

glossary

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B CORP LABEL

The B Corp label is awarded to companies that have responsible practices and strong social, environmental, governance and transparency objectives. Their results are publicly displayed, indicating their performance on specific issues.

To obtain the B Corp label, a company must obtain a sufficient number of points in a questionnaire of 200 questions on various topics such as governance, stakeholders, business model, accounting, workforce, salaries, environmental impact, etc.

SDK LABEL

The label from *SuperDrecksKëscht fir Betriber**, is a recognised mark of quality awarded to companies that manage their waste in an environmentally friendly way.

THE LABEL PERMITS COMPANIES TO:

- present the company in a positive light to the public and potential clients;
- save money due to the resulting impact of proper waste management;
- improve safety at work through proper handling and storage of waste.

CARBON ASSESSMENT

GHG ASSESSMENT

This is an evaluation of the quantity of greenhouse gases emitted (or captured) into the atmosphere over a year by the activities of an organisation or a region.

The entity's emissions are assessed according to predefined categories called 'items'. This classification makes it possible to identify the emission items where the carbon burden is the greatest. It is on these items that the energy and environmental strategies of the entity carrying out an assessment must focus in order to reduce emissions.

Carrying out a GHG assessment allows an organisation to:

- structure an environmental policy;
- identify actions to reduce energy costs and overall impact;
- assess vulnerability;
- stand out by being exemplary;
- comply with regulations (if subject to them);
- involve employees or partners in the exercise.

Depending on the organisation's objective, a GHG assessment may be approached differently.

It is generally part of a project and reduction measures. When it is carried out for a broad scope of emissions, the GHG assessment makes it possible to evaluate an organisation's carbon dependence and vulnerability and may even lead to a review of the company's development strategy.

CARBON NEUTRALITY

Carbon neutrality means having a balance between emitting carbon and absorbing carbon from the atmosphere in carbon sinks. To achieve zero net emissions, all greenhouse gas emissions globally will have to be offset by carbon sequestration.

A carbon sink is any system that absorbs more carbon than it emits. Soil, forests and oceans are the main natural carbon sinks. It is estimated that natural sinks remove between 9.5 and 11 gigatonnes of CO₂ per year. Annual global CO₂ emissions reached 38.0 gigatonnes in 2019.

To date, no artificial carbon sink can remove carbon from the atmosphere on a scale sufficient to combat global warming.

Carbon stored in natural sinks, such as forests, is released into the atmosphere through forest fires, land use changes and logging. This is why it is vital that carbon emissions are reduced to achieve climate neutrality.

CIRCULAR ECONOMY ^{1/2}

A circular economy is an economic model designed to minimise resource input and to encourage local and solidarity-based solutions. A circular economy is an economic model that also aims to increase resilience.

- 1 | Value creation
- 2 | Systemic and holistic
- 3 | Two cycles
- 4 | Health, well-being and positive impacts
- 5 | Restorative and regenerative
- 6 | Diversity first
- 7 | Local and solidarity-based

CIRCULAR ECONOMY ^{2/2}

VALUE CREATION

A circular economy is a disruptive economic model for creating and sharing economic value, which by its nature creates economic value but also ecological and social value.

SYSTEMIC AND HOLISTIC

A circular economy is based on an interdisciplinary, systemic, holistic and collaborative approach.

TWO CYCLES: BIOLOGICAL CYCLE AND TECHNICAL CYCLE

A circular economy is an economic system that eliminates waste by relying on two cycles: the biological cycle and the technical cycle. Each product must be designed or programmed to move through one of these cycles, but some materials or products can move from one to the other.

HEALTH, WELL-BEING AND POSITIVE IMPACTS

Health and well-being are an integral part of a circular economy. A circular economy focuses on creating positive impacts on both people and nature alike. Reducing negative impacts alone is not considered sufficient for sustainable development.

RESTORATIVE AND REGENERATIVE

A circular economy is restorative and regenerative by design. It preserves and enhances ecosystem services and promotes biodiversity.

The design of the technical life cycle must maintain and even increase the quality of the resources and products used.

