Accounting for what matters

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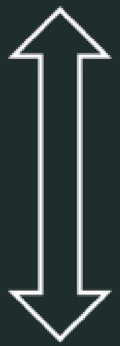
Capitals approach: 3 levers

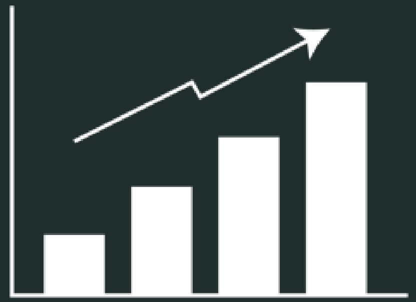
Impact & Dependency

A capitals approach highlights impacts and dependencies. A dependency cannot be ignored



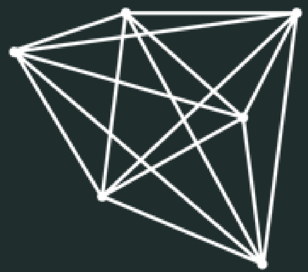
Measure to Value

Beyond measurement (outputs) to valuation (impact) = value created and/or eroded for business and for society



Silos to Systems

Integrated decision making makes visible trade-offs, shared risks and opportunities = allocate capital



**value can be expressed in qualitative, quantitative, or monetary terms*

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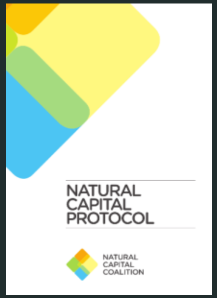
Our History

Natural Capital Protocol



Social and Human Capital Protocol

Integrated Capitals

2012 — TEEB for Business Coalition

2014 — Natural Capital Coalition

2016

2018 — Social and Human Capital Coalition

2020 — Capitals Coalition

2022 — TNFD

2024 — TISFD

……….

