

ICAS Glossary of Sustainability Terms

		Sources are included where ICAS has used a definition or substantively based its definition on a third party's definition
	<i>The following sets out the definitions used by ICAS for some of the key terms concerning sustainability. These definitions have been applied throughout the CA curriculum. Some have been developed by ICAS, whereas others are from or substantively based on other reputable sources, as indicated.</i> <i>There often is no single widely accepted definition for some of these terms, so other entities may adopt different definitions. In general, care should be exercised to understand what definitions apply in each setting.</i> <i>Sustainability is a fast-evolving area with many developments arising from different parties, perspectives and geographies. Ambiguity is likely to persist for some time.</i>	
biodiversity	The variability among living organisms from all sources, including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems.	<u>TNFD Glossary</u>
blue financial instruments	Label given to loans, bonds and other financial instruments for projects or entities that are intended to support positive outcomes for water, whether river, sea, ocean or freshwater, as well as financial returns.	
carbon neutrality	Refers to a situation where there is a balance between the amount of carbon that is produced by humans and the amount of carbon that is removed by humans (through technical or natural solutions implemented by an organisation) from the atmosphere over a period of time. Carbon neutrality can be achieved by the emitter purchasing carbon offsets to neutralise emissions, e.g. investing in reforestation projects while continuing to purchase electricity generated from fossil fuels, rather than change electricity tariff to be one from renewable sources. Carbon neutrality is different to net-zero as it focuses less on the proactive reduction of emissions, e.g. a carbon neutral organisation may not change its current processes and practices and instead just buy carbon offsets.	
carbon offset	Emission reduction or removal resulting from an action outside an entity used to counterbalance the entity's emissions.	<u>Oxford Principles for Net Zero Aligned Carbon Offsetting (revised 2024) (page 10)</u>

circular economy	The circular economy is a system where materials never become waste and nature is regenerated. In a circular economy, products and materials are kept in circulation through processes like maintenance, reuse, refurbishment, remanufacture, recycling and composting.	<u>Ellen MacArther Foundation</u>
climate change	Climate change is the significant variation of average weather conditions becoming, for example, warmer, wetter or drier over several decades or longer. It is the longer-term trend that differentiates climate change from natural weather variability.	<u>Climate Change Knowledge Portal of World Bank</u>
climate change adaptation	Actions that reduce the impacts of climate change and maximise the opportunities.	<u>New Zealand Association for Impact Assessment</u>
climate change mitigation	Actions that reduce our emissions and help our transition to net-zero.	<u>New Zealand Association for Impact Assessment</u>
climate-related opportunities	The potential positive effects arising from climate change for an entity.	<u>IFRS - IFRS S2 Climate-related Disclosures</u> (page 19)
climate-related physical risks	Risks resulting from climate change that can be event-driven or from longer-term shifts in climatic patterns. They can be acute, e.g. flooding and forest fires, or chronic, e.g. sea level rise, and hotter and longer periods of weather.	<u>IFRS - IFRS S2 Climate-related Disclosures</u> and <u>TCFD</u>
climate-related risks	The potential negative effects of climate change on an entity.	<u>IFRS - IFRS S2 Climate-related Disclosures</u>
climate-related transition risks	Risks that arise from efforts to transition to a lower-carbon economy. They can include risks associated with policy, legal, technology, market and reputation matters.	<u>IFRS - IFRS S2 Climate-related Disclosures</u> and <u>TCFD</u>
climate scenario analysis	An analysis of different hypothetical, plausible pathways for the future due to climate change. It provides a way to understand possible risks and opportunities created by the impacts of, or response to, climate change.	<u>WBCSD Climate Scenario Catalogue</u>
CO ₂ /carbon dioxide equivalent (CO ₂ e)	A universal unit of measurement to indicate the global warming potential of each greenhouse gas, expressed in terms of the global warming potential of one unit of carbon dioxide (CO ₂). This is a common unit used to measure the total of all greenhouse gases.	<u>IFRS - IFRS S2 Climate-related Disclosures</u>
Corporate Governance	Corporate Governance is the system of rules, practices and processes that are put in place to manage and control a company. In the UK, it is underpinned by the UK Corporate Governance Code.	<u>FRC - Corporate Governance Overview</u>
ecosystem	A dynamic complex of plant, animal and microorganism communities and the non-living environment, interacting as a functional unit.	<u>TNFD Glossary</u>
ecosystem services	The contributions of ecosystems to the benefits that are used in economic and other human activity.	<u>TNFD Glossary</u>
emission removals	Man made activities removing CO ₂ from the atmosphere and durably storing it in geological, terrestrial, or ocean reservoirs, or in products. While removal of other GHGs is technically possible, the vast majority of emission removal approaches concern only CO ₂	<u>IPCC Special Report: Global Warming of 1.5°C</u> ⁱ

