Working towards natural capital accounting and integrated reporting by financial institutions

Vicky Beukes, Social and Environmental Risk Manager, Nedbank
Chair of NCD Working Group 4: Disclosure & reporting
Agenda

- Natural Capital Declaration and Roadmap
- Integrated Reporting and natural capital
- Steps towards accounting for and reporting on natural capital
- Understanding and disclosing natural capital linked to portfolios
- NCD Working Group 4 work plan for natural capital disclosure and reporting
- Q&A
Natural capital and financial institutions

- NC is the stock of ecosystems that yields a renewable flow of goods and services that underpin the economy and provide inputs and benefits to businesses and society (e.g. food, fibre, water, energy, timber, climate security).
- Companies depend and impact on natural capital through extraction and production.
- Over-exploitation of natural capital will cause growing price volatility and business constraints across the world economy.
- Financial institutions are exposed indirectly through loans, investments or insurance.
- Growing need to address exposure to risks from natural resource constraints and pollution issues embedded in financial products.
About the NCD and Roadmap

- **Finance-led, CEO-endorsed** initiative to **mainstream** natural capital in loans, bonds, equities and insurance, as well as accounting & reporting.

- Focus on the **global financial sector**: banks, institutional investors, fund managers, insurance firms, who are working alongside supporter organisations.

- Jointly managed by **UNEP FI** and **Global Canopy Programme**

- Launched at **Rio+20** in June 2012.

- **45 financial institution signatories.**
NCD supporters (October 2013)
Outline of objectives for implementation 2013-2016

• Signatory financial institutions are working to understand, embed, account for and report on natural capital factors by 2020.
• Aim to strengthen management of risks and opportunities and increase resilience of financial products (e.g. investments, loans).
• Developing systematic and structured approaches to address natural resource, pollution and climate change challenges.
• Working Groups will develop practical guidance, methodologies, tools, frameworks and indicators to build capabilities for signatory financial institutions to implement the NCD commitments.
## 4 working groups for 4 commitments

<table>
<thead>
<tr>
<th>Working Group</th>
<th>NCD commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Understand</td>
<td>Build understanding of risks and opportunities linked to impacts and dependencies on natural capital through operations, supply chains and portfolios.</td>
</tr>
<tr>
<td>2. Embed</td>
<td>Develop methodologies to integrate natural capital considerations into financial products and services</td>
</tr>
<tr>
<td>3. Account</td>
<td>Develop methodologies to incorporate natural capital into accounting by financial institutions.</td>
</tr>
<tr>
<td>4. Disclose/report</td>
<td>Develop guidance for natural capital disclosure and reporting using an integrated approach.</td>
</tr>
</tbody>
</table>
Governance NCD

Seek multidisciplinary knowledge and expertise by inviting non-financial organizations to become supporters or join advisory network.

NCD Steering Committee
WG Chairs, Supporters

Secretariat
UNEF FI, GCP

NCD Advisory Network
Information Providers, GOs, Scientific Community

WG I
Understanding Impacts/Dependencies
Chair: Rabobank
Project Manager
Global Canopy Programme

WG II
Embedding NC in financial products
Chair: Banorte
Project Manager
Natural Value Initiative

WG III
Natural capital accounting
Chair: National Australia Bank
Project Manager
KPMG

WG IV
Natural capital disclosure/reporting
Chair: Nedbank
Project Manager
CDP
Who is the IIRC?

INTEGRATED REPORTING (IR)

Chair: Prof Mervyn King
CEO: Paul Druckman
IIRC PILOT PROGRAMME

BUSINESS NETWORK

INVESTOR NETWORK

INTEGRATED REPORTING (IR)
The Journey so far...

