



Sustain Value Briefing Note 1: December 2016

Net Impact: Ten things all businesses should know

There's growing interest in various net impact approaches in relation to business and environmental and social issues. But what's it all about? Here are ten things you should know.

1) Net impact is an umbrella term covering a range of approaches and concepts that involve summing positive and negative effects caused by something over a period of time. A spectrum of net impact approaches in relation to business sustainability is shown in Figure 1. This sets out three levels of ambition and outcome, each with their own commonly used related terms.

Traditional improvement approaches adopted by most organisations mean 'doing less bad'. But there is a move towards net neutral approaches, where the impact is mitigated and offset entirely (e.g. Marks and Spencer's 'Plan A' aims for carbon neutrality), and even net positive approaches (e.g. Kingfisher's Net Positive 2050 Plan).

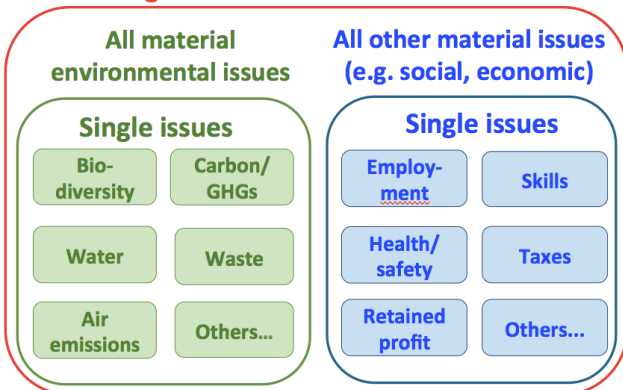
Figure 1: Spectrum of Net Impact Approaches for Business Sustainability

Ambition	Outcome	Related terms
Net positive goal	Net gain	Net positive Net positive gain Net positive impact Total contribution
Net neutral goal	Net neutral	Net zero No net loss Carbon/water neutral Zeronaughts
Improvement goal	Net loss	Less bad Incremental reduction Minimizing impacts

2) Companies will increasingly have to adopt net impact approaches, and business benefits can be gained too. Drivers include the [UN CBD Aichi Target 2](#), which calls for biodiversity values to be incorporated in national accounting and reporting systems by 2020, [EU requirements](#) to 'ensure no net loss of biodiversity and ecosystem services' by 2020, 87 [Equator Principles Financial Institutions](#) committing to no net loss/net gain of certain habitats on major projects they finance, and the [UK Public Services \(Social Value\) Act 2012](#) requiring consideration of impacts around procurement. Additional company benefits can include driving growth, access to resources, attracting talent, cost savings, reduced risk and enhanced reputation.

Figure 2: Potential Focus of Net Impact Assessments

All integrated material issues



3) Net impact assessments can be applied to single or multiple issues for any aspect of business (i.e. organisational focus) – see Figure 2. Examples include Rio Tinto's net positive impact focussing on biodiversity and LafargeHolcim's Integrated P&L account covering multiple issues. In either case, a company's material issues should be addressed.

The assessments can be targeted at products (e.g. Nespresso's positive cup), projects/sites (e.g. Rio Tinto), or a company as a whole (e.g. The Crown Estate Total Contribution), as well as covering some or all of the value chain (e.g. Kering).

4) 'Net impact assessments' are not new – they've been undertaken for decades to weigh up net positive and/or negative impacts. Cost:benefit analysis is a common form of net impact assessment that has been applied for around 80 years to evaluate welfare impacts to society from development and infrastructure projects. Increasingly, monetary values for environmental impacts are incorporated within such analyses.

5) Whilst no single agreed methodology exists for quantifying impacts and evaluating net impact, various techniques are available to apply to virtually any environmental or social impact depending on the context. Many quantification and valuation techniques have been developed over the years, in particular from the field of environmental economics. These can typically be used or adapted to evaluate environmental and social impacts, many of which can be translated into monetary values.

6) Net impact assessments addressing single issues tend to use quantitative metrics (e.g. quantity and quality) whilst integrated multi-issue approaches tend to use monetary values. When dealing with single issues it can be best to deal in the same physical units (e.g. tons of carbon equivalents or cubic meters of water), whereas when comparing multiple issues, conversion to monetary values provide a comparable metric readily understandable to all. However, whichever approach is adopted requires full transparency, setting out key assumptions and results for all issues considered.

7) Net impact assessments have many powerful uses and are included within the [Natural Capital Protocol](#) as a core business application. In addition to ascertaining whether a business aspect has net neutral or positive impacts, such assessments are useful for comparing alternative options and trade-offs. This is particularly beneficial for evaluating and promoting green infrastructure, circular economy and other more sustainable solutions. Net impact assessments also provide an excellent means of informing integrated reporting, impact investing, creating shared value and progress towards the SDGs.

8) Evaluating net impacts is still an inexact science and contentious to some, so any quantitative/valuation approach should be complemented by a ‘principle’ based approach and ultimately be assured independently. Done badly, net impact approaches can be a reputational risk, with some observers considering it ‘greenwash’. This is especially the case where an organisation ‘over claims’ benefits or attempts to offset incompatible impacts (e.g. unacceptable natural losses offset by a philanthropic social programme). As a result, various guidance principles have been proposed (e.g. [Net Positive Principles](#) and [Principles on Biodiversity Offsets](#)) that should be applied alongside any assessment.

9) The ultimate sustainability goal is for all businesses to adopt an ‘Integrated Net Value’ approach. According to Mark Gough, Executive Director of the Natural Capital Coalition, the overarching aim for many sustainability professionals, including ourselves, is for all companies to apply an ‘Integrated Net Value’ approach. This effectively means companies evaluating all their material environmental, social and economic impacts using ‘value-based’ approaches to inform better business decision-making and reporting.

10) There is rapidly growing support and a proliferation of tools and approaches to help businesses set net impact goals and conduct net impact assessments. For example, [Sustain Value](#) has partnered with [ClimateCare](#) and [Consciam](#) to provide environmental and social quantification, valuation, management and offsetting services to help companies on their net zero/positive journeys. Sustain Value also developed the [ESE-ROVA](#) (Environmental, Social and Economic - Risk, Opportunity and Valuation Assessment) tool with Antofagasta plc, which is available for any company to undertake net impact assessments cost-effectively.

Basis of Briefing Note: This Note represents the views of the authors informed by various studies undertaken in recent years. This includes the EU B@B Platform Natural Capital Accounting Workstream 2016 [Review of Net Impact](#) as well as a review of net positive approaches to inform a strategy for a confidential client (undertaken by Sustain Value with support from Consciam).

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CONFERENCE ALERT: Please join us at the forthcoming conference on ‘Net Impact Approaches: Bringing the strands together’ in London on 24th May 2017. See the Sustain Value [Events webpage](#) for more details.