



NatCap Checker v1.0: Guidance

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1 Why use the NatCap Checker?

Natural Capital thinking helps organizations make more informed decisions that conserve and enhance the natural capital we all depend upon. We therefore need confidence in the information produced by natural capital assessments.

The Natural Capital Checker (NatCap Checker) provides a self-assessment tool to enable users to assess, communicate and improve the level of confidence in their natural capital assessment.

Confidence

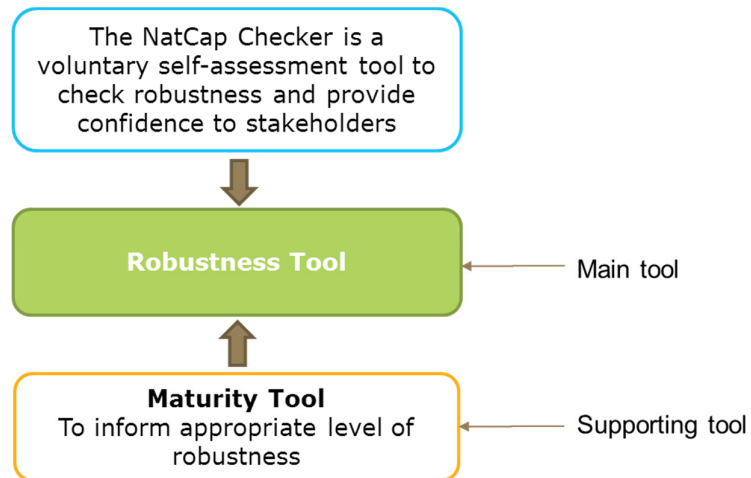
Confidence is the feeling that you can trust, believe in, and be sure about the abilities or good qualities of something (Oxford English Dictionary).

Stakeholders need to rely on sound processes and the production of credible information to make decisions, and stakeholder confidence diminishes when there are uncertainties in the integrity of information and underlying processes (Institute of Chartered Accountants in England and Wales, 'What is assurance?').

Therefore, the appropriate level of confidence stakeholders may have in an assessment's results depends on the credibility of the assessment process. The NatCap Checker evaluates how closely aligned an assessment process is with the Principles of Relevance, Rigor, Replicability, and Consistency.

The highest level of confidence will not always be necessary or appropriate. The desired level of confidence will vary and should always be fit for purpose, e.g., an external audience may require greater levels of alignment (and possibly third party assurance) compared to an internal one.

2 What is the NatCap Checker?



The NatCap Checker consists of a '**Robustness Tool**' - an excel tool to help users:

- understand what a robust assessment looks like
- work towards an appropriate level of robustness in assessments
- communicate the level of confidence stakeholders can have in assessment results

and a supporting '**Maturity Tool**' – an excel tool to help organizations diagnose how mature an assessment is and help to outline potential areas for next steps or blind spots (where robustness will need to be developed).

The NatCap Checker, and more specifically the Robustness Tool, aims to help organizations evaluate how credible and fit for purpose their Natural Capital assessment is, and the level of confidence stakeholders can place in the process and results. It includes an optional external statement to communicate robustness to stakeholders (this option is currently disabled, and will be enabled post-piloting in the subsequent, updated version).

It builds on assurance practice and the experience of those who have been applying natural capital. It is also aligned with the [Natural Capital Protocol's](#) Principles of, Relevance, Rigor, Replicability and Consistency. However, it is not an official assurance process according to the International Auditing and Assurance Standards Board definition.

The Natural Capital Protocol Principles

PRINCIPLES	FACTORS TO CONSIDER WHEN IMPLEMENTING THE PRINCIPLES
Relevance	
<p>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 (adapted from CDSB 2015 and WRI and WBCSD 2004).</p>	<ul style="list-style-type: none"> • Independence - consider all relevant information (and only relevant information) to ensure the objectivity of the natural capital assessment conclusions. • Take a risk-based approach to determining the most relevant issues.
Rigor	
<p>Use technically robust (from a scientific and economic perspective) information, data, and methods that are also fit for purpose.</p>	<ul style="list-style-type: none"> • Use an evidenced-based approach for reaching reliable and reproducible results. • Be objective in choosing methods that are fit for purpose. • Use due professional care in applying judgment, transparently disclosing why
Replicability	
<p>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 (adapted from GRI 2013).</p>	<ul style="list-style-type: none"> • Take an evidenced based approach i.e. use the rational method for reaching reliable and reproducible conclusions in a systematic and transparent process.
Consistency	
<p>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 (adapted from WRI and WBCSD 2004 and IIRC 2013).</p>	<ul style="list-style-type: none"> • Use due professional care in judgments and be diligent when selecting data and methods that are compatible. • Take an evidenced based approach to ensure data and methods are compatible (with each other and your scope).

