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Green Impact Framework

From climate to nature – a pragmatic framework for ecologically sustainable investments in early-stage companies

Summary

Climate change and biodiversity loss are transforming the foundation of economic development. At the same time, a new generation of companies is emerging, **companies that view solutions to environmental challenges as their core business concept**. For investors, this represents a new playing field. Those who understand how ecological sustainability can be measured and evaluated will have a stronger basis for decision-making, not only to avoid risks but also to identify opportunities.

Almi Invest GreenTech has, with the support of Calluna, **developed a method** that is based on what we know about the world according to science, about the limits of the climate and nature, and translates this knowledge into what is practically possible within an investment process.

The method is grounded in international frameworks such as the Paris Agreement, the IPCC, the IPBES, and the Global Biodiversity Framework and combines clear principles with a pragmatic application. It makes it **possible to assess how early-stage companies can contribute to ecological sustainability** even when data are limited and focuses on three key pressures: climate impact, land use, and water consumption.

The assessment is carried out in stages, from ensuring that the company does no significant harm to classifying environmental benefits, transformative potential and finally to measuring environmental pressures. The classification of transformative potential, distinguishing between incremental improvements and system-changing innovations, is one of the innovative elements of the method.

The result is a method – **Green Impact Framework** – that is principled in the direction but pragmatic in its application. It offers a credible way to steer capital with a scientific compass without getting bogged down in bureaucratic frameworks or empty promises of sustainability.

Almi Invest GreenTech aims to be transparent with its methodology and **contribute to a broader development of tools and practices that support sustainable investments**. The ambition is that more actors - investors, researchers, and entrepreneurs - will be able to work together to develop even better ways of assessing, comparing, and strengthening contributions to ecological sustainability.

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Chapter 1

Green venture capital is needed for sustainable growth

There is broad agreement that **our current way of using the planet's resources is not sustainable**. The question is not *whether* change is needed – but *how* it should happen. Different interests are pitted against each other and the conclusions vary. But one thing is clear: ideas and innovations that create economic growth while benefiting the planet rarely meet resistance.

However, good ideas are not enough. **For solutions to make a real difference, they must be able to grow and be implemented at scale**, and that requires capital. In the early phases, before technologies and business models are proven, venture capital is essential. When solutions are ready to scale, even more is needed.

Another challenge is **to understand and evaluate the benefits a company creates beyond financial returns**. When Almi Invest GreenTech launched its first fund in 2017, with a focus on climate benefits, both investors and start-ups found it difficult to concretise what climate benefits meant. There was a lack of established tools to assess these benefits.

Since then, frameworks have been developed and adopted by Almi Invest GreenTech and other actors, making it **easier to visualise and assess climate benefits**. This, in turn, has lowered the threshold for investing in climate-smart companies and helped direct more capital towards impactful solutions.

At the same time, the challenge remains to be able to **evaluate other forms of environmental benefits in a simple and credible way**, those that concern land, water and biodiversity. There is still a gap between ambition and application here.

If a framework could be established that captures the most important aspects of ecological sustainability in a way that is both simple and credible, it could **help direct more capital towards companies whose innovations strengthen nature**. This would not only make it easier for investors to make informed decisions but also encourage more start-ups and scale-ups to direct their innovative capacity towards broader environmental benefits much as climate benefits have already done.

> "The science is clear. Nature is deteriorating globally and biodiversity is declining faster than at any time in human history.
>
> Our society, economies and financial systems are embedded in nature, not external to it.
>
> There is growing evidence that this poses risks for businesses, capital providers, financial systems and economies, and that these risks are increasing in severity and frequency."
>
> Recommendations of the Taskforce on Nature-related Financial Disclosures, TNFD 2023

Such a shift would **free up more venture capital for the green sector**, a prerequisite for the transition to a sustainable economy to become a reality.

This white paper describes how Almi Invest GreenTech, together with Calluna, **has developed a method that makes it possible to identify and measure nature and climate potential** in a way that is both scientifically based and practically applicable in early investments. The method is called the **Green Impact Framework** and is ready to use.

The ambition is for more actors to be inspired to **broaden their focus from climate to nature**.

Chapter 2

Our method for early investments – from principle to practice

Investing in companies with disruptive green business models, or companies that are in early phases, is fundamentally different from analysing established companies. Start-ups rarely have full sustainability reporting, often have limited data, and operate in rapidly changing markets. At the same time, it is precisely in this phase that the most groundbreaking solutions are formed. Almi Invest GreenTech has therefore developed, in collaboration with Calluna, a systematic methodology that integrates biodiversity and natural capital to support informed investment decisions in this environment.

The principles set the direction

The method is based on the principles that the Fund aims to adhere to, rather than what is easiest to measure. The starting point is international agreements such as the Paris Agreement and the Global Biodiversity Framework, as well as scientifically substantiated frameworks from the IPCC (Intergovernmental Panel on Climate Change) and IPBES (Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services).

These principles clarify the objective: to contribute to ecological sustainability and ensure that nature's long-term ability to maintain rich biodiversity and ecosystem services is not diminished.

The practice is pragmatic and open to further development

With the principles as a compass, practical tools are designed to enable action here and now. The Fund uses indicators that are simple enough to apply in early-stage companies, but robust enough to provide decision-relevant information: climate impact, land use and water consumption.

The method is designed to be flexible – it can be refined and developed in line with new knowledge and with the maturity of the companies.

Openness to criticism and improvement

A guiding principle is the motto: "*This is what we want to achieve – this is what we are doing right now*".

The principles are fixed, but the method is open to development, and the ambition is to foster constructive dialogue on how the method can be strengthened.

Difference from other methods

Most existing sustainability assessment frameworks are designed for large, established companies. They are often historically focused (based on reported data) and data-intensive (requiring extensive reporting). In addition, these frameworks tend to focus on reducing emissions from existing activities rather than innovations that address the root causes of greenhouse gas emissions or loss of biodiversity and natural capital. The Fund's approach is adapted to a different context: early-stage investments where decisions must be made on incomplete information, but where the potential for real impact is greatest.

