

Eosta's natural capital story on true cost accounting

Inspiring natural capital journeys from the food & beverage industry



Volkert Engelsman, CEO, Eosta

Eosta valued the true cost of various fruits and vegetables through developing an integrated profit and loss account of these products based on true cost accounting. It was the first Small and Medium sized enterprise (SME) in the food & agribusiness to do so.

The natural capital accounting story of Eosta demonstrates that getting to the step of monetization is **feasible for SMEs** with limited resources and shows that a **small, ambitious project can gain a lot of traction.**

Background

Eosta is an international distributor of organic fruits and vegetables, but we describe ourselves in the first place as an impact organization: “we are not so much about the mango, but about the impact of the mango”.

Recognizing that value creation informs decision-making and that “there is no sustainability without transparency”, we have taken the initiative to redefine the profit and loss account through developing a practical tool for True Cost Accounting in the Financial, Food and Farming Sectors (TCA-FFF). This [pilot](#) reveals the monetary

Eosta – where ecology meets economy - is a medium-sized, Netherlands-based international distributor of fair and organic fruits and vegetables, with a focus on overseas fruit and greenhouse crops.

Time horizon:	2016 - 2017
Time investment:	1,5 hours/week
Collaboration:	Soil & More , EY , Triodos Bank , Hivos
Scope of assessment:	Organizational focus: Corporate
Value chain boundary:	Upstream, direct operations & downstream
Impacts/dependencies:	Impacts
Value perspective:	Business & society
Types of value:	Quantitative & monetary
Capitals considered:	Natural, social and human capital
Environmental issues:	Fresh water, land and soil, climate and energy
Social & human issues:	Employment and remuneration, healthy and safety, law and order, physical and economic freedom of movement

Key resources & networks

- [FAO Sustainability Assessment for Food and Agriculture systems \(SAFA\) guidelines](#)
- [The EFSA Comprehensive European Food Consumption Database](#)
- [Natural Capital Protocol](#)
- [Social & Human Protocol](#)
- [TeebagriFood](#)
- [World Business Council for Sustainable Development](#)

“We are not so much about the mango, but about the impact of the mango”

value of social and environmental impacts, therewith including people and nature in a new profit definition.

Holding a long-term perspective, it made good business sense for us to incorporate social and environmental aspects as it can lead to cost-savings and improved resilience (e.g. through increased resistance against pests and diseases). “For our growers it is a business reality. It is not so much about the seeds. They realize that a difference is made through biodiversity”. The assessment provided a good opportunity to continuously lead and innovate in (organic) food and farming and share our learnings with other businesses in the sector.

All of our activities are built upon the [Sustainability Flower](#) which serves as a model to evaluate, manage and communicate the sustainability achievements of our organic growers. We aim to consistently apply the four Ms throughout our impact work: Measuring, Managing, Marketing and Monetizing. The True Cost Accounting assessment enabled us to complete the fourth M.

Process

In order to monetize economic, environmental and social performance, key performance

indicators have been identified based on international and business-agreed frameworks and methodologies, such as the FAO’s Sustainability Assessment for Food and Agriculture systems (SAFA) Guidelines, Natural Capital Protocol, TEEBAgriFood and the WBCSD. As an SME, we work in a pragmatic way and applied the 80/20 rule. Together with our suppliers and other stakeholders, we have selected 20% of our impact categories that together define 80% of our total impact. These top impact categories were livelihoods, health, climate, water and soil.

Building relationships proved to be a key part of our true cost accounting journey. “When you don’t know how on earth to get started on this journey, don’t be afraid to turn to friends or contacts that do”. We worked closely together with our partner consultancy Soil & More and found a willing partner in EY to measure and monetize our main social and environmental impacts at no cost. Through these relations, there was already a lot of data available, which enabled us to successfully complete the project in a relatively short timeframe and with limited budget. Under similar circumstances, one could expect to deliver a project for around 25.000 euros, assuming that a lot of the needed data is already available as you are measuring and managing most of the necessary sustainability indicators already.

