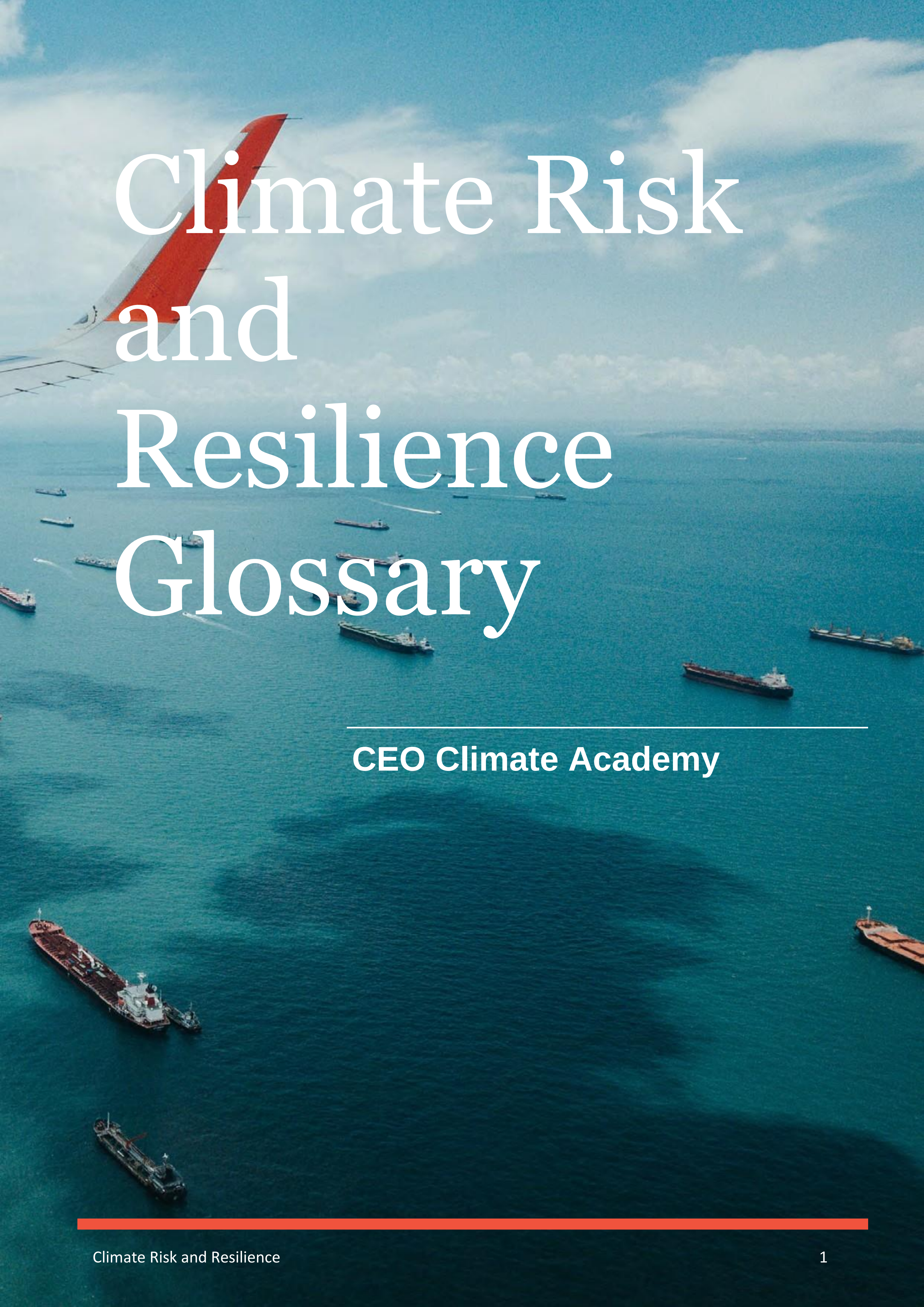

Climate Risk and Resilience Glossary

CEO Climate Academy

Adaptation: The process of adjustment to actual or expected climate and its effects, in order to moderate harm or exploit beneficial opportunities.

