



**NATURAL
CAPITAL
COALITION**



**Natural Capital
Finance Alliance**
Finance sector leadership on natural capital

Secretariat:



Consultation on the Finance Sector Supplement to the Natural Capital Protocol

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Background





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VBDO

The Natural Capital Protocol

The Natural Capital Protocol was launched in July 2016.

It provides a globally standardized framework for businesses to integrate natural capital into their decisions.





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The Finance Sector Supplement

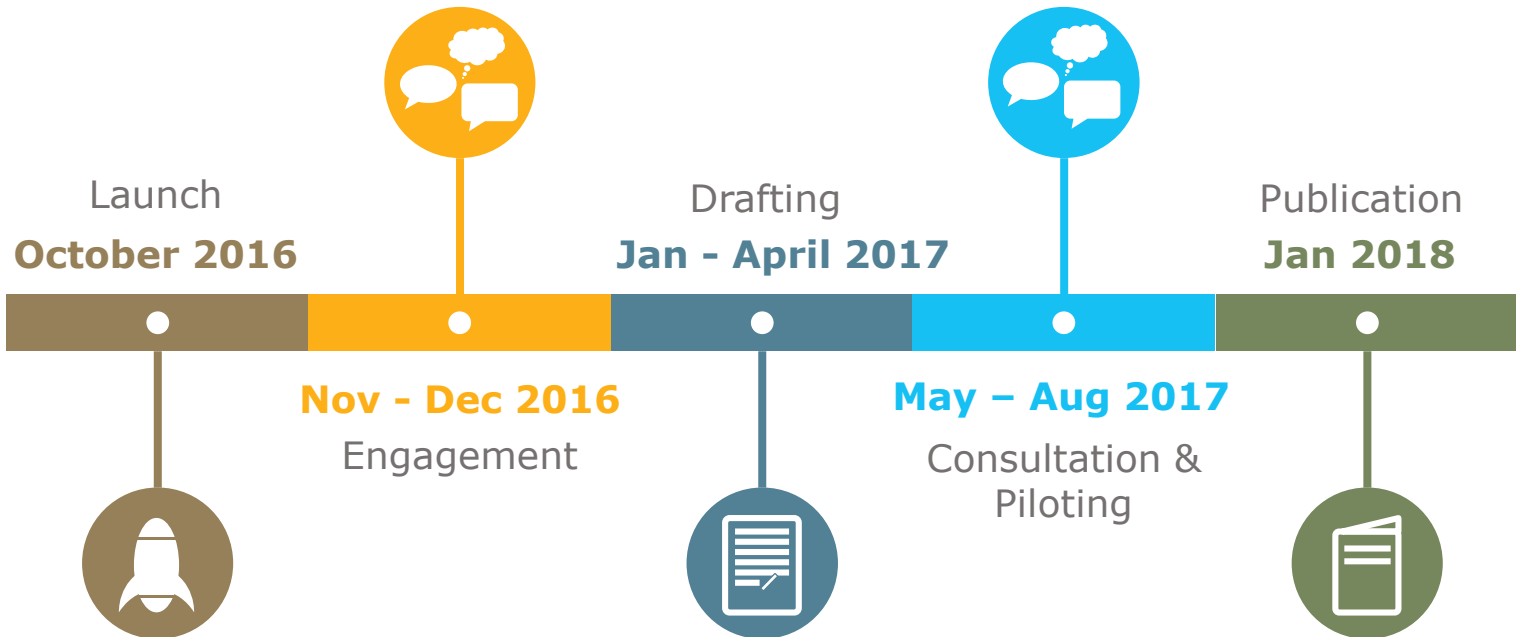
In October 2016, the Natural Capital Coalition, the Natural Capital Finance Alliance (NCFA) and the Dutch Association of Investors for Sustainable Development (VBDO) announced that they would produce a **Finance Sector Supplement** to the Natural Capital Protocol.

The Supplement will help financial institutions incorporate consideration of natural capital impacts and dependencies into their lending, investment and insurance practices and processes.

