

Community of Practice
Financial institutes and Natural Capital (CoP FiNC)
Summary third meeting
November 6, 2014

- Business case Natural Capital -

Opening

Caroline van Leenders opens the third meeting of CoP FiNC and presents some observations. There is a growing interest in natural capital in the financial sector, the market for Green Bonds is developing, more and more companies are looking into CO₂, and various parties are sharing methodologies. But the value of natural capital is not easily translated into business models. Caroline states that natural capital for the financial sector is complex because of the large distance to ecosystems. Since the last meeting, talks on natural capital were held with the NCC, EU Platform Business & Biodiversity, the EU NNL Initiative, Sustainable Finance Lab, VBDO and BuZa (iMVO). CEOs of these organisations will be brought together around the CoP in a "green table" chaired by Jolande Sap.

Presentation ABN AMRO on their real estate policy

ABN AMRO presents its new policy on real estate; the combination of life cycle and cash flow. As a result of this combination the usual period of return perspective of 3-5 years will be longer. A reversal is also introduced: no longer buying at the lowest cost, but a switch to who can build the best for a given budget. Unsustainable property will no longer be possible to sell. Real estate that is at the end of its life cycle will be paid off and demolished. The new policy was initiated based on the observation that companies, that have a vision of sustainability, create higher returns with lower risk. ABN AMRO realized that cooperation with these customers leads to adaptability, durability and marketability of property. To be able to understand the performance of these customers, the bank had to invest in knowledge. ABN AMRO will use this knowledge to improve the performance of customers with lower returns and greater risks. Moreover, a new innovation fund is established to support ABN AMRO customers financially in achieving sustainable innovations. To get bank personnel on board, taking them out on trips to sustainable innovations in buildings (like Park 2020) proved effective. Another experience is that municipalities should be involved because the area around a building is important for its value. ABN AMRO has approached the Dutch Green Building Council to encourage municipalities to invest further in the public space around property. For the business case on real estate, EU legislation is an important driver. By 2020, the EU will prohibit real estate with a score lower than C label. All in all, ABN AMRO is inspired by this new policy and thinks that they are going in the right direction.

Comments: A smart idea to follow successful entrepreneurs. We have built 50 years based on efficiency and lost sight of people's needs and their surroundings; that must come back again. This is a nice turn in policy that inspires employees and leads to new knowledge and relationships.

Presentation Zwitserleven on learning from carpet tiles for pension

What can ZwitserLeven learn from Interface's approach and transfer that to the way they organise pension funds? Interface started working on a circular economy in 1994. The vision of CEO Ray Anderson has created space for innovation. People at Interface are intrinsically motivated. They realize that everything the company needs comes from nature. They use knowledge from nature to close material cycles as part of Mission Zero. A good example is the approach of the raw material for carpets. Carpet tiles are made of Nylon 6. Interface boosted the recycling of old carpet tiles and also sought other sources of nylon 6, such as discarded fishing nets. This created new markets and business models. Read more in Dutch about their approach to their raw materials in the E-book "business and biodiversity" under publications at www.duurzaamdoor.nl. Furthermore, Zwitserleven is working with the Sustainable Finance Lab on social capital (OECD better life index), and with ING and Rabobank on circular criteria for their lending policy. The story on [YouTube](https://www.youtube.com/watch?v=...) by Marshall Clemens on how the financial sector has become separated from the real world is also relevant and interesting.

Lessons of Interface for Zwitserleven:

- Eliminate the waste in products and processes. Zwitserleven can reduce the number of products. They must make three movements: from simple to complex, from guaranteed to investment and from collective to individual.
- The intrinsic motivation of staff is important, as is the support from the top. The new leadership program at Zwitserleven focuses on cooperation, innovation and entrepreneurship.
- Through practical cooperation with clients, new insights and drive are gained.

- Look for trends and customer needs. How long will a pension last? Start with the basic needs of customers: an adequate income, health care, a green and liveable environment. Then co-create an investment strategy with investors and users. Climate change, human rights and biodiversity are fundamental. Learn from patterns in nature.

Presentation Achmea on responsible investing

Achmea has incorporated 'nature' within its responsible investment strategy. Achmea is working sustainably in the area of its real estate portfolio (by Syntrus), its offices and the waste they produce. The focus is on five core themes of the 'Eerlijke Bankwijzer' (www.eerlijkebankwijzer.nl). Biodiversity is an important topic in the core nature theme under the Enhanced Engagement Program. A second key theme is health. Biodiversity is linked to health, for example, because the tropical rainforest supplies the raw materials for drugs. Questions from CoP participants were: does Achmea also take into account the relationship between nature and prevention, is it possible to assure nature and how would a reversal as presented by ABN AMRO and Zwitserleven work out for Achmea?

Developing a business case for natural capital

Central to this CoP meeting is the exploration of the business case for natural capital on the basis of the "Green to Gold" model (www.eco-advantage.com). Facilitated by Anne-Marie Bor, the CoP comes to the following insights:

- *Benefits:* The involvement of natural capital in financial goods and services creates new value(s), drives innovation and opens new markets. However, because the benefits are, often for another party, it requires new business models and new partnerships. New concepts are developed such as Total Cost of Ownership, the life cycle of buildings, and quality as a starting point rather than budget. Nature can serve as inspiration for innovation.
- *Reputation:* [Research](#) shows that negative events regarding natural capital have a large impact on reputation. Using nature enhances a positive image. Developments such as legislation, fair banking and insurance, put natural capital within the company on the agenda.
- *Savings:* Very little is known about savings in relation to natural capital in the financial sector. In real estate investment, savings can be found in reducing energy and water consumption. Learning from nature can also mean less financial products, more simplicity in the products and therefore lower costs in IT and back office.
- *Risks:* We are totally dependent on nature. To become future-proof a long-term vision is important. There are several risks around natural capital such as the risk of loss of value (real estate), risks on supply (medicine), the risk of yield loss (investments) and image risks (investments).

The theme of 'people' is added to the model because it came back in several presentations.

- *People:* Permanent intrinsic motivation of the CEO and employees is important. Make biodiversity visible, tangible and close. Embed the relevant aspects in a dashboard for anchoring.

True Price: Caroline mentions that a recent [draft report](#) from True Price on the business cases of true pricing is put on their website. Caroline emphasizes that we will monitor the development of True Price for CoP FiNC. Especially its activities on monetisation and its attention to the P of Planet. Four quarters are used in their business model: 1. Better decision making, 2. Better risk management, 3. Stimulus for innovation and 4. Reputation interest. The model is partly consistent and partly different from the Green to Gold model. Based on the understanding of the business case, the project team has applied this model in three product / service combinations namely: 1) investing in real estate, 2) pensions and 3) insurance.

Caroline thanks all for the active participation and closes the meeting.