The Principles are broadly applicable to any assessment seeking to provide stakeholders with confidence in the process and results. The Robustness Tool is therefore equally applicable to Social and Human Capital and assessments (which are formally underpinned by the same Principles, as detailed in the [Social and Human Capital Protocol](#)).

The NatCap Checker highlights areas requiring greater robustness as well as potential next steps in terms of maturity, and ultimately is part of a suite of tools that can support decision making with information which is credible and fit for purpose.

The output from the NatCap Checker is both written and diagrammatic to suit different requirements.

3 How to complete the Maturity Tool

The Maturity Tool is an optional part of the NatCap Checker that can be prepared by one person, and is designed to be intuitive and quick to use. It has 7 questions covering aspects of maturity ranging from the depth of an assessment to the level of internal/external reporting and disclosure.

Full details for each response option are included within the tool, so the user can select the option that best describes their assessment, ranging from 'first steps' to 'comprehensive'.

4 How to complete the Robustness Tool

Who should complete the Robustness Tool?

The Robustness Tool should be prepared by one person and validated by another.

- A **'preparer'** – someone who has detailed knowledge of the natural capital assessment and can answer the questions such as what data was used and the valuation methods selected etc., e.g., project manager, internal or external specialist, or Head of Sustainability.
- A **'validator'** - an independent party who can validate how the preparer has answered the questions and check that the Principles have been applied, e.g., internal audit, or external party such as a non-governmental organization partner.

A column is provided in the tool for any questions or clarifications required by the validator. These should all be resolved on completion of the Robustness Tool. Both parties need to confirm that the self-assessment has been completed truthfully and accurately, and that all responses are based on evidence to reach reliable conclusions.

How to respond to the questions posed?

The Robustness Tool includes 12 questions structured around framing the assessment (Why?); scoping the assessment (What?); measuring and valuing (How?); applying (What Next?).

When completing these questions four response options are available:

RESPONSE	GUIDANCE
Information absent / unable to tell	Evidence to show compliance with this question is either lacking, or it is known that the assessment does not comply with this question.
Requires improvement	The assessment passes the minority, or only some of the 'further guidance' tests. This is likely to affect the quality of the assessment process.

Acceptable	The assessment passes the majority of the 'further guidance' tests, with some areas identified for improvement that do not significantly affect the quality of the assessment process.
Substantially aligned	<p>The assessment has passed substantially all of the 'further guidance' tests provided in this guidance document, with only very minor (if any) areas identified where improvements could be made.</p> <p>Alternatively, the assessment has passed third party scrutiny or other independent review. Internal independent review (e.g. internal audit department) being sufficient for internal decision-making. This review should specifically cover the scope of the question being asked.</p> <p>If in any doubt, 'acceptable' should be selected as the response.</p>

Improving over time

It is important to acknowledge that most organizations are very unlikely to achieve significant confidence on their first application and it is expected that they will improve over time, as learnings are put into practice. A transition period of up to, but not exceeding, three years may be necessary in order for all questions to be answered as at least acceptable. If this is the case a clear plan for tackling these areas of improvement should be documented and implemented.

Detailed Guidance on the Robustness Tool questions

Section 1: Pre-screening

What is the desired level of confidence in your natural capital assessment?

The maximum level of confidence will not always be desired or appropriate and will depend on a number of factors, including:

- **Who are you doing this for?** An external stakeholder audience or board may require verification by independent experts and a high level of confidence, whereas an internal department or piloting assessment, may require less confidence at an acceptable level
- **What is the scale of impact and/or dependency covered in the assessment and what is your ability to influence this?** Assessments focusing on activities likely to have material natural capital impacts and /or dependencies may require greater confidence. Those where you can significantly influence or have control over the impacts and /or dependencies could also benefit more from independent review and hence greater confidence.
- **What is the objective of the assessment?** If the objective of your assessment is strategic to your business model then it is likely to benefit more from independent review and hence greater confidence.