Summary of comments
Background Papers
PP Yearbook

Behaviour Change
Emerging <IR> Database

INTEGRATED REPORTING <IR>
The Journey so far...  ...and ahead

- Discussion Paper
- Prototype Framework
- Framework (2013)

Summary of comments
Background Papers
Pilot Programme
Yearbook

Behaviour Change
Emerging <IR> Database

December 2013
The Framework

2014 Work Plan
Value creation process

External environment

Short, medium and long term value creation by the organization

Financial
Manufactured
Intellectual
Human
Social and relationship
Natural

INTEGRATED REPORTING IR
The capitals

- Natural capital
- Manufactured capital
  - Intellectual capital
  - Social and relationship capital
  - Human capital
- Financial capital
Natural Capital Declaration: bringing natural capital accounting and integrated reporting together

A NAB case study

Rosemary Bissett
Enterprise Risk
30 October 2013
Materiality process

- Uses annual benchmarking, research and a variety of stakeholder feedback mechanisms to refresh and prioritise our CR Issues Map
- Materiality assessment framework helps prioritise issues based on potential impact on our business and significance to our stakeholders
- Assessment guides the content of our annual reporting and is an input to current and future strategic planning
- KPMG ensure our materiality process is robust and independently reviewed

- Environmental impact of our operations
- Managing exposure to environmental risks
- Responsiveness to environmental market opportunities
Our reporting journey

- 2004 – began publishing a stand alone CR Review
- 2009 – better message and data alignment between CR Review and Shareholder Review
  
  Asked ourselves why two documents?

- 2010 – first integrated Annual Review, using guidance from PwC and Accounting for Sustainability
- 2011 – joined the IIRC pilot (one of 4 Australian companies)
- 2013 – producing 4th integrated report and 2nd in line with draft IIRC guidelines
Integrated reporting – rationale

One Report allows us to:

• illustrate who we are as a company and how culture and CR are a fundamental part of how we do business

• bring together material information about our business so we can better articulate how we create and sustain value for our stakeholders

• create a single source of truth – helping our shareholders and stakeholders to find the information they require

• reporting more effectively and efficiently
Supplemented by...

Dig Deeper Papers

Series of web-based reports providing greater detail in each of our commitment areas.
Our environmental agenda

**CLIMATE CHANGE (2007)**
- Developing products and services
- Understanding risks and opportunities
- Sharing our experience with others
- Engaging and assisting our people

**RESOURCE EFFICIENCY (2010)**
- Improving resource efficiency
- Continuing employee engagement and developing positive environmental behaviours
- Embedding sustainability into purchasing decisions

**NATURAL VALUE (2011)**
- Building thought leadership
- Considering risk and revenue dependencies and hardwiring into business decisions
- Engaging our people
- Building product and service responses
- Developing tools and valuation methodologies

One of two inaugural signatories in 2011
Our approach...

Learning by doing….

- Operational reporting (GHG Protocol Scope 3 standard) and targets
- Work with Trucost and others
- Equator Principles and internal ESG risk reporting
Reporting practices: from...

From simple reporting on greenhouse emissions from energy use......

2004 Corporate Responsibility Report

2003 Annual Report

<table>
<thead>
<tr>
<th>Energy Efficiency*</th>
<th>UK</th>
<th>Aus</th>
<th>NZ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Use mWh</td>
<td>137,129</td>
<td>149,290</td>
<td>26,700</td>
</tr>
<tr>
<td>CO₂-e tonnes</td>
<td>44,934</td>
<td>171,101</td>
<td>12,015</td>
</tr>
<tr>
<td>CO₂-e tonnes/employee</td>
<td>3.46</td>
<td>3.96</td>
<td>2.06</td>
</tr>
<tr>
<td>CO₂-e tonnes/m²</td>
<td>0.13</td>
<td>0.26</td>
<td>0.08</td>
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</table>

