Introduction

The first meeting of the Community of Practice (CoP) Finance and Biodiversity took place in Brussels in the premises of the European Commission (DG Environment) on 21 March 2017. This first meeting brought together 12 financial institutions (FIs) and 5 member organisations from across the EU.

The meeting aimed to convene the members of the CoP in order to discuss members’ expectations, identify future work priorities based on the areas set out in the Mission Statement, define roles and set the strategic agenda for the upcoming year. The members are set to meet four times during the year. Also an update of two important external developments were included in the agenda of the day.

Community of Practice: principles and working mode

Theory of change: The “Theory U” process as a rationale for the CoP (Caroline Van Leenders, RVO)

A CoP has the potential to reveal emerging futures through mutual learning, trust and engagement. “Theory U” shows how capacity can be developed through a journey involving a steep learning curve based on inspiration, language, stories from peers, methods, and data. It also involves collaborating with peers and creating a level playing field by gaining knowledge and engaging in a constructive dialogue with system players such as regulators and policy makers. Taking good experiences in the Netherland with working among financials to the European level the EU CoP Finance and Biodiversity participates in the transition to a green economy characterised by its various phases from pre-development to take off, acceleration, and stabilization.

Working mode of a Community of Practice (Anne-Marie Bor, AMBOR creatie)

The CoP will evolve along four process-steps: connecting, exploring, renewing and accelerating. The CoP’s principles include:

- We follow the Chatham House Rule;
- The essence is to establish a dialogue enabling pollination between peers and the CoP’s context;
- We aim to write down ideas, practice, issues, etc. for structuring & capturing shared information;
- Practice is leading: Members lead the content, the facilitators provide the process.

Sharing of practice and programming

FIs discussed the relationship of their organisation with biodiversity, starting from pictures of ecosystems they are involved in. They described the challenges and issues they are faced with, and the issues they are dealing with. These issues were checked and added or clustered in the following broad topics of the CoP’s Mission Statement. Priorities were made by the members:

1 See the website for a complete overview of members.
- Topic 1: Tools, methodologies and approaches that are able to measure impact of investments / that integrate biodiversity in portfolio and risk management / True risk models (future oriented scenarios). Including: Data access and availability.
- Topic 2: Investment strategies and approaches that have a positive impact on biodiversity / Business case – Return on investment / Finance Innovations (green bonds, impact bonds).
- Topic 3: How to set an ambition/take responsibility?
- Topic 4: Enabling Regulatory Environment; Enhancing biodiversity investing & integrating into mainstream finance.
- Topic 5: Internal capacity building & education.
- Topic 6: Transparency process of investments / Communication to/with investments.

The CoP members elaborated on the three topics that were prioritized. They identified the scope of the topic; the questions to answer; suggested ways how these could be answered; the type of output to deliver; and the partners to collaborate with.

Update on external developments

Two presentations of important external developments were included in the agenda of the day.

**High-Level Expert Group on Sustainable Finance (HLEG) – Martin Koch, DG FISMA, European Commission**

Martin Koch updated the CoP members on the ‘High-Level Expert Group on Sustainable Finance’ (HLEG) which was established on 22 December 2016 following a call for applications (28 October 2016) and is composed of 20 senior-level members from a variety of stakeholders: NGOs, financial institutions (insurers; asset managers; banks; pension funds), academia; and 9 observers (international/ European institutions).

The HLEG started in January 2017, and aims to deliver a final report with policy recommendations by end of 2017. It will include 8 meetings in total, 2 stakeholder conferences (18 July 2017 and January 2018). Its key areas of work will include: shared vision and understanding; addressing and mitigating risks; addressing structural obstacles in the EU financial policy framework; increasing capital flows, notably from private sources to green and sustainable assets (new investments).

**Finance Sector Supplement to the Natural Capital Protocol – Mark Gough, Natural Capital Coalition**

Responding to the need and interest within the financial sector recognising the value of Natural Capital for FIs (e.g. need for quantification and monetisation,) and to the new investment opportunities arising from this, Mark Gough reported on the work on a Finance Sector Supplement for the Natural Capital Protocol aiming at a framework for FIs to measure and value their impacts and dependencies on natural capital.

The Finance Sector Supplement will help financial institutions incorporate consideration of natural capital impacts and dependencies into their lending, investment and insurance practices and
processes. The Supplement will focus on banking, investment, and insurance. It will follow the same structure as the Natural Capital Protocol. The Supplement is currently being drafted and pilot-tested by companies. A broad consultation on the Finance Sector Supplement will be organised from May to August - CoP members and other financial institutions are of course invited to contribute - and the final product will be launched in January 2018 in NY. Also a Natural Capital Protocol toolkit will be live soon also to be piloted by companies.

Summary

The CoP F@B includes a variety of financial institutions who share a common interest in and ambition for better integrating biodiversity and natural capital into mainstream financial activities. They foster investments in natural capital as a new asset class and share approaches to do so. This ambition raises many challenges that were expressed by the CoP members during this meeting. Key areas of work were identified by the CoP members framing the agenda for the next meetings:

- Tools, methodologies and approaches that are able to measure impact of investments / that integrate biodiversity in portfolio and risk management / True risk models (future oriented scenarios). Including: ‘Data access and availability’

- Investment strategies and approaches that have a positive impact on biodiversity / Business case – Return on investment / Finance Innovations (green bonds, impact bonds)

- How to set an ambition/take responsibility?

The CoP F@B agreed to focus the discussion of the next meetings on these three themes as well as to stay informed and further engage with the work on the NCP Finance Sector Supplement and the HLEG. Through these meetings, the CoP will aim to develop practical solutions and find responses to these challenges thereby enabling the financial sector to take steps forward.

The second CoP meeting will be organised in the Netherlands on 29 June 2017. On 28 June a public meeting with NCC and NCFA on the Finance Sector Supplement to NCP is planned, which will be open to all financial institutions (i.e. both CoP members and non-members).