Explanatory Notes Relating to the Sustainable Finance Definitions/Terminologies

Biodiversity (Biological diversity)

The variety of life on earth and the systems that support it. As well as the full array of living plants, animals and micro-organisms, biodiversity includes the ecosystems in which those species live, and the range of genetic variety within each species.

Carbon Footprint/Emissions

Greenhouse gases released by human activities, such as burning fossil fuels, are sometimes referred to as carbon emissions. Carbon dioxide emitted in this way is the main cause of climate change. See Greenhouse gas.

Circular Economy

A circular economy is an industrial system that - by intention and design - generates economic value whilst restoring or regenerating natural systems. Typically, this involves the use of renewable energy and natural resources, eliminates the use of toxic chemicals (which impair reuse), and aims for the elimination of waste through the superior design of materials, products, systems, and business models.

Climate Change Adaptation

It means the process of adjustment to actual and expected climate change and its impacts. This can include actions like building flood defences, changing farming practices to suit new weather patterns and updating infrastructure to withstand extreme heat or storms.

Climate Change Mitigation

Climate change mitigation refers to any action taken by governments, businesses, or people to reduce or prevent greenhouse gas emissions, or to enhance carbon sinks that remove these gases from the atmosphere. Reducing or preventing greenhouse gas emissions can be achieved by transitioning to renewable energy sources like wind and solar, using energy more efficiently, adopting low carbon or carbon-free transportation modalities, promoting sustainable agriculture and land use, and changing production and consumption models and diet behaviours. Enhancing carbon sinks can be achieved by restoring forests, wetlands, and marshlands, maintaining soil health, and protecting terrestrial and marine ecosystems.

Environmentally Sustainable Investment

It means an investment in one or several economic activities that qualify as environmentally sustainable under Regulation (EU) 2020/852. An economic activity qualifies as it satisfies environmentally sustainable investment by complying with three overarching conditions: 1) Make a substantial contribution to one or more of the environmentally objectives 2) Do no significant harm to the remaining environmentally objectives 3) Meet minimum social safeguards.

European Green Deal

It is a new growth strategy that aims to transform the EU into a fair and prosperous society, with a modern, resource-efficient and competitive economy where there are no net emissions of greenhouse gases in 2050 and where economic growth is decoupled from resource use.

Greenhouse Gas (GHG) Emissions

Greenhouse gases are gases that trap heat from the sun in our planet's atmosphere, keeping it warm. The main greenhouse gases released by human activities are carbon dioxide, methane, nitrous oxide, and fluorinated gases used for cooling and refrigeration. Carbon dioxide is the primary greenhouse gas resulting from human activities, particularly from burning fossil fuels, deforestation, and changing the way land is used.

Greenwashing

In the context of Regulation (EU) 2020/852 it refers to the practice of gaining an unfair competitive advantage by marketing a financial product as environmentally friendly, when in fact basic environmental standards have not been met.

Human Capital

The knowledge, skills, competencies and attributes embodied in individuals that contribute to improved performance and wellbeing.

Minimum Safeguards

The minimum safeguards are an integral part of the Taxonomy and are one of the four criteria laid down in Article 3 which must be met for economic activities to be considered environmentally sustainable. The inclusion of minimum safeguards in the Taxonomy framework aims to ensure that entities carrying out economic activities considered as Taxonomy-aligned meet certain minimum social and governance standards. In other words, the purpose of the minimum safeguards under the Taxonomy Regulation is to prevent activities and investments from being regarded as 'sustainable' if they involve breaches of key social principles and human and labour rights or do not align with minimum standards for responsible business conduct.

Renewable Energy

Renewable energy is energy derived from natural sources that are constantly being replenished, such as wind, sunlight, the flow of moving water, and geothermal heat.

Resource Efficiency

Resource efficiency and productivity ensure that materials are used efficiently at all stages of their lifecycle (extraction, transport, manufacturing, consumption, recovery and disposal) and throughout the supply chain. Moving towards a resource-efficient and circular economy is critical from both supply security and environmental perspectives and provides the basis for a sustainable and competitive economy.

Responsible or ESG Investing

Responsible Investing, also known as ESG Investing, refers to strategies and practices that incorporate material environmental, social and governance (ESG) factors in investment decisions and active ownership with a view to minimise risks and maximise returns.

Sustainable Finance Disclosure Regulation (SFDR)

Sets out the disclosure requirements of sustainability information by financial market participants and financial advisors whereby helping investors who seek to put their money into companies and projects supporting sustainability objectives to make informed choices.

Sustainable Investment (as per Article 9 of the SFDR)

An investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance

Social Cohesion

Capacity of a society or community based on a common vision and a sense of belonging where peoples' diverse backgrounds (including migratory) and circumstances are mutually appreciated and positively valued.

Sustainable Development Goals (SDGs)

SDGs refer to 17 integrated and indivisible goals with 169 associated targets and form the core of the 2030 Agenda for Sustainable Development adopted by the United Nations on 25 September 2015 to end poverty, protect the planet and ensure prosperity for all. Each goal has specific targets to be achieved by 2030. These goals and targets have been designed for consideration by national governments but have also been increasingly used as appropriate by corporates.

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