

The ABCs of ESG



Introduction

Sustainability for business is about measuring and managing the material environmental and social impacts of its activities, products and services.

ESG refers to the three factors, Environmental, Social and Governance considered when assessing the overall impact that a company has. ESG can be used as a framework that helps stakeholders understand how an organisation manages its risks and opportunities around sustainability issues.

ESG criteria can help to determine the future financial performance in terms of return and risk. Increasingly, access to capital is being tied to high ESG performance. Regulation is also driving shareholders to invest in high ESG performers - a trend that is challenging significant capital flows.

ESG related regulation and voluntary best practice frameworks, standards and initiatives continue to evolve, complete with their own jargon in the sustainability and finance domains. The vast number of ESG and sustainability related acronyms and terms are often referred to as an “alphabet soup”.

To support business cut through this complexity and navigate the “ABCs of ESG” Davy Horizons has defined the main acronyms and terms in this glossary with links to further information.

This paper has been prepared by the Davy Horizons Team.



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Acronym	Name	Description
B Corp	B Corporation	B Corporation is a certified entity status going beyond profit maximisation alone to include environmental and social value. Certified by the B Lab organisation, to date there are Certified B Corporations in more than 70 countries and 150 industries.
BNG	Biodiversity Net Gain	Biodiversity Net Gain is an approach to development or management of land/ marine resources that makes a measurable improvement in biodiversity.
CBAM	Carbon Border Adjustment Mechanism	The Carbon Border Adjustment Mechanism is a proposed carbon tariff on carbon intensive products, such as cement and some electricity, imported by the European Union. Currently being legislated as part of the European Green Deal, it is likely to take effect in 2026 with reporting starting in 2023.
CA100+	Climate Action 100+	Climate Action 100+ is a coalition of activist investors engaging with the world's largest companies to encourage improvements to their internal governance on climate change, decarbonisation plans and climate related financial disclosures.
CBI	Climate Bonds Initiative	The Climate Bonds Initiative seeks to promote investments which enable a transition to a low carbon and climate resilient economy. It prepares market intelligence, guidance and a bond standard & certification scheme for use by investors.
CCS/ CCUS	Carbon Capture, Use and Storage	These technologies capture Carbon Dioxide (CO ₂) from fuel combustion or industrial processes for use, or permanent storage deep underground in geological formations.
CDP	Formerly the Carbon Disclosure Project	CDP operates a global disclosure and rating system for investors, companies, cities, states and regions to manage their environmental impacts, including greenhouse gas (GHG) emissions, forest risk commodities, water and in their supply chains.
CE	Circular Economy	The Circular Economy is a model of production and consumption, which involves sharing, leasing, reusing, repairing, refurbishing and recycling existing materials and products as for long as possible.
CO₂e	Carbon dioxide equivalent	The standard unit used to compare and account for GHG emissions based on their global warming potential.
CSDDD	Corporate Sustainability Due Diligence Directive	The proposed Corporate Sustainability Due Diligence Directive will require companies to identify, prevent or mitigate adverse impacts of their activities on human rights and the environment, and introduces directors' duties to set up and oversee the implementation of due diligence and to integrate it into their corporate strategy.



Acronym	Name	Description
CSRD	Corporate Sustainability Reporting Directive	The Corporate Sustainability Reporting Directive will require all listed PLCs, large companies and SMEs to disclose detailed key performance information across a range of environmental, social and governance factors, all of which should be certified.
DNSH	Do No Significant Harm	For activities to qualify as sustainable under the EU Taxonomy regulation they must make a substantial contribution to one of the six defined objectives and must do no significant harm to the others.
EDI	Equality, Diversity & Inclusion	Equality, diversity and inclusion is a term used to describe policies and programmes that promote the representation and participation of different groups of individuals, including people of different ages, races and ethnicities, abilities and disabilities, genders, religions, cultures and sexual orientations. This also promotes representation of people with diverse backgrounds, experiences, skills and expertise.
EFRAG	European Financial Reporting Advisory Group	EFRAG was established by the European Union (EU) and the private sector to provide technical advice to the European Commission on accounting matters. Under the CSRD, the European Sustainability Reporting Standards (ESRS) developed by EFRAG, is an instrumental reporting standard that will define how companies disclose their sustainability performance.
EMS	Environmental Management System	An environmental management system is a framework to support an organisation manage its significant environmental aspects and impacts. They are often independently certified e.g. ISO14001 and EMAS.
EU ETS	European Union Emissions Trading System	The EU Emissions Trading System is a 'cap and trade' scheme where a limit (the cap) is placed on the right to emit specified pollutants over a geographic area and companies can buy (trade) unused emission allowances by others within that area.
EU GBS	European Green Bond Standard	The European Green Bond Standard is a voluntary standard to help scale up and raise the environmental ambitions of the green bond market.
EU Green Deal	EU Green Deal	The European Green Deal is a set of policy initiatives by the European Commission with the overarching aim of making the EU climate neutral by 2050.
EU Taxonomy	EU Taxonomy	The EU Taxonomy for sustainable activities is a classification system established to clarify which investments are environmentally sustainable, in the context of the European Green Deal. The aim of the taxonomy is to prevent greenwashing and to help investors make greener choices.
EET	European ESG Template	A financial market industry led initiative to standardise data exchange between stakeholders using a European ESG template, equivalent to the European MiFID Template (EMT).



