

**Community of Practice**  
**Financial institutes and Natural Capital (CoP FiNC)**  
**Summary of the Second meeting on the 16th of September 2014**

**-Impact measurement-**

**Opening**

Caroline van Leenders opens the meeting of the Community of Practice on impact measurement.

Host of the location Triodos Foundation

Ted van den Bergh, director of Triodos Foundation, explained the challenge to invest in biodiversity. The foundation has financed the [Bee Paradise](#) to explore the strength of nature. Since the 1,5 years biodiversity has been returning because of the cooperation of Triodos Foundation, [Landgoed Roggebotstaete](#), landscape architects and University of Wageningen. The business case is still being developed. [Green Organics](#) is an association that takes an inventory of the farmers' organically grown supply and connects them to packaging companies, distributors, retail and customers.

**Impact measurement**

The central topic of this second meeting of the CoP is "Impact measurement". Reflection on the preparatory questions and answers of the participants makes clear that:

- Goals for measuring impact differ from no goal to relatively concrete goals and timeframes (i.e. halve the footprint in 2020).
- Indicators for measurement (CO2, water, TJ etc.) are reported but there is no agreement.
- Methods vary from existing certification schemes to self-made instruments.
- Talks with organizations that work on monetization have started.
- All agree on the situation that relevant data of companies are not easily obtained.

The participants discussed the preparatory questions on impact measurement in small groups. This resulted in specific questions to be shared with the speakers:

<b>Aim and focus</b>
Measurable, what and why?
What are the major pitfalls on biodiversity when the focus is on energy?
Is impact measurement more than an instrument to make positive impact mainstream?
<b>Investment</b>
How are mainstream investors dealing with natural capital?
Do scalable investments in biodiversity already exist?
How to use energy to finance nature?
<b>Indicators and data</b>
What experience do others have with obtaining data from companies?
Which simple parameters could we use in accounting?
Are land use and water use the best indicators for financial institutes?
Data collection on water and land use; what will be done by certified bodies and what by companies?
How to stimulate demand for data?

Speaker: Geert Bergsma (CE Delft)

Caroline invited Geert Bergsma of CE in Delft to present the [Benchmark Biodiversity](#) study commissioned by the Dutch Ministry of Infrastructure & Environment. Goal of the study was to explore the methodologies available for quantifying the impact of business activities on biodiversity. He presents the lessons learned on impact methods that financial institutes can use to measure impact on ecosystems from their investments/participations.

Biodiversity is decreasing in tropical areas and seems stable in The Netherlands, figures: 70% impact by import, 30% impact in the Netherlands. Impact in the tropics is caused by procurement/imports of Dutch companies. Impact has to be reduced with 67 to 75% to achieve a sustainable level. The question is who has the right to use the ecosystem services?

CE has searched for an ideal biodiversity indicator with criteria such as quantitative, one, world, scales, local differences, time to benchmark companies . An ideal indicator doesn't exist and will not be on the market for the next ten years. Geert Bergsma: "Measuring biodiversity is never perfect, but we tried to do it in the best way." A combination of most suitable methods to gain insight into the impact of Dutch business sectors on

biodiversity was selected: ReCiPe (a LCA methodology) and water scarcity (Pfister). ReCiPe starts with pressure factors. The endpoint for measuring biodiversity is: 1) Human health 2) Ecosystems species/year (how quick species arrive/disappear) 3) Resources. The ReCiPe method gives insight into:

1. Impacts: sector analysis, case studies, quantitative.
2. Trends, developments and policy.
3. Quantitative sector analysis for 6 sectors: food and stimulant industry 26% impact, agriculture 19%, wood industry 8%, chemical industry 8%, energy industry 8% and metal industry 8% impact in The Netherlands.

The study Benchmark Biodiversity delivered successful cases studies at Dow Benelux, Tata Steel and Unilever. The results are based on the data of the companies and supplied recognizable insights for them. The contribution of import is significant. The largest impact comes from climate change and land-use. Companies in key sectors report almost all on CO2-eq but land use is not included at all in their annual reports. These are the two most important pressure factors, land-use needs more attention. GRI biodiversity indicators are not yet included. Sector trends point out there is no sector policy on biodiversity, little understanding of the value of biodiversity and no sense of urgency.

Main conclusion is that the ReCiPe indicator supplemented with the water stress indicator is useful to measure the impact of companies on global biodiversity and can be used by financial institutes. Sectors can be compared. Benchmarking can be done by making a chain performance indicator by adding biodiversity impact and sourcing and dividing it by turnover. Benchmarking of companies with a company performance indicator (biodiversity impact without sourcing / added value) is not yet possible for the lack of public available data. Large companies can easily calculate their own score with use of company data. Some companies keep ReCiPe results private, as they are not obliged to publicise. For smaller companies data is not easily available.

#### Reflections on impact measurement by Hedda Eggeling (Steward Redqueen)

Caroline invited Hedda to reflect on the discussions in CoP FiNC and to explain about the way Steward Redqueen measures social issues for clients in the financial sector. They work for development banks and commercial banks mainly in developing countries. Data is derived from the GTAP database (Global Trade Analysis Project). An investment has impacts on direct clients but also on the economy as a whole: direct economic output (by local procurement), supplier revenues (by expenditures) and suppliers' revenues (their expenditures). They have started to measure CO2 emissions. There are trade-offs between People, Planet and Profit (CO2, jobs, added value).

Tips and observations for CoP FiNC:

- Take your time to decide on your impact goal.
- Financial Institutes are engines of economic growth and externalities come with development. How do you take that responsibility?
- Measuring financial impact is hard, quantifying social & environmental elements is even harder.
- Measure as much as possible with as little as possible.
- Determine sphere of control and sphere of influence. Where to draw the line in impact quantifications?

#### Lessons learned

Anne-Marie Bor moderates the outcome of this afternoon. What are main lessons learned?

<b>Target</b>
Single target versus multiple targets? Take your time to decide
<b>Measuring</b>
Measuring = knowing. It starts the consciousness about impacts on biodiversity, and thus the need for action
Starting point to show that aspects of biodiversity are measurable
<b>Aspects / indicator</b>
Land use & water are aspects for measuring and setting a target
CO2-target can be formulated apart from water and land use
<b>Method</b>
The ReCiPe method is an eye-opener. The use depends on your goals (local vs global)
<b>Data</b>
More company data available at multinationals than expected
<b>Cooperation</b>
Co-operation between governments, NGO's, universities and business is essential to solve today's problems
We need more exchange of knowledge: economy / ecology / finance / biology / governance / politics / psychology / communication / etc.