CDP Financial Services Questionnaire 2022 Glossary

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This list includes terms used in the CDP 2022 Climate Change Questionnaire for the Financial Services (FS) Sector, which are relevant to FS sector companies. Please refer to the CDP reporting guidance for all terms. Please see terms used in the Forests & Water Security module at the end of this document.

- **Adaptation:** Adjustment to climate change current or expected effects so the consequences to the business and environment are alleviated and beneficial opportunities are realized.
- **Agribusiness insurance:** insurance protection designed to protect businesses that earn all or most of their revenue from agriculture.
- **Alignment with a 1.5°C world** refers to the Paris Agreement long-term temperature goal, as expressed in relevant IPCC reports, in particular the IPCC Sixth Assessment Report (AR6) and the IPCC Special Report on Global Warming of 1.5°C (SR1.5).
- **Other carbon footprinting and/or exposure metrics:** Metrics organizations in the financial sector can use to understand how their financial portfolio impacts the climate, as identified by the TCFD and to be used alongside portfolio emission metrics.
- **Asset finance:** Financial products and services where the company's balance sheet assets, including short-term investments, inventory and accounts receivable are used to borrow money, typically on a short-term basis. The company borrowing the funds must provide the lender with a security interest in the assets.
- **Avoided emissions:** the reduction in emissions achieved by a project compared to a baseline of what would have been emitted in the absence of the project. Project financing for renewable energy projects such as wind or solar energy generation are common, and achieve avoided emissions compared to energy generation using fossil fuels.
- **Banking (Bank):** Financial institutions that mostly undertake lending, deposit taking and other financial intermediary activities. Relevant questions focus on banks' lending and other activities, which for banks are the entire collection of products, securities and loans held on the balance sheet for which they own the receivable stream.
- **Banking portfolio**: For banking, this is the entire collection of products and loans held on your balance sheet for which you own the receivable stream.
- **Beyond value chain mitigation:** Mitigation action or investments that fall outside of a company's value chain. This includes activities that avoid or reduce greenhouse gas emissions, and those that remove and store greenhouse gases from the atmosphere. Examples include purchasing high quality, jurisdictional REDD+ carbon credits that support countries in raising the ambition on and, in the long-term, achieving their nationally determined contributions, or investing in carbon dioxide removal (CDR) technologies such as direct air capture (DAC) with geological carbon storage.

- **Carbon intensity:** Volume of carbon emissions per million dollars of revenue (carbon efficiency of a portfolio), expressed in tons CO2e/Million revenue (in unit currency).
- **Carbon removals:** CO2 sequestered or removed from the atmosphere and stored, preventing its harmful global warming effect.
- **Carbon-related assets:** In the updated TCFD Annex, the TCFD suggest defining carbon-related assets as those assets tied to the four non-financial groups (Energy, Transportation, Materials and buildings, and Agriculture, Food, and Forest Products) identified by the TCFD. There may be industries or sub-industries that are appropriate to exclude, such as water utilities and independent power and renewable electricity producer industries. Banks should describe which industries they include.
- **Climate transition plan**: a time-bound action plan that clearly outlines how an organization will achieve its strategy to pivot its existing assets, operations, and entire business model towards a trajectory that aligns with the latest and most ambitious climate science recommendations, i.e., halving greenhouse gas (GHG) emissions by 2030 and reaching net-zero by 2050 at the latest, thereby limiting global warming to 1.5 degrees Celsius. Please refer to the CDP Climate Transition Plan technical note for more details.
- **Claims reserves:** Balance sheet reserve specifically set aside by insurance companies to pay policyholders who have filed or are expected to file legitimate claims on their policies. Consider both reported but not settled (RBNS) and incurred but not reported (IBNR) reserves.
- **Climate-related opportunity**, in line with the TCFD, refers to the potential positive impacts on an organization resulting from efforts to mitigate and adapt to climate change, such as through resource efficiency and cost savings, the adoption and utilization of low-emission energy sources, the development of new products and services, and building resilience along the supply chain. Climate-related opportunities will vary depending on the region, market, and industry in which an organization operates.
- **Climate-related risk**, in line with the TCFD, refers to the potential negative impacts of climate change on an organization. Physical risks emanating from climate change can be event-driven (acute) such as increased severity of extreme weather events (e.g., cyclones, droughts, floods, and fires). They can also relate to longer-term shifts (chronic) in precipitation, temperature and increased variability in weather patterns (e.g., sea level rise). Climate-related risks can also be associated with the transition to a lower-carbon global economy, the most common of which relate to policy and legal actions, technology changes, market responses, and reputational considerations.
- **Commodities:** involves buying, selling, or trading a raw product, such as oil, gold, or coffee.
- **Consolidation approach**: The identification of companies, businesses, organizations etc. for inclusion within the reporting boundary of the responding organization is known as the “consolidation approach”. The way in which you

