



NATURAL
CAPITAL
COALITION

THIS IS

NATURAL
CAPITAL

2017



Content

Foreword	1	Connecting to other natural capital initiatives	13
Chart toppers	2	The Making of: The annual review	14
The growth in natural capital thinking	3	Why is natural capital being applied?	15
New releases	4	Natural capital activity	18
Shining a light on....	5	Finance perspective	19
The role of collaboration	6	NGO perspective	20
Harmonization	7	Remaining challenges	21
Natural capital: everybody's business	8	Natural capital and the global goals	24
Enabling environment	9	How can you get involved in 2018?	25
Telling the story	10		
Outreach	11		
From wax to plaster, natural capital and policy	12		



Foreword

John Lelliott, Chairman of the Natural Capital Coalition

This publication is the first annual review of the trends and activities happening within the natural capital community.



Over the last couple of years the concept of 'capitals' and in-particular 'natural capital' has continued to gain traction. This is shown by some of the statistics presented in this review, including the 35,000 plus copies of the Natural Capital Protocol that are now in circulation, and the number of events and activities focused on the topic.

But is this actually changing the way we relate to nature, or is it yet another sticking plaster?

The purpose of this annual review is to place a line in the sand and to identify where we are in the development of natural capital thinking and practical application. We commend and celebrate the successes, learn from what did and did not work, and set out the challenges that we still face within the Coalition community.

The short opinion pieces found in this review can also be found in an extended form on the Natural Capital Hub. They join a wealth of material about natural capital, including case studies, stories, jobs and events from around the world.

We will be repeating this review on an annual basis and hope to be able to mark the progress we are all making together towards a world where we conserve and enhance the natural capital we depend upon.

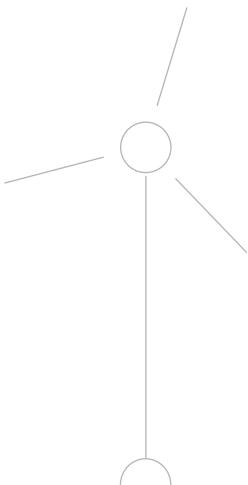


Chart toppers



¹ Organizations who coordinate natural capital activities within a region, supported by the Coalition.

² See WBCSD Reporting Matters 2017.

³ Countries who have an environmental-economic accounting programme compliant with UN-SEEA.

The growth in natural capital thinking

Mark Gough

Executive Director, Natural Capital Coalition



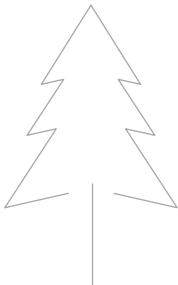
Over the last year there has been an important evolution in the way that we think about natural capital. We are realizing that it is much more than just bringing externalities to light as we previously thought. The metaphor of capital actually provides three clear attributes that considerably advance existing thinking and allow us to make more integrated decisions.

Capitals introduce the concept of dependency. By thinking about what we depend upon our relationship changes completely. The capital becomes something we cannot do without. Something that is core to what we do. Something that we should invest in. This is often a light bulb moment for many of the people we talk to.

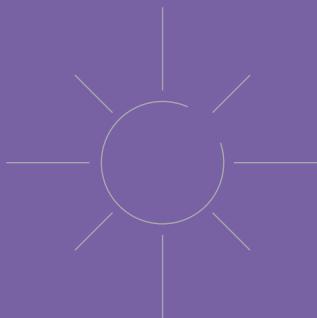
Measurement alone only provides us with a number. It does not provide the context. Capital thinking introduces this context through valuation. It connects the measurement to us personally, by providing us with a better understanding of the relative importance, worth or usefulness of something to us.

It is only when we understand this, that we are inspired to change what we are doing and it is this that is helping to challenge existing business models and create more sustainable ones.

The third new attribute of capitals thinking is the systems approach that it enforces. Previously we have addressed issues separately and although there have been some great advances in each area individually, it is only when we see the world as a whole that we can really make great advances.



New releases



Natural Capital Protocol Toolkit
(WBCSD)



Drought Stress Test Tool
(NCFA)



Natural Capital Accounting for better policy decisions
(WAVES)



Resilience in Commercial Forestry
(CISL)



Draft Forest Products Sector Supplement



Water Risk Monetizer v3.0
(Trucost)



Natural Capital Stress Test Tool
(WWF-AECOM)



Natural Climate Solutions
(Griscom et al.)



Draft Financial Sector Supplement to the Natural Capital Protocol

Shining a light on....

VALUE AND PRICE



'Price' is what people actually have to pay for things in market transactions. Oil, fish and wood are all priced, but they are very rarely valued. 'Value' is the importance, worth or usefulness of something. Only when we value do we really understand what it means to us. Value is based upon a perspective, either by an individual or by a group through consensus.

Value can be expressed in monetary terms, but also as a quantified or qualified amount. Saying something is more useful or important than something else provides a value. Valuation is an important part of a natural capital assessment and is used to build a more indicative picture of our relationship with nature.

NATURAL CAPITAL APPROACHES



There are two main approaches to applying natural capital thinking; Assessments and Accounting. They have different purposes, and application, but are often confused. It does not help that they both have the same acronym, but then again we never did like acronyms at the Natural Capital Coalition anyway!

Natural capital language is still evolving, but harmonizing this and agreeing what we mean is a significant step towards broader inclusion.

