

Group Sustainability

Summary of the ABN AMRO biodiversity stakeholder dialogues

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Three round-table discussions with stakeholders

In December 2020, ABN AMRO and IUCN NL jointly organised three online round-table discussions on biodiversity and the role of financial institutions. Altogether, over forty attendees including members of the scientific community, representatives of NGOs, clients and investors took part in the discussions. A number of bank staff from the Task Force on Biodiversity ABN AMRO (TOBA) were also invited to attend the talks as observers.

Reasons for the dialogues

The talks were prompted by ABN AMRO's intention to strengthen its policy on biodiversity by developing a biodiversity statement and sector risk policies in which the bank identifies its aims, goals and plans in this area. The results of the stakeholder dialogues have given ABN AMRO insight into stakeholders' priorities. These will enable the bank to participate more effectively in initiatives like the Finance for Biodiversity Pledge, which it recently endorsed. The dialogues built on an earlier dialogue on biodiversity organised by the bank in 2017.

Aim of the dialogues

The aim of the discussions was threefold, namely to

- ▶ better understand the theme of biodiversity in relation to the role of financial institutions and capital,
- ▶ listen to the suggestions made by stakeholders to better shape that role and
- ▶ help to define the bank's position and risk policy in relation to biodiversity.

Structure of the stakeholder dialogues

Each dialogue was built around multiple open questions discussed in the group and consisted of a

general and a thematic section. In the introduction to the dialogues, ABN AMRO stated that it would be linking the issues of biodiversity and the environment, given the close relationship between the two.

Conclusions based on the recommendations received

The conclusions outlined in this document are based on observations made during the three stakeholder dialogues organised by the bank. The sometimes critical views and statements expressed by the external participants in the dialogues are intended to strengthen ABN AMRO's biodiversity policy and its practical implementation. The stakeholder dialogues were held under the Chatham House Rule, meaning that all attendees are free to use the information disclosed during the dialogues, provided that information is not linked with the identity of the participants. All input has thus been anonymised. The most relevant questions and points from the dialogues are summarised below. IUCN NL and ABN AMRO have formulated the following conclusions based on the recommendations received.

Top five recommendations received

- ▶ **Knowledge sharing:** ABN AMRO should join national and international initiatives, working with governments, NGOs and other stakeholders like the Partnership for Biodiversity Accounting Financials (PBAF), the DNB Sustainable Finance Biodiversity Working Group, the Delta Plan for Restoring Biodiversity and the Finance for Biodiversity Pledge. The dialogues showed that collaboration and knowledge sharing are important for achieving shared results.
- ▶ **Public reporting:** ABN AMRO should be measuring and reporting in greater detail on the impact it has on biodiversity in its Impact Report or Integrated Report as part of its environmental and sustainability reporting. The recommendation was to proceed on the basis of stress factors (e.g. the drivers of the Intergovernmental Science Policy Platform on Biodiversity and Ecosystem Services (IPBES)). This involves both direct (e.g. carbon emissions and land use) and indirect (e.g. consumption growth) stress factors. Participants in the dialogues stressed that the first step in improving impact is to measure current impact.
- ▶ **Integrating biodiversity impacts into the bank's services based on minimum requirements:** ABN AMRO should set minimum biodiversity requirements and take a proactive approach when it comes to its financial services – by establishing a biodiversity-related theme fund or by introducing certain conditions in its lending policy, for example.
- ▶ **Collaboration and dialogue with companies and investors:** ABN AMRO needs to frame the restoration of biodiversity as an opportunity in its discussions with clients and investors, since a focus on opportunities will create scope for it to invest in the natural world with its partners.
- ▶ **Bolstering a comprehensive approach:** ABN AMRO must take a comprehensive view of sustainability issues, both in quantitative, and qualitative terms. This means that the bank should address known causes underlying multiple sustainability issues (e.g. global warming).

ABN AMRO's proposed short-term action plan

- ▶ Develop an ABN AMRO biodiversity statement.
- ▶ Further integrate biodiversity into sector policy.
- ▶ Develop in-house knowledge of the biodiversity theme in Group Strategy and Sustainability, and in other departments involved in sustainability and financial services.
- ▶ Become and/or continue to be an active participant in structural dialogues at the interface between biodiversity and the role of capital (e.g. Capital Coalition, EUCoP@Biodiversity, PBAF, the DNB Sustainable Finance Working Group on Biodiversity and potential involvement as partner in the Delta Plan for Restoring Biodiversity).