*year ended September 30, 2002

<table>
<thead>
<tr>
<th>Environment Resource Use</th>
<th>Australia</th>
<th>UK &amp; Ireland</th>
<th>New Zealand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy (mWh)</td>
<td>207,184</td>
<td>110,387</td>
<td>22,769</td>
</tr>
<tr>
<td>mWh/FTE</td>
<td>9.29</td>
<td>6.27</td>
<td>5.29</td>
</tr>
<tr>
<td>Water (m³)</td>
<td>702,369</td>
<td>153,063</td>
<td>n.a</td>
</tr>
<tr>
<td>m³/FTE</td>
<td>31,47</td>
<td>11,47</td>
<td>n.a</td>
</tr>
<tr>
<td>Copy paper (t)</td>
<td>1,309</td>
<td>654</td>
<td>220</td>
</tr>
<tr>
<td>Sheets/FTE</td>
<td>11,734</td>
<td>9,524</td>
<td>10.916</td>
</tr>
<tr>
<td>Recycled paper (t)</td>
<td>1,189</td>
<td>2,030</td>
<td>553</td>
</tr>
<tr>
<td>General Waste (t)</td>
<td>5,069</td>
<td>2,527</td>
<td>n.a</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CO₂ emissions</th>
<th>Australia</th>
<th>UK &amp; Ireland</th>
<th>New Zealand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>tCO₂-e</td>
<td>218,073</td>
<td>27,756</td>
<td>9,760</td>
</tr>
<tr>
<td>tCO₂-e/m²</td>
<td>3.45</td>
<td>0.09</td>
<td>0.67</td>
</tr>
<tr>
<td>tCO₂-e/FTE</td>
<td>11.11</td>
<td>2.04</td>
<td>2.25</td>
</tr>
<tr>
<td>Vehicles</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No. &quot;tool of trade&quot; vehicles</td>
<td>719</td>
<td>210</td>
<td>n.a</td>
</tr>
<tr>
<td>tCO₂-e/vehicle</td>
<td>5.94</td>
<td>8.03</td>
<td>n.a</td>
</tr>
</tbody>
</table>

*Field unit data may vary for the following reasons:
- Building efficiency levels may differ.
- Energy consumption differs according to climate.
- Country conversion rates for CO₂-e vary according to type of energy mix, e.g. coal/hydro/wind.
- *n.a. = not available; t = tonnes; FTE = Full Time Employee; tCO₂-e = tonnes of CO₂ equivalents.
To ......

**Performance Summary**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee number</td>
<td>FT</td>
<td></td>
<td>45,146</td>
<td>44,315</td>
<td>39,544</td>
<td>39,044</td>
<td>39,027</td>
<td>39,387</td>
<td></td>
</tr>
<tr>
<td>Property space occupied</td>
<td>m²</td>
<td></td>
<td>1,130,081</td>
<td>1,222,162</td>
<td>1,066,480</td>
<td>1,077,905</td>
<td>1,126,996</td>
<td>1,212,205</td>
<td></td>
</tr>
<tr>
<td>Operating expenses</td>
<td>k$m</td>
<td></td>
<td>12,186</td>
<td>11,382</td>
<td>10,252</td>
<td>10,858</td>
<td>11,087</td>
<td>11,332</td>
<td>12,053</td>
</tr>
<tr>
<td>Underlying profit</td>
<td>k$m</td>
<td></td>
<td>3,660</td>
<td>3,716</td>
<td>4,161</td>
<td>4,161</td>
<td>4,161</td>
<td>4,161</td>
<td>4,161</td>
</tr>
<tr>
<td>Water consumption (estimated)</td>
<td>kL</td>
<td></td>
<td>849,326</td>
<td>729,706</td>
<td>772,799</td>
<td>911,082</td>
<td>299,169</td>
<td>641,172</td>
<td></td>
</tr>
<tr>
<td>Waste (landfill, incineration)</td>
<td>t</td>
<td></td>
<td>927</td>
<td>997</td>
<td>1,052</td>
<td>937</td>
<td>937</td>
<td>937</td>
<td>937</td>
</tr>
<tr>
<td>As &amp; Au purchased (royalty)</td>
<td>k$m</td>
<td></td>
<td>2,080</td>
<td>2,189</td>
<td>2,177</td>
<td>2,168</td>
<td>2,168</td>
<td>2,168</td>
<td>2,168</td>
</tr>
<tr>
<td>Net energy consumption (GJ)</td>
<td></td>
<td></td>
<td>1,442,975</td>
<td>1,419,240</td>
<td>1,002,187</td>
<td>955,148</td>
<td>1,083,392</td>
<td>1,055,359</td>
<td></td>
</tr>
<tr>
<td>Gross CO₂ emissions (tCO₂e)</td>
<td></td>
<td></td>
<td>110,796</td>
<td>120,920</td>
<td>166,710</td>
<td>166,268</td>
<td>166,212</td>
<td>176,680</td>
<td></td>
</tr>
</tbody>
</table>

