Business and Natural Capital Accounting

Cover note and Roadmap for Alignment

## Introduction

At the 14th Meeting of the UN Committee of Experts on Environmental-Economic Accounting (UNCEEA), the Committee “agreed that it should play a role in aligning business accounting and reporting with the SEEA.” The current lack of alignment in natural capital accounting practices hampers the ability of national statistical offices (NSOs) to collect high-quality corporate data on the environment. Similarly, businesses would benefit from increased access to high-quality and coherent data on the environment which is fit-for-purpose. Given that alignment of business accounting and the SEEA could result in benefits to both businesses and NSOs, the Committee agreed to “explore how to harness synergies between the public and private sectors in the collection and use of statistics and data for natural capital accounting”.

In particular, the Committee agreed that a roadmap towards alignment should be prepared under the E.U.-funded [NCAVES project](https://seea.un.org/home/Natural-Capital-Accounting-Project), which includes a workstream on business accounting.[[1]](#footnote-2) Several activities have already taken place under this workstream, including a [literature review](https://seea.un.org/sites/seea.un.org/files/background_paper_release_for_unseeaforum.pdf) of current practices in business accounting and reporting related to ecosystems and the environment and [interviews with 12 companies](https://seea.un.org/sites/seea.un.org/files/business_consultation_public_version.pdf) to explore their data needs and interests related to ecosystems. In addition, in October 2019, UNSD organized an exploratory [scoping workshop](https://seea.un.org/events/scoping-workshop-seea-and-business-accounting) on business accounting. bringing together NSOs, businesses, standards setters and other stakeholders. The discussions held during this workshop were instrumental to understanding public and private sector needs for alignment and in providing a basis for the present roadmap.

Finally, the establishment of this roadmap recognizes and harnesses the growing momentum to develop an agreed framework for businesses aligned with the SEEA. For instance, the European Commission has taken the lead in establishing standardized principles and guidelines and strengthening its policies on non-financial reporting. The Commission is currently supporting the [Capitals Coalition](https://naturalcapitalcoalition.org/) and the [Value Balancing Alliance](https://www.value-balancing.com/) in developing, testing, and promoting a first ‘E-GAAP’[[2]](#footnote-3) during the period 2020-2022, which can be aligned with the SEEA. In addition, the Capitals Coalition’s [“Combining Forces” initiative](https://naturalcapitalcoalition.org/projects/combining-forces-on-natural-capital/) was developed to serve as an overarching platform for dialogue for bringing together the public and private sector. Thus, it is critical to ensure that the UNCEEA and broader statistical community are involved in ongoing efforts in a coordinated fashion.

## Roadmap for alignment

The roadmap provides a draft action agenda for the next five years in pursuit of the strategic decision taken by the UNCEEA to work towards alignment between SEEA and private sector natural capital accounting. The roadmap is structured around four main building blocks: coordination, communication, methodological development and capacity building (see table below). While some of the activities in the roadmap are already underway, others have yet to begin and will require funding. The building blocks and associated actions are described briefly below ***(see the Annex for the full roadmap)***.

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| --- | --- |
| 1. COORDINATION
 | 1. COMMUNICATION
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| * ACTIVITY 1: Establishing a group within the UNCEEA
* ACTIVITY 2: Contribute to ongoing initiatives in harmonization and standardization (e.g. E-GAAP)
 | * ACTIVITY 3: Increase collaboration and exchange of experiences between the statistical and business communities
* ACTIVITY 4: Organize / participate in events bringing together the statistical and business communities
* ACTIVITY 5: Communication and promotion of the activities within both the business and statistical communities
 |
| 1. TECHNICAL - METHODOLOGICAL
 | 1. CAPACITY BUILDING
 |
| * ACTIVITY 6: Common language, principles and concepts (glossary)
* ACTIVITY 7: Pilot studies
* ACTIVITY 8: Accounting for business guidelines in the context of the revised SEEA EEA
 | * ACTIVITY 9: Awareness, education, guidance and training
* ACTIVITY 10: Secure funding supporting the implementation of the actions (roadmap)
 |

