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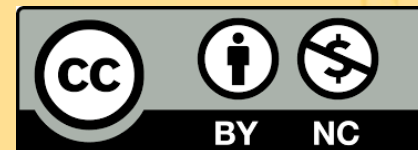
MEASURING IMPACT FOR NATURE-BASED ENTERPRISES

PART II: IMPACT MEASUREMENT SYSTEMS

Lecture – online / in-person

Credit: Horizon Nua

Content created in 2024



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Learning Outcomes for this Learning Unit

- Understand the landscape of impact measurement for nature and biodiversity from CSRD to TNFD.
- Appraise the relevance of new reporting requirements for your business – both directly and indirectly.
- Learn about guidance and support tools available and apply the knowledge learned to your own context.

Economic Activity and Nature

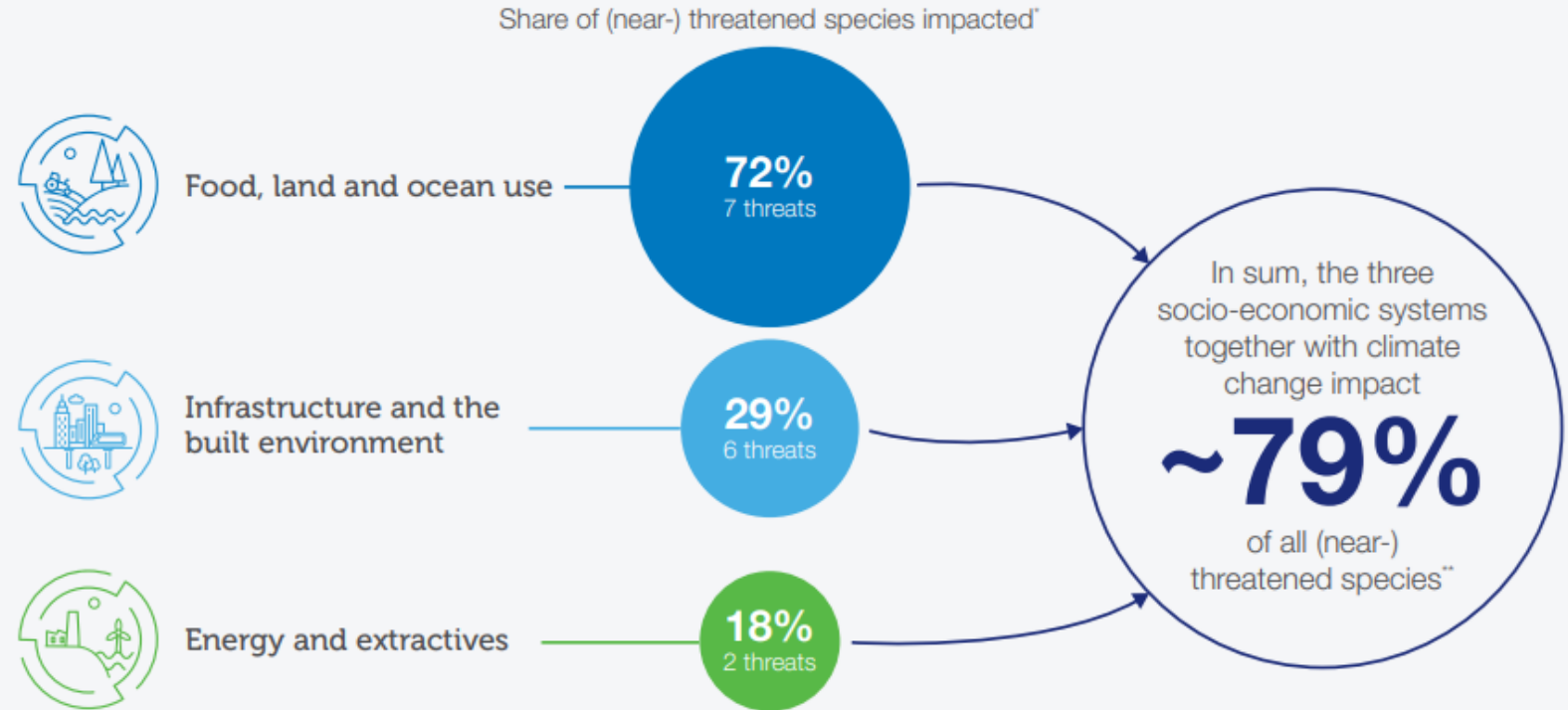
Humans are dependent on nature for survival. But human activity is destroying nature.

3 systems of human activity are endangering around 80% of threatened or near-threatened species.

These systems represent over a third of the global economy and provide up to two-thirds of all jobs.

FIGURE E1

Together, the threats emerging from the three systems endanger around 80% of the threatened or near-threatened species

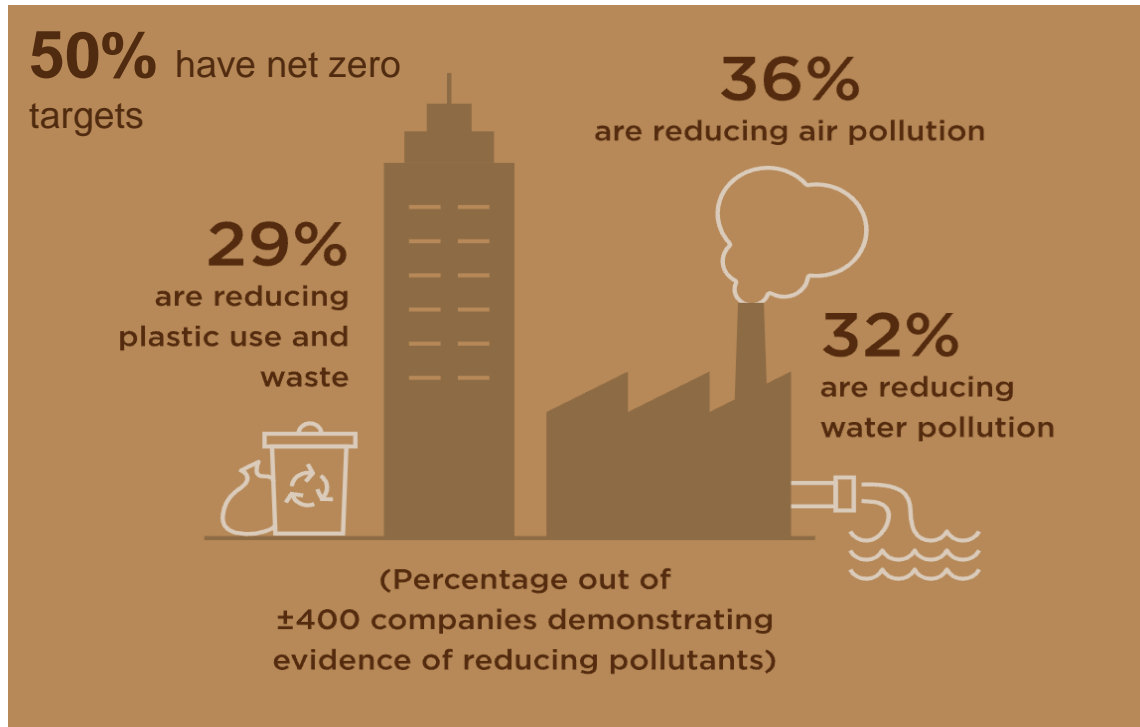


* Consistent with methodology adopted by Maxwell et. al. (2016); "threatened" species include those that are critically endangered, vulnerable, and lower risk – conservation dependent. **Due to partial overlap between the species impacted by the three systems, the percentage of species impacted by all systems is smaller than the sum of the percentages of the species impacted by each system.

