

DISCERN SUSTAINABILITY

PROJECT: IMPLEMENTING TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) RECOMMENDATIONS FOR AN ASSET MANAGER

Client: Asset Manager

Sub-sector: Equities, Bonds

Activity Category: Strategic review of investments to implement [TCFD](#) Recommendations



THE BRIEF

The client wished to conduct an ESG and Energy project, initially, on a hydrocarbons fund but asked Discern Sustainability to devise all aspects of the proposal. Discern made the case for a wider project on energy, conceived as all parts of the energy value chain, because of the reverberations disruptive technology and climate policy are creating for 'Final Energy Demand'. In other words, to focus on hydrocarbons in isolation would have been to miss the wider trends that affect them and other sectors in the client's investments, positively and negatively.

DEVELOPMENT OF THE PROJECT

- Discern drafted a 2-page proposal for the senior leadership team, proposing to implement and adapt the Recommendations of the TCFD and make them fit for purpose for the client, so that the Recommendations worked for them, not the other way around
- The proposal was accepted, in principle, and Discern was asked to 'sell' the proposal individually to 10 different fund managers, all of whom indicated support, namely because of the proposal's practical merits
- The fully developed proposal involved a lean and crowd-sourced approach to finding out a range of projections that fund managers would find useful in having answered by Discern and external energy experts, in lieu of conventional climate scenario analysis, which can induce 'analysis paralysis'
- Discern tagged every MSCI GICS® sub-sector for climate risk and opportunity and mapped them to the client's holdings, writing to a selection of the most materially affected, requesting TCFD disclosures
- Discern wrote a primer report summarising the debate from expert sources like the IEA, BNEF, Goldman Sachs, DNV GL and BP. This served as an introduction to the fund managers, explained how the project would work and the practical outcomes. The end result will be to be able to compare companies' respective disclosures to an in-house view that is enhanced and coherent
- The project created a transparent, curated process to ensure maximum participation of the fund managers, which was handed over to internal ESG resource, to implement.

VALUE TO THE CLIENT

This was a pilot project and an ambitious one, so the stakes were high. Discern enabled the client to appreciate how ESG analysis could contribute practical and relevant insights into how to position its funds for the Energy Transition. The project was designed only after careful consideration of the culture and investment approach of the client, following numerous interviews. This was to ensure the project would work with the grain of the firm and not absorb excessive time. Moreover, it gave the fund managers a stake in the effective running of the project because they would decide the priority indicators for which experts would offer projections. It also put the investor on a sound footing, in terms of being able to demonstrate real ESG integration on a topic that is foremost in the minds of responsible investors. It will also make them one of the first asset managers to implement the Recommendations of the TCFD.