report information for the companies that are included within the reporting boundary is known as the “consolidation approach” because, unless stated otherwise, the information you provide in response to the questionnaire should be presented as one “consolidated” result covering all of the companies, entities, businesses etc within your reporting boundary. The GHG Protocol states that two distinct approaches may be used to consolidate GHG emissions; the equity share and the control approaches. Control can be defined in either financial (financial control) or operational (operational control) terms.

- **Construction & Engineering insurance:** insurance protection that provides financial compensation for covered losses to a building or structure.
- **Corporate loans:** Loans and credit facilities extended to companies. Includes both term loans and revolving credit facilities. Includes both bilateral loans and syndicated loans. Typically, corporate clients are able to negotiate more bespoke terms than retail customers.
- **Corporate real estate:** Financial products or services used by companies to finance investments in property used for commercial purposes. The company borrowing the funds must provide the lender with a security interest in the property.
- **Debt underwriting:** Financial services used by companies issuing debt securities such as bonds or syndicated loans. The underwriter commits, for a fee, to purchase the securities from the issuer with a goal of re-selling or syndicating the securities, thereby allowing the issuer to bring their securities to the marketplace.
- **Default investment option**: The investment plan that is selected automatically for a member joining the retirement scheme.
- **Derivatives:** refers to securities that derive their value from an underlying asset or benchmark.
- **Due diligence:** Research or investigation performed by the financial services company before entering into an agreement or a financial transaction with another party. There are many types of due diligence. Relevant ones may include client due diligence, environmental due diligence and Know Your Client (KYC) processes.
- **Employment-based retirement scheme**: This covers all types of corporate retirement saving schemes that an organization may offer its employees. Depending on jurisdiction, these may be referred to as pension schemes, superannuation, retirement plans, 401K, etc. These may be either defined benefit or defined contribution types.
- **Equity share**: Under the equity share approach, a company accounts for GHG emissions from operations according to its share of equity in the operation. The equity share reflects the economic interest, which is the extent of rights a company has to the risks and rewards flowing from an operation. Typically, the share of economic risks and rewards in an operation is aligned with the company’s percentage ownership of that operation, and equity share will normally be the same as the ownership percentage. Where this is not the case, the economic substance of the relationship the company has with the operation

always overrides the legal ownership form to ensure the equity share reflects the percentage of economic interest. The principle of economic substance taking precedence over legal form is consistent with international financial reporting standards.

- **Equity underwriting:** Financial services used by companies issuing equity, most often during an initial public offering. The underwriter commits, for a fee, to purchase shares from the issuer with a goal of re-selling those shares, thereby allowing the issuer to raise equity capital in return for an ownership position.
- **ESG criteria**: Environmental, social and governance factors.
- **Exclusion policy:** A provision that eliminates bank lending and/or insurance underwriting coverage for certain industries and/or activities based on specific criteria. For investors, it means the exclusion of certain industries/activities from investment portfolios. Exclusion policies may be framed in the context of a financial sector organization's negative screening processes.
- **Exposure to carbon-related assets:** The amount or percentage of carbon-related assets in the portfolio expressed in $M or percentage of the current portfolio value.
- **External asset manager:** Wealth or investment manager that works independently from the reporting organization in the financial sector.
- **Financing agreements:** Legal documents defining the terms and conditions of a financing product or service between your organization, for example as lender, and your client, for example as borrower.
- **Fixed Income:** refers to a type of investment security that pay investors fixed interest or dividend payments until its maturity date.
- **Forestry:** investment in forest lands, either directly (direct ownership of forest land) or indirectly (through e.g. a timber fund).
- **Fund of funds:** investment fund that invests in other types of funds.
- **GHG inventory**: A quantified list of an organization's greenhouse gas emissions and sources. In line with Kyoto Protocol to the United Nations Framework Convention on Climate Change (UNFCCC) and amendment issued by the Greenhouse Gas Protocol on May 2013 the basket of greenhouse gases (GHGs) consists of:
    - Carbon dioxide (CO_2);
    - Methane (CH_4);
    - Nitrous oxide (N_2O);
    - Hydrofluorocarbon family of gases (HFCs);
    - Perfluorocarbon family of gases (PFCs);
    - Sulfur hexafluoride (SF_6), and;
    - Nitrogen trifluoride (NF_3).
        - Nitrogen trifluoride (NF_3) is now considered a potent contributor to climate change and is therefore mandated to be included in national inventories under the UNFCCC. NF_3 should also be included in GHG inventories under the GHG Protocol Corporate