1. Coordination
* Activity 1 - Establish a group within the UNCEEA: A small group on alignment with business accounting is created under the auspices of the UNCEEA, comprising of UNCEEA members. Depending on resources and scope, members of the group may also include representatives from business and financial communities as well as members of major initiatives in this space. The group will be responsible for developing and advancing the programme of work on alignment of public and private natural capital accounting.
* Activity 2 – Contribute to ongoing initiatives in harmonization and standardization: Many initiatives and processes are under way that work towards standardization and harmonization. The establishment of a group under the UNCEEA would create a clear focal point within the statistical community in order to provide inputs to these processes and initiatives and coordinate with other statistical groups (e.g. the UN Committee of Experts on Business and Trade Statistics (UNCEBTS)) who may be well placed to provide inputs.
1. Communication
* Activity 3 - Increase collaboration and exchange of experiences between the statistical and business communities: There is substantial room for collaboration between the UNCEEA business accounting group and existing initiatives, such as the [Combining Forces initiative](https://naturalcapitalcoalition.org/projects/combining-forces-on-natural-capital/), the [Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (**ISAR**),](https://isar.unctad.org/) and other regional or national organizations.
* Activity 4 – Follow up events and mainstreaming actions: A gradual increase in the number of informed and involved stakeholders is essential to make the transition from innovation to mainstreaming. Organizing both technical and more general follow-up events involving NSOs, businesses and related initiatives can help increase the number of engaged stakeholders. There are several possibilities in the short term, including (but not limited to) the Capitals Coalition Collaboration Day in autumn 2020, the IUCN World Congress in early 2021, COP-15 in early 2021 and the conference [“Communicating the Path to Sustainability Through Natural Capital Accounting”](https://seea.un.org/events/communicating-path-sustainability-through-natural-capital-accounting) (tentatively in 2021).
* Activity 5 – Communication and promotion: Exchange of information between the statistical and business communities could be increased greatly. The information on the SEEA website could be strengthened in this regard, with coordination with other initiatives. Relevant articles in the SEEA News & Notes could be cross posted in the letters of initiatives in this space and vice versa.
1. Advancement of methodologies
* Activity 6 – A common glossary: Developing a common language is essential for all stakeholders to understand each other. A common glossary where terms, definitions and even concepts are compared and cross-walked, will help for NSOs to understand businesses and businesses to use statistical products efficiently.
* Activity 7 – Pilot case studies: There is general consensus on the need for pilot studies to help us understand the exact data needs from businesses and the extent to which NSOs can answer these needs. As corporate data needs might be different according to the type of business application and the organizational focus area, pilots should try to cover different applications and organizational focus areas. Three pilot case studies are currently underway.
* Activity 8 – Accounting for business guidelines in the context of the revised SEEA EEA: The SEEA EEA revision process should take stock of the findings of the research by UNSD under the NCAVES business workstream in 2019 and the findings of the first series of pilot case studies, and reflect if and how the revision process or subsequent documents can take them into account.
1. Guidance and training
* Activity 9 – Guidance and training: On the basis of the lessons learnt from the case studies, guidance material, both for companies (‘how to use national NC information?’) and NSOs (‘how to make our national NCA data more accessible and informative to the business community?’) should be developed. This could be accompanied by an e-learning and in-person trainings.
* Activity 10 – Secure funding for implementing the programme of work: The implementation of the full action agenda will require funding, and funding will have a large impact on the scope of activities. While some activities are funded for 2020 and part of 2021, many activities need funding.

A potential timeline for implementing the roadmap is presented below:

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Once agreed, the roadmap will be further developed into a concrete programme of work. It is suggested that both the roadmap and the programme of work be periodically updated in consultation with businesses, governments (both NSOs and other ministries), groups operating in the corporate sustainability reporting space, international agencies, policy makers and experts.

## Questions for the Committee

1. Does the Committee agree with the proposed roadmap and the establishment of a group within the UNCEEA? What are the Committee’s views on the scope and membership of this group?
2. While some of the proposed activities within the roadmap are already funded, many will require additional funding. Does the Committee have suggestions on avenues for funding?

ANNEX

BUSINESS AND NATURAL CAPITAL ACCOUNTING

Roadmap for Alignment – June 2020 draft

This work was undertaken as part of the Project “Natural Capital Accounting and Valuation of Ecosystem Services” (NCAVES).

*This roadmap was drafted by Johan Lammerant (UNSD consultant). The views and opinions expressed in this report are those of the author and do not necessarily reflect the official policy or position of the United Nations or the European Union.*

# INTRODUCTION

The project **“Natural Capital Accounting and Valuation of Ecosystem Services” (NCAVES)** has been established to advance the knowledge agenda on environmental-economic accounting, particularly ecosystem accounting, by initiating pilot testing of the System of Environmental Economic Accounting - Experimental Ecosystem Accounting (SEEA EEA) in five strategic partner countries to the European Union (EU), namely Brazil, China, India, Mexico and South Africa. The United Nations Statistics Division (UNSD), the United Nations Environment Programme (UN Environment) and the Secretariat of the Convention on Biological Diversity are the implementing agencies of the project. This project is funded by the European Union.

The main objectives of the NCAVES project include:

1. improving the measurement of ecosystems and their services (both in physical and monetary terms) at the (sub)national level;
2. mainstreaming biodiversity and ecosystems in (sub)national level policy-planning and implementation;
3. contributing to the development of internationally agreed methodology and its use in partner countries.

As part of the objective to mainstream ecosystem accounting and promote its use in partner countries, the project also includes a **workstream on business accounting**. While businesses and governments may have different aims when it comes to environmental accounting, there is great potential to harness synergies and explore how the work undertaken by governments and businesses could be made (more) mutually supportive. Therefore, this workstream aims to:

1. contribute to the alignment of natural capital accounting between the public and private sectors;
2. explore how to harness synergies between the public and private sectors in the collection and use of statistics and data for natural capital accounting; and
3. provide a technical methodological contribution at the level of methods or of indicators that promotes alignment.

