

Changing Finance to Catalyze Transformation:

How financial institutions can accelerate the transition to an environmentally sustainable economy



Glossary

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Accounting

Accounting is the process of recording financial transactions pertaining to a business. The accounting process includes summarizing, analyzing, and reporting these transactions to oversight agencies, regulators, and tax collection entities. The financial statements used in accounting are a concise summary of financial transactions over an accounting period, summarizing a company's operations, financial position, and cash flows.

Accounting principles

Accounting principles are the rules and guidelines that companies must follow when reporting financial data.

Accounting Standard

An accounting standard is a common set of principles, standards, and procedures that define the basis of financial accounting policies and practices.

Adaptation

Adjustment in natural or human systems in response to actual or expected climatic stimuli or their effects, which moderates harm or exploits beneficial opportunities.; Genetically determined characteristic that enhances the ability of an organism to cope with its environment.; The process of change in structure and/or function that makes an organism or a population better suited to survive in a slow or rapidly changing environment. Adaptation may be achieved by phenotypic tuning to prevailing environmental conditions, or through evolutionary changes of genetic structure at the population level.; Adjustment in natural or human systems to a new or changing environment, including anticipatory and reactive adaptation, private and public adaptation, and autonomous and planned adaptation.; The morphological, physiological, and behavioural characteristics and processes organisms have acquired and utilize to survive.

Affiliate

Affiliate is used primarily to describe a business relationship wherein one company owns less than a majority stake in the other company's stock. Affiliations can also describe a type of relationship in which at least two different companies are subsidiaries of the same larger parent company.

Aichi targets

A set of 20 global targets under the Strategic Plan for Biodiversity 2011-2020. They are grouped under five strategic goals:

- A. Address the underlying causes of biodiversity loss by mainstreaming biodiversity across government and society.
- B. Reduce the direct pressures on biodiversity and promote sustainable use.
- C. Improve the status of biodiversity by safeguarding ecosystems, species and genetic diversity.
- D. Enhance the benefits to all from biodiversity and ecosystem services.
- E. Enhance implementation through participatory planning, knowledge management and capacity building.

Asset

An asset is a resource with economic value that an individual, corporation, or country owns or controls with the expectation that it will provide a future benefit. Assets are reported on a company's balance sheet and are bought or created to increase a firm's value or benefit the firm's operations. An asset can be thought of as something that, in the future, can generate cash flow, reduce expenses, or improve sales, regardless of whether it's manufacturing equipment or a patent. In terms of natural capital accounting, assets include natural resources and services, which make human life possible.

Audit

The term audit usually refers to a financial statement audit. A financial audit is an objective examination and evaluation of the financial statements of an organization to make sure that the financial records are a fair and accurate representation of the transactions they claim to represent.

Bankability

Generation sufficient fund flows to meet obligations created during capital outlay and operations.

Benchmark

A benchmark is a standard against which the performance of a security, mutual fund, or investment manager can be measured. Generally, broad market and market-segment stock and bond indexes are used for this purpose.

Beneficiaries

A beneficiary is any person who gains an advantage and/or profits from something. In the financial world, a beneficiary typically refers to someone eligible to receive distributions from a trust, will, or life insurance policy. Beneficiaries are either named specifically in these documents or have met the stipulations that make them eligible for whatever distribution is specified.

Billion

10^9 (1 000 000 000)

Biodiversity

The variety of life on Earth, including diversity at the genetic level, among species and among ecosystems and habitats. It includes diversity in abundance, distribution and behavior, as well as interaction with socio-ecological systems. Biodiversity also incorporates human cultural diversity, which can both be affected by the same drivers as biodiversity, and itself has impacts on the diversity of genes, other species and ecosystems.; The variability among living organisms from all sources, including terrestrial, marine and other aquatic ecosystems, as well as the ecological complexes of which they are part. Biodiversity includes diversity within species, between species and of ecosystems.

