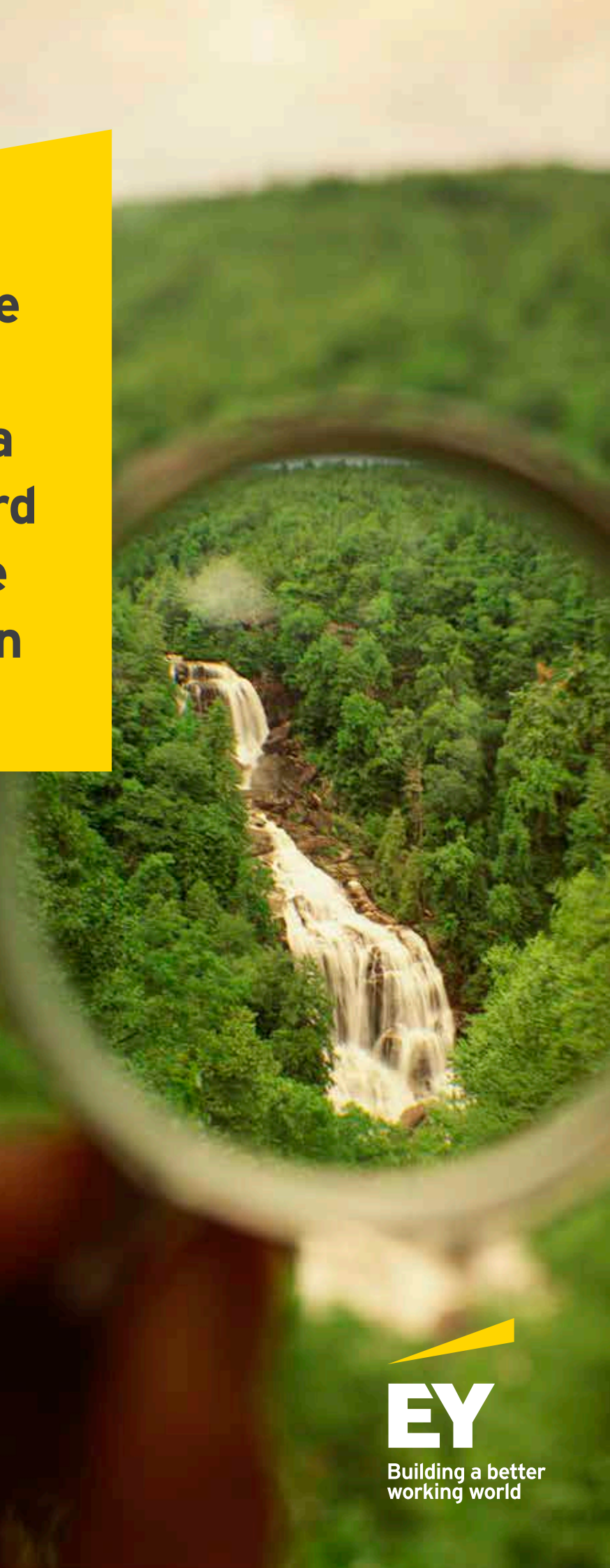


**The launch of the
Natural Capital
Protocol marks a
huge step forward
in making nature
visible in decision
making**



EY's role

EY has been an active participant in the Natural Capital Coalition since its foundation in 2011 and has played a significant role in the development of the Natural Capital Protocol. Over the past two years EY has provided strategic support to the Coalition's business engagement activities. In 2015 we interviewed more than eighty international businesses to gauge their aspirations for the Protocol; the insights from these interviews have provided the Coalition with a deep understanding of the intended application of the Protocol in business decision making.

The Natural Capital Protocol's launch

The launch of the Natural Capital Protocol ("Protocol") marks a huge step forward in the ability of businesses to measure and value their relationship with natural capital. At EY we believe the Protocol will play a fundamental role when businesses seek to understand:

1. the risks associated with the natural capital of their value chains,
2. the role of natural capital in their business model and the delivery of their strategic objectives, and
3. the societal and environmental outcomes which businesses create through their operations and activities.

There is now, for the first time, a standardised framework which will enable businesses to incorporate natural capital into their decisions through the application of a systematic methodology. This will, without doubt, contribute to sustainable management of natural capital amongst businesses through more informed decision making. The launch of the Protocol is also an exciting opportunity for the accounting profession to expand the horizons and professional perspectives of the financial and management accountant to encompass natural capital as a core element of value creation. In time this will provide businesses with a deeper understanding of how their management of their natural capital

impacts and dependencies is creating long-term value for their shareholders and other key stakeholders.

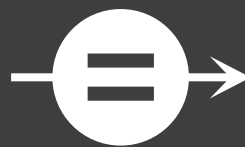
The Protocol has been drafted by an international team of experts over the course of the past two years and has been rigorously tested by a range of global companies. The public consultation process for the draft Protocol alone received many thousands of comments from hundreds of different stakeholders. It is clear that there is real interest in the Protocol and the contribution it will make to enhanced business decision making on natural capital. Those of us who have had the privilege to be central to this process stand on the shoulder of giants, of course, as the development of what we now think of as natural capital accounting has evolved over many decades.

EY has played a critical role in supporting the development of the Protocol through the business engagement process ("BEP") and the publication of the NCC's BEP Report. The report summarises the views of more than eighty international businesses on the need for the Protocol and the business value from incorporating natural capital into decision making. It was evident from our discussions with business leaders around the world that there were four core principles which needed to be embedded into the Protocol if it was to provide them with useful and actionable insights into their relationship with natural capital.

More systematic
natural capital
accounting



Protocol



Better decision
making

Businesses told us that the Protocol should be:

1. Relevant
2. Rigorous
3. Reliable
4. Consistent

We are delighted that the Protocol has embraced these four principles, as these are fundamental to measurement and valuation of natural capital which is insightful and useful in making business decisions.

It is **relevant** because application of the Protocol will enable businesses to shine a light into their value chain and across their operations and illuminate whether their relationship with natural capital is value creating or value depleting. With widespread adoption of the Protocol in the years ahead as a core business tool, we will achieve a deeper understanding of the sustainability of our collective business activities. This, in turn, will provide national governments and international organisations with the insights and information they require to enact policies which will help preserve and enhance the world's natural capital resources.

The Protocol is also **rigorous**: one of its unique features is the transparency of the methodology by which a business measures and values its relationship with natural capital. This addresses the concern which many have raised over recent years that existing natural capital assessments have depended on a 'black box' at their core of complex (and at times impenetrable) economic valuation. By creating

a transparent methodology for natural capital measurement and valuation, the Protocol provides the internal stakeholders of a business with confidence that the underlying analysis is **reliable**. Where such information is made public, it enables external stakeholders to assess how sustainably an organisation is managing its natural capital impacts and dependencies. Transparency of approach has, after all, been a central reason that financial accounting has been so successful in enabling businesses to measure the value they create through the prism of financial capital. Transparency will, likewise, help ensure the long-term success of the Protocol and will position Nature where it rightfully belongs: centre-stage of organisational decision making.

Some have argued that by placing an economic value on natural capital we denigrate its significance. The Protocol provides businesses with the information they need to rationalise sustainable decision making without marginalizing the aesthetic, cultural or spiritual value of nature. By valuing nature through the **consistent** application of a standardized framework, businesses decisions should help with not only conserving but also enhancing the world's precious stock of natural capital.

We applaud the work of the Natural Capital Coalition and celebrate the launch of the Protocol. We firmly believe that the Protocol marks a huge step forward for sustainable business and the business of sustainability.

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