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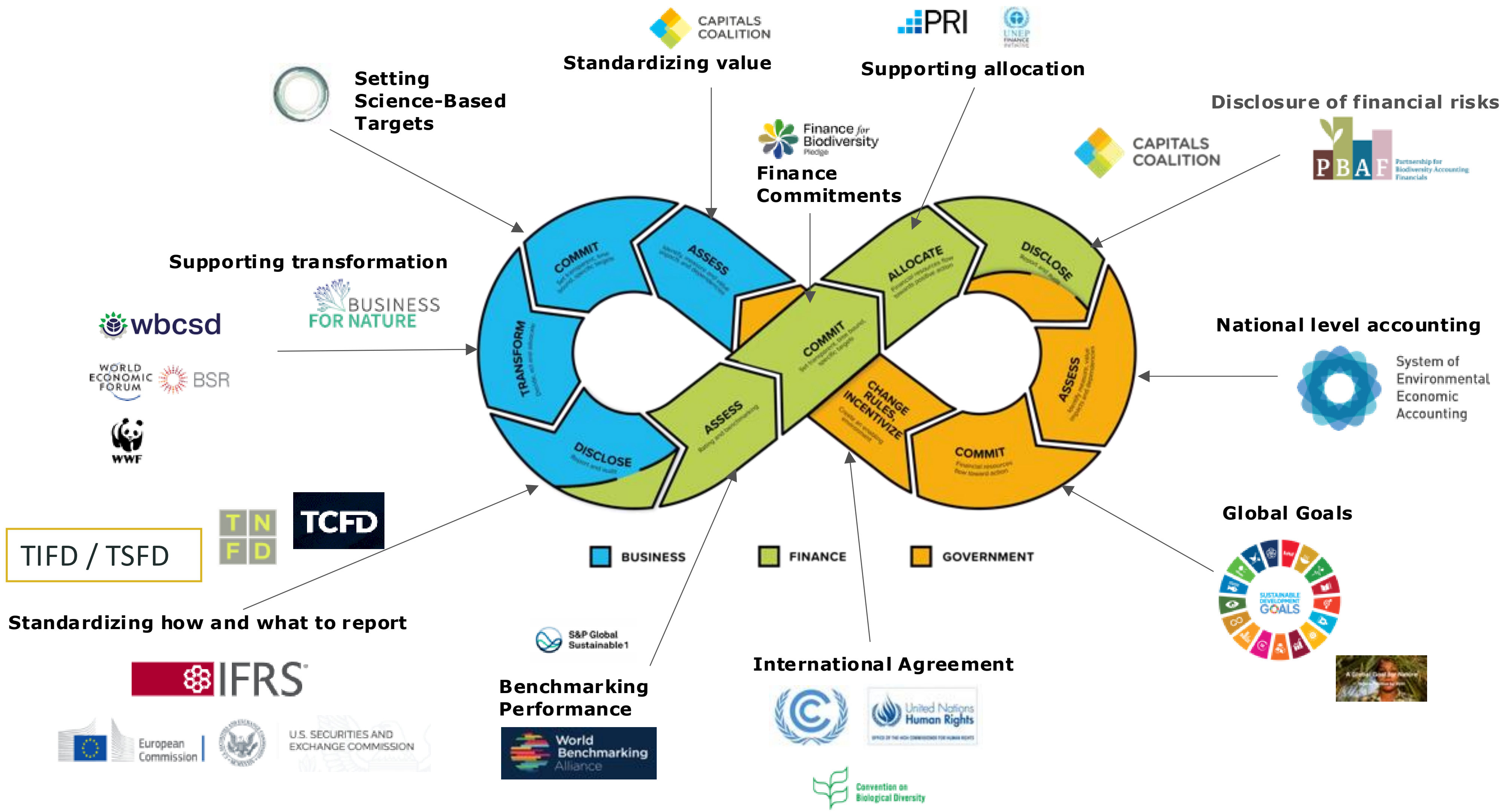
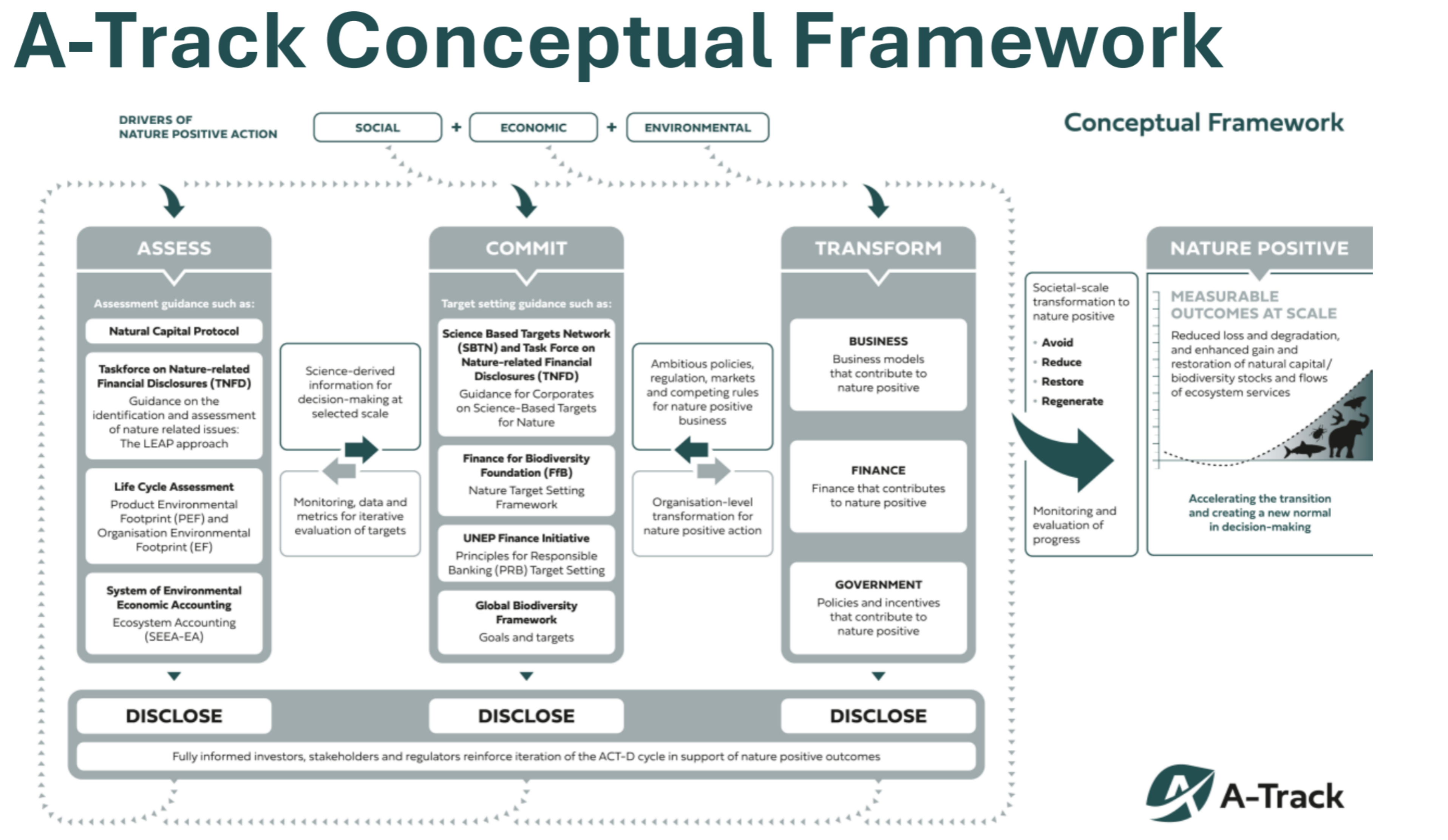
Source: Capitals Coalition 2023