Standard, and the GHG Protocol Corporate Value Chain (Scope 3) Standard.

- **GHG Protocol**: Comprehensive global standardized framework to measure and manage greenhouse gas emissions established by World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).
- **Health insurance:** insurance that covers the whole or a part of the risk of a person incurring medical expenses.
- **Hedge funds:** alternative investments using pooled funds that employ different strategies to earn active returns, or alpha, for their investors.
- **Infrastructure:** a form of "real assets," which contain physical assets we see in everyday life like bridges, roads, highways, sewage systems, or energy.
- **Insurance portfolio**: For insurance underwriting, this is the entire collection of products and insurance policies you provide to your clients.
- **Insurance underwriting (Insurance company):** Financial institutions that provide and sell insurance underwriting products and services to their policyholders. Relevant questions focus on insurers' insurance policy underwriting activities/portfolios. Please note that where references are made to "insurance" in the questionnaire, these are also applicable to reinsurance unless otherwise specified.
- **Investing (Asset management):** Also known as investment managers, asset managers are hired by clients to invest assets on their behalf. Relevant questions focus on asset managers' investing activities.
- **Investing (Asset manager) portfolio:** For asset managers, this is the entire collection of your products and investments that you hold and/or manage on behalf of your clients. Asset managers should consider discretionary investments, those where the company has discretion over investment decision.
- **Investing (Asset owner) portfolio:** For asset owners, this is the entire collection of products, funds and investments owned and controlled by your company.
- **Investing (Asset ownership):** Include public- and private-sector pension plans, (re)insurance companies, endowments, and foundations that invest assets on their own behalf or on behalf of their beneficiaries. Relevant questions focus on asset owners' investing activities.
- **Investment option**: The investment plan that is optional for a member joining the retirement scheme; they may choose this option over the default investment option.
- **Life insurance:** insurance which guarantees the insurer pays a sum of money to named beneficiaries when the insured policyholder dies, in exchange for the premiums paid by the policyholder during their lifetime.
- **Listed equity**: refers to shares of ownership issued by publicly-traded companies.
- **Low-carbon energy**: In line with the IEA definition, low-carbon technologies are technologies that produce low – or zero – greenhouse-gas emissions while operating. In the power sector this includes fossil-fuel plants fitted with carbon capture and storage, nuclear plants and renewable-based generation technologies. Natural gas, combined cycle gas turbine and fossil fuel-based

combined heat and power (cogeneration), despite being less carbon intensive than other means of electricity production like coal, are not considered low-carbon

