



CAPITALS
COALITION



Our value report



2022-23

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Context of this report

This is Capitals Coalition's third 'Our Value' report and presents our aspirations, successes and lessons learnt from this past financial year, as well as referencing new work underway.

This report summarizes our activities over the past twelve months and explores the strategic direction of the Coalition as we look ahead to our ambition to embed the value of all capitals into decision-making.

Capitals Coalition



Capitals Coalition develops, advocates for, and advances methods to identify and measure the value we receive from natural, social, human, and produced capital. We work with organizations and individuals spanning global systems to identify and measure this value, and to ensure that it is embedded across decision-making.

The Coalition is an open, pre-competitive space for organizations to come together, share best practice, tackle collective challenges, co-create solutions and champion the capitals approach. A collaborative approach sits at the heart of the Coalition.

Foreword

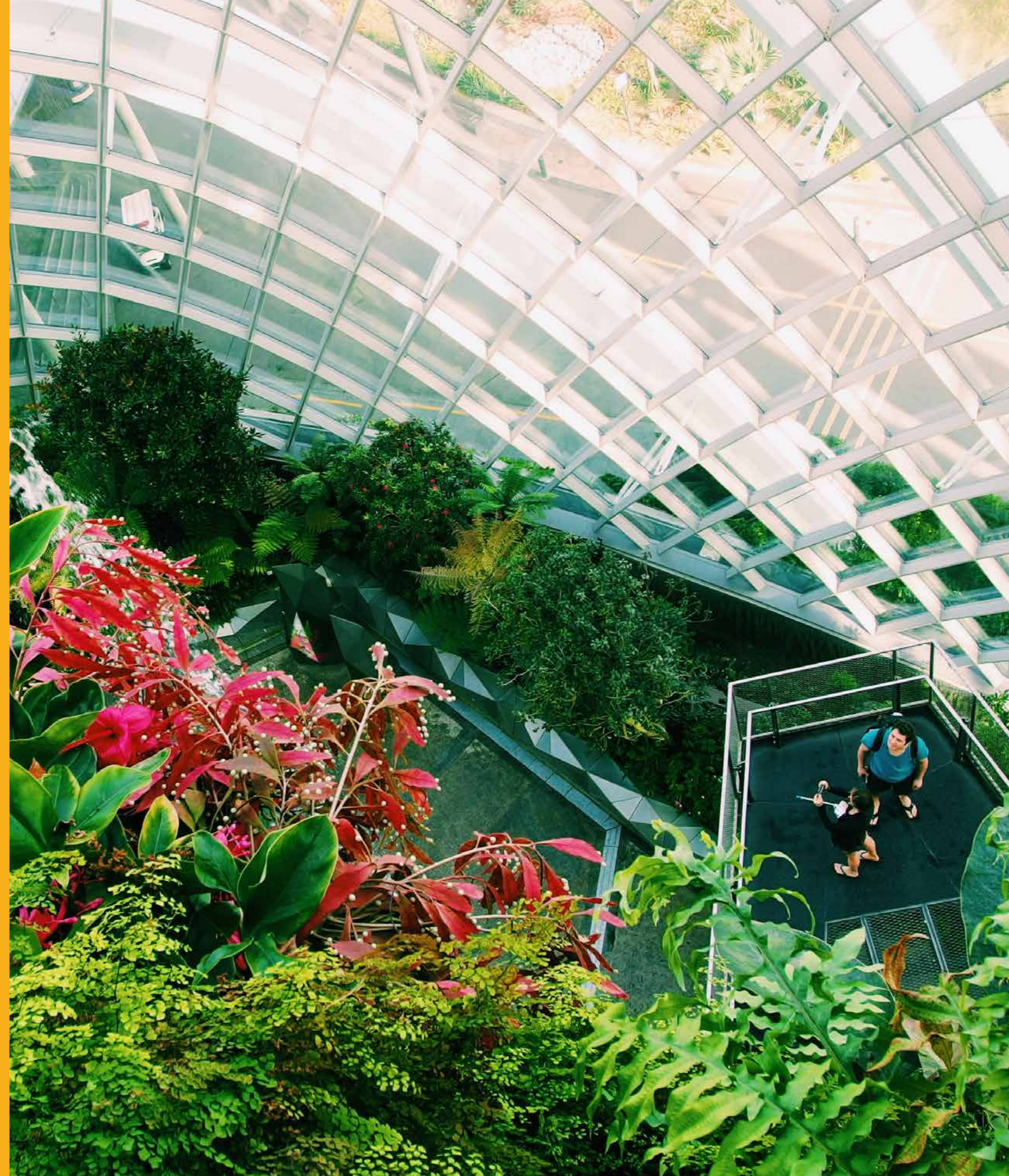


Over the past twelve months, the world has grappled with the aftermath of a global pandemic and the accelerating environmental, social and geopolitical challenges that impact our economies, the natural world, and the people who depend on them. These issues have caused many of us to question our understanding of what we value and how we can protect it.