In 2019, three main activities have taken place to advance this workstream:

1. a literature review of current practices in business accounting and reporting related to ecosystems and ecosystem degradation and restoration, the findings of which were reported in a [‘background paper’;](https://seea.un.org/sites/seea.un.org/files/background_paper_release_for_unseeaforum.pdf)
2. [interviews with 12 companies](https://seea.un.org/sites/seea.un.org/files/business_consultation_public_version.pdf) to explore their interests and needs in terms of data collection and accounting/reporting related to impacts and dependencies on ecosystems; and
3. the organization of an exploratory [scoping workshop](https://seea.un.org/events/scoping-workshop-seea-and-business-accounting), bringing together national statistical offices (NSOs), businesses, standards setters and other stakeholders. This workshop was instrumental in providing a basis for the present roadmap.

Based on the outcomes of these three activities, the needs, opportunities, and challenges for aligning private and public sector approaches to natural capital have been summarized for the purpose of developing a strategic roadmap including objectives and actions over the next five years. The roadmap suggests concrete areas of work that UNSD and the UNCEEA can facilitate between companies and the broader statistical community, as well as ideas on how to embed this work in the wider agenda on natural capital accounting.

This work also contributes and builds further on the work by the Combining Forces programme[[3]](#footnote-4), set up by the Capitals Coalition. The ‘Combining Forces’ programme was established to bring together the public and private sectors’ thinking on natural capital (Natural Capital Coalition, 2017). The objective of Combining Forces is to foster a greater mutual understanding of different approaches to the assessment of natural capital and to co-ordinate efforts to ensure that our relationship with nature is accounted for and included in decision-making. In addition, this work has the potential to build on the work of several other related initiatives in this space (e.g. Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), Value Balancing Alliance (VBA), etc.).

# THE NEED FOR ALIGNMENT

Natural capital is a commonly shared asset. It deserves to be managed in a sustainable way by all stakeholders who benefit from the flow of ecosystem services which are provided by natural capital. Good management is a shared responsibility by all stakeholders and requires measuring and monitoring its state and taking corrective action in case of degradation.

This requires aligned approaches at the level of data collection and data sharing; measurement and valuation in accounting; and preventive and corrective action. Steps towards aligning public and private sector approaches are being made (and brought together through the Combining Forces Program, for example), but this alignment is still in a stage of infancy. Nevertheless, alignment is possible, as evidenced in the field of economic statistics which is highly harmonized at the private and public level.[[4]](#footnote-5)

One of the difficulties of alignment in the field of natural capital is that a mature management information framework (analogous, for example to IFRS or GAAP), does not yet exist for businesses. While the statistical community has an international statistical standard on the environment and its relationship with the economy—the System of Environmental-Economic Accounting (SEEA)—no such comprehensive approach is available for businesses to measure their total environmental impact or dependencies on natural capital.[[5]](#footnote-6)

However, the private sector is increasingly taking efforts to measure and value their impacts and dependencies on natural capital, albeit on a smaller scale and often in an ad hoc manner, for example through standalone natural capital assessments. As a result, demand for (standardized) corporate natural capital accounting practices is growing steadily.

There are significant drawbacks to the lack of alignment in natural capital accounting practices. It significantly hampers sound environmental management, internal decision-making and (improved) reporting and disclosure by private and public organizations alike. This in turn hampers the ability of NSOs to draw in corporate data and provide relevant benchmarking data for private and public users. In addition, companies are often not aware of the availability of natural capital data at the (sub)national level, as there is little outreach from NSOs towards the business community. Moreover, available data (also provided by environment agencies) do not come in formats that are easy to use by economic and financial (risk) managers and experts.

Despite the current situation, the tide will likely change within the next five years. In particular, the European New Green Deal[[6]](#footnote-7) explicitly commits the Commission to work with businesses and other stakeholders on developing standardized natural capital accounting practices within the EU and internationally (see Box 2‑1 on E-GAAP). It furthermore announced a revision of the regulatory framework for non-financial information by companies, and other relevant actions aimed at greening the economic and financial system.

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| Box 2‑1: E-GAAP |
| E-GAAP ('Environment - Generally Accepted Accounting Principles') is a term that has emerged in the natural capital accounting community when calling for standardized principles and guidelines similar to those underpinning financial accounting and reporting. Whilst such principles and guidelines do not exist, demand for it is growing, and progress is being made in this space. Importantly, E-GAAP is set to support better internal decision making whilst better external disclosure will come as a (much needed) bonus. Currently, the European Commission has taken the lead establishing standardized principles and guidelines and strengthening its policies on non-financial reporting. The Commission is currently supporting the Capitals Coalition and the Value Balancing Alliance[[7]](#footnote-8) in developing, testing, and promoting a first ‘E-GAAP’ during the period 2020-2022. The Commission will also establish an Environmental Accounting Platform in 2020 to promote best practice exchanges. The aim is to have an E-GAAP broadly implemented, at least by the largest companies, within a few years (2025). E-GAAP is likely to become a set of principles that give minimum quality reassurances and a way to organize data to produce information and eventually reporting. E-GAAP is expected to evolve bottom up drawing from business practices, albeit linked also to reporting and disclosure requirements defined by investors, governments, etc.  |

The benefits of aligning national and corporate-level natural capital accounting will be hugely beneficial to both sides (see Box 2‑2).

