The Center for ESG and Sustainability

Glossary of ESG Terms

Asset management: Asset management is the practice of increasing total wealth over time by acquiring, maintaining, and trading investments that have the potential to grow in value. It is a systematic approach to the governance and realization of value from the things that a group or entity is responsible for, over their whole life cycles. It may apply both to tangible assets (physical objects such as complex process or manufacturing plants, infrastructure, buildings or equipment) and to intangible assets (such as human capital, intellectual property, goodwill or financial assets). Asset management is a systematic process of developing, operating, maintaining, upgrading, and disposing of assets in the most cost-effective manner (including all costs, risks, and performance attributes).

Asset managers: Asset managers, sometimes referred to as portfolio managers of financial advisors, perform the service of asset management for others. They may work independently while others work for an investment bank or other financial institution. Asset managers include: registered investment advisors, investment brokers, financial advisors, and robo-advisors.

Asset owner: Asset owners are institutions or people who own the underlying assets but entrust the management of those assets to an asset manager. Types of assets owners include pensions (national pensions, corporate pensions, public pensions, and union pensions), insurance company general accounts (life, health, property and casualty), sovereign wealth funds, investment consultant outsources CIOs, single family offices, endowments and foundations, and multi-family offices.

Benchmarking: A comparative process of measuring the consumption of energy or other utilities by a company, or facility. For example, a building's consumption of energy, water, etc. or production of waste compared with that of other, similar buildings.

Carbon Footprint: A measure of the total direct and indirect greenhouse gas emissions produced by an individual, group, or company.

Carbon Offset: Carbon offsets are reductions in Carbon Dioxide (CO_2) or other Greenhouse Gases (GHGs) made to compensate for emissions made elsewhere; they're measured in tonnes of carbon dioxide-equivalent (CO_2e).

Carbon Sequestration: Carbon sequestration is a proposed way to slow the accumulation of greenhouse gases, mitigate global warming, and avoid climate change through long-term storage of CO_2 and other forms of carbon.

CDP: CDP, formerly known as the Carbon Disclosure Project, is an organization which provides a reporting process for companies and cities to disclose the environmental impact of their operations. It aims to make environmental reporting and risk management a business norm, and drive disclosure, insight and action towards a sustainable economy.

Circular Economy: A circular economy is a systematic approach to economic development with the goal of eliminating waste by focusing on a regenerative design and attempting to promote growth while reducing consumption of finite resources.

Climate Change: A shift in weather patterns due to a heating of the Earth's atmosphere, due to an increase in carbon dioxide ($CO_{2)}$) in the atmosphere highly attributed to human activity including energy production from fossil fuels and other activities that cause a release of greenhouse gasses into the atmosphere.

CO2e: Carbon Dioxide Equivalent is a measure of a greenhouse gas' impact on warming in the atmosphere expressed as an equivalent amount of carbon dioxide. CO_{2e} is determined by Global Warming Potential (GWP) factors to convert a volume of greenhouse gas to an equivalent volume of carbon dioxide.

CSR: Corporate social responsibility is a type of international private business self-regulation that aims to contribute to societal goals of a philanthropic, activist, or charitable nature by engaging in or supporting volunteering or ethically-oriented practices.

CSR Report (Sustainability/ESG Report): A CSR (Corporate Social Responsibility) report is a periodic (usually annual) report published by companies with the goal of sharing their corporate social responsibility actions and results.

EMS: An Environmental Management System is a set of processes an organization follows to achieve environmental goals through review, evaluation and improvement of its environmental performance. EMS systems often include process following a Plan, Do, Check, Act sequence.

ENERGY STAR: ENERGY STAR is a program run by the U.S. Environmental Protection Agency and U.S. Department of Energy that promotes energy efficiency. The program provides information on the energy consumption of products and devices using different standardized methods. To be eligible for ENERGY STAR certification, a building must earn an ENERGY STAR score of 75 or higher, indicating that it performs better than at least 75% of similar buildings nationwide.

