



NATURAL CAPITAL COALITION

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SUSTAINABILITY, ICAEW**

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Putting the puzzle together



The Coalition is purpose driven, bringing together a wide range of stakeholders who agree to collaborate on activities to help create a world where business conserves and enhances natural capital.

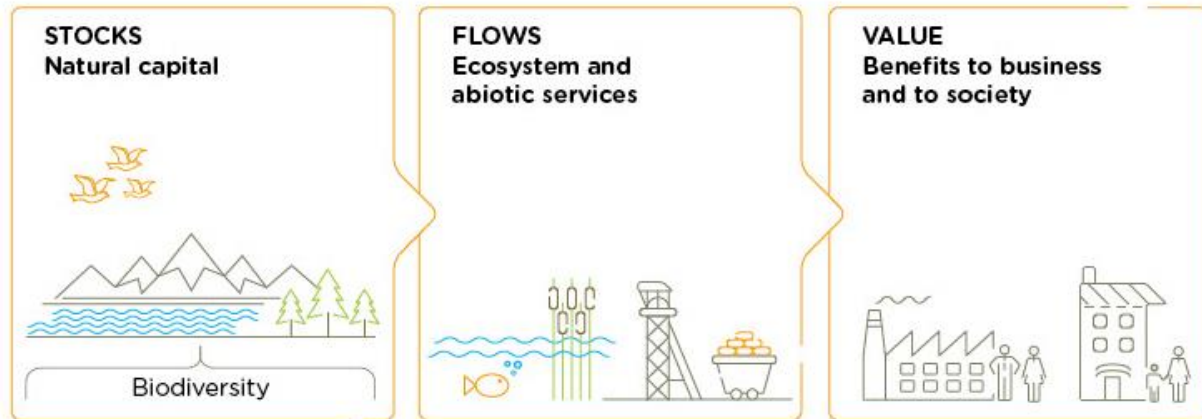


WHAT IS NATURAL CAPITAL?



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



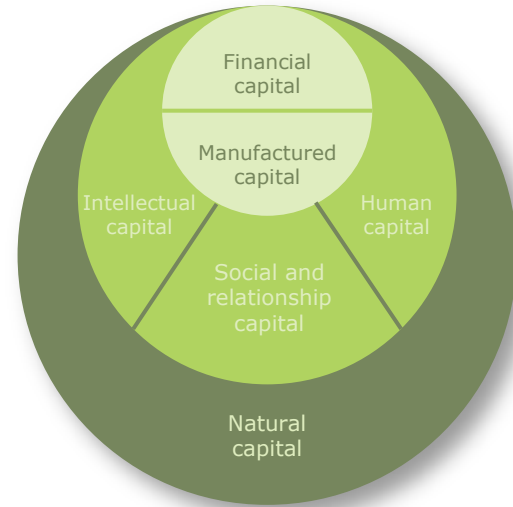


What are the other capitals?

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



NATURAL CAPITAL PROTOCOL AND SECTOR GUIDE DEVELOPMENT

There are many different approaches to natural capital and a lot of work has been carried out already. The Natural Capital Protocol standardizes this into a single global framework



We asked business what they needed

80+ businesses from 15 sectors and all geographic regions

8

Adoption Factors

Establish a clear framework that is...

- Accessible
- Flexible
- Aligned

...that conveys...

- Credibility
- Relevance

...and drives meaningful results...

- Comparable
- Decision-useful
- Unlocks value

6

Primary Uses

- Strategic planning and decision making
- Supply chain risk-assessment
- Capital allocation
- Investment decision making
- Operational decision making
- External reporting

4

Benefits

- Improved risk management
- Better decision making
- Increased competitive advantage
- Balanced and comparable reporting

A unique collaborative process

Developed the Protocol

Developed the sector guides,
and managed the business
engagement and pilot testing





NATURAL
CAPITAL
COALITION

Leading companies tested the draft Protocol

10

Over 50 businesses contributed to the Protocol piloting program

Deep Dives

*Piloted the
entire
Protocol*



HUGO BOSS



Pearson



PHILIPS

LVMH



SKANSKA



interloom



NOVARTIS

Interface®

M&S
EST. 1884



Design & Consultancy
for natural and
built assets



Draft Protocol and sector guides released in November 2015 for consultation

- ❖ 3,230 comments
- ❖ 453 individuals
- ❖ 143 organizations
- ❖ 5 continents covered
- ❖ 22 countries covered