**Summary of Group Greenhouse Gas (GHG) Emissions**

<table>
<thead>
<tr>
<th>Emissions</th>
<th>Notes</th>
<th>2010</th>
<th>2011</th>
<th>% Change</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1 emissions</td>
<td></td>
<td>34,693</td>
<td>35,711</td>
<td>3%</td>
<td>19,820</td>
<td>19,567</td>
</tr>
<tr>
<td>Scope 2 emissions</td>
<td></td>
<td>174,477</td>
<td>166,479</td>
<td>4%</td>
<td>181,097</td>
<td>176,363</td>
</tr>
<tr>
<td>Gross scope 1 and 2 emissions</td>
<td></td>
<td>209,160</td>
<td>204,190</td>
<td>2%</td>
<td>200,917</td>
<td>196,530</td>
</tr>
<tr>
<td>Scope 3 emissions</td>
<td></td>
<td>79,060</td>
<td>76,276</td>
<td>4%</td>
<td>84,815</td>
<td>86,815</td>
</tr>
<tr>
<td>Gross CO₂ emissions</td>
<td></td>
<td>110,796</td>
<td>120,920</td>
<td>9%</td>
<td>196,925</td>
<td>203,245</td>
</tr>
</tbody>
</table>

**Note 1: Reporting policies**

**Baseline for 2013 targets**

The baseline for environmental performance targets for the 2013 environmental reporting period was set to 2012, except in the case of our Australian business, which has been the subject of a 2012 baseline.

**Prior year statements**

The following statements compare our performance to our prior year baseline.

**Note 2: Environment emissions**

The Group Scope 1 emissions include those Scope 1 emissions identified as mandatory for reporting, as well as any emissions identified as relevant under the National Greenhouse Gas Emissions Reporting Standards (NGERS). The emissions data was processed by an independent third party, and the data was verified by an independent third party. The data was reported in accordance with the World Business Council for Sustainable Development (WBCSD) greenhouse gas reporting framework (GAAP).

**Note 3: GHG emissions**

The Group process emissions in 2012 were 53,710 tCO₂e. This is a 9% decrease from 2011, primarily due to a decrease in Scope 2 emissions resulting from the implementation of energy savings at our major data centres. The key reasons for this decrease:

- A decrease in emissions associated with electricity consumption, which is due to the implementation of energy-saving initiatives at our data centres.
- A decrease in emissions associated with electricity consumption, which is due to the implementation of energy-saving initiatives at our data centres.
- A decrease in emissions associated with electricity consumption, which is due to the implementation of energy-saving initiatives at our data centres.
- A decrease in emissions associated with electricity consumption, which is due to the implementation of energy-saving initiatives at our data centres.

**Table: GHG emissions by category**

<table>
<thead>
<tr>
<th>Category</th>
<th>2012 tCO₂e</th>
<th>2011 tCO₂e</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1 emissions</td>
<td>35,711</td>
<td>36,710</td>
<td>-2.7%</td>
</tr>
<tr>
<td>Scope 2 emissions</td>
<td>166,479</td>
<td>167,479</td>
<td>-0.5%</td>
</tr>
<tr>
<td>Gross scope 1 and 2 emissions</td>
<td>204,190</td>
<td>205,190</td>
<td>-0.5%</td>
</tr>
<tr>
<td>Scope 3 emissions</td>
<td>76,276</td>
<td>77,276</td>
<td>-1.3%</td>
</tr>
<tr>
<td>Gross CO₂ emissions</td>
<td>120,920</td>
<td>121,920</td>
<td>-0.8%</td>
</tr>
</tbody>
</table>

