Appendix 3: Glossary and Abbreviations

Glossary

BOARD OF DIRECTORS (or BOARD) refers to a body of elected or appointed members who jointly oversee the activities of a company or organization. Some countries use a two-tiered system where "board" refers to the "supervisory board" while "key executives" refers to the "management board."[142]

CARBON FOOTPRINTING refers to the calculation of the total greenhouse gas emissions caused by an individual, event, organization, service, or product expressed as a carbon dioxide equivalent.

CLIMATE-RELATED OPPORTUNITY refers to the potential positive impacts related to climate change on an organization. Efforts to mitigate and adapt to climate change can produce opportunities for organizations, such as through resource efficiency and cost savings, the adoption and utilization of low-emission energy sources, the development of new products and services, and building resilience along the supply chain. Climate-related opportunities will vary depending on the region, market, and industry in which an organization operates.

CLIMATE-RELATED RISK refers to the potential negative impacts of climate change on an organization. Physical risks emanating from climate change can be event-driven (acute) such as increased severity of extreme weather events (e.g., cyclones, droughts, floods, and fires). They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns (e.g., sea level rise). Climate-related risks can also be associated with the transition to a lower-carbon global economy, the most common of which relate to policy and legal actions, technology changes, market responses, and reputational considerations.

ENTERPRISE VALUE INCLUDING CASH refers to the sum of the market capitalization of ordinary shares at fiscal year-end, the market capitalization of preferred shares at fiscal year-end, and the book values of total debt and minorities' interests. No deductions of cash or cash equivalents are made to avoid the possibility of negative enterprise values[143]

FINANCIAL FILINGS refer to the annual reporting packages in which organizations are required to deliver their audited financial results under the corporate, compliance, or securities laws of the jurisdictions in which they operate. While reporting requirements differ internationally, financial filings generally contain financial statements and other information such as governance statements and management commentary.[144]

FINANCIAL PERFORMANCE refers to an organization's income and expenses as reflected on its income and cashflow statements (actual) or potential income and expenses under different climate-related scenarios.

FINANCIAL PLANNING refers to an organization's consideration of how it will achieve and fund its objectives and strategic goals. The process of financial planning allows organizations to assess future financial positions and determine how resources can be utilized in pursuit of short- and long-term objectives. As part of financial planning, organizations often create "financial plans" that outline the specific actions, assets, and resources (including capital) necessary to achieve these objectives over a 1–5 year period. However, financial planning is broader than the development of a financial plan as it includes long-term capital allocation and other considerations that may extend beyond the typical 3–5 year financial plan (e.g., investment, research and development, manufacturing, and markets).

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[142] OECD, *G20/OECD Principles of Corporate Governance*, 2015.

[143] EU Technical Expert Group on Sustainable Finance, *Financing a Sustainable European Economy: Report on Benchmarks: Handbook of Climate Transition Benchmarks, Paris Aligned Benchmark, and Benchmarks' ESG Disclosure*, 2019.

[144] Based on Climate Disclosure Standards Board, *CDSB Framework for Reporting Environmental and Climate Change Information*, December 2019.

FINANCIAL POSITION refers to an organization's assets, liabilities, and equity as reflected on its balance sheet (actual) or potential assets, liabilities, and equity under different climate-related scenarios.

GOVERNANCE refers to "the system by which an organization is directed and controlled in the interests of shareholders and other stakeholders."[145] "Governance involves a set of relationships between an organization's management, its board, its shareholders, and other stakeholders. Governance provides the structure and processes through which the objectives of the organization are set, progress against performance is monitored, and results are evaluated."[146]

GREENHOUSE GAS (GHG) EMISSIONS SCOPE LEVELS[147]

- **Scope 1** refers to all direct GHG emissions.
- **Scope 2** refers to indirect GHG emissions from consumption of purchased electricity, heat, or steam.
- **Scope 3** refers to other indirect emissions not covered in Scope 2 that occur in the value chain of the reporting company, including both upstream and downstream emissions. Scope 3 emissions could include the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities (e.g., transmission and distribution losses), outsourced activities, and waste disposal.[148]

INTERIM TARGET refers to a short-term milestone between the organization's medium- or long-term target and current period.