- **Low-carbon product or service**: CDP broadly defines a low-carbon product/service as a product or service which has comparatively lower emissions across its entire life cycle (i.e. from material acquisition through to product end-of-life) when compared to a baseline (business-as-usual) scenario or reference product of a similar function. Note that a product can only be considered low-carbon if its production and use does not prevent and/or contributes to reaching net-zero by 2050 or sooner. To define whether the product or service is low-carbon, CDP encourages the use of existing industry taxonomies and frameworks such as Climate Bonds Taxonomy, the IEA Energy Technology Perspectives (ETP) Clean Energy Technology Guide, and the EU Taxonomy for Environmentally Sustainable Economic Activities.
- **Marine insurance:** insurance protection that covers cargo losses or damage caused to ships, cargo vessels, terminals, and any transport in which goods are transferred or acquired between different points of origin and their final destination.
- **Mitigation:** or "climate change mitigation" refers to efforts to reduce or prevent emission of greenhouse gases.
- **Motor insurance:** insurance protection for cars, trucks, motorcycles, and other road vehicles.
- **Mutual funds:** investment using pooled funds collected from many investors to invest in securities like stocks, bonds, money market instruments, and other assets.
- **Neutralisation**: Measures that companies take to remove carbon from the atmosphere and permanently store it to counterbalance the impact of emissions that remain unabated. Neutralization can occur using removals within or beyond the value chain.
- **Net-zero target**: the SBTi Net-Zero Standard defines corporate net-zero as:
    - (1) reducing Scope 1, 2 and 3 emissions to zero or to a residual level that is consistent with reaching net-zero emissions at the global or sector level in eligible 1.5°C scenarios or sector pathways and;
    - (2) neutralizing any residual emissions at the net-zero target date and any GHG emissions released into the atmosphere thereafter.
- **Operational control**: An organization has operational control over an operation if it or one of its subsidiaries has the full authority to introduce and implement its operating policies at the operation.
- **Physical risks**:
    - Acute: risks that are event-driven, including increased severity of extreme weather events, such as cyclones, hurricanes, or floods;
    - Chronic: longer-term shifts in climate patterns (e.g. sustained higher temperatures) that may cause sea level rise or chronic heat waves.
- **Policy framework:** Policies that set out a set of procedures or goals that guide an organization's decision-making processes in relation to its financing

activities. Examples of such policies could include credit policy, risk policy, investment, underwriting policy, etc.

- **Portfolio carbon footprint:** Total carbon emissions for a portfolio normalized by the market value of the portfolio, expressed in tons CO2e/Million invested.
- **Portfolio emissions:** The absolute greenhouse gas emissions associated with a portfolio, expressed in tons CO2e. For financial institutions, the indirect emissions caused by their financing activities are relevant and their emissions inventory would be incomplete without accounting for them. The GHG Protocol classifies these emissions in Scope 3 Category 15 Investments. They are also known as portfolio emissions or financed emissions. Put simply, they are emissions that occur at sources owned or controlled by other companies, but which are made possible because those companies are financed by the investment and lending (and insurance underwriting) of financial institutions; therefore, they can be thought of as caused indirectly by the financial institution and should be included in the financial institutions Scope 3 inventory.
- **Portfolio impact:** The primary types of metrics organizations in the financial sector can use to understand how their financing portfolio (banking, investing, insurance underwriting) impacts the climate include GHG emissions accounting (GHG Protocol Scope 3 Category 15 "Investments") and other carbon footprinting and/or exposure metrics as identified by the TCFD.
- **Portfolio:** In the context of this questionnaire your portfolio is the entire collection of the core financing activities and insurance policies that you offer. For banking, this is the entire collection of products, securities and loans held on your balance sheet for which you own the receivable stream. For asset managers, this is the entire collection of your products and investments that you hold and/or manage on behalf of your clients. For asset owners, this is the entire collection of products, funds and investments owned and controlled by your company. For investment portfolios, asset managers should consider discretionary investments, those where the company has discretion over investment decision. For insurance underwriting, this is the entire collection of products and insurance policies you provide to your clients.
- **Private equity:** alternative form of private financing in which funds and investors invest directly in companies.
- **Products and services:** All products and services in the organization's lending, investing and insurance underwriting business as well as other products and services including financial intermediary activities that are not part of core financing activities such as financial guarantees, M&A, securities underwriting, bond issuance, etc.
- **Project finance:** Financial products and services used for the financing of long-term infrastructure and industrial projects. The debt is paid back from the cash flow generated from the project.
- **Property & Casualty insurance:** insurance protection that provides either property protection coverage or liability coverage for property owners.
- **Provisions or general reserves**: Balance sheet items representing funds set aside by the organization as assets to pay for anticipated future losses. For

banks, a general provision is considered to be supplementary capital under the first Basel Accord.

