

# **The Natural Capital Protocol**

## Feedback Report from Business Engagement Partner Interviews

June 2015



**NATURAL  
CAPITAL  
COALITION**

[www.naturalcapitalcoalition.org](http://www.naturalcapitalcoalition.org)



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## Preface

This report represents a snapshot of opinion from more than eighty businesses about the current state of play of natural capital measurement and valuation and their expectations for the Natural Capital Protocol.

As you will see, there is a wide divergence of opinion about the purpose and anticipated applications of the Protocol, which is reflected in the rich variety of opinion expressed in the quotes included in this report. It will not be practical or possible to respond to all of these (sometimes contrasting) views. Whilst continuing to develop the Protocol, our Technical Group will consider this report's content alongside other valuable insights from sources including our business piloting program, peer-review process and the Coalition Members' consultation, which are all planned for 2015.

One area that is highlighted in this report and which I would like to provide some clarity on is the purpose of the Protocol. We are writing the Protocol primarily to support better decision making and not as a reporting framework. Therefore, although it will aim to standardise the process for assessing impacts and dependencies on natural capital, it is not intended that it should provide absolute comparability of results for external disclosure, although we do acknowledge that some companies may wish to report their findings.

We are very grateful to the businesses that took part in this research and provided such important insights. This report represents a moment in time, and I fully expect that all of our opinions will evolve as we continue to collaborate in the development the Protocol and the creation of the enabling space for it to be launched in June 2016.

**Mark Gough**

**Executive Director of the Natural Capital Coalition**



# **SECTION 1: UNDERSTANDING THIS REPORT**

## Understanding this Report

This report has been prepared by EY on behalf of the Natural Capital Coalition ('Coalition') to reflect the views of a wide range of Business Engagement Partners ('BEPs') on the key factors that will influence their adoption and use of the Natural Capital Protocol ('Protocol') upon its release in 2016.

The BEP process was established by the Coalition to ensure early engagement of intended users of the Protocol, and to allow them the opportunity to influence its direction and content through providing the Protocol Technical Group ('Technical Group') with important direction at an informative stage in their writing, based upon users' requirements. The BEP process also provides a platform for sharing experiences, case studies and existing good practice that can be leveraged in the development of the Protocol.

The response to the BEP interviews has been extremely positive, and organizations from across a wide variety of sectors and geographical regions have been willing to contribute and feed in their views.

### Interviewing BEPs

As part of the process, structured interviews were conducted with over 80 BEPs between February and May 2015. The key findings from these interviews have been summarized in this report under the following sections:

- The factors that are considered most critical to widespread adoption of the Protocol
- The primary intended applications of the Protocol
- The anticipated benefits of applying the Protocol
- Responses to seven multiple choice 'straw poll' questions asked of all BEPs that inform specific technical considerations

### Formulating conclusions

The themes and issues raised by the BEP community have been highlighted and summarized, together with those elements that were regarded as critical to address in order to facilitate adoption and uptake of the Protocol. A combination of techniques, from frequency and statistical analysis to qualitative interpretation, were utilized for this report.

The interview process highlighted eight key factors that should, in the opinion of the BEPs, disproportionately influence uptake of the Natural Capital Protocol. Taken together, these conclusions are an important input into the drafting process and provide direction on content, framing, application, adoption and the benefits of the Protocol.

### Role and implications of this report

This report represents a core element in seeking to address the priorities and expectations of the market. By taking into account the key conclusions of this report in the process of developing the Protocol, we will be able to demonstrate clearly that it has responded to market needs. We expect this to play a key role in securing company endorsement upon release of the Protocol.

The pilot testing phase subsequent to the release of v0 will supplement the BEP process by providing further detailed insight into the relevance and applicability of the Protocol.



## **SECTION 2: OUR APPROACH**

## Our Approach

### Working with Business Engagement Partners

The Coalition recognizes the importance of engaging businesses in the Protocol at the outset of its development. To that end, EY was asked to lead a process of interviewing corporate contacts from differing sectors, geographical regions and organizational roles in order to:

1. Discuss what would drive interest and adoption of the Protocol, particularly at the Board level;
2. Understand the critical functions and business applications within the organization that are impacted by natural capital;
3. Acquire feedback from a technical/practical perspective about how the Protocol should be structured and presented;
4. Gauge interest in the pilot phase of the business engagement process.

Between February and May 2015 structured interviews were conducted with the Business Engagement Partners ('BEPs'), using a questionnaire agreed upon with the Coalition and the Technical Group. The questionnaire and further detail on the approach can be found in the Appendix.

Each interview was conducted with reference to the Coalition's Overview Document and sought to frame the discussion in terms of the BEP's experience with natural capital valuation and also their expectations of the Protocol and perceived relevance for decision making and other business applications.

The feedback gained through these interviews has been analyzed and collated to prepare this report, in order to help inform the development of v0 of the Protocol, especially its proposed scope.

### Representative participation

Participants included a cross-section of company representatives from technical staff to C-Suite Executives. Throughout the BEP process we interviewed over 80 companies across a wide range of geographies and industries; a further 10 to 20 BEPs are expected to be engaged via other channels, including workshops, webinars and additional interviews after the release of v0 of the Protocol. Many of the BEPs will continue to contribute to the development of the Natural Capital Protocol through focused engagement and piloting activities following the release of v0.

### Participation from mature companies

The companies that volunteered to contribute to the development of the Protocol at the inception of the project are, in most cases, more mature than the market norm regarding natural capital valuation. The results presented within are therefore skewed by this pre-existing degree of experience and should be interpreted within this context. However, these companies are also more likely to be the early adopters of the Protocol, so their views are highly relevant in informing the first draft of the Protocol.

*36% of BEPs interviewed were Level 1 or below*

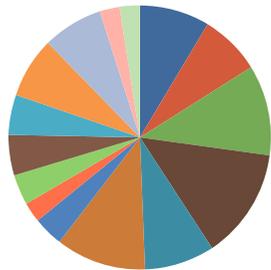
*27% of BEPs interviewed were Level 2*

*37% of BEPs interviewed were Level 3 or above*

- Level 1 – Basic awareness of natural capital and measuring core components (i.e. carbon, water)
- Level 2 – Beginning to identify material natural capital impacts and dependencies and apply valuation methodologies
- Level 3 – Advanced users who have developed in-house tools or methodologies for measuring and valuing natural capital

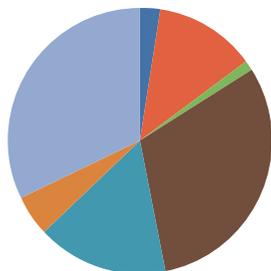
# BEP Distribution Analysis

## Sector Analysis



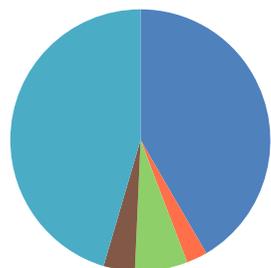
- Apparel
- Chemicals
- Construction
- Consumer Products
- FI
- Food & Beverage
- IT
- Media
- Oil & Gas
- Other
- Pharmaceuticals
- Power & Utilities
- Professional Services
- Property
- Retail

## Regional Analysis



- Africa
- Asia
- Australia/New Zealand
- Europe
- North America
- South America
- UK

## Interviewee Analysis



- Champion
- C-Suite
- High-level user
- Other
- Technical user / Practitioner

## Sector Analysis

Of the BEPs interviewed, 15 sectors were represented. The Consumer Products sector had the largest representation (14% of BEPs), followed by the Construction and Food & Beverage industries (both at 11% of BEPs) and the Apparel companies and Financial Institutions (both at 9% of BEPs).

