This guide aims to provide a non-exhaustive list of ESG and Sustainable and Responsible Investment related common terminology and definitions as a starting point for discussion. It is an anthology of definitions from other organisations that are considered to be useful/appropriate to the work of the TISA Responsible and Sustainable Investing Committee and TISA members. This document is not intended to be definitive and it is expected to be updated from time to time.

TERMINOLOGY	DEFINITION	SOURCE
Active Ownership	Investors addressing concerns on policies and practices, including on ESG issues by voting on such topics or engaging corporate managers and board of directors on them. Active ownership is utilised to address business strategy and decisions made by the corporation in an effort to reduce risk and enhance sustainable long-term shareholder value.	Swiss Sustainable Finance
Best in Class	An investment approach that includes investments based on certain sustainability criteria to focus exposure on sector-leading companies. Best in Class approaches can vary from selecting from amongst the best performing companies (e.g. the lowest carbon / most energy efficient energy producers) to excluding the worst performing companies relative to peers. ***Explanatory Note:*** *Adopting a Best in Class approach can mean having exposure to companies from sectors that may not typically be considered "sustainable". A Positive Tilt approach may also mean this. A Positive Tilt is typified by having less exposure to these kinds of companies than a traditional benchmark (e.g. FTSE 100, S&P 500).*	Glossary to the Investment Association's Responsible Investment Framework

TERMINOLOGY	DEFINITION	SOURCE
Carbon Footprint (Fund)	An aggregation of the carbon footprint of individual positions within an investment portfolio, relative to the share of the companies held by this portfolio. As a measure to assess the climate risk of an investment portfolio, this key performance indicator for example, may be used by institutional investors aiming to offer transparency and reduce the carbon intensity of their portfolios. *TISA Note: These are not precise measures*	Swiss Sustainable Finance (amended)
Carbon Neutral	This occurs when an organisation's net carbon emissions is equal to zero. The process requires measuring total CO_2 emissions, taking active steps to reduce emissions where the company can, and then purchasing CO_2 -certificates to offset CO_2 emissions that cannot be eliminated from the totality of the company's operations, purchased (SHEC) and supply chains. The CO_2 -certificates were generated by a third party who contributed to projects reducing CO_2 -emissions (i.e. by replacing fossil power generation with renewable energy projects). The IPCC (Intergovernmental Panel on Climate Change) has recommended that global net zero should be by 2050 to attempt to keep warming below 2°C.	Based on the work of Swiss Sustainable Finance
Circular Economy	An economic system whereby the value of products, materials and other resources in the economy is maintained for as long as possible, enhancing their efficient use in production and consumption, thereby reducing the environmental impact of their use, minimising waste and the release of hazardous substances at all stages of their life cycle, including through the application of the waste hierarchy ***Waste hierarchy:***	Regulation of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment. Published 18 June 2020 - Article 2: definitions

TERMINOLOGY	DEFINITION	SOURCE
	(a) prevention; (b) preparing for re-use; (c) recycling; (d) other recovery, e.g. energy recovery; and (e) disposal. Ellen MacArthur foundation definition of a circular economy brings in further elements: - A **circular economy** is a systemic approach to **economic** development designed to benefit businesses, society, and the environment. In contrast to the 'take-make-waste' linear model, a **circular economy** is regenerative by design and aims to gradually decouple growth from the consumption of finite resources. - It recognises that resource use has major implications on many other ESG factors such as Environmentally: climate change; deforestation; pollution; land use etc - It brings in the concept that the earth is a closed system (environmental economics and externalties and poor recognition or no prices for resources- eg when you chop down a tree in the amazon there is no price, just the value of the wood sold and creation of an asset that someone owns which was previously indigenious population)	 Ellen MacArthur Foundation
Climate change adaptation	The process of adjustment to actual and expected climate change and its impacts.	Regulation of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable

