

The Roadmap for Putting Nature on the Balance Sheet

“The shift to [...] an accounting system where natural capital is valued [...], represents one of the most profound shifts in economic thinking in over a century.” (UNEP)

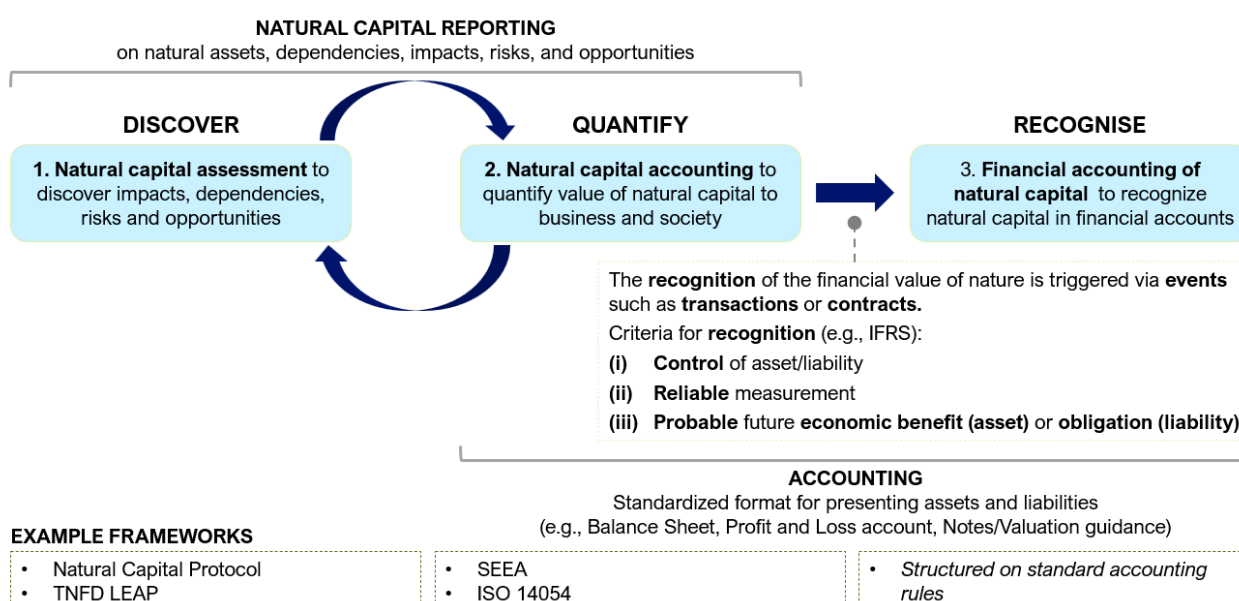
This document is an invitation to help drive one of the most transformative shifts in our economic system: the recognition of nature as a critical asset for businesses, economies, and societies at large. This shift is – despite headwinds – underway and will soon shape the reality of any business worldwide. To strengthen economic and ecosystem resilience, we must recognize investments in nature as a driver of sustainable growth or – in the language of economics – as an asset on our balance sheets. This balance sheet recognition is advancing too slowly, as it requires deep scientific, technological, regulatory, political, and mental shifts. For this reason, we have formed a coalition of leading institutions to “put nature on the balance sheet” and developed a roadmap towards a full recognition of natural capital by 2030. We are now inviting you – business leaders, land stewards, financiers, technology providers, standard setters, and legislators – to provide the proof points needed to accelerate one of the “most profound shifts in economic thinking.”

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Accounting for value. From experiences by companies, local communities and other land stewards, we know that it is technically possible to follow core accounting principles and put nature on the balance sheet. To make this the new normal that guides investment decisions worldwide, critical enablers such as accounting, auditing, contracting, ratings, regulation, and national policies must align. Anyone who owns or uses natural capital directly or in their supply chain can put nature on the balance sheet through three actions (Figure 1):

- (1) **Natural capital assessment** – discovers nature-related impacts, dependencies, risks, and opportunities using the Natural Capital Protocol (e.g., through TNFD’s LEAP framework);
- (2) **Natural capital accounting** – quantifies the value of natural assets (e.g. forests, water resources) and services (e.g. carbon removal, water regulation) to business and society using established accounting frameworks and standards, such as the UN System of Environmental Economic Accounting (SEEA) or ISO 14054; and
- (3) **Financial accounting of natural capital** – recognizes natural capital in financial business accounts and profit and loss statements against international accounting requirements, such as IFRS and IAS 38.