Biodiversity: Defined as the 'diversity of life', biodiversity is the variability among living organisms from all sources including, among other things, terrestrial, marine, and other aquatic ecosystems, and the ecological complexes of which they are part of.

Carbon capture and storage (CCS): Carbon capture and storage (CCS) is a way of reducing carbon dioxide (CO2) emissions, which could be key to helping to tackle global warming. It's a three-step process, involving: capturing the CO2 produced by power generation or industrial activity, such as hydrogen production, steel or cement making; transporting it; and then permanently storing it deep underground. Here we look at the potential benefits of CCS and how it works.

Carbon credits: The reduction, avoidance, or removal of a unit of greenhouse gas (GHG) emissions by one entity, purchased by another entity to counterbalance a unit of GHG emissions by that other entity. These are bought and sold on carbon markets.

Carbon footprint: Measure of the exclusive total amount of emissions of carbon dioxide (CO2) that is directly and indirectly caused by an activity or accumulated over the life stages of a product.

Carbon markets: Trading systems in which carbon credits are sold and bought.

Carbon neutral: Taking steps to remove the equivalent amount of CO2 to what's emitted through activities across supply chains, by investing in 'carbon sinks' that absorb CO2.

Carbon offsetting: Removing or offsetting an amount of carbon omitted by a certain activity. This can be through the purchase of carbon credits or through other actions such as planting trees.

Climate: The long-term pattern of weather in a particular location.

Climate bond: Fixed-income financial instruments issued to raise finance for climate change solutions, for example emissions reduction or physical risk adaptation related projects.

Climate change: A change in the state of the climate which persist for an extended period, typically decades or longer. Climate change may occur due to natural forces, such as changes in solar cycles or volcanic eruptions. However, human activity, such as burning fossil fuels, or changes in land use, has caused rapid climatic change.

Climate model: A qualitative or quantitative representation of the climate system based on the physical, chemical and biological properties of its components, their interactions and feedback processes and accounting for some of its known properties.

Climate scenarios: A plausible description of how the future of the climate may develop based on a coherent and internally consistent set of assumptions about key driving forces.

Conference of Parties (COP): An annual international climate summit that is aligned to the United Nations Framework Convention on Climate Change. COP prepares reports and compiles information, providing particular assistance to developing countries.

Corporate Sustainability Due Diligence Directive (CSDDD): The CSDDD creates a legal liability for companies relating to environmental and human rights violations within their supply chain.

Corporate Sustainability Reporting Directive (CSRD): A new EU legislation requiring companies to publish regular reports on their environmental and social impact activities. The EU CSRD sets out reporting requirements and obligations, while the European Sustainability Reporting Standards (ESRS) provide a framework and methodology for reporting on sustainability issues. Both the CSRD and ESRS are legally binding. They are part of the same legal framework around corporate sustainability transparency.

Decarbonisation: The process of stopping or reducing carbon gases, particularly carbon dioxide, from being released into the atmosphere.

Energy transition: Requires global efforts and investments to shift the global energy sector from fossil-based systems of energy production and consumption—including oil, natural gas, and coal—to renewable energy sources like wind and solar.

Environmental Social Governance (ESG): ESG investing refers to a set of standards for a company's behavior used by socially conscious investors to screen potential investments.

- Environmental criteria consider how a company safeguards the environment, including corporate policies addressing climate change, for example.
- Social criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates.

- Governance deals with a company’s leadership, executive pay, audits, internal controls, and shareholder rights.

EU Taxonomy: A classification system that helps companies and investors identify “environmentally sustainable” economic activities to make sustainable investment decisions.

European Sustainability Reporting Standards (ESRS): see CSRD description above.

Greenhouse gas (GHG) emissions: The release of greenhouse gases, such as carbon dioxide and methane, into the atmosphere over a specified area and period of time. Emissions are categorized into three scopes:

- **‘Scope 1’** indicates direct greenhouse gas (GHG) emissions that are from sources owned or controlled by the reporting entity.
- **‘Scope 2’** indicates indirect GHG emissions associated with the production of electricity, heat, or steam purchased by the reporting entity.
- **‘Scope 3’** indicates all other indirect emissions, i.e., emissions associated with the extraction and production of purchased materials, fuels, and services, including transport in vehicles not owned or controlled by the reporting entity, outsourced activities, waste disposal, etc.