This 2022-23 'Our Value' report highlights our achievements and successes from the past year. It demonstrates the Coalition's growth and commitment to delivering a world where decision-making is both just and sustainable. The report also offers a reflection on the path ahead and acknowledges the challenges that exist on the road towards 2030.

This report, in common with all the Coalition's work, is only possible with the support of those that make up the global collaboration we call Capitals Coalition. We ask you to read on and become part of our community – and to think about your role in transforming decision-making to deliver holistic value across nature, society and the economy.

Martin Lok, Executive Director, Capitals Coalition

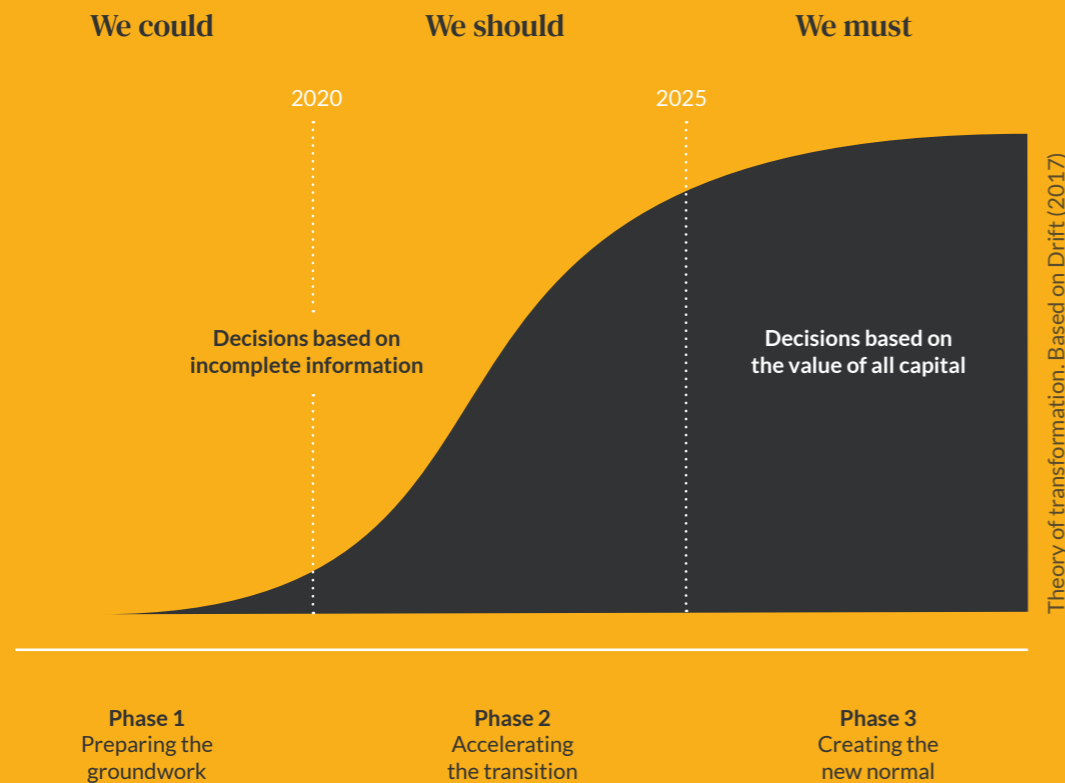


Our strategy

Our ambition is that by 2030, the majority of businesses, financial institutions and governments include the value provided by all capitals in their decision-making and that this will deliver a fairer, more just and sustainable world.

Today, we are balancing on the upward curve of potentially exponential growth in capitals thinking. The groundwork exists, built by the pioneering businesses and innovative thinkers in our network. In some communities, the transition is gaining momentum much faster, for example, the recent adoption of the Global Biodiversity Framework included a target that all large and transnational businesses will be required to assess and disclose their impacts and dependencies on nature by 2030.

Our task now is to accelerate the sharing of ideas and create an enabling environment that welcomes businesses into this transition. Success in this critical phase relies on maintaining momentum and focusing on our strategy to change the math, the conversation, and the rules to ultimately change the system.