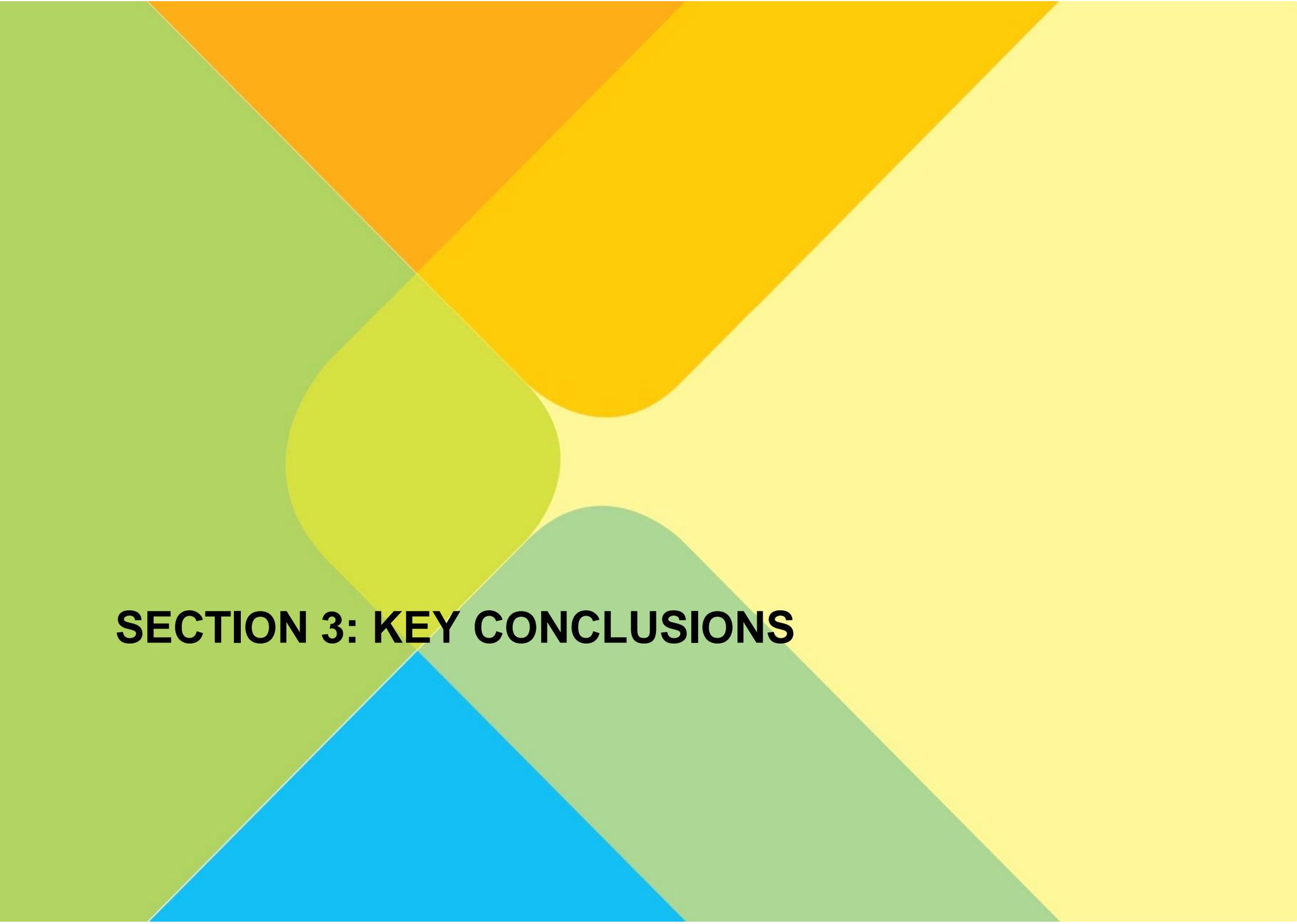
## Regional Analysis

Of the BEPs interviewed, all major geographical regions were covered. However, a significant proportion were based in Europe (31%) and the UK (32%).

The UK has been separated out from Continental Europe in the geographical analysis, with geographical regions (and the UK) presented in alphabetical order in the pie chart.

## Interviewee Perspective Analysis

Of the BEPs interviewed, a majority described themselves as either 'champions' (47%) or 'technical users' (45%). This indicates strong awareness of natural capital concepts and applications across the BEPs. We define champions as those who would sponsor or oversee an organizational assessment of natural capital impacts / dependencies and technical users as those with the expertise and capability to conduct such an assessment.



## **SECTION 3: KEY CONCLUSIONS**

## Overview

The BEP process highlighted eight key factors that could drive uptake and adoption, six primary intended applications and four main areas of anticipated benefits, as summarised below. Each area is covered on the following pages (pp. 11-20).

### Key Factors

#### Establish a clear framework that is...

- Accessible
- Flexible
- Aligned

#### ...that conveys...

- Credibility
- Relevance

#### ...and drives meaningful results...

- Comparable
- Decision-useful
- Unlocks value

See pages 11 - 18 for more information.

### Primary Applications

- Strategic planning and decision making
- Supply chain risk-assessment
- Capital allocation
- Investment decision making
- Operational decision making
- External reporting

See page 19 for more information.

### Benefits

- Improved risk management
- Better decision making
- Increased competitive advantage
- Balanced and comparable reporting

See page 20 for more information.

## Key Factors Influencing Adoption – Accessible

### Establish a clear framework that is...

#### Accessible

**The Protocol needs to be set out in clear business language that is accessible to various business functions across the organization.**

#### Implication for Coalition and the Protocol:

The Protocol requires an intuitive ‘front-end’ that sets out in a clearly presented manner the process by which a natural capital assessment should be undertaken. It needs to provide an overarching framework that will create a clear and robust mechanism for understanding corporate natural capital impacts and dependencies. It should be driven by simple, clear guidance for the approach to be followed, enabling companies to apply the Protocol self-sufficiently where practicable.

The CXO Guide, which is being drafted alongside the Protocol, should help to address a number of these points.

#### Majority view. (> 40 BEPs)

BEPs, including both technicians and champions, consistently cited usability as a key criteria of the Protocol. Key words such as user-friendly, simple or pragmatic supported this view. Self-sufficiency in application of the Protocol emerged as one of the themes from our interviews with BEPs.

#### Selection of illustrative quotes:

- Taylor Wimpey – *Ultimately the Protocol has to be practical in order to be successful. There is a tremendous amount of complexity in the natural capital space, but for it to be possible to integrate the Protocol into our day-to-day operations it has to be both simple and workable.*
- Tata Chemicals – *If it is too complicated or too tedious, it wouldn't be adopted.*
- Savills incorporating Smiths Gore – *It must be robust, simple to understand and apply, and allow for people who aren't versed in natural capital to be able to understand it.*
- AXFOUNDATION – *The methodology needs to be aligned. We can't hire a consultant every time to figure out where your biggest risks are. The NCP must enable organizations to be able to do it themselves.*
- Woolworths Holdings (ZA) – *The Protocol needs to be user-friendly and simple. We need it be fairly easily communicable to customers. Transparency is a key imperative, and we do get challenged a lot by customers on sustainability issues and claims, so we need to keep improving in this regard.*
- NEUW Ventures – *If the methodology is too complex or too costly to implement, we would struggle. We have limited resources. We need to be nimble and make quick decisions regarding investing.*

## Key Factors Influencing Adoption – Flexible

### Establish a clear framework that is...

#### Flexible

**There should be flexibility in how the Protocol is applied.**

Principles should take primacy in the Protocol over a prescriptive and rules-based approach. The Coalition should lay out a clear road-map for the development over time of beneficial rules for natural capital assessment should be laid out.

**Implication for Coalition and the Protocol:**

While the Protocol needs to provide an overarching framework to establish consistency, it should also provide a framework that is customizable and flexible to meet the needs of a specific business (such as group-level reporting or site-level operational decision making). It is important that the Coalition and the Protocol clearly position and explain the interplay between flexibility and consistency/comparability in the application of the Protocol.

**Minority view.** (< 20 BEPs)

Responses to the straw poll indicated that a mixture of both a rules-based and a principles-based approach was needed. Further enquiry revealed that the majority of those BEPs said that a principles-based approach was more important initially.

#### Selection of illustrative quotes:

- 
- Food & Beverage company – *A protocol can be useful, but it needs to be flexible so that regional/local applications are still relevant. You need an overarching approach from the Protocol that makes a relevant business case.*
  - Wessex Water Services Ltd – *A mixture of rules-based and principles-based approaches is needed. You don't want it so loose that people can stretch it, but not so constricting that we can't tell our story in a particular way. There needs to be space for learning from other organizations, i.e. the journey is as important as the destination.*
  - NEUW Ventures – *From experience with the integrated reporting approach, I think it would be better for the Protocol to be principles-based. Because it does encourage businesses to think about the right answers rather than tick boxes. Principles-based encourages deeper, complex thinking about these issues.*



## Key Factors Influencing Adoption – Aligned

### Establish a clear framework that is...

#### Aligned

It was regarded as critically important for the Protocol to align with other international initiatives and existing good practice to ensure that the Protocol is seen as complementary to these rather than representing an additional reporting requirement.