The consultation was carried out using the online collaboration tool Collaborase



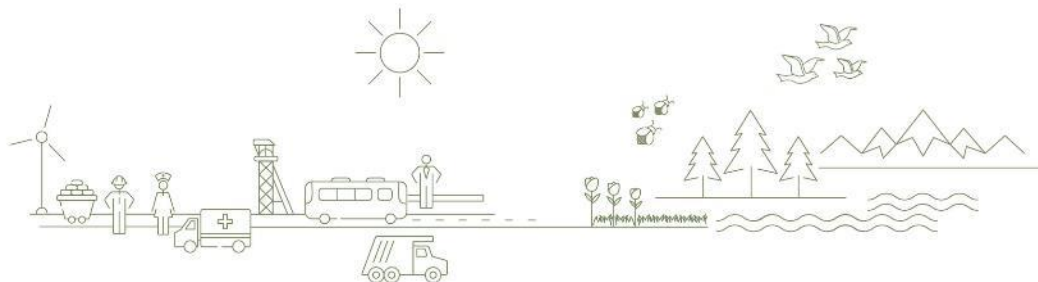
NATURAL CAPITAL PROTOCOL



Introducing the Protocol



The **Natural Capital Protocol** is a **standardized framework** for **business** to **identify, measure and value** its direct and indirect **impacts and dependencies** on **natural capital**



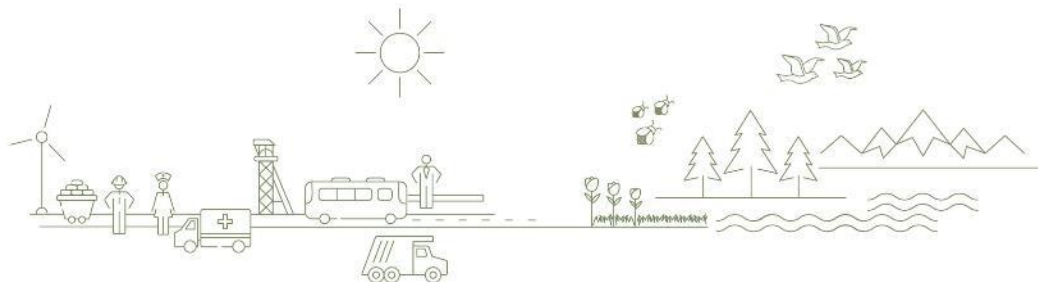


For business to make better decisions

The Protocol is a framework designed to help business generate trusted, credible, and actionable information for business managers to inform decisions

What are the natural capital risks and opportunities in your business?

- Operational
- Legal and regulatory
- Financing
- Reputational and marketing
- Societal



What the Protocol does and does not do

The Protocol...

- ✓ Builds on existing tools, guides, methods and techniques
- ✓ Focuses on improving internal management decision making
- ✓ Provides a standardized process that is also flexible
- ✓ Provides a process to internally standardize the approach that you take

The Protocol does not...

- ✗ Seek to create new tools and methods
- ✗ Provide a framework for external financial reporting
- ✗ Explicitly promote specific tools, methodologies or approaches
- ✗ Necessarily produce results that are comparable within or between different businesses or applications





The **Natural Capital** Protocol is a
standardized framework for business
to identify, measure and value its direct and
indirect impacts and dependencies
on natural capital

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





The **Natural Capital Protocol** is a
standardized framework for **business**
to **identify, measure and value** its direct and
indirect **impacts and dependencies**
on **natural capital**

Internationally applicable across **all business sectors, geographies and scopes**; leverages **existing approaches**





The **Natural Capital Protocol** is a
standardized framework for **business**
to **identify, measure and value** its direct and
indirect **impacts and dependencies**
on **natural capital**

Aimed at informing business **decision making**
with trusted, credible and actionable information





The **Natural Capital Protocol** is a
standardized framework for **business**
to identify **measure and value** its direct and
indirect **impacts and dependencies**
on **natural capital**

- **To measure:** determine the **amounts, extent and condition** of natural capital, in physical terms, e.g. m³, tons
- **To value:** estimate the **relative importance, worth, or usefulness** of natural capital to people / business, in a particular context. Can be **qualitative, quantitative or monetary**