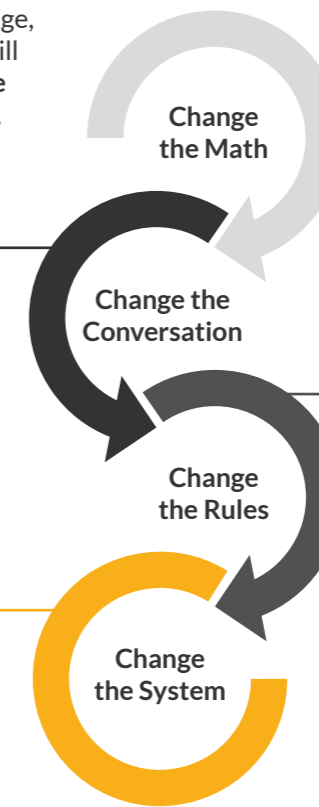


How do we get there? Changing the math, conversation, rules and system.

At each phase of transformative change, we curate collaborative action that will help to **Change the Math**, **Change the Conversation**, **Change the Rules** and, ultimately, **Change the System**.

By developing accessible and influential communications, promoting best practice, developing global Capitals Hubs and cultivating champions in our community, we embed the value of a capitals approach in the global conversation.

By changing the math, the conversation and the rules, we will ensure that the value of nature, people, and society informs decision-making at all levels, and delivers holistic value across the capitals.



By identifying and measuring the value that flows between nature, people, society and the economy, we provide decision-makers with holistic data which reshapes their decision-making calculus, leading to outcomes that deliver benefits across the system.

By working to modernize incentive mechanisms, international guidance and standards, we transform the incentives offered by investors, governments, shareholders, regulators and ratings agencies to reward those who adopt a capitals approach.

Figure: Our Value 2020

Our levers for inspiring change

We concentrate our activities on influencing three distinct levers of change. These levers enable us to convene and support diverse groups of stakeholders and influence system-wide transformation.

Consolidate

We convene stakeholders across the system to consolidate technical discussions and approaches so that practitioners can better navigate the landscape of tools and information most relevant for them.

Educate

We educate practitioners and decision-makers in the mainstream adoption of the capitals approach with deeper awareness of how it can deliver value across contexts and geographies.

Advocate

We advocate for system-wide changes that enable and incentivize deeper integration of the capitals approach within global decision-making.

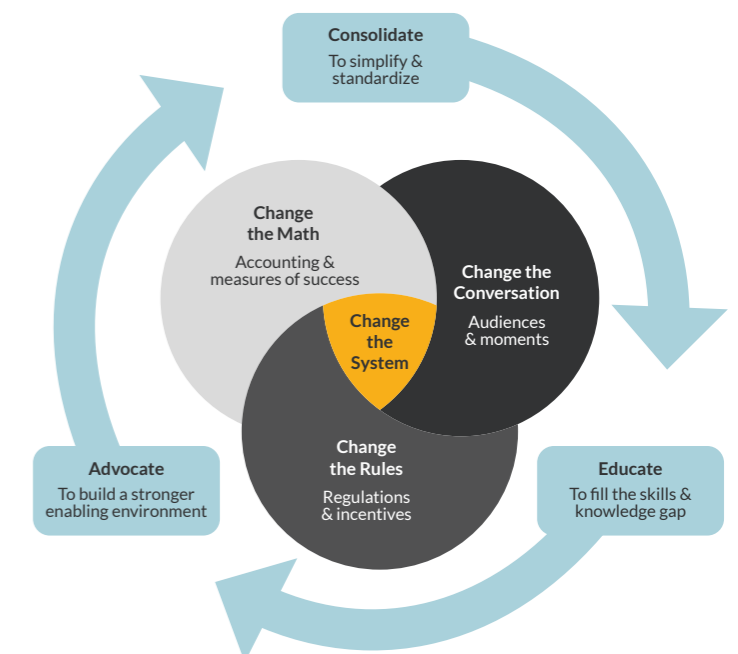


Figure: Our Value 2021

Advocating for change

This section of the report celebrates some of the achievements from across our community over the past year and demonstrates the strength we share when we come together and collaborate.

One of the biggest moments for many in our community was the long-awaited UN COP15, which finally took place after years of delays due to the global pandemic. The value of nature received unprecedented recognition in a global agreement for the first time, with key targets focused on private sector action.

