

## Briefing Paper: Forest Products Sector Guide to the Natural Capital Protocol

The World Business Council for Sustainable Development (WBCSD) [Forest Solutions Group](#) is leading the development of a Forest Products Sector Guide to the Natural Capital Protocol on behalf of the [Natural Capital Coalition](#). The Guide will provide companies in the forest products value chain – from sustainable forest management to end of life product options – with guidance on how to measure and value natural capital impacts and dependencies as a way to manage their risks and opportunities, and enhance informed decision making.

This Briefing Paper describes the need for a Forest Products Sector Guide, and explains how the inclusion of natural capital into day-to-day decision making will help companies from the sector reduce risks and capitalize on opportunities. It also sets out initial thoughts on purpose, scope and content of the Guide. This paper is accompanied by an initial engagement and scoping survey. The feedback from this survey will be used to inform the structure and content of the Guide, which we will begin drafting in June 2017. The formal consultation and pilot testing of the Guide will run from October to December 2017.

**We invite you to comment on the issues and questions in this Briefing Paper and complete the [online survey](#) by May 31st, 2017.**

## INTRODUCTION

### What is natural capital?

As explained in the Natural Capital Protocol, natural capital is a term used to understand our relationship with the natural world around us. It refers to 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.

Natural capital is one of several commonly recognized forms of capital. Others include manufactured, social and human capital. Natural capital supports all of the other capitals by providing essential resources, such as air, water, soil and minerals, and by supporting a healthy planet that underpins thriving societies and prosperous economies.

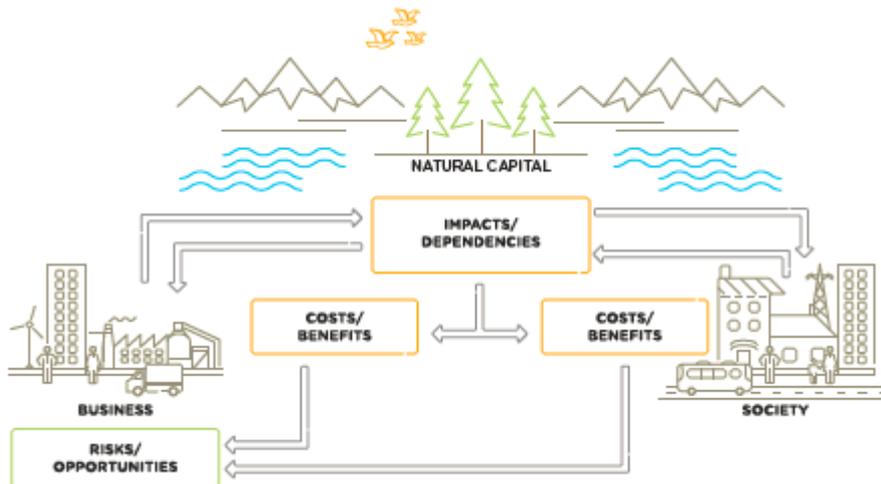


Figure 1: Natural capital impacts and dependencies - conceptual model for business

Forest products companies, like other organizations, have **impacts** and **dependencies** on natural capital, both direct and indirect. **'Impacts'** are the negative and positive effects of company activities on natural capital, such as the contribution to climate regulation through carbon sequestration in forests and forest products. **'Dependencies'** refer to areas of reliance on natural capital, such as reliance on fresh water for tree growth or production of pulp.

Our framing of natural capital around impacts and dependencies has important implications for forest product companies and is intended to encourage:

- consideration of the full forest products value chain, including upstream or downstream stages that are not part of direct operations.
- a focus on Natural Capital's significance to operations and decision-making, rather than reducing it to measurement and reporting.
- a more holistic and systems approach to decision-making.

### **Why should the forest products sector be concerned about natural capital?**

A key natural capital output, wood fibre is the life blood of the entire forest products value chain. Its production and processing both depends on and contributes to many services provided by natural capital, including soil nutrient cycling, water provision and purification, and climate regulation. Many forest products companies are therefore already aware of the importance of understanding and effectively managing the risks and opportunities associated with natural capital.