#### Implication for Coalition and the Protocol:

The Protocol should align with key reporting initiatives, such as the <IR> Framework or GRI G4. It should be harmonized and/or clearly linked to other available initiatives and detail how it replaces or builds upon existing methodological approaches and tools. It should also demonstrate how natural capital connects to other forms of capital (such as those outlined in the <IR> Framework), particularly social capital.

#### Mixed View. (> 20 and < 40 BEPs)

Most BEPs noted that the Protocol should ensure it is aligned with other existing approaches, but a small minority of BEPs provided much bolder opinions that it should supplant these other approaches and methodologies.

#### Selection of illustrative quotes:

- 
- Shell – *To facilitate uptake of Natural Capital with business there needs to be a consolidation of existing measurement and valuation methodologies into one common framework that creates consistency across what is seen as a credible way of assessing Natural Capital.*
  - Kering – *We have invested a significant amount of effort convening experts, refining and field-testing our natural capital accounting methodology and implementing and scaling it across our brands. If the Protocol is completely different from the direction we have already taken with our Environmental Profit and Loss Account (E P&L), it will create confusion among other companies and the extended set of stakeholders we collaborate with.*
  - Mars, Incorporated – *It's about aligning with existing approaches and then providing added value to accelerate delivery.*
  - Outdoor Industry Association – *The NCP should be closely linked with existing tools (i.e. the Higg Index). Making sure these tools are harmonized with each other is critical for uptake and adoption of the Protocol in the industry, and will be necessary to ensure it does not contribute to increased audit fatigue in companies' supply chains.*
- 

## Key Factors Influencing Adoption – Credibility

...that conveys...

### Credibility

**The Protocol must be credible.** The Protocol needs to be based on peer-reviewed scientific data, and developed in a collaborative and transparent manner with the business community, whose endorsement upon release will be critical in driving widespread adoption.

**Implication for Coalition and the Protocol:**

The Coalition should plan how it will secure this level of widespread global endorsement, including related institutions for whom the natural capital agenda is relevant.

**Majority view.** (> 40 BEPs)

Responses to the straw poll indicated credibility as one of the top three principles for conducting a natural capital assessment.

#### Selection of illustrative quotes:

- 
- Marks & Spencer – *If something is going to work it has to be collaborative and with scale.*
  - The Dow Chemical Company – *The Protocol has to be credible to the Government and regulators. The breadth of people working on the Protocol brings a whole lot more wisdom to the situation.*
  - Unilever – *The Protocol has to be adopted by our peer group – this would encourage adoption and influence decision making, i.e. make a strong business case.*
  - TD Bank Group – *If you can develop a protocol that is seen to be consistent with an established framework that is accepted in the business world, it is more likely to be picked up by our group. We have a diverse group of stakeholders and are committed to mainstreaming the concept of natural capital, taking it beyond the sustainability world.*
  - Royal Philips NV – *To add credibility, the Protocol should be comparable and auditable; it will be successful if you have wide adoption by companies.*
- 

## Key Factors Influencing Adoption – Relevance

...that conveys...

### Relevance

**The Protocol should enable Boards to understand the strategic, commercial, financial and operational relevance of natural capital.**

#### Implication for Coalition and the Protocol:

The Protocol should enable companies to identify their material natural capital impacts and translate the relevance of these impacts to strategic, commercial, operational and financial objectives. It should be sufficiently self-explanatory that an experienced team of professionals within the company can interpret and apply the Protocol without the need for significant external support.

The CXO Guide will provide Boards with the appropriate level of detail they may require to sponsor an assessment of their organization's material natural capital impacts and dependencies.

#### Majority opinion. (> 40 BEPs)

BEPs indicated that translating the benefits of a natural capital assessment to align with core business imperatives is critical.

#### Selection of illustrative quotes:

- Olam International Ltd – *The Protocol has to be relevant and useful for business and identify materiality. It must help an organisation adopt natural capital valuation into their business processes. If not, then the Protocol will stay niche and won't achieve its aim of universal uptake.*
- Food & Beverage company – *Link to core business strategy is critical. Also, to align linguistics and provide messages in a way that traditional business leaders understand.*
- Pharmaceuticals company – *Most existing protocols for measuring these impacts are overly complicated and very technical. They are often too focused on scientific rigor rather than commercial application. We want to know material natural capital dependencies and impacts to two significant figures, not three decimal places.*

## Key Factors Influencing Adoption – Comparable

...and drives meaningful results...

### Comparable

**The Protocol must facilitate comparability of natural capital impacts and dependencies within a company and across peer-group companies.**

#### **Implication for Coalition and the Protocol:**

The Protocol should be underpinned by a common and universally accepted methodology to generate outputs that are consistent and comparable across companies and across industries. The Sector Supplements (for Food & Beverage and Apparel) were regarded as a good way to help achieve comparability. Transparency is felt to play a critical role in enabling comparability so that data sources, methods and assumptions driving a natural capital assessment can be fully understood and interpreted.

#### **Majority view.** (> 40 BEPs)

Despite most BEPs citing the benefits of and need for comparability, most would not use the Protocol as a reporting tool to publish information externally, which illustrates an inherent contradiction at the heart of many organizations' ambitions for and anticipated applications of the Protocol.

#### **Selection of illustrative quotes:**

- Marks & Spencer – *We would like to see a clarity of understanding/language and alignment across companies for the Protocol, i.e. a standard point of reference even if they apply it slightly differently than other companies.*
- Tata Consultancy Services Ltd – *It is important to have a common metric across the sector to have comparability.*
- Tauw Group bv – *It should comprise a consistent set of agreed unit costs for the things that we use to compare between resources. Comparability is key in creating acceptance. And this makes better business decisions possible.*
- Fuji Xerox Australia Pty Ltd – *One of the key outcomes of the NCP has to be a way for businesses to differentiate the goods and services they provide. For example, what are the measurable demands on natural capital and what measurable improvements are being undertaken to regenerate depleted natural capital. This would allow more transparent competitive differentiation and that will get the attention of the executive and key stakeholders.*

## Key Factors Influencing Adoption – Decision-useful

...and drives meaningful results...

### Decision-useful

**BEPs want, first and foremost, a Protocol that facilitates improved business decision making.** It will be imperative that the Protocol is framed with this primary objective in mind.

#### Implication for Coalition and the Protocol:

The Protocol will be applied first and foremost to corporate decision making, with a secondary benefit of external reporting. The Protocol should help companies assess strategic options in a more rounded way, to prioritize more effectively and support decisions to drive long-term value within the context of an organization's material natural capital dependencies and impacts. Specifically the Protocol should address how to generate decision-useful information given different potential business applications.

#### Majority view. (> 40 BEPs)

Across all sectors and geographies, BEPs indicated decision making as the fundamental application of the Protocol; furthermore, in straw poll question #4 decision-usefulness was identified as one of the top three principles that the Protocol should embody.

#### Selection of illustrative quotes:

- 
- Olam International Ltd – *The Protocol needs to be part of an organization's decision-making process, i.e. supply chain, value chain, at a site level and for business planning and CapEx investments. External reporting should be an outcome from the use of the Protocol and not a driver for using it.*
  - Kering – *External reporting is imperative to change the unsustainable systems that are no longer viable, and the real value of natural capital accounting is as an internal management tool to drive this change.*
  - Thames Water – *The big challenge will be for it to be something other than just a reporting tool, something that is universally recognized and allows comparison of company performance and affects the bottom line. Our main interest is how the Coalition will come up with a decision-making tool – something that influences decisions rather than being just a tick-the-box exercise.*
- 

## Key Factors Influencing Adoption – Unlocks value

...and drives meaningful results...

### Unlocks value

**A key enabler for adoption will be for the Protocol to reframe the topic of natural capital around commercial opportunity as much as risk.**

#### **Implication for Coalition and the Protocol:**

The Protocol should help a company unlock new sources of value through its application. If the Protocol can clearly demonstrate, through compelling case studies, the commercial benefits of implementation, Boards are likely to accelerate uptake.

#### **Majority opinion.** (> 40 BEPs)

BEPs indicated that demonstrating a strong business case and implications for competitive advantage from application of the Protocol was important for its adoption.