A Natural Capital Assessment is the process of identifying, measuring and valuing natural capital impacts and dependencies. The scope can be broad and it is primarily about providing information to inform decisions rather than disclosure.

Natural Capital Accounting is a framework or method that approximates financial accounting standards by collecting and systemising information on natural capital. It can be used for disclosure either in national or business accounts.

Both approaches offer valuable insights and those applying them are now combining forces to better understand how they interconnect and can be applied (see page 9).

The role of collaboration

Gerard Bos

Director of IUCN Global Business and Biodiversity Programme



IUCN has been part of the organizational committee for the World Forum on Natural Capital since the first Forum in 2013. The Forum takes place every two years, and, as the leading voices in the community have gathered at each Forum to share both their successes as well as the challenges they face, the Forum provides a fantastic indicator of the evolution in natural capital thinking more generally.

Evolution

In 2013, the focus was very much on the sharing of individual projects. Some great work was being done by individual organizations, and each of them wanted to show off their progress. By the time of the second Forum however, it had become clear that in order to really scale up the impact of the natural capital agenda, individuals and organizations would need to evolve from a mind-set of “this is what I am doing” to one of “what can we do together?”.

A new way of working

This shift in sentiment was exemplified by the development of the Natural Capital Protocol, where a cross-sector collaboration between a core team of 38 organizations, with hundreds of supporting partners, came together to deliver a public good. The Protocol’s development required that partners listen to one another, and, most importantly, that they were prepared to accept compromise. These two elements were key to the success of the project, and led to an end-product that can be implemented by all organizations, working in vastly differing landscapes.

For this year’s forum, the inclusion of new friends such as the Green Economy Coalition, as well as Interpol, the Gaborone Declaration for Sustainability in Africa and the increased participation of governments, signifies a continuation of this inclusive process. We need the best brains of all of the various sectors to work together, and I look forward to seeing how the movement has evolved again when the Forum convenes in 2019.



Core team of 38 organisations developed the Protocol

Harmonization

Harmonization

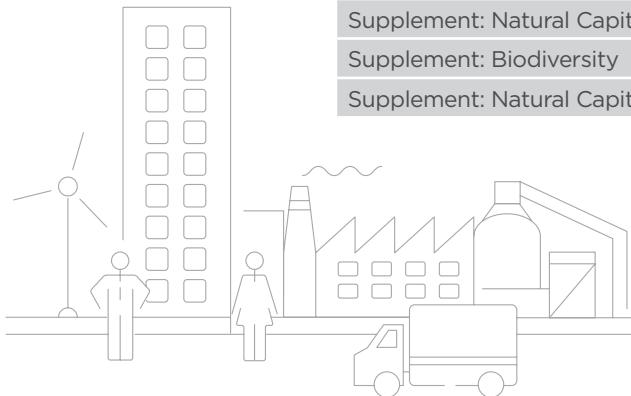
Coalition organizations come together to collaborate, and harmonize approaches to natural capital. This multi-stakeholder, open source approach ensures that outputs are generally accepted and representative of the strongest inputs. We work on two forms of harmonization:

Sector Guides build on the overarching Protocol, and refine it for a sector-specific audience. They are designed to be read in parallel with the Protocol, and offer guidance in the most relevant areas. For example, which impacts and dependencies are most likely to be material along a specific value chain, how a natural capital approach relates to sector-specific guidance and regulations, or other sector-specific tools and datasets.

Supplements challenge the Protocol in particular technical areas, to strengthen guidance where needed. They are designed to reflect advancements in the community since the Protocol was written. Current work includes efforts to solidify the approach to biodiversity measurement and valuation, how we consider marine natural capital, the flow of natural capital data, and how natural capital is used in investment, lending and insuring practices.

Harmonization projects

Sector Guide: Food and Beverage	Available online
Sector Guide: Apparel	Available online
Sector Guide: Forest Products	Available March 2018
Sector Guide: Build Environment	Scoping
Supplement: Natural Capital and Finance	Available March 2018
Supplement: Biodiversity	Available late 2019
Supplement: Natural Capital and the Oceans	Available late 2019



To get involved in any of the above, please contact

info@naturalcapitalcoalition.org

Natural Capital: Everybody's business

Elizabeth M. White

Principle Strategist ESG and Sustainability International Finance Corporation, World Bank Group



Conversations are shifting among stakeholders, and within organizations, about our impacts and dependencies on natural capital, and the decisions that will drive sustainable business, finance, and growth. While many of these ideas are not new — these disciplines are increasingly aligned in their demands for greater metrics and standards, and in a shared commitment to sustainable development by the public, private and financial sectors.



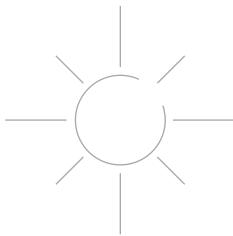
Natural capital approaches can provide a way for companies, investors, governments and financial institutions to better understand crucial natural capital dependencies, how to connect these to impacts, and how to communicate these dynamic relationships in business and societal terms.

findings confirm that the combination of a country level approach, combined with a corporate-level Protocol application, can identify ways to more effectively manage important assets, while providing enhanced economic and social returns for businesses, and localized proof concept for stakeholders.