ESG	ESG stands for environmental, social and governance. It is a grouping of non-financial factors that may have financial impact (as well as non-financial impact) in the short, medium or long term. ESG can be relevant: - to consider and report on risks, opportunities and/or value creation, and to address in corporate strategies and systems - in the investment world, e.g. as a tool to screen investments and as a label for investment products ESG comprises many interconnected factors, which can be summarised as: Environmental - factors relating to the use and treatment 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 and ocean acidification. Social - factors relating to people. Examples of people factors include: labour standards in the supply chain, workplace health and safety, freedom of speech, human capital management, diversity and relations with local communities. This could be relevant in operational processes too such as personal data privacy, labelling of products and responsible marketing practices. Governance - factors relating to organisation, leadership and accountability. Corporate Governance refers to the codified governance in the context of a corporate entity: the system of rules, practices and processes that are put in place to manage and control a company. Corporate Governance comprises areas like: board leadership; division of board responsibilities; composition of the board; risk and internal controls and executive remuneration. Broader governance issues include: general ethos, transparency in disclosures, effectiveness of management reporting, time horizon of management, relationships with all staff and other stakeholders, as well as policies, processes and structures to assess and govern all environmental and social matters in accordance with the entity's strategy and in a fully legal and compliant way. Note some people use the terms governance and corporate governance interchangeably. The term ESG was coined by the United Nations Environment Programme Finance Initiative in 2004, and it continues to be widely used in the finance sector in particular.	
ethical investing	Ethical investing can also be known as values or faith-based investing. It concerns investing in line with certain principles, often avoiding investing in companies whose products and services are deemed morally or ethically objectionable by the investor or certain religions,	

	international declarations, conventions or voluntary agreements.	
ethics	Ethics addresses the principles and values that govern human behaviour in terms of what is right and wrong. Ethics goes beyond what is legally required and focuses on individual and communal moral principles. ICAS Members have to comply with the ICAS Code of Ethics (the “Code”), which is substantively based on the Code of Ethics published by the International Ethics Standards Board for Accountants (IESBA). The Code sets out the five fundamental ethics principles that establish the standard of behaviour expected of a professional accountant: integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Ethics is not something that sits separately or is only a part of one element of sustainability. Ethics is the umbrella that sits over all of it.	
externality	A positive or negative outcome of a given activity that affects a third party, the environment or wider society that is not directly related to that activity.	<u>ISSD</u>
financial reporting	The process of providing information about an entity that is useful to stakeholders, particularly existing and potential investors and creditors, in assessing the performance of the entity and making decisions relating to providing resources to the entity.	<u>IFRS Conceptual Framework for Financial Reporting</u>
GHG emissions/gases	Greenhouse gases (GHGs) are the gases that occur in the atmosphere due to natural and human-made causes and that contribute to global warming. The seven GHGs are: carbon dioxide (CO₂); methane (CH₄); nitrous oxide (N₂O); hydrofluorocarbons (HFCs); perfluorocarbons (PCFs); sulphur hexafluoride (SF₆); and nitrogen trifluoride (NF₃).	<u>GHG Protocol</u>
global warming	A gradual increase in the overall temperature of the Earth's atmosphere generally attributed to the greenhouse effect caused by increased levels of GHGs and other pollutants.	
global warming potential	GHGs warm the Earth by absorbing energy and slowing the rate at which the energy escapes into space, and so acting like a blanket insulating the Earth. Different GHGs have different properties, for example, they have varying abilities to absorb energy and some stay in the atmosphere longer than others. Global Warming Potential (GWP) was developed to allow comparisons of the global warming impacts of different gases, by expressing as carbon dioxide equivalent (CO ₂ e) values. Specifically, GWP is a measure of how much energy the emissions of 1 tonne of a gas will absorb over a given period of time, 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.	<u>US Environmental Protection Agency</u>