**Table: GHG emissions by region**

<table>
<thead>
<tr>
<th>Region</th>
<th>2012 tCO₂e</th>
<th>2011 tCO₂e</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia and Oceania</td>
<td>35,711</td>
<td>36,710</td>
<td>-2.7%</td>
</tr>
<tr>
<td>Europe and Africa</td>
<td>166,479</td>
<td>167,479</td>
<td>-0.5%</td>
</tr>
<tr>
<td>Australia</td>
<td>76,276</td>
<td>77,276</td>
<td>-1.3%</td>
</tr>
</tbody>
</table>

**Table: GHG emissions by product line**

<table>
<thead>
<tr>
<th>Product line</th>
<th>2012 tCO₂e</th>
<th>2011 tCO₂e</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking</td>
<td>35,711</td>
<td>36,710</td>
<td>-2.7%</td>
</tr>
<tr>
<td>Wealth Management</td>
<td>166,479</td>
<td>167,479</td>
<td>-0.5%</td>
</tr>
<tr>
<td>Treasury</td>
<td>76,276</td>
<td>77,276</td>
<td>-1.3%</td>
</tr>
</tbody>
</table>

**Table: GHG emissions by sector**

<table>
<thead>
<tr>
<th>Sector</th>
<th>2012 tCO₂e</th>
<th>2011 tCO₂e</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate</td>
<td>35,711</td>
<td>36,710</td>
<td>-2.7%</td>
</tr>
<tr>
<td>Wealth Management</td>
<td>166,479</td>
<td>167,479</td>
<td>-0.5%</td>
</tr>
<tr>
<td>Treasury</td>
<td>76,276</td>
<td>77,276</td>
<td>-1.3%</td>
</tr>
</tbody>
</table>
NCD WG 3: Accounting for natural capital

Chair: Rosemary Bissett, National Australia Bank

Project Manager: KPMG Australia

Working Group 3 aims to build capacity for financial institutions to meet the NCD commitment to:

“Work towards building a global consensus for the integration of Natural Capital into private sector accounting and decision-making; supporting, when appropriate, the related work of the TEEB for Business Coalition, and other stakeholders.”
Draft work plan for Working Group 3

Current developing implementation plan for 2014-2016

1. **Phase 1**: Mapping study to identify approaches, techniques, tools and initiatives to account for natural capital in financial statements.

2. **Phase 2**: Create detailed work plan to develop methodologies to quantify natural capital across portfolios and in financial accounts.

3. **Phase 3**: Develop and test methods for financial institutions to account for natural capital in reporting.

Consultative approach engaging NCD signatories and supporters (E.g., Nedbank, BBVA, Rabobank, ASN Bank, Kenya Commercial Bank, ACCA, TEEB for Business, GRI, WBCSD) and other experts in accounting, portfolio measurement, natural capital and environmental economics.
NATURAL CAPITAL ACCOUNTING & REPORTING

The challenges to approaching natural capital accounting in financial services products and services

Lauren Smart
Executive Director
Trucost
THE LINK BETWEEN NATURAL & FINANCIAL CAPITAL

**Newmont**

**Mine project in danger of being cancelled**
The project was suspended in 2011 at the request of Peru's central government following protests in Cajamarca by anti-mining activists. Fears are that the mine will threaten water supplies. Cancellation of the project would have serious ramifications for Newmont's growth prospects and revenue.

**H&M**

**30 per cent drop in first-quarter net profits.**
Cotton prices increased by 150% from 2010 levels. To keep their model of “cheap chic” H&M decided to internalise the increased input costs, rather than passing through to the consumer.

**Mulberry**

**36 per cent decline in pre-tax profits**
The rising cost of raw materials, such as leather, caused Mulberry's gross margins to decline to 61.3% in the six months to the end of September, from 66.2% a year previously.

