Adaptation Finance

Capital deployed to support climate change adaptation, like flood defense, climate-resilient infrastructure, and food security.

Relevance: Critical for developing economies facing disproportionate climate impacts, often overlooked in mitigation-heavy finance discussions.

Annual General Meeting (AGM)

A formal yearly meeting where a company's shareholders vote on key matters, like board appointments, executive compensation, and dividend policies. AGMs are a legal requirement in many jurisdictions and serve as a touchpoint for shareholder engagement and governance transparency.

Relevance: A cornerstone of corporate governance, AGMs provide insight into how accountable a company is to its owner.

Baseline Emissions

The reference point of GHG emissions against which reductions are measured. Establishing a credible baseline is essential for tracking progress and setting targets.

Relevance: No emissions plan means anything without a reliable baseline. It's the foundation of credible climate strategy.

Best-in-Class Investment

An ESG investment strategy that selects top-performing companies within each industry based on sustainability metrics. Rather than avoiding entire sectors, it rewards leaders who outperform their peers on ESG criteria.

Relevance: Best-in-class filters allow investors to maintain sectoral diversification while favoring companies with better environmental and social performance.

Biodiversity Risk

The potential financial and operational exposure resulting from the loss of biodiversity and ecosystem services.

Relevance: Investors are beginning to treat biodiversity loss like climate risk, especially in agriculture, real estate, and extractives.

Carbon Border Adjustment Mechanism (CBAM)

An EU policy tool that applies a carbon price to imports of carbon-intensive goods from countries with weaker climate rules.

Relevance: CBAM could reshape global trade by embedding carbon costs into pricing, affecting exporters, compliance, and ESG strategies.

Carbon Disclosure Project (CDP)

An international nonprofit that runs a global environmental disclosure system. Companies, cities, and states use CDP's platform to report data on climate change, water use, and deforestation.

Relevance: CDP scores are often used by investors to evaluate environmental transparency and risk exposure.

Carbon Footprint

The total greenhouse gas emissions associated with a person, organization, product, or activity, usually measured in metric tons of CO_2 or CO_2-equivalents per year.

Relevance: A key metric in climate accounting, used by companies and policymakers to assess environmental impact and identify mitigation priorities.

Carbon Intensity

The amount of carbon dioxide emitted per unit of economic output, energy, or revenue.

Relevance: A core metric in comparing companies or sectors; more informative than raw emissions totals.

Circular Economy

An economic model that emphasizes reuse, repair, recycling, and regeneration of materials to extend product life cycles and reduce waste.

Relevance: It challenges the linear "take-make-dispose" model and aligns with resource efficiency, carbon reduction, and sustainable consumption goals.

Climate Change Adaptation

Strategies aimed at adjusting to the current or expected effects of climate change. Examples include building flood defenses, diversifying crops, or relocating infrastructure.

Relevance: Adaptation is essential for resilience planning in cities, agriculture, and energy systems, especially for investors with long-term exposure.

Climate Change Mitigation

Efforts to reduce or prevent the emission of greenhouse gases, typically through renewable energy, energy efficiency, or carbon sequestration.

Relevance: Mitigation is the front line of climate strategy and central to carbon accounting, regulatory compliance, and ESG target-setting.

Climate Change

Long-term shifts in global or regional climate patterns, accelerated in recent decades by human activity, particularly through the burning of fossil fuels.

Relevance: Climate change is no longer an environmental issue alone; it's a systemic financial risk influencing policy, insurance, and supply chains.

Climate Disclosure Standards Board (CDSB)

A now-sunsetted (intentionally phased out) initiative that developed a framework for including climate-related data in mainstream financial reporting. Its work has been integrated into broader standards like IFRS and ISSB.

Relevance: CDSB laid foundational work for ESG reporting integration and paved the way for mandatory climate disclosures.

Climate Resilience

The ability of systems, communities, or economies to absorb climate shocks and maintain function.

Relevance: It's not just about emissions, it's about surviving and thriving amid climate disruption.

Consumer Protection

A set of laws and regulations intended to safeguard the rights of consumers in transactions with businesses, ensuring product safety, fair pricing, and truthful advertising.

Relevance: A core component of social governance, especially in sectors facing reputational or regulatory risk.

Corporate Social Responsibility (CSR)

A company's voluntary efforts to operate ethically and contribute to social good. Often seen as a precursor to ESG frameworks.

Relevance: CSR was the first draft of corporate responsibility, still used in branding, though less rigorous than ESG.