At present, there is no agreed framework for financial institutions to measure and value their impacts and dependencies on natural capital.



Timeline



Consultation launch proposed for May 16th 2017 in New York



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Natural Capital and the Finance Sector: Key Concepts



What is natural capital?

Natural Capital is the **stock** of renewable and non-renewable **natural resources**, (e.g. plants, animals, air water, soils, minerals) that combine to yield a **flow** of benefits to people.

Source: Natural Capital Protocol

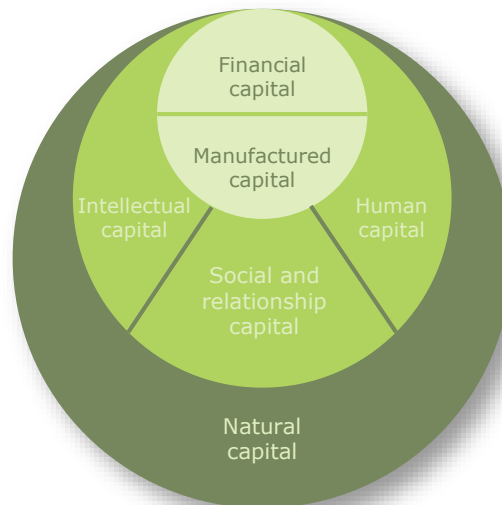


The other forms of capital

There are several commonly recognized forms of capital.

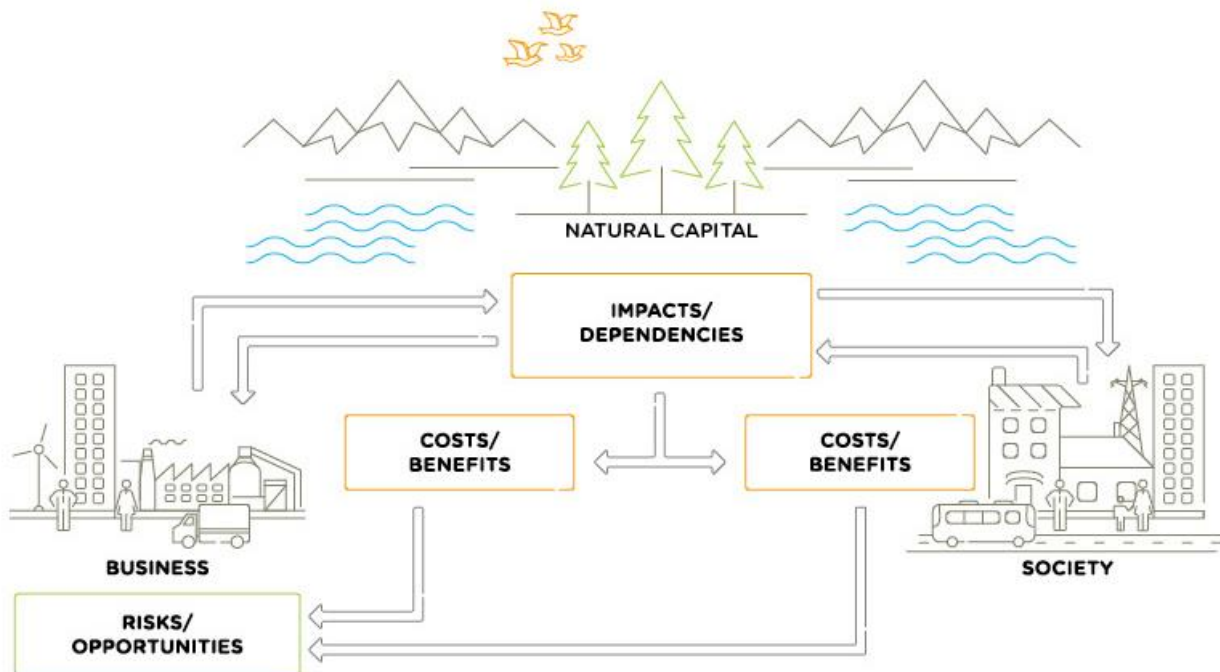
It is **natural capital that supports all of the other forms of capital** and underpins thriving societies and prosperous economies.