**ADM**

**Share price falls 12% within a month**
Shares in Archer Daniels Midland, the world's largest corn processor, fell as corn prices surged amid fears that a widening U.S. drought will trim size of the corn crop.

**Tyson**

**Shares fell 6% in a day**
Tyson shares fell after the company cut its full-year revenue forecast and posted quarterly earnings that missed analysts' estimates as feed costs rose. Tyson said the 2012 drought in the U.S., which led to higher grain costs, is also leading to increased costs for hog and cattle producers.

**$9.6 billion cost to U.S. power sector of implementing new mercury emission limits**
The U.S. Environmental Protection Agency finalized the Mercury and Air Toxics Standards for new coal- and oil-fired power plants. The emission limits are expected to cost the industry around $9.6 billion to implement and have already had an effect on the building of new coal-fired power plants in the U.S.
Cotton Prices & Pre-Tax Profit Impact

2008 – Hurricane Gustav and Texan drought. Yield -8%

2010 – China’s drought. Yield -13%

2011 – South central and southwest USA drought. Production -13%

Source: Trucost analysis; H&M, Gap & Fast Retailing; Factset data
FTSE Commodity Exposure Index: Concealed Commodity Risk

Figure 1: Sector Ranking on average change in earnings with a 10% increase in commodity prices
STARTING POINT: IDENTIFYING MATERIAL RISK AREAS

### PUMA’S ENVIRONMENTAL PROFIT & LOSS ACCOUNT
world’s first E P&L

<table>
<thead>
<tr>
<th></th>
<th>Water use $ million</th>
<th>GHGs $ million</th>
<th>Land use $ million</th>
<th>Other air pollution $ million</th>
<th>Waste $ million</th>
<th>TOTAL $ million</th>
<th>% of total</th>
</tr>
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<tbody>
<tr>
<td>TOTAL</td>
<td>47</td>
<td>47</td>
<td>37</td>
<td>11</td>
<td>3</td>
<td>145</td>
<td>100%</td>
</tr>
<tr>
<td>PUMA operations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>8</td>
<td>6%</td>
</tr>
<tr>
<td>Tier 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>13</td>
<td>9%</td>
</tr>
<tr>
<td>Tier 2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>14</td>
<td>10%</td>
</tr>
<tr>
<td>Tier 3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>27</td>
<td>19%</td>
</tr>
<tr>
<td>Tier 4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>83</td>
<td>57%</td>
</tr>
</tbody>
</table>

www.trucost.com
For Financial Institutions Investments are where the risk is
IDENTIFY SECTORS/REGIONS OF EXPOSURE

NATURAL CAPITAL AT RISK: THE TOP 100 EXTERNALITIES OF BUSINESS
CASE STUDY: LUXURY GOODS COMPANY - RISK WEIGHTING WATER EXPOSURE

Water-related regulatory risk of the 180 manufacturing site and grape, leather and paper sourcing locations

- Cost of the regulatory water-related risk (Euros)
- Probability of the water-related regulatory risk
- Low probability high cost
- High probability high cost
- Low probability low cost
- High probability low cost
PROJECT FINANCE
Deep Analysis at Project/Investment Level

Investment of $xmn in Freeland Cattle Farm in Clarens, Kwazulu Natal, South Africa

Integrate regionally specific & business specific analysis

Environmentally adjusted IRR

Figure 5: Water availability vs use

Natural Capital Cost per mn$ capital

- GHG
- Water
- Land Use

Legend:
- Scenario 1
- Scenario 2
- Scenario 3
### True Return on Capital when externalities priced in

