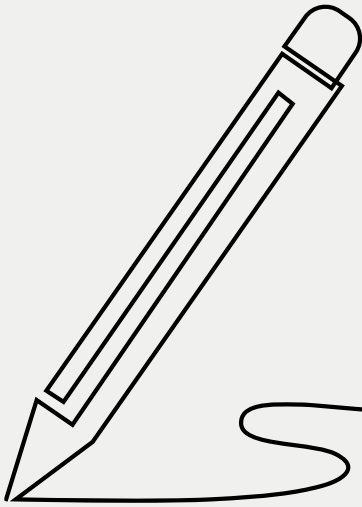


# Simplifying climate-change jargon



*Chartered Banker* looks at the different sustainability terminology that members might encounter during COP26, and how it fits into the collective action aimed at creating a safer, more sustainable future.

## **Biodiversity**

The variety of living species on Earth that create a balanced environment.

## **Carbon zero, or carbon neutral**

No carbon is emitted through production or other activities, therefore – in contrast with net zero – no carbon needs to be captured or offset. Wind, nuclear and solar energy are examples of zero-carbon sources.

## **CCCA**

Collective Commitment to Climate Action, launched as part of the Principles of Responsible Banking (PRB) in 2019. Through the CCCA, a group of 38 banks have committed to aligning their business strategies with the temperature goals of the Paris Climate Agreement, which include limiting global warming to well below 2°C, preferably to 1.5°C, compared with pre-industrial levels.

## **Climate change mitigation**

Refers to efforts to reduce or prevent emission of greenhouse gases and limit global warming to the terms of the Paris Agreement.

## **Circular economy**

A model that redefines the economy to ‘design out’ waste and pollution, keeping products and materials in use for as long as possible.

## **Conference of the Parties (COP)**

The COP is the supreme decision-making body of the UN Framework Convention on Climate Change (UNFCCC). All states and countries that are parties to the convention are represented on the COP, which meets every year in a different city.

## **ESG (Environmental, social and governance)**

A way of judging a company based on factors other than financial performance, such as employee satisfaction or policies relating to the environment.

## **GFANZ**

Glasgow Financial Alliance for Net Zero, which brings together leading net-zero initiatives from across the financial system to progress the transition to net-zero emissions by 2050. It is chaired by Mark Carney, the UN Special Envoy on Climate Action and Finance, and comprises more than 160 organisations, which are responsible for assets in excess of \$70tn.

## **Green finance**

Any financial initiative, process, product or service designed to protect the natural environment and support the transition to a sustainable, low-carbon world. Green bonds play an important role in this – the World Economic Forum has reported that the global green bond market could be worth \$2.36tn by 2023 (NN Investment Partners). ▶

**SPECIAL REPORT****IPCC**

The Intergovernmental Panel on Climate Change – a UN body that assesses the science related to climate change. The IPCC provides regular assessments of the scientific basis of climate change, its impacts and future risks, and options for adaptation and mitigation.

**The Kyoto Protocol**

Launched in 1997 to commit developed country parties to emission-reduction targets. The Kyoto protocol recognises that developed countries are principally responsible for current levels of greenhouse gas emissions, as a result of more than a century of industrial activity.

**NDCs**

Nationally Determined Contributions are plans outlined by each Party that highlight climate actions, including targets, policies and measures that governments aim to implement in response to climate change. NDCs are a central element for implementing the Paris Agreement and are centred around national determination.

**Net zero**

The point at which a country, industry, company, etc. removes as many emissions as it produces.

**Net-Zero Banking Alliance**

An industry-led alliance of 55 banks from 28 countries and the banking element of the Glasgow Financial Alliance for Net Zero (GFANZ). Represents almost a quarter of global banking assets (more than \$37tn). This UN-convened initiative combines near-term action with accountability, with members committing to aligning their lending and investment portfolios with net-zero emissions by 2050. Intermediary targets have also been set for 2030.

**The Paris Agreement**

A legally binding international treaty on climate change. It was adopted by 196 Parties at COP21 in Paris, on 12 December 2015 and entered into force on 4 November 2016. Its goal is to limit global warming to well below 2°C, preferably to 1.5°C, compared with pre-industrial levels.

**The Principles for Responsible Banking**

A unique framework for ensuring that signatory banks' strategy and practice align with the Sustainable Development Goals and the Paris Agreement.

**Race to Zero**

The world's largest net-zero alliance, with more than 3,800 members, representing 15% of the global economy and 21% of the world's biggest companies. Race to Zero is a global campaign aimed at inspiring leadership and action from businesses, cities, regions, and investors for a zero-carbon recovery and a sustainable future.

**RCPs**

Representative Concentration Pathways – four potential scenarios developed by the IPCC, which set out alternative views of the future to 2100 based upon action taken to tackle climate change. The four RCPs of greenhouse-gas concentration range from very high (RCP8.5) to very low (RCP2.6), depending on action taken.

**Stewardship** – see page 52.

**Sustainable development**

According to UNESCO, the “overarching paradigm of the United Nations”. There are four intertwined strands to sustainable development: society, environment, culture and economy.

**Sustainable finance**

The inclusion of economic, environmental and social factors in an organisation's strategy, management, activities and operations; combined with the financing of sustainable economic, environmental and social objectives.

**TCFD**

The Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) is a market-driven initiative, set up to develop a set of recommendations for voluntary and consistent climate-related financial risk disclosures in mainstream filings.

**UNEP FI**

The UN Environment Programme Finance Initiative – a partnership between the UNEP and the global financial sector to promote sustainable finance. The UNEP FI works with more than 400 members banks, insurers and investors to deliver initiatives that make a positive impact on the planet.

**UN Sustainable Development Goals**

A set of 17 objectives agreed by 193 countries in 2015 to address the major environmental, social and economic challenges of our time. The goals include targets around sustainable communities, clean energy, responsible consumption and climate action.

**UNFCCC**

United Nations Framework Convention on Climate Change; the key international treaty providing a global framework for combating climate change, ratified by 197 parties.

**UNFCCC Standing Committee on Finance (SCF)**

The United Nations body responsible for monitoring, measuring and reporting flows of climate finance. The most recent SCF meeting took place from 11-14 October 2021.

To find out more about sustainable investing terms relevant to advisers, turn to page 52 of this issue. **CB**