Landmark Leaders' Event for a Nature Positive World

New commitments aimed at catalyzing biodiversity and conservation finance were unveiled at a high level event in September 2022, convened by a group of international partners including Capitals Coalition on the sidelines of the UN General Assembly.

The event saw heads of state including the Canadian Prime Minister, the Ecuadorian President, the President of the European Commission and the Secretary-General of the United Nations showcase action and support for a nature-positive world and declare the success of UN CBD's COP15 a priority for their governments.

Leaders called for all countries to work together to secure an ambitious global biodiversity agreement in Montreal in the face of an escalating nature crisis that is threatening health, food security, and livelihoods, while undermining climate action and sustainable development.

Photo credit: Monica Schipper/Getty Images for WWF International



COP 15 and the Global Biodiversity Framework

After years of delay due to the global pandemic, consensus was finally reached in December 2022, at COP15 in Montreal. The Kunming-Montreal Agreement was adopted by 196 governments, rallying together in the final hours to set us on a path to halt and reverse nature loss by 2030.

Over the past few years, the Coalition has been advocating with our partners for a strong and ambitious Global Biodiversity Framework (GBF), including by hosting dialogues between business leaders and UN CBD negotiating teams, campaigning for more ambition in business targets and working with partners to harmonize and amplify collective messages.

Specifically, we advocated for high ambition in the GBF Target 15 and Target 18 which will now ensure requirements for businesses to assess and disclose their risks, impacts and dependencies on nature, and the reduction of environmentally harmful subsidies by at least \$500 million per year by 2030. Likewise, we advocated for a strong mission to halt and reverse biodiversity loss by 2030, otherwise known as the [Global Goal for Nature](#), which was also adopted within the framework.

The final framework reflects a high level of ambition and ensures the full integration of biodiversity and its multiple values into policies, regulations, planning and development processes, poverty eradication strategies, and environmental impact assessments within and across all levels of government and across all sectors.



Break the Brackets

In the weeks leading up to COP15, the text of the Global Biodiversity Framework (GBF) was still littered with 1,800 brackets – each pair signalling a lack of consensus between countries and a failure to agree on a collective approach to protect, conserve and restore the natural world on which we all depend.

With so many key targets still obscured by with these brackets, many feared a watering-down in ambition and an abdication from action.

In response, the Coalition launched the [#BreakTheBrackets campaign](#) ahead of COP15 which called on Heads of State to provide their negotiating teams with clear mandates to push for a transformational agreement and to demonstrate a renewed push towards multilateralism.

Ultimately, the final text of the GBF reflected this higher level of ambition and included specific policy suggestions that were advocated for by the Coalition, including requirements for businesses and financial institutions to assess and disclose their impacts and dependencies on nature by 2030.

Make it Mandatory

Target 15 in the Global Biodiversity Framework is especially significant for our community. The Coalition helped to drive the ambition and success of this target through our ['Make It Mandatory'](#) campaign, delivered in partnership with Business for Nature and CDP.

The campaign united over 400 businesses and financial institutions to urge world leaders to adopt mandatory requirements for all large businesses and financial institutions to assess and disclose their impacts and dependencies on biodiversity by 2030. The campaign was highly commended at UK Business Green Awards 2023 for 'Behaviour Change Campaign of the Year'.

Many were surprised to see businesses call on governments for enhanced regulation, but the message from those attending the COP was straightforward: the agreement must provide clear direction, specific guidance and tangible actions for the business and finance communities if they are to transform their business models and ultimately, our economies.

Alongside this campaign, we also partnered with Business for Nature, The B Team, We Mean Business, World Business Council for Sustainable Development, and the World Economic Forum to bring a large delegation of business leaders to Montreal.

Far from watering down ambition – an accusation often levelled at companies attending COP– these progressive companies called on governments to raise their ambition and to agree on enhanced regulation at a global scale.

Often referring to the campaign by name, CBD negotiators and co-chairs credited the work done by the Coalition and our partners, most notably Business for Nature, for giving negotiators the confidence to explicitly commit to requiring large businesses to assess and disclose their risks, impacts and dependencies on nature for the first time in a multilateral agreement.

The target sends a clear signal to all large and transnational businesses and financial institutions. We are now working closely with partners to ensure that businesses possess the tools, frameworks and methodologies needed to deliver on the ambition of this agreement and include the value of nature in their planning and decision-making.