- **Over what time period was your assessment undertaken?** For assessments undertaken in a compressed timeframe, e.g., to feed into a business decision that is occurring in the short-term, it may be appropriate to target an 'acceptable' level of confidence.
- **Which questions are most critical for business?** Considering which of the 12 questions are most critical for the business can also help to assess the level of confidence you require and help to shape the disclosure given around areas requiring improvement in section (iv).

All of these factors, as well as others deemed relevant to your particular assessment, should be considered in determining the appropriate level of confidence desired for your assessment.

Section 2: The Self-Checker

This section presents the 12 questions that form the main part of the Robustness Tool

1. Is there a clear understanding of why you undertook the assessment?

- Was there a decision the assessment was intended to inform, which was highlighted at the outset?
- Were the potential uses of the assessment results clear in the context of this decision?
- If the reason for undertaking the assessment has developed during the course of the assessment, this should be documented and the reason for any change to the original aim be clear.

e.g. an 'acceptable' response may be where the decision the assessment was intended to inform was clear (and documented) from the outset; however it was not initially clear how the assessment results were going to be used in the context of this decision. This became clearer during the assessment process, but is something that could be improved on to achieve 'substantially aligned' in the future.

2. To what extent did you engage internally and externally to provide expert input into the assessment?

- Did you engage with others within the business to provide input/feedback into the scoping discussions/full natural capital assessment?
- Was the relevant expertise available internally, or sourced from external experts (e.g. was internal/external expert input gained to apply valuation techniques)? It is worth noting that engaging an external consultancy does not necessarily mean that all relevant expertise has been appropriately sourced.



- Have you referred to work undertaken by peers, industry guidance, standards or guidance of relevant association bodies when identifying indicators to measure impact drivers/dependencies?

e.g. an 'acceptable' response may be where the preparer can explain the expertise required for the assessment and demonstrate that this broadly matches those engaged in the assessment process. However, there were resource constraints limiting the internal/external engagement to that which was strictly necessary, rather than the full level ideally desired.

3. Was an appropriate and consistent scope applied throughout the assessment ?

This is also relevant across any related assessments where results may be compared

- Were scope factors (including baselines, spatial and temporal boundaries, value-chain boundary, impacts vs dependencies) selected appropriately for the objective of the assessment?
- Was the scope applied consistently throughout the assessment across all these factors?
- Were there any limiting factors to defining the ideal scope, or areas where information was missing from parts of the defined scope e.g. lack of data/expertise/resources/budget etc. If so, these should have been disclosed and the potential impact on assessment results explained.
- (It is far preferable to have a consistent scope with disclosure of limiting factors that may affect results, than to have complete information for a variable scope which would render results un-credible due to lack of consistent scope.)

e.g. an 'acceptable' response may be where the preparer can demonstrate that all relevant aspects were considered to determine an appropriate scope (e.g. temporal boundaries were chosen to match the financial investment period) and that these were applied consistently throughout the assessment. However, resource constraints meant it was not possible to get full data for a particular area within scope (with more time it is expected appropriate data could be sourced). This potentially impacted the robustness of the assessment in this area. However, this was disclosed and it was noted that appropriate proxies were used. Future assessments could look to close this data gap to achieve 'substantially aligned', if appropriate.

4. Were there clearly defined criteria for the materiality assessment?

- Did you identify clear criteria for your materiality assessment to judge which impacts/dependencies are most material (beyond expert judgment) e.g. operational; legal & regulatory; financing; reputational and



marketing; societal? Did this include a clear threshold, above which issues were considered material?

- Did you establish a panel of relevant people (e.g. both internal and external stakeholders) with a broad range of skills to complete the materiality assessment?
- Were a range of information sources used to ensure all relevant issues were considered, including those where information may be more challenging to gather?

e.g. an 'acceptable' response may be where the preparer can evidence that the materiality assessment considered a set of criteria, with some form of threshold above which impacts/dependencies were included in the assessment. However, the panel of stakeholders consulted on the materiality assessment was limited, due to time pressure in the assessment. This could be remedied in future assessments to achieve 'substantially aligned' if desired/appropriate for the assessment objectives.

