

# Natural Capital Protocol

GLOBAL VALUE tool showcase



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## Introduction

# The GLOBAL VALUE tool showcase series

### **GLOBAL VALUE tool showcases: your guides to using tools**

Understanding a company's impact on sustainable development, and finding ways to manage it best, is not an easy task. With so many tools available, choosing one to invest time in is even more difficult. GLOBAL VALUE tool showcases will make this task easier.

We selected and tested 15 leading tools in different categories to help understand how each of them can help you achieve your assessment goals. Our tool showcases are meant to support you in deciding which tool best fits your company's needs. The tools were tested in collaboration with multinational companies from different sectors to give you practical tips on how to get the most from using each of the showcased tools.

### **Tools for managing impact on the Sustainable Development Goals**

The Sustainable Development Goals (SDGs) are the north star for global development for the next 15 years. Adopted by the United Nations in September 2015, these Goals have been developed in extensive consultation with the business community. For companies across the globe, the SDGs are both a challenge and an opportunity to serve global populations in a manner that is sustainable in the long-term. Each tested tool has also been screened for how many and which SDGs it may help companies tackle.

Find more tool showcases on the [GLOBAL VALUE Toolkit](#).

### **Tool selection**

The tool showcases feature [15 tools](#) that were selected from over 200 tools collected during three years of research in the context of the [GLOBAL VALUE project](#). These tools were shortlisted through an iterative consultation with GLOBAL VALUE consortium experts, who evaluated the strengths and weaknesses, feasibility and usability, methodology and added value of different tools in order to narrow down the list of tools to 15 for testing in an actual company setting.

The Natural Capital Protocol was selected for review, because it offers a broad view on the use of natural resources. The Protocol offers a 136-page guide for carrying out the assessment. A corresponding toolkit is now in the testing phase and will be launched in July 2017. At the time of writing, only the Protocol guide was reviewed.

### **Tool testing process**

The tool showcases are based on the experiences of three GLOBAL VALUE tool testers, who have implemented these tools in collaboration with [three multinational companies](#). The tools were tested with a specific focus on their operations in developing countries, in order to understand how each of them can help companies measure and manage their impacts on global sustainable development. The tool testing assessed each tool's feasibility and usability, user friendliness, content and context, methodology, data required and results provided.

This showcase will guide you through the main benefits and limitations, ease of use, tool adaptability to different geographical and company contexts, scope of value chain and SDG coverage, methodology for assessing impact, and the usefulness of output or results that the tool provides.

# An introduction to the Natural Capital Protocol

The Natural Capital Protocol is a framework for **systematic assessment of the impacts and dependencies** of companies on natural resources. It is designed to be a support for decision-making. Therefore, it is best carried out in connection to a strategic decision that will affect the company's use of natural resources or impact on nature. Through the analysis of a company's dependencies on natural capital, the business impacts of natural capital can be assessed.

Natural capital as defined by the framework is a term that encompasses the stock of renewable and non-renewable resources (e.g. plants, animals, air, water, soils, minerals) that "combine to yield a flow of benefits to people". The benefits provided by natural capital include clean air, food, water, energy, shelter, medicine, and the raw materials we use in the creation of products. It also provides less obvious benefits such as flood defense, climate regulation, pollination and recreation". Businesses too depend on this natural capital and affect its stock with operations.

The issues covered by the framework largely depend on the user. The SDG issues covered by the tool depending on user's choices in the first steps of the assessment. The Natural Capital Protocol is also due to release a corresponding toolkit in July 2017.

## At a glance

Web: <http://naturalcapitalcoalition.org/protocol/protocol-toolkit/>  
Developer: Natural Capital Coalition

The Natural Capital Coalition is a global multi-stakeholder collaboration that brings together leading global initiatives and organizations to harmonize approaches to natural capital. The coalition is formed by numerous organizations from research, science, academia, business, advisory, membership, accountancy, reporting, standard setting, finance, investment, policy, government, conservation and civil society. The main aim of the coalition is to harmonize the approaches to natural capital and promote the enhancement of natural capital.

