

## ESG jargon buster!

This jargon buster is intended to help you cut through some of the terminology, acronyms and abbreviated terms used in the world of ESG (with links to relevant websites where appropriate). This is not an exhaustive list, especially given how quickly the ESG space is evolving, but is a good starting point for you to build on as you add terms that are relevant to your organisation. It primarily focuses on the UK standards and those international standards impacting UK based companies or organisations.



<b>Carbon neutral</b>	The description of an organisation whose carbon emissions are balanced out by offsetting and/or implementing carbon reductions or savings equivalent to its carbon footprint (so you can be carbon neutral without reducing your emissions at all) (see also <i>Net zero</i> )
<b>Climate (change) adaptation</b>	Adapting to changes to the environment (whether physical, social or economic) in which an organisation operates (for example, building flood defences or changing the way the business operates)
<b>Climate (change) mitigation</b>	Action taken by an organisation to mitigate against the effects of the organisation on the environment (for example, action to reduce GHG emissions, carbon-offsetting etc)
<b>Climate (change) resilience</b>	The ability to adapt to and mitigate the effects of changes to the environment and the associated risks, whether physical or transition risks
<b>Climate risk</b>	A climate-related risk that has the potential to, or does in fact, affect a company or organisation, that is either a risk related to the transition to a lower-carbon economy or to the physical impact of climate change
<b>Climate transition plans</b>	Plans to be published by listed companies, asset managers and regulated asset owners in the UK (as <a href="#">announced by the UK government</a> ) setting out their de-carbonisation strategy in the period to 2050
<b>COP</b>	Conference of the Parties, the decision-making body of the UNFCCC comprised of representatives from each of the states that are parties to the Convention
<b>Decarbonisation strategy</b>	A company's or organisation's strategy to reduce its net emissions of carbon dioxide
<b>Environmental</b>	Issues or considerations relating to the quality and functioning of the natural environment and natural systems, including issues such as climate change and pollution, waste management and changes in land use

<b>ESG</b>	Environmental, social and governance
<b>GHG</b>	Greenhouse gas(es)
<b>GHG Protocol or Greenhouse Gas Protocol</b>	A global standardised framework to measure and manage GHGs from private and public sector operations, value chains and mitigation actions. The GHG Protocol Corporate Accounting and Reporting Standard sets out requirements and guidance for companies and organisations preparing a corporate-level GHG emissions inventory
<b>Green Loan Principles (GLP)</b>	A framework of market standards and voluntary guidelines that participants are encouraged to adopt across the wholesale green loan market. The GLP were developed by the Loan Market Association, the Asia Pacific Loan Market Association and the Loan Syndications and Trading Association
<b>Governance</b>	Issues relating to the governance of companies and other investee entities; for traded companies this includes issues such as board composition, executive pay and anti-bribery considerations
<b>Green loan</b>	A loan provided to fund “green” projects, ie projects with environmental sustainability objectives, such as the development of renewable energy generation facilities
<b>Greenwashing</b>	A misleading statement of the ‘green’ credentials of a product or business operation
<b>Human capital management</b>	The management of the skills, knowledge and experience possessed by an individual or group of individuals within an organisation
<b>Human rights due diligence (HRDD)</b>	An ongoing risk management process that an organisation follows in order to identify, prevent, mitigate and account for how it addresses its adverse human rights impacts in its value chain, business relationships and its operations. Some jurisdictions have introduced, or are introducing, mandatory HRDD for certain businesses
<b>ISSB or International Sustainability Standards Board</b>	The standard setting board (established by the International Financial Reporting Standards (IFRS) Foundation) that will create a global baseline of sustainability-related disclosure standards
<b>Large Public Interest Entity or PIE</b>	UK incorporated companies that are traded companies (this includes the main market but not AIM), as well as banks or insurance companies, having more than 500 employees. Large PIEs are required to make additional ESG-related disclosures in their strategic report

