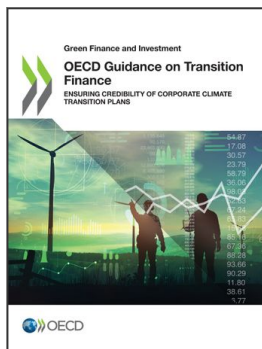


## Annex E. Glossary

- The **Do-No-Significant-Harm Principle** refers to the process of not supporting or carrying out any economic activities that do significant harm to an environmental objective, such as climate change mitigation, adaptation, protection of biodiversity and ecosystems, protection of water and marine resources, pollution prevention and control, circular economy (European Commission, 2021<sup>[1]</sup>).
- **Enabling conditions** “enhance the feasibility of [...] mitigation options” and can include technological innovation, data availability, policy instruments, institutional capacity, and the applicable regulatory framework (IPCC, 2022<sup>[2]</sup>).
- **Feasibility** refers to “the potential for a mitigation [...] option to be implemented” (IPCC, 2022<sup>[2]</sup>).
- **Green bonds** are any type of bond instrument where the proceeds or an equivalent amount will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible green projects and which are aligned with the four core components of the Green Bond Principles (ICMA, 2021<sup>[3]</sup>).
- **Hard-to-abate sectors** are generally understood to be sectors that face particular challenges in their low-carbon transition. This can be either due to an absence of low-carbon alternatives (as is the case in aviation, for example) or due to currently high costs of fully transitioning to low-carbon technologies and energy sources. The latter is typically the case in energy-intensive industries with high-temperature processes, such as iron and steel, cement and lime, chemicals, aluminium and other non-metallic minerals.
- **Key Performance Indicators (KPIs)** are quantifiable metrics used to measure the performance of selected indicators.
- **Leapfrogging**, in the context of sustainable development, refers to accelerated development marked by the skipping of less efficient and polluting technologies and faster adoption of more advanced ones.
- **Sustainability-linked bonds (SLBs)** are any type of bond instrument for which the financial and/or structural characteristics can vary depending on whether the issuer achieves predefined sustainability or ESG objectives (ICMA, 2020<sup>[4]</sup>).
- **Sustainability-linked loans (SLLs)** are any types of loan instruments and/or contingent facilities (such as bonding lines, guarantee lines or letters of credit) which incentivise the borrower’s achievement of ambitious, predetermined sustainability performance objectives. The borrower’s sustainability performance is measured using sustainability performance targets (SPTs), which include key performance indicators, external ratings and/or equivalent metrics and which measure improvements in the borrower’s sustainability profile (LMA, 2019<sup>[5]</sup>).
- **Sustainability bonds** are any type of bond instrument where the proceeds or an equivalent amount will be exclusively applied to finance or re-finance a combination of both green and social projects (ICMA, 2021<sup>[6]</sup>).
- **Sustainability Performance Targets (SPTs)** are targets under which issuers commit to making measurable improvements in key performance indicators over a predefined timeline.
- **Transition finance**, in the context of this Guidance, is understood as finance deployed or raised by corporates to implement their net-zero transition, in line with the temperature goal of the Paris Agreement and based on a credible corporate climate transition plan.

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**From:**  
**OECD Guidance on Transition Finance**  
Ensuring Credibility of Corporate Climate Transition Plans

**Access the complete publication at:**  
<https://doi.org/10.1787/7c68a1ee-en>

**Please cite this chapter as:**

OECD (2022), "Glossary", in *OECD Guidance on Transition Finance: Ensuring Credibility of Corporate Climate Transition Plans*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/1e63148d-en>

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