Decarbonization

The process of reducing carbon emissions across a company, sector, or economy, often through renewables, efficiency, or offsets.

Relevance: The endgame of climate strategy. Investors want to know not just if, but how fast and how real decarbonization is.

Digital Disruption

The transformation that occurs when digital technologies, like automation, AI, or platform-based models, reshape industries and displace legacy business models.

Relevance: A critical ESG theme affecting labor, access, privacy, and long-term economic sustainability.

Extraordinary General Meeting (EGM)

A non-routine shareholder meeting called to address urgent or exceptional business, such as mergers, acquisitions, or executive changes. Unlike AGMs, EGMs are unscheduled and topic-specific.

Relevance: EGMs reflect moments of high-stakes corporate decision-making and are key to tracking governance events.

Engagement

A structured dialogue between investors and a company aimed at driving specific improvements in ESG practices. Engagement can range from informal conversations to shareholder resolutions.

Relevance: One of the few tools shareholders have to influence corporate behavior without divesting.

Environment

The external conditions, natural and manmade, that affect the functioning of ecosystems and human societies. Includes air, water, soil, biodiversity, and climate.

Relevance: "E" in ESG; environmental performance is now a material financial risk in many sectors.

ESG Integration

The process of incorporating environmental, social, and governance data into investment analysis. Unlike exclusionary strategies, it does not eliminate companies but adjusts valuations and forecasts based on ESG risks and opportunities.

Relevance: A mainstream practice among institutional investors aiming to align performance with sustainability factors.

ESG Investing

A broad investment philosophy that considers ESG risks and outcomes alongside traditional financial metrics. It can include screening, integration, thematic investing, and active ownership.

Relevance: ESG investing reflects a shift in how markets value intangibles like ethics, resilience, and long-term viability.

ESG Ratings

Third-party scores or rankings of a company's ESG performance. Ratings can vary widely depending on methodology.

Relevance: Investors use them, but often critically. Disparities in ratings reveal the need for transparency and standardization.

Ethical and Faith-Based Investment

An approach that aligns portfolios with moral or religious values, often using negative screening (e.g., excluding weapons, tobacco, gambling).

Relevance: Though often value-driven, these funds are increasingly structured to meet fiduciary standards while honoring ethical convictions.

Ethical Supply Chains

Supply chains designed to minimize harm and uphold ethical standards, labor rights, fair trade, and environmental responsibility.

Relevance: A company's ESG profile is only as clean as its suppliers. Investors are tracking this.

External Social Factors

Impacts of a company's products and operations on broader society, such as tax fairness, digital misinformation, or public health.

Relevance: Investors are under pressure to consider these factors as part of systemic social risk, especially in tech, pharma, and energy.

Externalities

Costs or benefits arising from an economic activity that affect third parties and are not reflected in market prices. Pollution is a common negative externality; innovation spillovers are positive ones.

Relevance: Markets often misprice these hidden impacts, making externalities central to ESG risk analysis and sustainable policy design.

Forest Stewardship Council (FSC)

A global nonprofit that sets standards for sustainable forest management. Products with the FSC label meet environmental and social criteria for responsible sourcing.

Relevance: FSC certification is widely used in ESG screening for paper, packaging, and timber supply chains.

Global Impact Investing Network (GIIN)

A nonprofit that works to accelerate the development of the impact investing market by reducing barriers and building key infrastructure, research, education, and tools, for investors.

Relevance: GIIN plays a foundational role in legitimizing impact investing as a disciplined, data-driven strategy, not just a feel-good niche.

Global Reporting Initiative (GRI)

Publisher of the GRI Standards, one of the most widely used ESG reporting frameworks. It provides detailed guidance on disclosing environmental, social, and economic impacts to stakeholders.

Relevance: GRI is a backbone of corporate sustainability reporting and helps standardize what "materiality" looks like across sectors.

Global Sustainable Investment Alliance (GSIA)

An international collaboration of national and regional sustainable investment forums. GSIA tracks ESG investing trends, promotes best practices, and publishes global benchmarking reports.

Relevance: The GSIA's data and definitions influence how trillions in assets are classified and tracked under the ESG umbrella.

Globalization

The expanding interdependence of economies, cultures, and populations through cross-border trade, communication, and technology.

Relevance: Globalization has driven economic growth, but also exposed ESG challenges like labor exploitation, supply chain risk, and carbon leakage.

Green Bonds

Fixed-income instruments where proceeds are earmarked exclusively for projects with environmental benefits, such as clean energy, pollution control, or sustainable agriculture.

