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SPECIAL

Week 49 | 2016



Final act
VNO-NCW / IUCN NL

Integrating
Natural Capital
into business practice

Room for nature in business practice

A remarkable five-year collaboration between employers' organization VNO-NCW, environmental network IUCN, and the Ministry of Economic Affairs came to a provisional finish with the conference *Natural Capital - Let's talk business!* A final act was signed by more than 70 companies and organizations of the Den Haag Business Accord on Natural Capital. With these signatures, the companies agreed to integrate natural capital into their businesses practices.

Entrepreneurs need to be much more aware of the importance of nature for their business.

The Port of Amsterdam sees a business case for a greener business environment. The Testa startup is developing vegetable Omega-3 capsules, as an alternative to fish oil. Suiker Unie is working with 9,000 sugar beet growers to improve soil fertility. These are just some of the initiatives that have received support from Platform BEE (Biodiversity, Ecosystems and Economics) in recent years. The aim of the platform was to encourage companies to engage actively with their impact on natural resources, to gain insight into dependency and exploit new opportunities. To this end, a [quick scan](#) and a [biodiversity rest](#) were developed and a [helpdesk](#) was set up. More than a hundred companies received advice from parties such as Arcadis and Nyenrode. Dozens of companies received funding for innovative projects. The [Natural Captains](#) programme brought leaders into contact with one another. Cees Oudshoorn, Managing Director of VNO-NCW, looks back with satisfaction. "The coop-

eration between companies and nature conservation organizations has greatly improved, and we now have a solid group of companies that have made good progress with this. We are continuing to support this, and we want the Natural Captains to inspire others at regional level." Coenraad Krijger, Director of IUCN The Netherlands, wants much more. "In the coming period, consideration of natural capital needs to move from the CSR managers to the boardrooms." Like Oudshoorn he is convinced of the importance of the Natural Capital Protocol presented last year. Krijger calls it "a potential game changer." Oudshoorn agrees with this. "Companies need to know the facts about their own environmental footprints. The Protocol makes this possible, and companies can now take action on that basis. We will recommend this to our members, and it should be done internationally as well. The Natural Capital Protocol should become a European Agreement."



The use of bamboo as an alternative for tropical hardwood helps to conserve forests

Linking carbon credits to flood prevention

Restoring water retention capacity in the mountains along the middle Rhine can help to prevent floods and store carbon. By buying these carbons credits, business can contribute to river restoration.

The Green Rhine Corridor Coalition, a grouping of European environmental organizations, is working on this plan with support from Platform BEE. The coalition wants to start a pilot project along the Mosel, a tributary of the Rhine. An important part of the project is to contribute to the emergence of natural marshes that capture CO₂. "We will assess the costs and earnings," says project leader Els Otterman. "On the income side, there are benefits such as the improved water quality, reduced flooding and more tourism." In terms of cost, there are land owners who have to be compensated for their 'blue' services. Nature organizations expect support from governments, because this approach helps to prevent flooding, but they also want to involve companies, to make the business case clear.

Finding the money

Finding money for projects that aim to enhance natural capital is not easy, yet there are a growing number of funds that focus on this.

Investors and fund managers are wary of projects that aim for a positive impact on natural capital. They do not fit the conventional pattern and the financial risks are unknown. The financing is often also too small, and the complexity of the projects too great. [Commonland](#) focuses a professional approach on to the restoration of degraded landscapes. "We recognize this: financing is a brain teaser" says Simon Moolenaar of Commonland. "Landscape restoration is about different activities, where the most appropriate forms of finance vary." The good news is that more funds are now becoming available for investment in projects with an integrated area approach, for example, AATIF, New Forests, Ecosystem Investment Partners and Althelia. This is evident from Enclude's Missing Link research, which was commissioned by the BEE Platform and will be published soon. Enclude advises against betting only on a single investment fund. Mixed financing is a preferable alternative, and for example, subsidy for the development phase can attract private money for a project.

What is natural capital?

Companies pay attention to their financial capital, and if that is going well, also to their social capital. But what about their natural capital? This consists of the raw materials upon which they depend - whether or not in the chain - and natural services such as clean air, water and healthy soils. The pressure on natural resources is increasing. Companies share a responsibility for this. But they are also vulnerable, for example, to rising commodity prices, or extreme weather caused by climate change. They should therefore deal wisely with natural capital, and integrate it into their business models.