DIVERSITY FIRST

In a circular economy, a diversity of solutions is encouraged across all aspects: technical, economic, environmental and socio-cultural.

LOCAL AND SOLIDARITY-BASED

In Luxembourg, the circular economy encourages local and solidarity-based solutions and promotes cycles in close proximity.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

BUSINESS CONTRIBUTION TO SUSTAINABLE DEVELOPMENT

Corporate Social Responsibility (CSR) is a voluntary approach to doing business that reflects companies' contribution to sustainable development. ISO 26000, published in 2010, is the non-certifiable guidance standard on CSR.

Strategic in nature, CSR is a new support function (HR, purchasing, IT, for example), one which helps organisations adapt to their social, economic and environmental context, while creating shared value.

CSR ACTION

A set of tasks performed by a company to address a CSR issue and contribute to sustainable development (see Process). Ideally this means implementing an existing solution: best practice, CSR initiative, participation in an award, certification, etc. Objective: to reduce, mitigate or compensate for a negative impact or generate a positive impact. Each CSR action needs to be properly coordinated and resourced and should be developed as a business case. The CSR action plan comprises CSR actions that contribute to the implementation of the CSR strategy.

CRITERIA

Criteria are reference points against which something may be judged, evaluated or decided. In general, several criteria are used to assess the full scope of any given assessment issue.

GOOD TO KNOW:

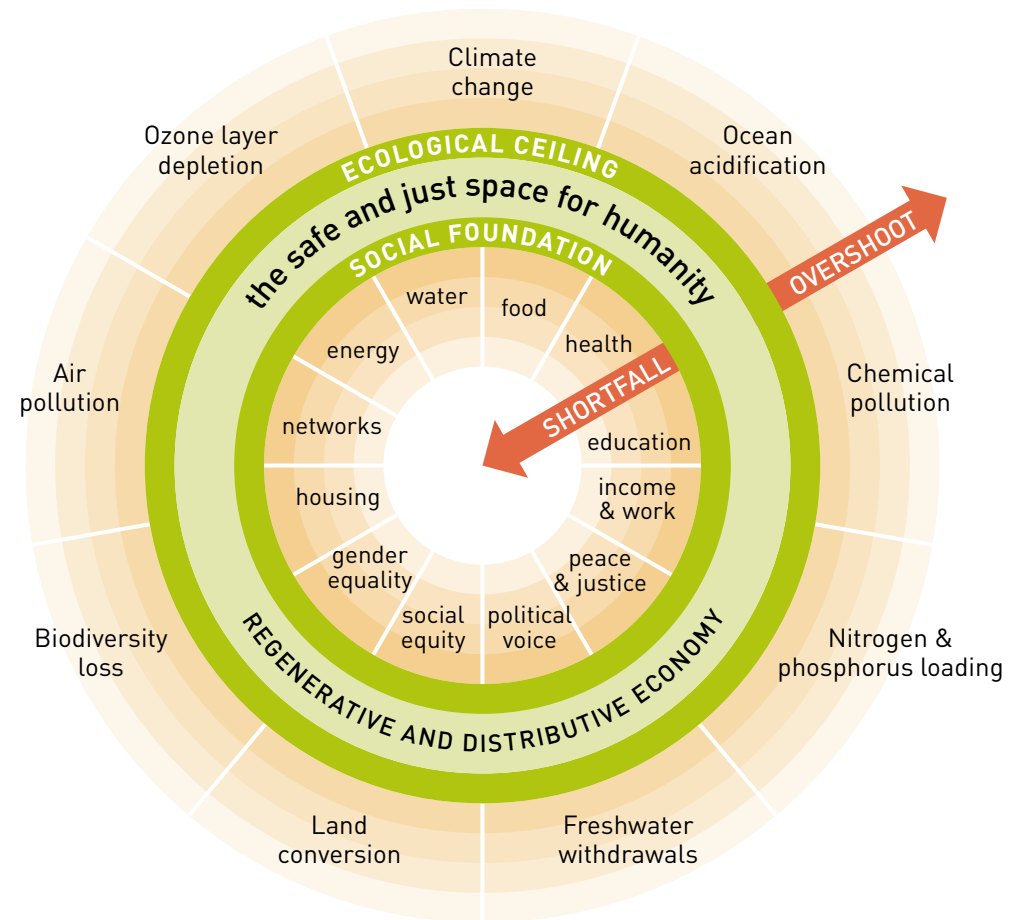
WHAT IS THE DIFFERENCE BETWEEN CRITERIA AND INDICATORS?

