

Changes to biodiversity and forest indicators in the Positive Impact Indicators Directory

The table below summarises the proposed changes to each of the existing indicators, in order to ensure alignment to general best practice, and the TNFD guidance. To summarise, the updates to the biodiversity and forest indicators include:

- Merging the forest indicators into existing biodiversity and sustainable production indicators, to ensure clarity in categorization and avoid duplication in reporting.
- Streamlining of ecosystem extent indicators, to minimise references to IFC PS6 and make them more broadly applicable.
- Removal of indicators which relied on a counterfactual calculation which was not suitably robust.
- Adding indicators capturing ecosystem condition and indicator species presence, to align to TNFD's state of nature components.
- Integrating significance flags into some of the indicators, to align with best practice and guide investors to take action where it matters most.

Introduction

UNEP-WCMC and UNEP's Climate Finance Unit have developed updates to the Land Use Finance Impact Hub's biodiversity and forest indicators, to bring them further in line with recent developments in nature metrics. Our work has been informed by recent [guidance on identifying and assessing nature-related issues](#) released by the Taskforce for Nature-related Financial Disclosure (TNFD), as well as [guidance](#) put out by the European Commission's *Aligning accounting approaches for nature (Align)* project and the [Biodiversity Impact Assessment Framework](#) (BIAF) released by The Biodiversity Consultancy and WWF Switzerland.

The updates to the indicators were informed by the components of state of nature measurement highlighted by the TNFD (*Figure 1*). This guidance acknowledges ecosystems and species metrics as key components for measuring the state of nature and divides relevant ecosystem metrics into **extent** and **condition** metrics. While positive impact measures based on ecosystem extent are simpler to assess (and are more heavily reflected in the Positive Impact Indicators to date), it is important to complement them with condition metrics. Extent alone fails to account for changes in the quality of ecosystems.

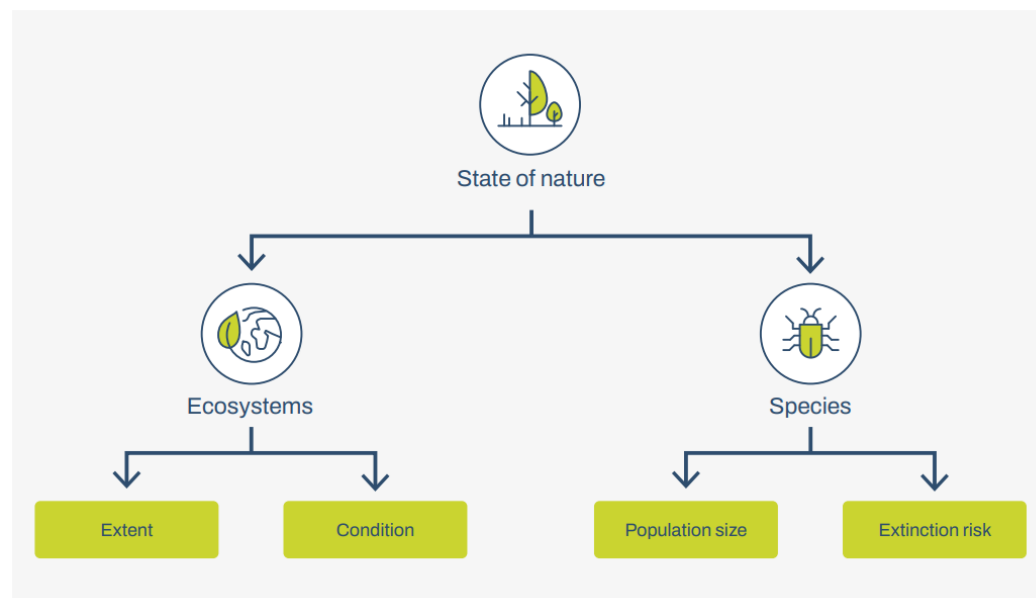


Figure 1: Components of state of nature measurement, taken from [TNFD, 2023](#)

We have also integrated **significance** considerations into the updated set of biodiversity indicators. This recognizes that different ecosystems will have different levels of significance for conservation and restoration aims. For example, to ensure investment decisions create positive impacts for threatened species, the IUCN Red List of Threatened Species™ can be used to identify significant locations for priority species that would maximise impact. Selected significance flags align with the table *Criteria for sensitive location identification and reference datasets* that can be found on page 58 of the [TNFD guidance](#).