What makes the approach unique is its combination of principled firmness and pragmatism. The result is a method that is both credible and practical, and that fosters shared learning.

Chapter 3

What do we mean by “environmental benefit”?

A CLEAR DEFINITION

Environmental benefits refer to *a company's contribution to ecological sustainability* — ensuring that nature's long-term ability to support biodiversity and ecosystem services is not diminished. This means that natural resources are used in ways that do not damage ecosystems over time, and that, in certain places, nature is given the opportunity to recover and reclaim land.

ECOLOGICAL SUSTAINABILITY AS A FOUNDATION

Sustainable development is usually divided into three dimensions: ecological, social and economic. But they are not symmetrically interchangeable. Ecological sustainability is the very basis – the integrity of the biosphere – that enables social and economic development. Natural capital is the sum of nature's resources (land, water, air, minerals and living organisms) that, through their functions and processes, maintain ecosystems, deliver ecosystem services and enable human well-being.

When natural capital is depleted, the long-term conditions for health, equality and prosperity are also undermined. This approach is reflected in the UN's 2030 Agenda and in several international frameworks. The Fund's focus is ecological sustainability.

CLIMATE AND NATURE POTENTIAL

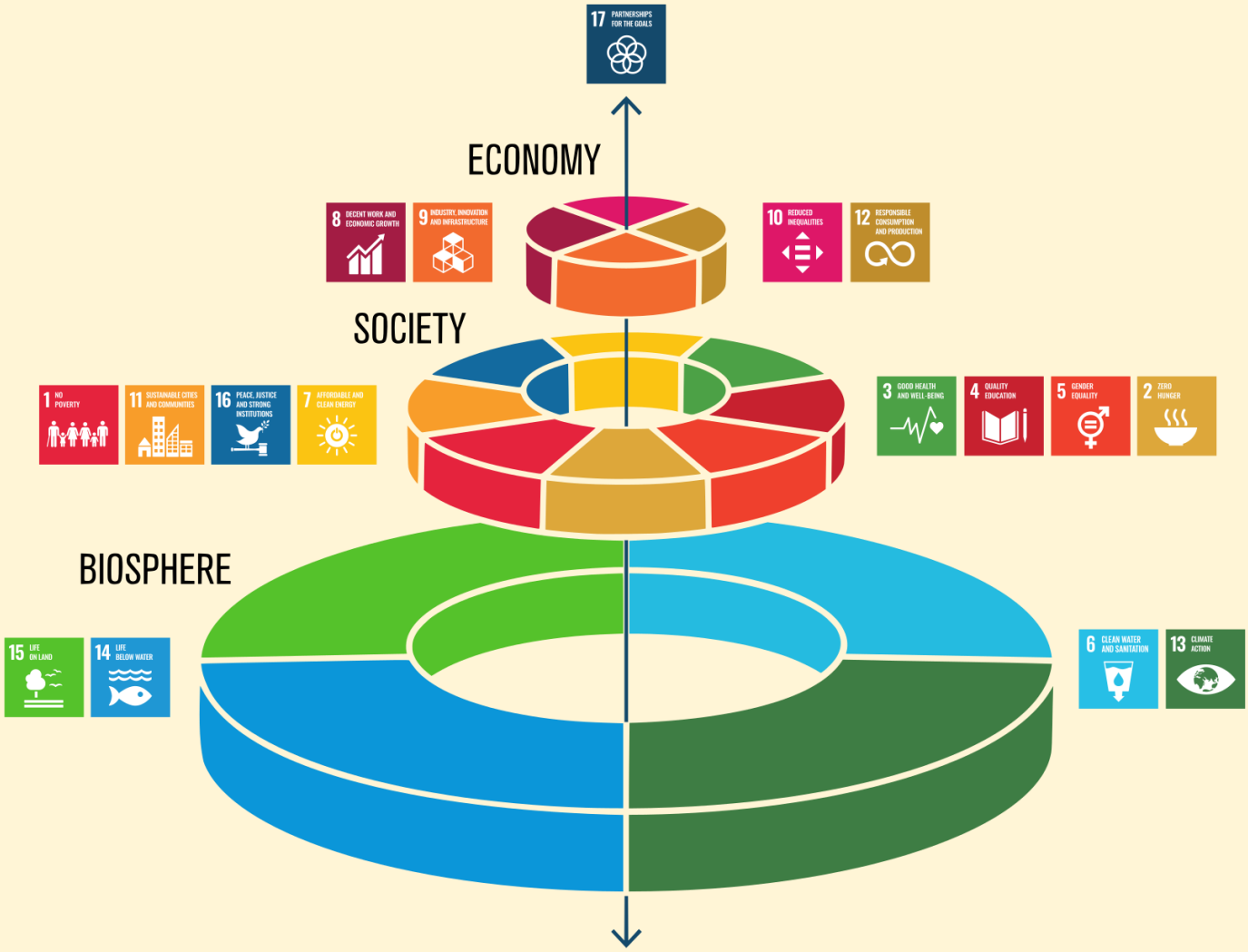
To review ecological sustainability, two complementary perspectives are used in the assessment of the companies:

- *Climate potential*: the company's contribution to reducing greenhouse gas emissions. This is anchored in the Paris Agreement and scientifically supported by the IPCC.
- *Nature potential*: the company's contribution to strengthened biodiversity and reduced pressure on ecosystems. This is anchored in the Kunming–Montreal Global Biodiversity Framework (GBF) and scientifically supported by IPBES.

In the same way that the Paris Agreement sets quantitative and time-bound goals for addressing climate change, there are now global goals for ecological sustainability. The most influential framework is the international agreement, the Kunming–Montreal Global Biodiversity Framework (GBF), adopted at the UN summit, COP15, in December 2022. The framework calls for economic and financial systems to take natural capital into account and for biodiversity to be integrated into decision-making in the same way as climate.