Blended finance

Blended finance instruments including public-private partnerships serve to lower investment-specific risks and incentivize additional private sector finance across key development sectors led by regional, national and subnational government policies and priorities for sustainable development. or harnessing the potential of blended finance instruments for sustainable development, careful consideration should be given to the appropriate structure and use of blended finance instruments. Projects involving blended finance, including public-private partnerships, should share risks and reward fairly, include clear accountability mechanisms and meet social and environmental standards.

Bond

A bond is a fixed-income instrument that represents a loan made by an investor to a borrower (typically corporate or governmental). A bond could be thought of as an I.O.U. between the lender and borrower that includes the details of the loan and its payments. Bonds are used by companies, municipalities, states, and sovereign governments to finance projects and operations. Owners of bonds are debtholders, or creditors, of the issuer.

Capital

Capital is a broad term that can describe anything that confers value or benefit to its owner, such as a factory and its machinery, intellectual property like patents, or the financial assets of a business or an individual. While money itself may be construed as capital is, capital is more often associated with cash that is being put to work for productive or investment purposes.

Carbon pricing

Initiatives that put an explicit price on greenhouse gas emissions, i.e. a price expressed as a value per ton of carbon dioxide equivalent (tCO₂e).

Carbon tax

A tax or levy on greenhouse gas emissions. Under a carbon tax, the government sets a price that emitters must pay for each ton of greenhouse gas emissions they emit. Businesses and consumers will take steps, such as switching fuels or adopting new technologies, to reduce their emissions to avoid paying the tax.

Circular economy

A circular economy is a systems approach to industrial processes and economic activity that enables resources used to maintain their highest value for as long as possible. Key considerations in implementing a circular economy are reducing and rethinking resource use, and the pursuit of longevity, renewability, reusability, reparability, replaceability, upgradability for resources and products that are used.

Civil society

The aggregate of non-governmental organizations and institutions representing the interests and will of citizens.

Climate Change

The UN Framework Convention on Climate Change defines climate change as "a change of climate which is attributed directly or indirectly to human activity that alters the composition of the global atmosphere and which is in addition to natural climate variability observed over comparable time periods."

Community Development Finance Institutions (CDFI)

Community development financial institutions share a common goal of expanding economic opportunity in low-income communities by providing access to financial products and services for local residents and businesses. Whether it's the credit union down the street or a nearby small business loan fund, your community may be home to an organization known as a CDFI.

Community Reinvestment Act

The Community Reinvestment Act (CRA) is a federal law enacted in 1977 to encourage depository institutions to meet the credit needs of low- and moderate-income neighborhoods. The CRA requires federal regulators to assess how well each bank fulfills its obligations to these communities. This score is used to evaluate applications for future approval of bank mergers, charters, acquisitions, branch openings, and deposit facilities.

Compounding

Compounding, in the context of finance, is the process in which an asset's earnings, from either capital gains or interest, are reinvested to generate additional earnings over time. This growth, calculated using exponential functions, occurs because the investment will generate earnings from both its initial principal and the accumulated earnings from preceding periods. Compounding, therefore, differs from linear growth, where only the principal earns interest each period.

COVID-19 (Coronavirus 2019)

Illness caused by a novel coronavirus, 'severe acute respiratory syndrome coronavirus 2' (SARS-CoV-2). The outbreak was first reported to WHO on 31 December 2019. On 30 January 2020, WHO declared the COVID-19 outbreak a global health emergency and the following March a global pandemic, WHO's first such designation since declaring H1N1 influenza a pandemic in 2009.

Crop

(the total amount collected of) a plant such as a grain, fruit, or vegetable grown in large amounts.

Cyclone

A system of winds rotating inward to an area of low atmospheric pressure, with a counter-clockwise (northern hemisphere) or clockwise (southern hemisphere) circulation; Cyclones are associated with tropical storms.

Decarbonization

remove carbon or carbonaceous deposits from (an engine or other metal object).

Deforestation

Conversion of forested land to non-forest areas.

