



NATURAL  
CAPITAL  
COALITION



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

Secretariat:



# Finance Sector Supplement to the Natural Capital Protocol

An invitation to pilot test



## Invitation to pilot

The Finance Sector Supplement to the Natural Capital Protocol is being developed through an open, collaborative process; an essential part of this is the piloting and consultation phase. We are therefore inviting finance institutions across the board to pilot and test the draft Supplement, and offer their insight into the development process.

### Objectives of the pilot process

The pilot process is designed for finance institutions to contribute to the development of the Supplement. To share their experience and knowledge, and to help make the supplement robust, practical and relevant. The objectives of the pilot are:

- To gather input and insights to develop a Supplement that is fit for purpose;
- To create a natural capital community of practice that can endorse and apply the Supplement;
- To collect a library of natural capital applications that express the benefits of natural capital thinking in the finance sector.

### What are the benefits of piloting?

Piloting offers the opportunity to:

- Directly inform and influence the development of the Finance Sector Supplement;
- Gain insights into natural capital measurement and valuation, to help advance decision-making within your financial institution;
- Become part of a growing community of practice on natural capital;
- Position your institution as a leader in this area and of integrated decision-making;
- Support and opportunities to promote and share your achievements;
- Access to a limited number of webinars, offered to help you understand the process for piloting.



## Piloting Options

We welcome all levels of interest in piloting; including:

### 1. Full Implementation

Designed for finance institutions who wish to gain a comprehensive picture of natural capital within their decision making, and to explore the process from start to finish.

### 2. Partial Implementation (Specific Stages / Steps)

Designed for finance institutions with limited capacity, but who would still like to gain an introduction to what their natural capital risks and opportunities might be.

### 3. Retrofit existing practices against the Supplement framework

Designed for financial institutions who have well established existing practices in place for managing environmental, social and governance risk and instead of a full or partial implementation, would like to see how their existing approach compares to capital thinking.

You are welcome to discuss these options with us, and agree the best approach that makes the most of your resources.

## Requirements

Piloting is open to any finance institution who is willing to contribute feedback and comments on the draft supplement via the Collaborase online platform.

You are not required to be named as a pilot organization, but if you would like to, we will promote your participation.

We encourage all pilot testers to submit a case study of their experiences, including process and findings, which can be promoted and shared.

**Note:** There is no direct cost to pilot, but any costs incurred will need to be covered by the piloting organization; for example, dedicate internal staff time and / or external services to help with the process. If required we can help to make introductions to a range of natural capital technical advisors.

**Note:** Interest must be registered directly by the finance institution that intends to undertake the pilot, and not indirectly by consultants and advisors. However, consultants and advisors can be named as contacts following the expression of interest.



## Timeline

Since the launch of the project at the UN Environment Programme Finance Initiative’s Global Roundtable (Dubai, October 26<sup>th</sup>, 2016), we have conducted an engagement process with the participation of almost 250 people who have helped to identify the structure scope and content of the draft supplement; [engagement report available here](#).

We will launch the draft and piloting and consultation phase on 16 May 2017, in New York, hosted by The Rockefeller Foundation. The piloting and consultation phase will last for four months and your feedback will be expected by September 2017. The comments and suggestion from the piloting and consultation will inform the final version of the Supplement, to be completed in December 2017 and launched in January 2018.



## Contact

If you are interested in piloting, or have any additional questions regarding the above, please contact:

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[For more information and to register for updates, visit the Supplement webpage](#)



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## Annex: Background of project

The Finance Sector Supplement is a project of 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).

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## The Finance Sector Supplement

**The Finance Sector Supplement to the Natural Capital Protocol aims to provide financial institutions with guidance on how to better address risks and opportunities and to incorporate impacts and dependencies into their lending, investment and insurance practices and processes.**

Many financial institutions have developed tools and methodologies to assess the environmental, social and governance (ESG) risks and opportunities associated with their investment, lending and insurance portfolios. Many have already focused on specific aspects of natural capital. It is, however, increasingly recognised that there is a need to consolidate the work that has been completed to date and to encourage the systemic integration of natural capital into the insurance, investment and lending decision-making processes of financial institutions.

There are many identified risks and opportunities that finance institutions face. They can affect the cash flows, risks, valuations and opportunities at the individual company or project level, with consequences for insurance premiums, project valuations, equity prices or the cost of capital. They may create reputation risks to institutions involved in controversial lending or investing, but may also create opportunities, for example, through new insurance products or new investment opportunities.

Developed through collaboration with many stakeholders, the supplement intends to harmonize existing approaches and to build a bridge to the Natural Capital Protocol that is being used by businesses to inform better decision making.

## The Natural Capital Protocol

The [Natural Capital Protocol](#) is a standardized framework that helps businesses to identify, measure and value their impacts and dependencies on natural capital. It is designed to help generate trusted, credible, and actionable information for business managers to inform decisions. It does this through a standard framework that is flexible and applicable to any business sector, operating in any geography, at any organizational level.

The Protocol was launched in July 2016 in partnership with a [consortium of experts](#) from business, service providers, non-governmental organizations, science and academia.