Green bond: Designated bonds intended to encourage sustainability and to support climate-related or other types of special environmental projects. Such as energy efficiency, pollution prevention and sustainable agriculture.

Greenwashing: The act of making false or misleading statements about the environmental practices of a product or organisation.

International Financial Reporting Standards (IFRS): A set of accounting rules for how information should be gathered and presented in financial reports.

International sustainability standards board (ISSB): Established as part of the IFRS Foundation, the IBBS is developing standards that will result in a high-quality, comprehensive global baseline of sustainability disclosures focused on the needs of investors and the financial markets.

Insurance-linked securities (ILS): Financial instruments that allow investors to speculate on a variety of events, including catastrophes such as hurricanes, earthquakes, and pandemics.

Intergovernmental Panel on Climate Change (IPCC): Created to provide policymakers with regular scientific assessments on climate change, its implications and potential future risks, as well as to put forward adaptation and mitigation options.

Just transition: Greening the economy in a way that is as fair and inclusive as possible to everyone concerned, and leaves no one behind.

Liability climate risk: The legal framework that outlines and determines responsibility for climate-related actions, and how those responsible are to be held to account for (not) fulfilling them.

Mitigation: A human intervention to reduce emissions or enhance the sinks of greenhouse gases. This type of 'emissions mitigation' is different than 'risk mitigation,' which refers to the reduction of risk.

Nature: The natural physical world and everything in it, such as features, forces and processes, that are not made by people.

Nature-based solution: Actions to protect, sustainably manage and restore natural or modified ecosystems that address societal challenges effectively and adaptively, simultaneously providing human well-being and biodiversity benefits.

Net-zero: Refers to a state in which the greenhouse gases going into the atmosphere are balanced by removal out of the atmosphere. It can be achieved through a combination of emission reduction and emission removal.

Parametric insurance: An indexed insurance product that transfers risks related to the long-term effects, whether acute or chronic, of climate change.

Paris Agreement: A legally binding treaty that covers climate mitigation, adaptation, and finance. It aims to reduce global greenhouse emissions and keep global warming well under 1.5°C.

Physical risk: Adverse consequences from weather, extreme weather, or long-term climate change.

Resilience: The capacity of interconnected social, economic, and ecological systems to cope with a hazardous event and respond in ways that maintain their essential function. Resilience is a positive attribute when it maintains capacity for adaptation, learning and/or transformation.

Science Based Targets Initiative (SBTi): Science-based targets show companies how much and how quickly businesses need to reduce their GHG emissions to prevent the worst impacts of climate change, leading them on a clear path towards decarbonization.

Sustainability: A dynamic process that guarantees the persistence of natural and human systems in an equitable manner.

Sustainable Finance Disclosure Regulation (SFDR): Aims to improve the clarity and comparability of sustainability disclosures in financial market participants' investment policies and products.

Task Force on Climate Related Financial Disclosures (TCFD): Created by Financial Stability Board in 2015, the TCFD sets to improve and increase reporting of climate-related financial information.

Task Force on Nature Related Financial Disclosures (TNFD): A set of disclosure recommendations and guidance that encourage and enable business and finance to assess, report and act on their nature-related dependencies, impacts, risks and opportunities.

Tipping points: A critical threshold reached by a series of small changes. When reached, changes accelerate and are often irreversible. In climate science, if the tipping point is reached, this will severely impact society through the acceleration of climate change.

Transition risk and opportunity: Risks and opportunities associated with transition to a low carbon economy.

Transition plan: A vital tool to demonstrate to capital markets and stakeholders that an organisation is committed to achieving net-zero, and how the organisation intends to meet its targets.

The United Nations Framework Convention on Climate Change (UNFCCC): The foundational treaty that provides a basis for international climate negotiations.

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