

Session S6a ES in Finance

Introduction – Caroline van Leeders

- Climate change is the trojan horse you need to reach the heart of the finance sector, it represents a vehicle through which to talk to business
- Coalition for private investment in conservation
- COP on business and biodiversity – interest is building from a risk and return perspective
- Time and scale are important factors but ultimately the finance sector has the chance to unite the planet on biodiversity
- Get a foot in the door by financial institutions by starting with climate.
- The biodiversity/ES agenda can learn from the climate dossier, for example the long term ambition (1.5 degrees), clear cut methodology (carbon output) and the awareness in society.
- Already various initiatives in place: Community of Practice FINC, Platform Carbon Accounting Financials, DNB working group on biodiversity, CoP Business & Biodiversity and Coalition Private Investors in Conservation.
- Need to reverse paradigm and start the thinking from resilient ecosystems point of view, instead of financial institutions, requires different perspectives on time and place

ENCORE tool (Katie Leach – UNEP)

- ENCORE = Exploring natural capital opportunities, risks and exposure
- Models dependencies on ES and how environmental change affects the dependencies
- Ecosystem services are the source of all economic activity
- Sector by sector – production processes are affected by environmental variability and changes in the delivery of ES
- Modelled impacts of environmental variability on production processes
- Piloted in banks in Peru and Colombia
- Collated existing data and models change in Nat Cap Assets
- Powerful tool for risk management
- Focuses on risk rather than opportunity
- How does environmental change affect the dependencies of businesses on nature?
- ENOCRE translates the complexity of the ES down to one industry.
- 4 pilots with banks have been conducted so far.
- Also, ENCORE provides an excellent overview of natural capital risk per sector.

ASN biodiversity strategy: a bank that wants to be biodiversity positive by 2020

(Roel Nozeman – ASN Bank)

- Impact measures are still under development
- BFFI – Biodiversity Footprint of a financial institution
- Goal: net positive impact on all investments by 2030
- ASN uses Exiobase, Ecolvent (vest?) and RECIPE to model their impact
- Compensating for their impact is the next step
- ASN Bank is intrinsically motivated to work on sustainability issues, three core pillars. Not like other banks.
- 3 pillars of CSR focus = Climate, human rights and biodiversity
- Set ambitious goals for biodiversity in 2030 without knowing how to reach them.
- First step: start measuring. But what is reference point? The situation at moment of measurement, or how it should be? What is positive impact? These questions need to be agreed upon.
- ASN started by measuring impact of NIKE, where are the factories and other production locations?
- Development of Biodiversity Footprinting Financial Institutions tool -> calculated biodiversity impact per hectare per sector.
- Challenges: people and business have not yet a good understanding of the value of biodiversity and ecosystem services. Need for positive impact investment opportunities. And impact measurement still lacking.

Biodiversity loss: the next challenge for the financial sector? (Danijela Piljic – DeNederlandscheBank)

- De Nederlandsche Bank are trying to integrate biodiversity (and quantification of biodiversity loss) into investment and financial decision making
- When ES is valued and has a market value it is more simple to link to investing
- Hazard x exposure x sensitivity = risk (3 types – physical risk, transitional risk, reputational risk)
- DNB wants to understand impact, raise awareness and foster integration of biodiversity into investments and set requirements.
- Investments were mapped over the top of water stressed areas to show how financial risk related to water stress used to illustrate the relationship between ES and financial risks
- Values at risk – failed study which tried to quantify exposures of the financial sector.
- Why: finance steers business, when they are at risk, financial institutions are at risk.
- Three kinds of risks identified: physical, transitional and reputational risk.

- Conducted a study of exposure to water stress with data from WRI.
- DNB did try to apply ENCORE tool.
- Society pushes back against transition: farmer protest in the Netherlands.

Discussion about risk vs return: key point

- Are we comfortable with how we measure risk and impact? Eg with ASN or Triodos sustainable stocks and shares ISA – what is sustainable in this context
- Standard setting required but how?
- Overuse as an indicator for risk
- Also need to consider the benefits of mitigating the risk – likely to be longevity
- Awareness of concepts ES and biodiversity varies in the negative sense
- Reflecting on risk categories
- Risk criteria/ framework needs to be developed on issues such as ES. Risk at multiple levels direct and indirect. Also risk in supply chains, therefore transparency of supply chains is key. Linking economic sectors to financial institutions. How to prevent double counting of risk? Include aspects of time and change.
- Data usage restrictions limit insights. How to include data uncertainty?
- Quantify the benefit of risk mitigation. Analysing (un)certainty of risk through exposure.

Group discussion on Return

- Mention of benefit transfer models.
- Need for positive impact projects on a larger scale.
- Raise awareness on ES and biodiversity
- Earth Economics related to ESG.
- Ecosystem value reporting?
- Language barrier. Compensation and mitigation.
- Eco valuation toolkit 16+ years.
- Data ecosystems required. From value to financial info. Think of example in key note speech.
- How to measure impact of investments?
- Scientific ES knowledge and data should include risk assessment in order to convert the knowledge into a financial framework

How can science help to measure the risk of biodiversity loss for financial stability? (Caroline van Leenders – RVO/LNV)

- How ES are implemented in the management of business?
- What are the processes?

