Natural Capital Protocol: Case Study for Tata

Applying Natural Capital accounting within Tata companies has helped us to bring focus to the most crucial environmental issues, and to integrate natural capital into mainstream business vocabulary. We believe that natural and social accounting is an excellent tool for business to measure and value impacts and dependencies, so that they can strengthen their decision making, address risks and identify opportunities, while at the same time protecting increasingly scarce natural capital.

Alka Upadhyay, General Manager, Tata Sustainability

Audience	Organizational focus	Value chain boundary
☐ Internal	☒ Corporate	☒ Operations
☒ External	☐ Project/product/site/process	☒ Upstream
		☒ Downstream

Value Perspective	Impacts and/or dependencies	Type of Value
☐ Business	☐ Business impacts	☒ Qualitative
☒ Society	☐ Business dependencies	☒ Quantitative
	☒ Societal impacts	☒ Monetary

The company in brief

Tata Group is a multinational conglomerate holding company headquartered in Mumbai, India. The company includes 30 publicly listed Tata enterprises including Tata Steel, Tata Motors, Tata Consultancy Services, Tata Power, Tata Chemicals, Tata Global Beverages, Tata Teleservices, Titan, Tata Communications and Taj Group. These businesses collectively employ over 660,000 people and each operates independently under the guidance and supervision of its own board of directors and shareholders.

Why a natural capital assessment?

Tata decided to perform a natural capital assessment for a number of reasons which it saw as directly beneficial to its business:

- Strategy Planning: Providing insights to direct sustainability initiatives, and where these are most effective
- Risk Management: Understanding the value and nature of impacts, which allows an early view on emerging risks and optimization of resources
- Supply Chain Engagement: Understanding of 'hot spots' across the business supply chain
- Communication and Disclosure: Acknowledging the extent of a company's impact, and communicating this through integrated reporting.

How was the Natural Capital Protocol used?

In total, five Tata companies undertook a natural capital assessment:

- Tata Steel: Ore Mines Division (Orissa, India)
- Tata Power: Hydro Power Division
- Tata Chemicals: Soda Ash Plant (Mithapur, India)
- Tata Motors –Works (Pune, India)
- Tata Coffee - Plantation

In all cases the Value Chain focus was 'direct operations', and the Value Perspective adopted was 'societal value'.

A number of different impacts and dependencies were assessed, with both qualitative and quantitative/monetary valuation methods being used to describe the final results. These are summarized in the following table:

		Qualitative	Quantitative/Monetary
Impacts	Air pollution	✓	✓
	GHG	✓	✓
	Water consumption	✓	
	Water pollution	✓	✓
	Biodiversity	✓	✓
	Land use change	✓	
	Solid waste		✓
Dependencies	Fresh water	✓	
	Sea water		✓
	Limestone		✓

What were the outcomes of the assessment?

Tata's first attempt at a natural capital assessment was particularly helpful in making clear a number of challenges within the framework. The learnings will help make future assessments more robust.

In terms of data availability, Tata found that data - especially around biodiversity and land use, and land use change - is difficult to obtain. The company needed to rely heavily on proxy data, and contextual data around socio-economic performance was either found to be out of date or unavailable.

Tata also found that in terms of technical knowledge, the field of environmental and social impact assessment is still evolving. Some gaps still exist, for example the economic valuation of the benefits provided by particular landscape types. These include semi-arid and dessert ecosystems, impact assessment of ocean pollution, and the change in the course of river flow due to construction of hydroelectric dam infrastructure.

Finally, mainstreaming the outcome of a natural capital assessment continues to present challenges. Particularly, gaining internal buy-in to the process from influencers within the business such as COOs, CFOs and strategists. Taking informed business decisions based on natural capital valuation is still challenging since assumptions must be made around the applicability of valuation methods (such as value transfer) to each specific business context.

Next steps

The next steps for Tata in their natural capital assessments are likely to involve driving internal buy-in further, and using some of the findings from the assessment process to good effect elsewhere within wider group operations.

One example of the former is in socializing Natural Capital concepts with Tata Board Members, C-suite and other influencers, and the creation of critical mass of Natural Capital 'Champions' among the Tata group companies. In terms of the latter, Tata are now trialing the use of an internal carbon price for the screening of CAPEX items, and in key operational decision making.