Interconnected system



Business resilience

Combining Public & Private (Natural Capital)



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ENCORE


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ENCORE tool major upgrade for screening risks to Natural Capital

What are financial institutions doing?

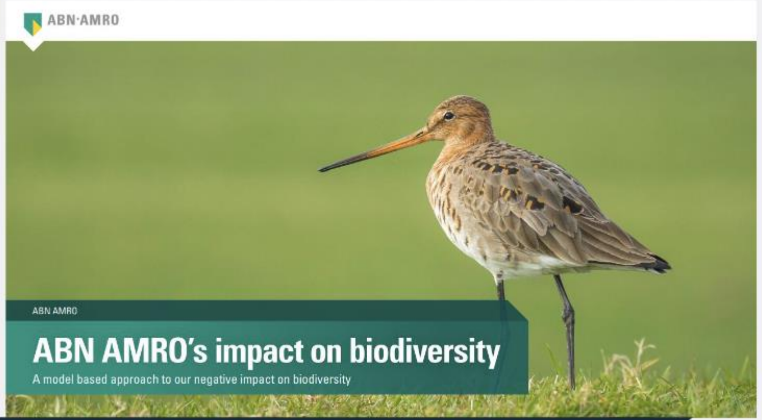
Integrated Profit & Loss Accounts

Capitals approach →

- Impact Measurement and Valuation pilot to create an Integrated Profit and Loss account for strategic decision-making at its **own operations**, **upstream and downstream value chains**.

- The UBS Sustainability and Impact Institute have published a paper on Mainstreaming Natural Capital Accounting to meet global biodiversity goals.
- White paper 'The rise if the impact economy' issued in May.

ASSESSING NEGATIVE IMPACT ON BIODIVERSITY THROUGH A MODEL BASED APPROACH



Multinational bank

DESCRIPTION: Biodiversity Impact Report
PERIOD: May 2022
ORGANIZATION: ABN AMRO Bank N.V.
SECTOR: Financial services
GEOGRAPHY: Netherlands HQ / Global with Northwest Europe focus
SIZE: Large multinational

Project Overview:

- ABN AMRO published its first biodiversity impact report in May 2022 to **assess the bank's negative impact on biodiversity and raise awareness** of this issue
- ABN AMRO's negative impact on biodiversity is **quantified and expressed as a monetary figure** (€95 million in 2021) based on four drivers of biodiversity loss: the climate crisis, land use, air pollution and water pollution
- In 2020 and 2021, most of ABN AMRO's negative impact on biodiversity was driven by **land use and climate change**
- The value chain, rather than direct operations, makes up a **significant share** of ABN AMRO's overall negative biodiversity impact