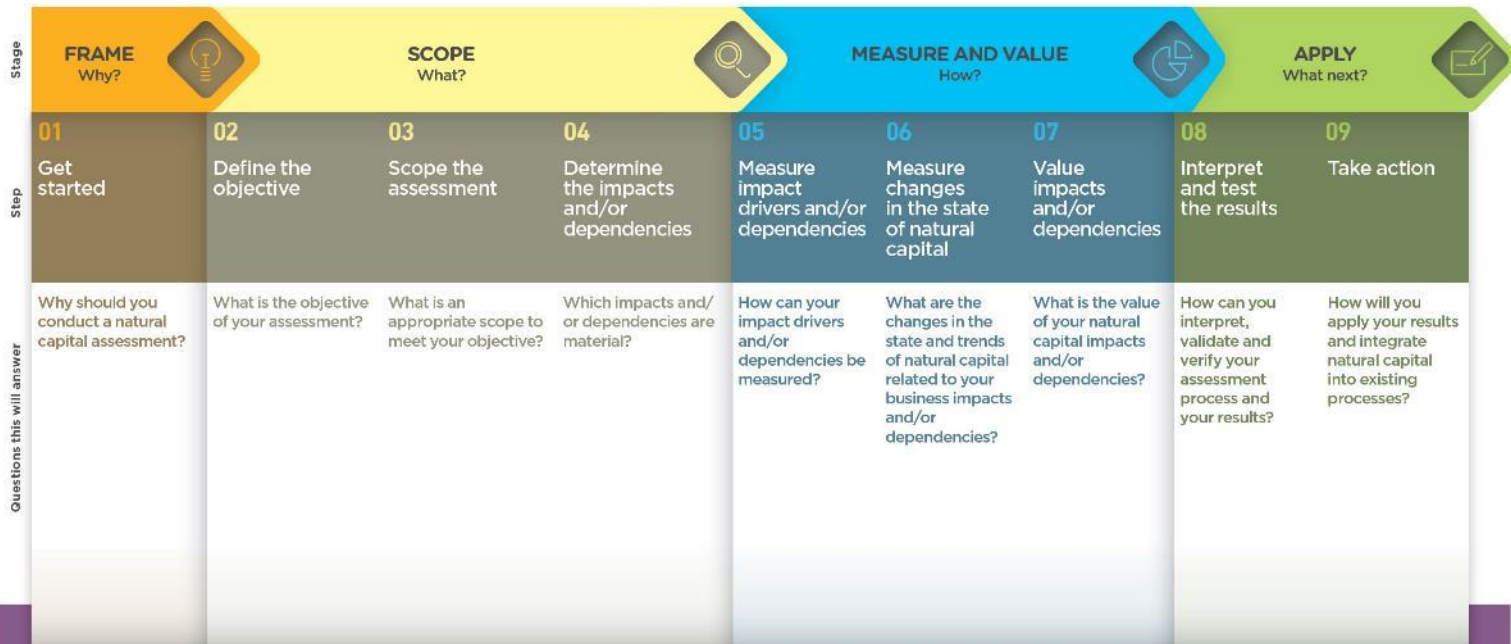
The **Natural Capital Protocol** is a
standardized framework for **business**
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- **Impact:** negative or positive effect of business activity on natural capital
- **Dependency:** A business reliance on or use of natural capital





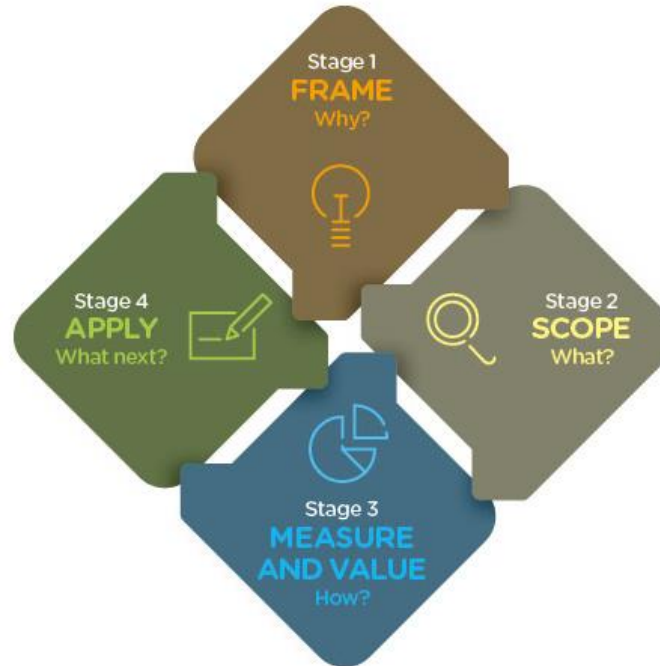
The Natural Capital Protocol Framework



PRINCIPLES: Relevance, Rigor, Replicability, Consistency



The Stages are connected and iterative



The Protocol is underpinned by Principles

Relevance

Ensure that you consider the most relevant issues throughout your natural capital assessment including the impacts and/or dependencies that are most material for the business and its stakeholders

Rigor

Use technically robust (from a scientific and economic perspective) information, data, and methods that are also fit for purpose.

