Glossary

Climate risk. The likelihood that climate change-related phenomena (such as extreme weather events, temperature increases, changes in precipitation patterns, and sea level rise) will have adverse impacts on economic, social, and environmental systems.

CSRD. The Corporate Sustainability Reporting Directive is a European Union directive adopted in 2022, which aims to improve and expand the sustainability information that companies must disclose. This regulation requires European companies to provide detailed and standardized information on their environmental, social and governance (ESG) impacts.

Ecosystem services. Benefits that humans obtain from natural ecosystems. These services include a variety of functions essential to human well-being and the economy.

ESRS. The European Sustainability Reporting Standards are a set of standards developed under the guidance of the European Union as part of the CSRD. Their purpose is to define the specific information requirements that companies must disclose in their sustainability reports, covering environmental, social and governance (ESG) issues.

ESS. Ecosystem Service Shock refers to a sudden interruption or significant degradation of the services that ecosystems provide, which are essential for human well-being and economic functioning. These shocks can be triggered by extreme natural events or by human activities that degrade or destroy key ecosystems, affecting their ability to provide services on an ongoing basis.

IPCC. The Intergovernmental Panel on Climate Change is a United Nations agency that assesses the science related to climate change. Its mission is to provide the world's governments with clear and up-to-date scientific assessments of climate change, its impacts, future risks and options for mitigation and adaptation.

ISSB. The International Sustainability Standards Board is a body established to develop global standards for sustainability disclosure. Its mission is to create a set of sustainability standards that complement existing financial standards and help companies disclose their environmental, social and governance (ESG) impacts in a clear, consistent and comparable manner.

Natural risk. Risk associated with financial impacts derived from the degradation of nature and the loss of biodiversity.

NGFS. Network for Greening the Financial System is a global network of central banks and financial supervisors that was founded in 2017 to promote sustainable financial practices and to help mitigate climate and environmental risks affecting the financial system.

Physical risk. Refers to the direct and material impacts that climate change can have on assets, operations and communities.

RECs. Renewable Energy Certificates are market-based instruments that represent ownership of a megawatt-hour (MWh) of electricity generated from renewable energy sources, such as wind, solar, geothermal, hydroelectric or biomass. RECs are used to track and verify renewable electricity in the electricity system and allow companies and institutions to claim green power usage, even when their direct power supply comes from mixed sources.

TCFD. Task Force on Climate-related Financial Disclosures working group created to develop a disclosure framework to help companies report on climate-related financial risks and opportunities.

TNFD. Taskforce on Nature-related Financial Disclosures is a global initiative launched in 2021 that aims to develop a disclosure framework for companies and financial institutions to report on their nature-related risks and dependencies. Inspired by the TCFD, the TNFD seeks to facilitate the integration of broader environmental factors, in addition to climate change, into financial decisions.

Transition risk. Risk associated with economic, regulatory, technological and market changes that arise in the process of transition to a low-carbon economy. Includes the financial and operational impact that companies and institutions may suffer as a result of decarbonization policies, technological innovations or changes in consumption preferences.

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