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| Box 2‑2: Needs for aligning national and corporate natural capital accounting (NCA) |
| For government institutions |
| * Data quantity, quality and consistency of private sector data for the production of national SEEA accounts, could be improved with a standard E-GAAP
* Potential for collecting more company and/or location specific information
* Potential for more meaningful tracking progress to national level targets such as SDGs, post-2020 biodiversity targets, etc.
* New information opens innovative policy options for promoting sound environmental policy and greening the economy through public-private partnerships (including for trade and development)
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| For businesses  |
| * Better informed and integrated internal decision-making and external disclosure on natural capital impacts or dependencies through increased access to high-quality, coherent and spatially explicit data
* Improved relevance and credibility of external disclosure on natural capital performance when high quality data are used, such as that from NSOs
* Reduced costs for establishing and operating natural capital accounting systems (presuming NSO data meets businesses’ needs)
* Reduced administrative burden in responding to surveys from government/NSOs and disclosing to multiple stakeholders
* For multinational companies with sites in many countries, the use of SEEA accounts would facilitate comparison of sites across countries, given that the SEEA is an international statistical standard.
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| For finance community |
| * Once E-GAAP is available, the investor community will have access to more solid benchmark information and sector specific information on natural capital performance to base their investment decisions on.
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# OPPORTUNITIES FOR ALIGNMENT

Driven by increased attention to climate issues and the global biodiversity crisis, there is an increasing recognition within the private sector that degradation of ecosystems is affecting business continuity (rather than only reputational or compliance issues). This has triggered a growing attention to including natural capital risk assessments (impacts and dependencies) in the business decision-making process. Equally concerned investors and consumers are in turn increasing the demand for disclosing credible information to external stakeholders.

As a result, stricter regulatory and investor requirements for ‘sustainable finance’ are expected to evolve quickly in parallel, particularly in Europe, with the EU’s 2018 Action Plan for Financing Sustainable Growth and the recent European Green Deal.[[8]](#footnote-9) The importance of capturing all (relevant) natural capital impacts and dependencies into business risk management processes and related accounting and reporting systems provides an important opportunity for guiding the alignment between private and public approaches. Access to data for establishing robust and relevant natural capital information is essential for future proofing business and the economy at large.

The business consultation[[9]](#footnote-10)– an in-depth exploration of 12 multinational companies on their needs and challenges in terms of data on water, biodiversity and climate change – revealed a strong interest in increased access to national level natural capital data and information, based on a number of specific business needs. The business community can have very specific needs (depending on type of business application and organizational focus area[[10]](#footnote-11)) which are reflected as concrete opportunities for alignment in Box 3‑1. There are, however, opportunities for the statistical community too.

From Box 3‑1, it is clear that understanding the specific business needs is key for NSOs to be able to offer data that is useful to all of society, including the private sector. Even if, at present, specific information is not available within SEEA accounts compiled by NSOs, countries have flexibility in how they implement the SEEA EEA (i.e. specific accounts compiled, coverage, granularity of data, presentation of results, tailor-made products and analyses etc.).