#### **Selection of illustrative quotes:**

- 
- Jaguar Land Rover – *It needs to show benefits and have a strong business case, i.e. win-win-win for multiple stakeholders.*
  - The Crown Estate – *To adopt natural capital accounting, companies will need to see its commercial value. If it affects their bottom line, they are more likely to adopt it.*
  - Saint-Gobain – *They would like to be able to measure not only their negative environmental impacts but also the positive ones.*
  - Financial Institution – *Yes, you have negatives impacts, but the Protocol has to help people account for the positive impacts that they have.*
  - SAP – *It's about risk and resilience as well as being a good corporate citizen. But we also have now quantifiable evidence that companies active in environmental foot printing and social responsibility have a competitive advantage and better profits.*
  - Chemicals company – *We would like to be able to use the Protocol as a competitive advantage tool.*
  - Olam International Ltd – *It should enable a holistic business case to be created to deliver competitive advantage.*
  - Tata Teleservices – *For stakeholders to accept the need to value natural capital, we have to establish a strong business case.*
- 

## Primary Intended Applications of the Protocol

Many BEPs expressed the opinion that they would apply the Protocol first and foremost as an enabler for more effective decision making. We distinguish below between strategic planning, investment decisions and operational decision making. BEPs also distinguished between decision making relating to their own corporate footprint and decision making relating to their wider value chain or supply chain. There was also a strong preference expressed by BEPs to integrate the Protocol into their core risk management processes.

It is important to note that very few companies indicated that they would apply the Protocol to their external reporting at this stage. Reporting externally on organizational impacts and dependencies on natural capital is not an immediate priority for BEPs, although many BEPs indicated that they would like the Protocol to facilitate external reporting of this type in the future.

- **The Protocol will be applied first and foremost to corporate decision making.** The Protocol should inform strategic planning and the measurement of strategic options in a more rounded way, and to help companies make informed decisions that drive long-term value within the context of an organization's material natural capital dependencies and impacts.
- **The Protocol should enable the assessment of an organization's natural capital impacts and dependencies across a value chain or supply chain.** The Protocol has a key role to play in helping corporations understand how impacts and dependencies across the value chain or supply chain translate into commercial, operational, financial and strategic risks and opportunities. Clarity in how to determine the boundaries for such a natural capital assessment in a consistent and comparable way is fundamental.
- **The Protocol needs to support investment decision making, especially capital expenditure.** The Protocol should help companies identify the natural capital impacts or dependencies that most impact the risk and return from major investment decisions, especially capital expenditure ('CapEx') decisions or investment in joint ventures. Monetization of natural capital was often noted as being an effective way to incorporate natural capital elements within CapEx decision-making processes in particular.
- **It also needs to help financial investors make decisions about the management of their asset portfolios,** for example by enabling comparisons of the sustainability of peer-group companies and their management of natural capital resources.
- **The Protocol should also support operational decision making,** such as determining the location of a new site, changing a production or distribution process or substituting materials used in operational procedures.
- **The Protocol needs to be sufficiently flexible that it can be applied to external reporting, although this objective is secondary.** While a small number of companies observed that reporting can drive internal change, most recognized that reporting externally on natural capital was not yet a corporate priority.

*Our main interest is how the Coalition will come up with a decision-making tool – something that influences decisions rather than being just a tick-the-box exercise.*

– Thames Water

## Anticipated Benefits

Clear priorities in applying the Protocol in natural capital assessments emerged from our discussions with BEPs. While many BEPs were currently using natural capital for risk management purposes, they expressed the opinion that the Protocol would not only serve to improve risk management but also facilitate better decision making. BEPs anticipated increased competitive advantage from enhanced decision making, which would also be a means of differentiating themselves from their peers. BEPs suggested that the Protocol should address external reporting at a later stage, as the primary and immediate benefit from applying the Protocol would be through decision making.

### 1. Improved risk management

Risk management is the lens by which many businesses currently connect natural capital with their core business strategy; a significant proportion of BEPs already engage with natural capital considerations via their risk management processes. Monetization of natural capital risks was felt by a proportion of BEPs to enable the potential impacts associated with these to be assessed relative to other business risks.

*“The Protocol will help to identify wider risks that the company faces, i.e. risks that may have been overlooked or are less tangible.”*

– Construction company

### 2. Better decision making, including:

Long-term value creation through more effective strategic planning and capital allocation.

Greater business resilience through more effective strategic sourcing decisions. It is felt that the Protocol would provide businesses with a mechanism to better assess their supply chain impacts, risks and opportunities and create a platform to engage more suppliers in a constructive way.

Efficient operational management, such as resource consumption at a site level.

*“We would like to facilitate decision making via consolidation across the group, and ‘speaking in one business language.’”*

– British American Tobacco

### 3. Increased competitive advantage

Many BEPs indicated that they believed the Protocol will generate competitive advantage through product innovation, unlocking hidden value in the supply chain, reducing the cost of capital and creating ‘shared value’ with stakeholders, which will enhance their reputation and help underpin their social ‘license to operate’. This was seen to be a key lever that would also drive uptake and ‘re-frame’ the issue for corporate Boards in a more impactful way.

*“We would like to be able to use the Protocol as a competitive advantage tool.”*

– Chemicals company

### 4. Enhanced corporate reporting

Whilst it is not an immediate priority, many BEPs indicated that they would anticipate applying the Protocol to their future external reporting requirements in order to communicate with their investors and stakeholders how their management of natural capital considerations contributes to the creation of sustainable value.

*“The end game would be for it to have external reporting guidelines.”*

– Apparel company

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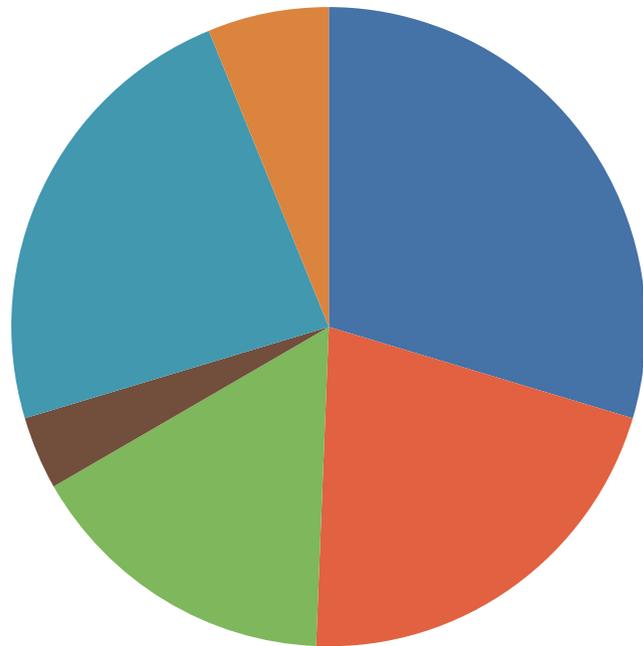
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**SECTION 4: ANALYTICAL FEEDBACK – STRAW  
POLL RESULTS**

## Straw Poll #1 – If you were to use the Protocol to do a natural capital assessment in your business, at what level of detail would you initially apply it?

Total proportion of responses



- a. High level screening to explore concepts
- b. Strategic decision-making, such as product innovation, new market or acquisition/divestment
- c. Detailed level fit for operational decision-making
- d. Other
- e. Misc. comments
- Blank

### Analysis of Results

The results of straw poll #1 indicate a significant proportion of BEPs (30%) would initially apply the Protocol for high-level screening. The results are, however, mixed, with a reasonably large portion indicating they may apply the Protocol initially for multiple reasons (option e. Misc. comments – 23%). For example, many selected a combination of detailed level fit for operational decision making and high level screening, depending on the maturity level or their experience with natural capital.

### Regional Analysis

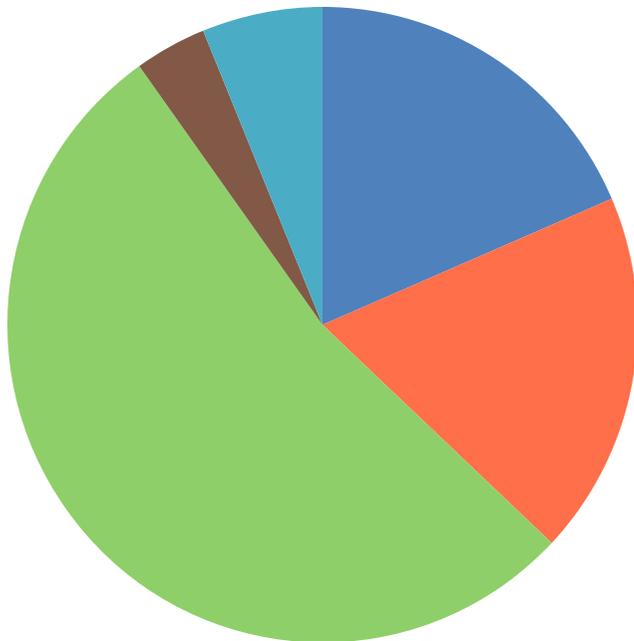
- European, North American and UK respondents were more likely to select high-level screening, or a mixed initial application.
- However, a majority of Asian BEPs preferred instead the strategic decision making option.

