Definitions for the ReMA ESG Toolkit

Air Pollution/Pollutants. Referring to the presence of substances in the atmosphere that have a detrimental effect on humans and other living organisms. Most common forms include Carbon Monoxide (CO), Lead (Pb), Nitrogen Oxides (NOx), Ozone (O3), Particulate Matter (PM), Sulfur Dioxide (SOx), Volatile Organic Compounds (VOCs).

Avoided Emissions. Avoided emissions are emissions that didn't get generated. For example, some companies may track not only the emissions that arise from the use of their products, but also the avoided emissions in society that result from the use of their products and solutions compared to alternative products and solutions. These are sometimes referred to as Scope 4 Emissions or Avoided Emissions. Avoided emissions may also arise when accounting for the emissions impacts of using recycled rather than virgin materials, or from activities in other scope 3 categories. Accounting for avoided emissions occurs outside of a company's scope 1, scope 2, and scope 3 inventories and is not part of its emissions calculations.

Carbon credits. Instruments that give the right to emit carbon into the atmosphere and result in a reduction in greenhouse gas emissions released to the atmosphere.

Carbon offset. Projects that cancel out carbon produced from the removal of greenhouse gas emissions from the atmosphere.

CDP. A sustainability reporting standard for companies and governments formerly called The Carbon Disclosure Project. It was initially developed in response to increasing demand for standardized reporting of greenhouse gas (GHG) emission data, and has since expanded into deforestation and water security.

DEI. An acronym standing for Diversity, Equity and Inclusion. DEI programs in companies typically work to increase the presence of underrepresented groups in the workplace, and identify and remove barriers to their success and upward mobility in the workplace. Initiatives may include employee resource groups or affinity groups (i.e. a group for veterans, LGBTQ+ individuals, or women), diversity or unconscious bias trainings, pay equity, or inclusive hiring practices. Similar initiatives are sometimes expanded to include similar or related values, such as DEIB (diversity, equity, inclusion and belonging) or DEIA (diversity, equity, inclusion and accessibility). Definitions below via SEC, Great Place to Work)

> **Diversity**: The psychological, physical, and social differences that occur among any and all individuals, including but not limited to: race, ethnicity, nationality, religion, socioeconomic status, education, marital status, language, age, gender, sexual orientation, and mental or physical ability.
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> **Equity**: The consistent and systematic fair, just, and impartial treatment of all individuals, including individuals who belong to communities that have been denied such treatment
>
> **Inclusion**: The actions and behaviors taken to create a culture that connects each employee to the organization; encourages collaboration, flexibility, and fairness; and leverages diversity throughout the organization at all levels so that all employees feel valued, trusted, and authentic

Accessibility: The design, construction, development, and maintenance of facilities, information and communication technology, programs, and services so that all people, including people with disabilities, can fully and independently use them.

Belonging: Belonging in the workplace is an employee's sense that their uniqueness is accepted and even treasured by their organization and colleagues.

ESG. An acronym standing for "Environmental, Social, Governance," was originally coined by the finance industry as a way to describe the non-financial risks they were assessing. Despite the association between ESG and climate change, there are a range of ESG issues that contribute to a company's overall strength and health:

- **Environmental – Air Pollution; Greenhouse Gas, Carbon Emissions; Energy; Water; Waste and Biodiversity.** These make up a company's environmental footprint, including greenhouse gas emissions, and other environmental impacts.
- **Social - Employee relations and development; Diversity and inclusion; Occupational health and safety; Community relations; Human rights; Forced labor; Privacy; and Data Security.** The social category covers the ways your company impacts people: your employees, your customers and suppliers, and the communities you operate in.
- **Governance - Board oversight; Board diversity; Risk management; Shareholder rights; and Anti-corruption**. Governance can be understood as "the system by which companies are directed and controlled." It includes the oversight structures and processes that set company objectives, measure progress and evaluate results.[1]

Global Warming Potentials (GWP). A measure of how much heat a gas can trap in the atmosphere over a certain period of time. The most common measure is the amount of heat trapped over a 100-year period, expressed as a "carbon dioxide equivalent." Each Greenhouse Gas has a different Global Warming Potential value, acting as a "multiplier" in calculating total emissions in terms of carbon dioxide equivalent (CO2e). For example, Carbon Dioxide (CO2) has a GWP of 1; Methane (CH4) has a GWP of 28; Nitrous Oxide (N2O) has a GWP of 265.[2]

Greenhouse Gas. A greenhouse gas (GHG) is a gas that absorbs and emits radiant energy within the thermal infrared range, trapping of the sun's warmth in the planet's lower atmosphere. The primary greenhouse gases in Earth's atmosphere are water vapor ((H2O), carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), and ozone (O_3). Without greenhouse gases, the average temperature of Earth's surface would be about −18 °C (0 °F),[3] rather than the present average of 15 °C (59 °F).[4] The atmospheres of Venus, Mars and Saturn's moon Titan also contain greenhouse gases.[5]

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[1] WEF_Defining_the_G_in_ESG_2022.pdf (weforum.org)

[2] Source: https://www.ghgprotocol.org/sites/default/files/ghgp/Global-Warming-Potential-Values%20%28Feb%2016%202016%29_1.pdf

[3]World 101, by the Council on Foreign Relations. The Greenhouse Effect: https://world101.cfr.org/global-era-issues/climate-change/greenhouse-effect

[4] NASA, Solar System Temperatures: https://science.nasa.gov/resource/solar-system-temperatures/

[5] European Space Agency, Climate Change on Other Planets: https://www.esa.int/Science_Exploration/Space_Science/Space_for_you/Climate_change_on_other_planets

IFRS. An acronym for International Financial Reporting Standards. The IFRS Foundation formed the International Sustainability Standards Board, which now oversees sustainability disclosure standards previously managed by TCFD and SASB. Its goal is to create a comprehensive global baseline for sustainability reporting based on needs of investors and financial markets.