Challenging moments

There were some challenging moments throughout the assessment. While environmental KPIs are relatively well-developed, monetary valuations and approaches largely differ. In addition, we faced a major challenge in finding the right KPIs and data on health. We learned that we can opt for a more subjective valuation approach and consulted the EFSA database to address this challenge.

Moreover, there is no standard on how to start measuring and monetizing your social and environmental impacts. We have selected our impact categories based on a previously conducted materiality assessment and investigated which indicators are more easily measured and

2016: previous true cost assessment on natural capital only

13 June 2017: presented the pilot project at the EAT Food Forum in Stockholm

December 2018: elected as the most sustainable company in the Netherlands

Continuing discussions on true cost accounting with research institutions and retailers

Next steps: broadening the analysis and exploring new governance models



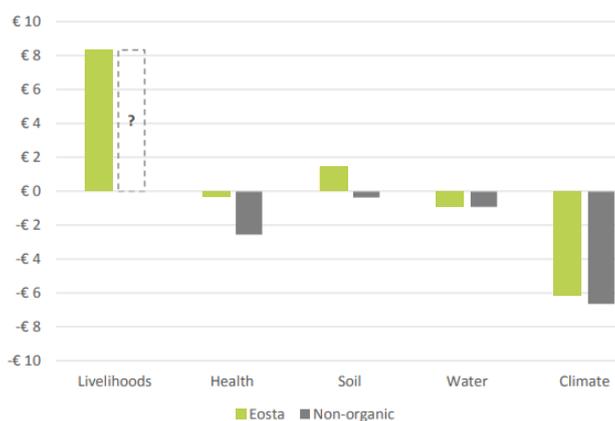
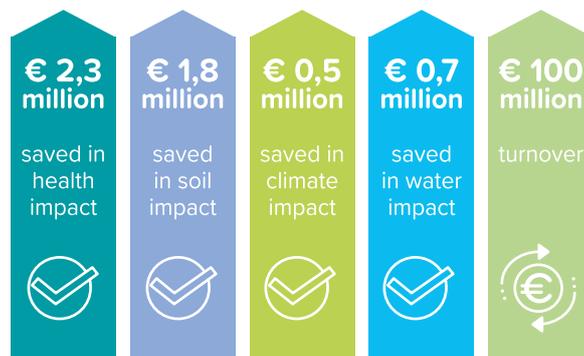
monetized than others. This led us to focus on e.g. GHG emissions, water quality and soil erosion.

Assessment outcomes

The pilot study revealed that livelihoods and climate change are the most significant impacts to focus on. While the differences between organic and non-organic products were not very distinct in these impact categories, organic products still outperformed non-organic ones. The positive impact on livelihoods could allegedly be even higher – up to five times! - when compared to the company’s net profits. Moreover, we found that health is another material impact category to consumers, showing the largest differentials between organic and non-organic produce of all impact categories. This is fully attributed to the use of pesticides that end up from the farm to the consumer. We found a 0,19 cents/kg difference in health impacts when comparing Eosta’s organic products and non-organic products, stressing the health benefits that organic produce provide. Lastly, the findings show that the numbers related to soil impacts can change from costs in the case of non-organic products to benefits for organic products, helping reduce soil erosion

Natural Capital Uptake

Before undertaking the assessment, we were already actively measuring, managing and marketing our sustainability efforts. Since our inception, we have been in the fourth stage of the



natural capital uptake framework as social and natural capital has always been fully integrated in the work of Eosta. We have founded Soil & More to provide full transparency on the origin of our products and the impact on nature and people which helped inform our decision-making processes. The major difference between then and now, is that we used to describe it in a more qualitative way, while through the assessment we could truly start monetizing our impacts. This last step is key to engage stakeholder such as the financial sector into the discussion on future farming.