- **Real estate/Property:** refers to the purchase, purchase, ownership, management, rental and/or sale of real estate (e.g. land, buildings, infrastructure).
- **Renewable energy**: CDP follows the definition of renewable energy given in the GHG Protocol: "Energy taken from sources that are inexhaustible, e.g. wind, water, solar, geothermal energy and biofuels."
- **Retail loans:** Loans and credit facilities extended to individual personal banking customers, including credit cards. Typically, retail customers have to enter into facilities on pre-determined terms and conditions, rather than being able to negotiate bespoke terms.
- **Retail mortgages:** A home loan extended to individual personal banking customers secured on a specified property. Typically used by homebuyers to spread the cost of their purchase over the long-term.
- **Reporting boundary**: This determines which organizational entities, such as groups, businesses and companies, are included in or excluded from your disclosure. These may be included according to your financial control, operational control, equity share or another measure. Please consistently apply this organizational boundary when responding to questions.
- **Scenario analysis**: A scenario describes a potential path of development that will lead to a particular outcome or goal. Scenario analysis is the process of highlighting central elements of a possible future and drawing attention to key factors (or critical uncertainties). It is a tool to enhance critical strategic thinking by challenging "business-as-usual" assumptions, and to explore alternatives based on their relative impact and likelihood of occurrence. Scenarios are not forecasts or predictions, but tools to describe potential pathways that lead to a particular outcome or goal.
- **Stress tests**: process of evaluating a number of statistically defined possibilities to determine the most damaging combination of events, and the loss they would produce. The likelihood of such an event is then assessed.
- **Structural changes**: Structural changes include mergers, acquisitions, divestments, and outsourcing/insourcing of emitting activities
- **Trade finance:** Financial products and services used by companies to facilitate international trade transactions. Includes products which make it possible or easier for exporters and importers to transact such as letters of credit and export credit
- **Transition risks**:
    - Current and emerging regulation: Policy developments that attempt to constrain actions that contribute to the adverse effects of deforestation or degradation of water security. Alternatively, policy developments that seek to promote adaptation and resilience to forest- and/or water-related issues.
    - Technology: All risks associated with technological improvements or innovations that support the transition to a deforestation-free, water secure economic system.

- Legal: All forests- and/or water-related litigation claims.
- Market: All shifts in supply and demand for certain commodities, products, and services.
- Reputation: All risks tied to changing customer or community perceptions of an organization's contribution to or detraction from the transition to a deforestation-free, water secure future.

- **Upstream and downstream risks**: Defined based on the location of the risks in your value chain and can also refer to any of the risk types above i.e. emerging regulation, technology, legal, market reputation etc.
- **Weighted average carbon intensity**: Portfolio's exposure to carbon-intensive companies, expressed in tons CO2e/Million revenue. This is the metric recommended by the TCFD.
- **Value chain**: The entire sequence of activities or partners that provide value or receive value from an organization's products and services, either within, upstream or downstream of direct operations. For further details on reporting boundaries please consult the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

Terms used in the Forests & Water Security module

- **Certification:** the action or process of providing a product with an official document attesting to a status or level of achievement against a certain standard.
- **Deforestation:** loss of natural forest as a result of the following human activities: i) conversion to agriculture or other non-forest land use; ii) conversion to a tree plantation; or iii) severe and sustained degradation.
- **Forest risk commodity supply chain stage:** CDP's forest program requests forests-related disclosures from companies with business:
  - **Production:** This is the first stage of the supply chain and generally refers to the production of raw agricultural and forests products by farm owners, smallholders, and communities. Vertically integrated companies are also involved in producing activities if they own or manage land used for the production of forests risk commodities.
  - **Processing:** This encompasses the initial transformative activities that will add value to raw materials. For example, the production of crude palm oil from crushed fruit, the production of soybean oil and soybean meal from soybean, the initial processing of timber products in mills (i.e., sawmills, plywood and veneer mills, pulp and paper mills), the slaughtering of cattle and the processing of raw hide into leather. Further processing activities in the form of refining and fractionation should be considered in the manufacturing stage.
  - **Trading:** Businesses that purchase and sell raw or primary processed agricultural or forestry materials to either domestic or export markets.