ABN AMRO's possible medium-term action plan

- ▶ Make biodiversity part of a broader transformation towards a sustainable economy by focusing on indirect stress factors like economic and technological developments.
- ▶ Encourage an increase in biodiversity-friendly choices among clients through the use of incentives and disincentives. Example target groups include
 - ▶ homeowners: encourage the greening of the area around the home;
 - ▶ agricultural entrepreneurs: specify opportunities for nature-inclusive agriculture in financing and/or refinancing; and
 - ▶ the construction sector: work together on the development and wider establishment of nature-inclusive building as the norm.





Dialogues

Key structure of the dialogues

The following general questions were asked of the participants in all three dialogues:

- ▶ Why should biodiversity matter to a bank like ABN AMRO?
- ▶ Which sectors should ABN AMRO's biodiversity policy focus on?
- ▶ What is more important: "fast" or "good", given that banks' biodiversity impact assessment mechanisms are not yet fully operational?
- ▶ Which data does a bank need to make a proper assessment?
- ▶ In what way will biodiversity impact our relationship with clients?
- ▶ Lastly, how can we work together more effectively as stakeholders?

Several specific questions connected with a given theme were linked with each dialogue. These thematic questions are set out below.

Specific questions linked with dialogue 1: Life on land (SDG 15) and life below water (SDG 14) – 7 December

- ▶ What should ABN AMRO do when it comes to financing companies with a high negative deforestation impact?
- ▶ What water-related tools can ABN AMRO embed in its policy?

Specific questions linked with dialogue 2: If you can't measure it, you can't manage it – 14 December

- ▶ What should an ABN AMRO biodiversity impact analysis look like?
- ▶ Which indicators should ABN AMRO add to its current Impact Report, which it produces in partnership with the Impact Institute?

- ▶ Which tools should ABN AMRO use, and how will they help reduce negative, and increase positive, impact on biodiversity?

Specific questions linked with dialogue 3: Policy and nature conservation in the Netherlands – 15 December

- ▶ Whose primary responsibility is nature conservation? The government's, the bank's or our clients'?
- ▶ What role should the underlying causes of the loss of biodiversity, such as sociocultural or economic developments, play in ABN AMRO's approach to biodiversity?
- ▶ How can ABN AMRO get involved in Dutch nature conservation?

These questions served to guide the dialogue, and participants contributed more as the talks progressed.

Exchanges and general observations from the dialogues

Why should biodiversity matter to ABN AMRO?

A biodiversity strategy is an essential part of sustainability. After all, nearly half the world's economy is dependent on the natural world. Physical risks, like investing in companies whose production processes rely on animal pollinators, were cited by many participants as an important reason for a bank to develop an approach to biodiversity. The transition to a new economy based on technological innovation and systemic change offers opportunities. As the bank of the future, ABN AMRO must get on board now. This should include a better appreciation of externalities (social costs generated by the actions of companies or individuals). Ethical responsibility and a license to operate were also mentioned: a bank serves society and can survive only if its impact on biodiversity is in balance with society's needs.

“Biodiversity is a key component (of the financial services and policy) of a bank of the future. ABN AMRO’s position and market share mean that the bank will have to take action.”

“It’s no coincidence that ‘ecology’ and ‘economy’ are both derived from the Greek word for ‘house’, oikos. The natural world is fundamental to the economy and to our own well-being.”

In order to facilitate systemic change, ABN AMRO needs to look at both types of driver behind the loss of biodiversity: the direct (e.g. land use) and the indirect (e.g. demographic trends). The natural world is the cornerstone of our economy and society, which means we have to see impacts on biodiversity as being at the root of other sustainability challenges (e.g. climate change). In the current context, we’re putting too much emphasis on the problems themselves, such as overfishing, rather than focusing on the underlying social causes. This means society needs new tools, and banks play an important role here as lenders. The bank’s culture also has an important role to play: will an employee have the same career opportunities if they oppose an investment because of its impact on nature or biodiversity?