Digital disruption

an effect that changes the fundamental expectations and behaviors in a culture, market, industry or process that is caused by, or expressed through, digital capabilities, channels or assets.

Divestment

Divestment is the process of selling subsidiary assets, investments, or divisions of a company in order to maximize the value of the parent company. Also known as divestiture, divestment is effectively the opposite of an investment and is usually done when that subsidiary asset or division is not performing up to expectations.

Driver

The overarching socio-economic forces that exert pressures on the state of the environment.

Ecosystem

A dynamic complex of plant, animal and micro-organism communities and their non-living environment, interacting as a functional unit.; Ecosystem: A dynamic complex of vegetable, animal and microorganism communities and their nonliving environment that interact as a functional unit. Ecosystems may be small and simple, like an isolated pond, or large and complex, like a specific tropical rainforest or a coral reef in tropical seas.

Ecosystem restoration

Process of reversing the degradation of ecosystems to regain their ecological functionality; in other words, to improve the productivity and capacity of ecosystems to meet the needs of society.; Encompassing a wide continuum of practices and targeted ecosystem conditions that contribute to conserving and repairing damaged ecosystems.

Electrification

The action or process of charging something with electricity.

Empowerment of women

According to the UN, it has five components: 1) women's sense of self-worth; 2) their right to have and to determine choices; 3) their right to have access to opportunities and resources; 4) their right to have the power to control their own lives, both within and outside the home; 5) their ability to influence the direction of social change to create a more just social and economic order, nationally and internationally.

Environmental assessment

The entire process of undertaking an objective evaluation and analysis of information designed to support environmental decision making. It applies the judgement of experts to existing knowledge to provide scientifically credible answers to policy -relevant questions, quantifying where possible the level of confidence. It reduces complexity but adds value by summarizing, synthesizing and building scenarios, and identifies consensus by sorting out what is known and widely accepted from what is not known or not agreed. It sensitizes the scientific community to policy needs and the policy community to the scientific basis for action.

Environmental degradation

Environmental degradation is the deterioration in environmental quality from ambient concentrations of pollutants and other activities and processes such as improper land use and natural disasters.

Environmental impact

The change in well-being of ecosystems, resulting from a process set in motion or accelerated by human actions.; Any change to the environment, whether adverse or beneficial, wholly or partially resulting from an organization's activities, products or services.

Environmental impact bonds

Environmental Impact Bonds provide entities up-front capital for environmental projects. Bond investors are repaid based on project success.

Environmental performance

Environmental performance relates to action by governments and other actors, including implementation of processes that support environmentally sustainable economic growth. Essentially, environmental performance is a measure of the gap between the actual state of what is being measured and targeted policy goals.

Equity

Fairness of rights, distribution and access. Depending on context, this can refer to access to resources, services or power

Equity fund

An equity fund is a mutual fund that invests principally in stocks. It can be actively or passively (index fund) managed. Equity funds are also known as stock funds.

Environmental, Social, and Governance Criteria (ESG)

Environmental, social, and governance (ESG) criteria are a set of standards for a company's, project's, or governments' operations that socially conscious investors use to screen potential investments. Environmental criteria consider how a company performs as a steward of nature. Social criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates. Governance deals with a company's leadership, executive pay, audits, internal controls, and shareholder rights.

Externalities

An externality is a cost or benefit caused by a producer that is not financially incurred or received by that producer. An externality can be both positive or negative and can stem from either the production or consumption of a good or service. The costs and benefits can be both private—to an individual or an organization—or social, meaning it can affect society as a whole.

Externalities have an impact on both environment and society. For example, a negative externality is a business that causes pollution that diminishes the property values or health of people in the surrounding area. A positive externality includes actions that reduce transmission of disease or avoids the use of lawn treatments that runoff to rivers and thus contribute to excess plant growth in lakes.

Financial engineering

Financial engineering is the use of mathematical techniques to solve financial problems. Financial engineering uses tools and knowledge from the fields of computer science, statistics, economics, and applied mathematics to address current financial issues as well as to devise new and innovative financial products.