Materiality. Before a company can begin to think about its ESG strategy, program and performance, it needs to determine which **ESG issues are relevant and significant to it** and how these issues fit into its overall business strategy. Companies should be able to answer the question: how do the specific ESG issues that the company has chosen to focus on contribute to its impact on stakeholders, short-term financial performance and/or long-term value creation? Per GRI, "materiality is used to 'filter in' the information that is or should be relevant to users. Particular information is considered 'material' - or relevant - if it could influence the decision-making of stakeholders in respect of the reporting company." Which stakeholders are considered leads to different types of materiality (definitions via GRI):

> **Financial Materiality:** Information on economic value creation at the level of the reporting company for the benefit of investors (shareholders)
>
> **Impact Materiality:** Information on the reporting company's impact on the economy, environment and people for the benefit of multiple stakeholders, such as investors, employees, customers, suppliers and local communities
>
> **Double Materiality:** Both financial and impact materiality combined.

Material topics. Topics that represent the organization's most **significant** impacts on the economy, environment, and people, including impacts on human rights, data privacy, political influence, and community reputation.

Renewable energy credits (REC). A form of tradable certificates that represent the renewable attributes of electricity generated from a renewable energy source. Each REC represents 1 megawatt-hour (MWh) of renewable electricity. RECs are sold separately from the electricity itself, allowing businesses and consumers to purchase renewable energy even if they have limited access to it in their immediate area.

SASB. An acronym for the Sustainability Accounting Standards Board. The **SASB Standards** focused on the subset of sustainability-related risks and opportunities most likely to affect a company's financial condition (e.g. its balance sheet), operating performance (e.g. its income statement) or risk profile (e.g. its market valuation and cost of capital). In 2023, SASB and TCFD merged under the IFRS Foundation, which now maintains SASB's industry-specific disclosure recommendations.

SBTi. An acronym for Science Based Targets initiative. SBTi provides guidance and standards on ambitious and rigorous climate action targets that are in line with the latest climate science. The goal of the initiative is to accelerate companies to support the global economy to halve emissions before 2030 and achieve net-zero before 2050.

Scope 1, 2 and 3 Emissions. Scope 1, 2, and 3 emissions are the three categories of greenhouse gas emissions that are commonly reported by businesses. These categories of greenhouse gas emissions, which were established by the World Resources Institute's Greenhouse Gas Protocol (GHG Protocol), are used to help organizations track and manage their greenhouse gas emissions in a consistent and transparent manner.

- **Scope 1 Emissions.** Scope 1 emissions are direct emissions from sources that are owned or controlled by an organization. Examples of scope 1 emissions could be emissions from on-site fossil fuel combustion, including process emissions and those from industrial processes, refrigeration, heating, air conditioning, electricity generation, and emissions from company-owned vehicles.
- **Scope 2 Emissions.** Scope 2 emissions are indirect emissions from the consumption of purchased electricity, heat, or steam. These emissions are not directly controlled by the reporting entity. Rather, they are a result of its activities and can be influenced by purchasing decisions. For example, if a company purchases electricity from a power plant that generates electricity from coal, the emissions from the power plant are considered scope 2 emissions for the company.
- **Scope 3 Emissions.** Scope 3 emissions are all other indirect emissions that are a result of the activities of an organization but are not included in scope 2. Examples of scope 3 emissions include emissions from employee commuting and business travel, waste disposal, and the use of purchased goods and services throughout an organization's supply chain/value chain.

SDGs: The UN 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.

Supplier. Entity upstream from the organization (i.e., in the organization's supply chain), which provides a product or service that is used in the development of the organization's own products or services. Examples include brokers, consultants, contractors, distributors, franchisees, home workers, independent contractors, licensees, manufacturers, primary producers, subcontractors, and wholesalers. Note: A supplier can have a direct business relationship with the organization (often referred to as a tier 1 supplier) or an indirect business relationship (supplied through another supplier, often referred to as a "non-tier 1" supplier).

Supply Chain. The range of activities carried out by entities upstream from the organization, which provide products or services that are used in the development of the organization's own products or services.

Sustainable development / sustainability. Development that meets the needs of the present without compromising the ability of future generations to meet their own needs (definition via 1987 UN Bruntland Commission). Note: The terms 'sustainability' and 'sustainable development' are used interchangeably in the GRI Standards.

TCFD: An acronym for the Task Force on Climate-Related Financial Disclosure. TCFD was created by the Financial Stability Board to recommend disclosures to support investors, lenders, and insurance underwriters in appropriately assessing and pricing risks related to climate change. TCFD recommended four core themes—governance, strategy, risk management, and metrics and targets—supported by 11 recommended disclosures. In 2023, the IFRS Foundation took over the TCFD's monitoring of companies' climate-related disclosures.