



Capitals Hub Canada

August 2024





Executive Summary

Capitals Hub Canada (CHC) is a not-for-profit organization based in Canada, part of the international Capitals Coalition. CHC focuses on enhancing the adoption of non-financial capitals (such as social, human, and natural capital) in business and economic decision-making. Their primary aim is to support businesses, especially SMEs, in accounting for and mitigating their impacts on these capitals. This effort aligns with CHC's broader vision of promoting sustainable and equitable decision-making across organizations and governments.

1 Mission, Objectives and Goals

1.1 Vision Statement and/or Mission Statement

Capitals Hub Canada (“CHC”) is a Canada-based not-for-profit organization that aims to foster the use and accounting of non-financial capitals, such as social, human, and natural capital, in economic decisions. To this end, businesses, in particular SMEs both domestically and throughout the region, will be able to report on their impacts on the various capitals, and then take steps to mitigate those impacts. CHC is a member of the international Capitals Coalition. CHC’s vision is therefore to empower the adoption of non-financial capital accounting for the betterment of decision-making processes among organizations across sectors and all levels of government, in order to build a more sustainable, equitable society.

1.2 Statement of Objectives

1.2.1 CHC’s objectives are to:

- 1.2.1.1 Support and strengthen the adoption and harmonization of non-financial capital accounting and reporting across
- 1.2.1.2 Create new, and strengthen existing, enabling environments for national-level initiatives to help businesses implement capitals assessments, reporting and mitigation of impacts.
- 1.2.1.3 Support the creation of tools, frameworks, and networks to empower all relevant stakeholders in the co-creation of pan-supply chain reporting frameworks.

2 Background and Context

The Coalition was launched as the TEEB (The Economics of Ecosystems and Biodiversity) for Business Coalition in Singapore on 6th November 2012, and rebranded in Q1 2014 as the Natural Capital Coalition (NCC). The NCC later amalgamated with the Social and Human Capitals Coalition to form the Capitals Coalition. The Capitals Coalition is a global



not for profit platform supporting scalable uptake of natural capital in business decision making.

Over the past six years, Capitals Coalition based in Amsterdam has helped in the structuring of 18 “country” focused “hubs”. The Capitals Hubs are formed by communities of practitioners that develop and scale the capital's approach within specific regional or national contexts or within industries or sectors. They connect leaders and leading initiatives to ensure that the right people are collaborating across the system, and provide a space for geographic, sector or context-specific challenges, opportunities and solutions to be explored between stakeholders. The work of the Hubs is fed back to the Capitals Coalition, and informs its work areas, priorities and strategy. Capitals Hubs evolve organically, often by building on existing networks, and are supported remotely by the Coalition.

Capitals Hub Canada (CHC) was formally established at the end of 2021 after a two-year consultative process with hundreds of stakeholders from across all major sectors and realms of influence. Unlike many other country hubs, the CHC did not start with a well-established core organization at its centre, rather the CHC has grown more organically, which allows it to attract different stakeholders with no “pre-existing” organizational rules or culture, making it more open and accessible. With seed funding from CPA Canada and the Capitals Coalition, CHC engaged an Executive Director and began to craft an online presence (and associated infrastructure). Two years later CHC has hosted and participated in many high-level events, both in person and online, bringing together key voices from industry, government, NGO, Indigenous, and other stakeholder groups to discuss, debate, and create pathways to the inclusive adoption of non-financial capital accountability within reporting frameworks. The Hub has also established a web-presence which will be expanded with more resources and features in the coming months. A particular highlight from the last COP was when the CHC hosted a major offsite side event with Ernst & Young during the CBD COP 15 conference in Montreal, which was extremely well attended and received. Other organizational highlights include CHC’s Executive Director giving the keynote opening remarks at the United Nations Environment Assembly (UNEA-6) North American Regional Consultative Meeting, acting as an invited guest judge at the world’s largest and most prestigious MBA Case Competition, and being named to Canada’s Design and Delivery of Accessible Programs and Services Technical Committee.

3.1 Organization’s Activities

3.1.1 Key Projects

- 3.1.1.1 **Roundtables on Reporting** CHC brings together key stakeholders to assess how best to encourage and harmonize capitals reporting among businesses, and in particular SMEs. In addition, building on the existing working relationships with existing Capitals Coalition Hubs in the Americas.

One of the areas of collaboration that we have sought to implement in is the establishment of the Working Committee for the CBD COP16 side events that will take place in Colombia. CHC has engaged our local partners in Canada to develop a roadmap to COP16 with a focus on two sectors (mining and agriculture) as well as engage our First Nations communities in



Canada as well as indigenous communities from the region into the development of the gathering during COP16. This work may also be applicable to the UNFCCC COP 29 also taking place in 2024 in Azerbaijan.

- 3.1.1.2 **Assisting Governments and Other Stakeholders in Designing Reporting Schemes** CHC seeks to assist stakeholders in creating reporting schemes that are interoperable/harmonized, easy for businesses (including SMEs) to use, and can dispense the information necessary for governments, investors, and other stakeholders.

