



NATURAL
CAPITAL
COALITION

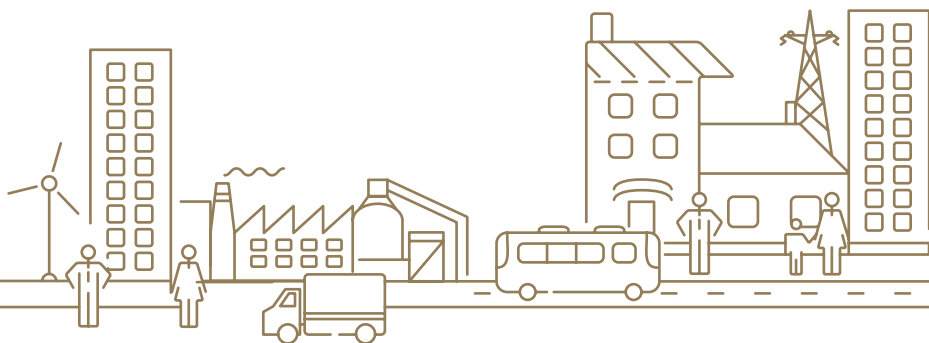
the path towards the

NATURAL CAPITAL PROTOCOL

a primer for business

introduction

This is a short introduction to the Natural Capital Protocol and accompanying sector guides. It sets out why applying the Protocol and including natural capital in your considerations will improve your decision making.



the business case

Every business wants to create greater value, be more efficient and make better decisions.

The Natural Capital Protocol aims to help you to do this. In fact if you are not already incorporating natural capital into your decision making you are very likely to be missing significant risks and opportunities for your business.

Applying the Protocol can help you to:

Operational

Regular business activities, expenditures and processes

- Reduce raw material costs and risk of interruption to supply from extreme weather, flooding etc.
- Realize efficiency gains

Legal and regulatory

Laws, public policies, and regulations that affect business performance

- Identify future legislation
- Reduce compliance costs and risk of fines and penalties

Financing

Cost of and access to capital including debt and equity

- Reduce financing costs and increase margins
- Improve access to finance – attracting investors

Reputational and marketing

Trust and relationship with stakeholders, customers, suppliers and employees

- Identify new revenue streams and differentiate your products
- Improve ability to attract and retain employees

Societal

Relationships with wider society

- Identify benefits and negative impacts to local communities through improved natural capital (e.g., water quality)
- Support a social license to operate

Examples from the Apparel sector:

Clothing brand – The rising cost of new materials such as leather, caused a brand's gross margins to decline contributing to a 36% decline in pre-tax profit.

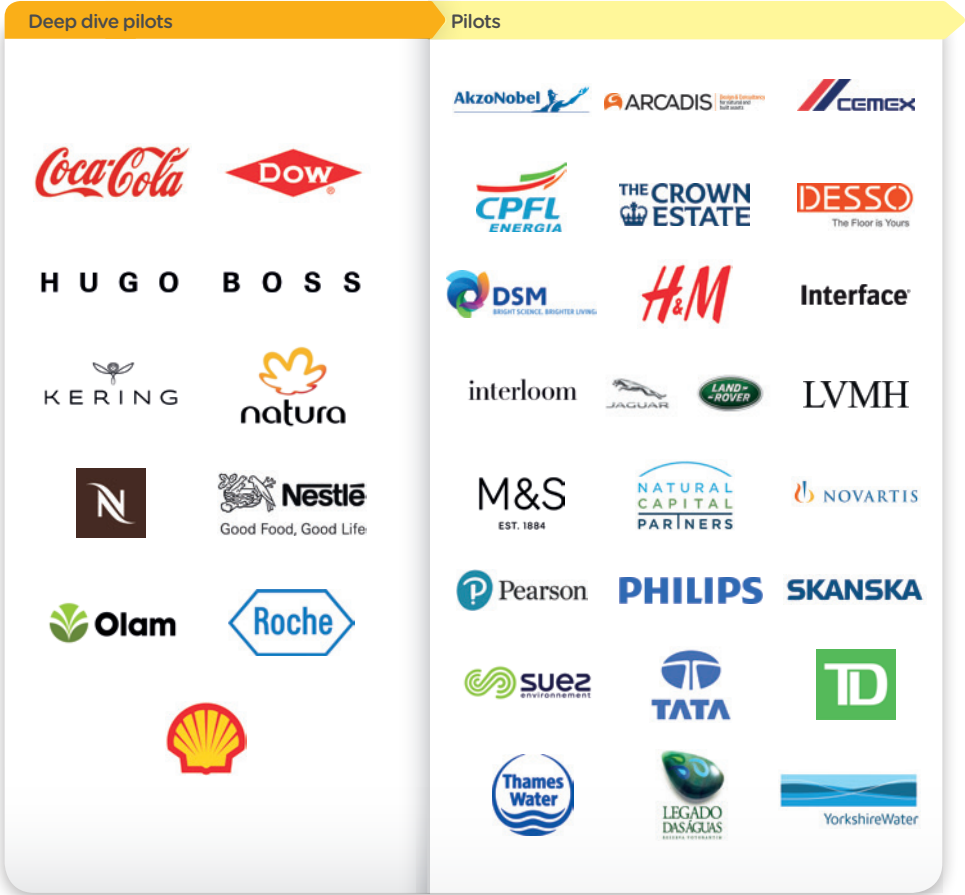
Supermarket retailer – The identification of carcinogenic azo dyes within 37 product lines, meant recalling almost 208,000 items.