Replicability

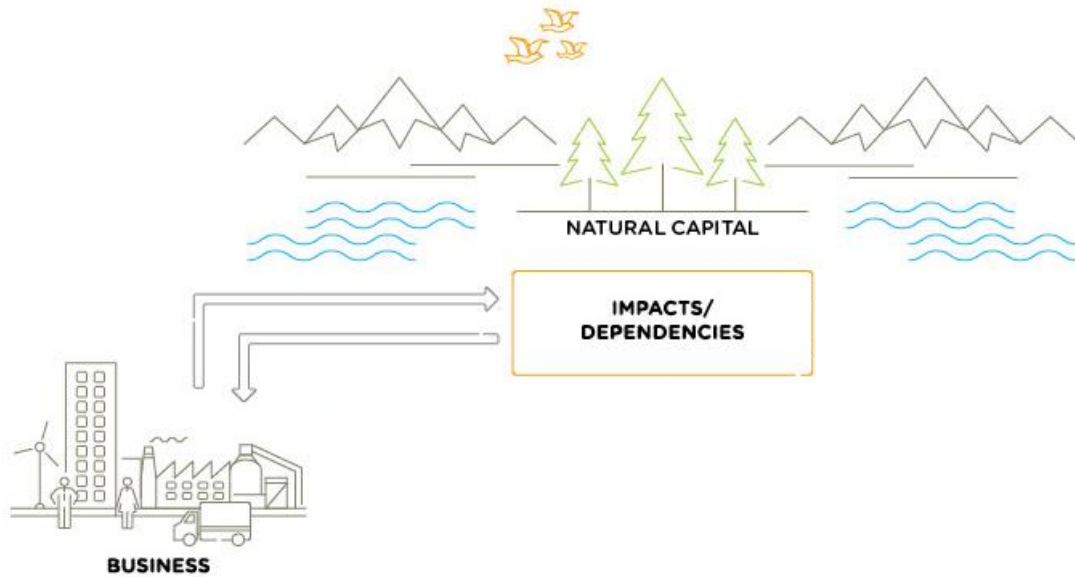
Ensure that all assumptions, data, caveats, and methods used are transparent, traceable, fully documented, and repeatable. This allows for eventual verification or audit, as required

Consistency

Ensure the data and methods used for an assessment are compatible with each other and with the scope of analysis, which depends on the overall objective and expected application