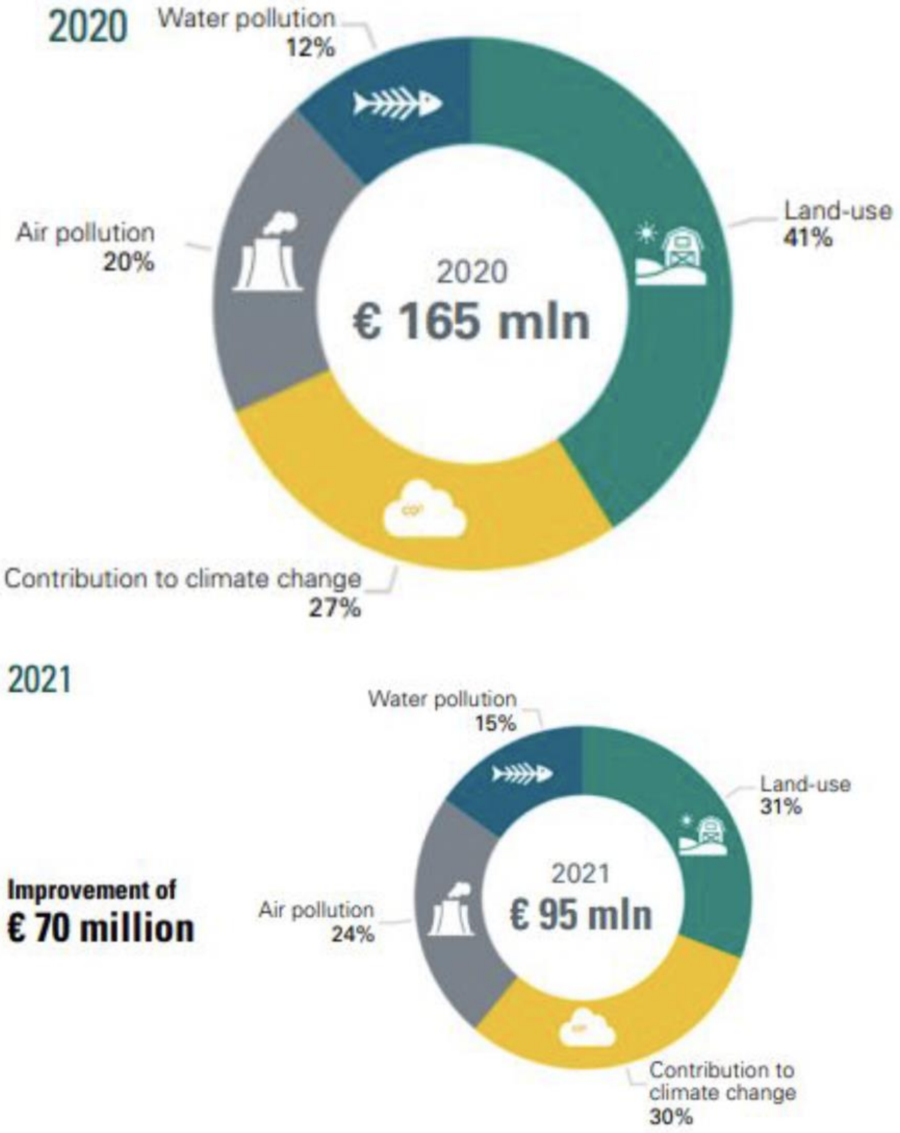
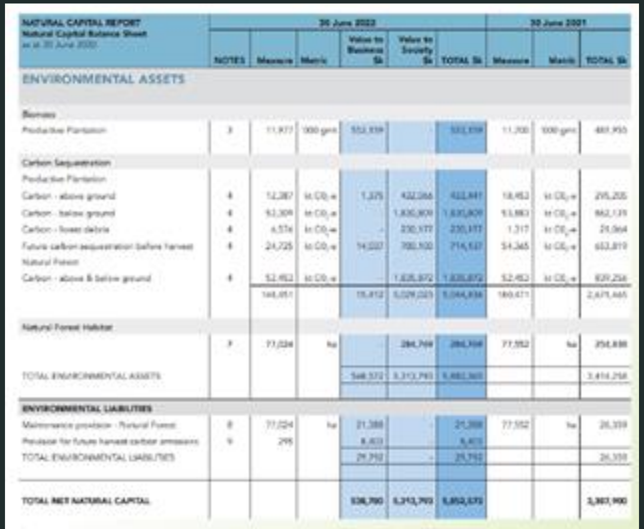