Use the Natural Capital Protocol Toolkit when you want to:

- **Systematically assess the impacts and dependencies** of your business on natural resources or natural capital
- **Evaluate the impacts of major strategic decisions** on natural resources

## Features

# What you need to know about the Natural Capital Protocol

This section gives you an overview of the key features of the Natural Capital Protocol. All important information that can help you decide on whether this is the tool for your needs is presented in a condensed format in the table below. For more elaborate information on the [icons](#) and to explore other tools please visit the [GLOBAL VALUE tool navigator](#).

Purpose	Scope	Output	Requirements	Access
 <p>The main purpose of the tool is to support <b>management control</b>. The assessment especially targets strategic decision-making by the management.</p>	 <p><b>Whole value chain is assessed</b> including supply chain management and product impacts. Assessment can be done for a single value chain or the whole company. The latter, however, is complicated.</p>	 <p>Results are presented as exemplary tables, of which the user can choose the most suitable ones.</p>	 <p><b>Stakeholder engagement</b> is needed. External consultant support could also add value for the valuation step and overall assessment.</p>	 <p>The guide is <b>free</b> to use and is available online after registration. The confidentiality of the protocol depends on the actual tools used.</p>

### What the tool testers say - Overall experience

The Natural Capital Protocol is useful in the evaluation of major strategic decisions that will affect the company's use of natural resources or impacts on nature. The assessment of natural capital impacts and dependencies may detect future business risks through at least two mechanisms. Natural capital dependencies are often good indicators of increasing costs of the natural resources used. Natural capital impacts may detect risks that have not yet been recognized through normal risk assessment methods.

As the assessment is work-intensive and time-consuming, it is most suitable in connection to major strategic decisions, such as new production capacity, entering new geographical areas, or launching completely new products, with changes in the value chains.

### Want to explore other tools?

[GLOBAL VALUE tool navigator](#) features over 220 tools that all screened for the same features as the WBCSD MIF.

# Benefits

## Key benefits and added value of the Natural Capital Protocol

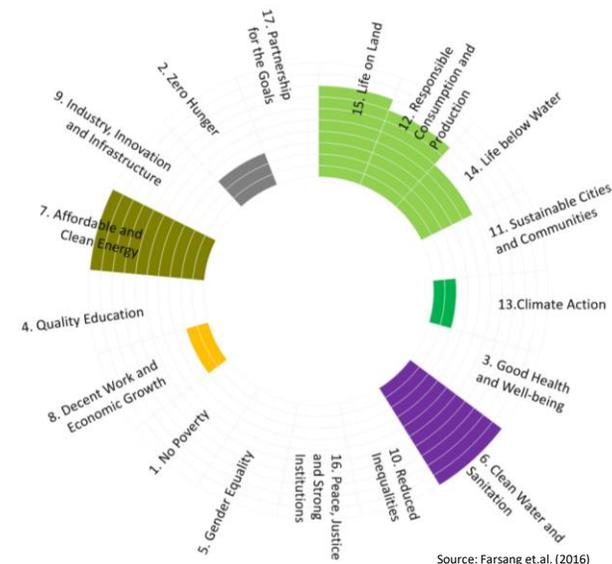
### Key benefits you can expect

- **Systematic assessment** of impacts and dependencies of the company on natural resources. The tool is customisable – it allows users to set up the project and define the scope and nature of the assessment.
- **A process for decision making support** for major strategic decisions affecting the use of natural resources. The tool supports the analysis of impact pathways from company-internal impact drivers to actual impacts on the natural capital.
- **Comprehensive guidance.** Comprehensive guidebook clarifying the concepts, discussing the process, giving a lot of inspiration and alternatives, and suggesting output forms for each stage.

Learn more about the SDGs and what they mean for your business on the [GLOBAL VALUE Toolkit](#).