- Criteria are reference points against which something may be judged, evaluated or decided.
- Indicators provide measurement information (and are therefore linked to a source of information) to support a given criteria.
- To be effective, an indicator must meet several criteria

DOUGHNUT

Kate Raworth's Doughnut model or Doughnut Economics is a visual framework for economic sustainability - presented in the form of a doughnut - combining the concept of planetary limits with the complementary concept of social boundaries.

It is the compass founded on the challenges of our time that should guide 21st century prosperity, so that we use the planet's resources sensibly and without overshooting them, and ensure that no one is left behind in the 'hole' in the doughnut that represents the essentials for a decent life.



Sources:
 Kate Raworth, *A safe and just space for humanity : Can we live within the doughnut?*, 2012
 Kate Raworth, *Doughnut economics – seven ways to think like a 21st-century economist*, 2017

DECARBONISATION

Decarbonisation is the process of phasing out the use of fossil fuels such as oil, coal or gas and replacing them with renewable energy. The policy of decarbonisation goes together with the policy of energy transition.

Decarbonisation is also a term used for the economy. It is about reducing the carbon footprint of companies' activities (the carbon footprint is the sum of the CO₂ emissions of the companies in which investors hold shares). In a sustainable and responsible investment approach, investors remove from their portfolios companies that emit high levels of greenhouse gases or that finance fossil fuels (fossil fuel divestment).

ECODESIGN

The concepts of ecodesign were set out at international level in 2002 with the publication of the ISO/TR 14062 standard. This standard describes ecodesign in terms of its aim to "integrate environmental aspects into product design and development".

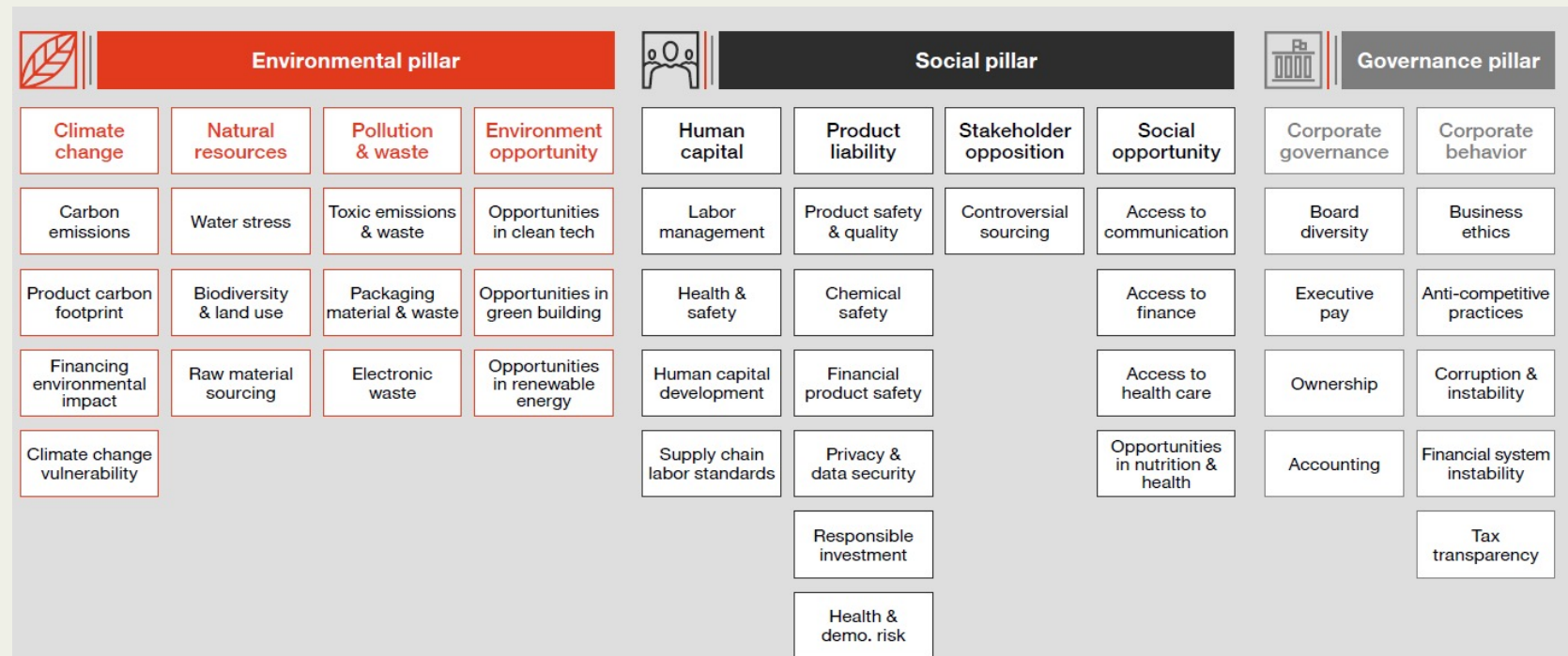
Subsequently, in 2009, Directive 2009/125/EC, which established a framework setting out ecodesign requirements for energy-related products, defines ecodesign as "the integration of environmental aspects into product design with the aim of improving the environmental performance of the product throughout its whole life cycle".