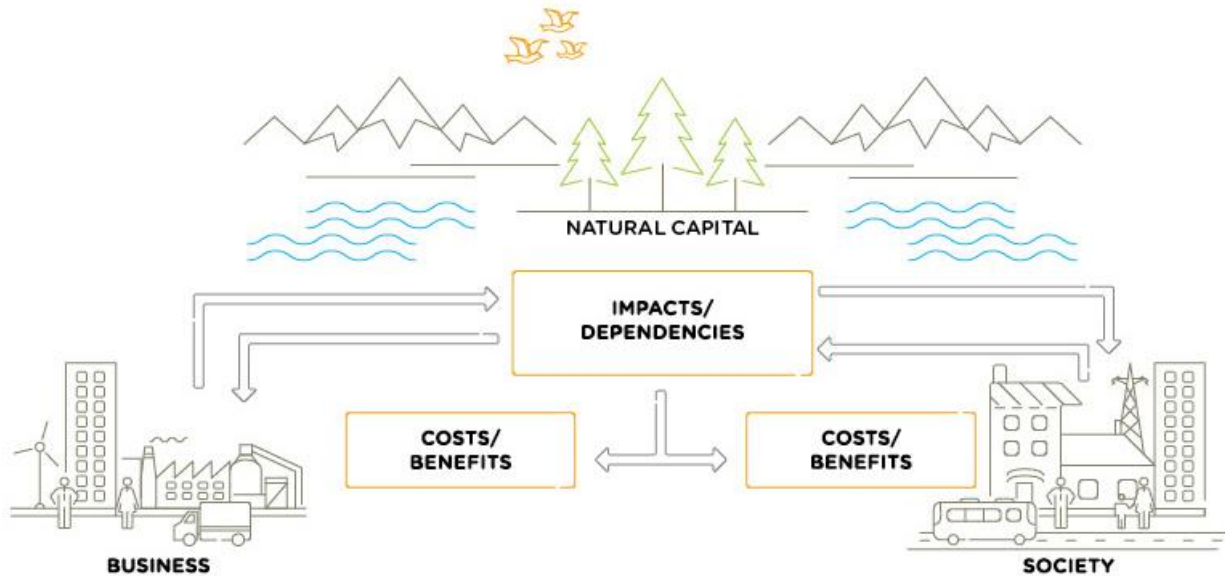


Get started: Conceptual model



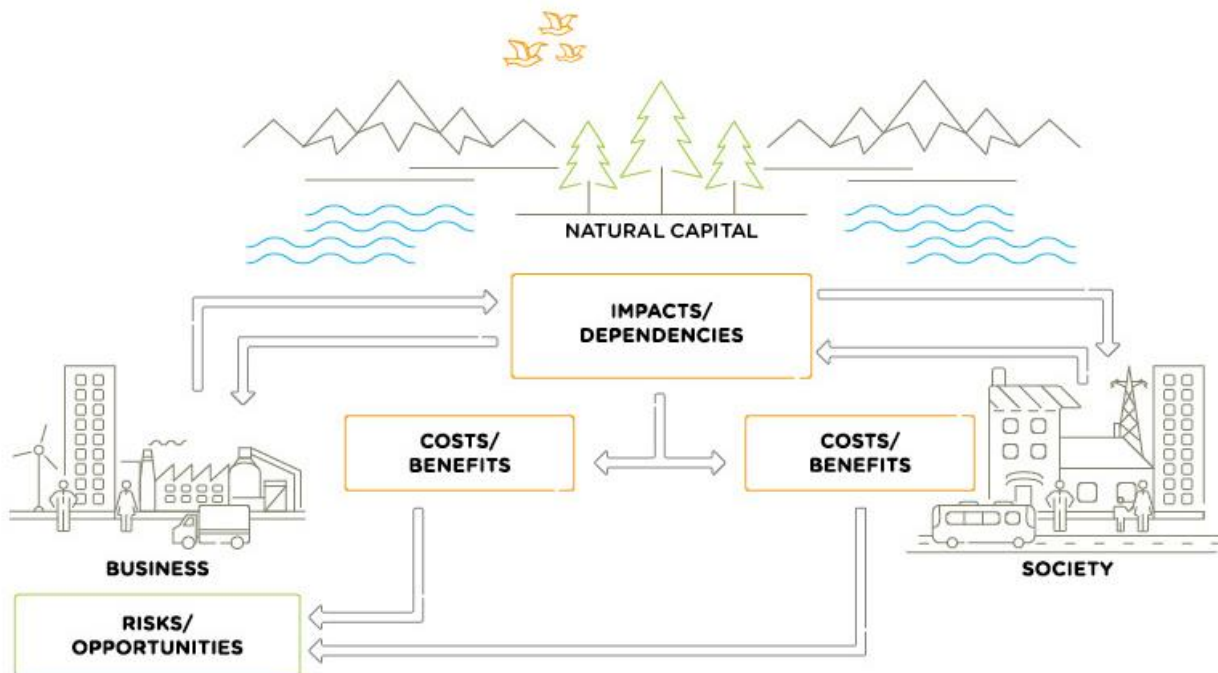


Get started: Conceptual model





Get started: Conceptual model





IMPACT AND DEPENDENCY PATHWAYS



Business activities at a chemical manufacturing plant produce air emissions, which are an **impact driver**