<b>NDC or Nationally Determined Contributions</b>	National climate action plans submitted by parties to the Paris Agreement, setting out their objectives to address climate change. A new NDC is required every 5 years and is to increase that party's commitments. Following entry into the Paris Agreement in 2015, the signatories were required to submit their latest NDCs around the time of COP26
<b>Net zero</b>	A reduction of an organisation's emissions to net zero (ie a position where its emissions net of its emissions offsetting is equal to or less than zero) as a result of the organisation reducing its emissions to the lowest possible level and then implementing offsetting measures in respect of any residual emissions (see also <i>Carbon neutral</i> )
<b>Offsetting</b>	The means by which an organisation offsets (or matches) its carbon emissions through the purchase of an equivalent amount of carbon credits, which are derived from projects that provide for carbon dioxide emission avoidance, reduction or removal (eg tree planting and reforestation, or switching cooking burners to low carbon alternatives)
<b>Paris Agreement</b>	The agreement adopted at COP21 in 1995 pursuant to which the signatories committed to taking steps to keep global warming below 2°C above pre-industrial levels, and to pursue a further reduction to 1.5°C
<b>Physical risk</b>	Risks to an organisation such as extreme weather events caused by changes in the physical environment that present a threat to an organisation's physical assets, operational resilience and supply chains
<b>Scope 1 emissions (as defined in the GHG Protocol Corporate Accounting and Reporting Standard)</b>	Direct GHG emissions that occur from sources that are owned or controlled by the company or organisation. Examples include emissions from combustion in owned or controlled boilers, furnaces, vehicles etc, emissions from chemical production in owned or controlled process equipment
<b>Scope 2 emissions (as defined in the GHG Protocol Corporate Accounting and Reporting Standard)</b>	GHG emissions from the generation of purchased electricity consumed by the company or organisation. "Purchased electricity" means electricity that is purchased or otherwise brought into the organisational boundary of the company or organisation, and the emissions physically occur at the facility where the electricity is generated
<b>Scope 3 emissions (as defined in the GHG Protocol Corporate Accounting and Reporting Standard)</b>	Other indirect GHG emissions. An optional reporting category, scope 3 emissions are those that occur as a consequence of the activities of the company or organisation, but occur from sources not owned or controlled by that company or organisation. Examples include the extraction and production of purchased materials, transportation of purchased fuels and the use of sold products or services

<b>SDG</b>	United Nations <a href="#">Sustainable Development Goals</a> , the 17 Sustainable Development Goals set at the COP21 Paris Climate Conference as part of the <a href="#">United Nations' 2030 Agenda for Sustainable Development</a>
<b>SECR Reporting</b>	Disclosures made by companies in the directors' report (forming part of the Annual Report and Accounts)) in accordance with the Streamlined Energy and Carbon Reporting Framework, established by the Companies (Director's Report) and Limited Liability Partnership (Energy and Carbon Report) Regulations 2018
<b>Section 172 Statement</b>	A statement included in the strategic report which describes how the directors had regard to certain matters (including environmental impacts) when carrying out their duty to promote the success of the company
<b>Social</b>	Issues or considerations relating to rights, wellbeing and interests of people and communities, such as human rights issues, diversity, issues relating to supply chains including modern slavery
<b>Sustainability</b>	Meeting the needs of the present without compromising the ability of future generations to meet theirs
<b>Sustainability Disclosure Requirements or SDRs</b>	The UK government proposed in the policy paper <a href="#">Greening Finance: A Roadmap to Sustainable Investing</a> to introduce SDRs as a framework for corporates, asset managers and asset owners to provide enhanced TCFD disclosures
<b>Sustainability-Linked Loans</b>	Loans that apply to any corporate that aim to facilitate and support environmentally and socially sustainable economic activity. Unlike green loans, sustainability-linked loans do not necessarily fund "green" activities
<b>Sustainability-Linked Loan Principles (SLLP)</b>	A framework of market standards and voluntary guidelines that aim to promote the development and preserve the integrity of the sustainability-linked loan product by providing guidelines on the fundamental sustainability characteristics of these loans. The SLLP were developed by the Loan Market Association, the Asia Pacific Loan Market Association and the Loan Syndications and Trading Association
<b>Sustainable finance</b>	The taking account of ESG considerations when making investment decisions, leading to investments in more sustainable economic projects
<b>TCFD</b>	<a href="#">Taskforce on Climate-Related Financial Disclosures</a> established by the Financial Stability Board to develop recommendations for voluntary climate-related financial disclosures. Although currently voluntary for most companies in the UK (premium listed companies are required by the Listing Rules to report on a "comply or explain" basis), there is a policy to move towards making the TCFD requirements mandatory

<b>TNFD</b>	<a href="#">Taskforce on Nature-Related Financial Disclosures</a> , a taskforce with the aim of developing and delivering a risk management and disclosure framework for organisations to report and act on evolving nature-related risks
<b>Transition risk</b>	The risks associated with an organisation moving towards net zero or operating within a community that is transitioning to net zero, such as the costs of adapting operations to emit lower volumes of GHGs, reputational risks, or the risk of those who engage with a company and are key to its continued success deciding to disengage, such as investors, lenders, regulators, business partners, customers and employees
<b>UNFCCC or Convention</b>	United Nations <a href="#">Framework Convention on Climate Change</a> , which entered into force on 21 March 1994, has been ratified by 197 countries (known as the "Parties to the Convention"). The parent treaty to the Paris Agreement, the aim of the UNFCCC is to prevent "dangerous" human interference with the climate system
<b>UNGC</b>	United Nations <a href="#">Global Compact</a> , a global sustainability initiative supporting companies to act responsibly when doing business by aligning their strategies and operations with the ten principle of the UNGC on human rights, labour, environment and anti-corruption, with an emphasis on being collaborative and innovative
<b>UNPRI</b>	United Nations <a href="#">Principles for Responsible Investment</a> , incorporating six principles for responsible investment to encourage investors to use responsible investment to enhance returns and better manage ESG-related risks



For more information about ESG issues that may affect your organisation, refer to our [dedicated ESG pages](#) on our website.



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