ESG

ESG is the international acronym used to designate the **Environmental, Social and Governance (ESG)** criteria that generally constitute the three pillars of **non-financial** performance. ESG criteria make it possible to assess a company’s responsibility towards the environment and its stakeholders, including its employees, suppliers, clients and the communities in which it operates.

ESG performance forms the basis of the main non-financial reporting frameworks and benchmarks (GRI, SASB, CDP, sector standards, 17 SDGs, European taxonomy, TCFD, UNGC, World Economic Forum, ESR Guide).

ESG UNIVERSE



ESG

The three traditional dimensions of sustainability “People, Planet, Profit” can be expressed in terms of three main categories of requirements for organisations: to ensure good governance and to manage social and environmental impacts. These expectations are summarised under ESG. A due diligence or responsible purchasing process can use these **ESG criteria** to select responsible goods and services (see **Impact**):

- **ENVIRONMENT:** restriction of the use of certain hazardous substances, reduction of non-renewable raw materials, reduction of transport-related emissions, reduction in and recycling of waste, protection of biodiversity, energy efficiency, use of renewable energies, reduction of greenhouse gases, etc.
- **SOCIAL:** respect for human rights, health and safety in the workplace, non-discrimination, decent working conditions and wages, professional development, social dialogue, etc.
- **GOVERNANCE:** resource efficiency, due diligence, transparency, responsible goods and services, waste prevention, responsible stakeholder management, etc.

The **purpose of ESG** performance is to assess whether a company’s behaviour is responsible and forms the basis of the main non-financial reporting frameworks and benchmarks: Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), CDP, sector standards, 17 SDGs, the new European taxonomy, TCFD, UNGC, as well as the ESR Guide.