TERMINOLOGY	DEFINITION	SOURCE
		investment. Published 18 June 2020 - Article 2(6) definitions
Climate change mitigation	The process of holding the increase in the global average temperature to well below 2 °C and pursuing efforts to limit it to 1.5 °C above pre-industrial levels, as laid down in the Paris Agreement.	Regulation of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment. Published 18 June 2020. - Article 2(5) definitions
Community Investing	Directing investment capital to communities that are underserved by traditional financial services institutions. Generally provides access to credit, equity, capital, housing, and basic banking products that these communities would otherwise lack. The term usually refers to investments in developed countries.	Swiss Sustainable Finance
Environmental Issues	Issues relating to the quality and functioning of the natural environment and natural systems. These include: biodiversity loss; greenhouse gas (GHG) emissions, climate change, renewable energy, energy efficiency, air, water or resource depletion or pollution, waste management, stratospheric ozone depletion, changes in land use, ocean acidification and changes to the nitrogen and phosphorus cycles.	UN PRI

TERMINOLOGY	DEFINITION	SOURCE
Environmental Objectives	(a) climate change mitigation; (b) climate change adaptation; (c) the sustainable use and protection of water and marine resources; (d) the transition to a circular economy; (e) pollution prevention and control; (f) the protection and restoration of biodiversity and ecosystems.	Regulation of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment. Published 18 June 2020 - Article 9 environmental objectives
ESG	Environmental, Social and Governance issues.	
ESG Considerations	Any factor associated with environmentally sustainable investments, social investments or good governance investments, or a combination of those factors.	Draft Commission proposal (subsequently deleted) amending MiFID2 as amended by the updated draft Commission proposal amending MiFID2 Article 1 – amendments to Delegated Regulation (EU) 2017/565 (previous version)
ESG Engagement	Engagement refers to interactions between the investor and current or potential investees (which may be companies, governments, municipalities, etc.) on ESG issues. Engagements are undertaken to influence (or identify the need to influence) ESG practices and/or improve ESG disclosure.	UN PRI

TERMINOLOGY	DEFINITION	SOURCE
	TISA Note: We note that engagement specifically aims to achieve positive outcomes	
ESG Integration	The explicit and systematic inclusion of ESG issues in investment analysis and investment decisions. ***Explanatory Note:*** *ESG Integration alone does not prohibit any investments. In theory, such strategies could invest in any business, sector or geography as long as the ESG risks of such investments are identified and taken into account.* *Firm Level* *ESG integration can be adopted as a firm-wide policy and, in such instances, reflects a firm's commitment to integrate ESG considerations, which will include both risk and opportunities.* *Fund Level* *The precise ways in which ESG considerations will be taken into account in investment analysis and in the investment decision-making process will differ in practice between different investment funds, mandates and strategies. Therefore, the framework reflects ESG integration undertaken at a firm level (typically articulated by a firm-level policy) as well as the practical application of ESG integration to specific funds, mandates or strategies.* UNPRI It means that leading practitioners are: - analysing financial information and ESG information;	Glossary to the Investment Association's Responsible Investment Framework where the IA has adopted the UN PRI definition. See also: GSIA 2018 Global Sustainable Investment Review

TERMINOLOGY	DEFINITION	SOURCE
	- identifying material financial factors and ESG factors; - assessing the potential impact of material financial factors and ESG factors on economic, country, sector, and company performance; and - making investment decisions that include considerations of all material factors, including ESG factors. It does *not* mean that: - certain sectors, countries, and companies are prohibited from investing; - traditional financial factors are ignored (e.g., interest risk is still a significant part of credit analysis); - every ESG issue for every company/issuer must be assessed and valued; - every investment decision is affected by ESG issues; - major changes to your investment process are necessary; and, finally and most importantly, - portfolio returns are sacrificed to perform ESG integration techniques. **------**	

TERMINOLOGY	DEFINITION	SOURCE
	GSIA "ESG INTEGRATION: the systematic and explicit inclusion by investment managers of environmental, social and governance factors into financial analysis"	
ESG Preferences	A client's or potential client's preferences for environmentally sustainable investments, social investments or good governance investments.	Draft Commission proposal (subsequently deleted) amending MiFID2 as amended by the updated draft Commission proposal amending MiFID2 Article 1 – amendments to Delegated Regulation (EU) 2017/565 (previous version)
Ethical/Values Based Investment	Investments where the main motivation is aligning the ethical values of an organisation or a person with investments. In comparison to sustainable investments which are based on the conviction that an active management of environmental, social and governance risks and opportunities improves the long-term performance of a company, an ethical investment is mainly guided by ethical codes, religious beliefs or personal values and is often carried out using exclusionary screening.	Glossary to the Investment Association's Responsible Investment Framework
Exclusions/Exclusionary approaches/Negative Screens	Exclusions prohibit certain investments from a firm, fund or portfolio. Exclusions may be applied on a variety of issues, including to align with client expectations. They may be applied at the level of: - Sector	Glossary to the Investment Association's Responsible Investment Framework