High-level Business Actions on Nature

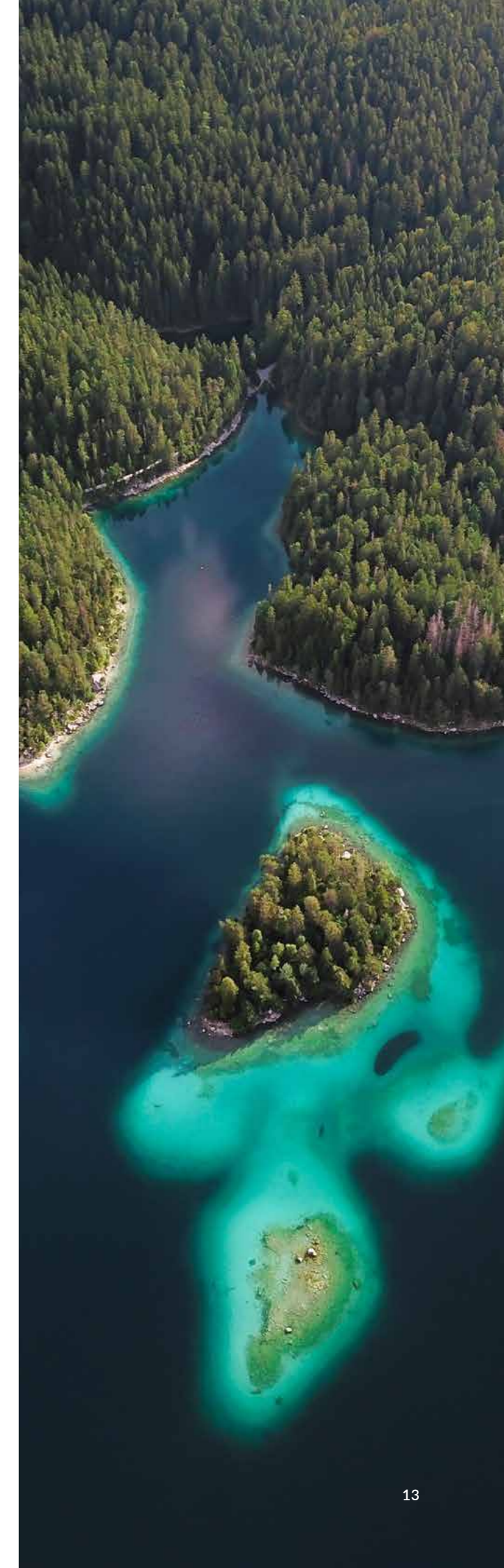
At the 2022 World Economic Forum, Capitals Coalition, WBCSD, SBTN, Business for Nature, TNFD and WWF launched a set of [high-level business actions on nature](#) (Assess, Commit, Transform, Disclose) in response to the 'alphabet soup' of initiatives and frameworks for nature, sometimes causing confusion for businesses looking to include the value of nature in their decision-making.

These high-level business actions, developed by leading organisations, provide companies with the key actions they can take to signal they are making meaningful contributions to help reverse nature loss.

The actions build on existing frameworks and guidance, such as the Natural Capital Protocol, Science Based Targets for Nature's 'Initial Guidance for Business' and the Taskforce on Nature-related Financial Disclosures 'Beta Framework'.

At Davos 2023, the Coalition launched, with Metabolic and eftc, 10 [case studies from leading businesses](#), demonstrating how undertaking specific elements of the high-level business actions on nature has altered their business model. The examples highlight the interconnectedness between business, finance and government action and how actions by each group can drive ambition towards a nature-positive world.

The Coalition, along with our partners who delivered the high-level actions, have agreed to continue their collaboration to support companies in their implementation. This year, on International Biodiversity Day 2023, the Coalition teamed up with other leading organizations to launch a [social media campaign](#) to raise awareness for the high-level business actions on nature as a key tool for businesses to take action to reverse nature loss.



What about social and human capital?

Throughout 2022-23, the global community rallied around nature and climate, finally and deservedly putting them in the spotlight and spurring action from business, finance, governments, civil society and beyond. This momentum has sparked the transition to include the value of nature in decision-making which is accelerating quickly as we move towards 2030.

As we progress into the next phase, the Coalition will balance our contributions to the nature community with those in the human and social capital communities, with the ambition to include the value of all capitals in decision-making by 2030.

For example, in 2022 we contributed to the Business Commission to Tackle Inequality's [flagship report](#) on tackling inequality and continued to develop the accounting for the [Living Wage Model](#). This uses the power of financial accounting to build new incentives for companies to take an active role in tackling inequalities for people who earn less than a living wage.



Interlude: How can business work with nature rather than against it?

