: listed equity and corporate bonds, business loans and unlisted equity, project finance, commercial real estate, mortgages and motor vehicle loans.
84. **PCAF asset classes.** The standard currently provides guidance on the measurement and disclosure of financed emissions covering six asset classes. These current asset classes include:
- Listed Equity and Corporate Bonds: All listed corporate bonds and all listed equity for general corporate purposes (eg, unknown use of proceeds) that are traded in the market and are on the financial institution's balance sheet.
Example: Common shares
 - Business loans and unlisted equity: All business loans and equity in-

vestments of private companies (eg unlisted equity)

Example: lines of credit used for capital expenditures

- **Project financing:** Loans or equity for projects for specific purposes (eg with a known use of the proceeds) that are on the financial institution's balance sheet.

Example: Loans used to build a bridge

- **Commercial real estate:** Balance loans for the purchase and refinancing of commercial real estate (CRE), and balance investments in CRE. This implies that the properties are used for income-generating and commercial activities, such as retail, hotels, office space, industrial or large multi-family rental.

Example: Loans used to purchase a new office building

- **Mortgages:** Balance loans for specific consumer purposes (eg purchase and refinancing of residential property), including single-family homes and multi-family housing with a small number of units. This definition implies that the property is used only for residential purposes and not for income generating activities.

Example: Loans for a new house

- **Loans for motor vehicles:** Balance loans and lines of credit for specific (corporate or consumer) purposes to businesses and consumers used to finance one or more motor vehicles. This methodology does not prescribe a specific list of vehicle types that fall into this asset class; instead, it leaves it open to financial institutions to decide and define which types of vehicles to include in their inventory of financed emissions.

Example: Loans for the purchase of a new car

PCAF intends to add more asset classes in the future as the Standard evolves. It will soon expand to government bonds, green bonds and insurance.

85. **Physical risk.** A type of climate change risk that refers to the economic costs and financial implications of climate change, such as increasing extreme weather events, severe climate change and other indirect effects of climate change (eg water scarcity). An example of a physical risk would be the destruction of real estate, infrastructure or land during a storm or flood.

86. **Principles for Responsible Investment - PRI.** Principles for responsible investment - PRI. The Principles for Investment are an international

network supported by the United Nations of investors working together to implement its six aspirational principles, often referred to as the "Principles" or UN PRI.

87. **Recycling.** The process of collecting and processing waste material, ideal for making new products.

88. **Renewable Energy Certificates - RECs.** Renewable Energy Certificates (also known as Green Labels, Renewable Energy Credits, Renewable Electricity Certificates, or Tradeable Renewable Certificates) are intangible energy commodities in the US that represent proof that 1 megawatt-hour of electricity is produced from eligible renewable energy sources. energy source and is used in a common transmission line system.

89. **Resilience.** Resilience is a measure of how prepared a building is for potentially disruptive events and changing conditions, such as earthquake protection or features designed to combat the negative effects of long-term risks such as climate change.

90. **Resource sustainability.** Resource sustainability refers to the long-term availability of a raw material that is either renewable (can be replenished naturally) or non-renewable (will eventually run out). It's an important metric for viable investors in understanding how quickly people are leveraging. Earth's dwindling resources, how much can be replaced or recycled, and how long other materials go before they are exhausted.

91. **Responsible innovation.** Responsible innovation prioritizes ethics and social responsibility in the research, design and production of new technologies or the evolution of existing technology. Responsible innovation poses ethics as a design problem.

92. **Responsible investing.** A philosophy that incorporates ESG factors during investment selection, portfolio construction, and monitoring processes, with the goal of maximizing opportunities to deliver high performance and mitigating risk.

93. **Scope 1, 2, 3 emissions.** Developed under the Greenhouse Gas Protocol, the ranges give organizations a way to categorize their emissions. Organizations may find it easier to control Band 1 and 2, but Band 3 emissions are the most difficult to monitor.
- Scope 1 emissions. volume 1 of the show. Direct broadcasts created by the work of the organization. Running machines, manufacturing products, driving vehicles, heating buildings and powering appliances create emissions.
 - Scope 2 emissions. volume 2 shows. Indirect emissions resulting from the purchase and use of energy by the organization. Investing in renewable energy sources can help reduce these emissions.
 - Scope 3 emissions. volume 3 shows. Indirect emissions generated by the activities of the organization's customers and suppliers.
94. **Stewardship code.** The stewardship code is a code that requires institutional investors to be transparent about their investment processes, engagement with investee companies and voting at shareholder meetings.
95. **Stranded asset.** Stranded assets are physical assets recorded in the company's balance sheet whose investment value cannot be recovered and must be written off. Their loss of value may be due to regulatory decisions that mean they cannot be exploited, changing market trends that make them redundant, or obsolescence caused by superior technology.
96. **Supply chain.** A supply chain encompasses processes that cover a wide range of activities, including the procurement, production, transportation and sale of physical products and services. In practice, the term "connected chain" applies from the supplier to those involved in the final processing.
97. **Supply chain traceability.** In terms of sustainability, traceability not only identifies, tracks and tracks materials and goods, but also verifies sustainability claims throughout the value chain.
98. **Sustainability.** The ability to meet current needs without compromising the needs of future generations. In practice, sustainability balances environmental protection, human well-being and economic development.