TERMINOLOGY	DEFINITION	SOURCE
	- Business activity, products or revenue stream - The company itself; or - Certain jurisdictions/countries. ***Examples:*** - *Investment approach that applies ethical/values-based/religious exclusions: Investment approach that excludes investments on the basis of ethical, values-based or religious criteria, for example, gambling, alcohol, pork.* - *Investment approach that applies norms-based exclusions2 : Investment approach that excludes investments on the basis of not complying with international standards of conduct, for example, the UN Human Rights Declaration.* - *Investment approach that applies exclusions on the basis of poor sustainability: Investment approach that excludes investments on the basis of sustainability considerations, for example, fossil fuel companies.* - *Investment approach that applies exclusions on the basis of ESG assessment: An investment approach that excludes the worst performing companies relative to peers on the basis of ESG assessment, for example, on the basis of ESG ratings.* *Other terms used to refer to exclusions may include "exclusionary approaches", "negative screens", "screens". Unlike the term "divestment", which involves selling ownership of something, exclusions refer to the strategy having not invested in something from the start.*	

TERMINOLOGY	DEFINITION	SOURCE
	Exclusions determine that a fund or mandate does NOT invest in certain things. It does not constitute an approach that is characterised by proactively allocating capital to specific assets. *It may involve excluding investments from a certain sector or investments that derive a portion of their income from the sale of certain specified products.* *Exclusions may be applied at both a firm and a fund level.* *<u>Firm Level</u>* *Exclusions that apply across the entire firm/group.* *<u>Fund Level</u>* *Exclusions that are specific to a particular investment approach e.g. to a fund or are set by a client in a particular mandate.* *-----* ***GSIA EQUIVALENTS:*** *[1]Negative/exclusionary screening: the exclusion from a fund or portfolio of certain sectors, companies or practices based on specific ESG criteria* *[2]Norms-based screening: screening of investments against minimum standards of business practice based on international norms*	
Governance Issues	Issues relating to the governance of companies and other investee entities. In the listed equity context these include: board structure, size, diversity, skills	<u>UN PRI</u>

TERMINOLOGY	DEFINITION	SOURCE
	and independence, executive pay, shareholder rights, stakeholder interaction, disclosure of information, business ethics, bribery and corruption, internal controls and risk management, and, in general, issues dealing with the relationship between a company's management, its board, its shareholders and its other stakeholders. This category may also include matters of business strategy, encompassing both the implications of business strategy for environmental and social issues, and how the strategy is to be implemented. In the unlisted asset classes governance issues also include matters of fund governance, such as the powers of Advisory Committees, valuation issues, fee structures, etc.	
Green Bonds	Green bonds are broadly defined as fixed-income securities that raise capital for a project with specific environmental benefits. The majority of green bonds issued to date have raised money for renewable energy projects, energy efficiency measures, mass transit and water technology. Most green bonds have been either plain vanilla treasury-style retail bonds (with a fixed rate of interest and redeemable in full on maturity), or asset-backed securities tied to specific green infrastructure projects. TISA Note: Please refer to ICMA's *Green Bond Principles* for further information.	Swiss Sustainable Finance
Green Investing	Investment in businesses contributing to sustainable solutions in environmental topics including investments in renewable energy, energy efficiency, clean technology, low-carbon transportation infrastructure, water treatment and resource efficiency.	Swiss Sustainable Finance

TERMINOLOGY	DEFINITION	SOURCE
Greenwashing	…refers to the practice of gaining an unfair competitive advantage by marketing a financial product as environment-friendly, when in fact basic environmental standards have not been met.	Regulation of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment. Published 18 June 2020 - Recitals
Impact Investing	The Investment Association endorses the Global Impact Investing Network's (GIIN) definition of Impact Investments: "Investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return." ***Examples:*** - *Social bond fund: A fund that invests in bonds, whose funding is ring-fenced for projects or initiatives that have the intention to generate positive, measurable social and environmental impact alongside a financial return, for example, one or more of the Sustainable Development Goals (an "SDG fund").* - *Private impact investing: Investing directly in unlisted projects, companies or initiatives that have the intention to generate positive, measurable social and environmental impact alongside a financial return, for example, one or more of the Sustainable Developments Goals (an "SDG fund") .*	Glossary to the Investment Association's Responsible Investment Framework GIIN Impact Investing Guide