5. Were data and data sources reliable, relevant and as complete as possible?

- Was data of appropriate quality availability for the assessment? The preparer should consider what constraints were faced regarding data availability - this may include time and resources, budget, actual existence of data, confidence in the quality of data. Considering whether primary or secondary data was used (and why) may help at this point.
- When considering whether data and data sources were relevant and reliable consideration should be given to the use of proxies, averages and/or directly measured data given the time and resource constraints of the assessment (e.g. were the following questions considered and answered satisfactorily - is the database maintained, by whom, how often?). Paid for proprietary data that is audited and regularly updated will be more robust, however not always appropriate or necessary given the context of the assessment - less robust data may be deemed 'acceptable' depending on the scope, scale, objective and stakeholders of the assessment.

All of the above points should be considered in determining whether the data used was therefore of an acceptable standard and fit for the purpose of the assessment.

Primary data: *Internal business data collected for this assessment*

Secondary data: *Data originally collected & published for another purpose or different assessment e.g. published, peer-reviewed and grey literature; past assessments; modelled estimates.*

e.g. an 'acceptable' response may be where the preparer can explain the robustness of the data/data source and the type of data used (e.g. primary vs secondary), detailing why this is appropriate for the assessment. However there is a relatively minor area of poor quality data which potentially impacted on the robustness of the results in this particular area. However, this was disclosed and it was noted that appropriate proxies were used. Future assessments could look to close this data gap to achieve 'substantially aligned', if appropriate.

6. Was an appropriate understanding of how natural capital has changed included in the assessment?

- Does the assessment go beyond measuring impacts, to set these impacts in the context of the environment, looking at where the impacts are occurring and what they mean for natural capital? This is a vital step to move from measurement to valuation.

e.g. an acceptable response may be where the preparer can describe (in broad terms) and point to documentation of the change in natural capital associated with the various impacts/dependencies assessed. A more detailed assessment of the change in natural capital could be more useful in interpreting the context of identified impacts, and this could be worked on to achieve 'substantially aligned' if desired/appropriate for future assessments.

7. Were valuation techniques chosen based upon consideration of the full range of relevant factors?

- Relevant factors include appropriateness for the assessment objective; the impact drivers/dependencies you wish to assess; the chosen value perspective; the time and resources available - have all these been considered in your assessment?
- It is worth noting that value transfer has limitations as well as advantages - it is often easier and quicker compared to other methods, and so can be a useful option for assessments where resources are constrained. However, it is also less accurate and credible, and so may not be appropriate in all instances.
- Has a precautionary approach been taken to valuation - especially where there is uncertainty around future costs/benefits, particularly in proximity to critical thresholds and potentially irreversible ecosystem changes?
- If there is uncertainty in the results (e.g., due to lack of data) but you are unable to go back and revisit the assessment (e.g., due to resource constraints) a precautionary approach is particularly important.

e.g. an 'acceptable' response may be where the preparer can explain the process taken to decide on the valuation techniques used, illustrating that almost all relevant factors have been appropriately considered. However, in a few areas a precautionary approach was necessary, as resource constraints meant robust

data was lacking - this was disclosed in the assessment. This could be tackled by allocating more resources to data collection in future assessments in order to achieve 'substantially aligned', if appropriate to the assessment objectives.

Precautionary approach: this means where there was uncertainty due to e.g., incomplete scientific understanding or uncertain future costs/benefits the assessment should mitigate any possible risks associated with this by choosing a valuation approach that conservatively estimates the value of any impacts and/or dependencies, and therefore encourages precautionary action.

8. Is there documentation to evidence the assessment process followed (including all assumptions, methods used, decisions made etc.)?

- Have all previous decisions, methods, measurements and valuations, caveats and assumptions been documented to help with validation and verification of methods and results, as well as comparison in the future?

e.g. an 'acceptable' response may be where there is sufficient documentation of the assessment process to enable fairly robust testing of the results. This includes approaches used (including details of why these approaches/methods have been selected); assumptions made and any limiting factors relevant to the assessment; key decisions made during the assessment process. However, documentation could have been more robust and collected systematically during the assessment process, to make testing of results more efficient – this improvement would achieve 'substantially aligned' if desired in future assessments.