Step 05: Measure impact drivers

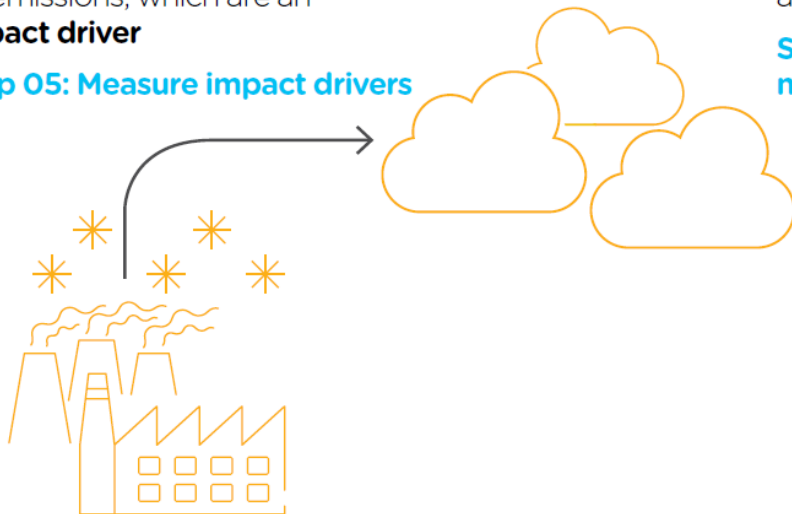




Impact pathway

Business activities at a chemical manufacturing plant produce air emissions, which are an **impact driver**

Step 05: Measure impact drivers



Impact drivers lead to **changes in natural capital**, in this case reduced air quality

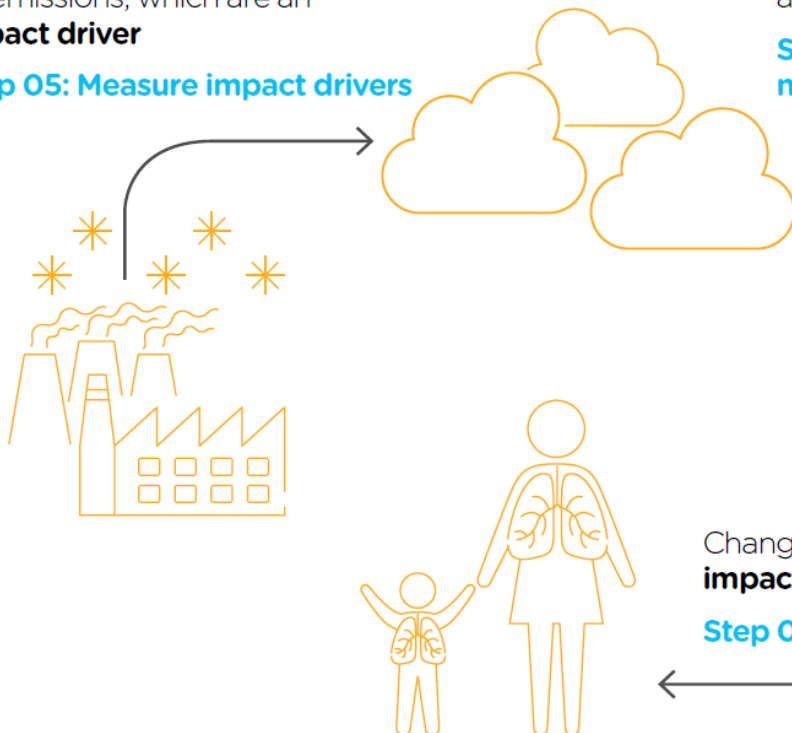
Step 06: Measure changes in natural capital



Impact pathway

Business activities at a chemical manufacturing plant produce air emissions, which are an **impact driver**

Step 05: Measure impact drivers



Impact drivers lead to **changes in natural capital**, in this case reduced air quality

Step 06: Measure changes in natural capital

Changes in natural capital result in **impacts**, in this case health problems

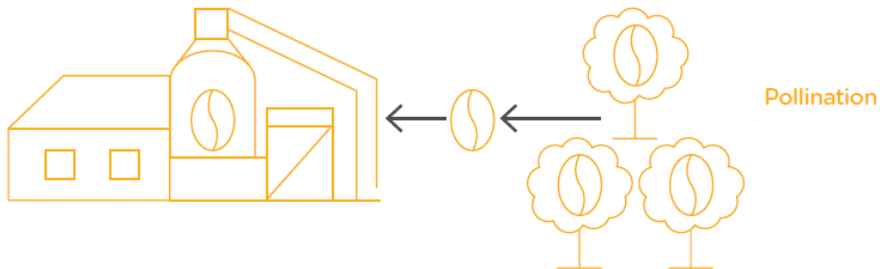
Step 07: Value impacts



Dependency pathway

Business activities at a coffee production plant have a **dependency** on the pollination of coffee plants