Financial institutions

A financial institution (FI) is a company engaged in the business of dealing with financial and monetary transactions such as deposits, loans, investments, and currency exchange. Financial institutions encompass a broad range of business operations within the financial services sector including banks, trust companies, insurance companies, brokerage firms, and investment dealers.

Virtually everyone living in a developed economy has an ongoing or at least periodic need for the services of financial institutions.

Financial regulators

National and local governments have a myriad of agencies in place that regulate and oversee financial markets and companies. These agencies each have a specific range of duties and responsibilities that enable them to act independently of each other while they work to accomplish similar objectives. Examples of financial regulators include central banks and securities market regulators.

Food system

1) Food systems are usually conceived as a set of activities ranging from production to consumption. It is a broad concept encompassing food security and its components – availability, access and utilization – and including the social and environmental outcomes of these activities. Food systems in developing countries have been largely transformed by globalization. This change offers tremendous opportunities for food workers to access new and better employments. Yet, small scale food producers and other food workers are still too often excluded from the benefits generated by food businesses.

Fossil fuel

Coal, natural gas and petroleum products (such as oil) formed from the decayed bodies of animals and plants that died millions of years ago.

Gender

Gender refers to the roles, behaviors, activities, and attributes that a given society at a given time considers appropriate for men and women. In addition to the social attributes and opportunities associated with being male and female and the relationships between women and men and girls and boys, gender also refers to the relations between women and those between men. These attributes, opportunities and relationships are socially constructed and are learned through socialization processes. They are context/ time-specific and changeable. Gender determines what is expected, allowed and valued in a woman or a man in a given context. Gender is part of the broader socio-cultural context, as are other important criteria for socio-cultural analysis including class, race, poverty level, ethnic group, sexual orientation, age, etc.

Gender equality

This refers to the equal rights, responsibilities and opportunities of women and men and girls and boys. Equality does not mean that women and men will become the same but that women's and men's rights, responsibilities and opportunities will not depend on whether they are born male or female. Gender equality implies that the interests, needs and priorities of both women and men are taken into consideration, recognizing the diversity of different groups of women and men. Gender equality is not a women's issue but should concern and fully engage men as well as women. Equality between women and men is seen both as a human rights issue and as a precondition for, and indicator of, sustainable people-centered development.

Gender gap

Referring to any disparity between women and men's condition or position in society. It is often used to refer to a difference in average earnings between women and men, e.g. "gender pay gap." However, gender gaps can be found in many areas, such as economic participation and opportunity, educational attainment, health and survival and political empowerment.

Green investment

Green investing seeks to support business practices that have a favorable impact on the natural environment. Often grouped together with socially responsible investing (SRI) or environmental, social, and governance (ESG) criteria, green investments focus on companies or projects committed to the conservation of natural resources, pollution reduction, or other environmentally-conscious business practices. Green investments may fit under the umbrella of SRI, but they are more specific.

Green lending

A lending dependent on environmental criteria for the planned use of funds. It is part of the wider sustainable investing and aims to reduce the impact on the environment of new lending activities.

Green mortgages

Mortgage specifically targeted at green buildings. As an incentive for the borrower to either buy a green building or to renovate an existing one to make it greener, the bank would offer them either a lower interest rate or an increased loan amount.

Green infrastructure

A strategically planned network of natural and semi-natural areas with other environmental features designed and managed to deliver a wide range of ecosystem services such as water purification, air quality, space for recreation and climate mitigation and adaptation.

Hedging instruments

A financial derivative. When currency rates change, the hedging instrument creates an offsetting financial position that compensates the corresponding change in the hedged currency exposure.

Impact investing

Impact investing is an investment strategy that aims to generate specific beneficial social or environmental effects in addition to financial gains. Impact investments may take the form of numerous asset classes and may result in many specific outcomes. The point of impact investing is to use money and investment capital for positive social results.

