Glossary

In the context of this paper, the following terms are used as per the following definitions. Some definitions are adapted from the ICMA Sustainable Finance High-Level Definitions and from the glossary of the IPCC Special Report 1.5°C (2018).

Abatement	Measures that companies take to prevent, reduce, or eliminate sources of GHG emissions within their value chain. Examples include reducing energy use, switching to renewable energy, and retiring high-emitting assets. Another similar term is *decarbonization.*
Adaptation	In human systems, the process of adjustment to actual or expected climate and its effects, in order to moderate harm or exploit beneficial opportunities. In natural systems, the process of adjustment to actual climate and its effects; human intervention may facilitate adjustment to expected climate and its effects.
Alignment approaches	National, regional, and international policy frameworks for the financial sector that aim to monitor and ensure global sustainable finance flows are contributing to the goals of the Paris Agreement and the Sustainable Development Goals.
Alignment tools	Tools that support the implementation of alignment approaches. They include but are not limited to taxonomies, transition planning frameworks, labels, certifications, indexes, emission measurement methodologies for financial activities, and Paris- and/or SDG-aligned disclosure requirements.
Carbon credits	Units that are generated through voluntarily implemented emission reduction activities. Carbon credits can represent emission reductions achieved through either avoidance, for instance by capturing methane from landfills, or by removal from the atmosphere, such as sequestering carbon through afforestation or directly capturing carbon from the air and storing it. Each carbon credit represents 1 metric ton of carbon dioxide equivalent (tCO_2e) reduced or removed.
Carbon markets	A mechanism that allows countries or companies to buy and sell carbon credits. They include both compliance (created under a national, regional, or international policy or regulatory requirement) or voluntary.
Carbon sinks	A reservoir (natural or human, in soil, ocean, and plants) where a GHG, an aerosol, or a precursor of a GHG is stored.
Certifications	A system of checking that entities, products, or services have met certain standards or definitions.
Climate finance	Financing that supports the transition to a climate-resilient economy by enabling mitigation actions to reduce and contain greenhouse gas emissions and adaptation actions that promote the climate resilience of infrastructure as well as social and economic assets.
Climate transition	A pathway supported by plans, policies, targets, milestones, and initiatives to achieve a climate-resilient economy with low greenhouse gas emissions in line with the goals of the Paris Agreement. Article 2.1 (c) of the Paris Agreement refers to "making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development."
Decarbonization	The process by which countries, individuals, or other entities aim to achieve zero fossil carbon existence. This typically refers to a reduction of the carbon emissions associated with electricity, industry, and transport.
Decoupling	Decoupling (in relation to climate change) is where economic growth is no longer strongly associated with consumption of fossil fuels. Relative decoupling is where both grow but at different rates. Absolute decoupling is where economic growth happens but fossil fuels decline.
Do No Significant Harm	A requirement in the context of sustainable finance policy that, while a financed activity, asset, or entity makes a significant contribution to certain environmental or social objectives, it should not at the same time do significant harm to other environmental or social objectives, thereby negating or diminishing the overall environmental and social benefit of the activity, asset, or entity.
Double materiality	A disclosure is material if it is material from an "impact" perspective (that is, affects employees, customers, vendors, or the environment), a financial perspective (that is, investors or creditors), or a combination of both.

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ESG disclosure	Mandatory or voluntary disclosure by private and/or public sector entities—with reference to international or national regulations, standards, or frameworks—on their approach and results in managing ESG performance and impacts.
ESG investing	Strategies and practices that incorporate material ESG factors in investment decisions and active ownership with a view to minimize risks and maximize returns. It can be pursued by all investors as part of their fiduciary duty on the basis that ESG factors are considered as having a material impact on returns.
ESG index	An index of companies, sovereigns, or supranationals that meet certain criteria for environmental, social, and governance performance. In the case of alignment with the Paris Agreement goals, the constituent entities may need to demonstrate adherence to certain criteria or performance thresholds for climate change mitigation and reduction of greenhouse gas emissions.
ESG standards	Voluntary or mandatory performance standards for managing the environmental, social, and governance performance of an activity, asset, or entity. ESG standards can be used to manage risk in financed activities, assets, and entities. They may link to disclosure requirements.
Financial inclusion	The availability and equality of opportunities to access financial services. It refers to a process by which individuals and businesses can access appropriate, affordable, and timely financial products and services. These include banking, loan, equity, and insurance products.
Green finance	Finance that addresses environmental objectives, such as climate change mitigation and adaptation, natural resource conservation, biodiversity conservation, and pollution prevention and control.
Green, Social, and Sustainability (GSS) Bond	Fixed-income financial instruments, from which proceeds are used to finance or re-finance a combination of green and social projects or activities with the aim of addressing environmental and social challenges, including climate change.
Impact finance	Financing of businesses or economic activities which produces verifiable and direct positive impact on the society and/or environment, based on agreed metrics and benchmarking, while also seeking market-aligned or better financial returns.
Inclusive green finance	Access to and usage of financial services and products that build resilience to the negative impacts of climate change, loss of biodiversity, and ecosystems, and that facilitate participation of low-income households, small businesses, and vulnerable groups in the green and low-carbon economy.
Just Transition	A framework initially developed by the trade union movement that encompasses a range of social interventions needed to secure workers' rights and livelihoods and minimize negative social impacts, particularly on vulnerable communities, when economies are shifting to address environmental challenges, such as climate change. In the context of climate change, a just transition may seek to ensure that the substantial benefits of a low-carbon transition are shared widely while also supporting those who stand to lose economically.
Label	An official symbol that shows that a product meets certain criteria. For instance, an environmental label indicates that a product has been designed to do less harm to the environment than similar products. Environmental or social labels are a means of measuring performance and also communicating and marketing the sustainability credentials of a given product.
Lock-in	A situation in which the future development of a system, including infrastructure, technologies, investments, institutions, and behavioral norms, is determined or constrained ("locked in") by historic developments.
Low-carbon	Causing or resulting in only a relatively small net release of greenhouse gases (CO_2 equivalent) into the atmosphere.
Minimum social safeguards	A requirement in the context of sustainable finance, and particularly taxonomy frameworks, whereby activities that seek to be identified as having environmental and social benefits and/or meeting sustainability criteria must, at a minimum, meet certain social and human rights criteria or standards.
Mitigation (of climate change)	A human intervention to reduce emissions or enhance the sinks of greenhouse gases.