### Sector Analysis

- Application for high-level screening was consistent across the Food & Beverage, IT, Power & Utility and Consumer Products sectors. However, the Construction industry indicated that detailed level fit for operational decision making (option c) was more appropriate for them.
- Companies within the Apparel, Chemicals, Finance, Other, Pharmaceuticals, Professional Services, Retail, Property, as well as Oil & Gas sectors were more likely to indicate a mixture of applications from the Natural Capital Protocol, from initial mapping to strategic decision making, as being more appropriate.

## Straw Poll #2 – Which would be more important for you when implementing the Protocol?

### Total proportion of responses



- a. For the NCP to be principles-based and flexible in its application
- b. For the NCP to be rules-based and provide comparable results
- c. A mixture of a and b
- d. Other
- Blank

### Analysis of Results

The results of straw poll #2 indicate that the majority of BEPs (53%) across the geographical regions consider that a mixture of principles-based and rules-based approaches are important in order to facilitate both flexibility and comparability of results. An equal proportion indicated a preference for rules-based (19%) or principles-based (19%) approaches.

### Regional Analysis

- The preference for a mixture between rules- and principles-based approaches is relatively consistent across geographical regions.
- A small number of European, North American and UK-based BEPs indicated a preference for either rules-based or principles-based.

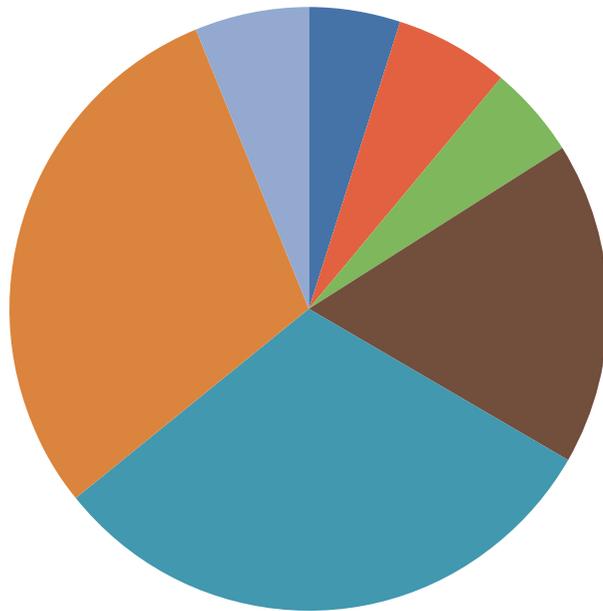
### Sector Analysis

- The preference for a mixture between rules- and principles-based approaches is relatively consistent across sectors.
- A higher proportion of respondents in the Food & Beverage and Oil & Gas sectors have indicated a preference for principles-based, while rules-based was preferred within the Professional Services group.

It is important to note that in answering the straw poll questionnaire, the Professional Services companies typically responded from the perspective of their clients, which for some included a range of industries and geographical areas.

## Straw Poll #3 – Why are you a Business Engagement Partner?

### Total Proportion of Responses



- a. Our company wants to learn more about the NCP and how it is developing
- b. Our company wants to better understand how the NCP is relevant to us
- c. Our company wants to learn how to carry out an NC assessment that is relevant to our business
- d. Our company wants to influence this process for developing the NCP
- e. All of the above
- f. See Misc. comments
- Blank

### Analysis of Results

The results of straw poll #3 indicate that organizations have chosen to engage with the BEP process for a variety of reasons, including:

- Influencing the process for developing the Protocol (17%).
- All of the options which were offered to the straw poll question as potential responses (31%, option e).
- Their own unique reasons, such as a combination of two or three of the options or for altogether different responses (30%, option f), such as:
  - To keep engaged on this issue
  - To help it become a standard procedure for all companies
  - To influence the development of the Sector Guides.

### Regional Analysis

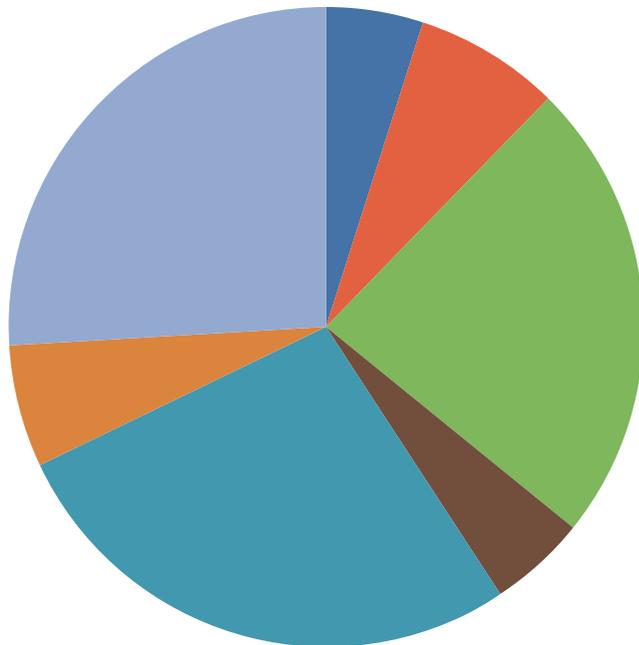
- 17% of BEPs responded that they solely wanted to influence the process (option d), which was proportionally higher for European, UK and South American respondents.

### Sector Analysis

- The Construction, Consumer Products, IT, Media, and Power & Utilities sectors were the only sectors to select option b, indicating that they wished to understand better how the Natural Capital Protocol would be relevant to their business. Relevance as a key principle in conducting a natural capital assessment was also highly rated by BEPs in these sectors.

## Straw Poll: #4 – What do you think are the most important principles for conducting a natural capital assessment for your business?

### Total proportion of responses



- Comparability
- Credibility
- Relevance
- Decision-usefulness
- Consistency
- Other
- Blank

### Analysis of Results

The results of straw poll #4 indicate that the top three principles amongst BEPs for conducting a natural capital assessment for their business are relevance (27%), credibility (23%), and decision-usefulness (26%).

#### Regional Analysis

- Asia favored relevance in their selection of principles, while North America and the UK favored decision-usefulness.
- Europe was tied between relevance, credibility and decision-usefulness.

#### Sector Analysis

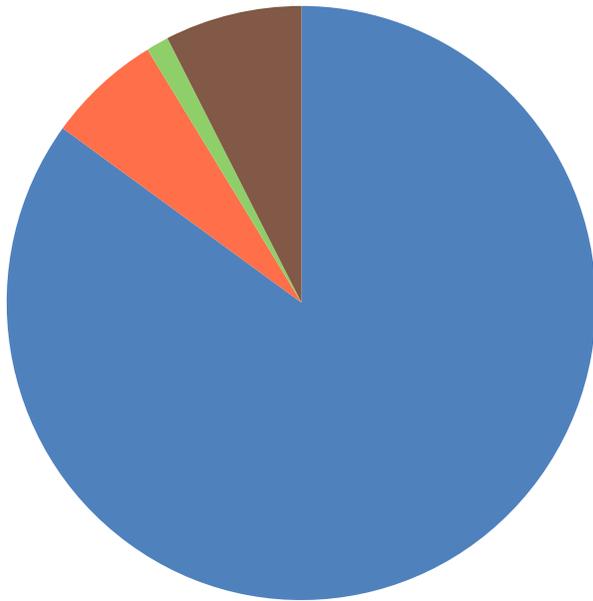
- Credibility was the most important principle for the Chemicals, Construction, Financial and Professional Services sectors.
- Decision-usefulness was deemed more important for the Apparel, Oil & Gas and Power & Utilities sectors.