Figure 1: Discovering, quantifying, and recognizing nature on the balance sheet

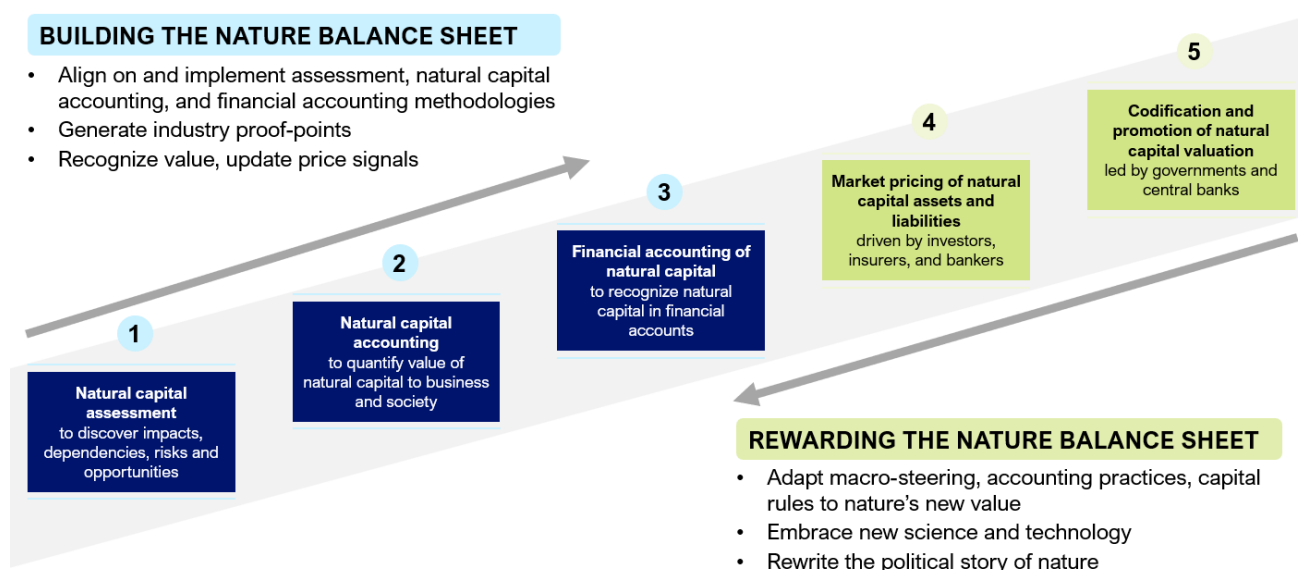


Thousands of companies have conducted natural capital reporting (actions 1 & 2) to discover and quantify natural capital. Many have recognized natural capital on their financial accounts (action 3), and some have successfully asked their auditors to provide limited assurance. Moving from natural capital accounting to recognition in financial accounts is the hardest action, which requires trigger events, such as transactions or contracts, which in turn depend on supporting policies and market infrastructure. The Nature on the Balance Sheet Initiative focuses in particular on accelerating this action.

Beyond companies, the financial sector and governments must act to put nature on the balance sheet, make nature investment attractive, and direct flows of capital towards the preservation and regeneration of land- and seascapes. Rewarding nature on the balance sheet through government and regulator action will work in parallel to company and sector action (figure 2):

- (4) **Market pricing of nature-related assets and liabilities:** Investors, insurers and bankers, should reflect the status of natural capital in cost of capital, asset valuation, risk assessment, underwriting, pricing, and coverage exclusions. This will enable new debt products, securitization instruments, credit and risk transfer structures, and project and infrastructure finance vehicles.
- (5) **Codification and promotion of natural capital valuation:** Governments and central banks should use budgetary, fiscal, policy and regulatory instruments to codify and promote natural capital valuation. For example, full stewardship of natural capital assets and liabilities on sovereign balance sheets will allow governments to assess their net asset position and make more informed decisions about sustainable borrowing and prudent investing. Similarly, capital adequacy frameworks should reflect exposure to nature-related risks, incentivizing investment in regenerative assets.

Figure 2: Scaling up nature on the balance sheet



Five enablers drive the widespread adoption of nature on the balance sheet: (A) data, metrics & method providers; (B) standard setters; (C) assurance providers, auditors & actuaries; (D) lawmakers and regulators; and (E) price setters. Figure 3 identifies priority short-term actions through to COP30 and beyond for each enabler.