Real world applications of natural capital approaches continue to evolve. For instance, in Rwanda, Colombia, Indonesia, and the Philippines, a set of country cases were designed to explore potential alignment between a business application of the Natural Capital Protocol, and wider landscape level public accounts and actions.

By looking across capacity needs and data, networks and the institutional setting, industry specific drivers, and the policy environment, the country cases are identifying entry points for natural capital approaches as well as barriers to entry. These findings can then be used to help practitioners and stakeholders to determine the right approach, and to connect them to the correct tools, methodologies and information. Such efforts are critical. Natural capital, and the ecosystem services that it provides, form the basis of thriving societies and prosperous economies.

These demonstration cases are examining data that may be practical for use in both public and private sectors — such as geospatial data, regional statistics, and National Natural Capital Accounts. While each case is different, early



country cases in 2017 (Colombia, Rwanda, Indonesia)

Enabling Environment

 COMBINING FORCES	 DATA PROJECT
<p>There is a pressing opportunity to better coordinate how private and public sectors can work together</p>	<p>The Coalition is initiating an multi-year project with UNEP-WCMC and other Coalition organizations to better understand what needs to be done to help data to flow more smoothly</p>
<p>Businesses and governments often have different objectives and applications for how natural capital approaches are used, and therefore capture different kinds of information. Yet, we know from conversations like those detailed opposite, that both communities are keen to learn from the other and see the benefit of doing so.</p> <p>The Coalition is now promoting a new workstream to combine forces between business and policy, and to ensure that all advancements in natural capital approaches span both. We want to make illustrative case studies shared and known, to explore scale and methodological overlap, and support all existing platforms for conversation and dialogue where experience can be brought together.</p> <p>This begins with a shared statement of intent on the Coalition website, to which we invite all stakeholders to support.</p>	<p>For many companies, a significant discovery when applying natural capital thinking is that they do not have the data to inform their assessment.</p> <p>This challenge has been raised again and again over the last year and it could be one of the biggest barriers to further application.</p> <p>This outline project therefore intends to improve the flow of data between the different organizations involved. By bringing together funders, architects, collators, analysts and users, we will work together to classify the blockages and find solutions for streamlining our global natural capital data system.</p> <p>The Coalition's reach across all of these worlds is important, but we are very aware that there are many different data streamlining initiatives already underway, and we are looking for opportunities for further collaboration. Let us know if you are interested. We would be delighted to hear from you.</p>

Telling the story

Joseph Harris-Confino

Head of Communications, Natural Capital Coalition



The terms and language around 'natural capital' and 'ecosystem services' are often criticised as being dispassionate, sanitised and full of the clinical-sounding terminologies of business, science, economics and policy-making.

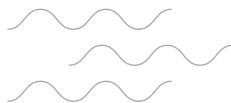
Some tell us that they experience an initial gut reaction when they hear nature framed in this way, and that this feeling is one of unease.

They believe that nature's intrinsic value, its beauty, and the subjective value that they experience from the natural world, cannot be sufficiently captured or expressed using this kind of language. And they're right, it can't.

But capturing nature's 'total' value in intrinsic, economic, social, cultural, subjective and eudemonic terms, (among others), is not the aim of a natural capital approach. Nor is the aim to reduce all of these complex and dynamic relationships to reductive economic values.

The concept of 'natural capital' was never designed to effectively capture the phenomenology of nature; the way that we subjectively experience it. The term started life in E.F. Schumacher's 1973 book *Small is Beautiful*, as a metaphor, to express fundamental flaw in the treatment of nature in the modern economic model. Talking about nature in this way aims to illuminate the value of ecology to the economy, not reduce ecology to another branch of economics.

Using this idea to describe nature does not seek to diminish or outshine the moral and ethical arguments for the conservation of the natural world, or to suggest that human experiences are all that matters when it comes to the value of nature. No one is saying that the only reason that nature is valuable is because of the way it benefits human beings, only that it is also valuable for this reason.



* See survey on page 14

Outreach

Top 5 Hub Hits

The top five most read articles published on the hub in 2017

1.

Mangroves, Coral Reefs Could Cut Flood Insurance Premiums

2.

The Capitals Approach: The Protocol and the SDGs

3.

What Is The Real Value Of The Great Barrier Reef?

4.

Cities Should Think About Trees As Public Health Infrastructure

5.

Please, No More Calls to 'Drain the Swamp.'

Capacity building

We have a long way still to go in order to mainstream natural capital thinking.

The Protocol Application Program (run by Cambridge Institute for Sustainability Leadership on behalf of the Coalition) introduced natural capital thinking to a broader community. Materials from this program are still available on the Coalition website. Coalition Organizations have also been supporting programs around the world to train and aid the application of natural capital thinking, for example the Natural Capital Program run by the Calouste Gulbenkian Foundation in Portugal.

The next phase is to engage through associations and sector initiatives. To use their strong networks and skills at convening to reach new organizations and develop work and experiences that are relevant to their specific needs.

Regional platforms will also play an important role. Bringing together all parts of society to support each other at a regional level in their endeavours to understand how natural capital thinking can reduce risks and create new opportunities.



From Wax to Plaster, Natural Capital and Policy

Martin Lok

Program Manager, Natural Capital, Ministry of Agriculture, Nature and Food Quality



My favorite natural resources are wax, clay and plaster, because they are perfect agents for artistic innovation. The sculptor August Rodin knew this as no other. Wax, clay and plaster enabled his creative mind to fully bloom.

