



Investment Consultants Sustainability Working Group (“ICSWG”)

Feedback to the Taskforce on Nature-related Financial Disclosures (“TNFD”)

We are a group of UK investment consultants, working on behalf of asset owners to support their long-term investment decision-making.

We have seen growing interest among our clients in biodiversity issues, reflected in concerns about how they may invest appropriately to lean against further biodiversity loss. They, and we, are therefore strong supporters of the aims of the Taskforce on Nature-related Financial Disclosures (TNFD) and look forward to it supporting the disclosure of further insights and information to help inform both investment and stewardship decision-making by asset owners. They are keen that the outcomes of TNFD, the disclosures that come from companies and that flow up through the investment chain, assist them to invest in ways that are positive for biodiversity, and facilitate them to hold fund managers and corporate management accountable for their approach to nature-related risks. Many clients are focused closely on real world impacts and welcome insights that enable an understanding of the materiality of the effects of their portfolios on the real world.

By having greater visibility of nature-related impacts, asset owners can challenge their managers more effectively, urging changes in approach to investment and stewardship – and have a clearer basis for shifting their own investments if appropriate. This in turn should support changes in behaviour at the corporate and supply chain, delivering real world change, which must remain the underlying aim of the TNFD process. That aim requires TNFD to go further to address fully the needs of asset owners. There is a fundamental challenge with aggregating and communicating biodiversity analysis across portfolios because by its nature it is location-specific. It is this aggregation and communication challenge that asset owners need TNFD to address if it is to be helpful in their assessments of biodiversity across their broad investment portfolios. That aggregation and communication is clearly a major challenge and will require all actors in the investment chain to play their parts.

We note that LEAP-FI has made some steps in this direction, but we do not believe that these yet go far enough to provide asset owners with insights that are useful for portfolio-level decisions. LEAP-FI focuses on the relevant investment vehicle and the level of aggregation that is inherent in it. LEAP-FI uses this aggregation as the basis to determine what level of assessment is feasible and appropriate. We agree that this is necessary in order to move from location-based considerations, relevant for individual companies and for some real asset investment vehicles (such as real estate or infrastructure funds), to evaluation-based approaches for other investments or aggregations of investments.

However, at present LEAP-FI restricts its consideration of capital allocation decisions to “particular sectors or thematic investments”. This seems to reflect the perspective of a fund manager, as the ambition seems to be centred on specialist funds with a specific tilt towards an awareness of biodiversity matters. We would encourage TNFD to have a more embracing ambition: providing insight and information also relevant to investors investing across a range of funds, only some of which may have specialist tilts relevant to biodiversity issues. We believe that most asset owners will be keen to



have positive impacts in the real world (and to minimise negative impacts) rather than simply skew their portfolios away from investments with the most negative characteristics. In our view, this makes the ability to have disclosures that provide aggregated insights across portfolios of particular importance. It also requires disclosures that are useful and relevant for stewardship activities – including for assessing the positive outcomes of stewardship activities.

This will require a further degree of aggregation than seems currently contemplated in the TNFD model. It will probably also require a further degree of abstraction of the data that is collected.

We do not underestimate this challenge. We recognise that the nature of climate change data lends itself more readily to aggregation. A single ton of CO₂ equivalent emitted anywhere in the world is fungible with any other and (largely) has the same impact wherever it is emitted. In contrast, biodiversity impacts are – as the whole TNFD model makes very clear – highly place-specific. Nevertheless, if biodiversity disclosures are to be made meaningful for asset owners, it must be made possible to aggregate them, or communicate meaningfully about them, in some way across a range of investment portfolios. This is the opportunity that TNFD offers asset owners, and we hope that it will actively engage with this challenge. We suspect that this additional analysis will still need to be done at the ‘Evaluate’ level of the LEAP model, before approaching consideration of the ‘Assess’ and ‘Prepare’ levels.

We would welcome the working group expanding the ambition of LEAP-FI beyond specialist funds to a more general aggregation and communication model such that it can deliver on the needs of asset owners.



Investment Consultants Sustainability Working Group members:

- Aon
- Barnett Waddingham
- Bfinance
- Broadstone
- Buck
- Cambridge Associates
- Capita Pension Solutions
- Cardano
- Hymans Robertson
- ISIO
- LCP
- Mercer
- MJ Hudson
- Momentum Investment Solutions & Consulting
- Redington
- Schroders Solutions
- SEI
- WTW
- XPS Pensions Group

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