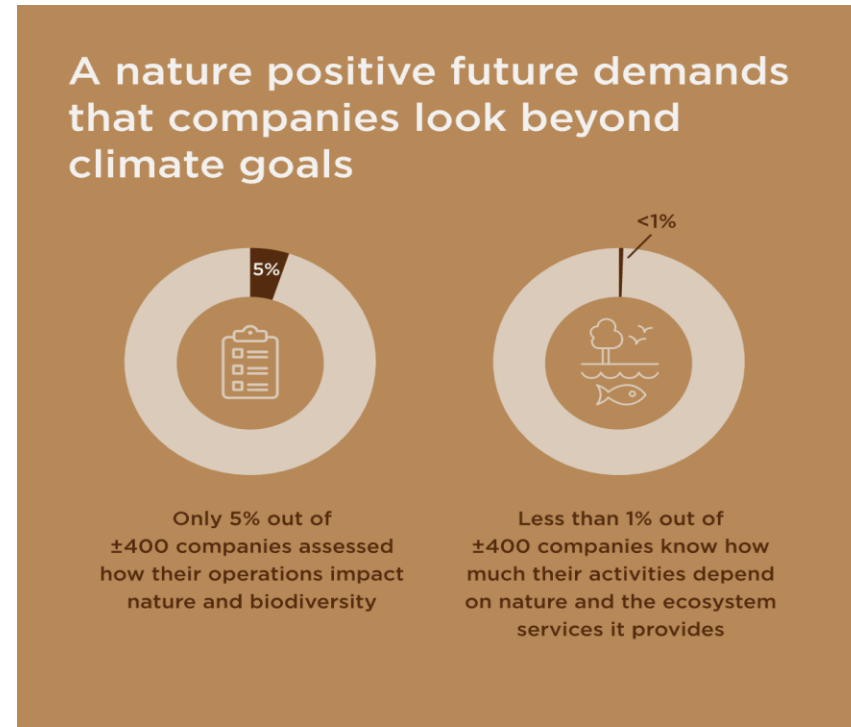
SOURCE: IUCN Red List of Threatened Species; AlphaBeta analysis

Business and Nature

Net Zero and Pollution are priorities for business



Nature and Biodiversity are not



Will new sustainability reporting requirements be a gamechanger for business?



The Reporting Landscape

- Increasingly businesses are being asked to report about their impacts on the environment.
- This is often part of Environmental, Social and Governance (ESG) reporting.
- In Europe, new CSRD regulation means it is mandatory for many companies to report on their impacts.
- Double materiality means that they are to report not just on the material impacts for their own business but also on wider societal impacts.



Explainer: Corporate Sustainability Reporting Directive (CSRD)

What is it?

- The CSRD, which came into force in 2024, requires all large companies and eventually all companies (except micro-enterprises) to report on social and environmental issues, including the impact of their activities on people and the environment.
- The CSRD puts sustainability reporting on an equal footing with financial reporting.

What's different about CSRD reporting v ESG reporting?

- More companies are required to report – most companies with more than 500 employees.
- The information reported has to be audited in the same way as financial reporting. This will help to reduce green-washing, a common critique of ESG reporting.
- Companies have to report in the same way, using common standards (ESRS). This will allow for better benchmarking of company performance and industry performance.

What does this mean for NBEs?

- Most small companies (including most NBEs) will not be required to complete CSRD reporting. Only listed SMEs have to report.
- However NBEs may be impacted indirectly e.g. NBEs supplying NBS services to large companies may be asked to comply with large corporate reporting requirements
- In December 2024, EFRAG published [voluntary 'CSRD' reporting standards](#) for non-listed SMEs. These are optional for all SMEs including micro-SMEs (< 10 employees).

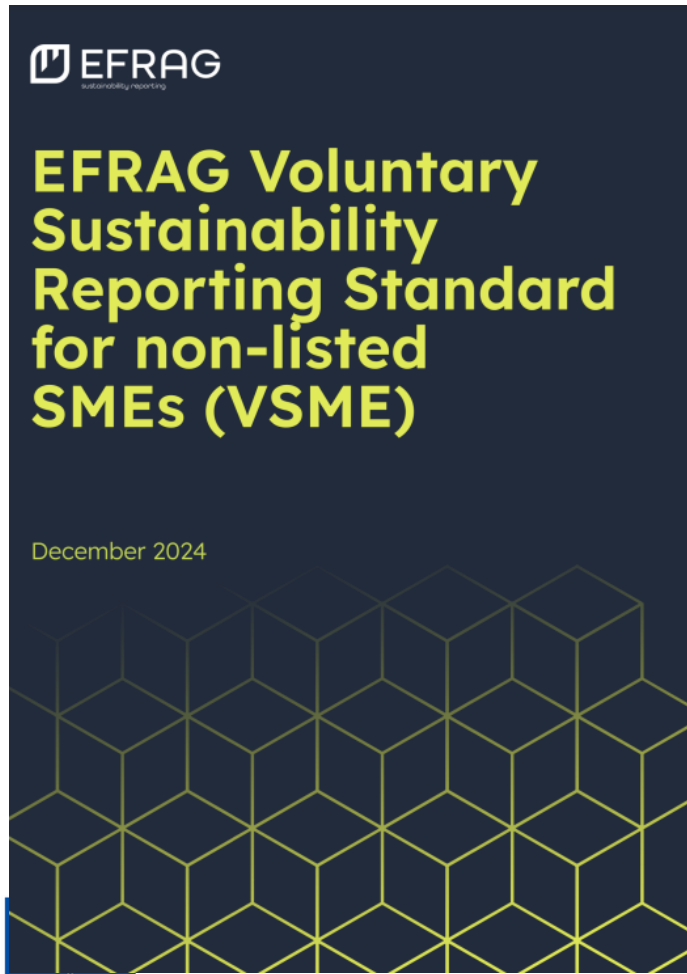


EU Finance Podcast (20 minutes)
Episode 13 - The one about sustainability reporting

Discussion point:

How do you think CSRD will impact your business?

A quick look at the new Voluntary Standard for SMEs



Basic Module

Environment Metrics

- GHGs & Energy e.g.
- Pollution of air, water and soil (compliance with national legislation)
- Biodiversity (closeness to sensitive areas) & Land use (a) total use of land (in hectares); (b) total sealed area; (c) total nature-oriented area on-site; and (d) total nature-oriented area off-site
- Water withdrawal & consumption
- Resource use, circular economy and waste management

Social Metrics

- Workforce – general, health & safety, remuneration & training
- Governance metrics

	Renewable	Non-renewable	Total
Electricity (as reflected in utility billings)			
Fuels			
Total			

Comprehensive Module

Basic Module + Strategy (Business model & Sustainability), Policies & Practices, more detailed environmental & social metrics including human rights

Other relevant ESRS standards for NbEs?