When creating his famous work, the Gates of Hell - his grand entrance for a new Paris' museum - Rodin created his first form out of wax. Wax is soft, highly malleable and easily adaptable to evolving ideas and designs over time.

His second iteration was made from clay. While soft like wax, clay allowed Rodin to work on the details of his design, thus creating clear foundations for his masterpiece.

With the move to a third medium - plaster - Rodin cements his creation in reality, first in miniature, but eventually at the monumental scale that has continued to inspire people around the world.

During the design process, the Gates of Hell became a springboard for Rodin's further innovation and expression. Almost one hundred statues have 'escaped' from the Gates of Hell, and have become works in their own right - among them The Thinker and The Kiss.

This exploration of mediums and approaches, mirrors in some sense the evolution in thought around natural capital, and around all new and revolutionary ideas. Masterpieces are not formed overnight, they require many iterations, each with their own materials, characteristics and techniques, and the work is never truly finished, or confined to a single entity.

This lesson inspires me in my everyday work on natural capital. As we continue to harmonize the many natural capital tools and initiatives, and drive collaboration in the public and private sectors, I believe that we have moved from working with wax to sculpting in clay. An enabling policy environment will accelerate the move towards plaster, and we must continue to work together to ensure that it is cast in bronze, and soon.



Connecting to other natural capital initiatives

Marta Santamaria

Technical Director, Natural Capital Coalition

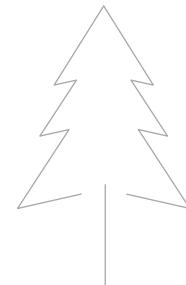
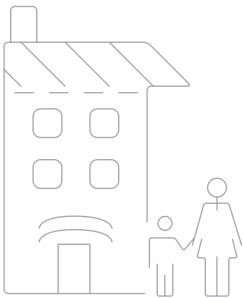


In the year since the Coalition launched the Natural Capital Protocol, the Coalition team and advisory panel have been involved in several working groups, panels and consultation processes, to support work that is aligned with our mission. Examples include the TEEB AgriFood framework; the Impact Valuation Roundtable and the Water Monetizer Tool along with many others.

The 2016 Convention of Biological Diversity (CBD) meeting in Mexico, highlighted natural capital as a way to achieve the Aichi Biodiversity Targets and we are now starting conversations with CBD and the Governments that support it to look at how to do this. We have also joined forces with other initiatives including WWF and IUCN's One Planet Thinking, the Circular Economy, and the Green Economy Coalition.

With so much happening it's hard to keep track of it all. However we believe that this flurry of activity can only be viewed as a hugely positive sign, and we look forward to continuing to collaborate across the community in order to mainstream this work.

If you are producing work on natural capital and would like to engage with others on how it evolves thinking, aligns, or differs for other work, get in touch with us: info@naturalcapitalcoalition.org.



The Making of: The Annual Review

One year after the launch of the Natural Capital Protocol, the Coalition Organizations wanted to illustrate how much success they were having in changing the way we relate to nature and inform decisions. Therefore we conducted a survey with the aim of capturing the significant progress made, the challenges still ahead, and to act as a marker for future growth.

86%

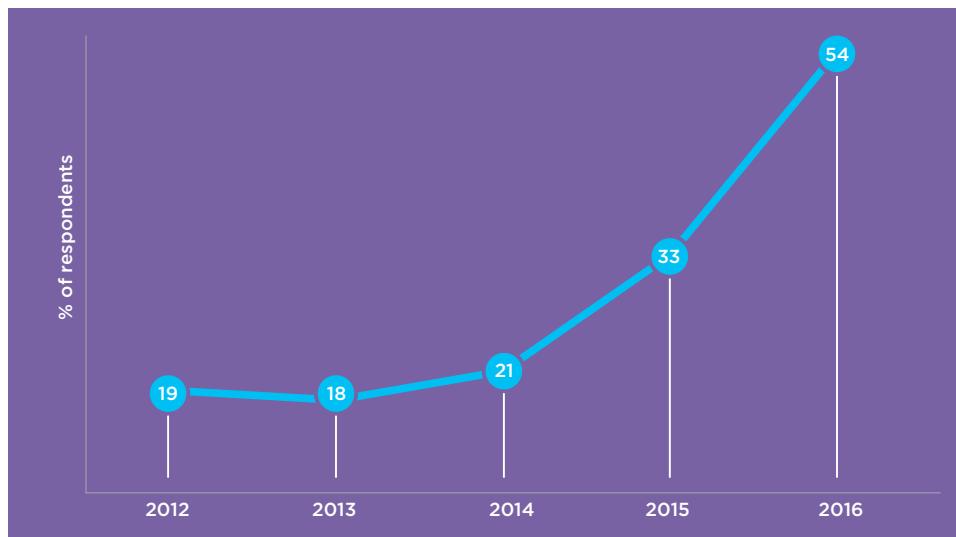
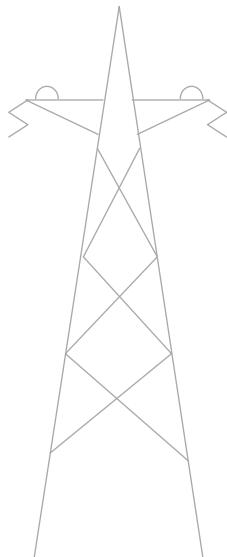
Believe natural capital approaches will promote better decision making

Trending

The review found a large increase in the numbers of organisations carrying out natural capital assessments since 2013.

