Key Terms	Definition
Best in class	Finding and investing in the companies that are leaders in achieving ESG criteria in their sector.
Carbon pricing	A tax or price applied to carbon pollution. Pricing a large enough percentage will encourage polluters to reduce their co2 emissions and therefore control the warming temperatures.
Circular economy	Focuses on re-using, recycling, and making use of materials for as long as possible. Once a product has been used, the material will be reused elsewhere in the economy, which reduces waste.
Climate change adaption	Projects and activities that aim to improve resilience to the effects of climate change.
Climate change mitigation	Projects and activities that aim to reduce greenhouse gas emissions and the rate of climate change.
COP26	The 26th United Nations Climate Change Conference hosted in Glasgow from October to November 2021. This conference hoped to accelerate the goals set out in the Paris agreement and promote net-zero. There was a real focus on countries working together to reduce greenhouse gas emissions, phase out the use of coal, and an agreement on climate finance.
De-carbonisation	Reducing the amount of carbon (e.g. carbon dioxide or methane) emitted from an agricultural, industrial or other process.
Divestment	The opposite of an investment, e.g. selling rather than buying an asset such as shares in a firm.
Environmental, social and governance (ESG)	A set of standards that should be upheld by companies to allow for

	socially responsible investments. Promoting ESGs will encourage greater investment.
Fossil fuels	Fuel that is formed from the decayed remains of plants or animals, such as coal and oil.
Global Investors for Sustainable Development (GISD)	This alliance consists of 30 CEOs from major global financial institutions. Their work is supported by the United Nations. The direct aim is to mobilise finance and investment, scale-up investment solutions and create impact.
Green bonds	A fixed-income security designed specifically for climate-related projects. Used to encourage investment and growth that has a positive impact on the environment.
Green business	This is an enterprise whose actions do not impact the environment negatively and positively impact the community, society, economy, and the local environment. Overall, green businesses strive to achieve the triple bottom line.
Green credentials	The qualities and actions which highlight that a business believes the environment is important and should be protected. Having strong green credentials is important because customer now take this into consideration when choosing what business to use.
Green finance	Any financial initiative, process, product or service that is designed to protect the natural environment and support the transition to a sustainable, low-carbon world; and/or manage climate-related and other environmental risks impacting finance and investment.
Green loan	Any loan that is used to fund, in part or whole, new or existing green projects that positively impact the eco-system. Green loans should include the four

	components outlined by the green loan principles.
Greenwashing	Making false, misleading or unsubstantiated claims about the positive environmental impact of a product, service or activity.
IPCC	Intergovernmental Panel on Climate Change. The United Nations body that assesses the science related to climate change. The IPCC provides regular assessments of the scientific basis of climate change, its impacts and future risks, and options for adaptation and mitigation.
ITR	Implied Temperature Rise. A metric designed to show the temperature alignment of companies, portfolios, and investments with global temperature goals. Investors can use ITR to set targets that support decarbonisation and engage in climate risk management.
Liability risk	Risks to a business from legal prosecution related to climate and environmental claims. These risks drive adaption or mitigation practices.
Natural capital	Refers to the natural elements which provide valuable goods and services. Natural capital can include geology, soil, air, water, and all living things.
Net-zero	An overall balance in the amount of greenhouse gas emissions produced and the amount removed from the atmosphere. This requires a huge reduction in emissions from businesses to achieve net zero. The UK government have pledged to meet net-zero by 2050.
Negative Screening	The exclusion of certain sector, companies, or projects due to not meeting ESG criteria.

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Physical risk	The risks associated with physical changes to the climate e.g., destruction of property or disruption of distribution.
Positive Screening	Investment in sectors, companies, or projects that have invested highly in ESG factors relative to industry standards.
Renewable energy	Energy that comes from a source that is not depleted when it is used or is naturally replenished within a human timescale.
Responsible or ESG investing	Refers to practices and projects that incorporate ESG factors into investment decisions. This should maximise gains and minimise the risks involved in new climate initiatives.
Scopes of emissions	Greenhouse gas emissions are grouped into three scopes by the Greenhouse Gas Protocol. Scope 1: Direct emissions from operations. These emissions are within control of companies and should be regulated. Scope 2: Indirect emissions from purchased energy. Since these emissions have essentially been bought, they can be controlled through contractual agreements. Scope 3: All other emissions associated with a company's activities such as employees commuting, waste disposal, distribution etc.
Sustainable Development Goals (SDG)	Adopted by the United Nations in 2015, the goals ultimately aim to provide a prosperous and peaceful life to everyone by 2030. There is also a focus on ending poverty and protecting the environment from harm. The 17 interconnected goals cover a wide range of areas which should provide a sustainable future for everyone.

Sustainable finance	The inclusion of economic, environmental and social factors in an organisation's strategy, management, activities and operations; combined with the financing of sustainable economic, environmental and social objectives
The Taxonomy Regulation (EU)	Established as an EU-wide framework to help provide businesses and investors with a clear and common language in which it will be used to identify what economic activities are environmentally sustainable.
Transition Finance	Any form of financial support that helps high-carbon companies start to implement long-term changes to become greener and reduce their carbon footprint.
Transition risk	These are business-related risks that entities face, directly or indirectly, from the transition to a low-carbon and sustainable system. The risks may be related to policy and regulation, market risks, legal risks, and/or reputational risks.
Triple bottom line	Business strategy should encourage a prioritisation of people, planet and profit all equally. This ensures one entity is not prioritised over another and lead to the exploitation of any worker or the environment.
TSFD	Task Force on Climate-Related Financial Disclosures. Aims to improve and increase the reporting of climate-related financial information. This includes risk assessments, capital allocation and strategic planning.
UNFCCC	United Nations Framework Convention on Climate Change. Agreed in 1992, and ratified by 197 parties to the Convention, the UNFCCC is the key international treaty providing a global framework for combating climate change. The Paris Agreement (see

	above) is an agreement reached within the UNFCCC process.

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