



NATURAL
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Natural Capital
Finance Alliance
Finance sector leadership on natural capital

Secretariat:



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Finance Sector Supplement to the Natural Capital Protocol announced.

Partners come together to launch briefing note at the United Nations Environment Programme Finance Initiative in Dubai.

Financial institutions (FIs) are looking to better understand the natural capital risks and opportunities associated with their direct operations, as well as their investment, lending and insurance portfolios.

The Natural Capital Coalition, the Natural Capital Finance Alliance (NCFA) (formerly the Natural Capital Declaration), and the Dutch Association of Investors for Sustainable Development (VBDO), have partnered to jointly produce a Finance Sector Supplement (hereafter the "Supplement") to the Natural Capital Protocol. The Natural Capital Protocol, released in July 2016, is a decision making framework that allows organizations to identify, measure and value their direct and indirect impacts and dependencies on natural capital.

The Supplement will provide the guidance and insight required for FIs to integrate natural capital considerations into all financial products and services; including loans, investments and insurance policies.

The Supplement will harmonize existing work, including the VBDO guide, the NCFA financial sector Roadmap, and the work of NCFA member-led Working Groups. In doing so, the Supplement will provide FIs with the most current knowledge and tools to focus on portfolio impacts and dependencies on natural capital, inform risk appetite decisions at an industry and country level, and inform active ownership decision making and impact investing, alongside product and service opportunities.

By applying the approaches and recommendations contained in the Supplement, the finance sector has the potential to increase its resilience when faced with long-term degradation of natural resources, and the increasing incidence of extreme natural events, while providing co-benefits to biodiversity and the environment.

In developing the Finance Sector Supplement to the Natural Capital Protocol, the three organisations - (the Coalition, NCFA and VBDO) - will work collaboratively, utilising the expertise of FIs and other key relevant organisations working in this space. This will include public sector knowledge on accounting for natural capital, e.g. through WAVES and UN SEEA, as well as input from the NCFA's 45 FI Signatories, the 200+ signatories to the UNEP Finance Initiative, and the wider FI community, convened through the Natural Capital Coalition and VBDO.

More systematic consideration of natural resource use and environmental impacts by the financial sector can also help to catalyse its role in contributing to the transition to a green economy and implementing the Sustainable Development Goals (SDGs), as well as other national and international policy objectives.

A briefing paper will be presented at UNEP FI's 2016 Global Roundtable (25th-26th October in Dubai), where a consultation on the structure, content and proposed applications of the Supplement will be launched.

The launch of the final Finance Sector Supplement is planned for September 2017.

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Mark Gough, Executive Director of the National Capital Coalition, said: *“As momentum around the Natural Capital Protocol continues to build, it’s critical that we engage sectors at individual levels, and help them to understand their relationships to the natural world. Finance drives global business, and it’s therefore vital that we engage with the financial sector. The Finance Sector Supplement is a crucial next step”.*

Marie Morice, Head of Natural Capital Finance Programme – Natural Capital Finance Alliance - GCP/UNEP-FI said: *“Natural capital is a new and complex concept to many financial institutions. Providing a framework that gives a starting point for understanding and assessing dependencies and impacts for financial institutions will transform their capacity to better manage risks and unlock opportunities.”*

Angélique Laskewitz, Executive Director of VBDO, said: *“The Finance Sector Supplement will be a critical tool in order to engage financial institutions with natural capital. The Supplement will provide invaluable guidance and insight into how investors and providers of other financial services can drive better performance by understanding how natural capital can impact on financial markets.”.*

Erik Solheim, Executive Director at United Nations Environment Programme, said: *“All organisations fundamentally depend on natural capital, and financial institutions are no exception. The Finance Sector Supplement to the Natural Capital Protocol importantly shows how financial institutions both impact and depend on the natural world.”*

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About the Natural Capital Coalition (The Coalition):

The Natural Capital Coalition has developed the Natural Capital Protocol (hereafter “the Protocol”) to make natural capital visible in business decision making. The Coalition has grown considerably over the last year and is now made up of over 200 organizations from a wide range of stakeholder groups including conservation, science and academia, business, associations, standard-setting, finance, accountancy and policy/government. Whilst the Coalition is primarily directed towards solutions for business, it is also a broad ‘Coalition’ as its name suggests, creating a space where all interested parties from all stakeholder groups can work together to create vibrant societies and productive economies through the inclusion of natural capital in decision making.

The Coalition’s Natural Capital Protocol and associated sector guides have been developed through a unique collaborative process, with 38 organizations coming together under contract to develop something for the public good. The final Protocol along with sector guides for the Apparel and Food & Beverage sectors were launched in July 2016. The Protocol aims to support better decisions by including how business interacts with nature, or more specifically natural capital, in decision-making. It is not a disclosure framework.

The Protocol is freely available at <http://naturalcapitalcoalition.org/protocol/>.

About the Natural Capital Finance Alliance (NCFA):

The Natural Capital Finance Alliance (NCFA) – formerly known as the Natural Capital Declaration is a global finance-led initiative to integrate natural capital considerations into financial products and services, and to work towards their inclusion in financial accounting, disclosure and reporting. It is signed by the CEOs of 40 financial institutions, which are actively working with supporting (non-financial) organisations to develop methods to implement the four commitments outlined by the ‘Natural Capital Declaration’. This is being done through a steering committee of signatories and supporters and four working groups, supported by a secretariat formed of the UNEP Finance Initiative and the Global Canopy Programme (GCP). The NCFA is actively engaging with financial institutions to develop a range of tools to facilitate integration of natural capital factors into financial products and services and strengthen management of natural resource and environment-related risks and opportunities.

The Finance Sector Supplement on Natural Capital is part of the NCFA’s approved 2016-18 work programme and also sits under Working Group 3. The Supplement aims to support the Working Groups commitment to ‘Work towards building a global consensus for the integration of natural capital into private sector accounting and decision making; supporting the related work of the Natural Capital Coalition and other stakeholders.

For more information visit www.naturalcapitalfinancealliance.org

About the Dutch Association of Investors for Sustainable Development (VBDO):

The Dutch Association of Investors for Sustainable Development (VBDO) aims at generating a more sustainable capital market by raising awareness both with multinational corporations and investors about the contributions they can make towards a sustainable capital market.

The VBDO also formulates opinions on different topics related to sustainability. VBDO regularly carries out researches, visits Annual General Meetings of stock listed companies and engages in an active dialogue with banks, insurance companies, media and Dutch stock listed companies. As such VBDO is the only association in the Netherlands representing institutional as well as individual sustainable investors.

At the beginning of 2016 VBDO published the “Guide on Natural Capital & Financial Institutions” in cooperation with CREM. This guide provides practical guidance to financial institutions that wish to take their interactions with natural capital into account in their investment management.

VBDO will contribute its insight into the application of guidance on natural capital in general and will have the oversight of the elements regarding investment management, such as active ownership practices and impact investing. For more information about the VBDO, please see www.VBDO.nl.