Assessing Portfolio Impacts

IT’S TIME TO THINK ABOUT IMPACT

ESG is no longer a new concept to the investor community. Portfolio investors have access to numerous tools that provide ratings or risk assessments along various environmental, social and governance factors for their investments within the context of the ESG framework.

The finance sector’s interest and commitment to integrating ESG has evolved into asking the question:

To what extent is ESG or sustainable/responsible investing truly helping to achieve environmental and societal goals?

To answer this question, investors need to understand the impacts – positive and negative – their portfolios have on people and the planet.

There is a new and growing population of tools that assess portfolio impacts along dimensions covering biodiversity, the environment in general, or the UN Sustainable Development Goals. These tools that can assist portfolio or fund managers in their efforts to measure and disclose at least some portion of the environmental impact of their investment portfolios. WWF’s new report, “Assessing Portfolio Impacts: Tools to Measure Biodiversity and SDG Footprints of Financial Portfolios,” examines a selection of these tools for their ability to provide decision-useful information to investors and portfolio managers.

IMPACT-ORIENTED TOOLS AVAILABLE FOR COMPANIES AND INVESTORS

Using a number of new tools, investors can assess entire portfolios across a variety of impacts, on an absolute basis or relative to a benchmark. These tools range from those which address environmental impacts in general, to those which focus on specifics such as biodiversity, as well as on metrics for delivery on the UN Sustainable Development Goals.
RECOMMENDATIONS

Tool Developers
Consider ways to harmonise the metrics and language used to measure and present tool outputs, and support expanded corporate data disclosure including for impact assessment.

Financial Institutions
Include impact measuring tools to understand where impacts lie as part of considering how to incorporate impact into the sustainability journey and investment decision-making process. Recognise that both investor interest and regulatory policy is leading to an increased focus on integrating impact, following the mainstreaming of ESG risk.

Regulators and Policymakers
Ensure that impact measurement is included as part of the continued integration of sustainability factors into policy and regulatory frameworks. In particular, support the development of the expanded disclosure requirements necessary to enable a more robust and granular quantification of company-level impact along the various dimensions of sustainability.

Biodiversity and SDG Footprinting Tools can be used to:

**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

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