

# SUSTAINABILITY JARGON BUSTER

## A

### Active Ownership

Using investor rights to encourage companies to improve through meetings with management and voting at shareholder meetings.

### Additionality

The investment causes extra positive change that would not have happened otherwise. For example, a project is built sooner or to a higher standard because funding was provided.

### Anti-Greenwashing Rule (UK)

Marketing about sustainability must be fair, clear, and not misleading so promises match what the product actually does.

### Article 6 / 8 / 9 (EU SFDR)

European shorthand for fund types. Article 6 has no specific sustainability focus. Article 8 promotes environmental or social characteristics. Article 9 has sustainability or impact as its main objective.

## B

### Best-in-Class (Positive Screening)

Choosing stronger environmental, social, and governance performers within each industry instead of excluding whole sectors.

### Biodiversity Investing

Backing activities that protect and restore nature, such as habitat restoration, clean water, and sustainable farming or forestry.

### Blended Finance

Combining public or philanthropic money with private capital to make impactful projects more investable by sharing risk.

### Blue Bonds

Bonds that fund ocean and freshwater projects such as marine conservation, wastewater treatment, or sustainable fishing.

## C

### Carbon Footprint / Carbon Intensity

How much greenhouse gas a company or portfolio emits, either in total or per pound of sales.

### Climate Physical Risk / Transition Risk

Physical risk comes from extreme weather and other climate impacts. Transition risk comes from policy, technology, legal, and market changes during the move to a low-carbon economy.

### CSRD (Corporate Sustainability Reporting Directive)

EU rules that require larger companies to publish standardised sustainability information so investors can compare companies.

## D

### Data Privacy and AI Governance

How a company protects personal data and manages risks from artificial intelligence, such as bias or misuse.

### DEI (Diversity, Equity and Inclusion)

How fairly people are treated and represented at work, including hiring, pay, promotion, and culture.

### DNSH (Do No Significant Harm)

Activities counted as sustainable should not cause serious harm to other environmental or social goals.

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## E

### Engagement

Direct dialogue with companies to encourage better practices and disclosures, often with targets and timelines.

### ESG Integration

Including environmental, social, and governance factors in investment research and decisions because they can affect financial results.

### EU Taxonomy

A list of economic activities that meet EU criteria for being environmentally sustainable.

## F

### Fossil Fuel Exposure

How much of a company's or portfolio's revenue or assets are tied to coal, oil, or gas. Used to understand transition risk.

## G

### GHG Protocol Scopes 1, 2, 3

Scope 1 is direct emissions from owned or controlled sources. Scope 2 is emissions from purchased energy. Scope 3 covers other indirect emissions in the value chain, often the largest share.

### Green Bonds

Use-of-proceeds bonds that fund environmental projects such as renewable energy or energy efficiency. Money raised is ring-fenced for eligible projects.

### Greenium

A pricing effect where some labelled green bonds are issued at slightly lower yields because demand is strong.

## H

### Human Rights Due Diligence

Processes to identify, prevent, and address risks to people in a company's operations and supply chain.

## I

### Impact Investing

Investing with the aim of delivering measurable positive outcomes for people or the planet alongside financial returns. The effect should be intentional, material, and additional.

### IFRS S2 (formerly TCFD-aligned)

Global climate disclosure rules that ask companies to report on governance, strategy, risk management, and climate metrics and targets.

## J

### Just Transition

Decarbonisation that also supports workers and communities, aiming for benefits that are fair and inclusive.

## K

### KPIs (Key Performance Indicators)

The specific measures used to track sustainability progress, such as emissions per unit of output or percentage of renewable energy used.

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## L

### Lifecycle Assessment (LCA)

Measuring environmental impacts of a product from raw materials to disposal. Helps spot hidden impacts that occur outside a company's own operations.

### Labelled Sustainable Funds

Funds that use regulated labels or make formal sustainability claims under SDR or SFDR. Disclosures explain the approach and how holdings are selected.

## M

### Materiality (Single and Double)

Single materiality looks at how sustainability issues affect a company's value. Double materiality also looks at how the company affects people and the planet.

### Minimum Safeguards

Basic social and governance standards that companies should meet to qualify as sustainable under EU rules.

## N

### Natural Capital

Stocks of nature such as soil, water, air, and biodiversity that provide services people rely on.