Figure 3: Priority actions for enablers to put nature on the balance sheet

	SHORT-TERM (TO COP30)	LONG-TERM (TO 2030)
SOCIETAL ENABLERS (POLICY AND PUBLIC OPINION):	<ul style="list-style-type: none"> • Governments incentivize 'nature-positive' production by re-directing harmful subsidies • Cultural influencers advocate for protecting and restoring natural capital as a political priority • Consumers send price signals by demanding and purchasing 'nature-positive' products 	<ul style="list-style-type: none"> • Government subsidy reform and consumer pressure make 'nature-positive' products price-competitive • Cultural influencers mainstream a new and inspiring political narrative for nature
E. Price setters and enablers	<ul style="list-style-type: none"> • Central Banks develop method for conducting nature-stress tests and adjust capital adequacy rules • Ratings agencies develop method for incorporating nature into company risk ratings • Exchanges define rules for transparent listing and transfer of nature assets 	<ul style="list-style-type: none"> • Central banks, banks, and international organisations (eg. IMF) run nature stress tests and reflect nature risk/opportunities in risk ratings and lending rates; and use NCA for strategic planning • Insurance, banks, investors adjust pricing models
D. Law makers and regulators	<ul style="list-style-type: none"> • Regulators permit 'safe harbours' for pioneer companies to test nature reporting, with reduced litigation risk • Law makers initiate process of expanding fiduciary duties and incentives for nature conservation and restoration • Regulators require disclosure for nature-related risks and opportunities (ISSB, CSDR) 	<ul style="list-style-type: none"> • Law makers and regulators (i) recognize expanded fiduciary duties to include nature; and (ii) update contract law enabling exchange of legal title of nature assets • Law makers and regulators pass regulation and create incentive structures to support uptake of NCA and nature-positive decision-making
C. Assurance providers, auditors & actuaries	<ul style="list-style-type: none"> • Professional bodies define necessary conditions for recognizing natural capital on financial balance sheets, to be implemented and mainstreamed by leading firms 	<ul style="list-style-type: none"> • Accountants, assurance providers, and auditors implement standards on metrics, methods, verification and value factors
B. Standard setters	<ul style="list-style-type: none"> • Standard setters consolidate and clarify alignment & gaps across leading standards for natural capital accounting and assurance, including on NCA recognition in financial accounts (Eg. TNFD LEAP, NCP, ISO 14054, ISSB) • Standard setters clarify trusted value factors for NCA (Eg. IFVI; Value Balancing Alliance (VBA)) 	<ul style="list-style-type: none"> • Standard setters agree on metrics, methods & verification (eg. ISO, BSI, IASB) and value factors (e.g. IFVI, VBA) • Standard setters and rating agencies develop method for rating balance sheets that include natural capital assets and liabilities (eg. Financial Conduct Authority, IASB)
A. Data, metrics & method providers	<ul style="list-style-type: none"> • Convenors align on essential metrics for NC assessment and accounting (e.g. TNFD, Nature Positive Initiative (NPI), and other convenors) and signpost trusted nature data sources and tech providers (via TNFD Nature Data facility) 	<ul style="list-style-type: none"> • Data providers and convenors expand & connect data sources (e.g. (NPI, TNFD data facility))
CORPORATE CHANGE AGENTS:	<ul style="list-style-type: none"> • Land stewards (including companies) use landscape proof point approach to derive business value from thriving nature • Communities of practice established to scale proof point approach across sectors; sharing best practice and building capacity (eg. in-house accountants, lawyers, investors and insurers) for using natural capital accounting as a decision-making tool (eg. sector communities in forestry and mining) 	<ul style="list-style-type: none"> • Corporate change agents issue NC assessments (e.g. using TNFD LEAP) and NC accounts showing value to business and society, and use to inform decisions as standard

An invitation. The Nature on the Balance Sheet Initiative, led by the Capitals Coalition, the Canter for Global Commons, Systemiq, and The Landbanking Group, is working with businesses, investors, industry groups, and landscape stewards to establish proof points for how nature can and must be put on the balance sheet. Ahead of COP30, we are also engaging with the enablers to remove bottle necks and create real-life reference cases that demonstrate the recognition of nature value. We are inviting you to join us in driving progress towards an economy that is consistent with nature and a promise to future generations.

For questions and opportunities to engage, please contact us at info@capitalscoalition.org.