### Sustainable Development Goal coverage

The graph below shows the extent to which the Natural Capital Protocol addresses the different issues covered by the [Sustainable Development Goals \(SDGs\)](#). Under each SDG, there are a number of different targets that are related to the individual goal. Some SDGs have more targets, while others have fewer. During our testing, we screened the tool to determine how many of the targets the tool covers under each SDG. The graph below is normalised and can tell you not only which SDGs the tool addresses, but also to what extent. The higher the SDG's coloured column, the more targets the tool addresses (read more about the testing process [here](#)). *NOTE: Natural Capital Protocol's SDG coverage depends on user's individual scoping.*



Source: Farsang et.al. (2016)

### **Natural Capital Protocol for Multinational Corporations**

The guide gives three choices for the organizational focus of the assessment: corporate, project or product. The projects typical for assessment would be investments in production facilities and as products one would assess either existing or novel products and their value chains. The broader the focus is, the more effort is required and the more shallow the detailed assessment becomes.

The value chain focus can be either upstream, direct operations or downstream depending on the decision to be assessed. For some assessments, the whole life cycle is required.

In terms of the context factors that the framework allows to take into consideration, the context can be selected by the implementer depending on the decision to be supported by assessment results.

The framework is especially designed to be a support for decision-making in companies.

### **Ease of use**

The assessment is complicated and lengthy. Therefore, it is only suitable in connection to significant strategic decisions, such as new production capacity, entering new geographical areas, launching completely new products with changes in the value chains. The Natural Protocol guide is clear and comprehensive. However, the implementer has to design the actual tool set for the assessment, which makes starting difficult.

The framework is designed to be used by sustainability managers who are familiar with the concept of natural capital, i.e. expertise in the relationship of the business with nature is required. Also, thorough knowledge of the business and its value chain is required. The protocol describes nine steps of the assessment exercise, which include both management steps (such as defining objectives and scope of the assessment, as well as mapping the elements of the planned decision) and assessment steps (such as impact assessment and valuation). The valuation step of the protocol requires both environmental and economical expertise, and may, therefore, benefit from the use of expert counsel.

The protocol offers only a few practical suggestions for involving external stakeholders or experts. However, the assessment would greatly benefit from external stakeholder or expert involvement, in order to enhance the credibility and the strategic usefulness of results.

Lastly, in order to understand and be able to use the results in informing strategic decisions, one needs to be very familiar with the actual process through which the results were achieved.

## How to

# Natural Capital Protocol in practice

### **STEP 1: Get started**

This step is designed to clarify the concepts in the analysis and define whether the assessment is useful for the decision at hand.

### **STEP 2: Define the objective**

This step is intended for achieving a clear articulation of the purpose of the assessment exercise by defining the target groups, which are typically internal.

### **STEP 3: Scope the assessment**

This step asks the questions: “what organizational focus”, “what value chain boundary”, “whose value is determined”. The purpose is to make the assessment both doable and sufficiently clear.

### **STEP 4: Determine the impacts and/or dependencies**

This step leads to a list of material impacts and dependencies to be assessed.

### **STEP 5: Measure impact drivers and/or dependencies**

This step continues the extensive mapping exercise. Qualitative measurement uses the tables created from the impact drivers and describes the impact pathways, either based on professional judgment or stakeholder opinions. Quantitative measurement uses numerical values of impact driver indicators, which easily exist for e.g. emission figures of a production facility. For product value chains, methods, such as Life Cycle Assessment (LCA), need to be used.

### **STEP 6: Measure changes in the state of natural capital**

This is the stage where the guide suggests that consultant or other expert help is required, because quantifying changes may require specific expertise. Such analyses for new production capacity are typically assessed in Environmental Impact Assessments (EIA) in connection to permitting processes.