This includes the shipment, transport and storage of the forest risk commodities.
  - **Manufacturing:** This includes the production of final ingredients for the food, feed and fuel sectors from raw or processed materials.
  - **Retailing:** Businesses that sell products directly to individual consumers.
- **Forests policy:** A statement by a portfolio organization specifying the goals or targets that it intends to meet or the actions it intends to take in regards to its management of forest-related issues.
- **Forests related policy expectations:** This covers policy criteria clients/investees are required to meet (i.e. criteria you are willing to decline participation in financing deals and exit existing relationships over a period of time over, if not met by the client); and also covers criteria clients are only encouraged or expected to meet.
- **Forests-related opportunity** refers to the potential positive impacts resulting from the sustainable production or consumption of forest risk commodities of a portfolio company. For financial institutions this could be opportunities of financing and/or insuring operations to transition from unsustainable to sustainable production/consumption.
- **Forests-related risk** refers to the likelihood, over a specific time, of a portfolio company experiencing an impact caused directly or indirectly by deforestation/forest degradation (e.g. fines, loss of license to operate, supply chain disruption, loss of revenue etc.). The extent of a risk is a function of its likelihood and the severity of the potential impact. The severity of potential impact itself depends on the intensity of the challenge posed by the risk, as well as the vulnerability of the organization. For a financial institution financing and/or insuring such a company, this forests-related portfolio company risk can result in e.g. a credit loss, an asset depreciation and/or an insurance claim.
- **Forest/water risk commodities:**
  - **Cattle products:** This includes all food products containing beef, all clothing, furniture and accessories that are made of leather, tallow, and all other products derived from cattle. Please note that tallow used for biofuel production is also included in this category. Dairy products are not included in this category
  - **Cocoa:** This includes all food or other products containing cocoa, cocoa derivatives such as cocoa butter or pectin, or any products derived from cocoa husks such as animal feed or potash.
  - **Coffee:** This includes all products from or derived from coffee plants, including the beans, cherries and husks.
  - **Maize:** This includes all food or other products containing maize or maize derivatives. Please note that maize used for biofuel production is also included in this category.
  - **Palm oil:** This includes crude palm oil, palm kernel oil, and all of its derivatives. Please note that palm oil used for biofuel production is also included in this category.

- **Rice:** This includes all food or other products containing rice or rice derivatives. Please note that rice used for biofuel production is also included in this category.
- **Rubber:** This includes all rubber products deriving from natural rubber production. Please note that the tire industry is included in this category.
- **Soy:** This includes all meal or oil containing soy and any derivatives that are obtained from soy. Please note that soy used for biofuel production is also included in this category.
- **Sugar:** This includes all products containing sugar from sugar cane, or products derived from sugar cane and sugar cane production.
- **Timber products:** This includes all solid timber as well as products made from processed wood fiber such as paper, packaging, cardboard and specialty fibers (e.g., viscose). It also includes timber products used for biomass.
- **Tobacco:** This includes all products derived from tobacco plants, including smoking tobacco, smokeless tobacco products, and insecticides.

- **Free, Prior and Informed Consent (FPIC):** A community right to give or withhold its consent to proposed projects that may affect the lands they customarily own, occupy or otherwise use, as recognized by several international instruments including the UN Declaration on the Rights of Indigenous Peoples (UNDRIP), International Labour Organization's (ILO) Convention 169, and the Convention on Biological Diversity (CBD) (AFi, 2019).
- **High Carbon Stock forests:** This is the High Carbon Stock Approach (HCSA) classification of forested areas that should be protected based on high carbon stock, importance to local communities or high biodiversity value. The HCSA distinguishes high carbon stock forests from degraded lands that may be developed.
- **High Conservation Value:** Biological, ecological, social or cultural values which are considered outstandingly significant or critically important, at the national, regional or global level, as defined by the High Conservation Values (HCV) Resource Network.
- **IUCN protected areas categories I – IV:** IUCN protected area management categories classify protected areas according to their management objectives. The categories are recognized by international bodies such as the United Nations and by many national governments as the global standard for defining and recording protected areas. Categories I to IV includes: Ia Strict Nature Reserve, Ib Wilderness Area, II National Park, III Natural Monument or Feature, IV Habitat/Species Management Area, and V Protected Landscape/ Seascape (IUCN, 2013).
- **Natural ecosystem:** An ecosystem that substantially resembles - in terms of species composition, structure, and ecological function - one that is or would be found in a given area in the absence of major human impacts. This includes human-managed ecosystems where much of the natural species composition, structure, and ecological function are present (AFi, 2019).