Regulations for Scope 3 reporting (mostly SMEs) will come into force late 2024 and potentially be into full force by the beginning of 2026. Many of our Canadian companies have a value chain that extends beyond our borders. CHC is already engaged in the Ministers of Environment working group for Latin America.

CHC is currently working closely with members of the Working Group to implement a working group on reporting and financing solutions for SMEs.

- 3.1.1.3 **Canada / Colombia – Strategy for the green transition of small and medium enterprises (SMEs) in Value Chains**
Developing a strategic plan that will focus on the financing of the SMEs green transition which will build on three (3) pillars - [a] Data [b] Access to information [c] Sustainable Financing.

- 3.1.1.4 **Capacity Building programs for Public Development Banks on non-financial capitals reporting and integration. (Partner Momentus)**
Building on the work of Finance in Commons to present consulting services to Public Development Banks in the region to integrate non-financial capital reporting.

National development banks (NDBs) play a central role in the Latin American and Caribbean (LAC) financial sector. As such, they have the potential to mobilize and orient capital toward activities contributing to the goals of the Paris Agreement and the Sustainable Development Goals. To this end, and to successfully fulfil their development mandate, it is critical that NDBs systematically identify, assess, and manage the climate-related risks associated with their transactions, portfolios, and operations.

The journey from little action on climate to becoming climate capable allows an NDB to better understand the financial risk to itself and its clients arising from climate change and allows it to capture new opportunities. Making climate-informed investment and lending decisions and, in the long term, allocating capital in a manner that aligns with the global curbing of emissions is good business. While this work may be daunting, NDBs are not alone in the pursuit of solutions to climate risk.

Central banks, regulatory authorities and supervisory agencies, commercial banks, private and commercial investment firms, insurers, and other



financial actors have started identifying, assessing, and managing climate risks and are sharing the lessons learned in the process.

As the taxonomies of climate risk and its financial implications continue to develop, NDBs can contribute to the collective action to identify, assess, and manage those risks. NDBs that are at the beginning of their journey can start with a qualitative, rather than quantitative, internal conversation and prioritize actions to affect their top climate-sensitive sector, client, or region.

Partnering with Momentus, Finance in Commons, and the NDC Partnership, CHC will present a strategy for collaboration from a regional perspective.

3.1.1.5 **Leading Canada and Latin America XBRL jurisdiction implementations.**

Apply to XBRL international to become a jurisdiction for Canada to lead the use of XBRL for standardized non-financial capitals reporting by cities. XBRL is a freely available, machine-readable and global framework for exchanging business information, and is the best-placed framework and system that can help cities integrate and report on non-financial capitals.

Financial information alone cannot give a full picture of a company's performance, with relevant information on environmental risks and opportunities, social impacts and valuable internal intangibles currently addressed by an overwhelming proliferation of non-financial reporting frameworks. This leads to inconsistency, a lack of comparability and, ultimately, reduced transparency. Beyond business, it stands in the way of effective policy making and regulation.

The capabilities and capacity of technology and the availability of data continue to increase, driving the expectations of users and preparers, increasing the demands of governments, and facilitating the fourth industrial revolution into the digital economy. Technology provides new ways for users to obtain decision-useful data and analyse it in innovative ways.

One example is taxonomies, such as eXtensible Business Reporting Language (XBRL) and Inline XBRL (iXBRL). In addition, recently the EU reached a political agreement on an EU taxonomy to encourage private investment in sustainable growth and contribute to a climate neutral economy²⁵. Looking forward Technology has arguably not driven the changes in corporate reporting that might be expected. The adaptability of the .pdf file has served a current need. However, technology is now leading to a rethink in how to communicate information in mainstream reports. This may include the potential to permit users to make connections between key financial and non-financial data points, or to drill down behind the numbers reported in financial statements.

Therefore, the role of technology, including building on existing taxonomies, should be considered in the process of interconnected standard setting.



- 3.1.1.6 **Financial Accelerator for green/sustainable finance for cities.** Toronto, Montreal, and Bogota have recently launched multidisciplinary “labs” that focus on helping cities access green/sustainable finance.

As part of the activities to be developed this year, CHC is in discussions with the three Financial Accelerators to launch a regional working group that will leverage knowledge and collective actions to lead a series of activities that will lead to a regional strategy. Partners for this initiative include Federation of Municipalities from Latin America, the Inter-American Development Banks, and academia.

3.1.2 **Advocacy.**

3.1.2.1 **Regional Public Goods - IADB**

Applied in May 2024 to the IADB Regional Public Goods RFP. The focus will be on non-financial capitals as Regional Public Goods.

3.1.2.2 Webinars with Key Stakeholders

3.1.2.3 Advocacy through conferences and media

3.1.2.4 Participation in major conferences

3.1.2.5 Policy advice and position papers

3.1.2.6 Public Policy

3.1.2.7 Capstone Projects

3.1.3 **Networking and Knowledge Sharing**

The organization acts as a platform enabling improved communications among all its members and stakeholders.