green financial instruments	Label given to loans, bonds and other financial instruments for projects or entities that are intended to support positive environmental outcomes, as well as financial returns.	<u>International Capital Markets Association</u>
greenwashing	Deliberate or accidental claims about the sustainability of products/services/operations that are exaggerated, misleading and/or unsubstantiated by an entity or representative of that entity. It can be used as an umbrella term concerning sustainability matters as well as more specifically for environmental matters.	<u>Financial Conduct Authority</u>
just transition	Is a means of moving to a more sustainable economy in a way that seeks to be fair to everyone. For example, reskilling people working in polluting industries to support the transition to a low-carbon economy.	<u>Greenpeace</u>
non-financial risks	Non-financial risks include strategic and operational risks and will vary according to the type of business and its operations. They will typically exclude financial risks which can consist of credit and liquidity risks, among others. It will be for the board to decide what are the important non-financial risks for their business, factoring in requirements of reporting frameworks and other aspects. For example, non-financial risks may include health & safety, cyber security, and sustainability. Not addressing non-financial risks may have a negative financial impact. For example, not addressing reputational risk that can arise from poor sustainability practices may reduce revenue.	
materiality	In financial reporting, materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is considered to be material if its omission or misstatement would reasonably influence the economic decisions of the users taken on the basis of the financial statements. In non-financial reporting, a matter is considered to be material if its omission from or misstatement in non-financial information would reasonably influence decision making. An item can be material either by its nature or its magnitude. Materiality can be understood differently by different stakeholders depending on their circumstances and perspectives.	<u>IFRS</u>
nature	The natural world, with an emphasis on the diversity of living organisms (including people) and their interactions among themselves and with their environment.	<u>TNFD Glossary</u>
nature-related opportunities	Activities that create positive outcomes for entities and nature by creating positive impacts on nature or mitigating negative impacts on nature. Nature-related opportunities are generated through impacts and dependencies on nature, and can occur: • When entities avoid, reduce, mitigate or manage nature-related risks, for example, connected to the loss of nature and ecosystem services that the entity and society depend on;	<u>Recommendations of the TNFD September 2023</u>

	Through the strategic transformation of business models, products, services, markets and investments that actively work to reverse the loss of nature, including by restoration, regeneration of nature and implementation of nature-based solutions.	
nature-related physical risks	Nature-related physical risks are risks resulting from the degradation of nature (such as changes in ecosystem equilibria, including soil quality and species composition) and consequential loss of ecosystem services that economic activity depends upon. These risks can be chronic (e.g. a gradual decline of species diversity of pollinators resulting in reduced crop yields or water scarcity) or acute (e.g. natural disasters or forest spills). Nature-related physical risks arise as a result of changes in the biotic (living) and abiotic (non-living) conditions that support healthy, functioning ecosystems. These risks are usually location specific.	<u><i>Recommendations of the TNFD September 2023</i></u>
nature-related risks	Nature-related risks are potential threats posed to an entity that arise from its and wider society's dependencies and impacts on nature. Risks can be physical risks, transition risks or systemic risks.	<u><i>Recommendations of the TNFD September 2023</i></u>
nature-related systemic risk	Nature-related systemic risks are risks arising from the breakdown of the entire system, rather than the failure of individual parts. Nature-related systemic risks are characterised by modest tipping points combining indirectly to produce large failures and cascading interactions of physical and transition risks. One loss triggers a chain of others and stops systems from recovering their equilibrium after a shock. Nature-related systemic risk covers more than only risk to a financial system (i.e. financial stability risk). It also covers the risks from the breakdown of natural systems (i.e. ecosystems).	<u><i>Recommendations of the TNFD September 2023</i></u>
nature-related transition risk	Nature-related transition risks are risks to an entity that stem from a misalignment of economic actors with actions aimed at protecting, restoring, and/or reducing negative impacts on nature. These risks can be prompted, for example, by changes in regulation and policy, legal precedent, technology, or investor sentiment and consumer preferences. They can also arise from activities aimed at restoring nature that no longer align with, for example, revised policies.	<u><i>Recommendations of the TNFD September 2023</i></u>
natural capital	The stock of renewable and non-renewable natural resources (e.g., plants, animals, air, water, soils, minerals) that combine to yield a flow of benefits to people.	<u><i>TNFD Glossary</i></u>