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| Box 3‑1: Opportunities for alignment of natural capital data between the public and private sector , with specific focus on SEEA EEA |
| For government institutions |
| * More and more, NSOs are moving into the position of data stewards—coordinating data collection by different stakeholders using new techniques including big data, complemented with national data sets, to improve global estimates; adding data from businesses and aggregating it to the national level fits into this picture;
* The statistical community can learn from innovative business approaches on how to present and disseminate natural capital performance (e.g. the Environmental Profit & Loss (E P&L) dashboard by Kering);
* NSOs have a responsibility in supporting both public and private decision making; an excellent example is the SDGs to which both public and private entities are making commitments.
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| For businesses |
| * Businesses are interested in increased access to ecosystem accounts which are:
	+ more detailed, in particular for project or site level assessments;
	+ comprehensive, providing a total impact picture and comprehensive understanding of risk
	+ spatially referenced, allowing a better understanding of the spatial context in which they operate; and
	+ regularly updated.
* At present, most companies limit their assessments to flows (e.g. amount of groundwater extracted). However, in some situations, understanding changes in the state of the underlying stock may be important (e.g. planetary boundary approaches and understanding ‘safe operating spaces’).
* SEEA EEA ecosystem extent and condition accounts provide an approach that can be used at the business level as well. The Biological Diversity Protocol[[11]](#footnote-12) is a biodiversity accounting approach (under development) which is based on similar accounts for biodiversity.
* A growing number of companies are also starting to apply monetization in order to express all aspects of business performance in one metric. SEEA EEA ecosystem services accounts in monetary terms provide such an approach.
* Collecting reliable data related to natural capital performance in the supply chain is challenging for many companies due to the lack of traceability of goods. The SEEA (through use of customs data on international trade) could potentially support traceability.
* Companies aiming for No Net Loss/Net Gain, will need to define a baseline. The SEEA EEA might provide this information if the granularity is high enough.
* Companies looking at aligning their water and/or biodiversity targets with science-based targets which have been established at a higher level (e.g. extent and condition of specific ecosystem types), would benefit from (sub)national ecosystem accounts which include a local translation of these targets for water and biodiversity.
* Companies considering investment in ecosystem restoration projects, would benefit from ecosystem accounts for estimating the return on investment when comparing options for ecosystem restoration.
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| For finance community |
| * Increasing interest in environmental (risk) management from the market regulators and oversight bodies for the purpose of promoting economic and market stability (e.g. increasing interest of central banks and IMF in environmental stress testing)
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# CHALLENGES FOR ALIGNMENT

All these potential opportunities for alignment need to be further pursued. However, alignment is not without its challenges, particularly in terms of data availability, principles for disclosure, concepts and definitions, and units.

**Challenges related to data availability**

* Access to data might be an issue; in some countries direct online access to data might be difficult, and cost of access may also be a barrier[[12]](#footnote-13);
* Not all types of natural capital information which are sought after by businesses may be easily available at national level from a single source; for instance, national or international environmental agencies also provide data;
* National natural capital data might not be available at the required granularity or formats suitable for all business needs;
* In the SEEA, scope is usually on pressures/impacts directly related to a company’s economic activities (e.g. emissions at site level), not across supply or value chains.

**Challenges related to decision making contexts and principles for disclosure**

* SEEA is often used for impact analysis, while investors and businesses are guided more often by risk / return considerations.
* In terms of disclosure, NSOs rely heavily on absolute thresholds (e.g. exceedance of a norm) while companies rather apply the relative concept of materiality.[[13]](#footnote-14)

**Challenges related to concepts and definitions**

* Definitions guiding natural capital management accounting and those guiding the SEEA are not completely aligned yet (see [‘background paper’](https://seea.un.org/sites/seea.un.org/files/background_paper_release_for_unseeaforum.pdf))
* Monetization in the SEEA is based on transaction-based accounting while the majority of private sector approaches is based on welfare values; however, it is possible that SEEA can provide contextual information facilitating this valuation by businesses.

**Challenges related to substance (reporting units)**

* In SEEA and SNA, the primary unit is the enterprise which is always a unit within a specific country; this does not always align with how companies are reporting (mostly at group / holding level).

# ROADMAP

## Objective

The roadmap provides a draft action agenda for the next five years in pursuit of the strategic decision taken by the UN Committee of Experts on Environmental-Economic Accounting (UNCEEA)[[14]](#footnote-15) to work towards alignment between SEEA and private sector natural capital accounting. This first version of the roadmap draws from the outcomes of a business consultation and the scoping workshop held in New York in 2019; further reflections within UNSD in the recent months; feedback collected during different occasions where the findings of this project were presented[[15]](#footnote-16); as well as bilateral discussions with the European Commission and the Capitals Coalition.

This roadmap will be further developed into a concrete programme of work at a later stage. Both the roadmap and the programme of work will be periodically updated in consultation with businesses, governments (both NSOs and other ministries), groups operating in the corporate sustainability reporting space, international agencies, policy makers and experts. The roadmap will be aligned with the Combining Forces program led by the Capitals Coalition[[16]](#footnote-17) and other relevant initiatives in order to harness synergies.

## Structure of the roadmap

The roadmap is structured around four main building blocks: coordination, communication, methodological development and capacity building (Table 5-1). Some aspects of these building blocks are already in place, but need to be brought together. It should be noted that the ultimate scope of each of these actions is dependent on funding.

Table 5‑1: Key elements of the roadmap on aligning public and private natural capital accounting

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| 1. COORDINATION
 | 1. COMMUNICATION
 |
| * ACTIVITY 1: Establishing a group within the UNCEEA
* ACTIVITY 2: Contribute to ongoing initiatives in harmonization and standardization (e.g. E-GAAP)
 | * ACTIVITY 3: Increase collaboration and exchange of experiences between the statistical and business communities
* ACTIVITY 4: Organize / participate in events bringing together the statistical and business communities
* ACTIVITY 5: Communication and promotion of the activities within both the business and statistical communities
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| 1. TECHNICAL - METHODOLOGICAL
 | 1. CAPACITY BUILDING
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| * ACTIVITY 6: Common language, principles and concepts (glossary)
* ACTIVITY 7: Pilot studies
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* ACTIVITY 10: Secure funding supporting the implementation of the actions (roadmap)
 |