Step 05: Measure dependencies

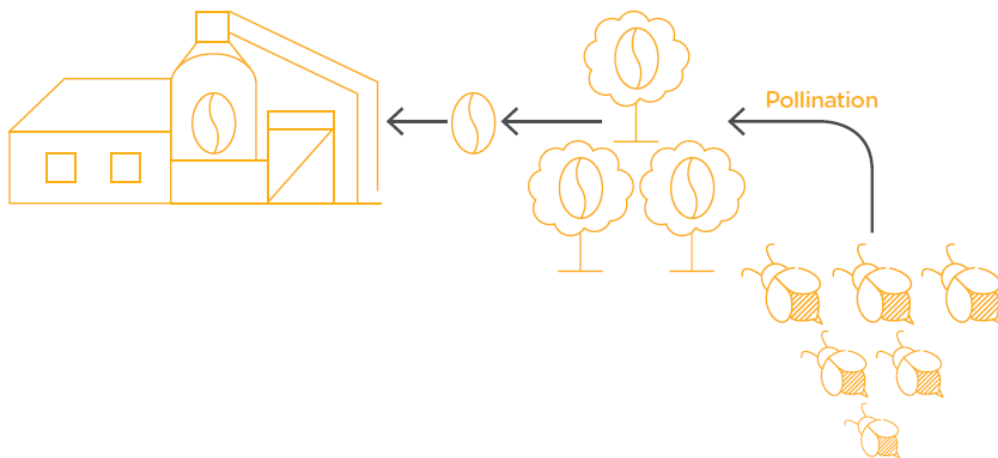




Dependency pathway

Business activities at a coffee production plant have a **dependency** on the pollination of coffee plants

Step 05: Measure dependencies



Changes in natural capital cause the bee population to decline, due to:

- The business itself, e.g. overuse of pesticides
- Natural changes e.g. extreme weather events
- Human-induced changes, including due to the activity of other businesses, e.g. habitat change

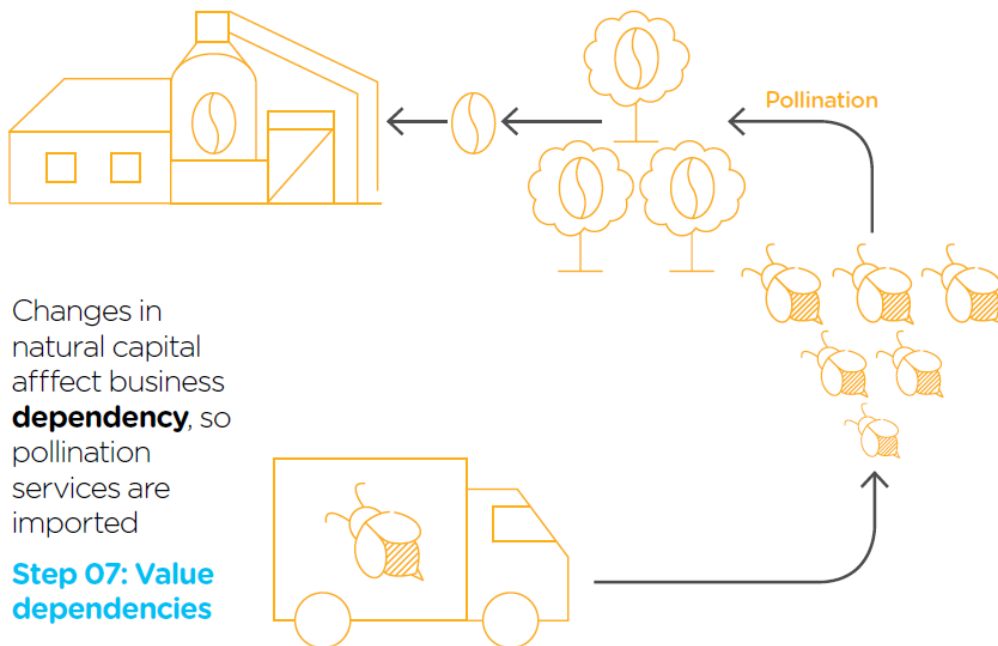
Step 06: Measure changes in natural capital



Dependency pathway

Business activities at a coffee production plant have a **dependency** on the pollination of coffee plants

Step 05: Measure dependencies



Changes in natural capital affect business **dependency**, so pollination services are imported

Step 07: Value dependencies

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Step 06: Measure changes in natural capital



SECTOR GUIDES



Which sectors?



