CFA Institute

ISSB VS. SEC
CLIMATE-RELATED DEFINED TERMS COMPARISON

The table below is a comparison between the climate-related disclosure definitions from Appendix A of the ISSB's Draft IFRS S2 Exposure Draft and the SEC's Proposed Rule (Section VII, Statutory Authority, Item 1500). The table is organized using the ISSB's definitions as the anchoring and ordering point and the SEC's definitions are matched up as best as can be provided in a side-by-side comparison.

See also the comparison of climate-related disclosure requirements proposed in the ISSB's Draft IFRS S2 Exposure Draft (Paragraphs 1-24) and the SEC's Proposed Rule (Section VII, Statutory Authority).

CLIMATE SPECIFIC TERMINOLOGY			
ISSB		**SEC**	
APPENDIX A DEFINED TERMS		**CFR §229.1500 (ITEM 1500) DEFINITIONS**	
TERM	**DEFINITION**	**TERM**	**DEFINITION**
Absolute Target	A target defined by a change in absolute emissions over time, for example, reducing CO2 emissions by 25% below 1994 levels by 2010.		
		Acute Risks	Are event-driven and may relate to shorter term extreme weather events, such as hurricanes, floods, and tornadoes, among other events
Carbon Offset	An emissions unit issued by a carbon crediting programme that represents an emission reduction or removal of a greenhouse gas emission. Carbon offsets are uniquely serialised, issued, tracked and cancelled by means of an electronic registry.	Carbon Offsets	Represents an emissions reduction or removal of greenhouse gases (''GHG'') in a manner calculated and traced for the purpose of offsetting an entity's GHG emissions.
Certified Carbon Offset	Certified **carbon offset** credits are carbon offsets that take the form of transferable or tradable instruments, certified by governments or independent certification bodies, representing a removal of emissions of one metric tonne of CO2, or an equivalent amount of other **greenhouse gases**. This links to the Kyoto Protocol, which included three market- based mechanisms (Article 6, 12, 17)—emissions trading, the clean development mechanism and joint implementation giving the parties a degree of flexibility in meeting their emission-reduction targets.		
		Chronic Risks	Relate to longer term weather patterns and related effects, such as sustained higher temperatures, sea level rise, drought, and increased wildfires, as well as related effects such as decreased arability of farmland, decreased habitability of land, and decreased availability of fresh water.

Climate Resilience	The capacity of an entity to adjust to uncertainty related to climate change. This involves the capacity to manage **climate-related risks** and benefits from **climate-related opportunities**, including the ability to respond and adapt to **transition risks** and **physical risks**.		
Climate-Related Scenario Analysis	Scenario analysis is a process for identifying and assessing a potential range of outcomes of future events under conditions of uncertainty. In the case of climate change, climate-related scenario analysis allows an entity to explore and develop an understanding of how the **physical risks** and **transition risks** of climate change may affect its businesses, strategies and financial performance over time.	Scenario Analysis	Means a process for identifying and assessing a potential range of outcomes of various possible future climate scenarios, and how climate-related risks may impact a registrant's operations, business strategy, and consolidated financial statements over time. For example, registrants might use scenario analysis to test the resilience of their strategies under certain future climate scenarios, such as those that assume global temperature increases of 3 °C, 2 °C, and 1.5 °C above pre-industrial levels.
Climate-Related Risks and Opportunities	Climate-related risks refer to the potential negative effects of climate change on an entity. **Physical risks** emanating from climate change can be event-driven (acute) such as increased severity of extreme weather events (for example, cyclones, droughts, floods and fires). They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns (which could result in, for example, 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, changes in technology, market responses and reputational considerations. Climate-related opportunities refer to the potentially positive climate-change generated outcomes for an entity. Global efforts to mitigate and adapt to climate change can produce climate- related opportunities for entities. For example, a power generating company could increase its revenue due to a growing demand for cooling (achieved by using electricity) in regions that experience more heatwaves. Climate-related opportunities will vary depending on the region, market and industry in which an entity operates. Climate-related risks and opportunities include climate-related risks and climate-related opportunities as previously described.	Climate-Related Risks Climate-Related Opportunities	Means the actual or potential negative impacts of climate-related conditions and events on a registrant's consolidated financial statements, business operations, or value chains, as a whole. Climate-related risks include the following: (1) Physical risks (see definition) (2) Acute risks (see definition) (3) Chronic risks (see definition) (4) Transition risks (see definition) Means the actual or potential positive impacts of climate-related conditions and events on a registrant's consolidated financial statements, business operations, or value chains, as a whole.
CO_2 Equivalent	The universal unit of measurement to show the global warming potential of each of the seven **greenhouse gases**, expressed in terms of the global warming potential of one unit of carbon dioxide for 100 years. This unit is used to evaluate releasing (or avoiding releasing) any **greenhouse gas** against a common basis.	Carbon Dioxide Equivalent (CO_2e)	Means the common unit of measurement to indicate the global warming potential (''GWP'') of each greenhouse gas, expressed in terms of the GWP of one unit of carbon dioxide (''CO2'').
		Emission factor	Means a multiplication factor allowing actual GHG emissions to be calculated

