



# FINANCE FOR THE FUTURE

10 YEAR  
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**olam food ingredients:** Investing in natural capital

**Highly Commended:** Embedding an integrated approach (listed companies)

## What?

olam food ingredients (**ofi**) provides natural food and beverage ingredients, including cocoa, coffee, nuts and dairy. In 2019, **ofi** created a new department, finance for sustainability, to lead its work on multicapital accounting.

The company's Integrated Impact Statement (IIS), which is gradually being embedded into the organisation, uses multicapital accounting to calculate impacts and dependencies and present these in monetary terms.

The three most relevant capitals for **ofi** are natural, social and human capital. The 2022 IIS includes a natural capital profit and loss account and natural

capital balance sheet for **ofi** cocoa business unit. The company has also produced a case study on human capital for some of its operations in Vietnam and how it can add more financial value by further improving employee engagement.

The finance for sustainability department models scenarios to examine the outcomes of potential investments in natural capital. By treating money spent on natural capital as investments, not costs, the department has driven a shift in thinking at the organisation. As a result, this has helped **ofi** to reduce its natural capital costs and greenhouse gas emissions in cocoa processing and agriculture.

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**ofi** truly recognise the need for integrated thinking and understand that natural capital is critical to the longevity of their business. The judges were particularly impressed by the leadership shown by the finance function and **ofi**'s ability to demonstrate the benefits of changes made to both the environment and the organisation itself.

Finance for the Future Awards judges

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## Why?

As an agribusiness that grows core crops around the world, **ofi** recognises the value of considering natural, social and human capital in its decision making. Nature in particular is a critical resource for **ofi**, so taking care of its natural resources is one way that **ofi** seeks to protect its own future as a business. As such, sustainability has always been core to its purpose: **Be the change for good food and a healthy future.**

The company understands, though, the need to establish the commercial viability of environmentally and socially focused activities. Making this link requires a complete picture of the business. Multicapital accounting and the IIS offer the company an important tool for bringing environmental and social factors directly into decision making at all levels.

The Finance for Sustainability (F4S) department developed the IIS to clarify the financial impact of sustainability. Presenting natural, social and human capital investments and impacts in dollars brings the connection between financial and non-financial capital to life for decision makers used to working with traditional financial reporting formats. This approach also helps **ofi** to shift away from short-term thinking towards a longer-term view, by showing the financial rewards of investing in natural capital that are realised over a longer time period.



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The question asked of us was whether there was a way of bringing what we were doing to life by having a numerical link between sustainability and business performance. We found that if you not only do the right things, but show it in dollars and cents, then every business leader will embed it and make it happen. And that was the foundation of what we call the Integrated Impact Statement.

Rishi Kalra, Executive Director and CFO, **ofi**

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## How?

Finance has played a leading role in embedding integrated thinking at **ofi**:

- › The CFO sits on the board-level sustainability committee, which has oversight over **ofi**'s sustainability targets and sustainability framework. The sustainability framework contains ten focus areas, linked to the UN Sustainable Development Goals.
  - › In 2017, **ofi** set up a task force to look at how it could structure and produce integrated reporting. As a result of the task force, the Finance For Sustainability department was established and the groundwork laid for the IIS.
  - › The Finance for Sustainability (F4S) department uses its financial expertise and techniques to ensure the robustness of non-financial data and to develop multicapital accounting tools, including the IIS. The department's work has been crucial to bringing multicapital approaches into decision making across the organisation.
  - › In starting its work on natural capital accounting, **ofi** chose to focus first on its cocoa supply chain so it could develop and refine the process in this one, significant, business area before expanding further. Under its [Cocoa Compass](#) sustainability ambition, the company assigned a monetary value or natural capital cost to the impact of agricultural activities in its cocoa sustainability programs, like Greenhouse Gas Emissions (GHGs). From a 2018 baseline, **ofi** reduced these costs in 2021 by 27% by providing tools and training that helped farmers increase yields without cutting down forests. The company also measured and reduced its CO2 emissions and resulting natural capital costs from its global cocoa processing operations by installing circular biomass boilers powered by waste cocoa shells and switching to green electricity at certain sites. In 2021, this led to an 11% reduction per ton of product output.
- ofi**'s ultimate goal is to reduce natural capital costs across its cocoa supply chain by 30% by 2030. The company tracked greenhouse gas emissions for cocoa to the farmer level and, to understand better the impact of farming activities, **ofi** developed a carbon price to capture the environmental and social cost of carbon. Water was reviewed on a localised level, looking at water stress and water scarcity for processing facilities in different locations.
- › The company is reviewing its supply chain for other core business areas – including coffee, cashews and milk – changing its approach as needed for the different challenges that each business faces. Many products have their own sustainability goals and targets.
  - › **ofi** developed a sustainability management system, AtSource, which tracks environmental and social metrics across multiple its supply chains. There are three tiers to AtSource, catering for companies' different sustainability management requirements. AtSource Entry Verified (EV) caters for companies who are just starting their sustainability journeys and want to manage reputational risks. AtSource+ offers customers a more detailed picture with granular data on the conditions at the source of their ingredients. The top and most ambitious tier, AtSource Infinity, opens up opportunities to join ofi in customised, large-scale and transformational sustainability projects.
  - › Finance staff at **ofi** talk with external organisations about their experience. The CFO was invited by Singapore Exchange to share **ofi**'s experience of governance over climate-related risks and opportunities. The company also contributed to a report by the Institute of Singapore Chartered Accountants on climate-related financial disclosures.

[www.ofi.com](http://www.ofi.com)



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