The goals of GBF are clear and include:

In August 2024, the EU adopted the Nature Restoration Law, as a consequence of the GBF. For investors, this means that there is great potential, not only in avoiding risks but also in seizing business opportunities in protecting, restoring and engaging with nature in new ways.



The 17 global goals for sustainable development are interconnected. Ecological sustainability enables social and economic development.

The Green Impact Framework method uses two complementary perspectives in assessing companies: CLIMATE POTENTIAL and NATURE POTENTIAL. Together, they form the biosphere layer in the figure above.

Illustration: by Jerker Lokrantz/Azote.

Chapter 4

How do we determine what is significant?

Significant, or substantial, contribution to ecological sustainability refers to an action or initiative that makes a tangible difference in addressing the global challenges the world is facing.

THE EU TAXONOMY

The EU taxonomy has been developed to support companies and investors in identifying environmentally sustainable economic activities. It specifies the conditions under which an activity can be considered to make a substantial contribution to one of the six defined environmental objectives.

However, what counts as a substantial contribution varies between different sectors and parts of the taxonomy. This makes the concept unstable and dependent on interpretation. In addition, not all economic activities are covered.

The taxonomy is an important tool for identifying sustainable activities, but it does not offer a complete or consistent picture of what constitutes a significant contribution. To understand this, we need to find a way to approach the question of significance.

RELATIVE AND ABSOLUTE CONTRIBUTIONS

When the Fund evaluates a company's contribution, it considers the principle that ecological sustainability can only be realized through collective efforts that lead to the attainment of absolute environmental and climate objectives. While relative improvements are important, they can be offset by increased production or turnover. If absolute targets are not met, the system remains unsustainable.

→ Relative contributions

are measured in relation to alternatives or current standard. One example is a technology that reduces water use per unit produced compared to conventional methods. This type of comparison makes it possible to single out solutions that are clearly better than the status quo.

→ Absolute contributions

are measured against global goals established by science and international agreements, such as the Paris Agreement's 1.5-degree goal or GBF's goal of protecting 30 percent of land and sea. Here, the focus is not only on being better than the alternative, but on whether the activity helps close the gap to these goals.

The starting point, in principle, is therefore the absolute objectives. It is only in relation to these that we can truly understand what constitutes a genuine contribution to ecological sustainability in the long term. However, measuring absolute contributions can be challenging, especially for

"Resilience is the capacity of a system, whether it is a forest, a city or an economy, to cope with change and continue to develop. It is therefore about both resistance and adaptability, as well as the ability to turn shocks and disturbances, such as a financial crisis or climate change, into opportunities for renewal and innovative thinking.

Resilience thinking encompasses learning, diversity and, above all, the realization that people and nature are so strongly connected that they should be understood as a completely interconnected social-ecological system."

Translated quote from: *Vad är resiliens?* by Stockholm Resilience Centre

companies in the early stages where data and benchmarks are scarce. Consequently, relative logic remains an indispensable and practical tool in investment decisions.

Awareness of absolute and relative contributions reflects a broader shift in the sustainability discourse – from optimizing within existing systems to starting from planetary boundaries and scientifically based absolute goals.

IMPROVEMENT OR SYSTEM CHANGE

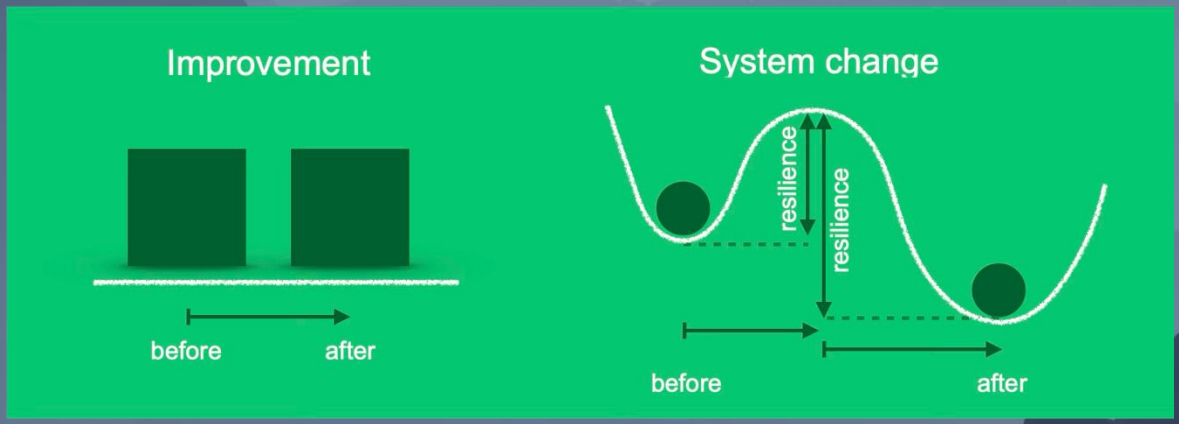
A significant contribution can be described in terms of the type of change it brings about.

A company may achieve an **improvement**, referring to incremental advances within existing systems. This could involve more resource-efficient production methods, reduced waste, or lower energy use.

A company may also bring about a **system change**, meaning a more fundamental transformation in which entire markets or societal structures are reshaped. A classic example is how cars replaced horses as a means of transport, not merely an improvement within the same system, but a complete reconfiguration of transportation modes, infrastructure, and the economy. Similarly, the electrification of the vehicle fleet or the adoption of circular material flows could fundamentally change the playing field.

Both types of change are relevant. However, it is crucial to recognise that even a seemingly small improvement, under the right conditions, can tip the system towards a new equilibrium in which the playing field and market logic are rewritten.

As an investor, it is therefore important to see the value in the incremental improvements, while also highlighting the **long-term potential of solutions that can drive system shifts**.