### **STEP 7: Value impacts and/or dependencies**

Valuation can be qualitative, quantitative or monetizing. Translating the impact drivers into impacts (whether qualitative or quantitative) entails the classical problem of valuation of impacts that are well-known from LCA-literature. Monetizing the impacts is related to impact valuation.

### **STEP 8: Interpret and test the results**

Because of the complexity of the methodology, the protocol puts an emphasis on testing the interpretation and assumptions when applying the results of natural capital assessment. Various methods for this are suggested.

### **STEP 9: Take action**

This stage includes compiling the practical consequences for the decision-making and communicating both the results and the process of the assessment internally.

## Review

# Natural Capital Protocol approach to measuring and managing impact

### Managing for global value

All the tools GLOBAL VALUE tested exhibit a different approach to managing a company's impact on sustainable development. Tested approaches include tools that assess a company's management system, monetize sustainability impacts or map impacts and build strategies for mitigating negative impacts and enhancing positive impacts.

In order to capture these differences, and what each of these approaches brings to a company wanting to measure and manage its impacts, each of the tools tested were evaluated against a set of criteria developed by the GLOBAL VALUE consortium. Find out more about the criteria we used [here](#). An online [Expert Crowd](#) of more than 260 experts from a variety of organisations and stakeholder groups globally has also been involved in developing the criteria to ensure that the most important concerns of science, businesses, civil society and policymakers are reflected.

This section will provide insights into the underlying assumptions of how the Natural Capital Protocol evaluates the impact of a company using the tool, and the usefulness of the results that the Natural Capital Protocol provides for managing business impacts on sustainable development.

Learn more about how to use tools for managing your impact on the SDGs on the [GLOBAL VALUE toolkit](#) !

### Natural Capital Protocol approach

The Protocol is a nine-step mapping exercise of the questions, scope, existing impacts and dependencies on natural resources, changes expected by the strategic decision, and actual assessment that uses various tools and valuation of the impacts. In essence, the Protocol assesses impacts and dependencies on natural capital (i.e. the stock of natural resources potentially offering benefits).

The Protocol uses the concept of impact driver, meaning the measurable inputs to the process (use of natural resources) or outputs of the processes (such as waste and emissions). The indicators of impact drivers used for the mapping are selected by the implementer depending on the scope of the assessment. They may include input factors required by the company, such as energy consumption, consumption of different raw materials and water, as well as utilization of various ecosystem services. The output indicators may include emissions, waste, land use and disturbances to the environment. The impact drivers cause the actual impacts, which are changes in the natural capital. The actual impacts are then valued. For the valuation, the user can choose between qualitative, quantitative or monetary valuation methods.

Throughout the exercise, the user chooses from various assessment options given by the guide, for example in the form of tables and figures (e.g. the materiality matrices) for both analysis and results.

### Natural Capital Protocol output

The Protocol offers table-formed models for presenting the results. Depending on the scope of the assessment, these could include listing and valuation of the most relevant negative impacts on natural capital by the company (compared to some reference point) or a project (compared to the present situation) listing of the most effective actions to be taken to reduce the negative impact/improve the positive impact.

## Resources

## Further resources

- Natural Capital Coalition: <http://naturalcapitalcoalition.org/>
- Natural Capital Protocol Toolkit: <http://naturalcapitalcoalition.org/protocol/protocol-toolkit/>
- World Business Council for Sustainable Development: <http://www.wbcsd.org/>
- Sustainable Development Goals (SDGs): <https://sustainabledevelopment.un.org>
- GLOBAL VALUE Project: <http://www.global-value.eu/toolkit/project/>
- GLOBAL VALUE Toolkit: [www.global-value.eu/toolkit](http://www.global-value.eu/toolkit)
- GLOBAL VALUE Tool Navigator: [www.global-value.eu/navigator](http://www.global-value.eu/navigator)
- GLOBAL VALUE Expert Crowd: [www.global-value.eu/toolkit/expert-crowd](http://www.global-value.eu/toolkit/expert-crowd)
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