

# Addressing the climate-nature nexus in practice

Summary of the pilot study by Sycomore AM, I Care and the NEC

“An Inconvenient Truth” was the name of Al Gore’s film, released in 2006. This truth has become more profound today and has extended well beyond climate change, encompassing nature in the broadest sense. How can we measure the impact that financial products have on nature, and act accordingly? This is one of the missions the TNFD (*Task force for Nature-related Financial Disclosures*) has undertaken.

The economy and the financial industry are globalised and Sycomore AM has observed that global frameworks have more influence and are therefore more useful. Hence, the firm believes that the **TNFD is a key initiative that should be adopted as widely and quickly as possible**, as it finally extends the recommendations issued by the TCFD (*Task force for Climate-related Financial Disclosures*) - the original initiative launched in 2016 - to Nature.

Sycomore AM and its partners support the TNFD and were eager to make a tangible contribution to the initiative through a pilot study to promote the need for transparent, scientific measures of relative contribution that capture the purpose of economic activities, such as the NEC.

Spurred by this global initiative on nature-related disclosures within the financial industry, the pilot TNFD is a technical study conducted jointly by Sycomore AM, I Care and the NEC initiative. A summary of the study is provided on pages 3 to 6 of the full published [report](#). This didactic introduction completes the executive summary by putting the key messages in layman’s terms.

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## Navigating the jungle of environmental metrics

Being truthful on the content of a financial product is complex for 3 reasons: the real world - physical, chemical, biological - is highly complex; the economic world - an avatar of human society, which populates the biosphere, is also complex; and finally, the financial industry itself provides complex products to economic players amid an inconsistent regulatory environment.

To illustrate this point, consolidating one single metric at asset manager or institutional investor level requires millions of aggregation calculations. And there are currently over 3,000 environmental metrics...

Becoming aware of this triple complexity is the first stage towards finding solutions that will be able to cope.

### A few misconceptions will also need clearing up:

- **There is not enough data and information available to make decisions.**
- **We are unable to consider climate change and biodiversity issues at the same time.**
- **Annual portfolio environmental footprints can detect green financial products.**

These frequently-conveyed beliefs often turn out to be wrong, as the pilot study has demonstrated. On the contrary, we have too much superficial or insignificant data or information at our disposal.

The foundation has been laid. The next task is to sort the information to identify useful data that will enable financial industry players to make insightful and informed decisions. The study has shown that the sorting process is possible, that tools already exist and can deliver consistent results. **These tools are science- and taxonomy-based frameworks** that can offer solutions to the problem of aggregating millions of reliable, useful and normalised datasets - an issue exacerbated in finance.

Three examples are examined in detail: the **NEC** metric, or **Net Environmental Contribution**, the **European Taxonomy**, and environmental certifications including the **Greenfin label** for finance, and the many robust environmental labels developed for products and services and verified by third parties, including those that feed the **NEC** metric.



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## The study has highlighted that:

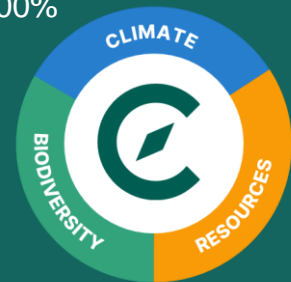
- It is **preferable and possible to follow the recommendations of the TNFD.**
- **The French and European regulatory environments are conducive** to the deployment of the TNFD's recommendations - from informing the retail or professional investor, to setting 2030 targets for asset managers.
- It is **useful to make a clear distinction between absolute metrics** - expressed in physical units, from **relative metrics** - expressed as ratios, alignment percentages, contribution percentages, or scores. Both types of metric are fundamental and highly complementary, but they are used differently.
- **Holistic taxonomies**, including those used by the European Green Taxonomy or the Greenfin label, which incorporate climate change (mitigation and adaptation), but also pressures on resources and ecosystems, are necessary and already useful. However, they remain structurally binary, and require **additional transparent relative contribution metrics such as the NEC, that are science-based and capture the final use of activities.**

We are happy to share this study with our stakeholders and sincerely hope that the TNFD will help navigate these science- and taxonomy-based frameworks and improve how the financial sector connects with nature.

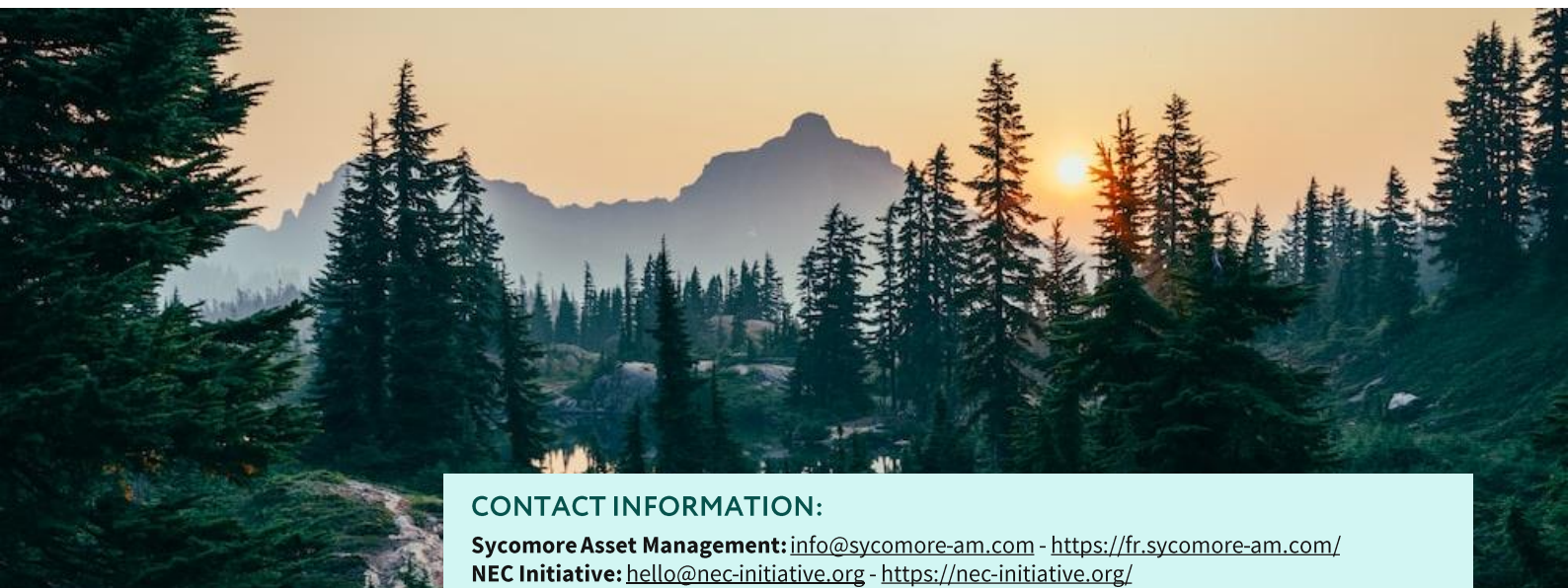
## What is the NEC ?

The *Net Environmental Contribution* is a holistic and transparent environmental metric.

It produces a score between -100% and +100%, which assesses the level of contribution of all economic activities to the ecological transition. It is based on the impacts on climate, biodiversity and resources.



The NEC is based on scientific data and certifications issued by independent third parties from more than 250 sources



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