### Coordination

**Activity 1: Establishing a group within UNCEEA**

The further development and implementation of the strategy and actions outlined in this roadmap requires continuous collaboration between the statistical community and the business community. The following is proposed:

* A small group on alignment with business accounting is created under the auspices of the UNCEEA, comprising of UNCEEA members. Depending on resources and scope, members of the group may also include representatives from business and financial communities as well as members of major initiatives in this space. The group will be responsible for developing and advancing the programme of work on alignment of public and private natural capital accounting. It is anticipated that this group will meet on a regular basis;
* A chair will be established within the UNCEEA overseeing this area of work (with potentially a co-chair from the business community);
* Periodic reviews of the programme of work will be discussed with the members and representatives of the business and financial community and relevant initiatives (for example, Capitals Coalition, GRI, SASB, VBA, etc.) in order to continuously foster coordination and alignment. A connection could be established with the European Commission’s Environmental Management Accounting programme.

**Activity 2:** Contribute to ongoing initiatives in harmonization and standardization

Many initiatives and processes are under way that work towards standardization of reporting/disclosure of corporate natural capital performance and increased harmonization of natural capital accounting (e.g. E-GAAP). The establishment of a group under the UNCEEA would create a clear focal point within the statistical community in order:

* Provide direct input to these processes, by reviewing proposed frameworks or standards. A specific contribution from this process would be the development or co-development of standardized natural capital business accounts aligned with the SEEA, namely E-GAAP.
* Coordinate with other statistical groups (e.g. the UN Committee of Experts on Business and Trade Statistics (UNCEBTS) who may be well placed to provide inputs.

### 5.2.2 Communication

As both the public and private sector have common goals (‘mainstreaming natural capital information for improved decision-making’), cooperation is key.

**Activity 3: Increase collaboration and exchange of experiences between the statistical and business communities**

As mentioned before, an overarching platform for dialogue to bring both worlds together, is offered by the Combining Forces initiative, led by the Capitals Coalition. A dedicated web-page has been established to communicate initiatives and case studies: (<https://naturalcapitalcoalition.org/projects/combining-forces-on-natural-capital/>). However, the statistical community is not yet fully immersed in this initiative and there is room for improved cooperation between UNCEEA business accounting group and the Combining Forces initiative and other relevant initiatives.

Cooperation should also be expanded with organizations working in developing countries, either through regional organizations or national organizations (e.g. the CII-ITC Centre of Excellence for Sustainable Development in India; or national Business@Biodiversity Platforms). The Combining Forces program has also done a mapping of regional platforms.[[17]](#footnote-18)

Another potential avenue is ISAR, the standing Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting coordinated by UNCTAD[[18]](#footnote-19). It holds its annual sessions in Geneva to address emerging issues in enterprise accounting and reporting. It’s worth noting that UNCTAD has developed a set of core indicators for entity reporting on contributing towards implementation of the Sustainable Development Goals, which the SEEA could contribute to.

Finally, the European Commission has been envisaging an International Natural Capital Management Accounting Programme that could help underpinning a future platform (and other actions). It might also provide opportunities for better connecting both communities as corporate, project and national natural capital accounting workstreams are embedded in one overall programme.

**Activity 4: Follow up events and mainstreaming actions**

A gradual increase in the number of informed and involved stakeholders is essential to make the transition from innovation to mainstreaming. Organizing both technical and more general follow-up events involving NSOs, businesses and related initiatives can help increase the number of engaged stakeholders. While it can be expected that during the next 2 to 3 years, this area of work will mainly be explored by frontrunners (mainly multinationals and NSOs), the situation might change drastically five years from now, and it is important to foster collaboration at both the global and country level.

In terms of concrete events, future possibilities in the short term include (dates are indicative due to uncertainties related to COVID-19):

* Capitals Coalition Collaboration Day, autumn 2020, London
* European Business & Nature Summit, autumn 2020, Brussels
* World Data Forum, autumn 2020, Switzerland
* IUCN World Congress, early 2021, Marseille
* COP, early 2021, Kunming
* “Communicating the Path to Sustainability Through Natural Capital Accounting” conference, early 2021, Yale
* [Forum of Experts on Ecosystem Accounting](https://seea.un.org/events/virtual-expert-forum-seea-experimental-ecosystem-accounting-2020), Summer 2021
* World Forum on Natural Capital, March 2022, New York

**Activity 5: Communication and promotion**

The information on the NCAVES and SEEA website and that of the Capitals Coalition/Combining Forces and other relevant initiatives should also be strengthened and coordinated. In addition, articles in the UNCEEA newsletter, SEEA News & Notes, can be cross posted in the newsletter of initiatives in this space, and vice versa. Communication, promotion and sharing of information will be particularly important in the lead up to the key events identified above.

