

ESG Playbook



Build a Sustainable Advantage

ESG Glossary: Key Terms



Term	Definition
B Corp	A certification provided by the nonprofit organization B Lab to businesses that meet rigorous social and environmental standards. B Corps are required to consider the impact of their decisions on various stakeholders, including workers, communities, and the environment.
Carbon Footprint	The total amount of greenhouse gasses, primarily carbon dioxide (CO ₂), emitted directly or indirectly by an individual, organization, event, or product over its lifecycle. Measuring and reducing carbon footprints is essential for mitigating climate change.
Carbon Neutral	Achieving a net-zero carbon footprint by balancing carbon emissions with carbon removal or offsetting such as reforestation or renewable energy initiatives.
Carbon Offsetting	Carbon offsets are tradable “rights” or certificates linked to activities that lower the amount of carbon dioxide (CO ₂) in the atmosphere. By buying these certificates, a person or group can fund projects that fight climate change, instead of taking actions to lower their own carbon emissions. In this way, the certificates “offset” the buyer’s CO ₂ emissions with an equal amount of CO ₂ reductions somewhere else.
CBAM Carbon Border Adjustment Mechanism	The world’s first carbon border tax, created by the EU, with the aim of reducing carbon emissions. Its primary focus is to address an issue called ‘carbon leakage’ or offshoring emissions. This happens when companies transfer the production of goods to countries with lower emissions standards, often leading to an overall increase in emissions. The first stage of the policy, which will be phased in over three years, came into force on 1 October 2023. This initial trial phase is focused on high emitting sectors, including cement, fertilisers, iron and steel, aluminium, hydrogen, and electricity. After this, CBAM will be gradually ramped up to include more sectors, until it comes into full force from 1 January 2026. Only then will the carbon price be charged.
Circular Economy	An economic model that aims to minimize waste and maximize resource efficiency. It promotes the continuous use of resources through practices like recycling, reusing, and remanufacturing.

Term	Definition
Closed-Loop Supply Chain	A supply chain system in which products and materials are recycled, reused, or remanufactured to minimize waste and maximize resource efficiency. It aims to create a circular flow of materials, reducing the need for raw material extraction.
Corporate Social Responsibility (CSR)	CSR is generally used to describe the intersection between a company's governance and its ethical obligations to the communities with which it interacts.
Double Materiality	This assessment is a key element in CSRD reporting and determines to a large extent the reporting scope. The execution is complex, more so than the GRI based materiality assessments, as it requires companies to identify both their impacts on people and environment (impact materiality) as well as the sustainability matters that financially impact the undertaking (financial materiality).
Environmental, Social, and Governance (ESG)	These terms refer to the three central factors typically used in evaluating the sustainability and ethical impact of a company or an investment. Environmental factors consider a company's impact on the environment, social factors assess its relationships with employees, communities, and customers, and governance factors evaluate its leadership and management practices.
Extended Producer Responsibility (EPR)	A policy approach that holds producers accountable for the environmental impacts of their products throughout their life cycle, including their end-of-life disposal. EPR encourages producers to take responsibility for the collection, recycling, or safe disposal of their products.
Principles for Responsible Banking	Refers to the set of guidelines developed in coordination with the United Nations for banks to incorporate ESG and sustainability issues in their decision-making.

Term	Definition
Renewable Energy Certificate (REC)	A REC is a type of Energy Attribute Certificate (EAC) that represents the environmental attributes of the generation of a one-megawatt hour (MWh) of energy produced by renewable sources. Using EACs, end-users around the world can make reliable claims about their energy usage such as: “my facility runs on 100% renewable energy”.
Socially Responsible Investing (SRI)	Refers to an investment discipline that considers ESG criteria to generate long-term competitive financial returns and positive societal impact through targeted investment decision-making.
Stranded Assets	Assets that experience premature or unanticipated devaluations, write-downs, or conversion to liabilities, or that are no longer economically viable to exploit. An example with fossil fuel could be to describe resources that would not be extracted and consumed, but that would remain stranded in the ground.
Sustainability Report	The report produced by an organization to inform stakeholders about its policies, programs, and performance regarding ESG and other matters. Sustainability reports, sometimes referred to as corporate citizenship reports, or CSR reports, are historically voluntary but that is changing with increasing regulations. These reports are sometimes integrated into financial reports. There is a growing trend toward integration and assurance.
Vice Stocks” or “Sin Stocks”	Stocks of companies either directly or indirectly associated with activities considered by some to be unethical or immoral, such as tobacco, conflict diamonds, certain weapons, or gambling.