TERMINOLOGY	DEFINITION	SOURCE
	- *SDG Impact Funds: Funds where impact is measured with respect to the UN Sustainable Development Goals (SDGs). This can be achieved, for example, through listed equities, a social bond fund or private impact investing.* *According to GIIN, "there are four key elements:* - *Intentionality: Impact investments intentionally contribute to social and environmental solutions. This differentiates them from other strategies such as ESG investing, Responsible Investing, and screening strategies.* - *Financial Returns: Impact investments seek a financial return on capital that can range from below market rate to risk-adjusted market rate. This distinguishes them from philanthropy.* - *Range of Asset Classes: Impact investments can be made across asset classes.* - *Impact Measurement: A hallmark of impact investing is the commitment of the investor to measure and report the social and environmental performance of underlying investments."* *The Investment Association reserves the right to review its alignment with the GIIN at any time, as and when its membership deems it appropriate.* *https://thegiin.org/assets/Core%20Characteristics_webfile.pdf* **-----** **GSIA EQUIVALENT:** "IMPACT/COMMUNITY INVESTING: targeted investments aimed at solving social or environmental problems, and including community investing, where	

TERMINOLOGY	DEFINITION	SOURCE
	capital is specifically directed to traditionally underserved individuals or communities, as well as financing that is provided to businesses with a clear social or environmental purpose”	
Materiality	In the sustainability context, information is material if there is a clear link to the financial performance of a company.	Swiss Sustainable Finance
Norms based screening	Screening of investments against minimum standards of business practice based on international norms. Norms-based screening involves either: - defining the investment universe based on investees’ performance on international norms related to responsible investment/ESG issues, or - excluding investees from portfolios after investment if they are found following research, and sometimes engagement, to contravene these norms. Such norms include but are not limited to the UN Global Compact Principles, the Universal Declaration of Human Rights, International Labour Organization standards, the United Nations Convention Against Corruption and the OECD Guidelines for Multinational Enterprises.	UN PRI
Positive Tilt	A portfolio that overweights investments that fulfil certain sustainability criteria and/or deliver on a specific and measurable sustainability outcome(s), relative to a benchmark (e.g. FTSE 100, S&P 500), for example, half the carbon intensity of the benchmark.	Glossary to the Investment Association’s Responsible Investment Framework
PRI	The PRI works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance issues and to support signatories in integrating these issues into investment and ownership decisions. The six Principles were	“Principals for Sustainable Investment: An investor initiative in

TERMINOLOGY	DEFINITION	SOURCE
UN Principles for Responsible Investment	developed by investors and are supported by the UN. They have more than 2,000 signatories from over 60 countries representing over US$80 trillion of assets.	partnership with UNEP Finance Initiative and the UN Global Compact" (https://www.unpri.org/download?ac=10948)
Private Impact Investing	Investing directly in unlisted projects, companies or initiatives that have the intention to generate positive, measurable social and environmental impact alongside a financial return, for example, one or more of the Sustainable Developments Goals .	Glossary to the Investment Association's Responsible Investment Framework
(Proxy) Voting and Shareholder Resolutions	Voting refers to voting on management and/or shareholder resolutions as well as filing shareholder resolutions.	UN PRI
Research Provider/Rating Provider	Organisation providing research and/or ratings on the sustainability performance of companies, issuers, countries or sectors. Most investors and asset managers use such third-party information when preparing sustainable investment products.	Swiss Sustainable Finance
Responsible Investment	Approach to managing assets that sees investors include environmental, social and governance (ESG) factors in: - their decisions about what to invest in; - the role they play as owners and creditors.	UN PRI