An improvement refers to an advance in which a company strengthens its position through a tangible step forward. A system change occurs when the company not only changes its own position but also contributes to reshaping entire markets or social structures. Illustration: by Magnus Tuvendal/Calluna AB.

Chapter 5

How do environmental benefits arise?

The Fund's approach is straightforward: what companies can control (pressures) is measured, while maintaining focus on what really matters (impacts).

For investors seeking to control their impact on nature, it is crucial to distinguish between *pressures* and *impacts*.

> **Pressures** are the direct stresses on the environment that arise from a company's operations, such as emissions, water and land use. They are measurable and closely linked to business decisions.

> **Impacts**, on the other hand, are changes in nature and society caused by these pressures — for example, loss of biodiversity, deteriorating ecosystem services or increased water stress.

This distinction is central. The impacts are what we ultimately want to change, but they are difficult to measure, influenced by many factors and often dependent on the status and context of the place. Calculating effects requires modelling, assumptions, and long-term perspectives. The pressures, on the other hand, can be measured and verified here and now. Other actors, such as government agencies, researchers, and NGOs can then use this data to analyse the effects in a broader context.

The Fund thus focuses on measuring pressures, but the purpose is to reduce the impacts in line with global goals.

In its simplest form, the relationship can be expressed as:

> **Impact = Pressure × State of Nature**

This means that the same pressure can lead to different impacts depending on where and when it occurs, and on how sensitive nature is in that specific place and moment.

WHY TRACK PRESSURES?

Focusing on pressures is a conscious choice, and there are several reasons:

Measurable and trackable: pressure factors such as carbon dioxide emissions, water use or land use can be quantified and monitored over time.

Verifiable: Other actors can review the data, which strengthens credibility.

Directly linked to business decisions: They are influenced by companies' choice of technology, processes, purchasing – making them a tangible tool for governance.

Early indicators: Changes in pressures are early signals of future effects.

Comparable: With a clear baseline and system boundaries, solutions can be compared between companies.

Business Value: Tracking pressures is a tool for risk management and can create competitive advantages, from cost savings and regulatory compliance to new markets.

Traceable link to absolute targets: Carbon, water use, and land use are all indicators that connect to the goals of the Paris Agreement and GBF.

An established framework that the Fund uses to structure the relationship between an activity and its consequences in nature is the DPSIR model:

- **Drivers:** societal trends, activities, and processes.
- **Pressures:** direct emissions, resource extraction, land conversion.
- **State:** changes in the condition of nature.
- **Impacts:** effects on people and ecosystems.
- **Responses:** actions taken by companies and society.

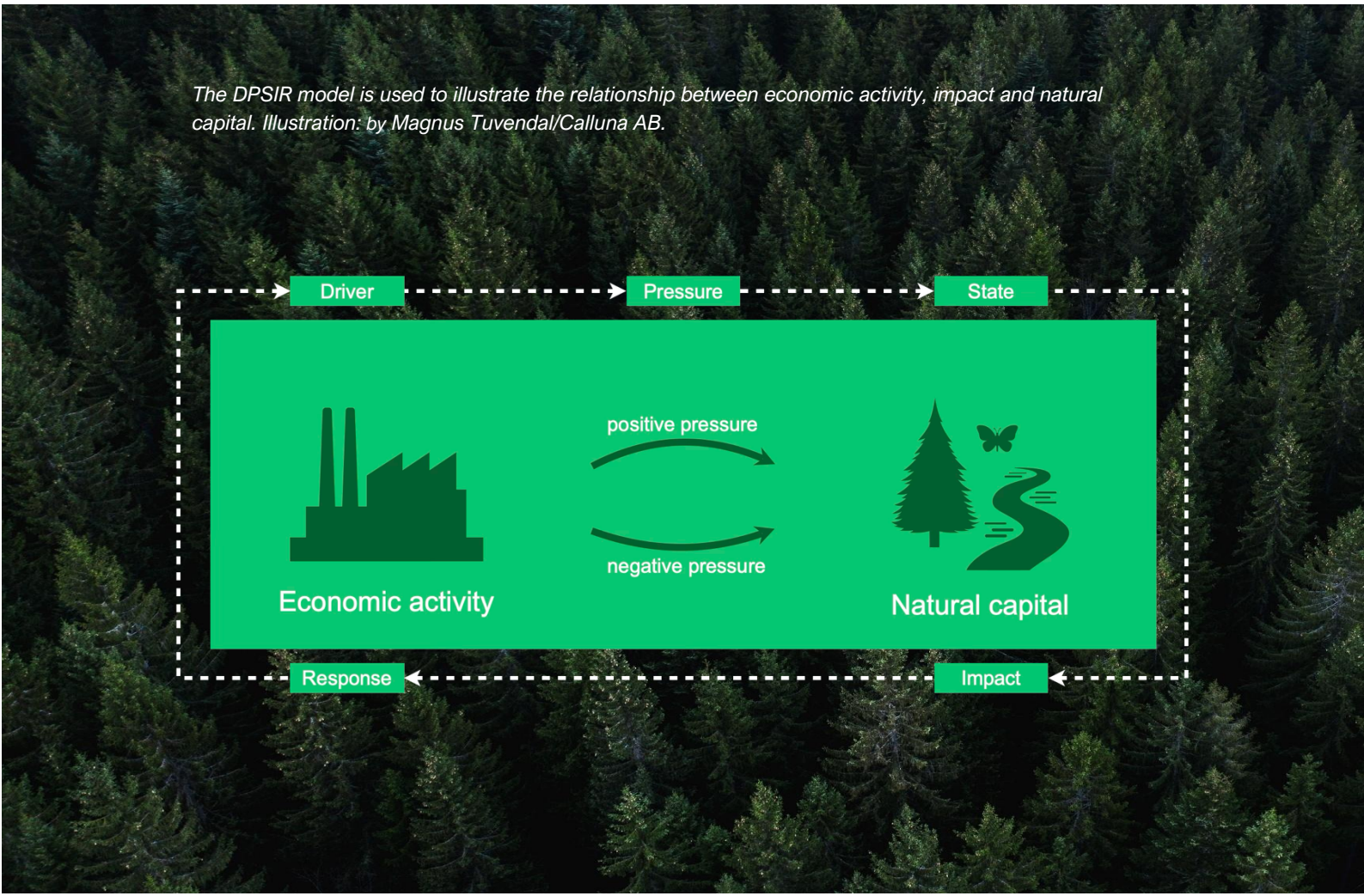
The Fund's method focuses on pressures. They are the most robust indicators available at an early stage — and they can be directly linked to absolute goals.