An Interview with André Hoffman for Responsible Business from London Business School

Our Chairman, André Hoffman, sat down with Tom Gosling, Executive Fellow of the Centre for Corporate Governance at London Business School in a [podcast episode](#) to explore the Coalition's work to integrate the value of natural, social & human capital into measures of economic performance.

André explained the need for the capitals approach across the global economy, the history of our organization and how businesses can get involved in our work.

'The interest in [the capitals] approach has increased dramatically. Ways of measuring produced capital are getting better every day and the international accounting system improves every year. We need the same amount of energy and activity dedicated to the capitals approach.'

'We don't have the luxury of waiting the 350 years that it took us to create industrial accounts that are reliable. So, there is a rapid increase in interest because there is a realization that the value of the capitals are not sufficiently understood to be able to make informed decisions.'

'In the current environment, we need to do more with less, and to do that we need to explore the best possible use of all of the types of capital that we have in front of us...'

Projects and publications

This section of the report highlights the initiatives involving or led by the Coalition, while acknowledging that all work listed here has been collaborative and is only possible through the support of our community. This is not a comprehensive list, but a reflection of some of our key outputs within the reporting period.

The Value Commission

In May 2022, we announced the launch of [The Value Commission](#). The Commission brings together key communities from across the global system to set international transparency criteria to guide how value factors are created and used by organizations around the world. The Value Commission has been our headline contribution to 'Changing the Math' this year.

Value factors are used by businesses to measure the value of the flow of services that they receive from natural, social, human, and produced capital.

The Commission is guiding the consolidation of existing efforts into an open-access platform, providing factors that support organizations to understand the value of their impacts and dependencies on nature and people.

Providing open access to robust, consistent and transparent value factors will give organizations an effective framework to reduce their negative impacts. Equally, it will help them to identify actions and investments that create positive feedback loops which deliver benefits across the capitals.

The Coalition has appointed Jeremy Nicholls and Revathi Sharma Kollegalaas as co-chairs, who have appointed a community of "Value Commissioners" representing a range of organizations that create, provide, use, and regulate value factors.

Representatives from across the global system, including indigenous peoples and local communities, will be consulted throughout this process to ensure that guidance and recommendations are robust, fit-for-purpose, and have been developed based on a diversity of perspectives and potential applications.

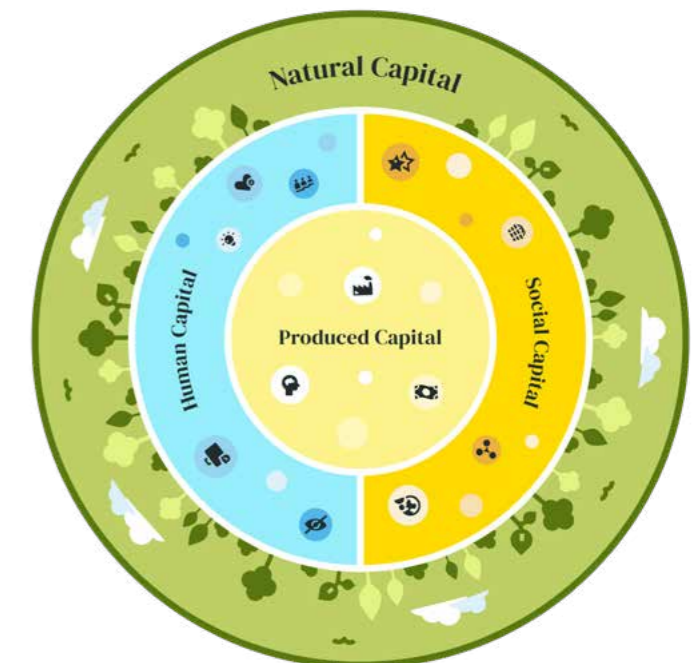
The Capitals Protocol

Our parallel project in 'Changing the Math' is the Capitals Protocol which we began exploring in 2022. This work unites the guidance set out in the [Natural Capital Protocol](#) and [Social and Human Capital Protocol](#) to ensure that decisions are made on integrated information.

The Capitals Protocol will provide a structure for applying systems-thinking within organizations and offers greater transparency to decision-makers concerning hidden risks, opportunities and trade-offs.

We have been experimenting with additions such as deeper guidance on building impact and dependency pathways, wider coverage of the ethical considerations behind valuation, and more discussion of decision-making dynamics such as subjectivity, trade-offs and unintended consequences.

