ASSESSING PORTFOLIO IMPACTS
TOOLS TO MEASURE BIODIVERSITY AND SDG FOOTPRINTS OF FINANCIAL PORTFOLIOS

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Impact Assessment Tools for Portfolio Investors
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To what extent is ESG or sustainable/responsible investing truly helping to achieve environmental and societal goals?
Momentum for Integrating Impact

**Regulatory**
Increasing pressure for requiring investor disclosure.

**From Risks to Impact**
Increasing interest in measuring impacts beyond assessing risks.

**Nature & Biodiversity**
Growing private sector interest in protecting nature & biodiversity.

**UN SDGs**
Added an explicit impact orientation to the sustainable investing domain.
### Tool Identification Approach

<table>
<thead>
<tr>
<th>Desired Tool Characteristics</th>
<th>Out of Scope</th>
</tr>
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<tbody>
<tr>
<td>• Impact focus</td>
<td>• Climate or biodiversity risk assessment</td>
</tr>
<tr>
<td>• Portfolio-level assessment</td>
<td>• Net zero target setting</td>
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<tr>
<td>• Global scope</td>
<td>• Portfolio alignment</td>
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<tr>
<td>• Transparent methodology (with reasonable public disclosure)</td>
<td>• Dependency assessment</td>
</tr>
<tr>
<td>• Good coverage of companies and sectors</td>
<td>• Impact assessing tools on a project level</td>
</tr>
<tr>
<td>• Assess biodiversity and environmental impact, or impact on achieving SDGs (relative to benchmark portfolio)</td>
<td>• Green bond impact reporting</td>
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<tr>
<td></td>
<td>• SDG / green revenue alignment tools</td>
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<tr>
<td></td>
<td>• Impact management tools</td>
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<td></td>
<td>• Impact investing metrics</td>
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Impact-Oriented Tools Identified

- **KPMG/CISL: Sustainable Investment Framework Navigator**
- **Impact Cubed: Portfolio Impact Footprint**
- **UNEP FI: Positive Impact Tool for Banks**
- **GRESB: Real Estate / Infrastructure Assessment, Portfolio Analysis Tool**
- **NASDAQ: ESG Footprint Tool**
- **Sycomore et al.: Net Environmental Contribution metric**
- **Investor Watch: Planet Tracker**
- **Global Canopy: trase.finance & trase.earth**
- **IDL: Corporate Biodiversity Footprint**
- **ASN: Biodiversity Footprint for Financial Institutions**
- **CDC: Global Biodiversity Score**
- **CDC/Carbon4 Finance: BIA-GBS®**

Measurement Type:
- **Absolute**
- **Relative**
- **n/a**
## Primary Impact Measurement Tools Examined in the Report

<table>
<thead>
<tr>
<th>Tool Name</th>
<th>Developer</th>
<th>Assessment Focus</th>
<th>Assessment Target</th>
<th>Impact Measurement Type</th>
<th>Ease of Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Biodiversity Footprint</td>
<td>Iceberg Data Lab</td>
<td>Biodiversity-specific</td>
<td>Companies / Portfolio</td>
<td>Absolute</td>
<td>Fully automated</td>
</tr>
<tr>
<td>Biodiversity Impact Analytics</td>
<td>CDC Biodiversité / Carbon4 Finance</td>
<td>Biodiversity-specific</td>
<td>Companies / Portfolio</td>
<td>Absolute</td>
<td>Fully automated</td>
</tr>
<tr>
<td>Biodiversity Footprint for Financial Institutions</td>
<td>ASN Bank / Pre / CREM</td>
<td>Biodiversity-specific</td>
<td>Bank Balance Sheet</td>
<td>Absolute</td>
<td>Partially automated</td>
</tr>
<tr>
<td>Net Environmental Contribution metric</td>
<td>Sycomore AM et al.</td>
<td>General E focus</td>
<td>Companies / Portfolio</td>
<td>Relative</td>
<td>Partially automated</td>
</tr>
<tr>
<td>Portfolio Impact Footprint</td>
<td>Impact Cubed</td>
<td>SDG</td>
<td>Investment Portfolio</td>
<td>Relative</td>
<td>Fully automated</td>
</tr>
<tr>
<td>Sustainable Investment Framework Navigator</td>
<td>KPMG / CISL</td>
<td>SDG</td>
<td>Investment Portfolio</td>
<td>Relative</td>
<td>Fully automated</td>
</tr>
<tr>
<td>Portfolio Impact Analysis Tool for Banks</td>
<td>UNEP FI Positive Impact Initiative</td>
<td>SDG</td>
<td>Bank Business Lines</td>
<td>Relative</td>
<td>Partially automated</td>
</tr>
</tbody>
</table>