Descriptions of indicator changes

Previous Indicator	Proposed change	Details
<i>Current BIODIVERSITY indicators</i>		
BIO 01	Area of Critical Habitat under management for protection	<p data-bbox="634 370 871 516">Revised to: BIO 01 - Area of natural ecosystem protected.</p> <ul data-bbox="947 370 1885 1398" style="list-style-type: none"> <li data-bbox="947 370 1885 553">• Removed the explicit reference to the Critical Habitat layer (from IFC PS 6) in the indicator title, since IFC PS6 is not well-designed for smaller project sites and is not used by all funds. To make the indicator more broadly applicable, the Critical Habitat layer would instead be suggested as a relevant significance flag. <li data-bbox="947 553 1885 592">• New wording aligns with the IFACC Impact Indicator Guidelines. <li data-bbox="947 592 1885 824">• We have also aligned with TNFD’s suggested impact driver assessment metric: “<i>extent of land/freshwater/ocean ecosystem conserved or restored (km²), split into voluntary and required by statutes or regulations</i>” (page 83 of the TNFD guidance on location prioritisation) by encouraging the split into voluntary and required protection in the indicator’s methodology. <li data-bbox="947 824 1885 1089">• To reflect the removal of BIO 03, added note in BIO 01 saying "If the intention is to claim positive impacts related to avoided conversion of natural ecosystems or avoided deforestation, care should be taken in the selection of a robust methodological approach used to calculate avoidance. Calculating avoided conversation is complex and, to be reliable, will likely involve costly approaches. Guidance on the topic can be found in the IFACC Guidelines...." <li data-bbox="947 1089 1885 1398">• Added significance flag in the indicator itself. 'To add an indication of the global biodiversity significance of the area under protection, users could consider disaggregating data at the portfolio or project level with one of the following options. <ul data-bbox="1041 1252 1822 1398" style="list-style-type: none"> <li data-bbox="1041 1252 1822 1323">○ Percentage of area protected which is considered a Key Biodiversity Area <li data-bbox="1041 1323 1822 1398">○ Percentage of area protected which is considered Critical Habitat

			<ul style="list-style-type: none"> ○ Users could also consider disaggregation using the IUCN Red List of Ecosystems (eg. percentage of area protected which is listed as Threatened on the IUCN Red List of Ecosystems), but should note that this is not globally applied as yet, so is currently more relevant for investments in Europe and North America. ○ At a portfolio level, the indicator could also be paired with BIO 05 - 'Species Threat Abatement and Recovery (STAR) value of land under management for protection'
BIO 02	Area of on-site Natural Habitat under management for protection	Removed – now reflected above.	We have removed this indicator, in line with removing explicit references to IFC PS 6, as it is now captured by the new indicator Area of natural ecosystem protected, within financed projects , above.
BIO 03	Area of avoided conversion of natural ecosystems	Removed. And, by necessity, removed the related CMA 02.	<p>BIO 03 aims to capture “hectares of natural ecosystems which would have been converted in a counterfactual scenario where the project/investment did not happen. Where countries have a legal requirement to protect a set amount of natural habitat on project land, this indicator should only assess avoided conversion beyond what is legally required.”</p> <p>However, there are concerns about the robustness of the methodology of this indicator, given the use of the counterfactual. Key concerns:</p> <ul style="list-style-type: none"> • Project-level estimations of avoided emissions come with concerns over reliability of the baseline/counterfactual and issues associated with leakage. Given that these Positive Impact Indicators aim to be relatively simple and uncostly to implement, and the guidance on calculating the counterfactual is quite high level, this is a concern.

			<ul style="list-style-type: none"> There is a general move towards having a historical (<i>rolling</i>) baseline at the jurisdictional level when assessing emission reductions (ART3 approach) <p><i>Note:</i> BIO 03 aligns with climate indicator 'CMA 02 GHG emissions avoided due to non-conversion of natural habitat' so we propose removing both indicators.</p>
BIO 04	Area under management for ecological restoration	Revised to: Area under ecological restoration,	<ul style="list-style-type: none"> New wording aligns with the IFACC Impact Indicator Guidelines. We have also aligned with TNFD's suggested impact driver assessment metric: "<i>extent of land/freshwater/ocean ecosystem conserved or restored (km²), split into voluntary and required by statutes or regulations</i>" (page 83 of the TNFD guidance on location prioritisation) by encouraging the split into voluntary and required protection in the indicator's methodology. Added significant flag embedded into the indicator itself, as with BIO 01, above.
BIO 05	Species Threat Abatement and Recovery (STAR) value of land under management for protection	Name tweak to remove 'under management for' in both titles.	The STAR screening layer is not suitable for tracking progress in individual sites (not granular enough, nor updated often enough), but it can still serve as a portfolio level indicator (i.e. tracking STAR value progress as new sites are added to the portfolio). We have now highlighted the use of these indicators at a portfolio level.
BIO 06	Species Threat Abatement and Recovery (STAR) value of land under management for restoration		
Additional new BIODIVERSITY indicators			
NEW		Added: BIO 02 - Ecosystem	We have added an indicator that allows investors to monitor trends in ecosystem condition of financed areas. Given that condition metrics are extremely varied and mostly dependent on specific biomes, realms and