### 5.2.3 Advancement of methodologies

Work will be required to bridge the language and approaches which are currently applied in SEEA on the one hand, and business natural capital assessment and accounting on the other hand. Experimental case studies would also be useful to explore the practical challenges that both businesses and NSOs might face when using SEEA accounts in concrete business applications. Lessons learned can be collected into guidance material for both the private sector and the statistical community, which might be followed by training.

**Activity 6: A common glossary**

Developing a common language is essential for all stakeholders to understand each other. A common glossary where terms, definitions and even concepts as applied in SEEA (CF and EEA) are compared to those applied in corporate natural capital accounting and missing terms and definitions are completed will help for NSOs to understand businesses and businesses to use statistical products efficiently.

* the [‘background paper’](https://seea.un.org/sites/seea.un.org/files/background_paper_release_for_unseeaforum.pdf) provides an initial attempt to develop such a glossary
* other existing materials should also be analyzed (e.g. a common dictionary developed in the UK as part of the alignment of the UK No Net Loss policy and national NCA).

**Activity 7: Pilot case studies**

There is general consensus on the need for pilot studies to help us understand the exact data needs from businesses and the extent to which NSOs can answer these needs. As corporate data needs might be different according to the type of business application and the organizational focus area, pilots should try to cover different applications and organizational focus areas.

* Pilots will preferably be executed on the basis of current natural capital accounting approaches that are applied in a business context (e.g. Kering’s E P&L approach, the Biological Diversity Protocol)
* In the short term, preference will be given to case studies in NCAVES target countries (Brazil, China, India, Mexico, South Africa).
* Sharing of experience should be organized with the [Combining Forces](https://naturalcapitalcoalition.org/projects/combining-forces-on-natural-capital/) and other relevant initiatives which also seek to [organize case studies](https://naturalcapitalcoalition.org/call-for-expressions-of-interest-to-develop-a-combining-forces-case-study/) on natural capital approaches (including but not limited to the SEEA).
* The case studies will serve as input into developing common guidelines for NSOs and businesses to apply.

**Activity8: Accounting for business guidelines in the context of the revised SEEA EEA**

The SEEA EEA revision process should take stock of the findings of the research by UNSD under the NCAVES business workstream in 2019 and the findings of the first series of pilot case studies, and reflect if and how the revision process or subsequent documents can take them into account.

### Capacity building

To achieve the ambitions, capacity building will be necessary as well as sufficient financial means.

**Activity 9: Guidance and training**

On the basis of the lessons learnt from the case studies, guidance material, both for companies (‘how to use national NC information?’) and NSOs (‘how to make our national NCA data more accessible and informative to the business community?’) should be developed. This could be accompanied by an e-learning and in-person trainings. Education, awareness raising and communication will be very important.

**Activity 10: Secure funding for implementing the programme of work**

The implementation of the full action agenda will require funding, and funding will have a large impact on the scope of activities. Actions for which funding is secured in 2020 and part of 2021 include:

* implementation of at least three case studies providing a first series of lessons learned in terms of alignment between public and private natural capital accounting (Action 7)
* co-organization and execution of a second workshop on business accounting (will be part of the high-level Natural Capital Accounting conference in Yale, tentatively scheduled for March 2021) (Action 4)
* development of an annotated outline for a guidance document for companies with an interest in applying the SEEA, describing how the SEEA can be used to support company-level decision making and reporting (Action 9)
* development of a draft glossary (Action 6)
* participation in outreach events (Action 4)
* establishment of the group under the auspices of the UNCEEA to develop and lead the work programme on alignment (Action 1)

The activities foreseen in 2020-2021 are only a start and will need to be continued over the next years. Therefore, already from 2021 on, new funding will be necessary. The output of the short-term actions (2020-21) in combination with the results of the activities that have taken place in 2019, can be compiled into one document which will be important for fundraising to cover the required funding for the next years.

## Timing

An indicative timeframe for implementing the roadmap is presented in Table 5‑2 and Figure 5‑2.

Table 5‑2: Indicative timeframe for implementing the roadmap

|  |  |  |  |
| --- | --- | --- | --- |
| Activities | 2020 | 2021-2022 | 2023-2025 |
| Coordination | ACTIVITY 1: Establishing and running a group within the UNCEEA to lead the work programme on alignment ACTIVITY 2: Contribute to ongoing initiatives in harmonization and standardization |
| Communication | ACTIVITY 3: Increase collaboration and exchange of experiences between statistical and business communitiesACTIVITY 4: Follow up eventsACTIVITY 5: Communication and promotion |
| Advancement ofMethodologies | ACTIVITY 6: Common glossary (***funded***)ACTIVITY 7: First 3 case studies (***funded***) ACTIVITY 8: Accounting for business in revised SEEA EEA or related guidelines | ACTIVITY 7: Additional case studies (different countries, business sectors, etc); Identification of best practices |  |
| CapacityBuilding | ACTIVITY 9: Initial outline of guidance (***funded***)ACTIVITY 10: Securing funding | ACTIVITY 9: Guidance development (2021)ACTIVITY 9: Begin trainings  | ACTIVITY 9: Roll out training programme in several countries |