ESG

PRINCIPLES OF GOVERNANCE



- **Governing Purpose**
- **Quality of governing body** (Composition, Remuneration,...)
- **Stakeholder Engagement**
- **Ethical behaviour** (anti-corruption,...)
- **Risk and Opportunity oversight**

PLANET



- **Climate Change** (GHG Emissions, TCFD, Paris-aligned GHG emissions targets)
- **Nature loss**
- **Freshwater availability**
- **Air and water pollution**
- **Solid Waste** (single-use plastics, impact of solid waste disposal)
- **Resource availability**

PEOPLE



- **Dignity and Equality** (Diversity, inclusion, pay equality, wage level, pay gap, risk for incidents of child, forced labor)
- **Health and Well-being** (health and safety)
- **Skills for the Future** (Training provided)

PROSPERITY



- **Employment and wealth generation** (employment, economic contribution, financial investment, indirect economic impacts)
- **Innovation of better products and services** (R&D)
- **Community and Social Vitality**

ESR GUIDE

The ESR Guide is an educational tool that provides the keys to becoming an actor of change. It helps companies to make informed choices that are beneficial to their business, the planet, the economy and society in general. Through more than a hundred themes, companies discover how to develop a CSR strategy, improve their governance, manage societal expectations, manage their human resources responsibly and reduce the environmental impact of their activities. The ESR Guide enables companies, regardless of their size and sector of activity, to understand the benefits of CSR, to assess their current level of responsibility, to evaluate their progress and merits, and, when the company reaches a certain level of maturity, to confirm its responsible behaviour through the ESR label. To date, the INDR has raised awareness among **1600** companies through the ESR Guide.

ESR LABEL

The ESR label enables companies to structure, formalise and promote their social responsibility approach in order to create shared value for themselves and for society. To date, **282** companies have been awarded ESR label.

GHG

A number of volatile substances emitted into the atmosphere called **greenhouse gases** (GHGs) absorb solar energy in the form of heat. CO₂ and other gases generated by human activity (methane, nitrous oxide, ozone, etc.) are the cause of climate change. Although 38 industrialised countries committed to reducing the emissions of six GHGs (CO₂, CH₄, N₂O, HFC, PFC, SF₆) when they signed the Kyoto Protocol, the concentration of CO₂ in the atmosphere has exceeded the critical threshold of 350 ppm, the level necessary to **limit warming to 1.5 degrees Celsius**, resulting in potentially disastrous consequences: extreme weather events (heatwaves, storms), polar ice caps melting (flooding due to rising sea levels), ecosystem destruction (loss of biodiversity and ecological services), etc.).

A **carbon footprint** (sources of emissions, types, volumes, etc.) and analysis of direct and indirect emissions reveal the risks and challenges, and allow us to explore opportunities for improvement.

GREENWASHING

Greenwashing is a marketing method that consists of communicating to the public by using environmentally friendly claims. The aim of greenwashing is to present an eco-responsible image, which is far from the reality...

The practice of greenwashing is misleading and can be considered false advertising.

The term 'greenwashing' is often used by NGOs to stigmatise companies that try to voice environmental concerns that are far from what they practice.

IMPACT

The actions and decisions taken by a company lead to desirable or undesirable consequences for itself and for society as a whole. They can directly or indirectly influence or impact stakeholders. They can directly or indirectly influence or impact stakeholders. Beyond internal value creation, a company has the capacity to preserve, create or destroy financial, economic, human and environmental value, also known as the footprint. These impacts or externalities can be generated by any process carried out by the company and at each stage of the life cycle (see **Life cycle**). The purpose of a CSR action is either to limit undesirable impacts or externalities or to generate a positive impact for society.

INCLUSIVE GROWTH

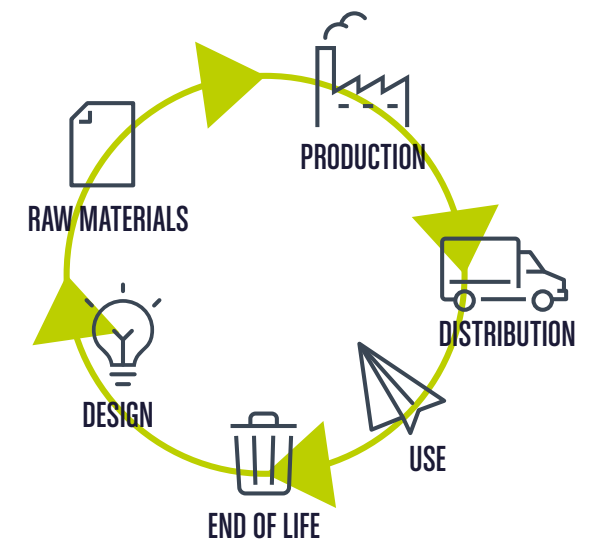
Inclusive growth is economic growth that is distributed fairly across society and creates opportunities for all.