			from available activity data or, if no activity data is available, economic data, to derive absolute GHG emissions. Examples of activity data include kilowatt-hours of electricity used, quantity of fuel used, output of a process, hours of operation of equipment, distance travelled, and floor area of a building.
		Global Warming Potential	Means a factor describing the global warming impacts of different greenhouse gases. It is a measure of how much energy will be absorbed in the atmosphere over a specified period of time as a result of the emission of one ton of a greenhouse gas, relative to the emissions of one ton of carbon dioxide (CO2).
Greenhouse Gases	The seven greenhouse gases listed in the Kyoto Protocol–carbon dioxide (CO2); methane (CH4); nitrous oxide (N2O); hydrofluorocarbons (HFCs); nitrogen trifluoride (NF3); perfluorocarbons (PFCs); and sulphur hexafluoride (SF6).	Greenhouse Gases	Means carbon dioxide (CO2), methane (''CH4''), nitrous oxide (''N2O''), nitrogen trifluoride (''NF3''), hydrofluorocarbons (''HFCs''), perfluorocarbons (''PFCs''), and sulfur hexafluoride (''SF6'').
		GHG Emissions	Direct and indirect emissions of greenhouse gases expressed in metric tons of carbon dioxide equivalent (CO2e), of which: (1) Direct emissions are GHG emissions from sources that are owned or controlled by a registrant. (2) Indirect emissions are GHG emissions that result from the activities of the registrant, but occur at sources not owned or controlled by the registrant.
Greenhouse Gas Protocol Corporate Standard	The Greenhouse Gas Protocol Initiative is a multi-stakeholder partnership of businesses, non-governmental organisations (NGOs), governments, and others convened by the World Resources Institute, a US-based environmental NGO, and the World Business Council for Sustainable Development, a Geneva- based coalition of 170 international companies. Launched in 1998, the initiative's mission is to develop internationally accepted greenhouse gas accounting and reporting standards for business and to promote their broad adoption. The Greenhouse Gas Protocol Corporate Standard provides standards and guidance for companies and other types of organisations preparing a **greenhouse gas** emissions inventory. It covers the accounting and reporting of the seven **greenhouse gases** covered by the Kyoto Protocol.		
Intensity Target	A target defined by a change in the ratio of emissions to a business metric over time, for example, reduce CO_2 per tonne of cement by 12% by 2008.	GHG Intensity (or Carbon Intensity)	Means a ratio that expresses the impact of GHG emissions per unit of economic value (e.g., metric tons of CO2e per unit of total revenues, using the registrant's reporting currency) or per unit of production (e.g., metric tons of CO2e per product produced).
Internal Carbon Price	Price used by entities to assess the financial implications of changes to investment, production and consumption patterns, as well	Internal Carbon Price	Means an estimated cost of carbon emissions used internally within an organization.

