KEY RESPONSIBLE INVESTING TERMS

Active Ownership: The use of the rights and position of ownership to influence the activities or behaviour of investee companies, through engagement and proxy voting, guided by ESG principles.

Carbon Footprint: The levels of carbon dioxide emitted by the activities of an individual, company or other entity.

Climate Action 100+: A collaborative, investor-led initiative to address emissions among the world's largest corporate GHG emitters. Through corporate engagement, signatories look to have investee companies implement strong governance oversight of climate change risk, reduce GHG emissions and, provide enhanced corporate disclosure on climate-related issues.

Climate Change: Climate change refers to long-term shifts in temperatures and weather patterns. Since the 1800s, human activities have been the main driver of climate change, primarily due to greenhouse gas emissions from burning fossil fuels for electricity, heating, transportation, and industrial use, in addition to agricultural activities and deforestation.

Climate-Related Opportunity: Efforts to mitigate and adapt to climate change can produce opportunities for organizations. Examples include improved resource efficiency and cost savings, adoption of low-emission energy sources, development of new products and services, improved supply chain resiliency, and access to new markets.

Climate-Related Risk: An inability or a lack of effort to adapt to climate change can present several risks for organizations. Examples include legal and regulatory risk, technology risk, market risk, reputation risk, and physical risk.

Circular Economy: A production model that emphasizes sustainability. A circulate economy retains and recovers as much value as possible from resources by reusing, repairing, repurposing, or recycling products or materials. As a result, material use is reduced, products are less resource intensive, and any "waste" is used to manufacture new products. This is in contrast to a linear economy where resources move in a straight line from resource extraction to waste disposal.

Collaborative Engagement: An engagement that an investor conducts jointly with other investors. This might include:

(1) groups of investors working together without the involvement of a formal investor network or other membership organisation; or

(2) groups of investors working together with the support of a formal investor network or other membership organisation (e.g. Climate Action 100+).

Corporate Governance: The rules, practices, and processes used to direct and manage a company. The primarily influence on a company's corporate governance is its board of directors, although the board can be influenced by other stakeholders including shareholders, creditors, customers and suppliers.

Divestment: Divesting is the practice of selling shares or bonds in a company due to a fundamental disagreement with its business practices that cannot be resolved by negotiation or engagement.

KEY RESPONSIBLE INVESTING TERMS

Diversity, Equity, and Inclusion (DEI): Diversity refers to the variety of similarities and differences among the composition of the group. Equity refers to fair treatment for all, while striving to identify and eliminate inequities and barriers. Inclusion refers to leveraging the diversity to create a fair, healthy, and high-performing organization or community.

Energy Transition: The global energy sector's shift from fossil-based systems of energy production and consumption — including oil, natural gas, and coal — to renewable energy sources like wind, solar, and lithium-ion batteries.

Engagement: Interactions between an investor and current or potential investees, conducted with the purpose of improving practice on an ESG issue, changing a sustainability outcome, or improving public disclosure. Engagements can also be carried out with non-issuer stakeholders, such as policymakers or standard setters.

ESG Integration: The process of systematically considering ESG factors in investment analysis and decisions to better manage risks and improve returns.

ESG Factors: Environmental, social and governance issues that are identified or assessed in responsible investment processes.

- Environmental factors are issues relating to the quality and functioning of the natural environment and natural systems.
- Social factors are issues relating to the rights, well-being and interests of people and communities.
- Governance factors are issues relating to the governance of companies and other investee entities.

ESG Risk: For an investor, an environmental, social, or governance risk is a factor or issue that may expose a security, issuer, investment, or asset class to unexpected changes in its current and future financial, economic, reputational, and legal prospects.

EU Taxonomy: A classification system in the European Union that establishes a list of environmentally sustainable economic activities. Created by the European Commission, the EU taxonomy provides companies, investors and policymakers with appropriate definitions of which economic activities can be considered environmentally sustainable. The purpose of the EU Taxonomy is to translate the European Union's climate and environmental objectives into criteria for specific economic activities for investment purposes.

Global Sustainable Investment Alliance (GSIA): A collaboration of membership-based sustainable investment organizations around the world. The GSIA's mission is to deepen the impact and visibility of sustainable investment organizations at the global level.

Green Bonds: Bond instrument whose proceeds will be applied exclusively to finance or refinance projects which contribute to environmental objectives. Environmental objectives include, for instance, climate change mitigation, climate change adaptation, natural resource conservation, biodiversity conservation and pollution prevention and control.