TWO PATHS TO ENVIRONMENTAL BENEFITS

Environmental benefits are commonly associated with limiting harmful activities, but it can also mean actively increasing positive activities. Companies can contribute to ecological sustainability in two main ways:

1. **Reducing negative pressures** – a "do no harm" perspective. In this case, emissions, land appropriation or resource extraction are reduced. The contribution takes the form of "avoided pressures", where a new solution replaces a more resource- or emission-intensive method.
2. **Increasing positive pressure** – a "net positive" perspective. Here, the company actively contributes to restoring ecosystems, building natural capital or strengthening biodiversity.

There is great potential in investing in companies that, through innovations and business models, contribute to "avoided pressures". At the same time, to achieve the goals of the Kunming–Montreal Global Biodiversity Framework (2022), we also need companies that go beyond a "do no harm" perspective and actively strengthen natural capital.



The DPSIR model is used to illustrate the relationship between economic activity, impact and natural capital. Illustration: by Magnus Tuvendal/Calluna AB.

Chapter 6

How do we measure environmental benefits?

Existing frameworks for assessing and reporting on corporate sustainability are largely based on historical data. The Fund, by contrast, invests at early stages and looks ahead to assess potential.

For young companies at an early stage, a method is required that is both easy to use and robust enough to inspire confidence among investors and other stakeholders. The Fund's method is therefore based on a limited number of indicators that are directly linked to international goals and can evolve in line with each company's maturity.

CHOICE OF INDICATORS

Indicators never provide a complete picture but should give a clear signal about the direction in which to achieve international climate and biodiversity goals. Well-chosen indicators make complex relationships manageable and make it possible to follow development over time.

The *Green Impact Framework* is guided by four criteria that characterise successful indicators:

- **Robust and verifiable.** They are based on hard data, which makes them credible, difficult to manipulate and easy to review.
- **Understandable.** Units of measurement such as hectares and tonnes do not require specialist knowledge to understand, making them accessible to decision-makers, suppliers and other actors.
- **Communicable and anchorable.** An indicator that is easy to understand is also easy to explain, both internally and externally. It strengthens legitimacy and builds trust when the indicator is recognisable and can be discussed.
- **Feasible in practice.** Companies need to analyse environmental pressures throughout the value chain, from raw material to final product, which is why indicators need to be operationalized and measurable with reasonable resources.

CORE INDICATORS – BASIC AND ROBUST

The Fund works with three core indicators that cover the most central dimensions of ecological sustainability. The three core indicators are:

1. Greenhouse gas emissions (CO_2e)
2. Land use (hectares)
3. Water consumption (m^3).

Greenhouse gas emissions are assessed as reductions compared to a relevant reference or conventional activity. This metric is directly linked to the Paris Agreement's 1.5-degree goal and is anchored in international practice.

Land use captures the most fundamental claim on nature – area. Land use is easy to measure, compare, and communicate. According to IPBES, land-use change is the main driver of nature loss.

Water is a critical resource, especially in areas experiencing water stress. ***Water consumption*** measures a company's claims on this resource and provides a clear signal of ecological impact. The indicator is quantifiable, comparable, and can be related to local conditions.

Together, these indicators provide a solid and credible basis for directing investments towards solutions that can seriously contribute to the global goals for climate and biodiversity.

ADDITIONAL INDICATORS – CAPTURING COMPANY-SPECIFIC NATURE POTENTIAL

Additional indicators are used, alongside the core indicators, when they are necessary to understand a company's environmental benefits. Companies may propose such measures themselves, but they must be justified, clearly explained and subject to review. The Fund's assessment is always based on whether the indicator provides relevant and useful information for investment decisions.

LOGIC FOR CALCULATING NATURE POTENTIAL

Nature potential is quantified in a similar way to how the Fund has worked for several years with climate potential, by comparing the pressures from the company with a competing business or an industry standard. The result is a calculated difference (*Δ effect*), which in most cases is expressed as *avoided pressure*. In this way, alternative investments can be compared in a consistent and comparable manner.

The calculation is carried out in three steps:

- **The pressure resulting from the company's operations** is estimated quantitatively, based on assumptions about the future scope of the business, and is presented as a range to reflect the uncertainty in the calculation.
- **The pressure of a comparable activity** is estimated in the same way.
- **The difference between the company and the comparable activity** is calculated. This delta value indicates the potential benefit.

In some cases, environmental benefits may also arise from a direct positive pressure, innovations that build natural capital or that address a problem while simultaneously strengthening biodiversity.