Denim processor – a four year drought impacted many Californian fashion companies, but a denim processor continued with a waterless ozone machine and reduced water use and bills by 50%, saving USD 1,300 per month

Can you afford not to apply the Protocol?

the leaders – who would you be joining?

During the development of the Protocol and sector guides over 50 companies took part in a piloting program to test, validate and improve the drafts.



There are a growing number of businesses from all around the world who are preparing to apply the Protocol and accompanying sector guides. These businesses cover a wide range of sectors and geographies. New sector guides are under development and the Natural Capital Coalition is developing a Protocol Application Program to support businesses as they begin to measure, value and integrate natural capital considerations into their business decisions.



"It is increasingly apparent that traditional financial accounting practices are failing to recognise all relevant business impacts and risks. The natural capital protocol is a real world first in bringing structure and a standardised common framework for natural capital assessment."

Liz Barber, Yorkshire Water



"We learned where the most important impacts and vulnerabilities are, and this provided a clear focus for driving improvement in the company's impact."

Connie Hensler, interface



"I believe business and commerce should use the National Capital Protocol to embed the holistic decision making necessary to not only manage risk, but more importantly deliver corporate culture change."

Chris Brown, Olam International (UK) Ltd



"The assessment has helped the business to set clear priorities for interventions in the highest impact value chains."

Ian Ellison, Jaguar Land Rover

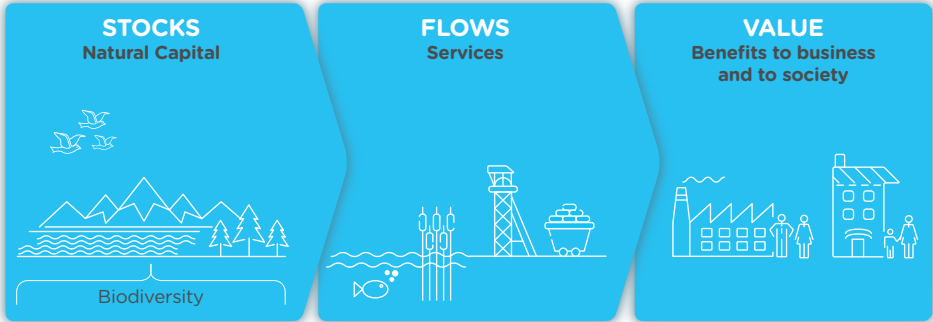


"The Protocol was helpful in evaluating approaches to valuation and alternatives for a secure fresh water supply."

Mark Weick, The Dow Chemical Company

the definition – so what is natural capital?