Infrastructure

The basic equipment, utilities, productive enterprises, installations, and services essential for the development, operation, and growth of an organization, city, or nation.

Institutional investor

An institutional investor is a company or organization that invests money on behalf of other people. Mutual funds, pensions, and insurance companies are examples. Institutional investors often buy and sell substantial blocks of stocks, bonds, or other securities

Institutions

Regularized patterns of interaction by which society organizes itself: the rules, practices and conventions that structure human interaction. The term is wide and encompassing, and could be taken to include law, social relationships, property rights and tenurial systems, norms, beliefs, customs and codes of conduct as much as multilateral environmental agreements, international conventions and financing mechanisms. Institutions could be formal (explicit, written, often having the sanction of the state) or informal (unwritten, implied, tacit, mutually agreed and accepted).

Intrapreneurship

The term intrapreneurship refers to a system that allows an employee to act like an entrepreneur within a company or other organization. Intrapreneurs are self-motivated, proactive, and action-oriented people who take the initiative to pursue an innovative product or service. An intrapreneur knows failure does not have a personal cost as it does for an entrepreneur since the organization absorbs losses that arise from failure.

Investment portfolios

a collection of financial investments like stocks, bonds, commodities, cash, and cash equivalents, including closed-end funds and exchange traded funds (ETFs). People generally believe that stocks, bonds, and cash comprise the core of a portfolio. Though this is often the case, it does not need to be the rule. A portfolio may contain a wide range of assets including real estate, art, and private investments.

Leverage

Leverage results from using borrowed capital as a funding source when investing to expand the firm's asset base and generate returns on risk capital. Leverage is an investment strategy of using borrowed money—specifically, the use of various financial instruments or borrowed capital—to increase the potential return of an investment.

Living Planet Index

A measure of the state of the world's biological diversity based on population trends of vertebrate species from terrestrial, freshwater and marine habitats.

Mainstreaming

Taking into consideration as an integral part of the issue in question.

Marginalization

Treatment of a person, group, or concept as insignificant or peripheral.

Microgrids

A microgrid is a self-sufficient energy system that serves a discrete geographic footprint. Within microgrids are one or more kinds of distributed energy (solar panels, wind turbines, combined heat & power, generators) that produce its power. Microgrids provide efficient, low-cost, clean energy, enhance local resiliency, and improve the operation and stability of the regional electric grid. They provide dynamic responsiveness unprecedented for an energy resource.

Nationally Determined Contributions

Submissions by countries that have ratified the Paris Agreement which presents their national efforts to reach the Paris Agreement's long-term temperature goal of limiting warming to well below 2°C. New or updated NDCs are to be submitted in 2020 and every five years thereafter. NDCs thus represent a country's current ambition/target for reducing emissions nationally.

Natural resources

Materials or substances such as minerals, forests, water, and fertile land that occur in nature and can be used for economic gain.

Nature-based solution

Actions to protect, sustainably manage, and restore natural or modified ecosystems, that address societal challenges effectively and adaptively, simultaneously providing human well-being and biodiversity benefits.

Nature-positive

Enhancing the resilience of our planet and societies to halt and reverse nature loss. It has become a movement, with leaders from governments, businesses and civil society committing to action.

Nutrient pollution

Contamination of water resources by excessive inputs of nutrients.

Overfishing

When more weight of fish are removed from a body of water in a single season than can be replaced through growth and recruitment, before the following season, the body of water is said to be overfished.; Fishing with a sufficiently high intensity, or sufficiently high on certain portions of a population, to reduce the continuous annual surplus that it should be capable of producing.

Pandemic

The worldwide spread of a new disease. An influenza pandemic occurs when a new influenza virus emerges and spreads around the world and most people do not have immunity.