INDICATOR

According to the Organisation for Economic Co-operation and Development's definition (OECD, 2002a, p. 25), an indicator is "a quantitative or qualitative factor or variable that provides a simple and reliable means to measure achievement, to reflect changes connected to an intervention, or to help assess the performance of a development actor." In short, an indicator is a collection of raw or processed data that helps measure and quantify a given phenomenon and helps us understand complex realities. It is not just about basic information, but rather the development of this basic information that can be used to describe or assess a given issue. For example, the number of literate adults in absolute terms has no analytical value unless it is used to create an indicator, for example to calculate the proportion of literate adults in relation to the total adult population of a country.

LIFE CYCLE

A life cycle analysis looks at the costs and impacts of a product (investment, activity, good, service) over its entire life cycle for a company and for society as a whole. With this approach, it is possible to assess the total cost of ownership, as well as the monetary and non-monetary externalities of a product (i.e. issues) during extraction (depletion of non-renewable resources, human rights, etc.), transformation (pollution during refining), manufacturing (energy, pollution), use (consumption, pollution, nuisance) and end of life (collection, treatment, recovery, reuse, disposal, etc.).



MATERIALITY

The INDR defines a CSR issue as relevant or material to a company if there is a clear impact on society or if internal or external stakeholders consider it important (significant impacts, need for information, performance requirements, etc.). In this case, the CSR topic must be incorporated into the company's CSR strategy and managed through a CSR initiative. According to ISO 26000, the criteria for defining the **relevance and importance** of an issue are the extent of the impact, the potential effect of an action, the level of stakeholder engagement, the degree of urgency and the expectations of society as a whole. According to ISO 26000, **priority areas for action** are determined by the company's current performance (legal compliance, international standards, best practice), effectiveness (ability to achieve objectives), efficiency (effect in relation to resources needed), duration, urgency (reduced cost if handled quickly), ease of implementation, and planned decisions and activities. **Important** areas for action include: legislation (compliance), international standards, human rights, threat to health or life, serious environmental impacts.

According to GRI, **materiality** is the «principle that determines which relevant issues are significant enough to require coverage in the report» (GRI Standards, 101: General Principles, 1.3 Materiality). A **materiality threshold** is used to select the most relevant, significant or legitimate needs, expectations and interests according to the criteria of importance, risk, impact, reversibility, urgency, influence, etc.

QUALITATIVE GROWTH

Qualitative growth aims to generate economic growth while decoupling it from the linear use of additional resources (extensive growth) and improving the efficiency of the economy. It results in improved productivity and sustainable development, i.e. development which meets the needs of the present without compromising the ability of future generations to meet their own needs. This means that economic players can succeed in producing more wealth while consuming proportionately fewer resources, relying in particular on technical progress. The mechanisms used to facilitate and promote qualitative growth must allow economic growth to be sustained over the long term. It contributes to a better quality of life, while at the same time reducing resource consumption.

In the shorter term, the challenges associated with qualitative growth cross over with those of both the digital and environmental transitions.

RESPONSIBILITY EUROPE ASBL

The INDR joined forces with the AFNOR group, the French standards association, and the Swiss association Ecoparc & Globalité Management to create the association Responsibility Europe asbl. This association brings together leading CSR labels that are demanding and pragmatic, demonstrate real added value and contribute to the United Nations Sustainable Development Goals (SDGs). Since then, THQSE, Unicem and the Quebec Sustainable Industries Council have joined Responsibility Europe and the MR21 and ProRSE networks have joined as associate members. This "Scientific Committee for Orientation and Programming", which brings together the labelling members and the associate members, was created to facilitate the sharing of work and reflection on CSR.