Sectors versus market share

Every single financial decision has an impact on biodiversity. But that’s not to say that every economic sector has the same impact on the environment. So what does all this mean for a bank like ABN AMRO, for which consumer loans, mainly mortgages, account for nearly half its loan portfolio and for which commercial real estate is another key sector? Despite the bank’s

strategic reassessment of its activities in Europe through the CIB review, participants said ABN AMRO should continue to focus on those areas where the impact on biodiversity is greatest. They recommended examining every level of the service chain – including the impact retailers have, for example. Translating the impact on biodiversity into a number of clear questions for each sector is crucial. As for specific sectors, agriculture came up repeatedly.

Is it better to move “fast with flaws” or “slow but sure”?

Participants were asked to consider the trade-off between speed and quality. The uncertainty relating to the availability and quality of data was also discussed. Measuring impact currently poses a number of difficulties, as data availability is limited. Most participants said we needed to make a start now. Otherwise it will be too late. Perfect is the enemy of the good: we need to start measuring impact now using existing tools and collaborating with other stakeholders, including NGOs. The loss of biodiversity is a matter of great urgency even though the data aren’t perfect.

“It’s not a question of ‘either/or’ but of ‘both’. You have to look at the impact on biodiversity and at market share, since neither excludes the other.”

Most tools assess the impact on biodiversity based on stress factors like land use, and often use the same underlying data. The key takeaway here is that we need to use what we have, but at the same time, we can’t let it keep us from moving forward. We need to work within the framework of the latest scientific insights and engage with new initiatives like the Science Based Targets Network. The concept of data is about more than quantification – qualitative data are important, too. We already know some things about the loss of biodiversity without the need of evidence-based data to back them up. Quantifying everything as a means in itself should not be our goal.

“The objective – to bend the curve of biodiversity loss by 2030 – is clear. Unfortunately, we still need a road map.”

“You cannot always quantify impact on nature. Qualitative data is also important. We might have made better use of all the time we spent quantifying everything had we taken more action.”

Dialogue 1: SDG 14 and SDG 15

What should ABN AMRO do when it comes to financing companies with a potentially high negative impact on land use or deforestation, for example?

In this dialogue, we discussed the choice between excluding companies with a potentially high negative impact on biodiversity and entering into a dialogue with them – through engagement collectively with other financial institutions or through shareholder voting. Participants clearly preferred engagement to exclusion, stressing that ABN AMRO can exert a great deal of influence through its investment and lending policies. In its choice, the bank must prioritise biodiversity. For instance, low-carbon investment portfolios are getting a lot of press lately, so it might be a good idea to see how biodiversity could play into that. Policies are effective only when combined with smart implementation and if all stakeholders have an equal voice. ABN AMRO should actively engage with local NGOs, assigning equal weight to their knowledge and expertise when making decisions.

Which water-related tools can ABN AMRO use?

This discussion highlighted the fact that the impact water has is always local, which makes it difficult to express in a set of global goals. The recommendation

“The CIB review notwithstanding, ABN AMRO absolutely must take a look at the deforestation value chain. It really is all about chains – even if you’re not directly investing in them, you’re probably still connected with them somehow.”

was to combine generic tools, such as those of the WWF (Water Risk Filter) and WRI (Aqueduct) with sector-specific tools like the Clean Shipping Index.

Dialogue 2: If you can’t measure it, you can’t manage it

What should a biodiversity impact analysis look like?

A biodiversity impact analysis should examine direct impacts on biodiversity, in addition to its indirect causes, as impact on biodiversity can be both direct and indirect. Banks should be looking at their own impact and that of the companies they invest in, as well as the indirect impact of suppliers, for instance, since the impact of banks is mainly indirect. Participants also said a fourth layer should be assessed – specifically, the place ABN AMRO occupies in the economic system by working with other stakeholders. It’s all about future readiness to respond to change.

“Climate and biodiversity are closely linked, and species simply can’t keep up with climate change. We need to look for solutions which will have a positive impact on both issues.”

“There’s not enough focus on the underlying social causes of these problems. We should actually be assessing indirect impacts, too, and that will require a totally different way of thinking and a totally different policy.”