- **No-conversion ("or conversion-free"):** Commodity production, sourcing, or financial investments in commodities that do not cause or contribute to the conversion of natural ecosystems (AFi, 2019).
- **No-deforestation ("or deforestation-free"):** Commodity production, sourcing, or financial investments that do not cause or contribute to deforestation (AFi, 2019).
- **Peatland:** An area with or without vegetation with a naturally accumulated peat layer at the surface, while peat is defined as accumulated material consisting of at least 30% (dry mass) of dead organic material (Joosten and Clarke, 2002).
- **Ramsar sites:** Wetland sites designated to be of international importance under the Convention on wetlands, known as the Ramsar Convention.
- **Safely managed WASH services:** The universal provision of safely managed water, sanitation, and hygiene services has dedicated targets within the Sustainable Development Goals (SDG 6.1 and 6.2). As a minimum, this disclosure refers to a company's tracking of its provision of drinking water for all workers, available when needed and from sources compliant with faecal and chemical standards, as well as sanitation facilities where excreta are safely disposed in situ or transported and treated offsite.
- **Smallholders:** Are small-scale agricultural producers with high dependence on family labor, generally having low levels of productivity, small land footprint, significant economic and information constraints and/or farmers profit being the primary source of income for the smallholder and their family (adapted from AFi, 2019).
- **Stranded assets:** Assets which, at some point prior to the end of their economic life, are no longer able to earn an economic return as a result of changes associated with the transition to a deforestation-free, water secure economy.
- **Third-party certification:** When a certification process is carried out by an independent organization to ensure that environmental and social criteria have been met.
- **Threatened and protected habitats:** All habitats considered threatened or otherwise protected by national or subnational laws and regulation, as well as international multilateral agreements, including protected areas, World Natural Heritage Sites, Natura 2000 sites and other similar areas.
- **Threatened and protected species:** All species listed on IUCN's Red List of Threatened Species, as well as other species considered threatened or otherwise protected by national or subnational laws and regulation.
- **Traceability:** the ability to follow a product or its components through stages of the supply chain (e.g., production, processing, manufacturing, and distribution) (AFi, 2019).
- **Water availability:** The natural runoff (through groundwater and rivers) minus the flow of water that is required to sustain freshwater and estuarine ecosystems and the human livelihoods and well-being that depend on these ecosystems. Water availability typically varies within the year and also from year to year. Water availability might be reduced by decreases in both the water quantity and

quality of water resources (adapted from the CEO Water Mandate's "Corporate Water Disclosure Guidelines").

- **Water consumption:** The amount of water that is drawn into the boundaries of an organization and not discharged back to the water environment or a third party over the course of a reporting year.
- **Water discharge:** The sum of effluents and other water leaving the boundaries of the organization and released to surface water, groundwater, or third parties over the course of the reporting period (adapted from GRI Standard 306-1, 2016).
- **Water efficiency:** A measure of economic value produced from water withdrawals. This is often calculated as revenue (or other financial metric) per water withdrawal or use volume.
- **Water policy:** A statement of an organization's water-related commitments, and the actions that will achieve them, that applies to all its activities.
- **Water quality:** Refers to the physical, chemical, biological and organoleptic (taste-related) properties of water (see CDP's definition for "Good quality freshwater") (adapted from the CEO Water Mandate's "Corporate Water Disclosure Guidelines").
- **Water regulations:** Regulations that aim to prevent overuse, contamination and other detrimental activities.
- **Water withdrawal:** The sum of all water drawn into the boundaries of an organization from all sources for any use over the course of a reporting period.
- **Water-related opportunity** refers to the potential positive impacts resulting from improved water security or an action to progress it (e.g. cost savings, access to new markets, supply chain resilience) of a portfolio company. For financial institutions this could be opportunities of financing and/or insuring operations to transition water users to decrease water withdrawals and/or consumption and manage pollution.
- **Water-related risk** refers to the likelihood, over a specific time, of a portfolio company experiencing a water-related challenge directly or indirectly, e.g. water scarcity, water stress, flooding, infrastructure decay, drought (adapted from the CEO Water Mandate's "Understanding Key Water Stewardship Terms").The extent of a risk is a function of its likelihood and the severity of the potential impact. The severity of potential impact itself depends on the intensity of the challenge posed by the risk, as well as the vulnerability of the organization. For a financial institution financing and/or insuring such a company, this water-related portfolio company risk can result in e.g. a credit loss, an asset depreciation and/or an insurance claim.