



**NATURAL
CAPITAL
COALITION**

A PART OF THE TEEB COMMUNITY

Valuing nature in business

PROJECT TERMS OF REFERENCE: DEVELOPING AND PILOT TESTING THE NATURAL CAPITAL PROTOCOL

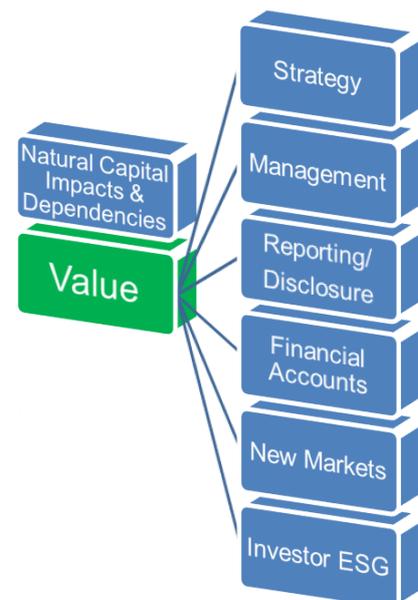
*A HARMONIZED PROTOCOL FOR VALUING NATURAL
CAPITAL IN BUSINESS & INVESTOR DECISION MAKING*

1.0 INTRODUCTION

The Natural Capital Coalition (formerly known as the TEEB for Business Coalition) is running a project to develop a harmonized protocol for valuing natural capital in business and investor decision making to enable better measurement, management, reporting and disclosure. The working title is the Natural Capital Protocol. This project is funded by the IFC at the World Bank and the Gordon and Betty Moore Foundation. This Terms of Reference outlines the project, its relevance for business and investors in particular and arrangements for participation. For all organizations who wish to participate a short sign-up sheet is included in the Annex. Please complete this and email to info@naturalcapitalcoalition.org to confirm your participation.

2.0 THE CHALLENGE

There is a growing interest in valuing natural capital as a decision support tool for business and investors. At present the business case is new and there are a growing number of fragmented natural capital activities underway in business and the public sector. To business and investors, natural capital appears complex with little clarity on why and how it can add value. The Coalition is supporting scaling integration of natural capital in business and investor decision making. One of the challenges in scaling uptake is the lack of a harmonized approach to clarify why and how natural capital valuation can be practically used in business and finance sector applications. As illustrated, for business examples of applications include strategy planning, management at organisation and supply chain levels, financial accounts, corporate reporting/disclosure and assessing new markets. For financial institutions these include Investor Environmental, Social and Governance (ESG) assessment.



3.0 PROJECT AIM

This project is to develop and pilot test the harmonized Natural Capital Protocol. The intent is not to invent new methods, but build on those that already exist e.g. the Guide to Corporate Ecosystems Valuation¹, fill the gaps and enable a period of experimentation in the market via different sectors and geographies. This will enable lessons to be learnt and the current gaps to be better understood. It is anticipated that the resulting protocol would be the starting point to inform future standards, much as the GHG Protocol did for GHG emissions. Sector specific supporting guidance for two sectors will also be developed to provide specificity that can simplify a sectors use of natural capital valuation. Future projects could build on this to develop additional sector guides.

The process will be open and consultative to enable key stakeholders from business, policy and practitioners to effectively inform the result. The consultation process will be done using a combination of in person workshops/ events, webinars /calls and circulating documents for comment. Early adopter businesses and financial institutions are strongly encouraged to participate. Our focus is in particular on business sectors and

¹ [WBCSD Guide to Corporate Ecosystems Valuation](#) (CEV)

supply chains with high natural capital impacts e.g. agricultural commodities, forestry, fisheries, energy, mining, construction and some consumer goods e.g. apparel. Subject to agreement with participants, case studies will be produced to illustrate the business case and process for applying natural capital valuation to further grow the business case.

4.0 DELIVERABLES

The project has the following deliverables:

- A harmonized protocol for valuing natural capital in business and investor decision making to enable better measurement, management, reporting and disclosure. This will be generic and can be used by any business sector and investors.
- Supporting sector guidance. This is expected to focus on agricultural commodities used in consumer products e.g. food/beverage sectors (soy, beef, sugar cane, palm oil), apparel/textile sector (cotton).
- Published case examples (only for companies and stakeholders who wish to engage on these and subject to their agreement and sign off)
- In addition to consultation events, dissemination and capacity building workshops will be completed to illustrate the project deliverables and key learnings.