Impact Report

ABN AMRO currently reports on multiple IPBES drivers – like the use of scarce materials, water consumption and pollution, climate change, land use and air pollution – in its Impact Report. When asked what other issues they would like to see discussed, participants mentioned the following additional drivers:

- ▶ Invasive species
- ▶ The over-exploitation of species, such as over-fishing
- ▶ Animal welfare
- ▶ Our relationship with materials is important and should be linked with another existing ABN AMRO theme like the circular economy
- ▶ The interplay between biodiversity and human rights

“Human rights: everything is connected with everything else. If there are problems with water consumption, for instance, that will also have a knock-on effect on human rights.”

Dialogue 3: Policy and nature conservation in the Netherlands

Making positive contributions to nature conservation

The third dialogue was devoted to policy and nature conservation in the Netherlands. One important theme here was working together to achieve results, each actor

operating on the basis of its own knowledge, capacity and experience. Government should set the terms of reference so that the bank can follow them. At the same time, though, the bank can advise government on how to make it easier to invest in nature. It’s also important to recognise that, from the perspective of many of the bank’s clients such as those active in agriculture, nature has always been the starting point. So it’s up to ABN AMRO to be proactive in discussing these issues and to work with its clients to develop nature-inclusive solutions which are economically viable and which ensure the best possible management of natural resources.

“Banks might well reward biodiversity-friendly enterprise with easier access to loans or lower interest rates.”

“Just as everything is interdependent in the natural world, it’s only together that we’ll bend the curve of biodiversity loss.”

The way we see nature within the economic conceptual framework has to change. The impact of the actions we take now – reducing nitrogen emissions, for instance – won’t necessarily result in immediate benefits for the natural world because it needs time to recover. That’s why it’s important to translate commitment into practical tools. What can local entrepreneurs do to help restore biodiversity? Policy, too, should reflect this dynamic. A proper assessment framework is needed, one in which a landscape approach should play an important role.

Nature-inclusive building must become the norm, and biodiversity in the construction industry will soon be par for the course. One example is taking climate change into account now by using green roofs. As in the climate debate, there’s often talk of reducing impacts, but we’ve long since passed this stage. It’s time we returned to a

situation which increases the value of biodiversity when it comes to land use. After all, simply maintaining climate and biodiversity impacts at their current levels isn't enough.

“We have to learn lessons from imperfect solutions for the environment like buying up credits to offset one's own emissions. It's important to do both – start now and then keep ploughing ahead because there are no quick wins here. Looking at biodiversity through a long-term lens is crucial. Planting trees now is a good thing, but a forest needs 100 years to mature.”

Dutch nature conservation

The Netherlands is a small country which is home to many small-scale nature conservation areas. If we want to stop the loss of biodiversity, we'll have to establish a different relationship with nature. That means giving more room to nature outside the EU's Natura 2000 nature protection areas. What role can ABN AMRO play here? The bank could encourage local nature conservation by setting up its own biodiversity fund. Why not link mortgages with supporting local nature conservation? Perhaps let clients borrow more not only to make their homes energy-efficient, but also to invest in a green residential environment. This will benefit both the environment and the client, as houses in greener settings tend to be worth more. Ultimately, this development in the value of mortgage collateral will also benefit the bank.

About ABN AMRO

“Banking for better, for generations to come” is ABN AMRO Bank's purpose. ABN AMRO works with clients to tackle the challenges of our time, thereby shaping the future together with them. It focuses on three strategic themes involving sustainability: the circular economy, climate and biodiversity, and social impact. The bank's commitment to sustainability stems not only from a risk perspective, but also from one of opportunities.

For more information, visit www.abnamro.com

About IUCN NL

IUCN NL is the Dutch branch of the International Union for Conservation of Nature (IUCN), the oldest and largest union for nature conservation in the world. The organisation brings together the experience, knowledge and network of 1,400 governments, civil society organisations and institutions of knowledge, as well as over 15,000 experts. IUCN is the international authority on the status of nature and on conservation measures needed. It supports companies in measuring and valuing natural capital, and helps design nature projects so that they are profitable and thus attractive to investors.

For more information, visit www.iucn.nl

Colofon

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Stakeholder Dialogue organisation and summary

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