



Policy Brief Nr. 1/2026

# Policy Brief: Assessing Company Impact

Timo Busch, Hendrik Brosche

---

## Introduction

The transition to a sustainable economy necessitates investing in companies capable of driving tangible changes in the real world. Assessing positive and negative impacts at the company level is central for impact investors. However, yet, company impact assessment tools lack precise methods and reliable information for assessing the significance of company impacts, i.e., whether – or more precisely at which level of realized real world outcome changes – company impacts adequately address global environmental and social challenges (Popescu et al., 2021; Yi et al., 2022).

To illustrate the challenge, one could imagine an investment of about 100.000 EUR. Investment option one yields 10 tons of CO<sub>2</sub> reduction; option two yields 20 tons reduction. It is obvious that both investments have an impact. It is also obvious that investment option two is more effective in terms of achieving reductions. However, should both investments considered to be impact investments? If so, what would be the threshold for determining this? What would be the case if there was only 1 tone of reduction? Thus, the question of significance is so important.

To tackle this challenge, research at the intersection of sustainable finance and industrial ecology highlights the value of life cycle assessment (LCA) (Bjørn et al.'s, 2019; Schlüter et al., 2023). The underlying LCA logics enable the use of absolute sustainability indicators, which express organizational performance relative to thresholds (McElroy & van Engelen, 2012), such as the ratio of a company's greenhouse gas emissions to its allocated share (e.g., Science Based Targets for climate).

This policy brief summarizes key findings from a recent study on the current state and future direction of company sustainability impact assessment. The findings provide timely and policy-relevant insights for the ongoing revision of the CSRD. They underline the importance of assessing the significance of company impact and

advocate for the inclusion of absolute sustainability indicators into the disclosure framework. Such measures would enable investors and regulators alike to distinguish between significant and non-significant company sustainability impacts.

## What is the Status Quo of Assessing Company Sustainability Impact?

### Research Approach

In order to address this question, a study by Busch, Bernard-Rau and Brosche (2025) was conducted in two steps. First, it explores the literature on LCA logics for determining the significance of company impacts and their application in major company impact assessment tools. Second, it examines the conceptual availability of absolute sustainability indicators in relevant standards, guidelines, and frameworks and conducts an in-depth analysis of proprietary data from nine major environmental, social, and governance (ESG) data providers. This status quo analysis is based on latest planetary boundaries (Richardson et al., 2023) combined with the social foundations of the doughnut model (Raworth, 2012).

### Research Results

The study finds that, first, LCA logics offer a valuable foundation for assessing the significance of company impacts, yet important gaps remain. While the LCA logics of identifying relevant impact categories and quantifying company impacts are used in company impact assessment tools, methodological inconsistencies persist, and the logic of incorporating macro-level thresholds is largely absent, except for the climate context.

Second, the study shows that environmental absolute sustainability indicators are conceptually well-developed, with assessment methods such as the Science Based Targets initiative or Science Based Targets for Nature providing guidance on setting adequate company-level thresholds while a lack of available data hinders their practical application. In contrast, social absolute sustainability indicators are considerably less advanced conceptually, lack clear pathways to translate macro-level issues into actionable indicators, and are compounded by significant data limitations.

## Implications and Future Steps

As the findings highlight distinct challenges remain when assessing the significance of company impacts in the environmental and social dimension. Environmental absolute sustainability indicators are conceptually well-developed and already usable for assessing the significance of company impacts within planetary boundaries, as demonstrated by the first pilot groups for Science-Based Targets for Nature. However, their integration into company impact assessment tools remains limited, and their robustness is still evolving due to their recent emergence. Thus, policymakers should mandate and incentivize the integration of environmental absolute sustainability indicators into regulatory reporting to address the lack of information on the significance of company impacts.

Social absolute sustainability indicators are less advanced conceptually, lacking clear pathways to translate macro-level issues into actionable indicators. Policymakers could facilitate inclusive stakeholder processes to establish regional company-level thresholds. For example, the outcome of such a process could be that a community decides to eliminate its slum housing by 2030 and allocate responsibilities among local authorities, companies, and organizations based on a collectively chosen allocation principle.

## Bibliography

Bjørn, A., Richardson, K., & Hauschild, M. Z. (2019). A Framework for Development and Communication of Absolute Environmental Sustainability Assessment Methods. *Journal of Industrial Ecology*, 23(4), 838–854.  
<https://doi.org/10.1111/jiec.12820>

Busch, T., Bernard-Rau, B., Brosche, H. (2025): Assessing company sustainability impact: Status quo and way ahead. *Journal of Industrial Ecology* (in press)  
<https://onlinelibrary.wiley.com/doi/10.1111/jiec.70065>

Kölbl, J. F., Heeb, F., Paetzold, F., & Busch, T. (2020). Can Sustainable Investing Save the World? Reviewing the Mechanisms of Investor Impact. *Organization & Environment*, 33(4), 554–574. <https://doi.org/10.1177/1086026620919202>

McElroy, M. W., & van Engelen, J. M. L. (2012). *Corporate Sustainability Management: The Art and Science of Managing Non-Financial Performance*. Routledge. <https://doi.org/10.4324/9780203121818>

Raworth, K. (2012). A Safe and Just Space for Humanity: Can we live within the Doughnut? (Oxfam Discussion Papers). Oxfam. <https://www-cdn.oxfam.org/s3fs->

[public/file\\_attachments/dp-a-safe-and-just-space-for-humanity-130212-en\\_5.pdf](public/file_attachments/dp-a-safe-and-just-space-for-humanity-130212-en_5.pdf)

Richardson, K., Steffen, W., Lucht, W., Bendtsen, J., Cornell, S. E., Donges, J. F., Drücke, M., Fet-zer, I., Bala, G., Bloh, W. von, Feulner, G., Fiedler, S., Gerten, D., Gleeson, T., Hofmann, M., Huis-kamp, W., Kummu, M., Mohan, C., Nogués-Bravo, D.,...  
Rockström, J. (2023). Earth beyond six of nine planetary boundaries. *Science Advances*, 9(37), Article eadh2458. <https://doi.org/10.1126/sciadv.adh2458>

Schlüter, D., Schätzlein, L., Hahn, R., & Waldner, C. (2023). Missing the Impact in Impact Investing Research – A Systematic Review and Critical Reflection of the Literature. *Journal of Management Studies*, Article joms.12978. Advance online publication. <https://doi.org/10.1111/joms.12978>

Yi, I., Bruegisauer, S., Utting, P., McElroy, M., Mendell, M., Novkovic, S., & Lee, Z. (2022). Au-thentic Sustainability Assessment: A User Manual for the Sustainable Development Per-formance Indicators. United Nations Research Institute for Social Development (UNRISD).

<https://cdn.unrisd.org/assets/library/reports/2022/manual-sdpi-2022.pdf>

## About the project

The **Sustainable Finance Research Platform** is a joint project between five German research institutions conducting research on different aspects of Sustainable Finance, e.g. sustainable investments, sustainability risks and chances, and sustainability reporting. With their independent research, the project partners aim to support stakeholders in politics, the financial sector, and the real economy in understanding and shaping the central role of capital markets in achieving a net-zero economy. The researchers involved answer social, political, and business-related questions, provide established and new research findings, and participate in political and public debate. They also want to establish sustainable finance as a topic in the German research landscape and secure connections with international institutes and processes.

More information can be found on the project's website <wpsf.de/en/>.

Partners of the Sustainable Finance Research Platform are



The Sustainable Finance Research Platform was funded by