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

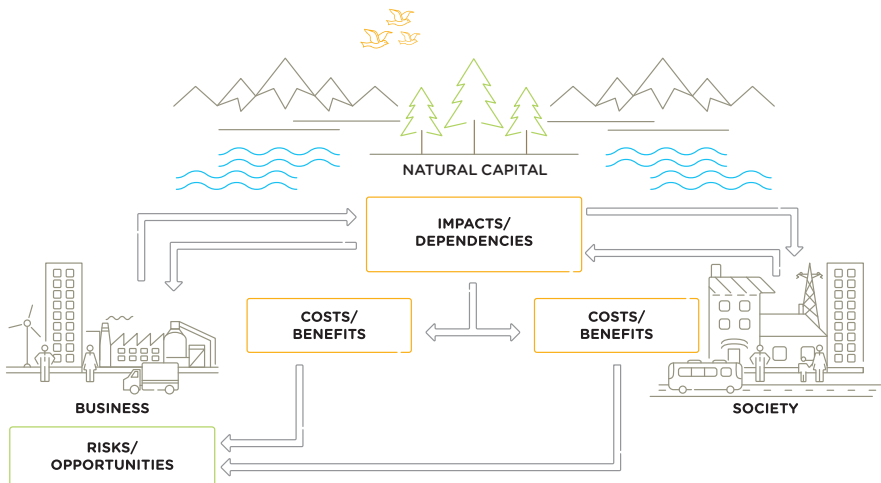
the model – interactions between business, society and natural capital

Every business impacts and depends on natural capital to some degree and will experience risks and/or opportunities associated with these relationships.

Impacts can be negative, e.g., pollution, or positive, e.g., improved water quality. While impacts are more commonly measured, many businesses have not traditionally recognized their dependencies, e.g., the need for water in production processes.

All of the impacts and dependencies create costs and benefits not only for the business, but also for society. Understanding the connections between business and society and the associated risks and opportunities can inform better, more timely decision making.

The model...



the framework



MEASURE AND VALUE

How?



APPLY

What next?



05

Measure impact drivers and/or dependencies

How can your impact drivers and/or dependencies be measured?

06

Measure changes in the state of natural capital

What are the changes in the state and trends of natural capital related to your business impacts and/or dependencies?

07

Value impacts and/or dependencies

What is the value of your natural capital impacts and/or dependencies?

08

Interpret and test the results

How can you interpret, validate and verify your assessment process and results?

09

Take action

How will you apply your results and integrate natural capital into existing processes?

the what – what is the Protocol?

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

The Protocol...	The Protocol does not...
✓ builds on existing tools, guides, methods and techniques to identify, measure and value natural capital	✗ seek to create new tools and methods
✓ focuses on improving internal management decision making	✗ provide a framework for external financial reporting, although decisions can be reported
✓ provides a standardized process that is also flexible in the choice of measurement and valuation approaches	✗ explicitly promote specific tools, methodologies or approaches
✓ provides a process to internally standardize the approach that you take	✗ necessarily produce results that are comparable within or between different businesses or applications

The Protocol is applicable to any business sector, operating in any geography, at any organizational level. It allows you to measure, value and integrate natural capital into your existing business processes. It does this through a standard framework that covers four stages; “Why”, “What”, “How” and “What Next”. These Stages are further broken down into nine Steps, which contain specific questions to be answered when integrating natural capital into your business processes. Although set out in a linear way, the Protocol is iterative and allows users to adjust and adapt their approach as they progress through the framework.

A different way of looking at value:

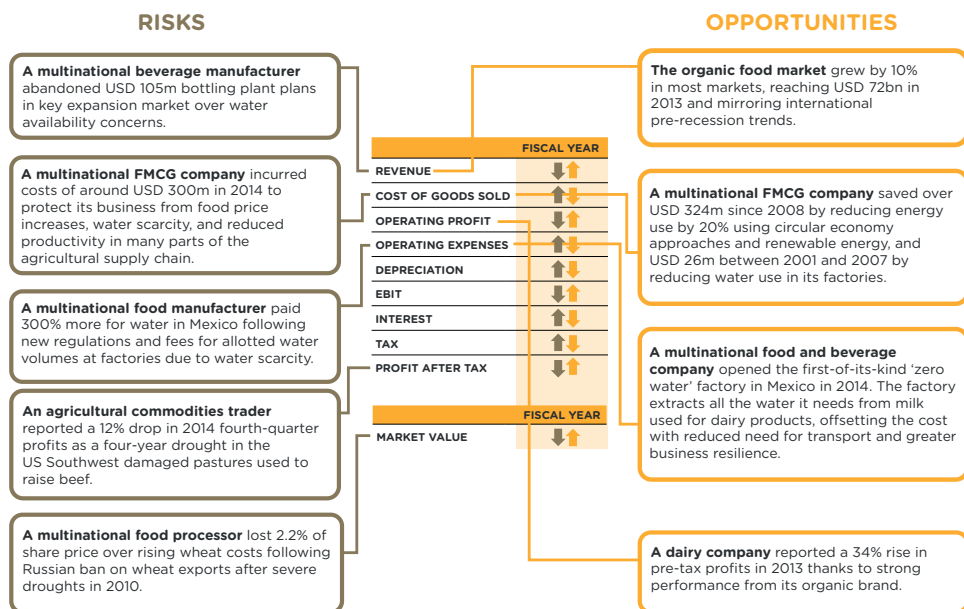
In environmental economics, and the Protocol, valuation means more than just monetization. It refers to the process of estimating the relative importance, worth, or usefulness of natural capital to people. Valuation can therefore be qualitative, quantitative or monetary or a combination of these.