Greenhouse Gas (GHG) Emissions: The levels of carbon dioxide, carbon monoxide, sulfur dioxide and other gaseous by-products emitted by the activities of an individual, company or other entity.

Greenhouse Gas Protocol: Greenhouse Gas Protocol provides standards, guidance, tools and training for business and government to measure and manage climate-warming emissions**.** Greenhouse gas emissions are categorised into three groups or 'Scopes' as the most widely-used international accounting tool provided by the Greenhouse Gas Protocol:

Scopes 1, 2 and 3 Emissions: Greenhouse gas emissions that cause carbon footprints are measured in three ways, according to how they were created:

- Scope 1 emissions are those that are directly generated by the company.
- Scope 2 emissions are those that are created by the generation of the electricity or heat needed by the company to sell its main products or provide its main services.
- Scope 3 emissions are those caused by the entire value chain. Scope 3 emissions can be broken down into upstream emissions, which is emissions from the activities that goes into producing the product, and downstream emissions, which is emissions from the use of the product. Due to its broadness, Scope 3 is the most difficult to measure.

Impact Investing: A responsible investing approach that targets investments with the explicit intention of generating positive social and/or environmental impact, as well as financing businesses with a clear social or environmental purpose.

International Sustainability Standards Board (ISSB): An organization formed by the IFRS Foundation Trustees to meet demand for high quality, transparent, reliable and comparable reporting by companies on climate and ESG matters from international investors with global investment portfolios.

Investor Agenda: A proactive collaboration to pull together and elevate the best investor guidance on tackling the climate crisis and advocate collectively for public policy to accelerate the net-zero transition. The founding partners of The Investor Agenda are seven major groups working with investors: Asia Investor Group on Climate Change, Carbon Disclosure Project, Ceres, Investor Group on Climate Change, Institutional Investors Group on Climate Change, Principles for Responsible Investment and UNEP Finance Initiative.

The Investor Agenda developed *The Investor Climate Action Plans (ICAPs) Expectations Ladder and Guidance*, which provides investors with clear expectations for issuing and implementing comprehensive climate action plans, including steps investors can take to support the goal of a net-zero emissions economy by 2050 or sooner. The framework aims to help investors navigate existing expectations and initiatives on climate change. It is inclusive and unique in that it sets out expectations for investors wherever they may be on their climate journey.

Just Transition: As the world undergoes an economic shift towards a low-carbon economy, a “just transition” refers to the fair and inclusive consideration of the livelihoods of impacted workers and communities. A just transition involves preparing the workforce to participate in a low-carbon economy, minimizing the impacts of the labour market transition, supporting the economic opportunities for workers and communities, and more.

Negative Screening: A responsible investing approach that excludes certain sectors, companies or projects for their poor ESG performance relative to industry peers or based on specific ESG criteria (e.g. avoiding particular products, services or business practices).

Net Zero: Net Zero refers to achieving a balance between the amount of greenhouse gas emissions produced and the amount removed from the atmosphere.

Norms-Based Screening: A responsible investing approach that screens investments against minimum standards of business practice based on international norms. Widely recognised frameworks for minimum standards of business practice include UN treaties, Security Council sanctions, UN Global Compact, Universal Declaration of Human Rights and OECD guidelines.

The Paris Agreement: A legally binding international treaty on climate change adopted in 2015 that covers climate change mitigation, adaptation, and finance. The Paris Agreement's long-term temperature goal is to keep the rise in mean global temperature to well below 2 °C (3.6 °F) above pre-industrial levels, and preferably limit the increase to 1.5 °C (2.7 °F), recognizing that this would substantially reduce the effects of climate change.

Positive Screening: A responsible investing approach that invests in sectors, companies or projects selected for their positive ESG performance relative to industry peers.

Proxy Voting: The exercise of voting rights on management and/or shareholder resolutions to formally express approval or disapproval on relevant matters. Voting can be done in person, during an Annual General Meeting (AGM) or by proxy.

Renewable Energy: Energy that is collected from renewable resources that are naturally replenished on a human timescale. It includes sources such as sunlight, wind, rain, tides, waves, and geothermal heat.

Responsible Investing: The incorporation of environmental, social and governance factors (ESG) into the selection and management of investments.