Paris Agreement

The Paris Agreement is a legally binding international treaty on climate change. It was adopted by 196 Parties at COP 21 in Paris, on 12 December 2015 and entered into force on 4 November 2016. Its goal is to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels. To achieve this long-term temperature goal, countries aim to reach global peaking of greenhouse gas emissions as soon as possible to achieve a climate neutral world by mid-century. The Paris Agreement is a landmark in the multilateral climate change process because, for the first time, a binding agreement brings all nations into a common cause to undertake ambitious efforts to combat climate change and adapt to its effects.

Pathogen

A bacterium, virus, or other microorganism that can cause disease; The worldwide spread of a new disease. An influenza pandemic occurs when a new influenza virus emerges and spreads around the world and most people do not have immunity.

Planetary boundaries

A framework designed to define a safe operating space for humanity for the international community, including governments at all levels, international organizations, civil society, the scientific community and the private sector, as a precondition for sustainable development.

Policymaker

A member of a government department, legislature, or other organization who is responsible for making new rules, laws, etc.

Pollution

The presence of minerals, chemicals or physical properties at levels that exceed the values deemed to define a boundary between good or acceptable and poor or unacceptable quality, which is a function of the specific pollutant.

Positive Impact Radar

The Impact Radar aims to offer a credible and comprehensive set of impact categories that can be integrated with the tools developed to deliver positive impact finance and contribute to a common frame for the assessment of PI products in the industry.

Private sector

The private sector is part of a country's economy which consists of industries and commercial companies that are not owned or controlled by the government.

Regenerative agriculture

Regenerative agriculture is an inclusive agroecosystems approach for conserving land and soil, biodiversity, and improving ecosystem services within farming systems. It focuses on the regeneration of living soil, improved micro hydrology, and conserving biodiversity at all levels while enhancing inputs use efficiency and ecosystem system services. The approach helps to achieve food and nutritional security with economically viable and ecological sustainable options. Practices presented in this webinar focus on experiences and lessons learned from the adoption of good practices related to regenerative agriculture.

Renewable energy

An energy source that does not rely on finite stocks of fuels.

Retail banking

Retail banking, also known as consumer banking or personal banking, is banking that provides financial services to individual consumers rather than businesses. Retail banking is a way for individual consumers to manage their money, have access to credit, and deposit their money in a secure manner. Services offered by retail banks include checking and savings accounts, mortgages, personal loans, credit cards, and certificates of deposit (CDs).

Risk assessments

Risk assessment is a general term used across many industries to determine the likelihood of loss on an asset, loan, or investment, in relation to a wide . Assessing risk is essential for determining how worthwhile a specific investment is and the best process(es) to mitigate risk. It presents the upside reward compared to the risk profile. Risk assessment is important in order to determine the rate of return an investor would need to earn to deem an investment worth the potential risk.

Risk managers

an individual responsible for managing an organization's risks and minimizing the adverse impact of losses on the achievement of the organization's objectives. (1) Traditionally, risk managers have focused on event risks, but some organizations have broadened the role to include other types of risk (e.g., operational risks). The risk manager is charged with identifying risks, evaluating risks, selecting the best techniques for treating identified risks, implementing the chosen risk management techniques, and regularly evaluating and monitoring the program.

Risk-adjusted returns

A risk-adjusted return is a calculation of the profit or potential profit from an investment that takes into account the degree of risk that must be accepted in order to achieve it. The risk is measured in comparison to that of a virtually risk-free investment.

Sanctions

Commercial and financial penalties applied by one or more countries against a targeted self-governing state, group, or individual. Sanctions may include various forms of trade barriers, tariffs, and restrictions on financial transactions.

Short-termism

An excessive focus on short-term results at the expense of long-term interests. Short-term performance pressures on investors can result in an excessive focus on their parts on quarterly earnings, with less attention paid to strategy, fundamentals and long-term value creation.

Small, medium and micro-sized enterprises (SMME)

Small and mid-size enterprises (SMMEs) are businesses that maintain revenues, assets or a number of employees below a certain threshold. Each country has its own definition of what constitutes a SMME. Certain size criteria must be met and occasionally the industry in which the company operates in is taken into account as well.