The Coalition will develop new guides in partnership with sector initiatives and associations

Under development:

- Real Estate
- Finance
- Water





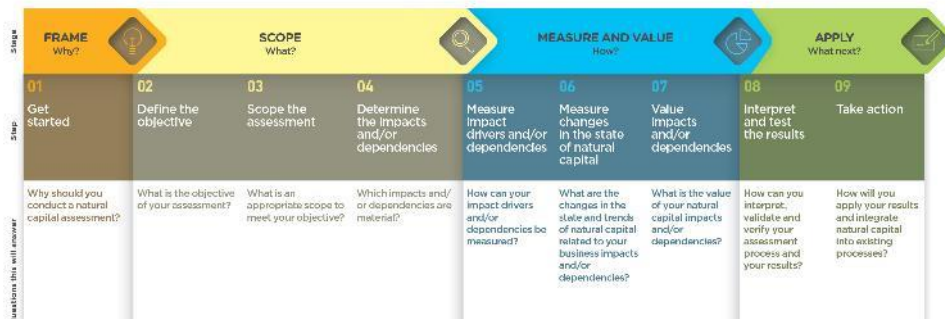
How do the sector guides support the Protocol?

The sector guides...

- ✓ Provide context on why natural capital is relevant to businesses operating in the sector and how they benefit from it
- ✓ Develop the business case for natural capital assessments
- ✓ Identify natural capital impacts and dependencies relevant to businesses operating in the sector
- ✓ Use practical examples to demonstrate sector-specific business applications of the Protocol




What does this look like in practice?



- ❖ The sector guides follow the Protocol framework exactly and do not introduce any additional Stages or Steps
- ❖ The sector guides provide additional guidance on the actions within each Step that are most relevant to the sector
- ❖ As such, the sector guides should be used alongside the Protocol rather than in isolation



Example materiality matrix from the food and beverage sector guide

DEPENDENCIES											<div>BARLEY TO BEER</div> 	IMPACT DRIVERS									
CONSUMPTIVE				NON-CONSUMPTIVE								INPUTS					OUTPUTS				
ENERGY	WATER	NUTRITION	MATERIALS	REGULATION OF PHYSICAL ENVIRONMENT	REGULATION OF LIVING ENVIRONMENT	REGULATION OF WASTE AND EMISSIONS	EXPERIENCE	KNOWLEDGE	WELL-BEING	SPIRITUAL AND ETHICAL VALUES		WATER USE	TERRESTRIAL ECOSYSTEM USE	FRESHWATER ECOSYSTEM USE	MARINE ECOSYSTEM USE	OTHER RESOURCE USE	GHG EMISSIONS	NON-GHG AIR POLLUTANTS	WATER POLLUTANTS	SOIL POLLUTANTS	SOLID WASTE
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>					RAW MATERIALS	<input type="radio"/>	<input type="radio"/>			<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
<input type="radio"/>	<input type="radio"/>										FOOD PROCESSING	<input type="radio"/>				<input type="radio"/>					
<input type="radio"/>	<input type="radio"/>										PACKAGING, DISTRIBUTION, AND RETAIL				<input type="radio"/>	<input type="radio"/>				<input type="radio"/>	<input type="radio"/>
<input type="radio"/>											CONSUMER USE										
<input type="radio"/>											END-OF-USE		<input type="radio"/>							<input type="radio"/>	<input type="radio"/>

KEY: ○ IMPACTS AND DEPENDENCIES THAT ARE MATERIAL TO DIRECT BUSINESS OPERATIONS AT THIS VALUE CHAIN LEVEL
 MATERIALITY ACROSS WHOLE VALUE CHAIN: ■ HIGH MATERIALITY ■ MEDIUM MATERIALITY ■ LOW MATERIALITY ■ NOT MATERIAL



SUPPORTING THE PROTOCOL



Future work of the Coalition

Natural Capital Data Framework

Framework guidelines, developed through collaboration, on how to navigate the complex world of natural capital data and information

Enabling Environment

A **regional workshops program** that builds on the business and country pilots



Protocol Application Program

Program to support the use of the protocol, with mentoring, support services, workshops and an annual conference

Sector Guides

Developing further sector specific guidance to support the application of the Protocol

Protocol Application Program



The Program aims to encourage the uptake of the Protocol by business, providing support, materials and shared learning to those applying it

To join the Protocol Application Program go to

<http://eepurl.com/b4YjN1>



The Protocol Application Program will be led by CISL on behalf of the Coalition



www.naturalcapitalcoalition.org