Figure 5‑2: Indicative timeframe for roadmap on aligning public and private natural capital accounting

1. The three main goals of this workstream include: 1) contribute to the alignment of natural capital accounting between the public and private sectors; 2) explore how to harness synergies between the public and private sectors in the collection and use of statistics and data for natural capital accounting; and 3) provide a technical methodological contribution at the level of methods or of indicators that promotes alignment. [↑](#footnote-ref-2)
2. 'Environment - Generally Accepted Accounting Principles' (E-GAAP) is a term that has emerged in the natural capital accounting community when calling for standardized principles and guidelines similar to those underpinning financial accounting and reporting. [↑](#footnote-ref-3)
3. <https://naturalcapitalcoalition.org/projects/combining-forces-on-natural-capital/> [↑](#footnote-ref-4)
4. For instance, the System of National Accounts (SNA) takes structural and short-term business statistics as its building blocks. In turn, these business statistics are based on business-level data sourced from statutory financial statements, similar reports submitted to regulatory oversight bodies, or collected through business surveys by national or international statistical offices. [↑](#footnote-ref-5)
5. At present, there is the CDSB Framework (<https://www.cdsb.net/what-we-do/reporting-frameworks>), but there is still no widely applied international natural capital accounting and reporting standard available. [↑](#footnote-ref-6)
6. <https://ec.europa.eu/info/sites/info/files/european-green-deal-communication_en.pdf> [↑](#footnote-ref-7)
7. https://www.value-balancing.com/ [↑](#footnote-ref-8)
8. The former’s implementing acts aim at providing a common classification system (taxonomy) to encourage private investment in sustainable growth and contribute to a climate neutral economy. The latter extends the climate ambition to the broader range of critical natural capital components, while also extending the scope of sustainable finance measures from a focus on the capital markets to the broader economy, including the corporate sector and pubic finance. See https://ec.europa.eu/info/sites/info/files/european-green-deal-communication\_en.pdf. [↑](#footnote-ref-9)
9. <https://seea.un.org/sites/seea.un.org/files/business_consultation_public_version.pdf> [↑](#footnote-ref-10)
10. It is important to have a good understanding of what these terms mean. They are derived from the Natural Capital Protocol. A ‘business application’ is the intended use of the results of a natural capital assessment, to help inform decision making. To make it simple the following example related to groundwater extraction can clarify things: a company can use natural capital data (e.g. available ground water) to compare different investment sites, or a company may want to know if its water extraction has impacts on the local ecosystem which exceed the ecosystem’s carrying capacity, or a company may want to know if they will face operational risks if they go on pumping as they do now. These are different business applications which require different sets of natural capital data. The organizational focus area refers to the different organizational levels a natural capital assessment can focus on e.g. product, project/site, corporate, supply chain, sector. This will highly determine the required granularity of the data. [↑](#footnote-ref-11)
11. https://www.bdprotocol.org/bdp-protocol/ [↑](#footnote-ref-12)
12. Natural Capital Coalition. 2019. Data use in natural capital assessments. Assessing challenges and identifying solutions. Full report. (<https://naturalcapitalcoalition.org/wp-content/uploads/2019/02/Full-Report.pdf>) [↑](#footnote-ref-13)
13. The use of the materiality concept for the purpose of accounting or reporting should be carefully assessed. The EU non-financial reporting directive contains, for example, the principle of ‘double materiality’, i.e. companies should not only report natural capital impacts or dependencies that have a material impact on the business but also the business’ material impact on the quality and availability of natural capital. Having only the former part covered, significantly reduces the usefulness of non-financial reporting for protecting and restoring natural capital. [↑](#footnote-ref-14)
14. The UNCEEA is an intergovernmental body that sets the overall vision and prioritization fort he field of environmental-economic accounting. <https://seea.un.org/content/un-committee-experts-environmental-economic-accounting-unceea>. See also <https://seea.un.org/sites/seea.un.org/files/unceea_conclusions_final_all.pdf>. [↑](#footnote-ref-15)
15. Including the Capitals Collaboration Day (Madrid, 6 Nov), the European Business & Biodiversity Summit (Madrid, 8 Nov), Impact Valuation Roundtable (Lausanne, 28 Nov) and High Level MAES Conference (Helsinki, 13 Dec) [↑](#footnote-ref-16)
16. <https://naturalcapitalcoalition.org/wp-content/uploads/2018/12/Combining-Forces-Priority-Areas-for-Collaboration_Print-PDF_28pg_Final.pdf> [↑](#footnote-ref-17)
17. See spreadsheet link in <https://naturalcapitalcoalition.org/natural-capital-regional-platforms/> [↑](#footnote-ref-18)
18. <https://isar.unctad.org/about/> [↑](#footnote-ref-19)