Acronym	Name	Description
Fit for 55	Fit for 55	Fit for 55 refers to the EU's target of reducing net greenhouse gas emissions by at least 55% by 2030. The proposed package aims to bring EU legislation in line with the 2030 goal.
GBP	Green Bond Principles	The Green Bond Principles are a set of voluntary frameworks to promote transparency and best practice when issuing bonds with social or environmental objectives.
GFANZ	Glasgow Financial Alliance for Net Zero	The Glasgow Financial Alliance for Net Zero was launched to unite multiple global financial sector alliances into one industry-wide strategic alliance in order to support net zero transition planning, mobilise capital for decarbonisation and drive policy.
GHG emissions scope 1-3	Greenhouse gas emissions	Greenhouse gas emissions include carbon dioxide, methane, nitrous oxide and others. The GHG Protocol categorises them as scope 1 – direct and controlled by a company, scope 2 - indirect arising from purchased electricity, steam, heating and cooling consumed by the reporting company and scope 3 – all other indirect emissions, e.g. up/down stream in the value chain.
GPG	Gender Pay Gap	The gender pay gap is the difference between the average gross hourly earnings of men and women expressed as a percentage of the average gross hourly earnings of men.
GRI	Global Reporting Initiative	GRI has developed a comprehensive set of standards for voluntary sustainability reporting.
GSSSB	Green, Social, Sustainable and Sustainability-linked Bonds	Green, social and sustainable proceeds bonds are bonds issued to fund projects with specific environmental or social benefits. Sustainability-linked bonds are not used to finance specific projects, but instead where an issuer has explicit, measurable sustainability targets which are linked to the financing conditions of the bond.
GWP	Global Warming Potential	The Global Warming Potential metric was developed to compare the impact of different gases. It is a measure of how much energy the emissions of 1 tonne of a gas will absorb over a given period of time (usually 100 years), relative to the emissions of 1 tonne of Carbon Dioxide (CO ₂). The larger the GWP, the more that a given gas warms the Earth compared to CO ₂ over that time period.
IFRS	International Financial Reporting Standards	The IFRS Foundation is an international organisation which develops accounting and sustainability standards through two boards, the International Accounting Standards Board (IASB) and International Sustainability Standards Board (ISSB).
IPCC	Intergovernmental Panel on Climate Change	The IPCC is the United Nations body for assessing the science related to climate change, climate change mitigation options and adaptation steps to deal with the impacts from climate change. It issues reports periodically, including a summary for policymakers.



Acronym	Name	Description
ISO	International Organization for Standardization	The International Organization for Standardization develops guidance and standards for organisations to manage a number of performance areas, including quality, energy, environment, social and others.
ISSB	International Sustainability Standards Board	The International Sustainability Standards Board was established to deliver a comprehensive global baseline of sustainability related disclosure standards for companies.
LCA	Lifecycle Assessment	A method for measuring the environmental impacts across the value chain of products, aligned to ISO14044 and ISO14048 LCA standards.
Modern Slavery	Modern Slavery	Modern slavery refers to the offences of human trafficking, slavery, servitude and forced or compulsory labour.
Net-Zero Standard	Net-Zero Standard	The Net-Zero Standard from the Science Based Targets initiative (SBTi) provides the framework for corporate long-term net zero emissions target setting.
NZAM	Net Zero Asset Managers Initiative	The Net Zero Asset Managers Initiative is an international group of asset managers committed to supporting investing aligned with net zero emissions by 2050 or sooner.
OECD	Organisation for Economic Co-operation and Development	The Organisation for Economic Co-operation and Development (OECD) is a forum for countries to discuss and develop policy and share good practice on a range of topics and common challenges, including sustainability.
Paris Agreement	Paris Agreement	The Paris Agreement is a legally binding international treaty on climate change, adopted at COP21 in Paris in 2015. Its goal is to limit climate change related temperature increases to well below 2 °C (and preferably to 1.5 °C), compared to pre-industrial levels.
PAI	Principal Adverse Impacts	PAIs are negative, material, or likely to be material effects, on sustainability factors that are caused, compounded by, or directly linked to, investment decisions and advice performed by the legal entity.
PCAF	Partnership of Carbon Accounting Financials	PCAF is a global partnership of financial institutions that work together to develop and implement a harmonised approach to assess and disclose the GHG emissions associated with their loans and investments.
RE100	100% Renewable Electricity	RE100 is the global corporate renewable energy initiative bringing together businesses committed to 100% renewable electricity.