RESPONSIBILITY EUROPE LABEL

The Responsibility Europe label is automatically awarded to companies that have obtained the CSR label from Responsibility Europe's partners, without any other procedure. Thus, Luxembourg companies obtain the Responsibility Europe label as soon as they are awarded the ESR - RESPONSIBLE COMPANY label by the INDR. The purpose of this label is to offer ESR-labelled companies a better positioning on the international market. Currently, there are more than **1,000** companies in Europe with the Responsibility label and more than **4,000** companies worldwide that have started this process.

RESPONSIBLE PURCHASING

Responsible purchasing refers to the purchase of goods or services from a supplier or service provider selected to minimise environmental and societal impacts and to promote good practice in terms of ethics and human rights.

These good practices are described in the ISO 20400 international standard. We sometimes speak of eco-responsible procurement/purchasing, when the buyer favours goods and services with less environmental impact: shorter delivery distances, eco-designed products, goods and services that consume less energy, water, transport, etc.

The adjective 'responsible' refers to corporate social responsibility (CSR). In this sense responsible purchasing has an ethical dimension. A responsible purchasing policy can also lead to giving preference to suppliers and service providers from the social and solidarity economy (SSE).

RISK

Risk is defined as the likelihood that an internal hazard or external threat will materialise in a scenario which leads to potentially damaging consequences (see **Impact**). According to ISO, risk is the combination of the probability or frequency of occurrence of a hazard and the magnitude of the consequences of its occurrence, and represents the effect of uncertainty on whether the organisation will achieve its objectives or not.

Risk management seeks to identify, assess and prioritise the risks to a company's financial and non-financial assets in order to act on these potential or actual risks according to different objectives: prevent, avoid, control, accept, reduce, transfer, treat, rectify, etc. It helps to prepare a company for risks that could affect its future and ensures that the organisation is able to deal with the "material" risks to minimise any adverse effects.

SCOPE 1, 2, 3

These terms are used mostly in the context of a carbon assessment. In fact, the scopes designate the perimeter within which the greenhouse gas emissions of the organisation or product in question are studied. The principal international standards and methods define three categories of emissions.

- **Direct GHG emissions (or SCOPE 1):** Direct emissions coming from fixed or mobile installations situated within the organisational perimeter, that is, emissions from sources owned or controlled by the organisation, such as: combustion of fixed and mobile sources, industrial processes other than combustion, emissions from ruminants, biogas from technical landfills, refrigerant leaks, nitrogen fertilisation, biomass.
- **Indirect energy emissions (or SCOPE 2):** Indirect emissions associated with the production of electricity, heat or steam imported for the organisation's activities.
- **Other indirect emissions (or SCOPE 3):** Other emissions indirectly produced by the organisation's activities that are not accounted for in SCOPE 2 but are linked to the complete value chain, for example: the purchase of raw materials, services or other products, employee travel, upstream and downstream transport of goods, management of waste generated by the organisation's activities, use and end-of-life of products and services sold, immobilisation of production goods and equipment, etc.

SOCIALLY RESPONSIBLE INVESTMENT (SRI)

Socially responsible investment (SRI) is the term used to describe all procedures that consist of integrating extra-financial criteria into investment decisions and portfolio management.

SRI CAN TAKE THREE PRINCIPAL FORMS:

- **Socially responsible or sustainable development funds:** they integrate social and environmental criteria for evaluating a listed company that are combined with financial criteria to select the best performing companies in a portfolio from a sustainable development point of view.
- **Exclusionary funds (also known as 'ethical investments'):** more widespread in Anglo-Saxon countries, they exclude, for moral or religious reasons, certain sectors such as arms, gambling, tobacco... or even activities considered by their holders to be dangerous for the environment: GMOs, nuclear power.
- **Shareholder engagement or shareholder activism:** for investors, this consists of demanding from companies a stronger social responsibility policy, either by calling on them directly or by exercising voting rights at general assemblies. It assumes, and this is more common in the United States than in Europe, that environmental or social resolutions appear on the agenda of general assemblies.

