



What is the impact of your portfolio on the real world?

The Sustainable Investment Framework Navigator

2021

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What is the impact of your portfolio?

Measuring the impact of your investment portfolio

KPMG and the University of Cambridge Institute for Sustainability Leadership (CISL) have joined forces to develop a tool to measure the impact of investment portfolios – the Sustainable Investment Framework Navigator (SIFN).

The tool is based on the Sustainable Investment Framework, developed by the CISL in conjunction with the Investment Leaders Group (ILG), with the goal of measuring the alignment of investment funds with the United Nations Sustainable Development Goals (SDGs).

Investments generate an array of complex results that can have positive and negative impacts. Consistent and transparent measurement of these impacts has, in the past, proven challenging.

In a world where change is constant, clients, regulators and other stakeholders are becoming increasingly aware of the impact that investment choices have on society. A shift in thinking now demands that asset managers intensify their efforts to provide insight into their level of contribution to sustainable development.

The upshot of this new outlook has been spectacular growth in environmental, social and governance (ESG) integrated and responsible investment products that are claimed to be more sustainable than their mainstream counterparts. In addition, a growing number of asset managers have begun reporting on the impact of their holdings - though only partially.

This commonly includes reporting on impacts associated with their investments, including carbon emissions and jobs created. Many asset managers have found it difficult to report on the full impact of their investments due to the lack of a standardised methodology and limited availability of reliable data. In addition, this reporting can be a time-consuming exercise.

This brochure provides information on the SIFN, which supports asset managers and investors in achieving consistent and transparent portfolio impact measurement with little time investment.

Measuring the full value of capital

The Sustainable Investment Framework (the Framework) measures the alignment of investment portfolios with the SDGs. This enables investors to make simple and practical measurements across six themes - three social and three environmental, encompassing the key dimensions of the SDGs. When combined across the six themes, they provide an instant dashboard on the sustainability of a fund.

The Framework has been developed to meet the demands of a broad range of stakeholders seeking greater insight into the societal and environmental impacts of individual investments and the impacts at a portfolio level.

The Framework:

- provides consistent and transparent portfolio impact measurement;
- is based on the SDGs, which have been grouped into six impact areas (see: Figure 1);
- allows for disclosure based on a range of metrics from basic to ideal (see: Figure 1);
- highlights the relative performance of a portfolio in comparison to a benchmark (see: figure key).

The Framework has the potential to become the industry standard. To facilitate its adoption, KPMG and CISL have developed the SIFN which can be used by asset managers to apply the Framework to portfolios of listed equity investments.



Figure key:

- Top 20% in comparison to benchmark
- Top 40% to 20% in comparison to benchmark
- Top 60% to 40% in comparison to benchmark
- Bottom 20% to 40% in comparison to benchmark
- Bottom 20% in comparison to benchmark

Measuring the impact of your investment portfolio

The SIFN allows asset managers to provide better insight into the social and environmental performance of their portfolios - thereby empowering investors to understand, and make informed choices about the impact of their investments.

After uploading the holdings for a portfolio and its benchmark, the SIFN will automatically generate an insightful overview related to the investments.

The SIFN can be used for:

1. reporting the impact of an investment portfolio to both internal and external stakeholders;
2. gaining insights into the current impact of an investment portfolio, and to track changes in its impact over time;
3. assessing asset managers according to the impact of their investment portfolio, instead of strictly focusing on the more traditional approach.

“ *The financial sector plays a critical role. Measuring the impact of investment decisions is essential in order to properly interpret the role of the capital markets in the transition to a sustainable economy.* **”**

Arjan de Draaijer, Partner, Sustainability, KPMG in the Netherlands

“ *CISL’s framework offers a solution to this problem in the form of six simple quantitative tests based on readily available data. Our collaboration with KPMG will help us to continue to advance the framework as new data sources become available, including in the vital area of social impact.* **”**

Dr. Jake Reynolds, Executive Director, Sustainable Economy, University of Cambridge Institute for Sustainability Leadership (CISL)

Creating a standard together

CISL and KPMG have worked together to develop the SIFN that enables the Framework to be applied in a simple and practical manner.

With the SIFN, we can offer financial institutions as well as investors a simple and transparent method of understanding their environmental and social impact.

At KPMG, technology is at the heart of everything we do. KPMG harnesses technology to innovate and help clients overcome their biggest challenges. In addition, our True Value methodology also offers insights for further development of the Framework (launched in 2014 to measure an organization’s societal impacts - both positive and negative).