INTERNAL CARBON PRICE refers to a monetary value on GHG emissions an organization uses internally to guide its decision-making process in relation to climate change impacts, risks, and opportunities.[149]

MANAGEMENT refers to those positions an organization views as executive or senior management positions and that are generally separate from the board.

PUBLICLY AVAILABLE 2°C SCENARIO refers to a 2°C scenario that is (1) used/referenced and issued by an independent body; (2) wherever possible, supported by publicly available datasets; (3) updated on a regular basis; and (4) linked to functional tools (e.g., visualizers, calculators, and mapping tools) that can be applied by organizations. 2°C scenarios that presently meet these criteria include IEA 2DS, IEA 450, Deep Decarbonization Pathways Project, and International Renewable Energy Agency.

RISK MANAGEMENT refers to a set of processes that are carried out by an organization's board and management to support the achievement of the organization's objectives by addressing its risks and managing the combined potential impact of those risks.

SCENARIO ANALYSIS refers to a process for identifying and assessing a potential range of outcomes of future events under conditions of uncertainty. In the case of climate change, for example, scenarios allow an organization to explore and develop an understanding of how the physical and transition risks of climate change may impact its businesses, strategies, and financial performance over time.

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Appendices

145 A. Cadbury, *Report of the Committee on the Financial Aspects of Corporate Governance*, 1992.
146 OECD, *G20/OECD Principles of Corporate Governance*, 2015.
147 World Resources Institute and World Business Council for Sustainable Development, *The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)*, March 2004.
148 IPCC, *Climate Change 2014 Mitigation of Climate Change*, 2014.
149 Based on World Bank, "What is Carbon Pricing?," accessed September 20, 2021.

SECTOR refers to a segment of companies performing similar business activities in an economy. A sector generally refers to a large segment of the economy or grouping of business types, while "industry" is used to describe more specific groupings of companies within a sector.

STRATEGY refers to an organization's desired future state. An organization's strategy establishes a foundation against which it can monitor and measure its progress in reaching that desired state. Strategy formulation generally involves establishing the purpose and scope of the organization's activities and the nature of its businesses, taking into account the risks and opportunities it faces and the environment in which it operates.

TRANSITION PLAN refers to an aspect of an organization's overall business strategy that lays out a set of targets and actions supporting its transition toward a low-carbon economy, including actions such as reducing its GHG emissions.

VALUE CHAIN refers to the upstream and downstream life cycle of a product, process, or service, including material sourcing, production, consumption, and disposal/recycling. Upstream activities include operations that relate to the initial stages of producing a good or service (e.g., material sourcing, material processing, supplier activities). Downstream activities include operations that relate to processing the materials into a finished product and delivering it to the end user (e.g., transportation, distribution, and consumption).

Abbreviations

CO_2—Carbon dioxide

CO_2e —Carbon dioxide equivalent

EEDI—Energy Efficiency Design Index

EVIC—Enterprise Value Including Cash

FSB—Financial Stability Board

G20—Group of 20

GHG—Greenhouse gas

GMO—Genetically modified organism

IEA—International Energy Agency

IPCC—Intergovernmental Panel on Climate Change

MT—Metric ton

PCAF—Partnership for Carbon Accounting Financials

R&D—Research and development

R&DDD—Research, development, demonstration, and deployment

SASB—Sustainability Accounting Standards Board

SBTi—Science Based Targets initiative

TCFD—Task Force on Climate-related Financial Disclosures

USDE—U.S. Dollar Equivalent

WACI—Weighted Average Carbon Intensity

WBCSD— World Business Council for Sustainable Development

WRI—World Resources Institute