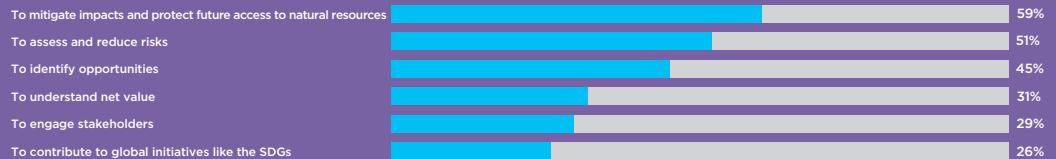
What is interesting is that a third of those who are applying natural capital thinking have confirmed that it is informing their decision making, whilst 86% believe that it will do in the future. This highlights that natural capital thinking is changing the way we make decisions.

There are obviously limitations in this first review. We were talking to the converted and did not manage to reach beyond those already involved in the movement. Even so it does set a marker in the sand and we continue, together, to better understand and communicate the benefits of applying natural capital thinking, so that it becomes something that we all just do.



Of survey respondents who have conducted a natural capital assessment, 54% did so in 2016

Why is natural capital being applied?



1.

To mitigate impacts and protect future access to natural resources (59%)



Michael Beutler

Director of Sustainability Operations, Kering

As a pioneering approach in the natural capital space, Kering's Environmental Profit and Loss (EP&L) currently offers the most comprehensive methodology to measure environmental impacts across our supply chains. In short, the EP&L is based on environmental economics and provides metrics for the 'cost to society' derived from the environmental degradation driven by specific business activities, such as manufacturing and raw material sourcing. The assessment encompasses greenhouse gas emissions, water use, waste creation, air and water pollution, and land use change.

While significant and ground breaking, the EP&L – and other natural capital approaches – do not yet give us an indication of whether the environmental impacts are actually sustainable in a finite global system. In our view, sustainability should be assessed in the context of limited resources and natural capital – companies need to know when their impacts are reaching these limits and when "enough is enough". The concept of Planetary Boundaries provides us with this critical context. It offers us a science-based approach and credible thresholds and, potentially, the ultimate global scale to view and assess a company's impacts. As a key part of our new sustainability strategy, Kering is committed to linking Planetary Boundaries to our work on natural capital.

Building on our progress to date, Kering is launching a collaborative effort to explore in detail how to apply Planetary Boundaries to corporate decision-making at a local, regional and global level. Kering, along with leading experts, scientists, and business leaders, has embarked on an open discovery process around natural capital and Planetary Boundaries that will catalyze discussion, debate and, importantly, fuel new approaches to enhance and advance our EP&L and the field of natural capital more widely. As part of our discovery process we are sponsoring a series of White Papers, and invite all those who are interested to become part of this process which will, ultimately, help business to deliver solutions for a truly sustainable planet.

Why is natural capital being applied?

2.

To address
and reduce
risks
(51%)



Mark Weick

Director, Sustainability, The Dow Chemical Company

Dow's 2025 Sustainability Goals use a global lens to magnify our impacts and dependencies on nature across our global value chains. These efforts have driven unprecedented collaborations, with the aim of developing societal blueprints that will aid the transition to a sustainable planet, society and economy.

By harnessing Dow's innovation strengths, global reach and dedicated employee population, we have set bold and aggressive sustainability targets, with the goal of positively impacting the lives of 1 billion people, while delivering \$1 billion in cost savings or new cash flow to our business by valuing nature in our decision making.

Using the tools that we've developed alongside The Nature Conservancy, we have already identified projects that have created more than \$40 million worth of real natural capital value (and we're tracking another \$60 million in additional projects), proving that including Valuing Nature approaches into our operations demonstrates real and recognizable savings for Dow.

For instance, when water drainage from a former mine site in Arkansas began to release wastewater into a downstream creek, we challenged our team

to apply a natural capital approach to develop a sustainable, practical, green infrastructure solution that wouldn't require long-term operations and maintenance.

In response, our team chose to line the connecting channel with limestone, designed to neutralize the acidic wastewater, and lower zinc concentrations, before it joined up with the creek downstream. This natural infrastructure system was compared to traditional physical/chemical pH adjustment systems, and we discovered that by installing a passive system, a real saving of \$1-3.5 million dollars was achieved, and an immediate improvement in the receiving creek water quality was measured.

In fact, eco-indicator fish not observed in the creek channel for more than 10 years returned within 3 months of initiating flow through the limestone channel and wetland system. These financial savings, coupled with a marked increase in water quality, and improved levels of biodiversity, provide a clear business case for taking a natural capital approach, and show us that green infrastructure can sometimes be cheaper, more efficient and more effective than traditional grey infrastructure.



3.

To identify
opportunities
(45%)



Andreza de Souza

Sustainability Coordinator, Natura

The importance of ecosystems for society in the ecological, social, cultural and economic dimensions is unquestionable. We believe that expressing the value of the impacts and dependencies of businesses on nature will ensure greater understanding and make these complex relationships more accessible for different audiences, driving heightened transparency and action among businesses.

