

ACCOUNTING FOR A BETTER PLANET – AN ACTION-ORIENTED NATURAL CAPITAL ACCOUNTING FRAMEWORK FOR SMEs

Country case study: Netherlands

Abstract

In this case study, Nature²Squared demonstrates their newly developed Natural Capital Accounting framework for Small and Medium-sized Enterprises (SMEs): Accounting For A Better Planet. The framework has been extensively tested with a Dutch launching customer in the food industry. The lessons learned from this collaboration, and the further rollout of the framework are highlighted in this brief case study.

SMEs as the engine for sustainable growth

Natural Capital Accounting is a successful method to incorporate the dependency and impact on our planet's resources into corporate decision-making. Yet, most Natural Capital Accounting projects are currently conducted by large enterprises. This is partly due to limited awareness, technical complexity, time-consuming activities and a focus on 'getting the numbers right' instead of action. This is a missed opportunity as SMEs are key agents in the European sustainable growth transition, whilst also representing 99% of European businesses¹.

Using the Natural Capital Protocol as an underlying framework, Nature²Squared has created a generic framework, coined Accounting For A Better Planet. The framework provides SMEs with a simple and integrated overview of their relation to natural capital, thereby enabling companies to create a positive impact where it is mostly needed. It not only allows companies to have an understanding of their impacts and dependencies on natural capital, it also identifies key areas for change.

Methodology

Accounting For A Better Planet is directly linked to the Natural Capital Protocol, yet the focus is more eschewed towards action instead of in-depth accounting. At the core of the framework are seven themes: biodiversity, land use change, climate, air quality, soil quality, water use and water quality. The main dependencies and impacts are identified via their link to the operational business activities such as sourcing, packaging and sales. Clients of Accounting For A Better Planet follow a structured step-by-step approach (see figure 1) in which SMEs are guided and assisted with their Natural Capital Accounting. The main results are obtained by a combination of desk research

¹ https://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition_en

ACCOUNTING FOR A BETTER PLANET – AN ACTION-ORIENTED NATURAL CAPITAL ACCOUNTING FRAMEWORK FOR SMES

and a series of workshops. These workshops cover onboarding (“time to get to know you” sessions), objective and scoping of the analysis (“time for decisions” sessions), materiality analysis and prioritization of the most material activities including suggestions for alternative practices (“time for action” sessions). Ultimately, multiple feedback and consultation sessions are part of the process (“time to check and adapt” sessions). The framework allows companies to easily move from analysis to implementing alternative practices.



Figure 1: The approach of the Accounting For A Better Planet framework

The launching customer

The launching customer of the Accounting for A Better Planet framework is an upcoming and small-sized seafood company based in Amsterdam that has sustainability in their DNA. They source their fish locally from the North Sea. Starting at the end of 2018, they provided the testcase for Accounting for A Better Planet and have completed the whole trajectory. This enabled Nature[^]Squared to test and finetune the service while the company could act upon the analysis and improve their relation to natural capital.

Results

The framework has been implemented and extensive feedback has been collected. During the first workshop Nature[^]Squared developed an understanding of the customer’s business operations and challenges and opportunities were flagged. In the second workshop, it became clear that the customer’s main objective to conduct Natural Capital Accounting was to create real positive impact through their business operations. A second objective was to communicate their sustainable journey with their customers. The client voiced their ambition to become a ‘thought leader’ in their sustainability field. It was furthermore decided that the scope of the analysis would be rather broad, e.g. measuring both impacts and dependencies and incorporating all supply chain stages.

The series of workshops were concluded by creating a materiality matrix, visualizing the impacts (figure 2) and dependencies (figure 3) of the client’s various business activities on natural capital. Based on this analysis and an additional stakeholder analysis, the activities of fishing, growing vegetables, and packaging were identified as most material (figure 4). Outbound logistics and sales were also prioritized as alternative practices were considered as easy to implement. Lastly, it was decided to integrate a natural capital approach into product development to ensure a sustainable design of new products. For each of the prioritized business activities, several strategies have been developed to realize sustainable changes. The strategies range from measure-

ments and qualitative research to tangible action plans when alternative practices were readily available.