9. Were results collated to enable comparison, whilst being clear about what can and cannot be added together?

(e.g. across impacts/dependencies, to different options or assessments)

- When collating results, it is important to consider a range of factors to avoid issues such as double counting; undue credit/responsibility being attributed or losing the meaning behind key results. Factors to consider include the distinction between private and societal values; whether values relate to upstream or downstream value chain activities; when they occur over time and space; which stakeholder groups these values relate to. For example, combining all values identified in different parts of the value chain could lead to double counting and undue credit/responsibility being attributed and so should be avoided.
- Are some results collated to enable comparison across assessments and different impacts/dependencies, in a way that makes the assessment results more accessible?
- One key question to confirm is whether direct and indirect values are reported separately.

Direct values: where a change in natural capital directly affects the benefits experienced e.g. there is an impact on consumption (e.g. food, timber, fuel) or non-consumptive practices (e.g. recreational or cultural enjoyment).

Indirect values: where a change in natural capital affects the benefits indirectly derived from natural capital e.g. an impact on food, timber, fuel, cultural enjoyment causes a stakeholder protest, causing reputational costs or a loss of license to operate.

It is also worth noting that it is easier to have an understanding of direct operational impacts and dependencies, where you have control, than of indirect impacts or dependencies, where you do not have control.

e.g. an 'acceptable' response may be where results have been collated, but the preparer can evidence the distinction between results that can and cannot be added together eg. direct and indirect values/different parts of the value chain are shown separately in the assessment. However, more detail on which stakeholder groups these values relate to would be useful to ensure only appropriate results are collated. It was not felt that this significantly impacted the robustness of the assessment, and could be tackled in future assessments to achieve 'substantially aligned', if desired.

10. Were the assessment results applied to a decision in which they had a significant impact on the outcome?

Even if the results did not change the outcome.

- Did the assessment ultimately link to decision-making in the organization i.e. results were shared and considered as part of a business decision, with the outputs compared with other decision-useful information such as financial analysis?
- Can the application of the results be illustrated by the preparer? e.g. integration of results into an existing business process, evidence of a change in business activity, adjustments in a plan of action, additional mitigations put in place, or even simply that the results were used for further justification for activities already underway?

e.g. an 'acceptable' response may be where the results of the assessment were discussed with, and considered by senior management in the context of a business decision. The assessment outputs were compared with other factors (such as financial cost) in reaching a decision. However, full integration with the existing decision-making process has not yet been achieved – this could be developed in the future to achieve 'substantially aligned', if appropriate.

11. Did you test key assumptions and the strengths and weaknesses of the assessment?

- Was a sensitivity analysis undertaken across an appropriate number of variables or assumptions?



- Were key assumptions made during the assessment tested, and the strengths and weaknesses of the assessment reviewed to determine how reliable the assessment process and results are?
- Were assumptions concluded to be reasonable, appropriate and consistent?
- Were any significant threats to the objectivity of the assessment identified, and measures taken to safeguard against these threats? Threats to objectivity may include the expectations of those affected by the assessment findings; public interest in the assessment findings and its bearing on this work; any appearance of risk to independence (as well as actual risk). Mitigating measures may include commissioning an independent review; separating roles of individuals undertaking the assessments; potentially identifying the threat and highlighting it to those undertaking the assessment may be sufficient to mitigate the threat.

e.g. an 'acceptable' response may be where a sensitivity analysis can be produced for the assessment, with a strategic approach to the variables and assumptions that have been tested. However, this did not reference any threats to the objectivity of the assessment. It is not anticipated that there were significant threats to objectivity, and clear conclusions could be drawn from the sensitivity analysis, which were disclosed in the assessment findings. To achieve 'substantially aligned' the testing process should reference any threats to objectivity and how these were mitigated.

12. Has an internal and/or external review of the assessment process and results been undertaken?

- An internal review would ideally involve colleagues not directly involved in the assessment (e.g. internal audit department). This level of review may be sufficient for internal decision making.
- An external review involves verification of the assessment process and results by independent experts. This is particularly relevant for assessments communicated externally (e.g. public reporting) and could range from a lighter touch review undertaken by "critical friends" among conservation bodies or other external stakeholders who review the assessment and challenge you in a constructive way, but could involve a detailed review by a paid professional consultancy, experienced in audit and assurance processes.

e.g. an 'acceptable' response may be where an internal review has been undertaken, involving a small number of colleagues not directly involved in the assessment. However, this was a quick and high level 'sense check' due to resource constraints. It is felt that this level of review is good enough to provide some confidence to the results, but a more detailed review (possibly by the

internal audit department) would add more value and could achieve 'substantially aligned', if appropriate for future assessments.