Relevance: A fast-growing segment of green finance, often seen as a tool to align public and private capital with climate targets.

Green Investment

Capital allocation toward businesses, projects, or assets that support environmental objectives, such as carbon mitigation, biodiversity preservation, or resource efficiency.

Relevance: Green investments sit at the core of transition finance, shaping portfolio strategies, policy alignment, and risk modeling.

Green Premium

The additional cost of choosing a clean or sustainable option over a cheaper, unsustainable one.

Relevance: Investors and governments aim to shrink the green premium, through innovation, subsidies, or regulation.

Greenhouse Gases (GHGs)

Gases that trap heat in the atmosphere, primarily carbon dioxide (CO_2), methane (CH_4), and nitrous oxide (N_2O). These are the main drivers of anthropogenic climate change.

Relevance: GHG inventories are fundamental to carbon accounting, regulatory compliance, and climate-related financial disclosures.

Greenwashing Risk

The risk that a company misrepresents its sustainability practices or credentials, either intentionally or through poor data.

Relevance: A major reputational and regulatory risk. Investors increasingly demand verifiable claims, not marketing spin.

Human Rights

The universal rights and freedoms to which all individuals are entitled, ranging from civil liberties to labor protections and access to education and healthcare.

Relevance: Human rights issues are material ESG risks for companies operating globally, especially in emerging markets and high-risk supply chains.

Impact Investing

An investment approach that targets both financial returns and measurable positive social or environmental outcomes. Unlike philanthropy, it expects capital preservation or growth.

Relevance: Impact investing is reshaping the capital markets by proving that financial performance and mission alignment are not mutually exclusive.

Institutional Investors Group on Climate Change (IIGCC)

A European network of institutional investors focused on aligning portfolios with net-zero goals and influencing policy and corporate behavior on climate risks.

Relevance: IIGCC represents over €50 trillion in AUM and plays a critical advocacy role in shaping climate disclosures, regulation, and stewardship.

Integrated Reporting Framework (IRF)

A framework developed by the International Integrated Reporting Council (IIRC) that encourages companies to combine financial and ESG disclosures into a single, strategic report. The goal is to embed sustainability into decision-making and risk management.

Relevance: IRF aims to make ESG data part of the mainstream investment process by integrating it into the core financial narrative.

Internal Social Factors

Workplace-related ESG factors such as employee well-being, diversity, labor rights, pay equity, and safety. These elements reflect how a company treats its people internally.

Relevance: Internal social metrics increasingly affect reputation, productivity, and retention, and are being scrutinized by both investors and regulators.

International Corporate Governance Network (ICGN)

A global investor-led organization promoting high standards in corporate governance and stewardship. ICGN provides policy guidance, frameworks, and best practices for institutional investors.

Relevance: Governance practices shaped by ICGN standards are closely tied to shareholder rights, transparency, and board accountability.

International Integrated Reporting Council (IIRC)

The body that developed the Integrated Reporting Framework (IRF). It has since merged into the IFRS Foundation's sustainability standards initiatives.

Relevance: The IIRC's legacy helped bridge ESG and financial reporting, laying the groundwork for unified sustainability disclosures.

International Sustainability Standards Board (ISSB)

A global standard-setter under the IFRS Foundation, launched in 2021 to create a comprehensive framework for sustainability-related disclosures. The ISSB builds on frameworks like SASB and CDSB.

Relevance: ISSB aims to unify the fragmented ESG reporting landscape, becoming the "GAAP for sustainability."

Investment Managers

Professionals or firms that manage investment portfolios on behalf of clients based on specific mandates. They may act as fiduciaries or advisors, depending on the structure.

Relevance: Investment managers are key gatekeepers in integrating ESG into portfolio construction and engagement strategies.

Investors

Any party that allocates capital with the expectation of financial return, whether individual (retail) or institutional (e.g., pension funds, insurance companies, sovereign wealth funds).

Relevance: ESG frameworks hinge on investor behavior, how they price risk, engage with companies, and shape market standards.

Living Wage

The minimum income necessary for a worker to meet basic needs like housing, food, healthcare, and education, distinct from legal minimum wage.

Relevance: A growing social metric tied to labor rights, supply chain audits, and reputational risk, especially in global sourcing.

Materiality

A factor is considered material if it could influence an investor's decision, based on its potential to impact financial performance. In ESG, materiality varies by industry and context.