RISKS AND LIABILITIES

"The global environmental problems we face will radically change the way we do business. The bottom line for business people is that systemic risks are changing, and liabilities are rising. Major recent international initiatives like Agenda 2030 and the Paris Agreement on Climate Change all rely heavily on corporate voluntarism. So step up to it, guys!"

SARAH CORNELL, COORDINATOR OF THE PLANETARY BOUNDARIES RESEARCH LABORATORY, PART OF THE STOCKHOLM RESILIENCE CENTRE

The making of...

“It was a delicate process,” says Eveline Trines, secretary of Platform BEE, and responsible for the realization of the Business Accord. The agreement was not imposed from above, but arose in the workplace. That makes it a special agreement in her eyes.

The signatories are a mix of large and small companies from all sectors, with varying impacts on natural capital. “It is the awareness that in the long term this is the right path.” Trines is “very happy” with the signature of a number of financial institutions as an incentive for greener investment portfolios. “The fact that they became involved shows that it is an important agreement which will help the parties move forward.” The Accord is voluntary, and nobody can enforce fulfillment of the promises. Trines would like to see more active preparations from the government in this area. “If the government comes up with legislation to create an enabling environment for businesses, a voluntary agreement such as this will be embraced more quickly.” But she tones down expectations in view of the forthcoming parliamentary elections in March 2017: “Everything is pretty much on hold in terms of regulation.”

Why should companies sign this Accord?

“Most companies do it because it’s the right thing to do. They are the frontrunners. They often have an intrinsic motivation: they want to make the world a better place for generations to come, and they realize that they cannot continue in the old way anymore. We are pushing the limits of what the planet can tolerate, and in some areas we have exceeded these boundaries. By signing the agreement they opt for future-proof business.”

Eveline Trines, Secretary of Platform BEE: “If the government comes up with legislation to create an enabling environment for businesses, a voluntary agreement such as this will be embraced more quickly.”

How can the peloton reach the frontrunners?

“I hope this will set an example. There is a lot happening already, also internationally. By being part of this network, companies and organizations can find each other.”

The Accord was signed by various parties. Was it difficult to unite them in this agreement?

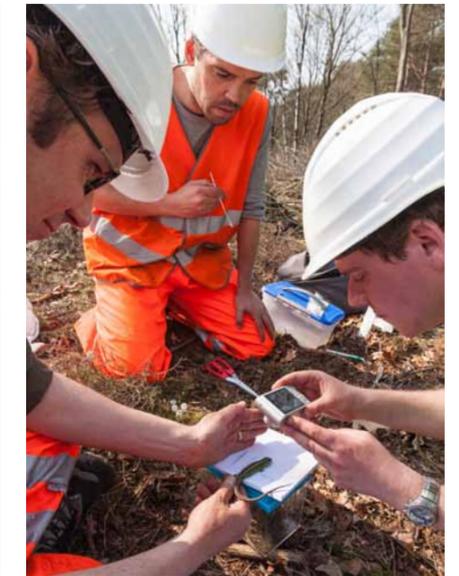
“Yes absolutely. There were basically three groups with different interests. To start with, the companies that eventually have to implement the Accord. They should take actions that fit into their business and budgets. Then the green organizations, which set the bar as high as possible. And finally, financial institutions, research institutes and consultants who have no direct impact themselves on natural capital. They are not, so to speak, in the driver’s seat. The point was to find a good balance between those different requirements, and we managed to sign up both large and small businesses, and national and international organizations.”

Have you been able to please everyone?

“No one is totally happy with a consensus document, by definition. Some parties find it too light, while others find it a huge commitment that is difficult to make. It should not be forgotten that this is a big step now, but in a few years it will be the norm.”

What was particularly sensitive?

“The word *commitment*. This has potential legal



implications, especially for large companies with American DNA. Some companies let it weigh heavily, others take it more easily. The agreement states that the steps that the companies take should fit into their businesses, and they can choose the speed of implementation according to their capacity. This has reassured them.”

The BEE platform is stopping. It has been the coordinator and driver of activities over the past five years.