CROSS-CUTTING STANDARDS

ESRS 1
General Principles

ESRS 2
General, strategy, governance and materiality
assessment disclosure requirements

ENVIRONMENT

ESRS E1
Climate change

ESRS E2
Pollution

ESRS E3
Water and marine
resources

ESRS E4
Biodiversity and
ecosystems

ESRS E5
Resource use and
circular economy

SOCIAL

ESRS S1
Own workforce

ESRS S2
Workers in the value
chain

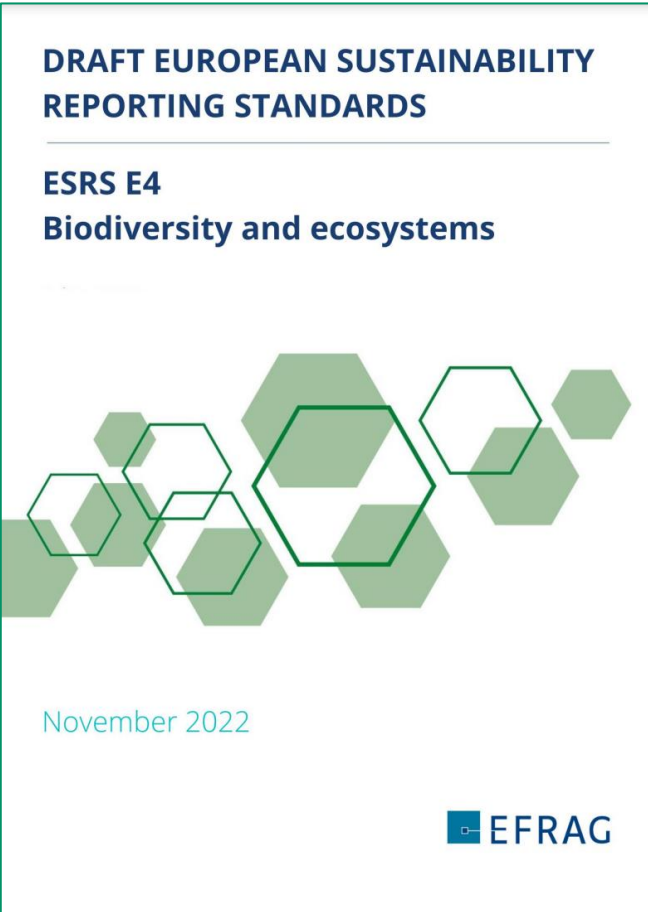
ESRS S3
Affected communities

ESRS S4
Consumers and end-
users

GOVERNANCE

ESRS G1
Governance, risk management and internal controls

ESRS G2
Business conduct



Disclosure Requirement	5
ESRS 2 General disclosures	5
Disclosure Requirement E4-1 – Transition plan on biodiversity and ecosystems	5
Disclosure Requirement related to [draft] ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model(s)	6
Disclosure Requirement related to ESRS 2 IRO-1 Description of processes to identify and assess material biodiversity and ecosystem-related impacts, risks and opportunities	7
Impact, risk and opportunity management	9
Disclosure Requirement E4-2 – Policies related to biodiversity and ecosystems	9
Disclosure Requirement E4-3 – Actions and resources related to biodiversity and ecosystems	10
Metrics and targets	11
Disclosure Requirement E4-4 – Targets related to biodiversity and ecosystems	11
Disclosure Requirement E4-5 – Impact metrics related to biodiversity and ecosystems change	11
Disclosure Requirement E4-6 – Potential financial effects from biodiversity and ecosystem-related impacts, risks and opportunities	13

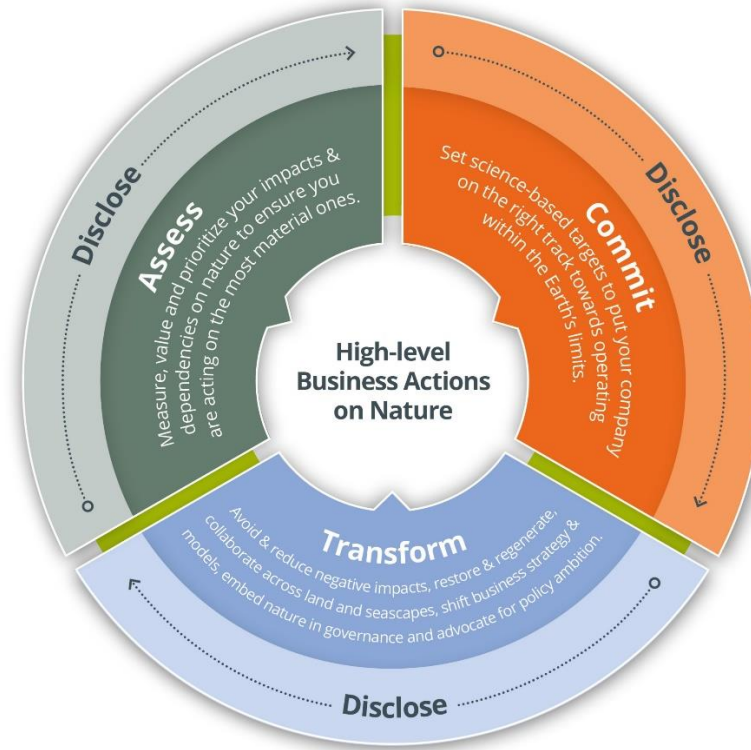
**Useful guidance & tools
for businesses who need,
or choose, to report on
nature**

The
LEAP
Approach

Locate your interface with nature;
Evaluate your dependencies and impacts on nature;
Assess your nature-related risks and opportunities;
Prepare to respond to, and report on, material nature-related issues