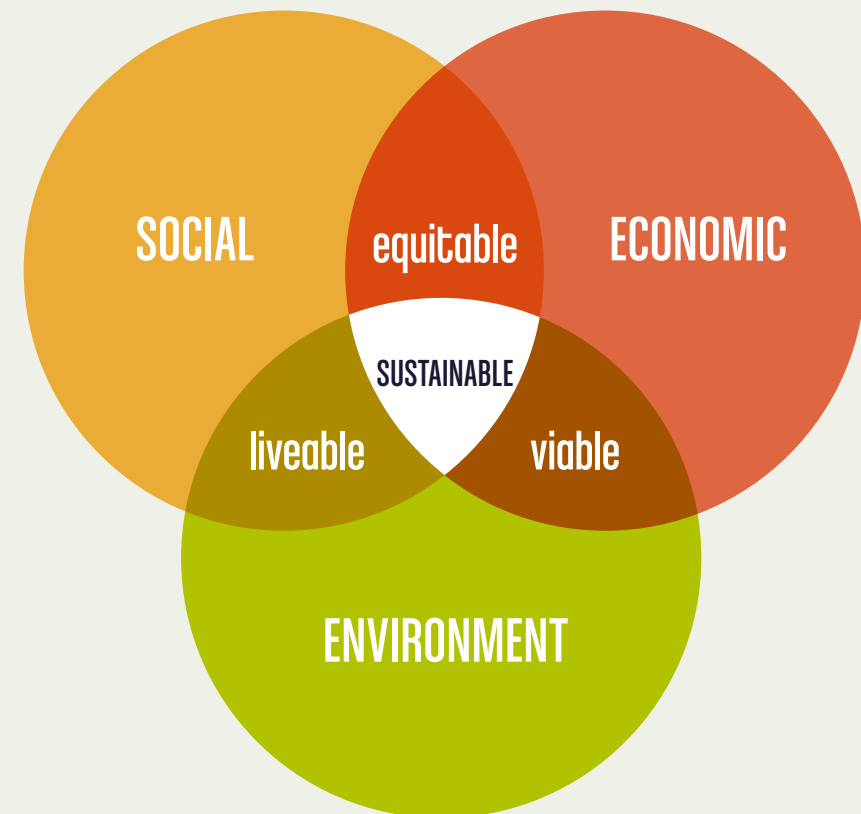
SUSTAINABLE DEVELOPMENT

Sustainable development is defined as development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

It is a principle of organisation of human society that takes into account the finite resources of the planet and acts on three interdependent dimensions:

- the environmental dimension. The development of human activities must be conducted in such a way as not to harm the capacity for renewal of natural resources or the proper functioning of ecosystem services.
- the social dimension. The harmonious development of human society goes through social cohesion guaranteeing everyone access to basic resources and services (health, education);
- the economic dimension. Economic development must ensure that extreme poverty is reduced and that as many people as possible are able to engage in economic activity with a decent income.

In the long term, development is not possible unless it is economically profitable, socially equitable and environmentally sustainable.



SUSTAINABLE PURCHASING

Purchasing that preserves the environmental, social and economic interests of all stakeholders in a balanced and sustainable manner and serves the short, medium and long term performance of the ordering organisation. Sustainable purchasing integrates the different aspects of Sustainable Development as well as the connections and interrelations between these different dimensions throughout the life cycle of the products or services purchased.

ZERO NET EMISSIONS TARGET

For organisations, setting a net zero emissions target means committing to drastically reducing their GHG emissions to as close to zero as possible and offsetting the remaining emissions by removing and/or sequestering an equivalent amount in carbon sinks (forest, mangrove, ocean, wetlands, soil, etc.). For example, if a company, which measures and reduces its emissions, offsets its residual emissions through a renewable energy investment project, it can achieve carbon neutrality by avoiding generating the equivalent amount of emissions. If the same company wants to go further and aim for net zero emissions, it will have to reduce its emissions as much as possible and fund emission sequestration projects, such as forest planting or mangrove preservation, which will effectively offset all its emissions. Carbon neutrality is therefore a key step towards achieving net zero emissions.