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Net Zero	A state in which human-caused greenhouse gases going into the atmosphere are balanced by human-led removal out of the atmosphere, over a specified period and within specified boundaries. It is also used to describe targets and strategies adopted by governments, cities, and private sector entities to adhere to national emission-reduction pathways that are consistent with limiting the global temperature increase to 1.5°C above pre-industrial levels in line with the Paris Agreement.
Paris Agreement	A legally binding international treaty on climate change adopted by 196 Parties at the UN Climate Change Conference (COP21) in Paris, France, on December 12, 2015, with the overarching goal of holding "the increase in the global average temperature to well below 2°C above pre-industrial levels" and pursuing efforts "to limit the temperature increase to 1.5°C above pre-industrial levels."
Pathway (or Emission pathway)	The temporal evolution of natural and/or human systems toward a future state. Pathway concepts range from sets of quantitative and qualitative scenarios or narratives of potential futures to solution-oriented decision-making processes to achieve desirable societal goals. Pathway approaches typically focus on biophysical, techno-economic, and/or sociobehavioral trajectories and involve various dynamics, goals, and actors across different scales.
Resilience	The capacity of social, economic, and environmental systems to cope with a hazardous event, trend, or disturbance, responding or reorganizing in ways that maintain their essential function, identity, and structure while also maintaining the capacity for adaptation, learning, and transformation. This definition builds from the definition used by the Arctic Council (2013).
Scopes (of GHG emissions)	**Scope 1** Direct GHG emissions occur from sources that are owned or controlled by the company—for example, emissions from combustion in owned or controlled boilers, furnaces, vehicles, and so on, or emissions from chemical production in owned or controlled process equipment. **Scope 2** Emissions from purchased electricity, heat, and steam for use in business operations. Scope 2 emissions physically occur at the facility where electricity is generated and so would fall into the Scope 1 category for the power generator. **Scope 3** Scope 3 is a reporting category that allows for the treatment of all other indirect emissions. Scope 3 emissions are a consequence of the activities of the company but occur from sources not owned or controlled by the company— typically as a result of supplier or customer activities. These can be up or down the value chain—for example, transport and distribution—or the disposal of goods or services after they reach the consumer. Some examples of Scope 3 activities are extraction and production of purchased materials; transportation of purchased fuels; and use of sold products and services.
Sustainable Development Goals	The 17 goals that form the core of the 2030 Agenda for Sustainable Development, which were adopted by the United Nations on September 25, 2015, to end poverty, protect the planet, and ensure prosperity for all. Each goal has specific targets to be achieved by 2030, totaling 169 targets for all 17 goals. These goals and targets have been designed for consideration by national governments and are increasingly used by the private sector.
Sustainable finance	Practices by financial institutions and other financial sector participants that reduce and manage ESG risks resulting from or affecting financial sector activities, including climate change risks, and that encourage the flow of capital to assets, projects, sectors, and businesses that have environmental and social benefits, including climate change mitigation and adaptation.
Sustainable finance taxonomy	A classification system identifying activities, assets, and/or project categories that deliver on key environmental, social, or sustainable objectives and/or criteria with reference to identified thresholds and/or targets.
Sustainability-linked loan	Any type of loan instrument and/or contingent facility—such as bond line, guarantee line, or letter of credit—that incentivizes the borrower's achievement of ambitious, predetermined sustainability performance objectives.
Transition frameworks	Principles, guidance, and/or methodologies that help the private sector to design and communicate a credible shift to low-carbon technologies and practices in line with the Paris Agreement goals.
Value chain GHG emissions	Can mean a company's Scope 3 emissions (see *Scopes*). However, sometimes the term value chain is used more broadly and includes a company's operational emissions (Scope 1 and Scope 2) as well as Scope 3.

Note: CO_2 = carbon dioxide; ESG = environmental, social, and governance; GHG = greenhouse gas; GSS = green, social, and sustainability; SDGs = Sustainable Development Goals.