3.1.3.1 **Utilize Experience Gained in Canada Throughout Americas**

Use the development of reporting standards and methodologies as a base to share knowledge and work across supply chains

3.1.3.2 **Building Regional Network - CAF**

Prepare a financial proposal to CAF (Development Bank of Latin America and the Caribbean) to support the strengthening of the Capitals Coalition Regional Network.

3.1.3.3 **Position Papers – Green / Sustainable transition – all levels of governments**

In partnership with universities in the region, CHC will foster regional partnerships and internship opportunities to collaborate on the development of Capstone projects. Focusing on becoming a Knowledge Hub for corporations, SMEs, governments, and financial institutions for a path to sustainability.

3.1.3.4 **Joint events with Deloitte at UNCBD COP16 in Colombia**

Deloitte’s Global Center for Sustainable Prosperity is interested in co-hosting several events at COP16. These events are being currently



planned and coordinated, and financial support has been confirmed.

4 Impact and Benefits

Through our work, the intended impact of CHC (following from our Mission and Objectives above) will be to enable and “mainstream” the use of non-financial capitals in accounting, reporting, and decision-making processes among organizations across sectors and all levels of government. Given that many of the undesirable impacts on Capitals come from the actions of corporations, we therefore hope to foster more sustainable and equitable societies. Following this overarching goal/impact, we also believe our work will achieve specific benefits for our stakeholders, as outlined below.

4.1 Impact and benefits for partners

CHC will support businesses (in particular small and medium enterprises) as well as other organizations seeking to begin, or expand, their use of non-financial capitals accounting/reporting. In addition, CHC will work with other groups (such as philanthropic foundations, environmental non-profits, and professional and accounting bodies) that can support the adoption of a capitals approach.

Through our work, we believe we can support many organizations to embrace non-financial capitals, eventually turning this into a “mainstream” practice across Canada and the Americas. This will directly support the efforts of the Capitals Coalition and their global call to make reporting on capitals mandatory - a call which directly resulted in the historic Business Decisions at COP15 in Montreal. In addition, through our work with the various Hubs across the Americas, we will be able to learn from developments in other countries (as well as incorporating lessons from other regions through work with the Capitals Coalition), and then share these best practices, forming a virtuous cycle to help scale the use of non-financial capitals among partners internationally.

4.2 Impact and benefits for local institutions

Through our work to date, CHC has already begun building partnerships with local institutions, including:

- Ernst & Young
- Deloitte
- Concordia University
- McGill University
- Future Earth
- United Nations Convention on Biological Diversity
- Finance Montreal
- Trottier Foundation
- Quebec Positif
- Other organizations.



By engaging these organizations in the projects and initiatives outlined in this document we anticipate many collaborative and mutually beneficial outcomes which can be detailed further if required.

5 Structure and Membership

- 5.1** The CHC itself is composed of partners as opposed to being specifically membership driven. Our aim is to create a “community of practice” that will allow businesses, business organizations, civil society, academia, etc. to meaningfully participate and obtain the required knowledge to understand, mitigate and report upon their impacts on the various capitals. Given that a key audience for our work is the SME community, we have decided against a membership-driven, “pay for play” model to reach the widest swath of companies and other organizations possible. We also aim to foster conversation amongst groups that might not ordinarily converse with each other or might have significantly different points of view. Again, eschewing a membership-driven model, and being independent from a single key “anchor” organization will allow the CHC to retain political independence and be seen as a neutral and fair arbiter and disseminator of information and assistance. We will however be looking at “sponsorship” opportunities as well as developing a fee for service model for certain key activities (i.e. matchmaking between service providers and clients, certain research initiatives, etc). Many of these partners may be working with other organisations or be membership-driven groups of themselves. Establishing a model for this structure will be a key challenge and will influence all other administrative and governance decisions.

The governance is composed of an Advisory Committee and a Board of Directors.

5.2 Membership Structure

5.2.1 Organizational membership

CHC’s organizational membership is comprised of actors from the private sector, NGOs, and Academia. A full list of members can be found in the attached excel file.

5.2.2 Governance membership

5.2.2.1 Advisory Committee

The Advisory Committee is composed of diverse members from member hubs and partners groups. The size of this committee may vary, but for practical purposes is not to be larger than about 15-20 members. Participation in this group can rotate on an annual basis, depending on the willingness of existing members to continue to be deeply involved and the interest of newer partners. Partners not on the advisory committee are free to submit suggestions and offer commentary on decisions. For particularly impactful decisions, the partners may be canvassed to ensure that there are no strong objections (i.e. red lines). The current membership of the advisory committee can be found here:

<https://capitalshubcanada.org/about/#leadership>



5.2.2.2 Board of Directors

The Board of Directors (BoD) that currently stewards Capitals Hub Canada will be expanded to 5-7 individuals through a selection and evaluation process. The BoD will be responsible for defining the overall strategic direction of the organization as well as all necessary reporting and initial fundraising activities. Additionally, The BoD will work to promote the organization and its mission, to elect new members of the Advisory Committee, and can represent CHC at events and other fora as necessary.