“Unfortunately, the platform is stopping, but many initiatives will continue, such as the tools we have developed, which are still available, and the website www.natuurlijkkapitaal.com. Provinces such as Overijssel, Gelderland and Noord-Brabant are getting to work with natural capital and building networks. The Ministry of Economic Affairs is also starting work on a new Green Deal initiative, this time with a broader coalition. This of course includes VNO-NCW and IUCN The Netherlands, but now also the Dutch Institute of Chartered Accountants and De Nederlandsche Bank. Then the major parties will be united in one alliance. Other business cases are being considered, such as the creation of a foundation to facilitate the Natural Captains business network and the signatories of the Business Accord.”

And until that happens?

“Until then, we will guard the heritage and contents of the BEE platform to allow a smooth and easy change, hopefully towards the radical transition that is necessary for us and the planet.”

More than 70 companies and organizations signed the Den Haag Business Accord on Natural Capital.

ECOLOGISTS AT HEIJMANS

“It’s my job to inspire our customers and employees. We have recruited eight ecologists, and initially they were seen as kind of aliens in our company. But they are able to bring the different interests and values together. Look at the A12 motorway; we have widened the road and at the same time succeeded in creating more natural value. These examples show what we can do, and they inspire potential new customers.”

HELEEN HERBERT, CHIEF COMMERCIAL OFFICER OF CONSTRUCTION COMPANY HEIJMANS

Natural Capital Protocol already a success

Companies that want insight into their relationship with natural capital are increasingly using the Natural Capital Protocol (NCP). Over a short period, this protocol has become an indispensable tool for the clarification, measurement and evaluation of this relationship.

The NCP consists of ten steps a company should take when assessing its impact and dependence on natural capital. The objective is to enable companies to assess their direct and indirect interactions with natural capital, to allow better management and participation in business decisions. The NCP is applicable in all sectors. The protocol was established earlier this year, following an international process with the participation of companies, governments, research institutes and NGOs. The editors did not want to develop yet another new instrument, says Mark Gough, director of the Natural Capital Coalition. “The NCP harmonizes existing approaches and systems.” According to Gough, the strong point of the NCP is that it helps companies make better decisions. “Most managers want to leave the world a better place, but they have to work with standards and systems that are difficult to compare, such as the Sustainable Development Goals and ISO standards. The NCP can help them with this.”



Cocoa plantations allow the population to counteract deforestation

Dutch companies are saving forests

Dutch companies are investing in forest protection in Peru. The solution is a double-edged sword: the Tambopata tropical forest is conserved, and avoidance of greenhouse gas emissions create emissions allowances. Companies can thus offset their own emissions.

“There is room for more companies in this project”, says director Marjolein Demmers from De Groene Zaak (Dutch Sustainable Business) which is supporting the project. “The forest captures more emissions than we produce. The engagement of more companies is good because of the urgency of the climate problem.”

Deforestation accounts for 17 percent of global greenhouse gas emissions. In the Paris Climate Agreement, combating deforestation takes an important place under the name REDD+ (Reduced Emissions from Deforestation and Forest Degradation). Through the REDD+ Business Initiative, energy companies Essent and Eneco, Desso (part of Tarkett flooring specialist), the FMO development bank and cocoa trader Cocoonect, invest voluntarily in REDD+ projects. They thus contribute to climate change mitigation, biodiversity conservation and livelihood support of local people in developing countries. REDD+ projects are rigorously tested and monitored, not only for CO₂ emissions, but also for the benefits they bring to nature and local people. The Tambopata project will help with the initiation of cocoa plantations. That should prevent further deforestation for livestock grazing.

Transparent annual reports

Dutch companies are at the forefront of reporting on their value creation, according to research by EY among 26 major companies - half of them Dutch, half European.

Possible explanations, according to researcher Roel Drost, include the Transparency Benchmark, an annual study of the content and quality of sustainability reporting by Dutch companies, and the Crystal Prize in the area of social reporting. “The Netherlands is at the forefront.” “The development of annual reports is incredible,” says Drost. “Fifteen years ago, companies published boring annual reports with a one-year horizon, only about their financial assets. They included nothing on the value created by the company in other areas, such as human or natural capital. That is totally different now.” On average, 17 per cent of the annual report in 1975 was about the intangible values of a company, where now it is 80 percent. Of the 26 companies surveyed, just slightly fewer than half reported on their impact and dependency on natural capital. There are major noteworthy differences between sectors. The food and beverage sector scores well in terms of transparency, but the pharmaceutical sector is lagging behind. Companies in one sector keep an eye on the others, says Drost. “If one moves, the rest go along.”