We have observed that credibility was often cited as being important for reporting or benchmarking purposes, while decision-usefulness was more appropriate when utilizing a natural capital assessment to influence decision making internally.

## Straw Poll #5, #5.1a and #5.1b – Results

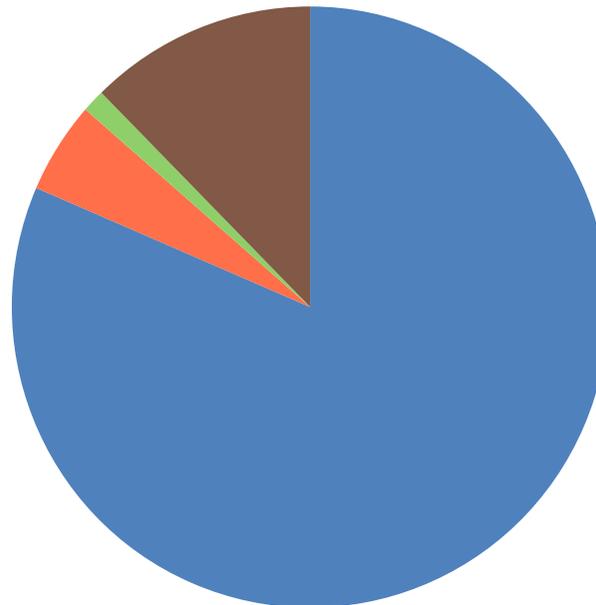
### Straw Poll #5

*Valuation is a measure of importance or worth, and may be monetary or non-monetary. Do you agree?*



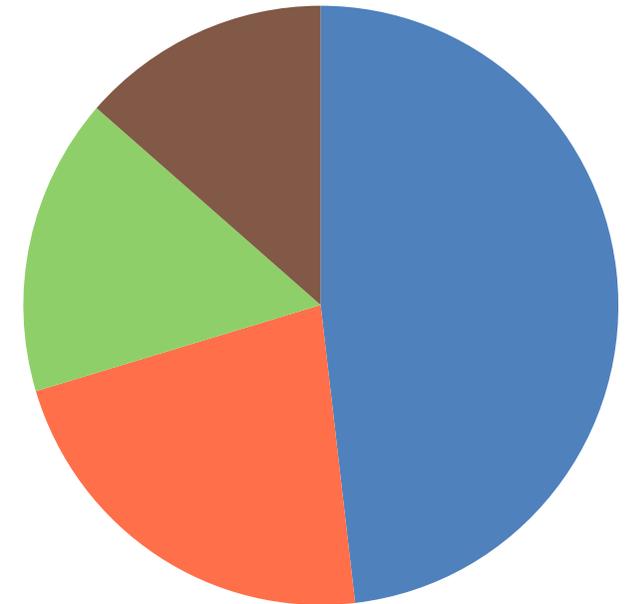
### Straw Poll #5.1a

*Valuation is a measure of importance or significance of an environmental externality, and may be monetized. Do you agree?*



### Straw Poll #5.1b

*Do you believe monetizing natural capital is necessary?*



■ a. Agree ■ b. Disagree (see comments) ■ c. Other ■ Blank

## Straw Poll #5, #5.1a and #5.1b – Analysis

### Analysis of Results

#### Straw Poll #5

The results of straw poll #5 indicate that an overwhelming majority of the BEPs interviewed (85%) agree with the statement that valuation is a measure of importance or worth, and may be monetary or non-monetary. Those who disagreed (6%) were from European, Asian, African and North American geographical regions and their disagreement was because they had a strong preference for either only having monetary or non-monetary valuation.

#### Straw Poll #5.1a

Similarly, the results of straw poll questions #5.1a indicate that a majority of the BEPs interviewed (81%) agree with the statement that valuation is a measure of importance or significance of an environmental externality, and may be monetized. Those who disagreed (5%) were from the UK, Europe, North America and Asia, and in particular from the Food & Beverage, Consumer Products and Construction sectors.

#### Straw Poll #5.1b

When asked the question of whether BEPs agreed that monetizing natural capital was necessary, a smaller proportion (48%) agreed, with 22% disagreeing. Disagreement with the statement came from across all geographies and sectors, except South America and Africa.

While it is evident that the majority of BEPs agree that monetizing natural capital dependencies and impacts *may* be done, opinion is more divided on whether it *should* be done.

### A selection of illustrative quotes

#### AkzoNobel

- *“Valuation can be done in different ways other than monetization – for social capital it is more difficult to apply a monetary value.”*

#### Jane Durney

- *“I’m uncomfortable with a complete emphasis on valuation – there are some things we can’t value, but that doesn’t mean they can’t be protected.”*

#### F. Hoffman-La Roche Ltd

- *“I don’t think there’s anything wrong with monetization, but it is not relevant to our company.”*

#### MeadWestvaco

- *“Value creation is both monetary and non-monetary but in order to be able to benchmark there has to be some valuation on natural capital. Value can be non-monetary but makes it difficult to compare to its competitors unless there is a common metric (i.e. \$).”*

#### Kering

- *“Without monetization, there is limited value compared to current methods of environmental reporting. Monetization helps us translate environmental impacts into the language that business understands; compares between different types of impacts which before could not easily be compared; and facilitates comparisons between our brands and business units.”*

#### Fuji Xerox Australia Pty Ltd

- *“Context is really important. Monetization won’t pick up unique perspectives of value from diverse cultural groups in different regions.”*

#### Financial Institution / UK

- *“We wouldn’t get buy-in from key stakeholders, i.e. primarily NGOs who might consider it a knee-jerk reaction and are against putting a value on nature, which is considered to be priceless.”*

#### Consumer Products / UK

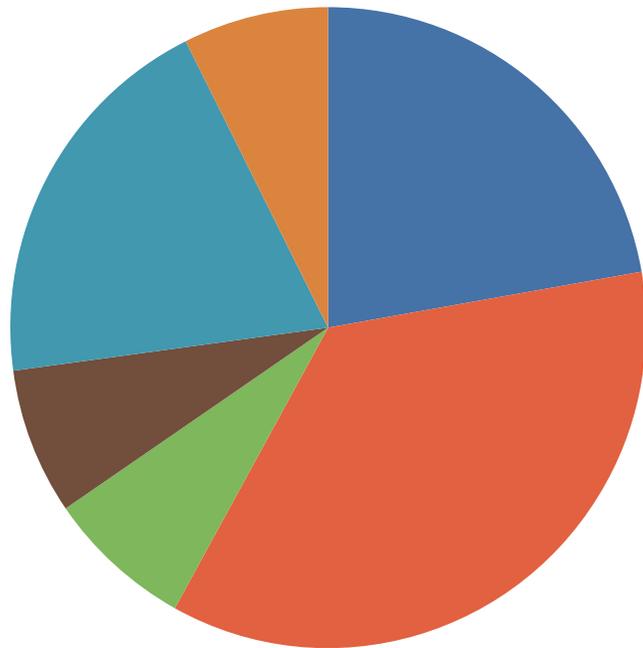
- *“Monetization is the only way people will pay attention.”*

#### Power & Utilities / UK

- *“Monetization is necessary at the moment but not yet effective – it is just an academic exercise and not impactful.”*

## Straw Poll #6 – What organisational boundary scope would be most valuable to you?

### Total proportion of responses



- a. Same as those used in GHG Protocol: Scope 1, 2 and 3
- b. Upstream, gate-to-gate and downstream (i.e. value chain)
- c. Direct, indirect and induced
- d. All of the above
- e. Other [please specify in detail, see comments]
- Blank

### Analysis of Results

The results of straw poll #6 indicate that a significant proportion of BEPs (36%) selected the value chain (or upstream, gate-to-gate and downstream) approach for the organizational boundary scope that would be most valuable to them. The next favorable option (22%) was for the GHG Protocol (or Scope 1, 2, 3) approach.