### Negative Screening

Excluding companies or sectors from the investable universe based on set rules, for example severe controversies or certain activities.

### Net Zero

A state where remaining emissions are balanced by removals. Investors and companies often set targets for 2050 with milestones for 2030.

### Norms-Based Screening

Checking companies against international standards such as the UN Global Compact and excluding persistent violators.

## O

### Offsets and Carbon Credits

Units that represent verified emission reductions or removals. Can be used to compensate for emissions that remain after reduction efforts. Quality and verification are critical.

## P

### PAIs (Principal Adverse Impacts)

A list of indicators under SFDR that show where investments may have negative effects on people or the planet, for example emissions, waste, or social violations.

### Proxy Voting

Using votes at shareholder meetings to support or oppose proposals on issues such as climate plans, board independence, or pay.

### Positive Tilt / ESG Tilt

Increasing the weight of higher scoring ESG companies while keeping broad market exposure.

## Q

### Quantitative ESG Metrics

Numeric measures such as emission intensity, water use, injury rates, or diversity statistics that help compare companies.

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## R

### Revenue Alignment / Green Revenue

The share of a company's income that comes from environmentally or socially beneficial activities.

### Responsible Investment Policy

A statement explaining how an investment manager considers ESG factors, stewardship, exclusions, and escalation.

## S

### SBTi (Science Based Targets initiative)

An independent body that checks whether a company's emissions targets are aligned with climate science.

### SDGs (UN Sustainable Development Goals)

Seventeen global goals that many investors use to map where investments contribute to positive outcomes.

### SDR (UK Sustainability Disclosure Requirements)

UK rules that set fund labels, disclosure requirements, and an anti-greenwashing approach so clients can understand sustainability claims.

### Shareholder Resolutions

Proposals filed by shareholders asking for changes or disclosures, for example stronger climate targets or human rights reporting.

### SLBs (Sustainability-Linked Bonds)

Bonds where the interest rate moves if the issuer hits or misses agreed sustainability targets. Money raised is for general purposes rather than specific projects.

### SLLs (Sustainability-Linked Loans)

Loans where the interest margin changes based on the borrower's sustainability performance.

### Social Bonds

Use-of-proceeds bonds that fund social projects such as affordable housing, healthcare, or education.

### Stewardship

How an investment manager uses ownership rights and influence to protect and enhance long-term value, including engagement, voting, and escalation.

### Stranded Assets

Assets that may lose value because of climate policy, technology shifts, or market changes, for example fossil fuel reserves that cannot be used.

### Sustainability Bonds

Use-of-proceeds bonds that fund a mix of environmental and social projects.

## T

### Temperature Alignment / Implied Temperature Rise

An estimate of the warming pathway associated with a company or portfolio based on its targets and expected emissions.

### Thematic Investing

Investing in companies linked to a sustainability theme such as clean energy, circular economy, or social inclusion.

### TNFD (Taskforce on Nature-related Financial Disclosures)

A framework that helps organisations assess and disclose nature-related risks and opportunities.

### Transition Bonds

Bonds that finance credible decarbonisation in higher-emitting sectors such as steel, cement, or shipping.

### Transition Investing

Backing companies that have clear, time-bound plans to improve their environmental or social performance even if today's footprint is high.

# SUSTAINABILITY JARGON BUSTER

U

## UN PRI (Principles for Responsible Investment)

A global initiative that encourages investors to include ESG factors in investment and ownership decisions.

### Use-of-Proceeds Bonds

Bonds where the money raised is earmarked for eligible projects and reporting is provided on how the funds are used. Includes green, social, sustainability, and blue bonds.

V

## Voting Policy

Guidelines explaining how an investment manager votes on issues such as climate, diversity, board independence, and pay.

W

## Water Stewardship

How companies manage water use and protect water quality, including in supply chains and high-stress regions.

X

## Exclusions List

A list of activities or companies that a fund will not invest in, for example certain weapons, severe human rights violations, or thermal coal.

Y

## Year-on-Year Progress

How a company's or fund's sustainability metrics change over time. Useful for checking if targets are on track.

Z

## Zero-Deforestation Commitment

A pledge to remove deforestation from supply chains for products such as palm oil, soy, beef, and timber, with verification and timelines.