	as potential technological progress and future emissions-abatement costs. Entities' internal carbon prices can be used for a range of business applications. There are two types of internal carbon prices commonly used by entities. The first type is a shadow price, which is a theoretical cost or notional amount that the entity does not charge but that can be used in assessing the economic implications or trade-offs for such things as risk impacts, new investments, net present value of projects, and the cost—benefit of various initiatives. The second type is an internal tax or fee, which is a carbon price charged to a business activity, product line, or other business unit based on its **greenhouse gas** emissions (these internal taxes or fees are similar to intracompany transfer pricing).		
Latest International Agreement on Climate Change	The latest international agreement on climate change is an agreement by states, as members of the United Nations Framework Convention on Climate Change to combat climate change. The agreements set norms and targets for a reduction in **greenhouse gases**.		
Legacy Asset	An asset that has remained on an entity's statement of financial position for a long period of time and has since become obsolete or has lost nearly all of its initial value.		
		Location	Means a ZIP code or, in a jurisdiction that does not use ZIP codes, a similar subnational postal zone or geographic location.
		Operational Boundaries	Means the boundaries that determine the direct and indirect emissions associated with the business operations owned or controlled by a registrant.
		Organizational Boundaries	Means the boundaries that determine the operations owned or controlled by a registrant for the purpose of calculating its GHG emissions.
Physical Risks	Risks resulting from climate change that can be event-driven (acute) or from longer-term shifts (chronic) in climate patterns. These risks may carry financial implications for entities, such as direct damage to assets, and indirect effects of supply-chain disruption. Entities' financial performance may also be affected by changes in water availability, sourcing and quality; and extreme temperature changes affecting entities' premises, operations, supply chain, transportation needs and employee safety.	Physical Risks	Include both acute risks and chronic risks to the registrant's business operations or the operations of those with whom it does business.
		Renewable Energy Credit ("REC")	Means a credit or certificate representing each megawatt-hour (1 MWh or 1,000 kilowatt-hours) of renewable electricity generated and delivered to a power grid.
Scope 1 Emissions	Direct **greenhouse gas** emissions that occur from sources that are owned or controlled by an entity, for example, emissions from combustion in owned or controlled boilers,	Scope 1 Emissions	Direct GHG emissions from operations that are owned or controlled by a registrant.

	furnaces, vehicles or emissions from chemical production in owned or controlled process equipment.		
Scope 2 Emissions	Indirect **greenhouse gas** emissions that occur from the generation of purchased electricity, heat or steam consumed by an entity. Purchased electricity is defined as electricity that is purchased or otherwise brought into an entity's boundary. Scope 2 emissions physically occur at the facility where electricity is generated.	Scope 2 Emissions	Indirect GHG emissions from the generation of purchased or acquired electricity, steam, heat, or cooling that is consumed by operations owned or controlled by a registrant.
Scope 3 Emissions	Indirect emissions outside of **Scope 2 emissions** that occur in the **value chain** of the reporting entity, including both upstream and downstream emissions. For the purposes of this standard, Scope 3 emissions include these categories (consistent with the GHG Protocol): (1) purchased goods and services; (2) capital goods; (3) fuel- and energy-related activities not included in **Scope 1 emissions or Scope 2 emissions;** (4) upstream transportation and distribution; (5) waste generated in operations; (6) business travel; (7) employee commuting; (8) upstream leased assets; (9) downstream transportation and distribution; (10) processing of sold products; (11) use of sold products; (12) end-of-life treatment of sold products; (13) downstream leased assets; (14) franchises; and (15) investments. Scope 3 emissions could include—the extraction and production of purchased materials and fuels; transport-related activities in vehicles not owned or controlled by the reporting entity; electricity-related activity (for example, transmission and distribution losses), outsourced activities, and waste disposal.	Scope 3 Emissions	All indirect GHG emissions not otherwise included in a registrant's Scope 2 emissions, which occur in the upstream and downstream activities of a registrant's value chain. (1) Upstream activities in which Scope 3 emissions might occur include: i. A registrant's purchased goods and services; ii. A registrant's capital goods; iii. A registrant's fuel and energy related activities not included in Scope 1 or Scope 2 emissions; iv. Transportation and distribution of purchased goods, raw materials, and other inputs; v. Waste generated in a registrant's operations; vi. Business travel by a registrant's employees; vii. Employee commuting by a registrant's employees; and viii. A registrant's leased assets related principally to purchased or acquired goods or services. (2) Downstream activities in which Scope 3 emissions might occur include: i. Transportation and distribution of a registrant's sold products, goods or other outputs; ii. Processing by a third party of a registrant's sold products; iii. Use by a third party of a registrant's sold products; iv. End-of-life treatment by a third party of a registrant's sold products; v. A registrant's leased assets related principally to the sale or disposition of goods or services; vi. A registrant's franchises; and vii. Investments by a registrant.
Transition Plan	An aspect of an entity's overall strategy that lays out the entity's targets and actions for its transition towards a lower- carbon economy, including actions such as reducing its **greenhouse gas** emissions.	Transition Plan	Means a registrant's strategy and implementation plan to reduce climate-related risks, which may include a plan to reduce its GHG emissions in line with its own commitments or commitments of jurisdictions within which it has significant operations.
Transition Risks	Moving to a lower-carbon economy may entail extensive policy, legal, technology and market changes to address mitigation and	Transition Risks	Are the actual or potential negative impacts on a registrant's consolidated financial statements, business operations, or value