Relevance: Materiality is the filter through which ESG data becomes actionable. It separates noise from financially relevant risk.

Nature-Based Solutions (NBS)

Climate and environmental strategies that use natural systems, like reforestation, wetland restoration, or regenerative agriculture, to address ecological problems.

Relevance: NBS offer dual benefits: ecological repair and climate mitigation. Often cheaper and more politically palatable than tech fixes.

Physical Risk (Climate)

Risk from physical climate impacts, floods, fires, droughts, hurricanes, affecting assets, infrastructure, or operations.

Relevance: No longer theoretical. Insurers, lenders, and asset managers are baking physical risk into asset valuations.

Principles for Responsible Investment (PRI)

A UN-supported network of institutional investors committed to incorporating ESG factors into investment and ownership decisions. Signatories agree to follow six principles designed to advance responsible investment globally.

Relevance: PRI shapes how trillions in institutional capital interact with sustainability, especially through engagement and policy.

Product Liability

The legal obligation of a business to ensure its products are safe and free from defects. If harm results, the company may be held liable.

Relevance: A key ESG risk area in sectors like consumer goods, pharma, and manufacturing, where safety failures can trigger financial and reputational fallout.

Responsible Banking

Banking practices that align lending and investment portfolios with environmental and social priorities, often through UNEP FI's Principles for Responsible Banking.

Relevance: As banks face pressure to align with net zero, their lending policies are under ESG scrutiny.

Responsible Investment

An investment approach that incorporates ESG considerations into decision-making and active ownership. It evaluates how ESG factors affect risk-adjusted returns and how capital allocation impacts the broader economy, environment, and society.

Relevance: Responsible investment moves ESG beyond branding, into fiduciary strategy and systemic stewardship.

Risk Mitigation

A set of strategies aimed at reducing ESG-related risks in a portfolio, such as regulatory backlash, climate transition costs, or reputational damage. It includes due diligence, divestment, diversification, and active management of long-tail risks.

Relevance: ESG risks aren't hypothetical, they're financial. Mitigation is how smart investors protect against value erosion.

Roundtable on Sustainable Palm Oil (RSPO)

An international nonprofit promoting sustainable palm oil production through certification, transparency, and supply chain reform, focused on reducing deforestation, land rights violations, and biodiversity loss.

Relevance: RSPO certification is widely used in ESG screening and corporate supply chain commitments, especially in food and retail sectors.

Science-Based Targets (SBTs)

Greenhouse gas reduction goals aligned with the latest climate science and the Paris Agreement's 1.5°C pathway.

Relevance: SBTs give credibility to corporate climate claims, and are becoming table stakes for ESG leadership.

Scope 1, 2, and 3 Emissions

A framework for categorizing a company's greenhouse gas emissions:

Scope 1: Direct emissions from owned or controlled sources (e.g., factory smokestacks).

Scope 2: Indirect emissions from purchased energy (e.g., electricity use).

Scope 3: All other indirect emissions across the value chain (e.g., suppliers, product use).

Relevance: Scope 3 is often the largest and hardest to measure, yet it's where most ESG scrutiny is now heading.

Shareholder Engagement

When investors actively interact with companies to influence corporate behavior, typically around ESG practices, through meetings, proxy voting, or proposals.

Relevance: Engagement is one of the few tools shareholders have to drive change without divesting.

Shareholder Rights Directive (SRD II)

An EU regulation that mandates greater transparency and accountability in shareholder-company relations. SRD II strengthens stewardship obligations, voting disclosures, and engagement requirements for institutional investors.

Relevance: It's a regulatory push to turn passive capital into active accountability, especially in Europe's ESG regime.

Shareholders

Equity holders with ownership rights in a company, including voting on governance matters and access to financial disclosures. Unlike bondholders, shareholders have both risk exposure and influence.

Relevance: In ESG, shareholders are expected to act as stewards, holding companies accountable for long-term value, not just short-term gains.

Social Auditing

The process of assessing a company's social practices, particularly in supply chains, covering labor rights, health and safety, and human trafficking.

Relevance: Investors are pushing for real social due diligence, not just environmental metrics.

Social Investment

Allocating capital to projects, businesses, or assets that address systemic social challenges, such as education, affordable housing, or healthcare access, while still pursuing financial returns.

Relevance: It's the "S" in ESG given form, aiming to create measurable impact through market-driven mechanisms.

Social Megatrends

Broad, long-term social shifts that fundamentally reshape labor markets, consumer behavior, and policy, such as automation, aging populations, and digital globalization.