The ultimate goal of the co-operation between CISL and KPMG is to create a tool by which all investment portfolios can be assessed using a common impact standard so that asset managers and investors can make informed choices about how and where to invest.

Through a unique combination of deep industry collaboration, high-calibre research, and exceptional education programmes, **CISL’s Centre for Sustainable Finance** is helping financial institutions play a leading role in building a more sustainable economy. The development of the Framework is a clear example of this.

The metrics

Working towards the ideal measures

The University of Cambridge Institute for Sustainable Leadership (CISL) and the Investment Leaders Group (ILG) are working towards metrics that capture the impacts of investments. Currently, each of the themes has a practical metric that can be applied using data that is typically available to investors today. It is acknowledged that the practical metrics offered are a first step towards metrics that would more comprehensively capture the sustainability of a fund.

Despite their current limitations they are offered as a practical means of getting started while improvements in data infrastructure and reporting are made throughout the industry. The research agenda driving these improvements is continuously informed by inputs from intensive research by CISL and the ILG, the evolving regulatory landscape, market trends and developments as well as the input from users of the framework. Subsequently, updates to the metrics will be incorporated on an ongoing basis into the framework.

For example, CISL's most recent publication covered 'climate stability' and includes an analysis of the approaches currently used to measure and report investment funds' climate performance. The conclusion is that a simple, outcome-based temperature score should be adopted to report Paris alignment – in short, the 'ideal' version of the Climate Stability metric proposed in the Sustainable Investment Framework¹.

Theme	Description	What can be measured today?
Basic needs 	The provision of critical services to all in society, including low-income people to help them escape poverty.	Total revenue from goods and services from clothing, communication, education, energy, finance, food, healthcare, housing, sanitation, transport and water. Unit: US\$
Wellbeing 	Enhanced health, education, justice, and equality of opportunity for all.	Total tax contribution. Unit: US\$
Decent work 	The creation of secure, socially-inclusive jobs and working conditions for all.	Total number of employees based of full time equivalent (FTE) workers. Unit: number of FTEs
Resource security 	The preservation of natural resources through efficient and circular use.	Total net waste (total waste arising – total waste recycled). Unit: metric tonnes (t)
Healthy ecosystems 	The maintenance of ecologically sound landscapes and seas for people and nature.	Fresh water use (surface water + groundwater + municipal water). Unit: cubic metres
Climate stability 	The global effort to curb the Earth's temperature rise, and an asset's alignment with the Paris consensus to hold temperature rises 'well below' 2°C.	Total greenhouse gas (GHG) emissions (scope 1 and 2). Unit: tonnes (t) carbon dioxide equivalent

Figure 1 Overview of the metrics of the Sustainable Investment Framework

¹University of Cambridge Institute for Sustainability Leadership (CISL). (2021). *Understanding the climate performance of investment funds. Part 1: The case for universal disclosure of Paris alignment*. Cambridge, UK: Cambridge Institute for Sustainability Leadership.

Additional information

Gain further insight

We are organizing virtual round tables and webinars for small groups. If you are interested in joining a session or in further information about the SIFN, contact us at sifn@kpmg.com.

The Sustainable Investment Framework

The Framework aims to help asset managers quantify investment impacts by developing a set of metrics that translate the SDGs into measurable indicators that are calculable, easily understood, and implementable.

Click [here](#) to download the full report.



The University of Cambridge Institute for Sustainability Leadership

The University of Cambridge Institute for Sustainability Leadership (CISL) is a globally influential Institute developing leadership and solutions for a sustainable economy. We believe the economy can be "rewired", through focused collaboration between business, government and finance institutions, to deliver positive outcomes for people and environment.

For over three decades we have built the leadership capacity and capabilities of individuals and organizations, and created industry-leading collaborations, to catalyze change and accelerate the path to a sustainable economy. Our interdisciplinary research engagement builds the evidence base for practical action.

Investment Leaders Group

The Investment Leaders Group (ILG) is a global network of pension funds, insurers and asset managers committed to advancing the practice of responsible investment. It is a voluntary initiative, driven by its members, facilitated by The University of Cambridge Institute for Sustainability Leadership (CISL), and supported by academics in the University of Cambridge.

The ILG's vision is an investment chain in which economic, social and environmental sustainability are delivered as an outcome of the investment process as investors go about generating robust, long-term returns.

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