5.0 WHY SHOULD BUSINESS AND INVESTORS BE INTERESTED IN NATURAL CAPITAL AND THIS PROJECT

For businesses to be viable in the long term the ecosystems and resources they depend on must be maintained, yet when it comes to the natural environment we are seeing a rapid depletion of capital. Economic invisibility has been a major reason for the neglect of natural capital. The current business model creates significant environmental externalities that are not priced e.g. damages from climate change, pollution, land conversion and depletion of natural resources. As a result, there is a growing case for understanding the dependencies business has on natural capital, the risks and opportunities associated with this relationship and their real value. Integrating natural capital in business decision making leads to better business decisions with the benefits of greater resilience, improved security of supply and ultimately a sustainable business model. Valuing natural capital specifically can improve business decisions on risk management, supply chain sourcing decisions, new markets / investments, saving costs, sustaining revenues and environmental performance.

Business and investor participants can gain an early mover understanding and practical application of natural capital valuation. It is anticipated this protocol will be the precursor for future standards on natural capital and is a process that is open and consultative incorporating global natural capital experts. Participants will be visibly acknowledged in all deliverables and promotional material.

6.0 FUNDING PARTNERS

Funding for the project is provided by the Swiss Economic Ministry (SECO) to IFC at the World Bank and the Gordon and Betty Moore Foundation. [The Natural Capital Coalition](#) is the delivery partner for the project.

Established in November 2012, The Natural Capital Coalition is a global, multi stakeholder platform to build the business case and support the uptake of natural capital valuation, management and disclosure in business and investor decision making. Our [founder members](#) are pioneers on natural capital and make up our [board and advisory group](#). [Membership is open to business and wider stakeholders](#), who are welcome to join at any time. All members and wider stakeholders will be actively engaged to participate in this project.

7.0 TASKS

The project is divided into four parts. The following is an overview of the key project tasks.

Part I: Mapping - A mapping is being conducted of the front runner methodologies and tools for natural capital valuation in business, to identify the building blocks for a harmonized protocol for natural capital valuation and the gaps. Key stakeholders from these building blocks and wider stakeholders will inform this process. Workshops and webinars are being conducted to build consensus on the baseline, gaps and agree next steps that can inform the harmonized protocol.

Part II: Development of protocol and sector specific guidance – A third party (ies) will be contracted to run the development and consultation processes to support the protocol development and sector guidance. As part of this an independently appointed technical author (organisation or individual) with suitable expertise and experience will be contracted to draft the protocol for natural capital valuation and supporting sector guide. This will be done in consultation with key stakeholder participants from business, finance, policy, NGOs, consultancy and academia. A key focus is to have a collaborative process to enable a common protocol to be agreed and therefore get more buy-in from future users and practitioners. Business and investors are strongly encouraged to participate to ensure the protocol is informed by their views. Participation in the consultation has no financial charge and time is given in kind.

Part III: Pilot Testing - Business will pilot test using the protocol to value their natural capital and use the information to inform management, reporting or disclosure applications based on their interest. Different users will explore the use of the protocol for different applications e.g.

- Investors will pilot test the protocol to apply valuations in their Environmental, Social & Governance (ESG) assessment process for clients in high impact sectors presenting natural capital risks and opportunities.
- Companies can explore which concrete questions the protocol could help answer, such as: should we invest in natural vs. man-made infrastructure? What are our largest impacts and dependencies on natural capital and how does this impact my supply chain management and sourcing? Should we restore productivity to degraded lands? How much are all our negative impacts on nature worth? Do I have a new market opportunity by participating in a Water Fund or Payment for Ecosystem Services scheme?
- We also aim to test the opportunities to link the protocol for business use with national policy metrics developing for natural capital accounting e.g. UN System of Environmental Economic Accounts (UNSEEA) and World Bank [Wealth Accounting and Valuation of Ecosystem Services](#) (WAVES) so consistency in the metrics can be enabled where feasible. This is relevant if future benchmark targets are established relevant to business.

Business and investors are being recruited to participate in the pilot testing stage of the project. There are several ways to participate:-

- If a business or financial institution has natural capital expertise in house, the protocol and guidance can be applied in house using the company resource and feedback on the learnings provided to the project. Participation in this way is by giving time in kind and requires no financial contribution.
- For those without in house technical expertise, our proposal is to contract technical partners that can work with pilot testers to use the protocol and guide in the desired business applications the company is interested in. This will require a financial contribution from the company. This is to cover the costs of doing the valuation for the natural capital impacts of the specific business (organisational or supply chain focused depending on the required scope) and applying it as required e.g. supply chain management, reporting etc.... If several companies participate, this can provide economies of scale. For example if 10 companies participate in the pilot, we estimate an average of \$50,000 per company to be the financial contribution.