All capitals are interconnected and it is impossible to completely separate any one form of capital from the others.



The <IR> capitals framework

Interactions with natural capital



The management of these risks and opportunities requires a practical, globalized, consistent approach.

Why should the finance sector be interested in natural capital?

Companies' impacts and dependencies on natural capital create business risks and opportunities, affecting cashflows, profits and asset valuations.

In turn, these may affect insurance premiums, project valuations, equity prices or the cost of capital.

Natural capital also has wider implications; for example, finance institutions might have significant exposure to water or biodiversity-related risks because of their aggregate exposure to specific geographies, sectors or markets.

What makes the Finance Sector Supplement different?

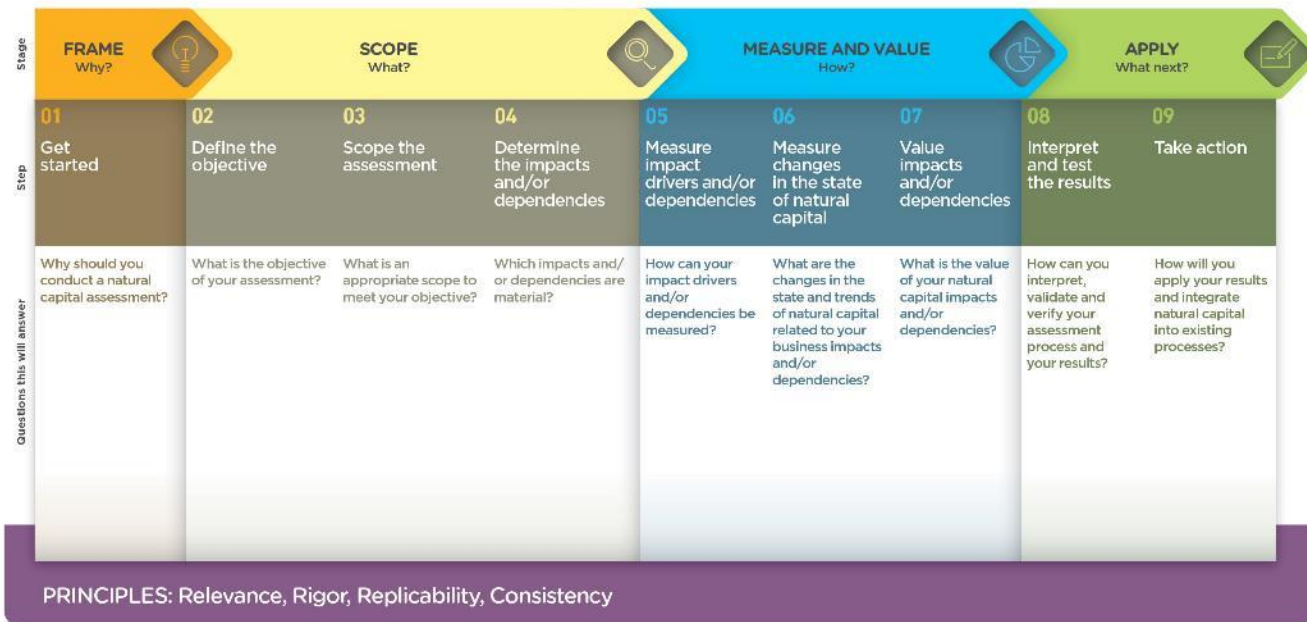
Financial institutions, like other organizations, have **impacts** and **dependencies** on natural capital.

Framing natural capital as being about impacts and dependencies encourages financial institutions to:

- ❖ Focus on their wider business activities (lending, investment, insurance) not just their own operations.
- ❖ Focus on the value of natural capital to their business.
- ❖ Take a systems-based approach to decision-making.

Structure and content of the Supplement

- ❖ The Finance Sector Supplement plans to follow, as closely as possible, the established decision-making process of the Natural Capital Protocol





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