

Community of Practice
Financial institutes and Natural Capital (CoP FiNC)
Summary
June 4th 2015

- Transparency Natural Capital -

Part I: CoP FiNC meeting

Opening

On 20th May 2015 Caroline has held a key note speech at Fund News ([Fonds Nieuws](#)) for investors: "Sustainable investing, from trend to transition?". There are four stages differentiated in the transition to a sustainable financial system namely 1) pre-development, 2) take-off, 3) acceleration 4) stabilization. She states that sustainable investment almost moves from phase 2 to phase 3. This requires standardization (methods, data etc.), moral leadership and institutionalization. The transition model turns out to give people something to hold on to the developments in the sector.

Guide on Natural Capital for financial institutions

The guide is intended for financial institutions that follow after the leaders. Frank Wagemans ([VBDO](#)) indicates that many financial institutions are relatively unfamiliar unknown with natural capital. In the guide opportunities are identified, best-practices are included and barriers to implementation are described. Financial institutions can use a self-assessment tool to translate natural capital into policy, investment and transparency. Comments from the community were: involve government bonds and mortgages because of their impact (including on the built environment), see climate as a measurable stepping stone to biodiversity, include nature restoration and connect with initiatives such as [REDD](#), [TruCost](#) & integrated reporting. Using the results of a self-assessment as input for a benchmark leads to discussion. Benchmarks do not lead to desired changes because they foster competition rather than open source collaboration.

Helpdesk Natural Capital (previously Business and Biodiversity)

Jolanda van Schaïck ([CREM](#)) explained that from Platform BEE a [Quick Scan](#) is developed and that CREM along with Nyenrode and ARCADIS cooperate to answer questions through the [Helpdesk Natural Capital](#). The Quick Scan serves as a source of information for internal decision-making and provides options for improvement per part of the value-chain. The Quick Scan is developed for the clothing, paint & varnish, dairy production, production of beer, flowers & plants sectors. The Quick Scan can be used by financial institutions in their engagement policy and choice of investments. A question from CoP FiNC can be submitted to the helpdesk, for example, can a 'front mirror' based on the planetary boundaries concept be developed?

Policy

Martin Lok ([Ministry of Economic Affairs](#)) indicates that there are parallel pathways in business, finance and government, both nationally and internationally. He shows that in the 4 phases of the transition to a sustainable society the role of the Government also changes. Phase 1 is R&D stimulation, phase 2 offers a stage to best-practices, phase 3 supports coalition formation and standardization of measurement methods, and phase 4 creates the right preconditions.

Other issues

There is a request from the European [B@B platform](#) for best practices. And an offer to join activities from Working Group III from the NCD <http://www.naturalcapitaldeclaration.org/ncd-working-groups/>.

Part II: CoP FiNC meets Green Deal Transparency Natural and Social Capital

Both [CoP FiNC](#) and [Green Deal Transparency Natural and Social Capital \(GD TNSK\)](#) work on increasing transparency of impact on natural capital. A combined meeting was organised to strengthen both tracks. Central question: *what transparency can companies give about their impact and dependence on natural capital? And how does this transparency contribute to the ambition of financial institutions to incorporate their impact on natural capital in their decision making?*

In three rounds participants from both initiatives presented experiences, shared insights and suggested joint actions.

Value-chains and indicators

[DSM](#) uses indicators to report on climate, emissions, water and waste (with methods like LCA en ReCipe). Transparency is needed at a product level (the [Eco+](#) and [People+](#) programs).

ABN AMRO developed a human rights risk approach and shared the insights with partners in the diamond value-chain. They found that engagement generates more impact than exclusion. ABN AMRO explores whether this approach can be used for natural capital as well. Shared insights were: a quick scan can be used to determine materiality and brings focus to dominant sectors, deals / businesses, projects / products and locations. Relevant quantitative indicators are CO₂, water, land (region / soil) and material use (waste/circularity/biobased).

Monetisation

FMO's transparency is related to its [vision and mission](#): double the impact of investments in 2020 (number of jobs) and halve its footprint (CO₂ emissions). AkzoNobel (presented by True Price) developed the [Multidimensional Profit & Loss method](#) to measure and value the impact on natural capital in combination with social, human and financial capital for the production of paper chemicals. Using the method improves strategic decision making for risk management, innovation management and reputation. For the company and others in its value-chain, shared insights are: A. Monetisation makes it possible to compare and calculate with different kinds of impact; B. Environmental Profit & Loss (EP&L) accounting and true pricing enhance to compare products and company investments; and C. For further development the quality of data is important.

Integrated Reporting

BAM's first integrated report ([2014](#)) gives a licence to operate to the client and the value-chain. It stimulates integrated thinking through a multidisciplinary process with a variety of departments such as strategy and risk management, finance, CSR and marketing. It generates connectivity between stakeholder management, materiality analysis, financial strategy, value creation and KPI's. [ING](#) experienced that integrated reporting should start more from finance than from sustainability, and that a personal [pledge](#) from ING's CEO on integrated thinking stimulates colleagues to embrace integrated thinking. Furthermore there are challenges on the quality of data, connectivity, targets & impact and regulations & standards. Shared insights are: integrated reporting stimulates integrated thinking; it needs good standards; it brings dilemmas with stakeholders to the surface and its helps with balancing impact and risks.

Top 4 of joint actions

1. Develop impact (positive) investing
2. Via procurement and policies of governments, reduce the impact on natural capital
3. Make EP&L as a pre-condition in 2020
4. Use EP&L to diversify interest rates on loans and investments



Picture: Insights and actions from a fruitful meeting on transparency.