Environmental Factors: The "E" in ESG, environmental factors include things like climate impact and environmental challenges and opportunities, such as energy use, waste production & management, climate change, pollution, etc.

ESG: Environmental, Social, and Governance refers to the three central factors in assessing the sustainability and societal impact of a company or business. These criteria help to evaluate risk factors that can affect the future financial performance of companies.

ESG Disclosure: The public disclosure of data relating to an organization's environmental, social and governance performance. Such disclosures enable investors to make informed decisions by identifying companies that may face exposure to risks or perform less well due to sustainability or ESG failings.

ESG Ratings (Sustainability Ratings): An ESG rating measures a company's exposure to long-term environmental, social, and governance risks. These risks — involving issues such as energy efficiency, worker safety, and board independence — can have financial implications that are often not highlighted during traditional financial reviews. Some investors use ESG ratings to supplement financial analysis to gain a broader view of a company's long-term potential. There are dozens of ESG ratings agencies that consider different factors.

Global Warming Potential (GWP): A metric used to express the amount of warming a greenhouse gas may cause in the atmosphere expressed over a period of time. GWP100 expressed warming over a period of 100 years.

Governance Factors: The "G" in ESG, governance factors relate to how a company is run, which includes things like management structure, compensation, internal controls and accountability policies, shareholder rights, and more.

Greenhouse Gases (GHGs): Gases in earth's atmosphere that absorb and release radiant energy (heat). The primary greenhouse gases in earth's atmosphere are water vapor, carbon dioxide, methane, nitrous oxide and ozone.

Greenwashing: Promoting a product, service, or company as more environmentally-friendly than it truly is by falsely advertising environmental benefits.

GRESB: GRESB is an investor-led and mission-driven initiative to provide ESG data on real asset investments to investors, managers and the wider industry. GRESB Assessments provide a consistent framework to measure ESG performance based on self-reported data that is 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.

GRI: The Global Reporting Initiative is an independent organization that lays out a set of international reporting standards to help business and government entities understand and communicate their impact on issues like climate change, human rights and other issues across the spectrum of environmental, social and governance reporting.

Investment Stewardship: Investment stewardship involves engaging public companies as a way to advocate for corporate governance policies and practices that promote long-term stakeholder value creation.

International Integrated Reporting Council (IIRC): IIRC is a powerful, international cross section of leaders from the corporate, investment, accounting, securities, regulatory, academic and standard-setting sectors as well as civil society.

IPCC: The International Panel on Climate Change is a body created by the United Nations with the intention of providing scientific assessments on climate change, its impact, and future risks, as well as suggestions for mitigating impact and disruptions.

IPIECA Climate Change Reporting Framework: A voluntary climate change reporting framework developed for oil and gas companies by the International Petroleum Industry Environmental Association (IPIECA).

LEED: Leadership in Energy and Environmental Design is a worldwide green building certification program. It is applicable to all building types and phases.

Materiality: Materiality is a measure of the importance of specific topics that can impact company finances, reputation and legal position. The more significant the potential impact, the more material a topic is considered and vice versa.

Net Zero: Net zero refers to an achieving performance with zero net GHG emissions, through a combination of reduction of emissions and carbon offsets with zero net energy consumption

Physical Risks: Physical risks are potential impacts from disruptive events like extreme weather that have a direct impact on companies, society and the economy.

PRI: Principles for Responsible Investment is a United Nations-supported international network of investors working together to implement its six aspirational principles, often referenced as "the Principles".

RECs: Renewable Energy Certificates (also known as green tags, renewable energy credits, renewable electricity certificates, or tradable renewable certificates) are non-tangible energy commodities in the U.S. that represent proof of 1 megawatt-hour of electricity being generated from an eligible renewable energy source and used in a shared system of power lines.

Renewable Energy: Energy attained from perpetual, unending sources, such as collection of energy with solar panels or wind turbines.

Resilience: Resilience is an assessment of how well an entity or structure is prepared for potentially disruptive events and changing conditions, such as earthquake-proofing or features designed to combat negative effects from long-term risks like climate change.