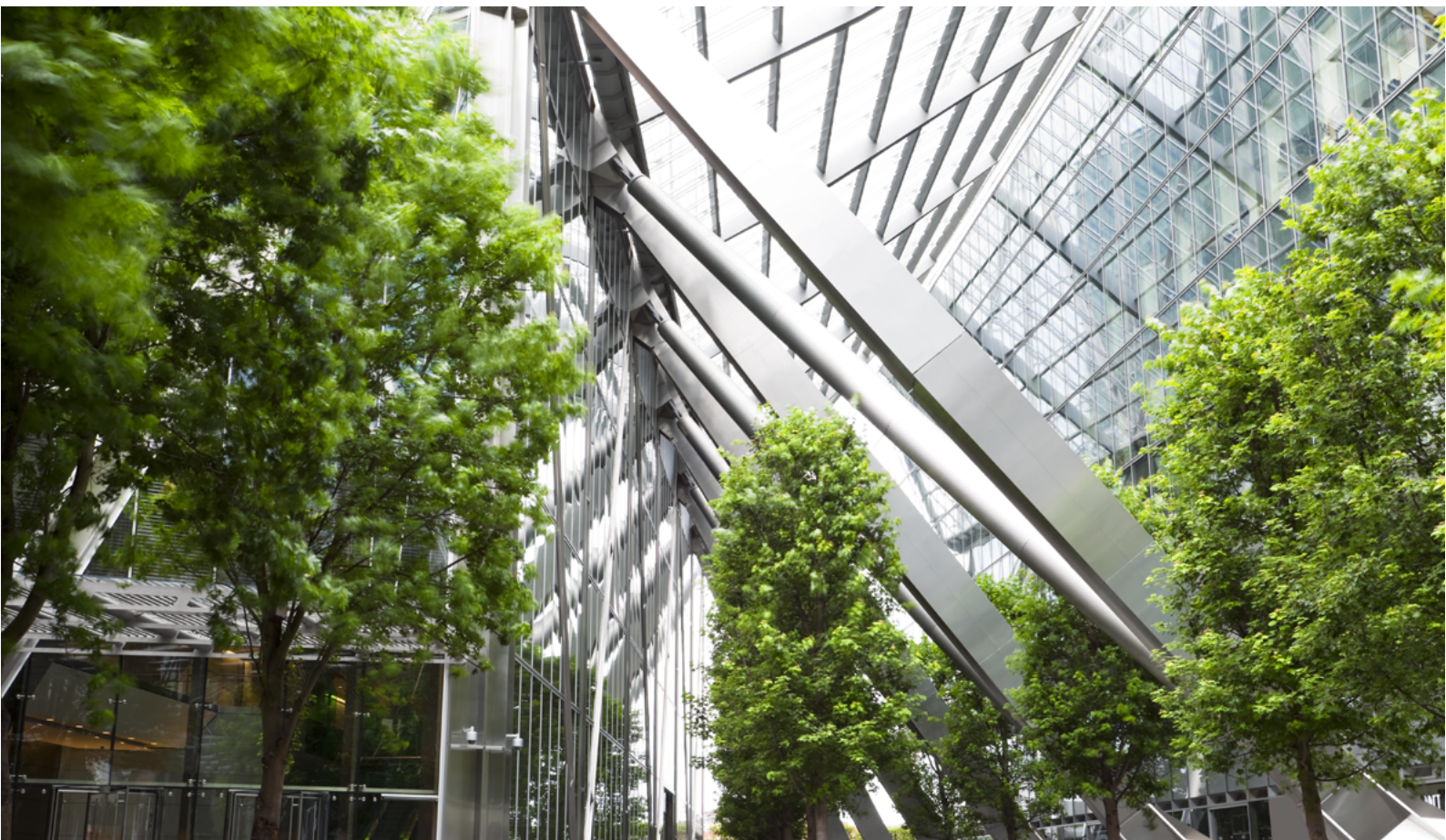


Acronym	Name	Description
SFDR RTS	SFDR Regulatory Technical Standards	To be used by finance sector when disclosing sustainability-related information.
RI	Responsible Investments	Responsible investment involves the inclusion of ESG information in investment decision-making and stewardship practices, to ensure that all relevant factors are accounted for when assessing risk and return.
SBTi	Science Based Targets initiative	The SBTi defines the criteria and verifies net zero GHG emissions reduction targets for corporations. It has developed a number of sector specific standards and guidance to support both short and long term target setting.
SECR	Streamlined Energy and Carbon Reporting	Streamlined Energy and Carbon Reporting is a UK regulation requiring companies to report energy consumption and associated GHG emissions within their annual financial reports.
EU SFAP	EU Sustainable Finance Action Plan	The EU Sustainable Finance Action Plan aims to reorient capital flows towards sustainable investment. Key elements include 1) the Sustainable Finance Disclosure Regulation, which classifies the sustainability credentials of investment funds, and 2) the EU Taxonomy, which aims to define what economic activities are considered 'green'.
SFDR	Sustainable Finance Disclosure Regulations	SFDR is a disclosure framework for asset managers and other financial market participants. It aims to ensure transparency on the degree of sustainability of financial products for end-investors in the EU.
Shadow Carbon Pricing	Shadow Carbon Pricing	In response to shifting regulatory and market dynamics, shadow carbon pricing has emerged as a tool that supports companies in assessing climate-related risks and opportunities.
TCFD	Taskforce on Climate-related Financial Disclosures	The Financial Stability Board's TCFD has developed guidelines that define the information that companies should disclose when assessing climate finance risks. This includes the material transitional and physical risks to the business from climate change.
TNFD	Taskforce on Nature-related Financial Disclosures	The TNFD is developing a risk management and disclosure framework for organisations to report and act on evolving nature related risks, with the ultimate aim of supporting a shift in global financial flows away from negative outcomes and toward positive outcomes for nature.
TPI	Transition Pathway Initiative	The Transition Pathway Initiative is a global, asset-owner led initiative which assesses companies' preparedness for the transition to a low carbon economy.



Acronym	Name	Description
UNGC	United Nations Global Compact	The UN Global Compact is an initiative for companies to align their strategies and operations with 10 universal principles related to human rights, labour, environment and anti-corruption, and take actions that advance societal goals and the implementation of the SDGs.