Risks can arise from an increase in operating costs e.g. soil degradation leading to reduced productivity; changes in regulation e.g. carbon taxes; or undermining of the business model e.g. a company having to transition from an integrated value chain to importing wood from foreign sources.

Equally, new opportunities can arise through, for example, the development of new products and services responding to the challenge of natural capital protection and conservation. This may be particularly interesting for the sector given the role of forests in sequestering carbon and the potential for wood fibre in various forms to displace more GHG intensive alternative materials which may also lack the other benefits provided by forests.

### **Why develop a Forest Products Sector Guide to the Natural Capital Protocol?**

Forest products companies, over the years, have developed their own tools and methodologies to assess the environmental risks and opportunities associated with their value chain. These efforts have made an important contribution to the sector's knowledge and understanding of natural capital. There is now a need to consolidate the work that has been completed to date and encourage the systemic integration of natural capital considerations into the decision-making processes of forest products companies.

To reach broad consensus within the sector around a common approach, the Guide will build on the knowledge and input of businesses along the forest products value chain, as well as key partners such as certification systems, industry associations, research & academia, government, and NGOs.

The proposed objectives of the Guide are to:

- Provide context on why natural capital is relevant to the forest products sector
- Clarify the business case for natural capital assessments in the forest products sector
- Identify natural capital impacts and dependencies relevant to the forest products business
- Build on the knowledge of the sector and encourage the systemic integration of natural capital considerations into the decision-making processes in a standardized way
- Provide a common approach to help businesses and investors account for the risks and opportunities of their investments

### **INFORMING THE DEVELOPMENT OF THE FOREST PRODUCTS SECTOR GUIDE**

There are a variety of existing natural capital assessment tools and methodologies that can enable forest products companies to better account for the risks and opportunities related to natural capital. See the [Natural Capital Protocol Toolkit](#).

The [Natural Capital Protocol](#) is applicable to all organizations and provides an overarching framework for Forest Products companies to integrate natural capital into their decision making. This guide will provide additional guidance on what is material for the sector and specifics related to industry-specific impacts and dependencies on natural capital.

- To inform the development of the sector guide we will be engaging with interested parties around the structure, scope and content for the guide. The objective of the engagement is to: Understand what would most help forest products companies to incorporate natural capital considerations (both downside risks and upside opportunities) into their risk management frameworks, products and services.
- Gather feedback from a technical/practical perspective about how the Forest Products Sector Guide should be structured and presented. Build support for the guide and strength the case for natural capital assessments

19 April 2017

As we kick-off the development of the Guide, your input is critical. Although the Guide is primarily for forest products business, we recognize the importance of all actors in the social and economic system and strongly encourage participation from other relevant stakeholders.

We are looking for feedback on three key topics:

- A. The state of play: natural capital in the forest products sector
- B. The scope of the Forest Products Sector Guide
- C. The structure and content of the Guide.

We have prepared a series of questions that set out the issues that we are looking for feedback on. We also welcome wider comment on the Guide itself and on issues beyond those covered in this Briefing Paper.

[Please respond to the survey here.](#)

## ANNEX 1 DESCRIPTION OF THE LEADING ORGANIZATIONS



### 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 250 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 developing solutions for business, it is also, as its name suggests, a broad ‘Coalition’ 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, was launched in July 2016. The Protocol aims to support better decisions by including business interactions 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/>.



### WBCSD Forest Solutions Group

The Forest Solutions Group is a global platform for strategic collaboration across the forest products value chain, which aims to:

- Bring more of the world’s forests under sustainable management
- Expand markets for responsible forest products
- Ensure growth and vitality of forest resources today and for future generations

FSG Members:



PwC will be leading the technical development of the guide, leveraging their experience delivering Natural Capital valuation projects, their role in the development of the Natural Capital Protocol, and their work with the forest products sector