Based on this belief, last year Natura disclosed the results of its first study on the valuation of our impacts throughout our value chain. The factors considered include greenhouse gas emissions, water consumption, pollution and land use.

We are also opening new study fronts aimed at understanding the social impacts generated by carbon offsetting projects. As far back as 2007, we were aware of the need to combat and prevent climate change, the company created the Natura Carbon Neutral Program to drive significant ongoing measurement, reduction and offsetting of GHG emissions, from the extraction of raw materials through to the destination of post-consumer packaging. Natura is a Carbon Neutral company - that is, it offsets all its emissions, taking into account both its own processes and others throughout the production chain until the end of a products life.

This compensation involves the purchase of carbon credits by investing in projects that promote reforestation, waste treatment or the substitution of fossil fuels with renewable or more efficient energy sources. In addition to mitigating the company's impacts on climate change, this program promotes the protection of biodiversity and water resources, and foments sustainable development actions, such as strengthening local economies and driving improvements in public health and education.

We believe that this will be a long-term endeavor, and we have been working on tools and processes that will enable us to integrate the ESP&L into our management model as a KPI.

Natural Capital Activity

Jonny Hughes

Chief Executive, Scottish Wildlife Trust; Global Councillor, IUCN



The practical application of natural capital concepts has matured over the past year. Tools, and frameworks like the Natural Capital Protocol are becoming more sophisticated and are being applied across the global economy, notably in the apparel and food and beverage sectors.

Natural capital assessments continue to inform better decision making. For example, Trucost's recent work in China has shown that "future costs in China's coal-to-chemical sector could increase by up to two-thirds as a result of environmental risks." Initiatives such as the Coalition for Private Investment in Conservation are busy creating 'blueprints' for the successful delivery of investable priority conservation projects, connecting pipeline providers with investors to execute investable deals.

Another promising development is the leadership shown by reinsurance companies such as Swiss Re, who are seeing the opportunities that long term investments in improving ecosystem health could have in reducing their exposure from degraded natural capital assets. Restoration of wetlands and woodlands in upland catchments to reduce the frequency and intensity of flooding in cities downriver is a good example.

I look forward to discussing how we can scale up these and other developments within natural capital at the 2017 World Forum on Natural Capital.



Meanwhile, governments are beginning to understand that by using public money to optimise the portfolio of ecosystem services that might be derived from a given river catchment or seascape, as a society we can better optimise the benefits that flow from natural capital stocks. The challenge then becomes translating these high-level policy concepts into action on the ground.

Finance Perspective

Frank Wagemans

Senior Project Manager, Responsible Investment, VBDO



The financial sector is centered on the weighing of risks and opportunities in order to inform strategic decision making. In this sense, the concept of natural capital, is already extremely well aligned.

The financial sector has an important role to play in mainstreaming this practice, not only by financing responsible businesses, but also by utilizing the power it possesses to encourage this behavior in the first place.

In order to mainstream natural capital approaches among financial institutions (FIs), what we need most are frontrunners. Fortunately there are an increasing number of FIs that have started to work on natural capital, building on their previous work on separate issues such as biodiversity, water, climate and energy. Moreover, these organizations are now building communities. One example is the European Community of Practice on Business and Biodiversity, in which financial institutions share their best-practices and enduring challenges in their work to integrate non-financial information into their operational decision making.

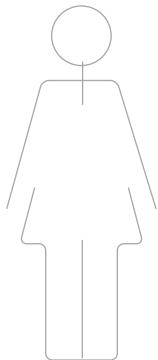
What's most needed however, is a structured and standardized approach that FIs can utilize in this work. To this end, the Natural Capital Coalition, the Natural Capital Finance Alliance and the Dutch

Association of Investors of Sustainable Development (VBDO) are developing a Connecting Natural Capital and Finance: A supplement to the Natural Capital Protocol. Our goal is to summarize the knowledge and existing approaches into a structured approach on how the finance sector can use natural capital to improve financial decision making.

Thanks to engagement from professionals in the financial sector, as well as the input of natural capital experts, the Supplement presents a state-of-the-art approach that enables the finance sector to take the next step towards a world that protects and enhances natural capital.

581

Individuals involved in Finance Sector Supplement consultation



NGO Perspective

Emily Mckenzie

Chief Adviser, Economics and Sustainability, WWF, Global Science



NGOs advance the science, implementation and uptake of natural capital approaches. Examples include WWF and The Nature Conservancy's Natural Capital Project, Conservation International, and Cambridge Conservation Initiative's leadership developing the Biodiversity Supplement of the Natural Capital Protocol. Over 15% of the Coalition's 260 Organizations are NGOs.

However, advances occur amid concern that such approaches diminish conservation of nature for its own sake, evident at the World Conservation Congress in Hawai'i.

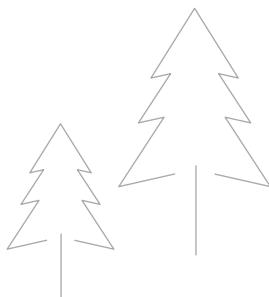
These discussions are positive in helping identify real disagreements or, more frequently, resolve misunderstandings. Consensus is building that integrating nature's values in decision-making is one important strategy. Indeed, Motion 63 on Natural Capital was passed in Hawai'i.