Chapter 7

Assessing potential environmental benefits in 5 steps

ENVIRONMENTAL BENEFITS: CLIMATE POTENTIAL AND NATURE POTENTIAL

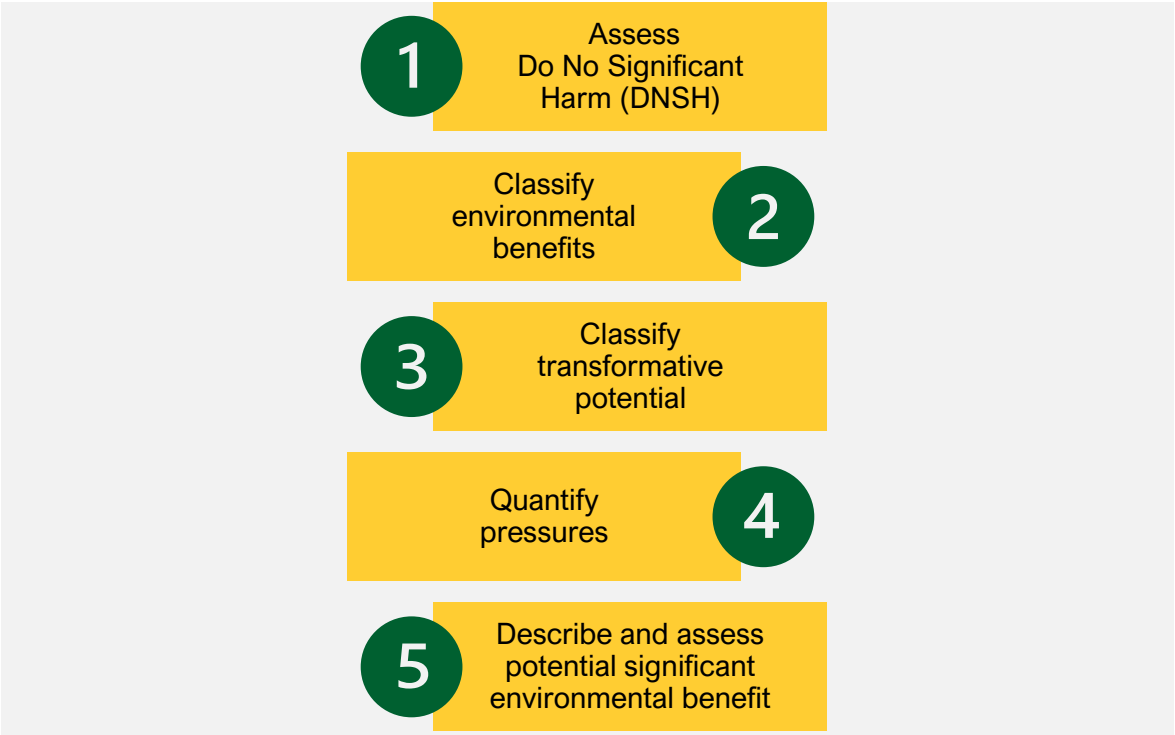
The assessment of potential environmental benefits is conducted through a structured and iterative method – **the Green Impact Framework**. The methodology ensures that the analysis is carried out in a consistent, transparent, and comparable way, even in early-stage investments where access to data is often limited but the potential for real impact is high.

INITIAL SCREENING

The work begins by describing the potential environmental benefits for the company in question. At this point, the aim is not to make decisions, but to **collect and structure information so that the company's influence on ecological sustainability can be understood in context**. The DPSIR (Drivers, Pressures, State, Impacts, Responses) framework is used to support this process. It helps to map how the company affects nature, what factors drive the impact and what answers or solutions the company contributes. This overall structure fosters a shared understanding of the system that makes the assessment more coherent and consistent.

The process is iterative. The same logic can be applied both in initial screening, due diligence, and portfolio follow-up.

This initial work is followed by **five decision-making steps that together form the core of the assessment**. The results are documented, in a brief during the exploration phase and in an investment memorandum during the due-diligence phase, where assumptions, reasoning, and conclusions are reported openly and transparently.



STEP 1. ASSESS DO NO SIGNIFICANT HARM (DNSH)

The first decision concerns whether the company can be assumed to live up to the criteria of *Do No Significant Harm* (DNSH). An activity cannot be deemed sustainable, even if it contributes positively to one environmental objective, if it simultaneously causes significant harm to others.

This step is aligned with the EU Taxonomy and with the DNSH requirements referenced in the SFDR (Sustainable Finance Disclosure Regulation). For activities that are not covered by technical screening criteria, which specify what is required to comply with the DNSH principle under the EU Taxonomy, the Fund must make an independent assessment. There are established tools that can be used to identify potential significant harm from different types of economic activity (e.g. the EU Taxonomy Navigator, the EU Taxonomy Compass and ENCORE).

If the company shows signs of potential conflicts with the DNSH principle, an in-depth assessment is carried out to ensure that the operations do not cause significant harm within any environmental objective.

The assessment is presented in a clear and accessible table.

STEP 2. CLASSIFY ENVIRONMENTAL BENEFITS

Determine how the company creates environmental benefits. The classification describes the type of contribution the company is expected to make to ecological sustainability, and thus how it relates to the global goals.

There are two primary ways in which companies can create environmental benefits:

- *Avoid/Reduce Harm*: the company contributes by avoiding or reducing environmental pressures, for example through more efficient processes, reduced resource use or technologies that replaces more emission-intensive alternatives.
- *Restore/Regenerate*: the company contributes by actively strengthening ecosystems and natural capital, for example through restoration, nature-based solutions or increased carbon sequestration.

The classification is presented in a clear and accessible table.

For many companies, the environmental benefit lies in reducing or avoiding harm. At the same time, the framework recognises the need for companies and innovations that go further and actively contribute to strengthening natural capital and ecosystems. Making this distinction visible is therefore an important part of the assessment.

STEP 3. CLASSIFY TRANSFORMATIVE POTENTIAL

Determine how the company contributes to change. The classification describes the nature of the change, whether it mainly involves an incremental improvement or a system change.

Two guiding questions are used to support the assessment:

1. Does the investment deliver significant environmental benefits through efficiency or optimisation (e.g., reduced emissions, land use or other resource use)?
2. Does the investment have transformative potential, meaning it could reshape how an industry functions or how entire markets operate, for example by introducing new practices, incentives, or standards?

The assessment is presented in a table where the category is highlighted and commented.