Feedback & Next Steps

The set-up of the framework, including the interactive workshops, was well received. After only a few months, the company had a good understanding of their impacts and dependencies on natural capital and had clear ideas on how to move forward. This orientation on action was considered essential as they did not only want to talk about sustainability, but want to make real and positive change. Moreover, the company stressed the importance of the long-term collaboration as this is required to ingrain environmental considerations into their business model. In order to improve upon Accounting For A Better Planet the following suggestions were formulated:

- Integrate an **awareness raising workshop** in the approach. While Nature^Squared's customer already proved to be aware of the importance of analyzing and acting upon their relation to natural capital, for a lot of companies this relation may not seem that clear.
- On the technical side, there is demand for creating an **online dashboard** in order to visualize and keep track of the progress that has been made.
- Setting up a **Community of Practice** with other clients conducting the framework was encouraged as SMEs in particular benefit from cross-learning.
- In addition, **building partnerships** and a form of **certification** was found to be beneficial for building credibility.

Following this positive evaluation, the Accounting for a Better Planet framework will be available for a wider audience of SMEs to be implemented. Nature^Squared plans for a simultaneous implementation across multiple companies to spur collective learning.

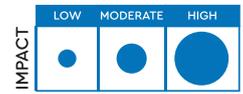
About Nature^Squared

Nature^Squared is a project office based in Amsterdam with a sound track record of projects on biodiversity and natural capital. Nature^Squared sees the global and rapid decline in biodiversity as one of the biggest threats facing mankind. At the same, they believe increasing biodiversity and restoring ecosystems present a huge opportunity to deliver positive outcomes for business, society, and our planet.

Nature^Squared's projects deliver positive impacts and sustainable outcomes. They take an integrated approach to sustainability, combining ecology with business sense, and a thorough understanding for the human factor driving change.

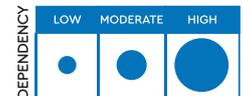
The following people were involved in realizing this project: Daan Groot (Director), Tom Kools (Project Manager), Kars Meijboom (Natural Capital Analyst), Iris Visser (Natural Capital Analyst) and Anastasia Angelovskaya (Communication).

Figure 2: Impacts on natural capital through the client's business activities



		Growing vegetables & herbs 	Fishing 	Processing 	Inbound logistics 	Operations & storage 	Packaging 	Outbound logistics & sales 
CLIMATE 		●	●●	●	●●●	●●●	●	●●●
WATER USE 		●●●		●		●	●	
AIR QUALITY 		●	●●	●	●●●	●●●	●	●●●
LAND USE CHANGE 		●					●	
SOIL QUALITY 		●●●	●●				●	
WATER QUALITY 		●●●	●●			●	●	
BIODIVERSITY 		●●●	●●				●	

Figure 3: Dependencies on natural capital through the client's business activities



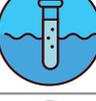
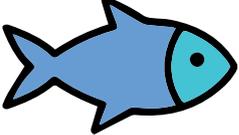
		Growing vegetables & herbs 	Fishing 	Processing 	Inbound logistics 	Operations & storage 	Packaging 	Outbound logistics & sales 
CLIMATE 		●	●					
WATER USE 		●		●		●	●	
AIR QUALITY 		●						
LAND USE CHANGE 								
SOIL QUALITY 		●						
WATER QUALITY 		●	●●	●		●		
BIODIVERSITY 		●	●●					

Figure 4: Prioritization of business activities and related strategies

MOST MATERIAL PRACTICES	ACTIONS
<p>FISHING</p> 	 <p>Qualitative research:</p> <ul style="list-style-type: none"> • Environmental impact of different species • Design a sourcing list • Investigate coalition opportunities
<p>GROWING VEGETABLES & HERBS</p> 	 <p>Immediate action:</p> <ul style="list-style-type: none"> • Engage the vegetable supplier on sustainable production methods <p>Qualitative research:</p> <ul style="list-style-type: none"> • Investigate certifications <p>Qualitative research:</p> <ul style="list-style-type: none"> • Calculate used volume & area farmed including costs of land restoration
<p>PACKAGING</p> 	 <p>Immediate action:</p> <ul style="list-style-type: none"> • Inquire about packaging options with a packaging specialist <p>Qualitative research:</p> <ul style="list-style-type: none"> • Investigate opportunities for non-virgin and degradable materials <p>Qualitative research:</p> <ul style="list-style-type: none"> • Calculate impact differentials of recycling vs. degradable and plastic vs. cardboard
<p>OUTBOUND LOGISTICS & SALES</p> 	 <p>Immediate action:</p> <ul style="list-style-type: none"> • Less business travel by car. Choose sustainable alternatives. <p>Qualitative research:</p> <ul style="list-style-type: none"> • kilometer registration commuting and CO2 measurements
<p>PRODUCT DEVELOPMENT</p> 	 <p>Qualitative research:</p> <ul style="list-style-type: none"> • Investigate opportunities for saline-tolerant vegetables. • Design a checklist with environmental indicators for introducing new products.