OUR OWN DICTIONARY

“An agreement like this is only possible in the Netherlands. You do not see this kind of cooperation between companies, NGOs and the government in other countries. This is exactly what we need. With the Natural Capital protocol we have for the first time a common methodology and a private dictionary, and now we also have a community of companies and organizations that will put it into practice. (...) But the message for business is not easy. This is not a modest change. A radical system change is necessary to stop the race to the abyss.”

PETER BAKKER, PRESIDENT OF THE WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT

The footprint of wood from New Zealand is smaller than comparable wood from Germany.

The Otto Group measures everything

“Consumers don’t want an extra certification mark or label. They need assurance that all of our products are in order.”

For Daniel Hussmann from the Otto Group it is clear: “Every time we put a label on something, the sales collapse. This does not work. It is our own responsibility.”

The German Otto Group is one of the world’s largest retailers. Three years ago, the company opted for a far-reaching sustainability policy which extends over the entire chain, from raw material extraction to the recycling of end products. To achieve this, they designed a system to measure social and environmental impacts, and to monitor the effectiveness of the measures taken. The answer to the question of where the responsibility of the Otto Group begins is simple, says Hussmann: “On the cotton field, in timber cultivation, energy generation and consumption - and with people in factories. We see the big picture and set demanding targets.”

The management is regularly informed of progress. Meanwhile, the Otto Group uses 27 percent sustainable cotton in all textile products (the target is 100 per cent by 2020), 43 per cent FSC-certified wood in all furniture (target: 100 percent) and achieved a CO₂ reduction of 27 percent target: -50 per cent).

Platforms working together

The BEE platform is not alone. Working platforms to integrate natural capital into business practice exist in several countries.

An example is the India Business and Biodiversity Initiative (IBBI) of the Indian employers’ organization CII. Companies such as Tata, Ricoh and L’Oréal have signed the ten-point declaration of principles. IBBI provides training and develops tools to measure impact and dependencies. These tools are not public as they require customization based on the project requirements, which will help IBBI in generating revenue.

Biodiversity in Good Company is a German initiative. “We are primarily a discussion platform,” says Caroline Bossmeyer. The initiative coordinates the German national strategy for biodiversity, in which government, NGOs, businesses and knowledge institutions work together.

Lars Müller is responsible for this area in the European Union. “We are a small agency,” he says, “but we are close to the decision makers, and therefore we have influence.” At the same time he acknowledges a dependence on what companies want to share with the EU. The European Business and Biodiversity (B@B) Platform helps develop tools and describes best case studies in companies. “We want to continue with what you have developed,” Muller says to the Dutch BEE Platform. To put that into effect, he has promised to invite all European platforms for consultations in Brussels in the short term.



More biodiversity through intensive land use

Organic dairy farming requires more land than conventional or more nature-friendly production. This produces a greater negative impact on grasslands.

A positive aspect is that organic farmers, unlike their conventional colleagues, use no chemical fertilizers or pesticides, and observe strict rules for nature. But their land produces less: organic farmers need 11 percent more acreage to achieve an equivalent milk production. On the other hand, nature-friendly production, which is in between conventional and organic, leads to a 7 percent smaller biological footprint. “There is a trade-off between land area and the quality of biodiversity,” says Wilbert van Rooij from the Plansup consultancy. “More intensive land use reduces the need for land, which leaves more room for nature elsewhere. For example, extensive land use in organic dairy farming increases the biodiversity of the grassland, but that does not outweigh the additional land use needed to achieve the same production.” Van Rooij was commissioned by Platform BEE to assess the biodiversity footprints of thirteen companies. His report will soon be available.

This ‘inconvenient truth’ is the case for almost all companies surveyed that use crops. Timber company Foreco, for example, wants to know whether its NobelWood product, an alternative to tropical hardwoods, can be sourced from semi-natural forests in Germany, instead of from production in New Zealand. The yield per hectare in the German forests appears to be much lower than for New Zealand plantation timber. If Foreco wants to keep its biodiversity footprint small, then the timber can better be bought from far away, despite transport. Van Rooij explains: “The footprint is smaller with multiple economic uses of the forest. Revenues for nature conservation and recreation can reduce the footprint of the German timber.” ■

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