With growing acceptance, come new questions. NGOs have examples that demonstrate success, but often at small scales. Leaders are now wrestling with how natural capital approaches can address the biggest conservation challenges. Questions include: How to bring this thinking into mainstream finance

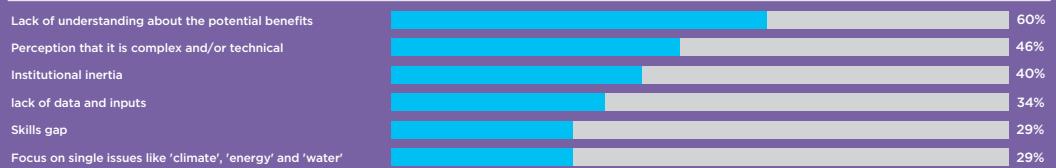
as standard practice? How to ensure information is used to operate within the safe limits of our planet?

Scaling makes engagement with the private sector ever more essential. NGO-business partnerships on natural capital are blossoming. For example, The Coca-Cola Company and WWF's work to integrate the value of nature into decision-making processes, including freshwater conservation and improving environmental performance across the company's supply chain. Stanford University worked with Unilever to integrate spatially explicit modelling of land change and ecosystem services in a Land-Use Change Improved (LUCI)-LCA that informs design and sourcing decisions. NGOs are helping companies learn about natural capital, draw on the best science, apply information to critical decisions, set ambitious targets, meet credible standards and share best practice through value chains.

Such bilateral NGO-business relationships are highly productive and innovative. But they are not enough on their own. We increasingly need platforms for business, governments and financial institutions so natural capital approaches can change the whole system of drivers that shape our world.



Remaining challenges



1.

Lack of understanding of the potential benefits (60%)



James Spurgeon

Director, SustainValue

The business case for companies to undertake natural capital assessments is multifaceted, with numerous drivers, application opportunities and potential returns. Some examples from my experience supporting companies include:

- 1) Better insight – through exploratory assessments to understand the approach, the company's material impacts and dependencies, the scale and meaning of the values, and the advantages over existing company approaches.
- 2) Improved decision-making – in prioritising and optimising environmental management for site operations and landholdings; in selecting more sustainable CAPEX options; and in justifying environmental protection expenditure (e.g. using shadow prices for water).
- 3) Enriched project appraisals and net positive assessments – to inform appropriate levels of mitigation, offsetting and compensation.
- 4) Enhanced resilience – through anticipating supply, price and regulation risks; informing strategy; influencing better catchment management; and securing more sustainable supply chains.

- 5) Strengthened reporting and company reputation – for sustainability through incorporating values and demonstrating overall creation of stakeholder value.

Natural Capital Assessments can thereby reduce risks and costs; increase revenues and share price; drive innovation; attract talent and enhance stakeholder relations and reputation. However, the size of a company's business case will depend on factors such as their relationship with natural capital (e.g. primary, tertiary sector); their existing environmental management; and their sustainability strategy (e.g. leader, follower).

The business case will only continue to strengthen as drivers further intensify (e.g. resource scarcity, climate change, regulations, environmental markets, peer pressure, and reporting requirements such as DJSI's new impact valuation section). Whilst there is a business case for undertaking assessments, what is still really needed is a correction of market incentives to fully internalise environmental externalities (e.g. reward environmental improvements and make polluters pay).

Remaining challenges

2.

Perception
that it is
complex and/
or technical
(46%)



Will Evison

Assistant Director - Sustainability and Climate Change, PwC

Let's face it, at one level, natural capital is complicated. Fiendishly so. After all, the natural world is complicated, and the ways human society interacts with it are too. Does that mean it's really too complex for companies to measure and manage? First, let's take a look at how a typical big company - with say 20,000 employees and £8bn in annual revenues - might go about managing a couple of its other important 'capitals' - human and financial.

Human capital - it will have established performance management processes, in-house HR manuals, specialised HR, training and recruitment systems, annual budgets of £20-40m and 200-300 dedicated HR staff.

Financial capital - its finance systems are likely to be integrated with key operational systems and may process millions of transactions every day, all overseen by 470-750 highly trained finance professionals at an annual cost of £50-75m.

My point? Managing human and financial capital is technical and complicated. Fiendishly so. It's also a top priority. So companies dedicate the resources needed to overcome the complexity and get it right. Measuring and managing natural capital is no more technical or complicated. It's just that it is generally a much lower priority. So from the point of view of the average overstretched

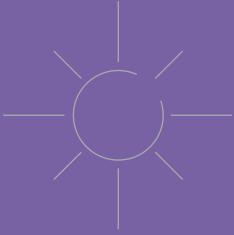
environmental manager - with 101 pressing issues to attend to, and no-one banging down their door about natural capital - it is too complicated!

This highlights two related problems:

1. Stewarding natural capital still isn't a high enough priority for almost every business in the world; and,
2. Available approaches for measuring and managing natural capital seem too complicated for many of the business people who are trying to lead the charge right now.

Hopefully we're all working together on problem 1. As a consultant and significant contributor to the Natural Capital Protocol, I must take some responsibility for problem 2. I don't believe our response should be to dumb down the methods ever further though. Any results produced that way are likely to be worthless. I believe the real answer, is to ensure that our necessarily and unashamedly complicated methods produce even more ruthlessly simple and insightful outputs, at lower effort and cost for companies.