ACT-D

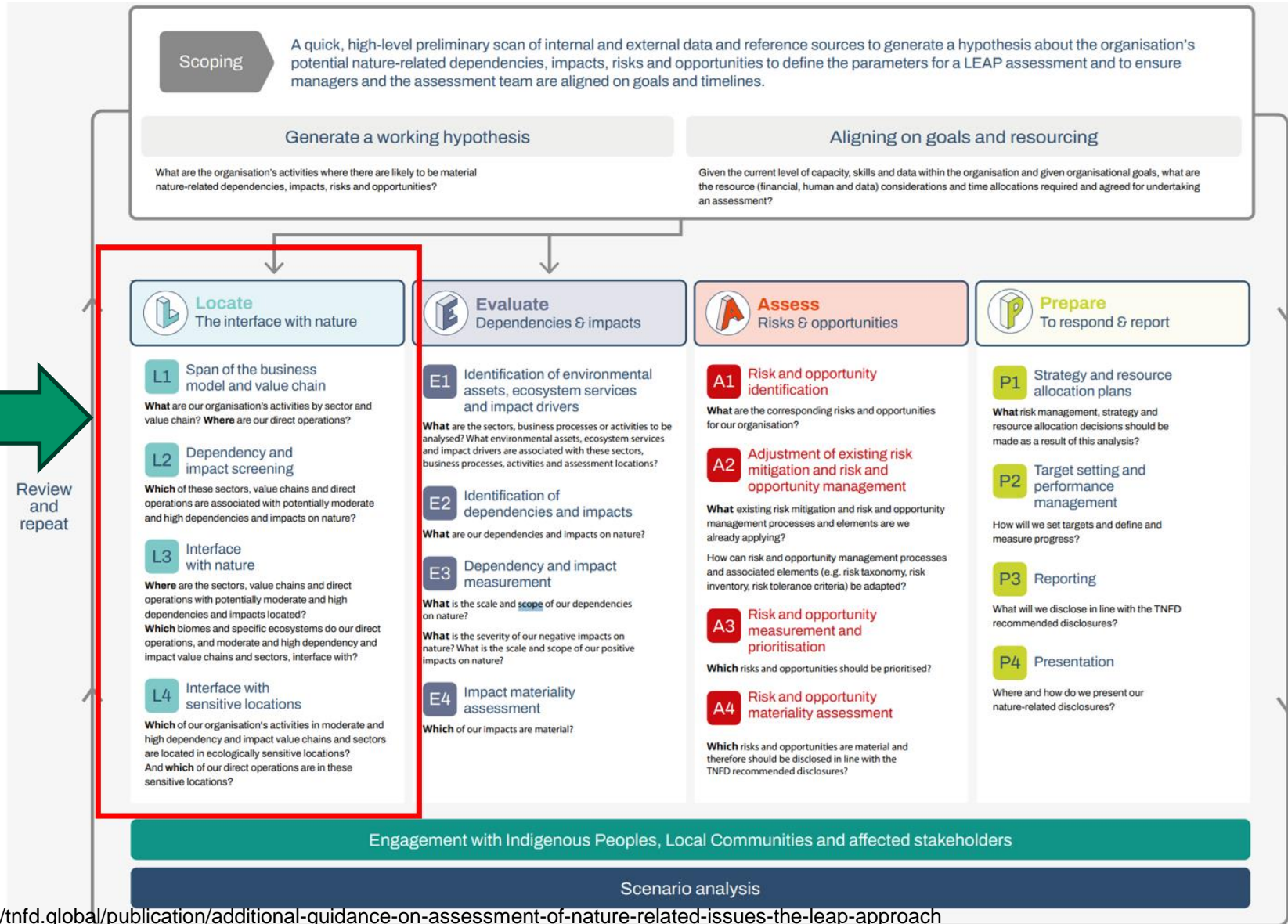
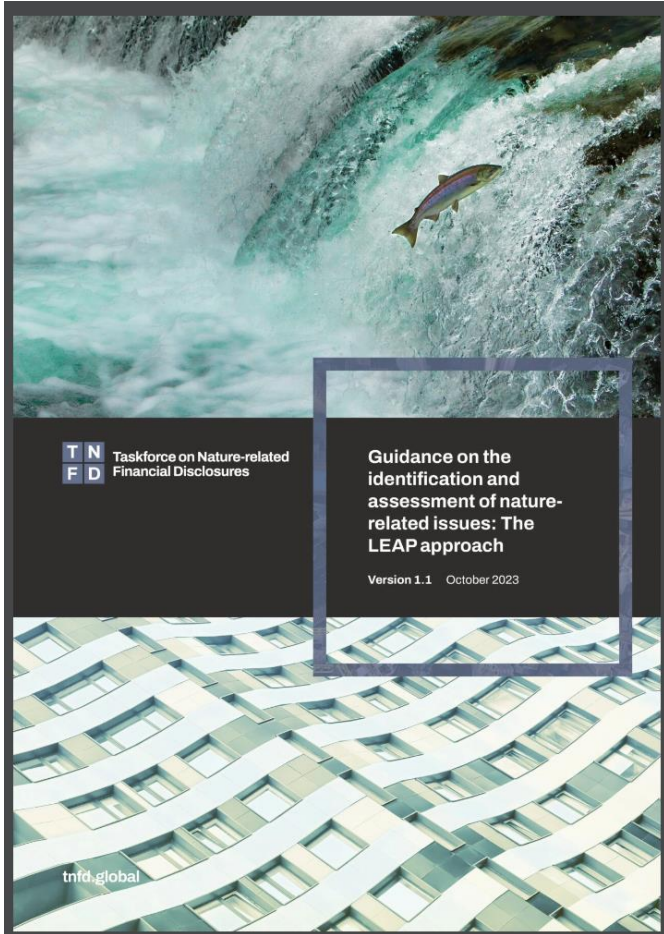


Supported by and aligned with:



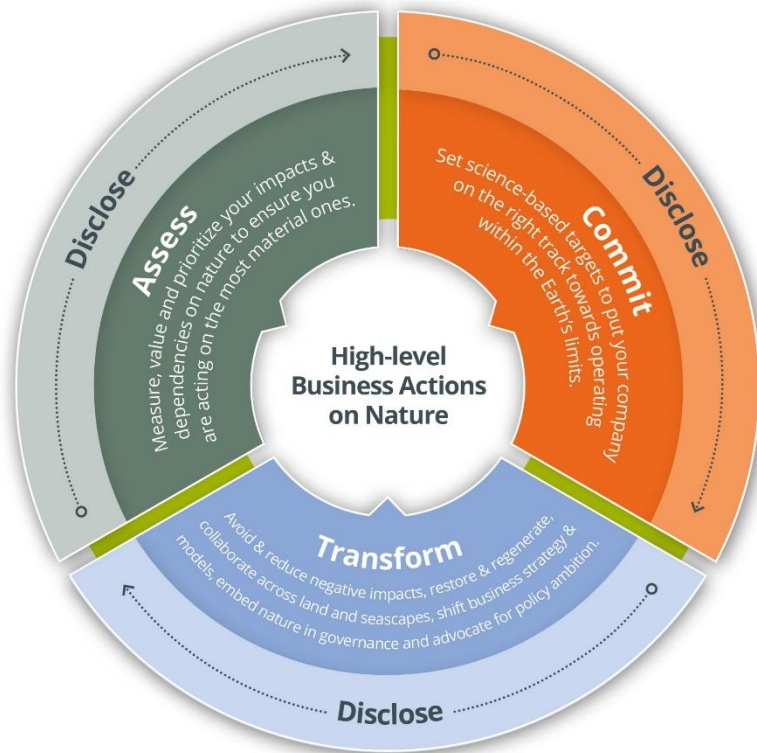
Many others...





BUSINESSES CAN USE ACT-D (HIGH-LEVEL ACTIONS ON NATURE)

To coordinate business efforts and to have a consistent approach to accelerate nature action, leading organizations developed the **high-level business actions on nature**, known as the **ACT-D**



ASSESS: Measure, value and prioritize your impacts and dependencies to ensure you are acting on the most material ones.

COMMIT: Set transparent, time-bound, specific, science-based targets to put your company on the right track towards operating within the Earth's limits

TRANSFORM: Contribute to systems transformation by avoiding and reducing negative impacts, restoring, and regenerating, collaborating across land, seascapes and river basins, shifting business strategy and models, advocating for policy ambition and embedding your strategy within your corporate governance

DISCLOSE: Publicly report material nature-related information throughout your journey

Available at: www.businessfornature.org/high-level-business-actions-on-nature

Supported by and aligned with:



and more...