net-zero emissions	Refers to a situation where there is a balance between the amount of all GHG emissions that are produced and the amount that are removed from the atmosphere over a period of time. Humans can help progress towards net-zero through reducing emissions and buying offsets <u>only</u> for residual emissions (being emissions that cannot be avoided or removed).	<u><i>Science-based Target Initiative Corporate Net-Zero Standard</i></u>
net-zero carbon emissions	Refers to a situation where there is a balance between the amount of CO ₂ emissions that are produced and the amount that are removed from the atmosphere over a period of time i.e. technically net-zero carbon emissions concerns only CO ₂ . Humans can help progress towards net-zero carbon emissions through reducing CO ₂ emissions and buying offsets <u>only</u> for residual emissions (being emissions that cannot be avoided or removed).	
non-financial reporting	Non-financial reporting provides insights into non-monetary factors that may contribute to the overall success and sustainability of an entity. Such reporting includes quantitative and/or qualitative information and is designed to provide a more comprehensive view of an organisation's overall position and potential prospects than that which can be provided solely by the elements of financial statements. Sustainability reporting is one element of non-financial reporting.	
responsible investing	Responsible investment involves considering sustainability, i.e. including environmental, social and governance (ESG) factors when making investment decisions and influencing companies or assets (with regards to their activities around ESG factors).	<u><i>Principles for Responsible Investment</i></u>
Scope 1	Scope 1 emissions are direct GHG emissions from owned or controlled sources.	<u><i>Greenhouse Gas Protocol</i></u>
Scope 2	Scope 2 emissions are indirect GHG emissions from the generation of purchased energy.	<u><i>Greenhouse Gas Protocol</i></u>
Scope 3	Scope 3 emissions are all indirect GHG emissions (not included in scope 2) that occur in the value chain of the reporting entity, including both upstream and downstream emissions, as well as indirect emissions arising from an entity's business's travel, consumption of resources or goods and services, etc.	<u><i>Greenhouse Gas Protocol</i></u>
social financial instruments	Label given to loans, bonds and other financial instruments for projects or entities that are intended to deliver positive social outcomes, as well as financial returns.	
stranded assets	Stranded assets are assets that may no longer be used, e.g. gas fields that may no longer be drilled, or may end up as a liability before the end of their anticipated economic lifetime, e.g. coal-fired power plants that have to be decommissioned.	<u><i>Grantham Research Institute on Climate Change and the Environment</i></u>
sustainability	Sustainability is a concept that refers to the ability to maintain continuously over time. It is about ensuring a prosperous future for people and planet and considering environmental and social risks and opportunities. Different organisations use other definitions, but they are anchored in this basic, long-term concept. Embedding a sustainability approach encompasses	

	management of risks and opportunities, responsible business culture, strategy and operations and includes consideration of ESG factors.	
sustainability report	This is a broad term that refers to a report or sections of a report, which contains information about an organisation's sustainability activities and approach. Sustainability reports may also be called ESG, corporate citizenship, corporate responsibility, responsible business or sustainable development reports. Sustainability reports can be prepared on different bases and with different objectives and target audiences.	
sustainability-linked financial instruments	Label given to loans, bonds and other financial instruments for projects or entities that have terms and conditions linked to the achievement of predefined sustainability criteria.	
sustainability-related financial information	A particular form of information about the reporting entity's sustainability related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term, including information about the entity's governance, strategy and risk management in relation to those risks and opportunities, and related metrics and targets.	<u><i>IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information</i></u> (page 25)
sustainable development	Sustainable development is development that meets the needs of the present, without compromising the ability of future generations to meet their own needs. This definition originates from the seminal report of 1987 by the United Nation's Brundtland Commission. Sustainable development is achieved through embedding sustainability considerations into strategy, policies, systems, operations, legislation, standards, etc., and with due consideration of planetary limits.	<u><i>Report of the World Commission on Environment and Development: Our Common Future</i></u> (para 27)
sustainable finance	Sustainable finance refers to the financial instruments such as loans, bonds, or investments, to projects, companies or initiatives that are intended to have a positive impact on the environment and social outcomes while generating a financial return. For example, sustainability-linked loans and green bonds.	
supply chain	A supply chain is the network of all the individuals, organisations, resources, activities and technology involved in the creation and sale of a product. A supply chain encompasses everything from the delivery of source materials from the supplier to the manufacturer through to its eventual delivery to the end user. The primary focus of the supply chain is on the logistics and processes required to move goods or services from one point to another efficiently.	<u><i>TechTarget</i></u>

value chain	The value chain describes the full range of activities, resources and relationships that are required to bring a product or service from conception, through the different phases of production (involving a combination of physical transformation and the input of various producer services), delivery to final consumers, and final disposal after use. It comprises the supply chain - from upstream, concerning sourcing and suppliers, to operations within and of an entity, to downstream concerning post-production activities - as well as all the related activities that contribute to the overall value perceived by the customer (e.g. marketing, sales, and customer support, which are not part of the supply chain).	<u><i>IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information</i></u> <u><i>WBCSD Collaboration, innovation, transformation Ideas and inspiration to accelerate sustainable growth - A value chain approach</i></u>
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ⁱ IPCC, 2018: Annex I: Glossary [Matthews, J.B.R. (ed.)]. In: *Global Warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty* [Masson-Delmotte, V., P. Zhai, H.-O. Pörtner, D. Roberts, J. Skea, P.R. Shukla, A. Pirani, W. Moufouma-Okia, C. Péan, R. Pidcock, S. Connors, J.B.R. Matthews, Y. Chen, X. Zhou, M.I. Gomis, E. Lonnoy, T. Maycock, M. Tignor, and T. Waterfield (eds.)]. Cambridge University Press, Cambridge, UK and New York, NY, USA, pp. 541-562, doi:[10.1017/9781009157940.008](https://doi.org/10.1017/9781009157940.008).

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