- Working Group on Climate-Related Financial Disclosures. TCFD develops voluntary climate risk disclosures. Recommendations are divided into operational categories. governance, strategy, risk management and metrics and goals.
99. **SDG - Sustainable Development Goals.** The Sustainable Development Goals are 17 interrelated Sustainable Development Goals set by the UN in 2015 - they aim to meet these goals by 2030. The goal of these 17 goals is to "provide a common agenda for peace and prosperity for people and the planet, now and The Future." Although they were originally intended to support government progress, they are now widely used by companies to disclose their sustainability practices.
100. **TCFD - Task Force on Climate-related Financial Disclosures.** Established in 2017, the TCFD is an industry-specific climate disclosure framework that has established eleven recommendations in four key areas of concern: governance, strategy, risk management, and metrics and targets. The recommendations are designed to help companies provide better quality data to support informed capital allocation decisions. Unlike the CDP, there is no score associated with reporting under the TCFD, but it is the most widely regarded standard among regulators given the robustness of its considerations.
101. **Triple Bottom Line (TBL).** According to the TBL accounting framework, bottom lines calculate financial performance together with environmental and social effects.
102. **Transition risk.** A type of risk caused by climate change - related to the process of transition from reliance on fossil fuels to a low-carbon economy, including changes in climate policy, regulation of certain industries and global market sentiment. An example of a transition risk would be a carbon tax. The International Monetary Fund recognizes the need to integrate climate change risks into financial risk and vulnerability analysis.
103. **UNGC - United Nations Global Compact.** The UNGC is a non-binding United Nations agreement that encourages businesses around the world

to adopt sustainable and socially responsible policies based on 10 principles on human rights, labour, the environment and the fight against corruption.

104. **UNFCCC - United Nations Framework Convention on Climate Change.** Commonly referred to as “the Convention,” the ultimate goal of the UNFCCC was to stabilize greenhouse gas concentrations “at a level that would prevent dangerous anthropogenic (meaning human-induced) interference with the climate system.” It states that “this level should be achieved in a time frame sufficient to allow ecosystems to adapt naturally to climate change, ensuring that food production is not threatened and allowing economic development to continue in a sustainable manner.” Today, the membership of the Convention has a total of 197 countries. The onus is on developed countries to take action and lead the way.
105. **UNPRB - United Nations Principles of Responsible Banking.** These are six principles that shape a framework for a sustainable banking system and will help the industry to demonstrate how it makes a positive contribution to society. The areas of strategy covered by these principles are alignment, impact & target setting, clients & customers, stakeholders, governance and culture, and transparency & accountability. The Principles for Responsible Banking were launched by 130 banks from 49 countries, representing more than USD \$47 trillion in assets.
106. **UNPRI - United Nations Principles of Responsible Investment.** A set of six principles that provide a global standard for responsible investing that addresses environmental, social and corporate governance (ESG) factors. Organizations follow these principles to fulfill their obligations to the user while harmonizing investment activities with the broader interests of society. There are 2,372 signatories with a total of \$86 trillion in assets under management in 2019.
- Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
 - Principle 2: We will be active owners and incorporate ESG issues into our ownership policy and practices.
 - Principle 3: We will seek appropriate disclosure on ESG issues from the

entities in which we operate invest.

- Principle 4: We will promote acceptance and implementation of the principles within the investment industry.
 - Principle 5: We will work together to improve our effectiveness in implementing the principles.
 - Principle 6: Each of us will report on our activities and progress towards implementing the principles
107. **Value chain emissions.** Greenhouse gas emissions from upstream and downstream activities are linked to the full scope of operations (value chain) of the reporting company.
108. **Verification.** Independent assessment of the reliability (taking into account the completeness and accuracy) of the GHG inventory.
109. **VRF - Value Reporting Framework.** Formerly SASB, VRF was founded in 2011 and is a global not-for-profit organization that offers a comprehensive set of resources designed to help businesses and investors develop a shared understanding of enterprise value - how it is created, preserved and destroyed.
- VRF covers three frameworks:
- Integrated thinking principles guide the board and management in planning and decision-making.
 - An integrated reporting framework provides principles-based, more capital-based guidance for comprehensive corporate reporting.
 - SASB standards are a powerful tool for informing investor decision-making when incorporated into investment tools and processes.
 - Combined, these resources offer a comprehensive set of resources designed to help business investors develop a shared understanding of enterprise value.
110. **Zero waste.** The concept of responsible management of products, packaging and materials to minimize environmental damage.



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