

ESG Glossary

AFM – authorised fund manager

Article 6 products - this refers to products within which falls within Article 6 SFDR, that is a product which does not integrate any kind of sustainability into the investment process

Article 8 product – also known as “light green”, this refers to a product which falls within the requirements of the Article 8 SFDR. These are financial products which promote, among other characteristics, environmental or social characteristics, or a combination of those characteristics

Article 9 product – also known as “dark green” this refers to a product which falls within the requirements of Article 9 SFDR. These are financial products which target sustainable investment and have sustainable investment as an objective

BREEAM – stands for Building Research Establishment's Environmental Assessment Method. It is the oldest method of assessing, rating and certifying a building's environmental sustainability and was designed to help construction professionals understand and mitigate the environmental impacts of the developments they design and build

CFRF – the Climate Financial Risk Forum, which is co-chaired by the FCA and PRA and aims to develop and share best practice as the financial sector responds to financial risks from climate change

DNSH – the Do No Significant Harm principle which as set out in the Taxonomy Regulation means that for any economic activity pursuing one of the six TR objectives to qualify as sustainable it must not cause significant harm to any of the other TR objectives

DP 21/4 – the discussion paper issued by the FCA setting out its proposals for Sustainability Disclosure Regime and investment labels.

ESG - Environmental, Social and Governance, a description of three broad non-financial factors which characterise a sustainable investment

EPC – an 'Energy Performance Certificate' is a certificate issued by an energy assessor, which shows information about the energy efficiency of the building to which it relates. It must contain certain prescribed information, which is set out in the Energy Performance of Buildings (England and Wales) Regulations 2012

FA – financial adviser, a term used in the SFDR to refer to firms including e.g. investment firms and fund management companies that provide investment advice

FCA PS 19/13 – the policy statement issued by the FCA in relation to Improving shareholder engagement and increasing transparency around stewardship

FMP – financial market participant, a term used in the SFDR to refer to firms including e.g. investment firms providing portfolio management and fund managers

GL – a 'Green Loan', this is a loan made exclusively to finance or refinance, in whole or in part, new and/or existing eligible 'green projects'

GRESB – stands for Global Real Estate Sustainability Benchmark. GRESB assesses and benchmarks the environmental, social, and governance performance of real estate and infrastructure entities by sending out questionnaires to property companies, developers and asset managers to complete, which it then validates, scores and ranks

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Green lease – really refers to any lease containing provisions which aim to improve the sustainability of a building

GTAG – the UK's Green Technical Advisory Group which was established to provide the UK government with advice on a UK green taxonomy

MiFID II – EU legislation regulating the provision of investment services in financial instruments in the EU

PAIs – the Principle Adverse Impacts regime is part of the SFDR and requires relevant firms to provide extensive disclosures on various ESG related matters, including greenhouse gas emissions and other indicators, the implementation of the regime is ongoing with certain obligations for FMPs and FAs from 31 March 2021

PRI – the United Nation's Principles for Responsible Investment, these are 6 principles which set out how investors could incorporate ESG issues into investment decisions

Red Book – is the 'Red Book Global Standards' issued by the RICS which contains mandatory rules, best practice guidance and related commentary for all RICS' members undertaking property valuations

RICS – stands for the Royal Institute of Chartered Surveyors, the UK-based (and globally recognised) professional body for surveyors

SDGs – the United Nations 17 sustainable development goals, which form the basis for various ESG metrics e.g., measuring investment outcomes in line with SDG goals

SDR – the UK Sustainable Disclosure Regime currently being developed by the FCA, it will include product labelling and other disclosure requirements

SFDR – EU regulation on sustainability-related disclosures in the financial sector

SLL – a 'Sustainability Linked Loan', this is a loan which incentivises a borrower to improve its sustainability profile by aligning loan terms to pre-agreed, ambitious sustainability performance targets (SPTs), and the borrower can be rewarded with a reduced margin for achieving its SPTs. To avoid 'greenwashing', these SPT must be ambitious and meaningful to the borrower's business over the term of the loan

Supervisory Statement 3/19 – the PRA's Supervisory Statement which sets out sets out five key ESG expectations PRA regulated firms are expected to have embedded in their businesses as of December 2021

Taxonomy Regulation or TR – EU regulation which sets out an EU-wide classification system to identify which economic activities can be considered environmentally sustainable

TCFD – the Task Force on Climate-Related Financial Disclosures established by the Financial Stability Board to develop recommendations on the type of the information that companies should disclose to support investors and others to allow them to assess climate change risks

TSC – technical screening criteria under the Taxonomy Regulation which set outs the requirements which an economic activity needs to meet to be considered as contributing substantially to climate change adaption and/or climate change mitigation and for determining whether an economic activity causes DNSH to any of the other environmental objectives in the TR

UCITS fund – is a fund authorised in accordance with the EU UCITS legislation which covers certain types of investment fund available to retail investors throughout the EU

UK UCITS fund - post Brexit, as the UCITS label only applies to UCITS funds established in the EU, the UK government issued a statutory instrument which “onshored” the UCITS regime to the UK