UN PRI	United Nations Principles of Responsible Investment	Principles for Responsible Investment is a United Nations supported international network of investors working together to implement its six aspirational principles , often referenced as "the principles".
UNDP	United Nations Development Programme	The UNDP works to eradicate poverty and reduce inequality. Focus areas include sustainable development, governance and peace building, climate resilience and sustainable finance including the Sustainable Finance Ireland network.
UNEP FI	United Nations Environment Programme Finance Initiative	The United Nations Environment Programme Finance Initiative is a global partnership established between the United Nations Environment Programme and the financial sector. UNEP FI catalyses action across the financial system to align economies with sustainable development.
UNFCCC	United Nations Framework Convention on Climate Change	The United Nations Framework Convention on Climate Change is a UN organisation tasked with overseeing efforts to discuss and agree climate change policy. The Convention has near universal membership (197 Parties) and meets annually as a Conference of the Parties (COP).
UN SDGs	UN Sustainable Development Goals	The UN Sustainable Development Goals are a collection of 17 interlinked global goals designed to be a shared blueprint for peace and prosperity for people and the planet, now and into the future. The SDGs were agreed in 2015 by the UN General Assembly and are to be achieved by 2030.
WBCSD	World Business Council for Sustainable Development	The World Business Council for Sustainable Development is a CEO-led collaboration of over 200 companies working to accelerate a net zero, nature positive, and more equitable future.
WRI	World Resources Institute	The WRI is a global non-profit working with leaders in government, business and civil society on sustainability. They are a founding partner of the GHG Protocol and SBTi.





Are you ready to take the next step?

Contact us to discuss your climate change and wider sustainability needs at sustainability@davy.ie

How Davy Horizons can help

DAVY

Davy Horizons is the sustainability and ESG consultancy in Davy Group. We support organisations develop, implement and report on best practice regarding climate change and wider sustainability issues across all ESG verticals to support a long-term future. We also run thought leadership events and publish insights to ensure organisations have the latest intelligence. For further information visit [Davy Horizons](#).

As part of our commitment to excellence in the sustainability profession, Davy Horizons hosts the Institute of Corporate Responsibility & Sustainability Ireland professional association for sustainability and ESG practitioners in Ireland. For further information and to join see [ICRS Ireland Hub](#).



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