- What are the lessons learned/barriers?
- Communication on the possibilities of Ecosystem Services is important, report the story. There is a lot of reporting without understanding why.
- Accessible database and showcase of ES value on portfolio level or investment case.
- Value transfer models are important
- Capture value of ES, blended finance mechanisms
- User cases are essential
- There are different target groups within finance sector

Session S6b ES and the industry

HIPP's biodiversity strategy (Johannes Knubben)

- Environmental impact on the food supply chain?
- Organic vs ES and biodiversity
- One of the world's largest processors of organic raw materials
- Supply chain food quality along the chain of production
- Soil, Water, GHG and biodiversity focus
- Where and how do they measure footprint (is it a question of scale?) footprint on environment or producer vs grain vs wider society?
- Use the cool farm tool – model and influence choice of management measure
- Not only true cost but also risks to our own supply chains
- Have an awareness raising model farm for general public to visit

Ecosystem services and the exploitation of quarries (Inez Gorez)

- Biggest extraction is of silica and quartz
- Focus is on long-term planning for sustainability including preparation, operation and rehabilitation of quarries with biodiversity and ecosystem services in mind
- Have a biodiversity and ES calculator tool that links habitat value to land use and considers the uniqueness of the habitat. The ES calculator tool is used by managers of a quarry to maximize the delivery of ES during and after the exploitation. Different scenarios can be assessed. Challenges described: explaining ES within different departments in the company.
- Approaches aligned with way of working
- It's important to explain in which way does organisation benefit from ES valuation in core business at each level within organisation
- Adding climate variables to monetary valuation of ES

Heidelberg Cement's biodiversity strategy (Carolyn Jewell)

- Carolyn Jewell – sole role is biodiversity strategy and implementation

- Aims to develop leadership position in development of biodiversity in quarries
- Biodiversity risk assessment carried out every 5 years which informs biodiversity action plan
- RESTORE – looks at ES delivery in quarries and compares possible uses of restored land – some instance restoring to wetland instead of original use of land after quarrying in some cases increased biodiversity and carbon sequestration
- Also carry out assessments of willingness to pay/visit post restoration
- Focus of restoration and biodiversity strategy is to influence decision making, explain biodiversity to the org and to engage local communities

Ecosystems services assessment tool for LafargeHolcim (Pilar Gegundez/ Jesus Carrasco)

- Use accounting tool developed by ecoacsa to demonstrate positive contribution
- Want to monetise social and environmental impacts in order to show how they influence
- profit and loss projections
- Translation from science to practitioners, consider how this is best done

Panel Discussion:

What is main reason to use ES into the management of your organisation?

For HIPP sustainability and biodiversity is part of its DNA. Although we do not call it ES we work around different themes linked to it.

For the quarries particularly, it is also a sort of license to work as quarries do have an impact on the landscape and without taking into account biodiversity and ecosystem services during the exploitation and creating opportunities after the exploitation when restoring the landscape, permits will be more and more difficult to obtain. But it is clear that it is not the only driver: they also think it is inherent to include sustainability in the daily management of the company. All the speakers stress that for them it is also very important to come together and try to understand each other's language and translate the scientific knowledge into the business language.

Translate results to tools that are workable to assess different scenarios, that brings on an easy way things together.

- To advance Ecosystem Services, it's important to introduce the concept in the board rooms.
- It's important to demonstrate positive contribution in ES, but how to best do this in an aligned way?
- Translation from science to practitioners remains a challenge

- There is a gap in the availability user friendly instruments
- The quarry representatives do not view their strategies as competing, but as collaborative action
- How to improve interaction between organisations and science?

Session S6c Designing the Roadmap for Business Engagement

- How the ESP is advancing Ecosystem services in Business (Martine van Weelden – ESP)
- Ecosystem Evidence and Cross-Sectoral collaboration (Matt Smith – JNCC)
- EKLIPSE networking activities
- Integrating biodiversity and natural capital in business models (Mark Van Oorschot – PBL)
- Discussion

What should be the role of the SWG 6 ES in Business and how should we move the agenda for collaboration forward?

Suggested ideas

Concrete actions

- There is a need to show data and to understand data. This could lead to a helpdesk for ES.
- Bring people to companies. Write/come up with projects together to combine language
- Create new business models via ESP National Networks
- Create a list of opportunities and/or projects to invest in
- How can we tell stories about impact and opportunities?
- Particularly food is interesting. Make a proof of concept and link to each sector
- What is our added value? Which linkages to create
- Focus on LCA
- Make a framework of the wider picture
- Workshop that bring researchers, consultants that work with certain sectors and sector responsible together discussing needs, challenges and solutions for integrating Natural capital and ecosystem services into business management
- Raise awareness amongst researchers to communicate results also in a different way
 - e.g. what can you do with my results for policy/business
 - Translate results to tools

Problem identification

- Semantics: ES concept useful but not known, how to change this?

- Value assessments low in businesses
- Systemic change needed for total economic valuation
- Companies move fast, scientists slow
- Create value, how to translate into a new business model?
- Honesty; what is the real interest of business?

Possible collaboration

- It's clear that there is an interest from the financial sector in ES
- Involve governments more
- Engage with supply chain
- Work together with SME's
- Biodiversity assessments, integrate within ISO 14000/standards
- Look on how to integrate ES into standards e.g. EMAS, ISO... As it brings structure
 - ISO14007 Nature CBA, ISO 14008 monetary based
- It is important not to forget the SME's as they are a large part of the companies especially in Europe.
- Communicate why it is important: EU-relevant, request
- Strengthen the relation with NCC and organise some activities together

Opportunities

- Show risks of lack of Ecosystem Services is important
- Important to move from data to showcases. Some showcases are available within the industry.
- Need to demonstrate positive impact, maximizing impact not benefits
- Make message clear to do the right thing
- Communicate results clearly
- Human capital evaluation
- Awareness of results: what can you do with available methods?
- Establish structural usage of methodology
- Create a common language and a practical framework: e.g. common land: 4 returns

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