#### Regional Analysis

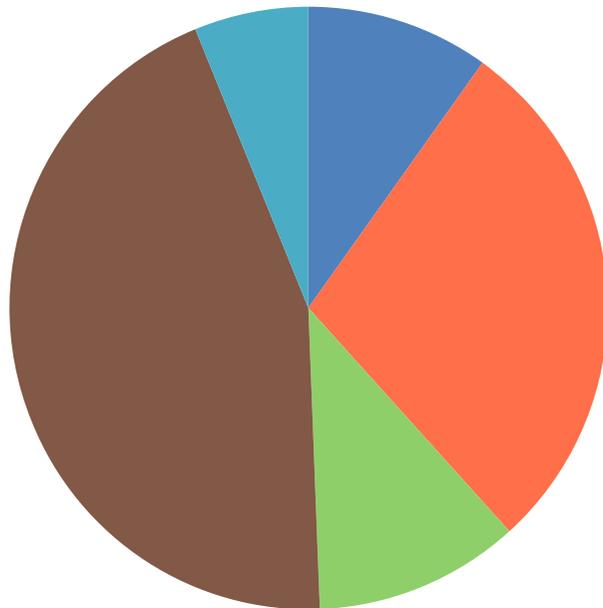
- The trends outlined for all BEPs were relatively consistent across all geographical regions.

#### Sector Analysis

- The Food & Beverage, Construction and Media sectors showed a slightly higher preference for the GHG Protocol approach.
- Only a few BEPs from the Oil & Gas, Finance and Power & Utilities sectors indicated that the economic approach, or 'Direct, indirect and induced' scope would be preferable.

## Straw Poll #7 – The Protocol will include a chapter on validating results and ensuring they are fit-for-purpose. Why would a Protocol validation process be most useful?

**Total proportion of responses**



- a. Internal buy-in and mainstreaming
- b. Credibility and confidence that your business is doing it in the 'right way'
- c. External reporting and assurance
- d. Other [Please specify in detail, see comments]
- Blank

### Analysis of Results

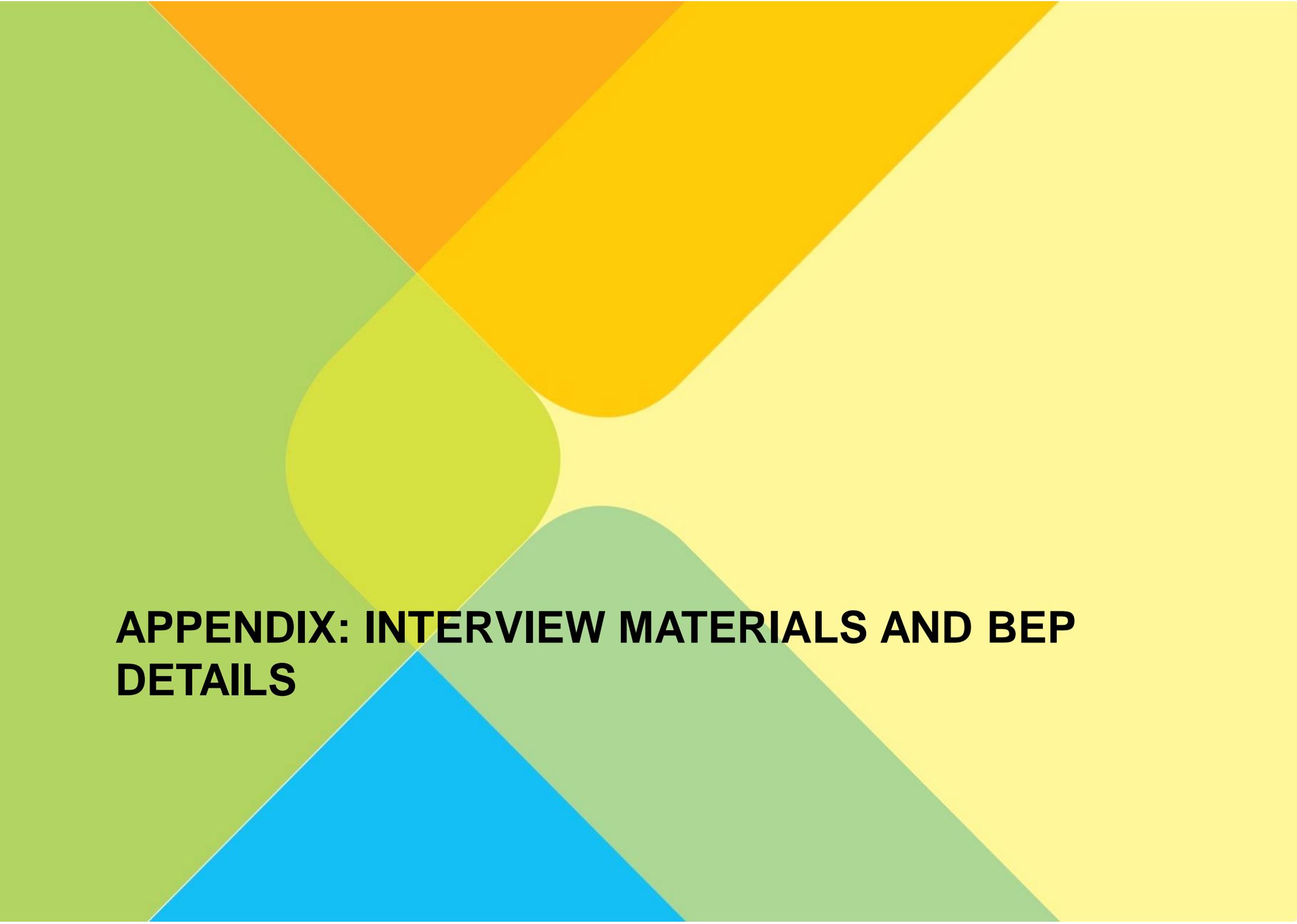
The results of straw poll #7 indicate that a significant proportion of BEPs (44%) have selected 'Other' (option d) in response to the question regarding the purpose of having a validation process within the Protocol. Most of these BEPs preferred selecting multiple reasons for this straw poll question, with 'All of the above' or 'A and B' the most common responses. A small minority of BEPs were unable to provide a reason. For example, one Chemicals company noted that the answer depended on the market, and one Food & Beverage BEP dismissed the idea of a validation chapter and instead wanted the Protocol to be "more framework than rules".

### Regional Analysis

- 28% of BEPs, largely from Europe, North America and the UK, thought that a chapter on validating results would be most useful to ensure credibility and confidence that their business is doing it in the 'right way'.
- A smaller minority considered internal buy-in (10%) or external reporting (11%) as appropriate applications for a validation chapter.

### Sector Analysis

- While the sector analysis is mainly consistent with the overall analysis above, the Construction and Power & Utilities sectors selected option b (credibility and confidence that their business is doing it in the 'right way') as the most useful purpose for including a chapter on validating results.



**APPENDIX: INTERVIEW MATERIALS AND BEP  
DETAILS**

## Interview questionnaire

The following questionnaire was used throughout the BEP process and shared with the BEPs in advance of each interview:

### I. Introduction

- Purpose of the interview:
  - To discuss what will drive interest/traction at Board level
  - To understand critical functions and business applications within your organization that are impacted by natural capital and how the Protocol may have to be presented so that it is accessible
  - To acquire feedback from a technical/practical perspective about how the Protocol should be presented
  - To gauge interest in the pilot phase

### II. Framing Questions

**Question 1** – *Does your organization currently measure or value natural capital and for what purpose?*

### III. Shaping the Protocol for business

**Question 2** – *What would you hope to gain from a natural capital protocol from a business perspective?*

**Question 3** – *What are the key qualities or requirements you want to see from the Natural Capital Protocol (see the table below for examples)?*

**Question 4** – *Given the principles and scope of this outline, what business decisions / outcomes would the Protocol help to deliver?*

### IV. Application of the Protocol

**Question 5** – *How would you expect your organization to apply the Natural Capital Protocol (i.e. to which business processes)?*

Core business processes	Examples of business applications	Examples of benefits
<b>Supply chain or value chain</b>	Identify priority impacts and dependencies in the value chain	Pre-emptive risk management and reduction
<b>Site-level or product-level</b>	Assess / screen risks and opportunities related to management of a process, product, project or site	Opportunities for new or more efficient products
<b>Corporate reporting</b>	Report – internally or externally – information on impacts and dependencies on natural capital at a corporate, product or site level	Anticipate future regulation, new reporting requirements and / or investor questions on natural capital and business resilience
<b>Business planning</b>	Strategic planning and decision making, performance assessment	Supply chain security; explore new markets; better resource allocation
<b>Operations</b>	Improve or adapt internal environmental management systems or processes	Corporate and brand reputation management, license to operate
<b>CapEx investments</b>	Provide additional information to feed into capital investment decisions, e.g. natural infrastructure	Dialogue with core external stakeholders, especially shareholders, host governments / local municipalities and NGOs. Attract new and lower cost sources of capital