the sector guidance – where can you find more specific guidance for your sector?

The Coalition is also developing sector guides to accompany the Protocol.

The sector guides are intended as supplements to the Protocol and, as such, should not be used by themselves. Whereas the Protocol is broad and relevant to everyone, the sector guides provide additional guidance and sector-specific business insights. They are also supported by practical examples to demonstrate sector-specific business applications of the Protocol.

Sector guides are available on the Coalition website, with the first two covering Apparel and Food & Beverage. The Coalition welcomes dialogue with sector-specific initiatives interested in working towards developing additional guides for their sectors.



Case study of business implications from some key natural capital risks and opportunities as experienced by real food and beverage sector stakeholders (taken from the Food and Beverage Sector Guide)

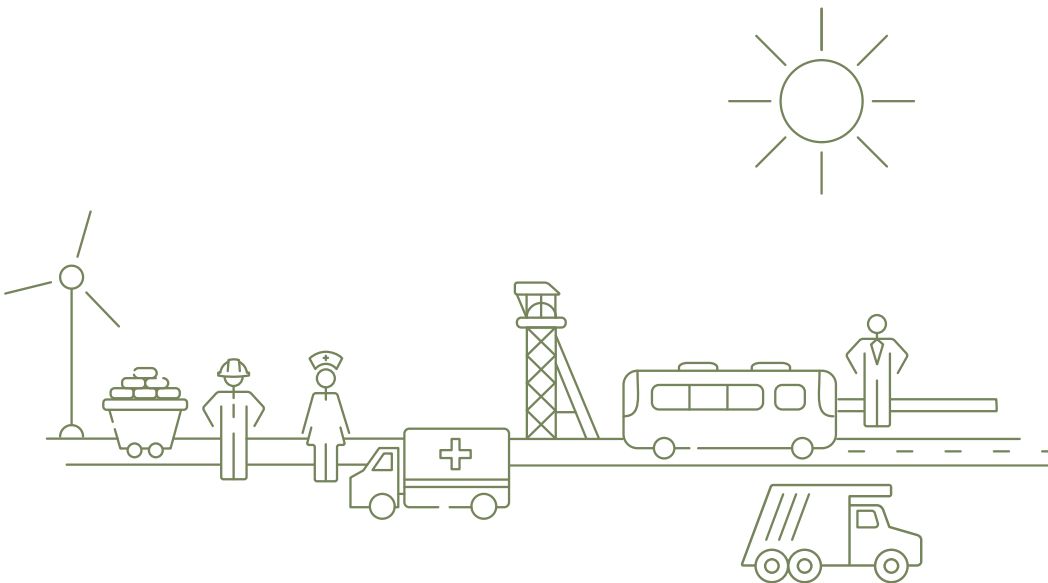
the audience – who is the Protocol for?

The Protocol, although relevant for any organization, has been developed specifically for business.

For those businesses who are more experienced or already have an understanding of their relationship with natural capital, the Protocol offers a standardized approach for conducting assessments.

The Protocol is also suitable for businesses who are new to the idea of natural capital and it can allow them to start to identify the costs and benefits of their relationships with nature. It provides the information and understanding needed to engage specialists or external experts when necessary and if required.