If the pilot testing company permits it, we propose to develop a publishable case study from each pilot. No commercially confidential information needs to be incorporated in case studies. The purpose is to gain feedback to inform the protocol and clarify its use in different sectors applications and geographies. At the big picture level, these case examples will help to grow the business case for integrating natural capital in business.

Part IV: Evaluation and Publication - Feedback and lessons learnt will be gathered from the pilot test experimentation and used to revise the protocol and guide. An independent expert peer review panel will review the protocol and guide. Based on their recommendations, the protocol and guide will be updated and published. This is seen as a “beta” version which is dynamic and can be updated over time.

Case Studies - Case studies will be published (subject to agreement with participants only).

Consultation, dissemination and capacity building workshops and webinars will be conducted at key stages in the project.

8.0 TIMELINE

The proposed timetable is below.

TASKS	YEAR 1- 2013				YEAR 2 - 2014				YEAR 3- 2015			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Part I: Mapping												
Part II: Protocol Development												
Part II: Sector Guides X 2												
Part III: Pilot Testing												
Part IV: Evaluation & Publication												
Part IV: Case Study publication												
Deliverables					Deliverable: Mapping publication		Deliverable: Protocol draft		Deliverable: final Protocol, 2 sector guides with case examples			
					Deliverable: Sector guides draft x 2							

9.0 STAKEHOLDER PARTICIPATION ARRANGEMENTS

The consultation process will be done using a combination of in-person workshops/events, webinars/calls and circulating documents for comment.

Details of organisations participating (name and/or logo) will be included on the final deliverables and promotional material including on www.naturalcapitalcoalition.org.

Outside of contracted third parties, time for stakeholder participation is given in kind.

The consultation process is an open platform with deliverables available in the public domain. Inputs and expertise are provided in kind to inform the protocol and guide in development. This is similar to a typical standards development process.

A project Steering Committee will oversee the project governance, content and work with the Technical Author. An Advisory Group of specific stakeholder interests from business, finance, technical experts, policy etc...will inform the content. A separate independent panel of experts will peer review the protocol and guide developed. The groups proposed are illustrated below.



To manage the stakeholder engagement the Coalition will co-ordinate input from organisations in key stakeholder interest areas into an Advisory Group. Examples include:-

- Technical experts/practitioners – a representative group of technical experts on methods, tools and data from business, consultancy, academia, NGOs and other initiatives.
- Business (all sectors) – For early adopter companies and industry associations from any sector as well as the sectors the guide will focus on.
- Finance – For investors, insurers, industry associations and other financial services sector initiatives.
- Accountancy and corporate reporting professionals /associations.
- Policy – Policy stakeholders engaged on natural capital initiatives.
- Sustainability Support Initiatives – Those initiatives natural capital valuation will link to e.g. GRI, IIRC, CDP, LCA and foot printing related etc...

10.0 PROMOTIONS

To showcase participant engagement on the project, names and/or logos of participant organisations will be included on all project deliverables and in promotional material e.g. the project website at www.naturalcapitalcoalition.org. Logos will be in line with any logo use specifications provided.

All participant organisations can use the Natural Capital Coalition logo on websites/promotional material to show they are a participant. The logo and promotional information for the Coalition are available on request.

11.0 FURTHER INFORMATION

Pieter van der Gaag, Executive Director, Natural Capital Coalition,
 Pieter.vandergaag@naturalcapitalcoalition.org; www.naturalcapitalcoalition.org

12.0 ANNEX: PARTICIPATION SIGN UP SHEET



**NATURAL
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To participate in this project in line with the conditions outlined in this TOR please complete the signup sheet below and email to info@naturalcapitalcoalition.org.

If you are not already a member of the Natural Capital Coalition, please also email your company logo and any use requirements so they can be included on the project promotional material and deliverables.

PLEASE COMPLETE:-

Organisation Name:	[Type text]
Name of contact for this project:	[Type text]
Position:	
Email:	[Type text]
Are you interested in participating in a pilot study? (Yes/No/Maybe)	[Type text]
If yes, we will follow up to discuss	
Do you wish to be a case example for inclusion in the Natural Capital Protocol? (Yes/No/Maybe)	[Type text]
If yes, we will follow up to discuss	
Date:	[Type text]