For many companies, the contribution to ecological sustainability consists of incremental improvements and greater efficiency within existing systems. At the same time, system-changing innovations are needed that challenge established structures and create new logics for how value is generated and resources are used. A company can be system-changing without itself providing a significant quantitative environmental benefit. Making this characteristic visible is therefore an important part of the assessment.

STEP 4. QUANTIFY PRESSURES

Estimate the company's potential environmental benefits in quantitative terms. The analysis is based on calculating the difference between the company's solution and a comparable activity, which is referred to here as *the Δ pressure*.

a. The process begins by collecting data on core indicators, which describe the company's climate pressure (CO_2 equivalents), land use (hectares), and water consumption (cubic metres).
b. The company's pressure is then estimated, based on assumptions about the future scope of the business, within a range from lower to higher estimate (*lower–upper bound*).
c. The pressure from a comparable business, such as a conventional technology or industry average, is estimated using corresponding assumptions.
d. The difference (*Δ pressure*) between the company and the comparable business is then calculated. The results indicate the potential environmental benefit.

The result is expressed as a range to reflect the uncertainty in assumptions about future scope and market development.

Where appropriate, supplementary indicators may also be included and applied as needed.

Quantification of indicators is presented in a table, including where the pressure is assumed to occur (to support assessment of potential environmental benefit). Data compilation and calculations are preferably carried out in spreadsheets.

STEP 5. DESCRIBE & ASSESS POTENTIAL SIGNIFICANT ENVIRONMENTAL BENEFIT

In this final step, an overall assessment is made of the company's potential environmental benefits and its contribution to ecological sustainability, based on the results of the previous steps.

Present conclusions on whether the company is considered to contribute to significant environmental benefits, the key assumptions underlying the assessment, and the documentation supporting these conclusions.

The DPSIR framework can be used to structure how the company is assumed to create environmental benefits and to describe how the business contributes to changes in pressures with resulting impacts on climate and nature.

For each causal relationship or conclusion, the degree of uncertainty should be indicated (e.g. low, medium, or high). This clarifies where external validation or supplementary data may be required.

➔ **You will find useful tables and templates for all five steps at the end of this white paper.**

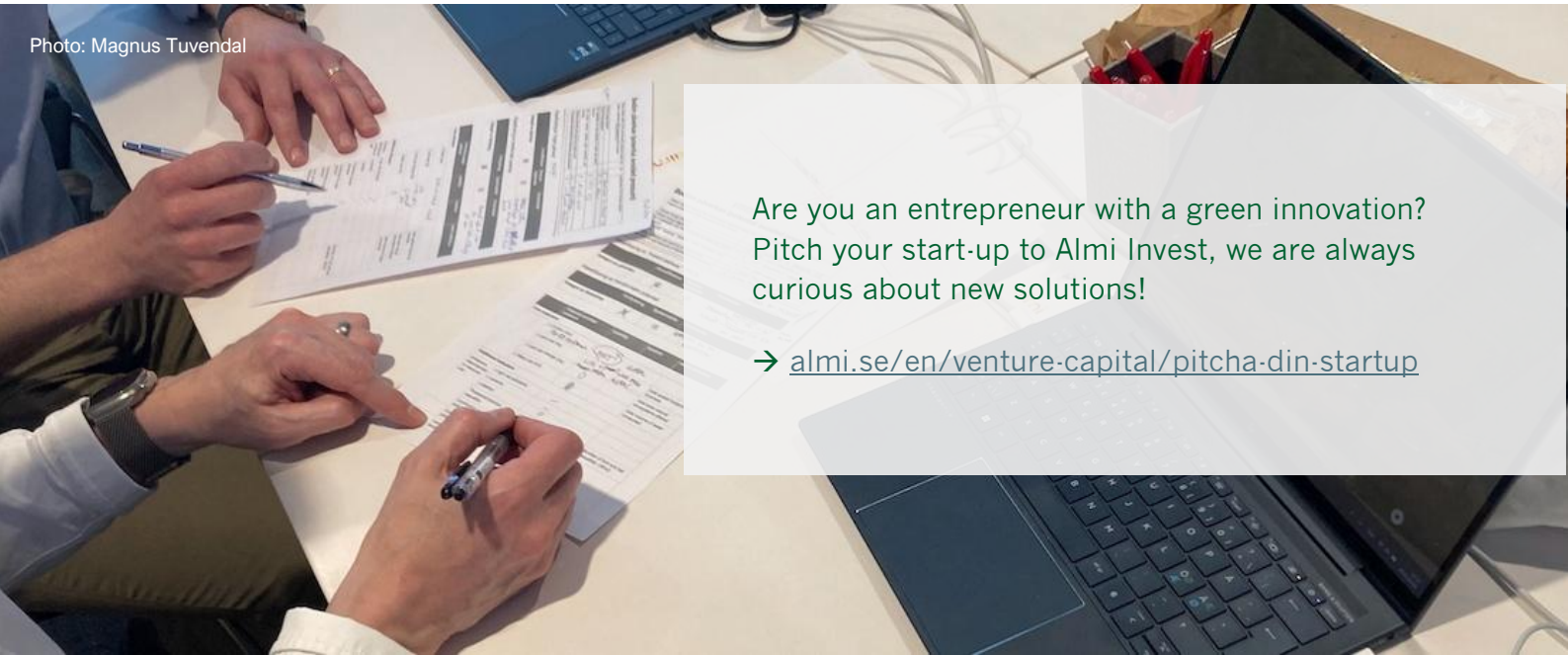


Photo: Magnus Tuvendal

Chapter 8

Improving the method for greater environmental benefits

The Green Impact Framework is a ready-to-use methodology, but also a living framework that evolves in line with new knowledge and practice.

The method has been developed by **Almi Invest GreenTech**, with support from **Calluna**, and is based on what we know about the world according to science, about the limits of climate and nature, and translates this knowledge into what is practically possible within an investment process. The method draws on the Paris Agreement, the Global Biodiversity Framework, the IPCC, and the IPBES, measuring progress with simple, robust indicators of pressure rather than impact.