### Case Study

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Case Studies – Key Features

**Sample Portfolio**
- 10 names
- Agri-food sub-sector of the Global Industry Classification System (GICS)
- Notional $/€ 10m per stock
- Benchmark (where needed): MSCI World Index or replicated approximation
- Predominantly US/Europe, with representation from Japan, Singapore, Brazil

**Biodiversity-Specific Tools**
- Absolute measurement
- Footprint metric: km² or ppb* Mean Species Abundance (MSA) per million invested
  - Corporate Biodiversity Footprint: 4 sub-metrics
  - Biodiversity Impact Analytics: 10 sub-metrics – 5 land, 5 aquatic, plus dynamic/static assessment
- Portfolio for both tools was modified to reflect gaps in coverage at time of assessment

**SDG / Holistic Tools**
- Benchmark-relative measurement
- Footprint metrics:
  - Portfolio Impact Footprint: 14 ESG- and SDG-aligned factors
  - Sustainable Investment Framework Navigator: 6 SDG-aligned factors
- Factors used are objectively measurable rather than subjective, e.g.:
  - Total net waste generated
  - Cubic meters of fresh water used
  - Percentage of independent board members
  - FTEs employed
Case Studies – Strengths & Limitations

Biodiversity-Specific Tools
- Credibility of underlying open-source scientific databases utilised
- Methodological transparency
- Ease of use
- Time saved
- Coverage limitations - of companies and of the underlying scientific databases
- Need for company-specific site-level data
- Unfamiliar topic for investors

SDG/Holistic Tools
- Coverage
- Methodological transparency
- Ease of use
- Accessibility / investor familiarity
- Limited coverage of environmental issues
- Dependency on corporate disclosure – data quality issues
- Benchmark

Strengths

Limitations
Biodiversity & SDG Footprinting Tool Applications

**COMPARE**
- Between peers / portfolios / funds
- Against benchmarks
- Same-portfolio performance over time

**IDENTIFY**
- Leaders and laggards in impact
- Key companies to engage
- Impact areas to prioritize
- Portfolio rebalancing opportunities

**DISCLOSE**
- Footprints of sustainability-themed funds
- Impacts per regulatory requirements
## Recommendations

### Tool Providers
- Conduct research to add more scientific databases and metrics
- Consider ways to harmonise and/or standardise the metrics and language they use to measure and present their output
- Work towards investor education

### Financial Institutions
- Use these impact assessment tools as they incorporate impact into their investment decision making process
- Start disclosing environmental impacts of financial portfolios
- Compare the results over time and use them in company engagement

### Regulators & Policymakers
- Add impact measurement to the current focus on environmental risk analysis in the NGFS
- Encourage FIs to use robust and credible impact assessment tools
- Encourage (or require) impact disclosure in financial products or more transparent disclosure of impact assessment methodologies

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**Use these impact assessment tools for reporting**

**Support the development of expanded corporate data disclosure**
IT’S TIME TO TURN TOWARDS THE IMPACT OF FINANCIAL PORTFOLIOS ON THE ENVIRONMENT AND SOCIETY, BECAUSE INVESTORS DESERVE TO KNOW WHAT IS TRULY SUSTAINABLE.