Responsible Investing: A philosophy that includes ESG factors during the investment selection, portfolio construction, and monitoring processes, with the goal of maximizing opportunities, ensuring high performance, and mitigating risks.

SASB: The Sustainability Accounting Standards Board is a non-profit organization founded to develop sustainability accounting standards that are industry specific.

Science-Based Targets: Science-based targets provide a roadmap for companies to future-proof growth by creating a roadmap of how much to reduce carbon emissions and how quickly the reduction needs to happen.

Scope I Emissions: Scope I emissions are greenhouse gas emissions that a company is directly responsible for, such as emissions from on-site burning of fossil fuels or emissions from fleet vehicles

Scope II Emissions: Scope II emissions are indirect greenhouse gas emission attributed to a company as a result of electricity, heat, or steam purchased from a utility provider. The greenhouse gas (GHG) emissions associated with the production of the electricity, heat or steam are Scope 2 for the energy user.

Scope III Emissions: Scope III emissions are indirect greenhouse gas emissions from sources your company doesn't own or control. Scope III emissions are indirectly related to a company’s operations, such as employee commuting or supplier operations such as contracted solid waste and wastewater disposal. Scope III also include indirect emissions from the use of a company’s products.

SEC Climate & ESG Task Force: The U.S. Securities and Exchange Commission (SEC) recently announced the formation of a Climate and ESG Task Force within their Division of Enforcement. This new task force will develop initiatives to proactively identify ESG-related misconduct.

SDG Alignment: Aligning business strategies and operations with the 17 Sustainable Development Goals created by the United Nations Global Compact.

SFDR: The Sustainable Finance Disclosure Regulations introduced various disclosure-related requirements for financial market participants and financial advisors at entity, service, and product level.

Social Factors: The "S" in ESG, social factors relate to how a company treats employees and the community, and includes things like employee engagement programs, human rights policies, health and wellbeing initiatives, and employee and consumer protection.

SRI: Socially responsible investing involves investments considered socially responsible through the nature of the business conducted, which includes factors like socially conscious investing, human rights policies, and emphasis on positive social impacts.

Stakeholder: A group with an interest in a company that can affect or be affected by business performance. Historically defined as groups like investors, employees, and customers, but the definition has also expanded to include local and global communities, governments, and more.

Stranded Asset: An asset that once produced value or profit, but no longer does due to changes such as technological advancements, market shifts, societal habits, and more.

Sustainability Accounting: a subcategory of financial accounting that focuses on the disclosure of non-financial information about a firm's performance to external stakeholders, such as capital holders, creditors, and other authorities.

TCFD: The Task Force on Climate-related Financial Disclosures was developed to provide recommendations for more effective climate-related disclosures that promote more informed investment, credit, and insurance underwriting decisions, which in turn would enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks."

Transition Risks: Transition risks relate to major societal and economic shifts, such as moving towards a less polluting, green economy. These paradigm shifts can have major impacts on various industries and sectors of the economy.

Triple Bottom Line: Triple bottom line is an accounting framework with three main components: social, environmental, and financial. Companies incorporating this framework believe that, instead of a single bottom line, there are three: people, planet, profit.

UNGC: The United Nations Global Compact is a non-binding United Nations pact to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation.

UNPRI: The United Nations Principles for Responsible Investment is an international network of investors working together to implement its six aspirational principles, often referenced as "the Principles".

UNSDGs: The United Nations Sustainable Development Goals Sustainable Development Goals (SDGs), also known as the Global Goals, were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity. The 17 SDGs are integrated—they recognize that action in one area will affect outcomes in others, and that development must balance social, economic and environmental sustainability.

Values-Based Investing: Applying an organization's core values as a main driver during the investment selection process.

Zero Waste: A set of principles that focus on preventing the generation of waste by redesigning products, rethinking how products are used, and reusing products with the goal that no waste is sent to landfills.

Many of these definitions were obtained from the Goby ESG Platform ESG Glossary:
https://www.gobyinc.com/esg-solutions/esg-glossary/