In 2023 we will conduct a consultation programme with key audiences such as business and subject-matter experts, followed by a beta version for pilot testing in 2024.



Digitizing Sustainability Data

Our work on digitization is part of our journey towards our future ambitions for 'Change the Math'. In April 2022, the Coalition announced that it will host the [Digitalizing Sustainability Data project](#). The project is a continuation of the work done within the Impact Management Project, which has now united with others to form the International Sustainability Standards Board (ISSB).

The way that digital sustainability data flows between systems and stakeholders today is not fit for purpose. This siloed, complex and inconsistent system for information data flow is costing the global economy trillions of US dollars each year, and results in less informed decision-making.

This project brings together, for the first time, all of the major constituents in this space – from regulators, data specialists, standard setters, ratings agencies, technology companies, preparers and users – to design and develop an integrated and interoperable global digital sustainability data flow system.

Together, this leadership group will assist the International Financial Reporting Standards (IFRS) Foundation's IFRS Taxonomy Consultative Group (ITCG) working with the International Sustainability Standards Board (ISSB) and the European Financial Reporting Advisory Group (EFRAG) amongst others to ensure that data can flow effectively across the system to make better informed decisions that deliver value for nature, people and organizations.



Business Training on natural, social and human capital

We see education as a powerful lever of change. Since our last report, the Coalition has published [two free online training resources](#); a natural capital focused “Valuing Nature and People to Inform Decision-Making” supported by We Value Nature, WBCSD and IUCN, and the social and human capital focused “Transforming Business: Valuing Social & Human Capital”, developed in collaboration with Nature^Squared, WBCSD-BCTI and Social Value International. Both courses are hosted on Coursera.

Each course explores a series of instructor-led videos and case studies from leading companies. Interviews with business leaders provide expert insight into the journey organizations have taken to embed the capitals approach across their operations.

Register for both courses [here](#).

Global Dialogues

Understanding opportunities and challenges across the globe is critical to Changing the Conversation. To this end, the 2022 Global Dialogues were a collaborative convening of the Capitals Community to share experiences and discuss transforming decision-making. The Global Dialogues offered in-person, online and hybrid events over October – November 2022.

Events were led by [Capitals Hubs](#). Hubs are communities of practitioners that develop and scale the capitals approach within specific regional or national contexts or within industries or sectors.

The agenda explored how to engage diverse voices (Italy), disclosure trends (Scotland), the consequences of the Post-2020 Global Biodiversity Framework (West Africa) and its Target 15 (Brazil), regenerative economies (Canada), the energy sector (Spain), and intersectoral collaboration (Caribbean).

Capitals Coalition joined EU Projects SUSTAIN and SELINA

In 2022, the Coalition joined two EU projects aiming to streamline information gathering and decision-making within business.

SELINA

[Science for Evidence-based & Sustainable Decisions About Natural Capital \(SELINA\)](#) is a five-year EU-funded project that aims to deliver guidance for evidence-based decision-making that supports the protection, restoration, and sustainable use of the environment. Through a winning bid of experts from fifty partner organisations from all 27 EU member states, Norway, Switzerland, Israel, and the United Kingdom, SELINA will set new standards for international cooperation to promote ecosystem services and biodiversity conservation and enhance ecosystem conditions.

SUSTAIN

[Strengthening Understanding and Strategies of Business to Assess and Integrate Nature \(SUSTAIN\)](#) will provide businesses, financial institutions, and regulatory bodies with the knowledge and resources to better understand, assess, and monitor their dependencies and impacts on nature from activities across different sectors of the economy. The project is funded by the EU and aims to facilitate transformative changes within the global economy to halt and reverse biodiversity loss. The project partner consortium is made up of Capitals Coalition (leading the project), UNEP-WCMC, ShareAction, PBL Netherlands Environmental Assessment Agency, IUCN (Global and Europe offices), Oxford University, WBCSD, ETH Zürich, and Fundación Biodiversidad.

Report: Beyond ESG: Streamlining Financial Decision-Making With a Shared Understanding of Value

Environmental, social and governance (ESG) tools and methodologies help financial institutions (e.g., asset owners and managers, bankers, insurers) evaluate which environmental and social risks might affect a company's revenue and costs, and how the company is managing those risks. However, they do not currently consider or evaluate to what extent the activities they are invested in have a positive or negative impact across nature or society.

Within our effort to Change the Rules, our report, [Beyond ESG](#), summarises exploratory work to understand what is needed to bridge this gap and to ensure that the ESG information clearly communicates the value of organizational impacts and dependencies across natural, social, human and produced capital.