We've had a go at developing a low-effort high-insight tool to do just this - we call it the impact explorer. For more information, visit: www.pwc.co.uk/impactexplorer



3.

**Institutional
Inertia
(40%)**



Eva Zabey

**Director, Redefining Value, World Business Council
for Sustainable Development**

More and more businesses are starting to understand how they impact and depend on nature - from raw material value chains to energy access to water discharge. The plethora of connections between nature and business can be daunting, but some leading companies realize that measuring and valuing nature strengthens decision-making, as well as risk and investor management.

Over 40 of World Business Council for Sustainable Development's (WBCSD) member companies have shared how they have measured and/or valued natural capital. Novartis, for instance, realized a natural capital valuation that helped to identify opportunities to improve performance, which led to 20% savings in energy use. Unilever cites water scarcity as a huge risk to their future growth, so they measure water use throughout their value chain from suppliers to consumers. This has led to new market opportunities while strengthening their risk management and adaptability. These business leaders are realizing that deepened understanding of dependencies and impacts on nature is necessary to thrive and translates to value for their core business.

Although measuring and valuing natural capital is gaining momentum - many companies still feel that the landscape of natural capital is too confusing, complex or irrelevant. Complexity of information can establish inaction and endorse institutional and business inertia. Leadership from within business is driving change, and through collaboration, trial and error, we can reach the tipping point and mainstream valuing nature. To advance efforts and to support companies in deciphering the natural capital landscape, the WBCSD together with Natural Capital Coalition, and an Advisory Group of experts, developed the Natural Capital Protocol Toolkit, designed to help companies implement the Natural Capital Protocol by providing exciting tools that business can use now.

The sustainability stage is complex but there are existing solutions and we are much stronger and more effective as a network. Together, we're much more powerful than the sum of our parts - which is why we need more network leadership in natural capital and beyond. That's the way we can leverage the best solutions and scale them. And that's the only way we're really going to get this job done.

Natural Capital and the Global Goals

Richard Spencer

Head of Sustainability, ICAEW



The Goals are a compelling vision of the world the world wants by 2030 expressed as 17 inter-connected outcomes.

The coupling of capital and nature has been around since the 1970s but has gained momentum more recently notably in <IR>. Not without controversy “capital” is becoming central to the way business understands its relationship to nature and society. If we want businesses to act, then our narrative has to speak to their concerns to demonstrate relevance and be in a language it understands. “Capital” has been a remarkably useful way of doing this.

Connecting the capitals to the Goals is a persuasive way of extending and mutually reinforcing the importance of both to businesses. The Goals represent the outcomes society wants to achieve from the deployment and maintenance of the capitals. There have been some useful exercises in examining the relationship. For example, the below image from the Stockholm Institute And Carol Adams’ piece ‘The Sustainable Development Goals, integrated thinking and the Integrated Report.



How can the capitals contribute?

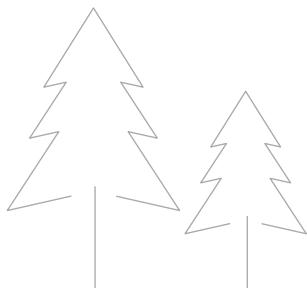
Targets and indicators give us a version of reality; they leave things out and shape what is important and our understanding of the Goals. Business and civil society are not bound to the formal UN process as governments are and could develop their own targets and indicators more relevant to them. This will create different interpretation of the Goals that complements and overlaps the UN version. This plurality could well lead to a success bigger than that defined by the formal process.

I believe that it is important to focus on the vision and think about how one will deploy the capitals to achieve that, then measure progress. I am a strong advocate of the journey of discovery that each organisation should go through linking Goals and capitals making it meaningful to them and igniting new insights.



230

indicators to measure success of global goals.



How can you get involved in 2018?

All Coalition projects have multiple rings of engagement, to enable everyone to participate according to their strengths and resources.

Stay informed:

Receive updates and news.

Apply and share:

Using natural capital approaches?
Let us know!

Consult and pilot:

Test and review draft guidance.

Advise:

Offer regular technical direction
on a project.

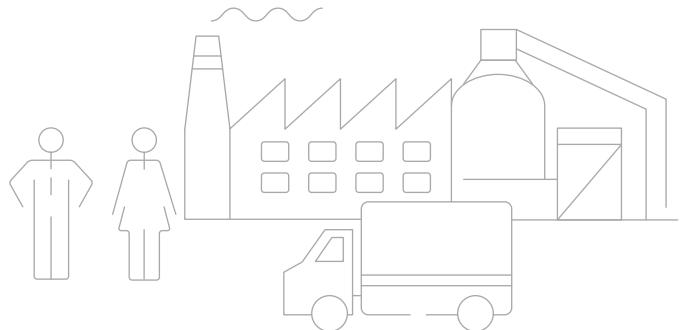
Lead:

Commit inspiration, resources and time
to a project.



Other ways to get involved

- Submit a case study
- Suggest a country application
- Suggest and lead a translation of the Protocol
- Organize an natural capital event



To discuss any of the above, contact info@naturalcapitalcoalition.org or visit www.naturalcapitalcoalition.org
Particular thanks to Siobhan Stewart, ICAEW for her work on this publication.



NATURAL
CAPITAL
COALITION



ICAEW
CHARTERED
ACCOUNTANTS

radley yeldar.