Section 3: The Declaration

This should be completed by both the preparer and the validator to evidence their work in completing and reviewing this self-checker.

Section 4: The Results

Both the table and the diagram should be reviewed and used to inform the External Statement selected in Section 5, as well as future plans to improve on the credibility and level of confidence associated with this assessment.

Section 5: The External Statement

The External Statement can be disclosed alongside the results of an organization's natural capital assessment to communicate the appropriate level of confidence in the assessment results to stakeholders. It is also necessary to disclose the NatCap Checker responses, specifically the Robustness Tool (and also Maturity Tool, if used) to give context to this statement.

The initial two headline questions cover your organization's commitment and ability to meet the Principles underpinning the NatCap Checker. This helps to provide a snapshot of how established your organization is in its natural capital approach, and therefore guide expectations of how aligned your natural capital assessment should be aiming to be with the Principles.

There are then two options to choose between for the External Statement.

The first discloses full compliance with the NatCap Checker i.e. the assessment is fully aligned with the Principles.

- This would indicate that all questions achieved an 'acceptable' or 'substantially aligned' rating.

When selecting this option an explanation should be included to detail the stage and progress of the organization's natural capital journey, including:

- future plans for natural capital assessments, and whether there are areas the organization will focus on to increase conformance with the Protocol principles. This could include details on whether the assessment will be repeated, developed, scaled up and so an increasing level of confidence may be appropriate in the future.



- Progress against previous assessments should be disclosed (if applicable).
- A description of the scale of this assessment in the context of the broader business/operations e.g. this assessment relates to 1 of 5 business sectors; is an assessment of our full direct operations; is an assessment of one of our 1,000 products etc. This will help stakeholders to understand the significance of this assessment and its results for the business.

The second option also discloses compliance with the NatCap Checker, but notes partial alignment with the Principles of the Protocol.

- This would indicate that a small (up to three) number of questions achieved a 'requires improvement' rating.
- This option is for assessments where some minor areas have been identified as requiring improvement, but that the preparer and validator have used their judgment to explain how these areas will be brought into alignment within an appropriate transition period (of between one and three years, as noted above).

When selecting this option an explanation should be included to detail the stage and progress of the organization's natural capital journey, including:

- An explanation for the minor non-conformances identified (questions with responses 'requires improvement') including what steps will be taken to address these areas to become fully compliant in future natural capital assessments.
- Progress against previous assessments should be disclosed (if applicable).
- A description of the scale of this assessment in the context of the broader business/operations e.g. this assessment relates to 1 of 5 business sectors; is an assessment of our full direct operations; is an assessment of one of our 1,000 products etc. This will help stakeholders to understand the significance of this assessment and its results for the business.

For assessments scoring 'information absent/unable to tell' in any of the questions, improvements are required to be made before qualifying to use the External Statement function.

5 So what next?

- Was the level of confidence determined through this assessment aligned with your original aspiration?



- Would it be appropriate to take steps to improve the level of confidence provided through such assessments going forward, and if so what could be done?
- At this stage it is worth considering how the objective and/or stakeholders for your assessments may develop over time and so what steps could be taken to develop the assessment process to provide the appropriate level of confidence going forward.

6 Feedback

This is version 1.0 of the NatCap Checker. As such, any feedback from your application of this tool would be gratefully received at info@naturalcapitalcoalition.org and considered in future versions of this tool. Please entitle your email 'NatCap Checker Feedback'.

7 Additional notes

The Natural Capital Coalition does not provide assurance services and these assessments should not be submitted to us for review or validation - this tool is intended to be a self-assessment. However, 3rd party support can be engaged to aid this process and provide further confidence to stakeholders in the assessment process.

The NatCap Checker does not aim to:

- Assess the systems, processes and controls used as part of the natural capital assessment.
- Performing detailed testing of supporting evidence to validate the source records - it relies on the integrity of the preparer and validator in completing the tool.

The associated **Maturity Tool** allows you to review your maturity, whilst the **Robustness Tool** focuses on the robustness of the application.