	adaptation requirements relating to climate change. Depending on the nature, speed and focus of these changes, transition risks may pose varying levels of financial and reputational risk to entities.		chains attributable to regulatory, technological, and market changes to address the mitigation of, or adaptation to, climate-related risks, such as increased costs attributable to changes in law or policy, reduced market demand for carbon-intensive products leading to decreased prices or profits for such products, the devaluation or abandonment of assets, risk of legal liability and litigation defense costs, competitive pressures associated with the adoption of new technologies, reputational impacts (including those stemming from a registrant's customers or business counterparties) that might trigger changes to market behavior, consumer preferences or behavior, and registrant behavior.

ISSB TERMS	SEC TERMS
• Absolute Target • Carbon Offset • Certified Carbon Offset • Climate Resilience • Climate-Related Scenario Analysis • Climate-Related Risks and Opportunities • CO2 Equivalent • Greenhouse Gases • Greenhouse Gas Protocol Corporate Standard • Intensity Target • Internal Carbon Price • Latest International Agreement on Climate Change • Legacy Asset • Physical Risks • Scope 1 Emissions • Scope 2 Emissions • Scope 3 Emissions • Transition Plan • Transition Risks	• Carbon Offsets • Climate-Related risk • Climate-Related opportunities • Physical Risks • Acute Risks • Chronic Risks • Transition Risks • Carbon Dioxide Equivalent • Emission Factor • Global Warming Potential • Greenhouse Gases (GHG) • GHG Emissions • GHG Intensity (or carbon intensity) • Internal Carbon Price • Location • Operational Boundaries • Organizational Boundaries • Renewable Energy Credit • Scenario Analysis • Scope 1 Emissions • Scope 2 Emissions • Scope 3 Emissions • Transition Plan • Value Chain

GENERAL TERMINOLOGY			
ISSB		SEC	
TERMS DEFINED IN OTHER [DRAFT] STANDARDS & USED IN THIS [DRAFT] STANDARD WITH SAME MEANING			
TERM	**DEFINITION**	**TERM**	**DEFINITION**
Business Model	An entity's system of transforming inputs through its business activities into outputs and outcomes that aims to fulfil the entity's strategic purposes and create value over the short, medium and long term.		
Disclosure Topic	An entity's system of transforming inputs through its business activities into outputs and outcomes that aims to fulfil the entity's strategic purposes and create value over the short, medium and long term.		
Enterprise Value	The total value of an entity. It is the sum of the value of the entity's equity (market capitalisation) and the value of the entity's net debt.		
General Purpose Financial Reporting	The provision of financial information about a reporting entity that is useful to primary users in making decisions relating to providing resources to the entity. Those decisions involve decisions about: (b) buying, selling or holding equity and debt instruments; (c) providing or selling loans and other forms of credit; or (d) exercising rights to vote on, or otherwise influence, management's actions that affect the use of the entity's economic resources. General purpose financial reporting encompasses—but is not restricted to—an entity's general purpose financial statements and sustainability-related financial disclosures.		
Users	Existing and potential investors, lenders and other creditors.		
Value Chain	The full range of activities, resources and relationships related to a reporting entity's business model and the external environment in which it operates. A value chain encompasses the activities, resources and relationships an entity uses and relies on to create its products or services from conception to delivery, consumption and end-of-life. Relevant activities, resources and relationships include those in the entity's operations, such as human resource; those along its supply, marketing and distribution channels, such as materials and service sourcing and product and service sale and delivery; and the financing, geographical, geopolitical and regulatory environments in which the entity operates.	Value Chain	Means a registrant's strategy and implementation plan to reduce climate-related risks, which may include a plan to reduce its GHG emissions in line with its own commitments or commitments of jurisdictions within which it has significant operations.