ASSESS

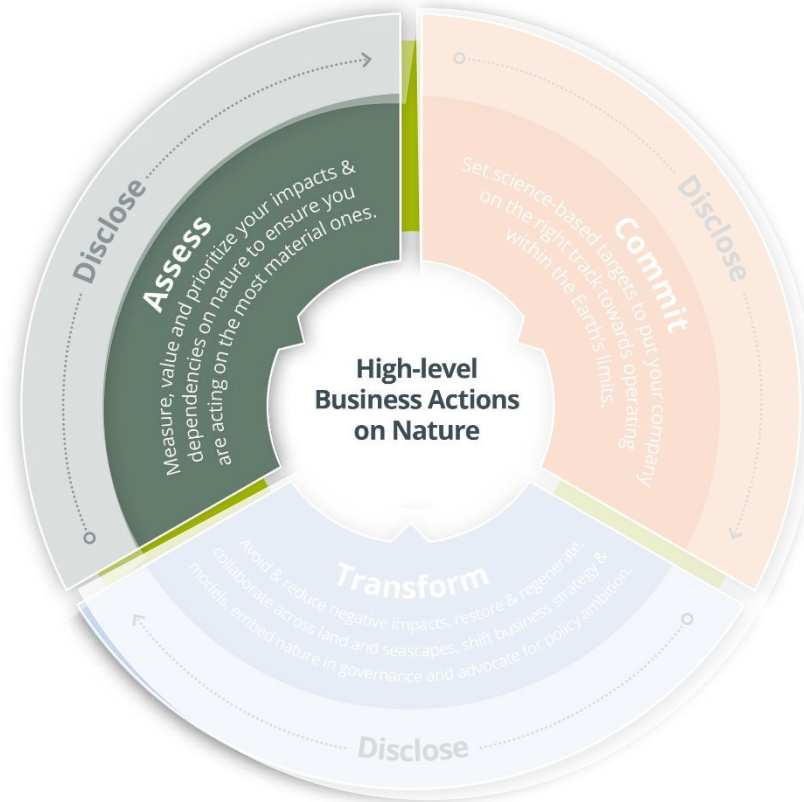
Measure, value and prioritize your impacts and dependencies to ensure you are acting on the most material ones.

#1 Conduct an initial materiality assessment to prioritize efforts

#2 Measure and evaluate impacts and dependencies on nature

#3 Assess risks and opportunities

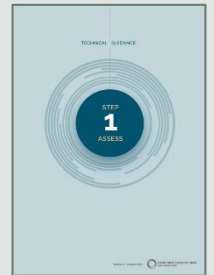
#4 Consider climate and people within your nature assessment



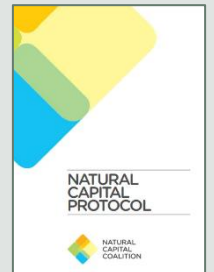
Resources include:



LEAP Approach (TNFD)



Technical Guidance - Assess (SBTN)



Natural Capital Protocol (Capitals Coalition)

ASSESS: IN PRACTICE

It's Now
for Nature

Materiality Assessment Example: Kering



Using this table, Kering clearly show what they've assessed to be their largest environmental impacts.

Tier 4, the raw material production phase, is where their greatest environmental impacts occur.

	End of life	Use phase	TIER 0 Stores, warehouses, offices	TIER 1 Assembly	TIER 2 Manufacturing	TIER 3 Raw material processing	TIER 4 Raw material production	TOTAL
AIR EMISSIONS 								8% €48M
	10 T	2 249 T	3 947 T	989 T	1 744 T	1 918 T	6 347 T	17 204 T
GHGs 								37% €206M
	8 814 TCO ₂	229 711 TCO ₂	477 398 TCO ₂	154 548 TCO ₂	243 006 TCO ₂	265 671 TCO ₂	1 002 842 TCO ₂	2 381 991 TCO ₂
LAND USE 								31% €172M
	0 Ha	194 Ha	3 081 Ha	3 287 Ha	3 242 Ha	1 722 Ha	288 146 Ha	299 673 Ha
WASTE 								6% €35M
	3 807 T	48 415 T	122 578 T	156 838 T	243 259 T	79 051 T	37 932 T	691 879 T
WATER CONSUMPTION 								6% €35M
	4 dam ³	3 530 dam ³	16 374 dam ³	5 591 dam ³	6 688 dam ³	5 127 dam ³	18 617 dam ³	55 977 dam ³
WATER POLLUTION 								12% €67M
	0 T	141 T	563 T	89 T	88 T	324 T	3 085 T	4 290 T
TOTAL IN MILLIONS	0,2% €1	7% €39	14% €77	5% €28	8% €43	9% €53	57% €322	100% €562M

Resources: refer to [Business for Nature ACT-D](#) for more information ([SBTN](#), [TNFD's LEAP process](#), [ENCORE](#) and more)

COMMIT

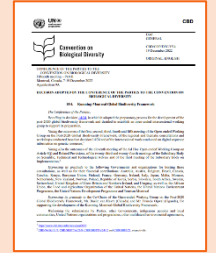
Set transparent, time-bound, specific, science-based targets to put your company on the right track towards operating within the Earth's limits

#5 Define your goals and ambition

#6 Set targets



Resources include:



Kunming-Montreal Global Biodiversity Framework



Technical Guidance – Measure, Set, Disclose (SBTN)

COMMIT: IN PRACTICE

It's Now
for Nature

SMART Targets example: GSK

GSK have set a global plan for contributing to a nature positive world.



Their targets are broken down by their four focus areas:

1. Freshwater
2. Land
3. Oceans
4. Atmosphere

Their land targets correlate to their primary impacts and dependencies and one of them is linked with the remuneration of their senior leaders.

Impacts and dependencies

Our primary dependency on land is due to the natural materials we source, some of which derive from agricultural commodities, a key driver of deforestation and land use change, globally. The supply chains for some of these commodities are often long and complex and may be many tiers removed from our direct engagement.

Our operational land holdings are relatively small, although two of our R&D sites, one in Belgium and one in Spain, are located in Key Biodiversity Areas.

Approach and targets

Our current approach to land management includes working towards sustainable and deforestation-free sourcing, as well as improving biodiversity at our own sites.

We continue to deliver on our existing land targets (set out below). Additionally, we are piloting the SBTN guidance for setting land targets, and we will seek to verify these targets.

Positive impact on biodiversity at all sites¹⁴ by 2030

100% of agricultural and forestry derived materials sustainably sourced and deforestation free by 2030^{15*}

TRANSFORM

Contribute to systems transformation by avoiding and reducing negative impacts, restoring, and regenerating, collaboration across land, seascapes and river basins, shifting business strategy and models, advocating for policy ambition and embedding your strategy within your corporate governance