Lessons learned

Undertaking this pilot project, was a valuable exercise to interpretate and integrate existing frameworks such as the Natural Capital Protocol, TeebagriFood and the SAGA Guidelines. This helped us agree on a common dashboard for monetizing social and environmental impacts. While the pilot study included some of the major impacts, others, such as biodiversity, were left out due to challenges around measurement. In a future assessment, additional impacts need to be included to provide a comprehensive overview of an agribusiness' true impact. On the other hand, it also underlines our pragmatic approach: start with what you can, instead of doing nothing at all.

Another lessons learned was that "as a relatively small, hands-on company, we decided not to stay stuck in a circle of concerns and obstacles, but

“Have the guts to go big even if your circle of influence is small”

rather, see the opportunities. This way of thinking and acting opened us up to a world of new opportunities“. It helped us move discussions around sustainability to the next phase of monetization. “We are small enough to move fast and big enough not to go unnoticed“. After finalizing the pilot project, we received a lot of attention from multiple stakeholders including retailers, the financial sector and politics, and we have won several prizes and awards which was very rewarding and encouraging. Despite this awareness, it remains challenging to capitalize on this commercially and to find the right entry point to communicate.

The pilot project has taught us that you can create a lot of impact by starting small and making a difference within your own circle of influence. It is about “dreaming, dancing and delivering“. Our curiosity and openness throughout our journey has led to meaningful connections. The collaboration with EY is a good example of that. The great deal of attention we received after the pilot project helped to further expand our circle of influence on this topic.

Next steps

The next step is to broaden the scope of the analysis by including more impacts (water scarcity, soil fertility, living wage, health, and biodiversity) as well as to improve data accuracy on the various impacts. In order to align efforts with larger sustainability developments, we are planning to make linkages explicit to the sustainable development goals of the United Nations (SDGs). First steps in this regard have already been undertaken, including health and living wage indicators.

At Eosta, we are currently exploring how to integrate true cost accounting into decision-making processes. There is need for new governance models that support the embedment of social and natural capital into business management. “I want 100% of the financial capital providers to have one third of the votes“, with the other two thirds of the voting power being in the hands of social and natural representatives. This quest may be supported by the recent developments in the financial sector. Sustainability is trickling down into the DNA and social and natural capital are increasingly being recognized as key risk mitigation areas.



CAMPAIGN IMAGE: Buy organic apples and save 27 sick days (per hectare/year). © Nature & More

“Don’t knock on closed doors. Focus on the coalition of the winning”

Key success factors for the natural capital accounting journey of Eosta were the hands-on, positive or “be bold” mentality and the creation of strong relationships. Through their great internal work already done on this topic and their valuable connections, Eosta had access to a wide pool of data, which kept costs and time investment low. Eosta’s story shows that you do not have to start big in order to gain traction on social and natural capital.



CAMPAIGN IMAGE: Buy organic pears and save 6 m³ of fertile soil (per 1000 m² per year). © Nature & More



Piece of advice

- 1. Do not start with monetization too early.** First, understand it qualitatively, learning how to include stakeholders and how to define materiality, and then quantitatively, measuring the material indicators. Only then, you can start managing and monetizing sustainability.
- 2. Dream.** Dare to be curious and ask a lot of open questions about the future. Dare to be different. Leaders come from a trend-setting minority. Know your karma: people have their own way of working. Create noise or make a secondary bookkeeping to show hidden impacts.
- 3. Dance.** Believe in the magic of human encounters and make strong connections. Find allies and co-create to deliver meaningful changes.
- 4. Deliver. Start small.** Define your circle of influence and focus on what you can do. These small actions can create lighthouse moments for the new normal.

The campaign is being led by the [Institute of Chartered Accountants in England and Wales](#) alongside the [World Business Council for Sustainable Development](#), [IUCN](#) and [Oppla](#).



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wevaluenature.eu

info@wevaluenature.eu

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