TERMINOLOGY	DEFINITION	SOURCE
	It aims to combine better risk management with improved portfolio returns, and to reflect investor and beneficiary values in an investment strategy. It complements traditional financial analysis and portfolio construction techniques. Consideration of the impact of material factors, such as ESG considerations, on financial risk and return. *Note: Responsible investment does have similarities with investment approaches such as impact investing, sustainable investment and green investment. While these approaches seek to combine financial return with a moral or ethical return, responsible investment's sole purpose is financial return, arguing that to ignore ESG criteria is to ignore risks and opportunities that have a material effect on the returns delivered to clients and beneficiaries.*	British Standards Institute (PAS7340)
Screening	A method to narrow down potential investments based on criteria. Screening can be: a. Negative/exclusionary screening: The exclusion from a fund or portfolio of certain sectors, companies or practices based on specific ESG criteria; b. Positive/best-in-class screening: Investment in sectors, companies or projects selected for positive ESG performance relative to industry peers; c. Norms-based screening: Screening of investments against minimum standards of business practice based on international norms. Norms-based screening involves either: - defining the investment universe based on investees' performance on international norms related to responsible investment/ESG issues, or	TISA introductory text but detail from UN PRI

TERMINOLOGY	DEFINITION	SOURCE
	- excluding investees from portfolios after investment if they are found following research, and sometimes engagement, to contravene these norms. Such norms include but are not limited to the UN Global Compact Principles, the Universal Declaration of Human Rights, International Labour Organization standards, the United Nations Convention Against Corruption and the OECD Guidelines for Multinational Enterprises.	
SDG impact fund	Funds where impact is measured with respect to the UN Sustainable Development Goals (SDGs). This can be achieved, for example, through listed equities, a social bond fund or private impact investing.	Glossary to the Investment Association's Responsible Investment Framework
Sin Stocks	A sin stock refers to a publicly traded company that is either involved in or associated with an activity that is considered to be unethical or immoral. Sin stocks are generally frowned upon because they are perceived as making money from exploiting human weaknesses and frailties. Sin stock sectors usually include alcohol, tobacco, gambling, sex-related industries and weapons manufacturers.	Investopedia
Social Bond Fund	A fund that invests in bonds, whose funding is ring-fenced for projects or initiatives that have the intention to generate positive, measurable social and environmental impact alongside a financial return, for example, one or more of the Sustainable Development Goals . TISA Note: Please also refer to ICMA's *Social Bond Principles*.	Glossary to the Investment Association's Responsible Investment Framework
Social Issues	Issues relating to the rights, well-being and interests of people and communities. These include: human rights, labour standards in the supply chain, child, slave and bonded labour, workplace health and safety, freedom of	UN PRI

TERMINOLOGY	DEFINITION	SOURCE
	association and freedom of expression, human capital management and employee relations; diversity; relations with local communities, activities in conflict zones, health and access to medicine, HIV/AIDS, consumer protection; and controversial weapons.	
Socially Responsible Investing	Socially Responsible Investing (SRI) is the term historically used for sustainable or responsible investing. Originally it referred to investments based on exclusionary screening and was more associated with ethical or value related approaches. Some players still use it as a generic term for sustainable investing but will be phased out over time.	Swiss Sustainable Finance amended
Stewardship	Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. *Explanatory Note: Stewardship is shown on both a firm level and a fund level to reflect that, whilst firms will adopt their approach to Stewardship at a firm level, stewardship activities will differ across funds, asset classes and geographies.*	FRC 2020 Stewardship Code with explanatory note from the Investment Association's Responsible Investment Framework
Stranded Assets	Carbon Tracker introduced the concept of stranded assets to get people thinking about the implications of not adjusting investment in line with the emissions trajectories required to limit global warming. Stranded assets are now generally accepted to be those assets that at some time prior to the end of their economic life (as assumed at the investment decision point), are no longer able to earn an economic return (i.e. meet the company's internal rate of return), as a result of changes associated with the transition to a low-carbon economy (lower than anticipated demand / prices).	Carbon Tracker https://carbontracker.org/resources/terms-list/

TERMINOLOGY	DEFINITION	SOURCE
	Or, in simple terms, assets that turn out to be worth less than expected as a result of changes associated with the energy transition.	
Sustainability	Meeting the needs of the present without compromising the ability of future generations to meet theirs.	Our Common Future, Brundtland Report 1987 (chapter 2 paragraph 1)
Sustainability factors	Environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.	Regulation of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR or the 'disclosure regulation')
Sustainability Focus	Investment approaches that select and include investments on the basis of their fulfilling certain sustainability criteria and/or delivering on specific and measurable sustainability outcome(s). Investments are chosen on the basis of their economic activities (what they produce/what services they deliver) and on their business conduct (how they deliver their products and services). ***Examples:*** - *Sustainability Themed Investing*[1]*:* - *Best in Class*[2]*:* - *Positive Tilt:*	Glossary to the Investment Association's Responsible Investment Framework