**Question 6** – *What would drive or hamper the adoption of the Natural Capital Protocol within your organization?*

**Question 7** – *Who would apply (or help you apply) the Natural Capital Protocol within your organization?*

*Or which function/department of your organization would be most impacted by the Protocol?*

## Technical group straw poll

The following details the straw poll questions used during the BEP interview process:

### Context

1. **If you were to use the Protocol to do a natural capital assessment in your business, at what level of detail would you initially apply it? Please select**

a. High level screening to explore concepts	b. Strategic decision making, such as product innovation, new market or acquisition / divestment
c. Detailed level fit for operational decision making	d. Other [please state]

2. **Which would be more important for you when implementing the Protocol? Please select**

a. For the Protocol to be principles-based and flexible in its application	b. For the Protocol to be rules-based and provide comparable results
c. A mixture of a and b	d. Other [please state]

3. **Why are you a Business Engagement Partner? Please select**

a. Our company wants to learn more about the Protocol and how it is developing	
b. Our company wants to understand better how the Protocol is relevant to us	
c. Our company wants to learn how to carry out an NC assessment that is relevant to our business	
d. Our company wants to influence the process for developing the Protocol	
e. All of the above	
f. Other [please state]	

**Implementing the Assessment**

4. What do you think are the most important principles for conducting an NC assessment for your business? Order the following in terms of their importance:

RELEVANCE/CONSISTENCY/COMPARABILITY/COMPLETENESS/CREDIBILITY/DECISION-USEFULNESS/ Other [please state]

Importance	
1	
2	
3	
4	
5	
6	

5. Valuation is a measure of importance or worth, and may be monetary or non-monetary. Do you agree?

a. Agree	b. Disagree [please explain why, comment box]
c. Other [please state]	
Comment:	

5.1. Valuation can be a measure of the importance or significance of an environmental externality, and may be monetized.

a. Do you agree?

a. Agree	b. Disagree [please explain why, comment box]
c. Other [please state]	
Comment:	

**b. Do you believe that monetizing natural capital is necessary?**

a. Agree	b. Disagree [please explain why, comment box]
c. Other [please state]	
Comment:	

**6. What organizational boundary scope would be most valuable to you? Please select**

a. Same as those used in GHG Protocol: Scope 1,2 and 3	
b. Upstream, gate-to-gate and downstream (i.e. value chain)	
c. Direct, indirect and induced	
d. Other [please specify in detail, comment box]	
Comment:	

**7. The Protocol will include a chapter on validating results and ensuring they are fit-for-purpose. Why would a Protocol validation process be most useful? Please select**

a. Internal buy-in and mainstreaming	
b. Credibility and confidence that your business is doing it in the 'right way'	
c. External reporting and assurance	
d. Other [please specify in detail, comment box]	
Comment:	

## Business Engagement Partners by sector

### **Apparel**

*Adidas*  
*H&M*  
*Hugo Boss*  
*Interloom*  
*Kering*  
*Outdoor Industry Association*  
*TERSUS Solutions*

### **Chemicals**

*AkzoNobel*  
*The Dow Chemical Company*  
*DSM\**  
*Ecolab*  
*Monsanto*  
*Tata Chemicals*

### **Construction**

*AECOM*  
*BRE*  
*CEMEX*  
*Holcim*  
*Lafarge*  
*Lafarge Tarmac*  
*Saint-Gobain (Glassolutions)*  
*Tauw Group bv*  
*Taylor Wimpey*

### **Consumer Products**

*Axel Johnson (AXFOUNDATION)*

### *BAT*

*Fuji Xerox*  
*Interface*  
*LVMH Group*  
*Meadwestvaco*  
*Mondi*  
*Natura*  
*Royal Philips NV*  
*Unilever\**

### **Financial Institutions**

*ABN AMRO Bank*  
*Alliance Trust*  
*National Australia Bank*  
*NEUW Ventures*  
*Sompo Japan*  
*TD Bank Group*  
*UK Green Investment Bank*

### **Food & Beverage**

*Asda*  
*Bidvest Fresh*  
*FrieslandCampina*  
*Mars, Incorporated*  
*Nestlé*  
*Nutreco*  
*Olam International Ltd*  
*Openfield*  
*Sainsbury's\**  
*TetraPak*

### *The Coca Cola Company*

### **General Retail**

*M&S*  
*Woolworths Holdings (ZA)*

### **IT**

*SAP*  
*Tata Consultancy Services*  
*Wipro*

### **Media**

*Pearson*  
*Tata Teleservices*

### **Oil & Gas**

*BP*  
*Husky Energy*  
*Shell*

### **Other**

*AMATA S.A*  
*Bupa\**  
*Danish EPA*  
*Jaguar Land Rover*  
*Tata Steel*

### **Pharmaceuticals**

*F. Hoffman-La Roche Ltd*  
*GSK*

### *Perrigo*

*Walgreens Boots Alliance*

### **Power & Utilities**

*Anglian Water\**  
*EDF Energy*  
*National Grid\**  
*Southwest Water\**  
*SSE\**  
*Thames Water*  
*Wessex Water Services Ltd*  
*Yorkshire Water\**

### **Professional Services**

*Carbonneutral*  
*CII-ITC*  
*Ecodesk*  
*Parthenon*  
*Tata Sustainability*  
*SustainAbility*

### **Property**

*British Land\**  
*Savills incorporating Smiths Gore*  
*The Crown Estate\**

**\*Feedback also provided by members of the A4S CFO Leadership Network in a Coalition workshop**

## Business Engagement Partners by region

### **Africa**

*Bidvest*  
*Woolworths Holdings (ZA)*

### **Asia**

*CII-ITC*  
*Fuji Xerox*  
*Olam International Ltd*  
*Sompo Japan*  
*Tata Chemicals*  
*Tata Consultancy Services*  
*Tata Steel, India*  
*Tata Sustainability*  
*Tata Teleservices*  
*Wipro*

### **Australia/New Zealand**

*National Australia Bank*

### **Europe**

*ABN AMRO Bank*  
*Adidas*  
*AkzoNobel*  
*Axel Johnson (AXFOUNDATION)*  
*Danish EPA*  
*DSM\**  
*F. Hoffman-La Roche Ltd*  
*FrieslandCampina*  
*H&M*  
*Holcim*

*Hugo Boss*

*Interloom*  
*Kering*  
*Lafarge*  
*LVMH Group*  
*Nestlé*  
*NEUW Ventures*  
*Nutreco*  
*Royal Philips NV*  
*Saint-Gobain (Glassolutions)*  
*SAP*  
*Shell*  
*Tauw Group bv*  
*TetraPak*  
*Walgreens Boots Alliance*

### **North America**

*AECOM*  
*The Dow Chemical Company*  
*Ecolab*  
*Husky Energy*  
*Interface*  
*Mars, Incorporated*  
*Meadwestvaco*  
*Outdoor Industry Association*  
*Perrigo*  
*SustainAbility*  
*TD Bank Group*  
*TERSUS Solutions*  
*The Coca Cola Company*

### **South America**

*AMATA S.A.*  
*CEMEX*  
*Monsanto*  
*Natura*

### **UK**

*Alliance Trust*  
*Anglian Water\**  
*Asda*  
*BAT*  
*BP*  
*BRE*  
*British Land\**  
*Bupa\**  
*Carbonneutral*  
*Ecodesk*  
*EDF Energy*  
*GSK*  
*Jaguar Land Rover*  
*Lafarge Tarmac*  
*M&S*  
*Mondi*  
*National Grid\**  
*Openfield*  
*Parthenon*  
*Pearson*  
*Sainsbury's\**  
*Savills incorporating Smiths Gore*  
*Southwest Water\**

### **SSE\***

*Taylor Wimpey*  
*Thames Water*  
*The Crown Estate\**  
*UK Green Investment Bank*  
*Unilever\**  
*Wessex Water Services Ltd*  
*Yorkshire Water\**

**\*Feedback also provided by members of the A4S CFO Leadership Network via a Coalition workshop**

## Acknowledgements

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<http://www.naturalcapitalcoalition.org/natural-capital-protocol/project-coordination-team.html>

The Natural Capital Coalition brings together the world's leading organisations from business, accountancy, finance, policy, science, academia and NGOs under one vision of a world where business conserves and enhances natural capital.



For more information: [www.naturalcapitalcoalition.org](http://www.naturalcapitalcoalition.org)