- Project Finance
- Equity Research

#### Value added – US electric power companies, 2004

<table>
<thead>
<tr>
<th>Company</th>
<th>NOPAT</th>
<th>EVA</th>
<th>TRUEVA</th>
<th>ROC %</th>
<th>TRU ROC %</th>
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<tr>
<td>Alliant Energy</td>
<td>323.209</td>
<td>18.815</td>
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<td>Ameren</td>
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<td>American Electric Power</td>
<td>1,429.582</td>
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<td>Centerpoint Energy</td>
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<td>Cinergy</td>
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<td>Consolidated Edison</td>
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<td>DPL</td>
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<td>Duquesno Light Holdings</td>
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<td>Edison International</td>
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<td>Firstenergy</td>
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<td>FPL Group</td>
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<td>Idacorp</td>
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<td>Nstar</td>
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<td>Popco Holdings</td>
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<td>PG&amp;E</td>
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<td>Pinnacle West Capital</td>
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<td>PNM Resources</td>
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<td>Progress Energy</td>
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<td>Sierra Pacific Resources</td>
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<td>Southern</td>
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<td>Teco Energy</td>
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<td>Unisource Energy</td>
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<td>-135.492</td>
<td>-2,231,211</td>
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<td>-7.723</td>
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</tbody>
</table>
PORTFOLIO EXPOSURE TO WATER SCARCITY COSTS

Source: Trucost analysis ‘FTSE 350 Commodity Exposure Index’
LOAN BOOK WATER EXPOSURE
Country Analysis

Loan book water quantity and water risk assessment by country

- Other
- Singapore
- United Kingdom
- Qatar
- India
- Brazil
- Ukraine
- United States of America

% of water quantity
% of total water cost
REPORTING NATURAL CAPITAL RISK
RBS – Energy Financing Report

RBS Sustainability Briefing

Our financing of the energy sector in 2011

Carbon intensity vs lending exposure:
RBS Top 25 Power clients

Carbon Footprint
- Power Companies Average 2,889
- RBS Average top 25,168

RBS Energy Project Financing in 2011
(by amount lent)

- Wind: 31%
- Solar PV: 14%
- Gas Fired: 13%
- Biomass: 13%
- Short Term Operating Reserve: 11%
- Oil: 10%
- Transmission: 8%
Working Group 4: Disclosure/Reporting

Chair: Vicky Beukes, Nedbank (South Africa)

Project Manager: CDP

Working with the NCD Secretariat to develop work plan for 2014-16 Natural Capital Declaration commitment

Working Group aims to support implementation of commitment 4: “Collaborate, when appropriate, with the International Integrated Reporting Committee (IIRC) and other stakeholders to build a global consensus around the development of Integrated Reporting, which includes natural capital as part of the wider definition of resources and relationships key to an organisation’s success.”

Approach to implementation

The program will be implemented on a voluntary basis with the goal of developing capacity building and general internal benefits within financial institutions.
To ‘investigate how to increase the level of transparency, disclosure and external reporting about the use of natural capital within operations and the ‘value chain’ of financial institutions’.

To develop a disclosure programme and guidance to build capacity of financial institutions to report primarily on their indirect use of and effect on natural capital.

To focus on the financial ‘activities’ of FIs, focusing on exposure to natural capital as providers of financial products and services (loans, investments, insurance).
WG4 Draft work plan: Output and structure

- Questionnaire for disclosure on natural capital together with guidance to support implementation of reporting.
- Disclosure programme for natural capital.
- Guidance on how financial institutions can disclose material natural capital-related information linked to their business operations, including portfolios, in an integrated way in their primary reports. E.g. Annual Reports & Accounts.

- **Work stream 1: Disclosure**
  - Research and development to enable and promote appropriate disclosure by financial institutions on their exposure to natural capital through financial ‘activities.’

- **Work stream 2: Natural capital in Integrated Reporting by FIs**
  - NCD and CDP to work with the Climate Disclosure Standards Board (CDSB) to develop guidance on including natural capital information in financial reports in the context of Integrated Reporting.
Next steps

• Consultation with NCD signatories and supporters in WG4.

• Finalise work plan with Steering Committee.

• Fundraising to deliver work plan.
QUESTIONS

www.naturalcapitaldeclaration.org
www.theiirc.org
THANK YOU

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