Though small in size, SMMEs play an important role in many economies. They outnumber large firms considerably, employ significant numbers of people and are generally entrepreneurial in nature, helping to shape innovation.

Soil health

The capacity of soil to function as a living system.; The continued capacity of soil to function as a vital living system, within ecosystem and land-use boundaries, to sustain biological productivity, promote the quality of air and water environments, and maintain plant, animal, and human health.

Stimulus packages

A set of economic actions and plans established by a government to help stabilize or reinvigorate the economy.

Sustainability

A characteristic or state whereby the needs of the present population can be met without compromising the ability of future generations or populations in other locations to meet their needs.

In business and policy contexts, limits to sustainability are determined by physical and natural resources, environmental degradation, and social resources. Accordingly, sustainable policies place some emphasis on the future effect of any given policy or business practice on humans, the economy, and ecology. The concept often corresponds to the belief that without major changes to the way the planet is run, it will suffer irreparable degradation.

Sustainability-linked loans

Any types of loan instruments and/or contingent facilities (such as bonding lines, guarantee lines or letters of credit) which incentivize the borrower's achievement of ambitious, predetermined sustainability performance objectives.

Sustainable development

Development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs.

Sustainable Development Goals (SDGs)

The blueprint to achieve a better and more sustainable future for all. They address the global challenges we face, including poverty, inequality, climate change, environmental degradation, peace and justice.

Sustainable finance

The process of taking environmental, social and governance (ESG) considerations into account when making investment decisions in the financial sector, leading to more long-term investments in sustainable economic activities and projects. Environmental considerations might include climate change mitigation and adaptation, as well as the environment more broadly, for instance the preservation of biodiversity, pollution prevention and the circular economy. Social considerations could refer to issues of inequality, inclusiveness, labour relations, investment in human capital and communities, as well as human rights issues. The governance of public and private institutions – including management structures, employee relations and executive remuneration – plays a fundamental role in ensuring the inclusion of social and environmental considerations in the decision-making process.

Syndication

A syndicate is a temporary alliance of businesses that joins together to manage a large transaction, which would be difficult, or impossible, to effect individually. Syndication makes it easy for companies to pool their resources and share risks, as when a group of investment banks works together to bring a new issue of securities to the market. There are different types of syndicates, such as underwriting syndicates, banking syndicates, and insurance syndicates.

Taxonomy

Taxonomies answer a need for greater certainty on the sustainability impacts of different types of investments. When appropriately designed, they can improve market clarity, bring confidence and assurance to investors, and facilitate the measurement and tracking of sustainable finance flows.

Tipping point

The critical point in an evolving situation that leads to a new and sometimes irreversible development.

Transformation

State of being transformed. In the context of GEO-5, transformation refers to a series of actions that explores opportunities to stop doing the things that pull the Earth System in the wrong direction and at the same time provide resources, capacity and an enabling environment for all that is consistent with the sustainable-world vision.

Transitions

Non-linear, systematic and fundamental changes of the composition and functioning of a societal system with changes in structures, cultures and practices.

Trillion

10^{12} (1 000 000 000 000).

Value chains

A value chain is a business model that describes the full range of activities needed to create a product or service. For companies that produce goods, a value chain comprises the steps that involve bringing a product from conception to distribution, and everything in between—such as procuring raw materials, manufacturing functions, and marketing activities.

A company conducts a value-chain analysis by evaluating the detailed procedures involved in each step of its business. The purpose of a value-chain analysis is to increase production efficiency so that a company can deliver maximum value for the least possible cost.

Venture capital

Venture capital (VC) is a form of private equity and a type of financing that investors provide to startup companies and small businesses that are believed to have long-term growth potential. Venture capital generally comes from well-off investors, investment banks, and any other financial institutions. However, it does not always take a monetary form; it can also be provided in the form of technical or managerial expertise. Venture capital is typically allocated to small companies with exceptional growth potential, or to companies that have grown quickly and appear poised to continue to expand.