#7 Avoid & Reduce

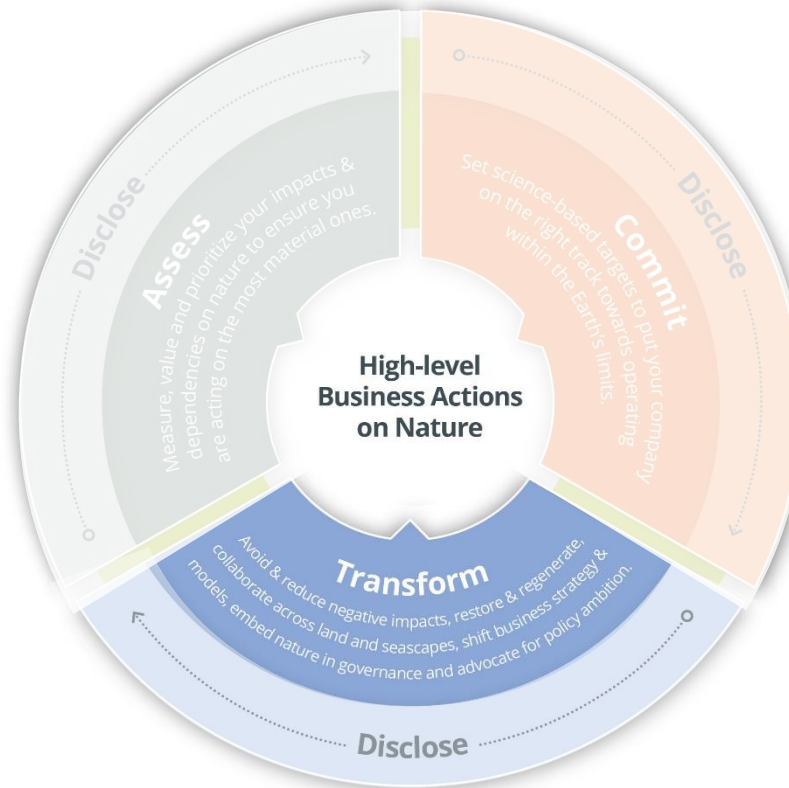
#8 Restore & Regenerate

#9 Shift Business Strategy and Models

#10 Collaborate with your value chain

#11 Advocate for ambitious policies and initiatives

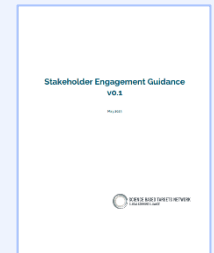
#12 Embed nature within corporate governance



Resources include:



Sector Actions (WEF, WBCSD, BfN)



Stakeholder Engagement Guidance (SBTN)



Responsible Policy Engagement Guide (BfN)

TRANSFORM: IN PRACTICE

It's Now
for Nature

Mitigation hierarchy application example: Iberdrola (renewable energy)



Iberdrola have applied the mitigation hierarchy in setting out their transformative actions.

This is alongside broader value chain and governance actions.



RESTORE AND
REGENERATE



AVOID

01

REDUCE

02

03



Avoid

- Avoid locating new infrastructure projects in areas protected for their ecological, biological, cultural and/or landscape value or in catalogued areas of high value for biodiversity. Protected areas include World Heritage sites, national or regional protected areas and the relevant International Union for Conservation of Nature (IUCN) categories. If, for reasons of force majeure, it is necessary to act, the conservation hierarchy and compliance with neutral or positive net impact will be applied.



Reduce

- Develop specific plans to minimize the impact on species due to electrocution and collision in overhead lines and wind farms.



Restore and Regenerate

- Restore and offset residual impacts on threatened habitats and species on an equal footing, that is, with the same affected habitat type and species

ADVOCATE FOR AMBITIOUS POLICIES

Nature-positive policies are key to accelerating business action. Businesses have a key role to support governments and advocate for **ambitious policies, legislation and regulation.**



Why and how to advocate for nature?

Five actions outlined in the [Responsible Policy Engagement guide](#)



1

Commit to support ambitious policy

2

Align trade associations

3

Allocate advocacy spending

4

Speak out publicly

5

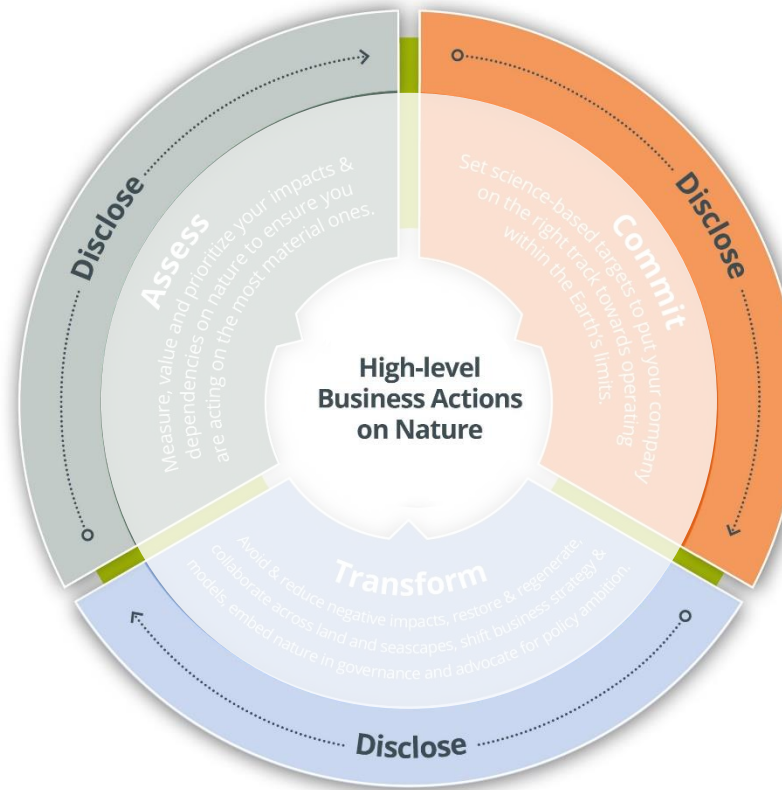
Disclose advocacy activity

DISCLOSE

Publicly report material nature-related information throughout your journey

#13 Seek out independent validation and verification to enhance credibility of actions

#14 Align reporting with major reporting standards



Resources include:



Recommendations of the TNFD

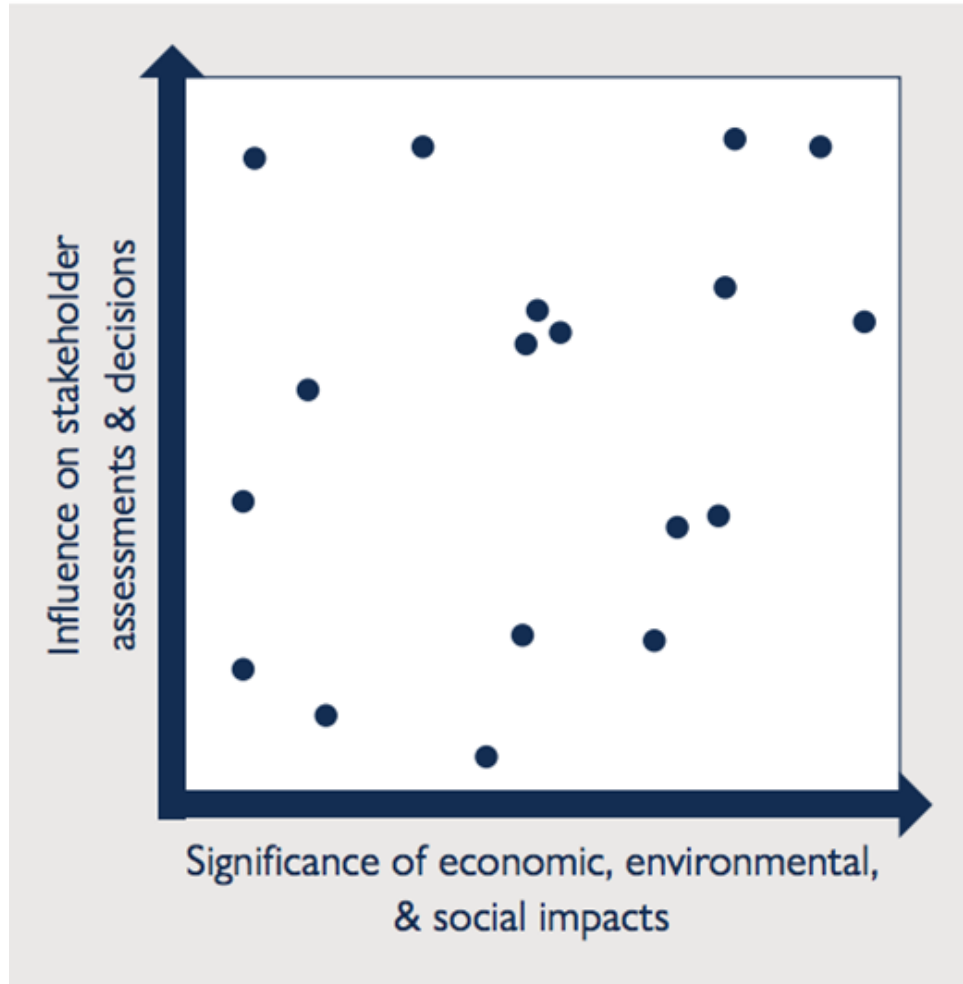


Reporting and disclosure guidance (CDP)