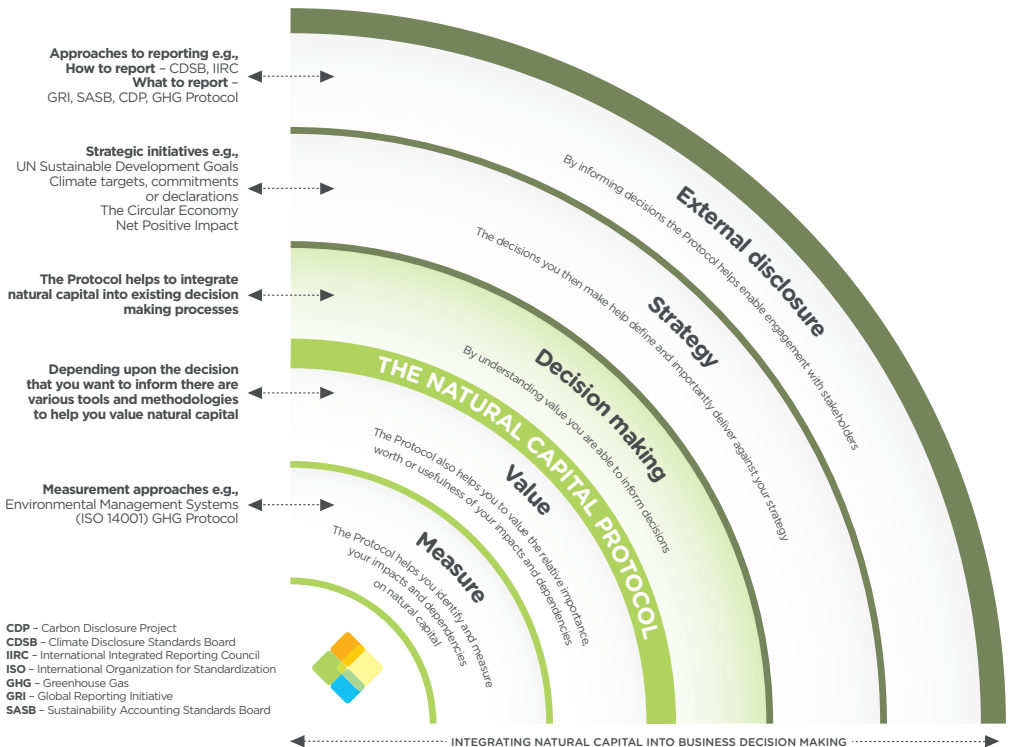
The Protocol is applicable to anyone who is involved in making a decision. It is though a technical document and therefore most likely to be applied by managers from sustainability, environment, health and safety, procurement and operations departments. It is important that it does not remain as a sustainability initiative and instead is integrated into businesses processes. This will involve the outputs being applied by all departments and functions within the business, and becoming an integral part of strategic and financial decision making.



the natural capital landscape

There are many existing approaches that businesses will be using to measure and value their impacts and dependencies, inform their decision making and strategy, and engage with stakeholders. The Natural Capital Protocol is complementary to all of these and provides a standardized framework to help include natural capital in decision-making.

While there are national level accounting initiatives such as the UN System of Environmental Economic Accounting (SEEA) implemented by governments, through for example, the World Bank led Wealth Accounting and Valuation of Ecosystem Services (WAVES) global partnership, the Natural Capital Protocol is focused at a business decision-making level and can be implemented across boundaries.



This landscape is not exhaustive. The Natural Capital Coalition will continue to explore the landscape as it evolves.

the collaboration – who wrote the Protocol and sector guides?

The Natural Capital Protocol and Sector Guides are products of the Natural Capital Coalition. The Coalition is a collaboration of over 200 of the world's leading organizations from business, accountancy, science and academia, membership organizations, standard setting, finance, policy and conservation, who have come together through a common vision of a world where business conserves and enhances natural capital.

There were two consortia who led the development of the Protocol and sector guides. The WBCSD consortium led the development of the Protocol, while the IUCN consortium developed the accompanying sector guides and managed the business engagement and pilot testing. All Coalition organizations were invited to contribute through the consultation.



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the future

The vision of the Natural Capital Coalition is of a world where business conserves and enhances natural capital. Leading businesses are recognizing that by including natural capital in their decisions, they can create greater value for themselves, and protect the natural capital that they depend upon. By doing this they are also playing a significant role in maintaining the thriving societies and prosperous economies within which we all want to live.

There are an increasing number of businesses joining the Coalition and applying the Protocol. This wave of interest is growing, and you can either join and lead the introduction of a better way of doing business, or catch up at a later date.

To find out more about the Protocol and accompanying sector guides and how they can help you generate trusted, credible, and actionable information to improve risk management and inform decisions go to www.naturalcapitalcoalition.org





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Designed and produced by **Radley Yeldar**
www.ry.com