TERMINOLOGY	DEFINITION	SOURCE
	Explanatory Note: *Adopting a Best in Class approach can mean having exposure to companies from sectors that may not typically be considered "sustainable". A Positive Tilt approach may also mean this. A Positive Tilt is typified by having less exposure to these kinds of companies than a traditional benchmark (e.g. FTSE 100, S&P 500).* ----- GSIA EQUIVALENTS: [1] Sustainability themed investing: investment in themes or assets specifically related to sustainability (for example clean energy, green technology or sustainable agriculture); [2] Positive/best-in-class screening: investment in sectors, companies or projects selected for positive ESG performance relative to industry peers.	
Sustainability preferences	A client's or potential client's choice as to whether either of the following financial instruments should be integrated into his or her investment strategy: (a) sustainable investment; (b) a financial instrument that promotes environmental or social characteristics as referred to in Article 8 of Regulation (EU) 2019/2088 ('SFDR' or the 'Disclosure Regulation') and that either: (i) pursues, among others, sustainable investments; or	Commission Delegated Regulation amending Delegated Regulation (EU) 2017/565 as regards the integration of sustainability factors, risks and preferences into certain organisational requirements and operating conditions for investment firms. - Article 1: definitions

TERMINOLOGY	DEFINITION	SOURCE
	(ii) as of 30 December 2022, considers principal adverse impacts on sustainability factors, as referred to in Article 7(1), point (a), of that Regulation;	
Sustainability Related Exclusion	Investment approach that applies exclusions on the basis of poor sustainability: Investment approach that excludes investments on the basis of sustainability considerations, for example, fossil fuel companies.	Glossary to the Investment Association's Responsible Investment Framework
Sustainability risk	An environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment	Regulation of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR or the 'Disclosure regulation')
Sustainability Themed Investing	An investment approach that specifies investments on the basis of a sustainability theme/themes, examples might include climate change mitigation, pollution prevention, sustainability solutions and approaches that address one or more of the UN Sustainable Development Goals (SDGs). Investment in themes or assets specifically related to sustainability (for example clean energy, green technology or sustainable agriculture).	Glossary to the Investment Association's Responsible Investment Framework Global Sustainable Investment Alliance
Sustainable Development Goals	**17 Goals for People, for Planet:** The Sustainable Development Goals are a universal call to action to end poverty, protect the planet and improve the lives and prospects of everyone, everywhere. The 17 Goals were adopted by all UN Member States in 2015, as part of the 2030 Agenda for Sustainable Development which set out a 15-year plan to achieve the Goals.	UN SDG https://www.un.org/sustainabledevelopment/development-agenda/

TERMINOLOGY	DEFINITION	SOURCE
Sustainable Finance/ Sustainable & Responsible Investment (SRI)	The process of taking due account of environmental and social considerations in investment decision-making, leading to increased investments in longer-term and sustainable activities. More specifically, environmental considerations refer to climate change mitigation and adaptation, as well as the environment more broadly and related risks (e.g. natural disasters). Social considerations may refer to issues of inequality, inclusiveness, labour relations, investment in human capital and communities. Environmental and social considerations are often intertwined, as especially climate change can exacerbate existing systems of inequality. The governance of public and private institutions, including management structures, employee relations and executive remuneration, plays a fundamental role in ensuring the inclusion of social and environmental considerations in the decision-making process.	Action Plan: Financing Sustainable Growth. Published 8 March 2018
Sustainable Investments	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	Regulation of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR or the 'Disclosure regulation') - Article 2: definitions Regulation of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment. Published 18 June 2020

TERMINOLOGY	DEFINITION	SOURCE
	practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance; *Note separate definition of* <u>*Environmentally*</u> *Sustainable Investments in EU Taxonomy Regulation ('an investment in one or several economic activities that qualify as environmentally sustainable under this Regulation').*	

CHANGE LOG

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