Responsible Investing Association (RIA): A Canadian industry association for responsible investment. Members include asset managers, asset owners, advisors, and service providers who support the mandate of promoting responsible investment in Canada’s retail and institutional markets.

Science Based Targets Initiative (SBTi): A partnership between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). The Science Based Targets initiative (SBTi):

- Defines and promotes best practice in emissions reductions and net-zero targets in line with climate science.
- Provides technical assistance and expert resources to companies who set science-based targets in line with the latest climate science.
- Brings together a team of experts to provide companies with independent assessment and validation of targets.

- The SBTi is the lead partner of the Business Ambition for 1.5°C campaign - an urgent call to action from a global coalition of UN agencies, business and industry leaders, mobilizing companies to set net-zero science-based targets in line with a 1.5°C future.

Sin stocks: Shares in companies involved in activities that are considered unethical, such as alcohol, tobacco, gambling, adult entertainment or weapons.

Socially Responsible Investing (SRI): Socially responsible investing involves actively removing or choosing investments based on specific ethical guidelines.

Stewardship: The responsible oversight of capital, that is managed on behalf of clients, in order to maximize long-term value for the client, economy, environment, and society.

Sustainable Development Goals (SDGs or UN SDGs): The Sustainable Development Goals (SDGs) are 17 objectives for improving human society, ecological sustainability and the quality of life published by the United Nations in 2015. They cover a broad spectrum of sustainability topics, ranging from eliminating hunger and combating climate change to promoting responsible consumption and making cities more sustainable.

Sustainability Accounting Standards Board (SASB) Standards: SASB Standards guide the disclosure of financially material sustainability information by companies to their investors. The Standards identify the subset of environmental, social, and governance (ESG) issues most relevant to financial performance in each industry.

Sustainable Finance Disclosure Regulation (SFDR): The SFDR is a European regulation introduced to improve transparency in the market for sustainable investment products, to prevent greenwashing and to increase transparency around sustainability claims made by financial market participants. The SFDR imposes mandatory ESG disclosures obligations for asset managers and other financial markets. It categorizes investment funds into three classifications as follows:

- Article 6: Funds that do not integrate ESG considerations.
- Article 8: Funds that integrate ESG considerations.
- Article 9: Funds that have a sustainable investment objective.

Sustainability Linked Bonds: Bonds whose proceeds will be applied exclusively to finance or re-finance projects which contribute to a combination of environmental objectives and positive social outcomes.

Task Force for Climate-Related Financial Disclosures (TCFD): The Task Force on Climate-related Financial Disclosure (TCFD) is an industry-led entity that was created in 2015 by the Financial Stability Board (FSB) to provide information to improve financial processes such as investment, lending and insurance underwriting. The FSB undertook a review, at the behest of the G20 Finance Ministers, to determine how the financial sector could better integrate climate-related issues into its decision-making and operating processes. In June 2017, the Task Force issued its framework for climate-related financial disclosures.

Its key features are that such disclosures should be adaptable by all organizations, included in financial filings, designed to provide meaningful forward-looking information, and have a strong emphasis on risks and opportunities related to a transition to a lower-carbon economy.

Thematic Investment: A responsible investing approach that identifies and allocates capital to themes or assets related to certain environmental or social outcomes, such as clean energy, energy efficiency, or sustainable agriculture.

Third-Party ESG Ratings: An evaluation of ESG factors from ESG data providers. ESG data providers obtain publicly available corporate ESG disclosures and assesses them to develop a score and/or ranking for each company, often with a subjective assessment by ESG analysts. ESG scoring methodologies often differ between different ESG data providers. Examples of ESG data providers include Sustainalytics, Trucost, ClarityAI and others.

Transition Bonds: Transition bonds and transition financing are emerging concepts that would enable issuance of debt that would not likely satisfy green financing requirements. The proceeds would be used to fund a firm's transition towards a reduced environmental impact and/or to reduce their carbon emissions. The proceeds could be used exclusively to finance new and/or existing eligible transition projects, and the issuer would be required to commit to shifting to more sustainable business practices.

United Nations-supported Principles for Responsible Investment (PRI): 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":

- Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
- Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
- Principle 6: We will each report on our activities and progress towards implementing the Principles.

Its goal is to understand the implications of sustainability for investors and support signatories to facilitate incorporating these issues into their investment decision-making and ownership practices. In implementing these principles, signatories contribute to the development of a more sustainable global financial system.