Report: Nature-related Impact & Dependency Analysis

The Task Force on Nature-related Financial Disclosure (TNFD) is a highly applauded step towards 'Changing the Rules'. The Coalition and TNFD collaborated on this joint [report](#) highlighting the synergies and interconnection between the Natural Capital Protocol and TNFD's LEAP (Locate, Evaluate, Assess and Prepare) approach, which sits at the heart of the TNFD framework. The report outlines how steps 05 and 06 in the Protocol should be used to apply the "evaluate" step in the TNFD.

Understanding the value of impacts and dependencies on nature is integral to the effective adoption and implementation of the TNFD's recommendations, and the Natural Capital Protocol provides an internationally standardized way for organizations to do this.

The TNFD has been developed to align with existing frameworks such as the Natural Capital Protocol, for which the TNFD's Technical Director was also a lead author. The Coalition is also one of TNFD's key knowledge partners.

What's next?



Our strategy is to change the math, the conversation and the rules in order to change the system (see page 7). We deliver against these strategic pillars by leveraging three levers of change; consolidating technical leadership, educating stakeholders, and advocating for change in global conversations.

Our portfolio of work in 2022-23 covered a broad scope, from advocating for stronger regulation on business to capacity-building on human and social capital to setting international criteria for how 'value factors' are created and used. As we move into our next phase of working, the Coalition will aim to double down on key areas that represent the strongest opportunities for impact.

Change the math

Our work in this pillar increasingly embraces the importance of systems-thinking that integrates all capitals. The consolidation of these ideas through the Capitals Protocol and the Value Commission is our priority.

Change the conversation

To 'Change the conversation' within organizations, we are investing in our Value Labs. We consciously focused last year's conversations at nature and climate events, and we intend to balance that with more human and social conversations next year.

Change the rules

We are reinvigorating our contribution to 'Changing the rules' this year by exploring how capitals can be embedded in global policy and incentive setting, such as supporting the implementation of Target 15 of the Global Biodiversity Framework and working closely with leading sustainability standard setters.

Food system transformation

The Economics of Ecosystems and Biodiversity for Agriculture and Food (TEEB AgriFood) project, in collaboration with UNEP TEEB, set out to change the conversation and the math in the agrifood sector to build resilience, mainstream best practice, protect biodiversity and contribute to a more sustainable food system through a capitals approach. The project's leading output, the Operational Guidelines for Business, will be published in September 2023. The Guidelines will combine three years' worth of work and ongoing dialogue with business in agri-food supply chains, across Brazil, China, India, Indonesia, Malaysia, Mexico and Thailand.

The team will convene two project review meetings in Thailand and Indonesia to assess the contribution of the project and ongoing needs. Before final close of the project, the team will consolidate learnings in a repository of online training materials, produce an accessible primer for business, and release a summary report in October.

The Value Commission

The Value Commission (see page 17) will continue its work over the coming year focusing on the delivery of an early-stage open access value factor platform in the coming months. The platform will consolidate the value factors that measure the value of the flow of services that organizations receive from natural, social, human, and produced capital.

The Value Commission will undertake stakeholder engagement in Q4 2023 with three key groups to produce the early-stage platform; decision-makers themselves, those who influence them, and those who are affected by the decisions.

Capitals Protocol

The Capitals Protocol (see page 19) will undertake a community engagement process in 2023, after which we will deliver a beta-version to support a pilot testing process in 2024. This engagement will identify the greatest needs within the community, explore new questions around practical and ethical applications and critically, gather relevant thought-leadership into an operationalized framework.

The Coalition will be forming technical, business and community roundtables to support us as we navigate these questions, as well as providing open channels for feedback from experts and other interested parties.

Education

Over 2023-24 the Coalition will strengthen the accessibility and inclusivity of its education program, starting with the translation of the 'Valuing nature and people to inform decision-making' course into four new languages: French, Spanish, Chinese and Portuguese, and amplifying visibility through strategic partnerships. We are beginning development of a media library including practical exercises, infographics, and entry-level resources for businesses, scheduled for completion in 2024.

To get in touch about our work contact info@capitalscoalition.org or join our online community platform.



**CAPITALS
COALITION**

www.capitalscoalition.org

Capitals Coalition is a global collaboration transforming the way decisions are made by including the value provided by nature, people and society. Our ambition is that by 2030 the majority of business, finance and government will include all capitals in their decision-making, and that this will deliver a fairer, more just and more sustainable world.

Design by



LEAP