		<i>condition change, by ecosystem type</i>	ecosystem types, we aim to create an indicator that allows flexibility for investors while striving for rigor. The proposed title is thus a more general <i>Ecosystem condition change, by ecosystem type</i> . This indicator is aligned with the Nature Positive Initiative's proposed SON Metric Framework (SON A2 and S6 – Ecosystem condition change by ecosystem type), and Align's ‘Measuring Ecosystem Condition – A primer for business’ guidance.
		Added: BIO 03 - Change in population size of selected indicator species	<p>We have added an indicator that allows investors to monitor trends in presence of key species, with a suggested title of <i>‘Change in population size of selected indicator species’</i>. This indicator is aligned with the Nature Positive Initiative's proposed SON Metric Framework (SON A8: Abundance of species important for ecosystem function).</p> <p>However, for this indicator to be robust, large emphasis is placed on selecting a representative indicator species or collection of species of relevance for each project site. To this end, we have integrated thinking from the Biodiversity Indicators for Site-based Impacts work developed by UNEP-WCMC previously, and adapted the methodology for positive impact. Investors should be aware that selecting a relevant species requires expert local species knowledge.</p> <p>On the ground monitoring remains <u>essential</u> for this indicator, where possible using cost-effective tools such as eDNA and bioacoustics.</p>
Current FOREST indicators			
FOR 01	Area of natural forest under protection	Combine and remove.	We propose to remove this indicator, and instead see it as integrated into indicator <i>Area under management for conservation (in hectares or km²)</i> .
FOR 02	Area under management for forest restoration	Combine and remove.	We propose to remove this indicator, and instead see it as integrated into indicator <i>Area under management for ecological restoration (in hectares or km²)</i> .
FOR 03	Forest under sustainable forest management	Move into PRO section	Keep, but move to Sustainable Production section, where it sits better alongside ‘Area under sustainable production’ indicator, but allowing for more specificity around sustainable forest management.

Summary: full indicator set

Grey shading = existing indicator; white = updated or new indicator

Impact Area	Code – (needs updating)	Title
Biodiversity	BIO 01 – <i>tweaked</i>	Area of natural ecosystem protected.
	<i>New</i> : BIO 02	Ecosystem condition change, by ecosystem type
	<i>New</i> : BIO 03	Change in population size of selected indicator species
	BIO 04 – <i>tweaked</i>	Area under ecological restoration.
	BIO 05 – <i>tweaked</i>	Species Threat Abatement and Recovery (STAR) value of land protected
	BIO 06 – <i>tweaked</i>	Species Threat Abatement and Recovery (STAR) value of land under ecological restoration
Sustainable Production	<i>PRO 01</i>	<i>Increase in yield on existing production area</i>
	<i>PRO 02</i>	<i>Agricultural area covered by sustainable production techniques</i>
	<i>PRO 03</i>	<i>Number of people benefitting from increased access to substantive value chain infrastructure</i>
	<i>PRO 04</i>	<i>Number of people applying best management practices in sustainable agriculture and/or forest protection.</i>
	<i>PRO 05</i>	<i>Soil organic carbon and healthy soil</i>
	<i>PRO 06</i>	<i>Pesticide use on farm</i>
	<i>Moved</i> : PRO 07	Area of forest under sustainable forest management
Climate Action	<i>CMA 01</i>	<i>GHG sequestered through restoration of native vegetation</i>
	<i>CMA 03</i>	<i>GHG emission reduction and sequestration from changes to on farm practices</i>
	<i>CMA 04</i>	<i>Number of people whose resilience has been improved as a result of project activities</i>
	<i>CMA 05</i>	<i>Volume of water storage capacity</i>
	<i>CMA 06</i>	<i>Number of different crop varieties, and animal breeds, Species Cultivated</i>
	Livelihoods and Gender	<i>LG 01</i>
<i>LG 02</i>		<i>Number of people benefitting from increased access to essential services</i>
<i>LG 03</i>		<i>Number of jobs created</i>
<i>LG 04</i>		<i>Fund transaction meets one or more of the 2X Challenge criteria for gender lens investing</i>