Presenting 'Materiality' is of critical importance



Materiality Matrix: GRI Updated Guidance



Think about visual representation of information e.g. in a Materiality Matrix showing double materiality:

- Internally: impact of nature and biodiversity on the company e.g. financial materiality
- Externally: impact of the company on nature and biodiversity in the wider world e.g. stakeholder materiality

Example 1: Energy Utility

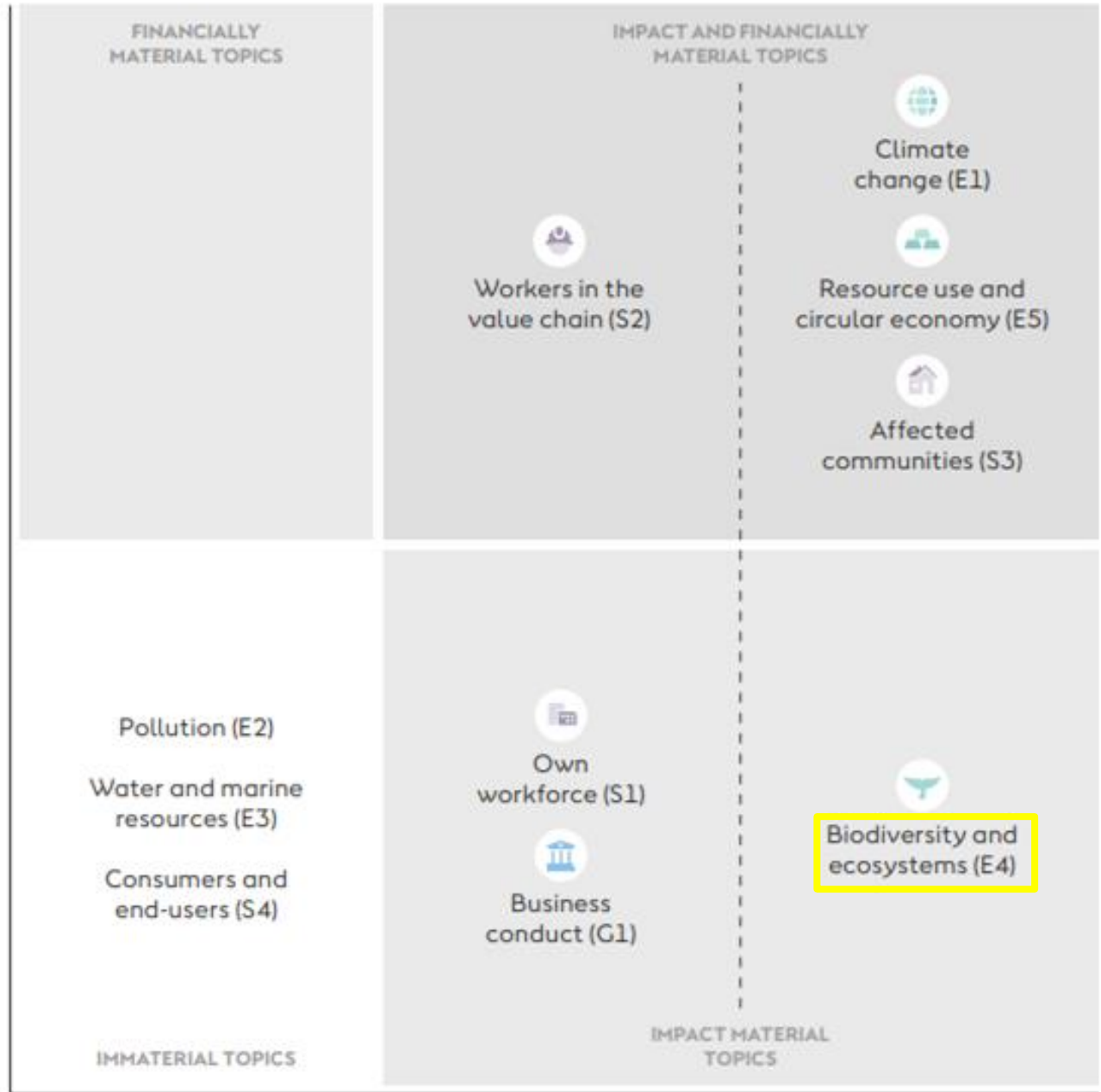


Renewable Energy

FINANCIAL MATERIALITY

Significant / Crucial

Minimal / Informative / Important

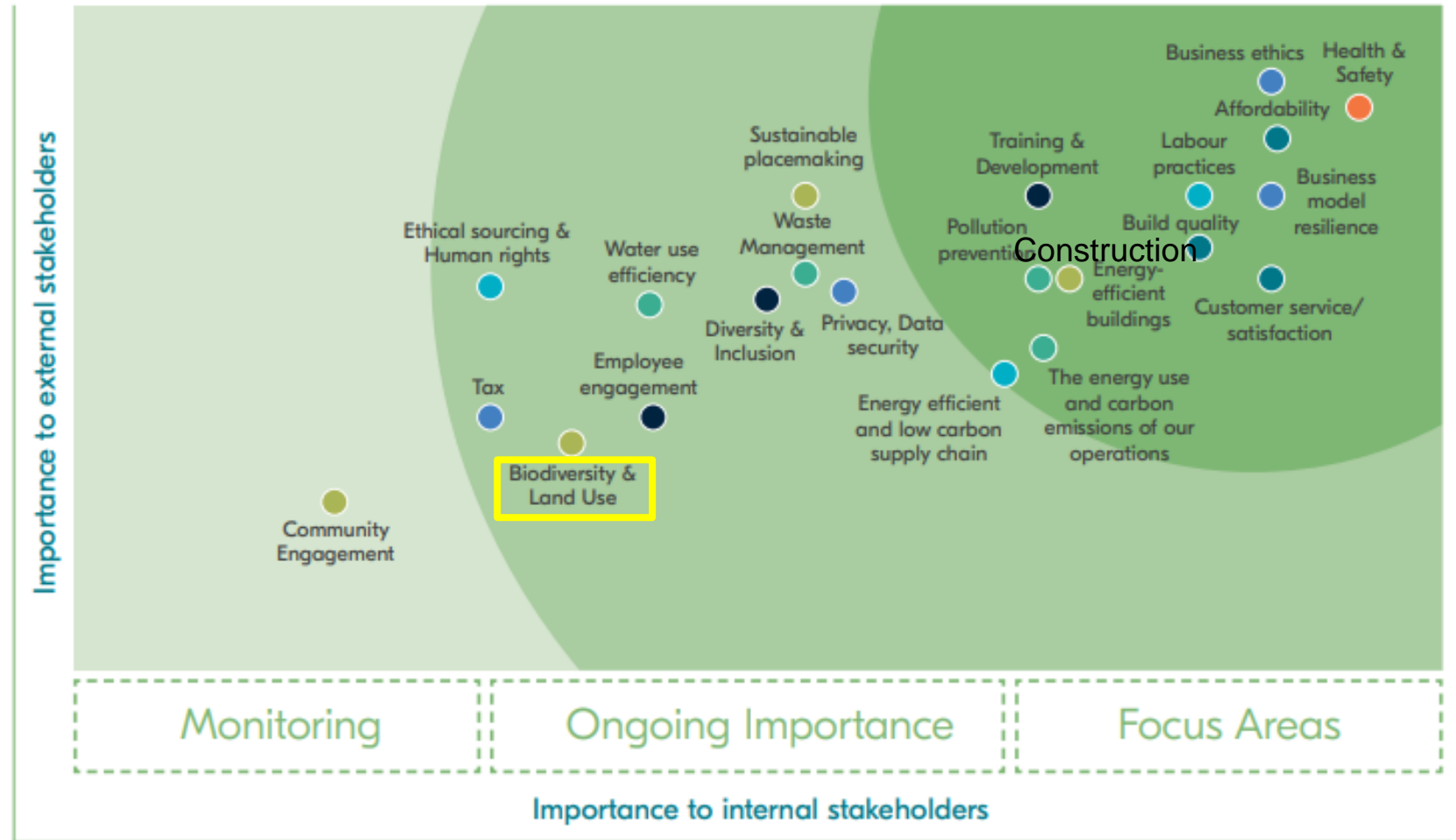


Minimal / Informative / Important

Significant
IMPACT MATERIALITY

Crucial

Example 2: Construction



- Putting customers at the heart of what we do
- Sustainable and responsible sourcing
- Environmentally considerate and efficient operations
- Keeping people safe
- Attracting, inspiring and investing in people
- Leadership & Governance
- Creating sustainable homes and communities

Pair and Share / Group activity:

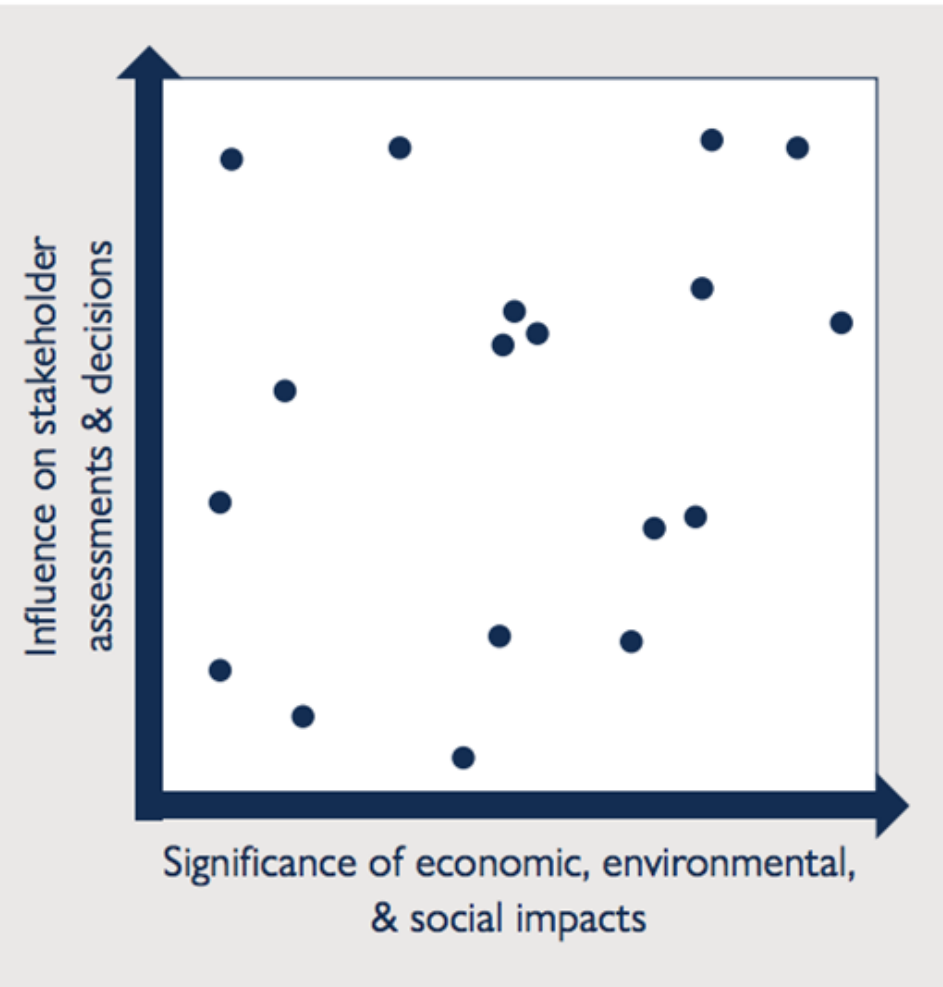
Prepare a Materiality Matrix for your business.

Consider the importance of nature and biodiversity impacts for:

- Direct company stakeholders (employees, investors, partners)
- Indirect stakeholders (wider community and society)

ACTIVITY

Direct



Indirect

Final Reflection: Measuring Impact for Nature-based Enterprises

Reflect on your learning:

- What is your key takeaway from this lesson?
- What new information will you share with others?

Sources of Further Reading