Fig. 4 *ABN AMRO's main impacts on biodiversity loss in 2020 and 2021*

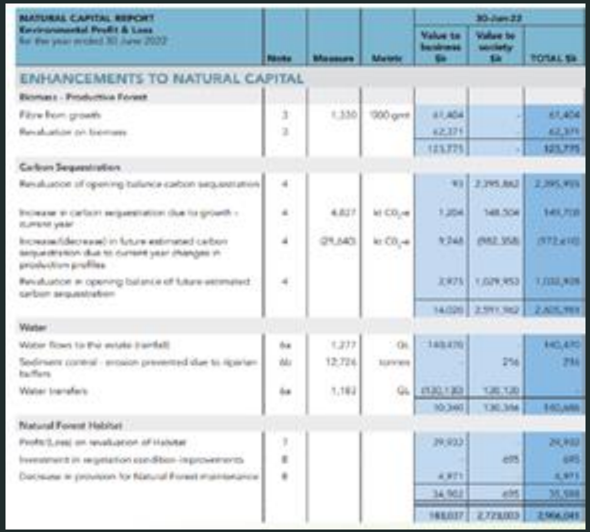
Forico - Tasmanian Forestry Company

- Materiality assessment on all capitals
- Environmental Profit & Loss Account
- Environmental Balance Sheet
- Independent Assurance KPMG
- Reported using TCFD /TNFD


NATURAL CAPITAL REPORT

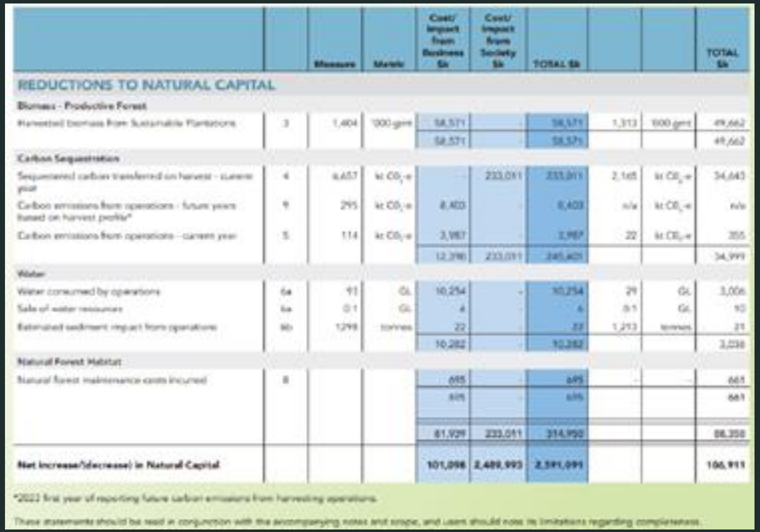
Natural Capital Balance Sheet

ENVIRONMENTAL ASSETS


NATURAL CAPITAL REPORT

Environmental Profit & Loss

ENHANCEMENTS TO NATURAL CAPITAL


REDUCTIONS TO NATURAL CAPITAL

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Natura&Co

Our impact valuation *pathway*

To measure complex impacts on quality of life and ecosystems, we defined a consistent, comparable and relevant impact indicator that reflects the change in the well-being of the people affected in the long-term.

1 Activities: reflect the Natura value chain

2 Impact drivers: drivers of social and environmental impact

3 Assessment paths

4 Measure Impact

5 Manage: performance, action plans and strategic connections

1 Activities

- Supplier chain
- Extractives communities in the Amazon region
- Direct operations (facilities and offices)
- Beauty consultants
- Use and end of product life cycle
- Carbon offsetting program
- Instituto Natura (support for education)

2 Impact drivers

Human capital
- Salary/income impact
- Gap to living income
- Debits
- Skills/knowledge
- Diversity

Social capital
- Social costs avoided
- Tax contribution
- Institutions
- Infrastructure
- Utility of products

Natural capital
- Water use
- Climate change
- Air pollution
- Water pollution
- Land use
- Resources use

3 Assessment paths

Direct effects on health and quality of life

Economic effects (individual or collective)

Utilitarian models (reflex of economic effects on quality of life)

4 Measure Impact

Change in well-being

5 Manage

- **Decision-making through monitoring** quarterly performance: business reviews and executive committee
- Integration at our **Strategic Planning process**
- **Evaluation metric in the project portfolio** in conjunction with CAPEX, OPEX, EBIT

Teams involved:

Sustainability (Impact Valuation), Finance (CFO, FP&A, Finance BP for each business), business leaders and C-level in the region.