It is an application of what the economic historian Joel Mokyr describes as the balance between explanatory knowledge (insight into why the world works the way it does) and prescriptive knowledge (how that understanding is put into action).

One example is that the five steps of the method include a classification of the companies' transformative potential. It builds on the research insight that true sustainability often requires transformation rather than optimisation and makes that insight practically applicable.

The method is principled in the direction but pragmatic in its application and designed to be used even when data are uncertain, but decisions still need to be made.

Almi Invest GreenTech aims to be transparent about its methodology and to contribute to a broader development of tools and practices that support sustainable investments.

The ambition is that more actors – investors, researchers, and entrepreneurs – will be able to work together to develop even better ways of assessing, comparing, and strengthening early-stage companies' contributions to ecological sustainability.

Are you interested in our method? Contact the team behind Almi Invest GreenTech!

→ almi.se/en/venture-capital/meet-the-team/almi-invest-greentech

Appendix

Practical tools and templates

TABLE: SUMMARY ASSESSMENT OF DNSH

For each measure, specify which of the environmental objectives below require an in-depth DNSH assessment of the measure. In this context, "measure" refers to the company, business or solution that is the subject of investment and assessment.

Environmental objectives according to the EU Taxonomy	Yes	No	Justification if "No" has been chosen
1. Climate change mitigation	☐	☐	
2. Adaptation to climate change	☐	☐	
3. Sustainable use and protection of water and marine resources	☐	☐	
4. Transition to circular economy, including waste prevention and recycling	☐	☐	
5. Pollution prevention and control to air, water or land	☐	☐	
6. Protection and restoration of biodiversity and ecosystems	☐	☐	

TABLE: IN-DEPTH ASSESSMENT OF DNSH

Answer the questions below for the environmental objectives that require an in-depth assessment according to the summary assessment of DNSH (if it is not necessary, mark "No"). In this context, "measure" refers to the company, business or solution that is the subject of investment and assessment.

Questions per environmental objective in the EU Taxonomy	No	Substantive justification
1. Climate change mitigation Is the measure expected to lead to significant greenhouse gas (GHG) emissions?	☐	
2. Adaptation to climate change Is the measure expected to lead to an increased adverse impact of the current climate and the expected future climate, on the measure itself or on people, nature or assets?	☐	
3. Sustainable use and protection of water and marine resources Is the action expected to be detrimental to: **(i)** to the good status or the good ecological potential of bodies of water, including surface water and groundwater, or **(ii)** the good environmental status of marine waters?	☐	
4. Transition to a circular economy, including waste prevention and recycling Is the measure expected to: **(i)** lead to a significant increase in the generation, incineration or disposal of waste, with the exception of the incineration of non-recyclable hazardous waste, or **(ii)** lead to significant inefficiencies in the direct or indirect use of natural resources at any stage of their life cycle, which are not minimised by adequate	☐	

Questions per environmental objective in the EU Taxonomy	No	Substantive justification
measures, or **(iii)** cause significant and long term harm to the environment in respect to the circular economy?		
5. Pollution prevention and control to air, water or land Is the measure expected to lead to a significant increase in the emissions of pollutants into air, water or land?	☐	
6. Protection and restoration of biodiversity and ecosystems Is the measure expected to be: **(i)** significantly detrimental to the good condition and resilience of ecosystems, or **(ii)** detrimental to the conservation status of habitats and species, including those of Union interest?	☐	

TABLE: CLASSIFICATION OF ENVIRONMENTAL BENEFIT

Mark with X and add a motivation that explains and justifies the classification. Can be summarized for the company in "*Main pressure*", or classified for different pressure categories.

Category of pressure	Avoid, reduce harm	Restore, regenerate	Motivation
Main pressure	☐	☐	
	☐	☐	
	☐	☐	
	☐	☐	

TABLE: CLASSIFICATION OF TRANSFORMATIVE POTENTIAL

Mark with X and add a comment that explains and justifies the classification. Can be summarized for the company in "*Main change*", or classified for different activities or processes.

Category of drivers	Improvement	System change	Justification
Main change	☐	☐	
	☐	☐	
	☐	☐	
	☐	☐	

TABLE: QUANTIFICATION OF CORE INDICATORS

Data is collected that quantitatively describes core indicators (climate impact, land use and water use) based on available data. The definitions and metrics provided should be regarded as preliminary and may be adjusted based on experience of how the method works in practice.

Core indicator	Δ impact	Quantify	Location	Definition	Reference
Greenhouse gas (GHG) emissions	CO_2e (tonnes)	____ t	Position, region or description of the type of area	Total greenhouse gas emissions	TNFD Core global indicator 10
Total Spatial Footprint	Land use (hectare)	____ ha	Position, region or description of the type of area	Total area occupied or used by the activity	TNFD Core global indicator 1
Extent of changing use of land, water, sea.	Land use change (hectare)	____ ha	Position, region or description of the type of area	Area of natural ecosystems that have been transformed or altered due to the activity	TNFD Core global indicator 2
Water withdrawal and consumption from areas of water scarcity	Water use (m^3)	____ m^3	Position, region or description of the type of area	Volume of water extracted and consumed in regions experiencing water scarcity	TNFD Core global indicator 8

TABLE: STRUCTURED ANALYSIS OF POTENTIAL SIGNIFICANT ENVIRONMENTAL BENEFIT USING THE DPSIR FRAMEWORK

Report, using the DPSIR framework, how the company is assumed to generate significant environmental benefits. Clarify the chain of reasoning from business activity to changes in environmental pressures, to how these relate to the state of nature, and finally to the expected impacts. Make a note on uncertainty (low, medium, or high).

Driver	Δ pressure	State of nature	Impacts	Uncertainty

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