- [World Economic Forum \(2020\). *New Nature Economy Report II: The Future of Nature and Business*. Accessed from: https://www.weforum.org/publications/new-nature-economy-report-ii-the-future-of-nature-and-business/](https://www.weforum.org/publications/new-nature-economy-report-ii-the-future-of-nature-and-business/)
- [World Benchmarking Alliance \(2024\). *Nature Benchmark 2022-2024*. Accessed from: https://www.worldbenchmarkingalliance.org/publication/nature/](https://www.worldbenchmarkingalliance.org/publication/nature/)
- [EFRAG \(2024\). *Voluntary Sustainability Reporting Standard for non-listed SMEs*. Accessed from: https://www.efrag.org/sites/default/files/sites/webpublishing/SiteAssets/VSME%20Standard.pdf](https://www.efrag.org/sites/default/files/sites/webpublishing/SiteAssets/VSME%20Standard.pdf)
- [TNFD \(2024\). *Guidance on the identification and assessment of nature-related issues: the LEAP approach*. Accessed from: https://tnfd.global/publication/additional-guidance-on-assessment-of-nature-related-issues-the-leap-approach/](https://tnfd.global/publication/additional-guidance-on-assessment-of-nature-related-issues-the-leap-approach/)
- [Business for Nature \(n.d.\). *High-level business actions on nature*. Accessed from: https://www.businessfornature.org/high-level-business-actions-on-nature](https://www.businessfornature.org/high-level-business-actions-on-nature)
- [Now for Nature \(2023\). *Nature Strategy Handbook*. Accessed from: https://nowfornature.org/read-the-handbook/](https://nowfornature.org/read-the-handbook/)



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Thank you!

Credit for this learning unit content: [Business for Biodiversity Ireland](#) (Emer Ní Dhúill) and Horizon Nua (Siobhán McQuaid)

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