Relevance: Investors tracking ESG must account for megatrends, because they shape demand, risk, and regulatory priorities at scale.

Stakeholder Capitalism

A business philosophy that prioritizes the interests of all stakeholders, employees, customers, communities, not just shareholders.

Relevance: ESG is built on this foundation. It's a direct rebuke to the shareholder-first model of the past.

Stewardship

The responsibility of investors, especially institutional owners, to actively monitor, engage with, and influence the companies they invest in for long-term value creation.

Relevance: Stewardship is how passive capital becomes active accountability. It's the investor's role beyond the spreadsheet.

Strategic Asset Allocation (SAA)

A long-term portfolio strategy based on a fixed mix of asset classes, designed to deliver optimal risk-adjusted returns over time. Less reactive to short-term market moves, more aligned with fundamental trends.

Relevance: ESG megatrends like climate risk and demographic shifts are increasingly influencing long-term allocation decisions.

Sustainability Accounting Standards Board (SASB)

An organization that developed industry-specific sustainability disclosure standards, now merged into the ISSB. SASB standards focus on financially material ESG factors by sector.

Relevance: SASB brought clarity to ESG reporting by mapping which factors actually matter, depending on the industry.

Sustainability-Linked Bonds (SLBs)

Debt instruments tied to issuer-level sustainability goals. Unlike green bonds, SLB proceeds are not earmarked for specific projects, the bond terms (e.g., interest rate) vary based on whether targets are met.

Relevance: SLBs are a flexible way to align financing costs with ESG performance, putting "skin in the game" for issuers.

Sustainable Development Goals (SDGs)

The UN's 17 interlinked global goals aimed at eradicating poverty, protecting the planet, and promoting peace and prosperity by 2030.

Relevance: The SDGs serve as a universal language for ESG outcomes, and are often used as thematic anchors in sustainable investing.

Sustainable Investment

A broad strategy that includes assets selected for their contribution to a sustainable economy. This may involve ESG integration, best-in-class screening, thematic investing, or active ownership.

Relevance: "Sustainable investment" is the umbrella term under which most ESG and impact investing strategies now fall.

Task Force on Climate-Related Financial Disclosures (TCFD)

A framework developed by the Financial Stability Board to standardize how companies disclose climate-related financial risks. It emphasizes governance, strategy, risk management, and metrics.

Relevance: TCFD is the global benchmark for climate risk disclosure, and is increasingly required by regulators and asset owners.

Thematic Investment

An approach that builds portfolios around specific sustainability themes, such as clean energy, water, health care access, or circular economy innovation.

Relevance: A gateway ESG strategy for investors who want targeted exposure to high-growth, impact-driven sectors.

Transition Risk

Financial and operational risks arising from the shift to a low-carbon economy, including policy changes, technology disruption, and shifts in consumer demand.

Relevance: Companies ignoring transition risk may face stranded assets, regulatory penalties, or investor flight.

Triple Bottom Line (TBL or 3BL)

An accounting framework that expands the traditional measure of business success (profit) to include social and environmental performance: People, Planet, and Profit.

Relevance: TBL shifts the lens from shareholder returns to stakeholder value, forming the philosophical base of ESG accounting.

United Nations Environment Programme Finance Initiative (UNEP FI)

A partnership between the UN Environment Programme and over 400 financial institutions worldwide. UNEP FI drives systemic change by integrating sustainability into mainstream financial practice.

Relevance: UNEP FI shapes industry standards on responsible banking, insurance, and investment, linking finance directly to development goals.

United Nations Framework Convention on Climate Change (UNFCCC)

The core international treaty (1992) aimed at preventing dangerous human-caused interference with the climate system. It provides the legal structure for global climate negotiations, including the Paris Agreement.

Relevance: Every major climate agreement and corporate carbon commitment traces back to the framework established by the UNFCCC.

United Nations Global Compact (UNGC)

A voluntary UN initiative launched in 2000 to encourage businesses to align with 10 principles covering human rights, labor, environment, and anti-corruption. With 8,000+ corporate signatories, it's one of the largest global corporate responsibility platforms.

Relevance: UNGC provides a foundational ESG ethics framework for companies, and a signaling tool for investors vetting corporate behavior.

Water Scarcity

A growing environmental and geopolitical challenge, when demand for water exceeds supply or access is constrained.

Relevance: Water stress is an acute ESG risk in agriculture, energy, and manufacturing, affecting operational continuity and regional stability.