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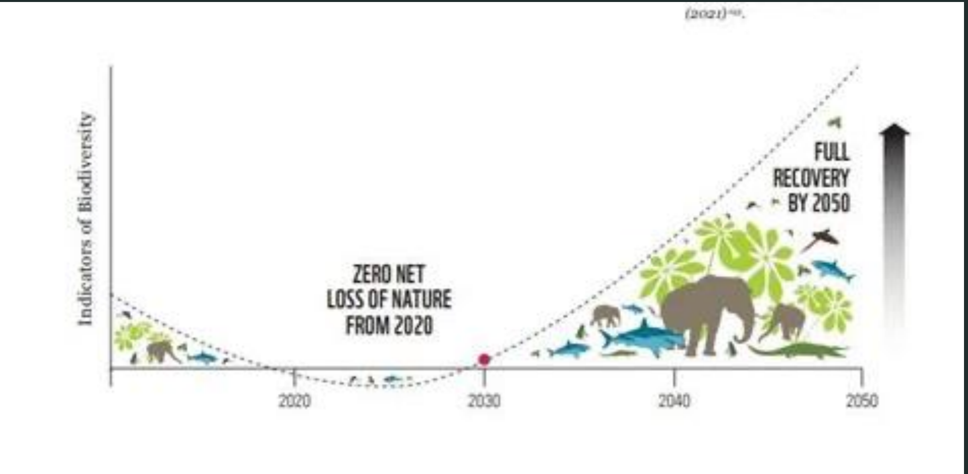
Trends

NATURE
POSITIVE
INITIATIVE



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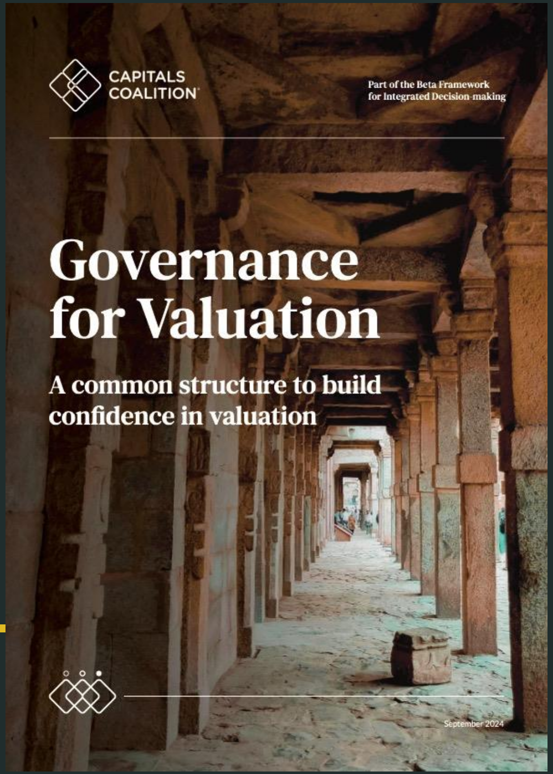
Beta Framework for Integrated Decision-making

Three Integrated Documents



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Governance For Valuation

Attribution | Transparency | Confidence | Value Notes

Why to do a capitals assessment?

- Internal company requirements for better decision making
- External reporting requirements

How to do a capitals assessment?

- Guidance documents, see Capitals Protocol, Value Balancing Alliance, Social Value International, International Foundation for Valuing Impacts, and others

How to integrate results into decision making?

- Guidance documents, see Capitals Protocol

What methodology detail to make available?

→ Governance for Valuation

How to assess confidence in results? and, **how to communicate that to others?**

→ Governance for Valuation

Value Notes

Summarizing the suitability if capitals information for decision-makers and external stakeholders

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Timeline

23rd September

Launch at NY Climate Week and commencement of Consultation period

1st October

Launch webinar AM & PM

7th November

Open Office / Q&R

31st March 2025

End of Consultation period

June/July 2025

Final Launch of CP (Framework of Integrated Decision-Making)

July 2025 onward

Socialization and implementation of the Framework documents

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Be the Change

Consultation ends March 2025