The Natural Capital Declaration and Roadmap

Financial sector leadership on natural capital
Agenda

– Current signatories and supporters
– NCD Roadmap for implementation
– Governance
– Progress to date
– Work plans for 2014-2016
– Soft commodities project
– Pipeline of projects
What is natural capital?

• The stock of ecosystems that yields a renewable flow of goods and services that underpin the economy and provide inputs and benefits to businesses and society (e.g. food, fiber, water, energy, timber, climate security).

• One factor of environmental, social and governance (ESG) considerations that can be material to financial institutions, mainly through loans, investments or insurance.
42 NCD signatories

www.naturalcapitaldeclaration.org
Objectives for implementation 2014-2016

• **Develop understanding** of links between natural capital and financial risk and returns.

• Pilot projects to develop and test tools, metrics and guidance to enable financial institutions to build knowledge and capacity to understand, integrate, account for and report on natural capital factors.

• Develop practical tools, guidance, methodologies, frameworks and indicators.
## Working groups for 4 commitments by 2020

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<th>Working Group</th>
<th>NCD commitment</th>
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<td><strong>1. Understand</strong></td>
<td>Financial risks and opportunities linked to natural capital impacts and dependencies of company operations and supply chains.</td>
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<td><strong>2. Embed</strong></td>
<td>Integrate natural capital factors into financial products and services.</td>
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<td><strong>3. Account</strong></td>
<td>Work towards accounting for natural capital.</td>
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<td><strong>4. Report</strong></td>
<td>Natural capital information disclosure and reporting using an integrated approach.</td>
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Learning by doing

• **Finance-led, CEO-endorsed** to **mainstream** natural capital across loans, bonds, equities and insurance.

• **Visualise** and **integrate natural capital in financial accounts** of companies, including finance institutions.

• Work with relevant business teams to manage risk and **stimulate innovation** to develop new products.

• **Not a logo initiative**: Focus on quality and having impact (not # of Fis).
Seek multidisciplinary knowledge and expertise by inviting non-financial organizations to become supporters or join advisory network.

Governance NCD

NCD Steering Committee
WG Chairs, Supporters

Secretariat
UNEP FI, GCP

NCD Advisory Network
Information Providers, GOs, Scientific Community

WG I
Understanding Impacts/Dependencies
Chair: Rabobank
Project Manager
Global Canopy Programme

WG II
Embedding NC in financial products
Chair: Banorte
Project Manager
Fauna & Flora International

WG III
Natural capital accounting
Chair: National Australia Bank

WG IV
Natural capital disclosure/reporting
Chair: Nedbank
Project Manager
CDP

Project Manager
KPMG Australia
Progress to date

- Steering Committee chaired by the IFC contributing to decision-making - finance-sector led.
- Survey of signatories to identify asset classes and sectors to focus on.
- Pipeline of pilot projects under development.
- Financial institutions engaging in projects.
- Establishing Advisory Network.
- Fundraising to support implementation.
Work plans for 2014-2016

Working Group 1: Understanding

Chair: Olaf Brugman, Rabobank

Project Manager: Global Canopy Programme

Next steps:

• Scoping study with survey of supporters to identify approaches to benchmarking companies and sectors on natural capital indicators. Identify gaps and options to structure work to understand natural capital risks.

• Pilot project to develop capabilities to evaluate natural capital risks in loans and investments.

Planned outputs: Report, methodology and guidance
Working Group 2: Integrating

Chair: Marcos Mancini, Banorte (Mexico);
Project Manager, Fauna and Flora International

• Focus on corporate banking (lending, project finance) and investment (public and private equities, fixed income).
• Work streams (1) Risk management; (2) Opportunities/innovation to develop products.
• Sector focus: Food and agriculture (100%); energy and electric utilities; forest/timber and mining.
Chair: Rosemary Bissett, National Australia Bank
Project Manager: Susan Staples + team, KPMG Australia

• Work stream 1: Develop finance sector supplement for the Natural Capital Protocol in partnership with the Natural Capital Coalition and other stakeholders.

• Work stream 2: Develop application of valuation and accounting projects.

• Pilot project proposed by NAB: Accounting for natural value to assess credit risk assessment in agri sector.
WG4 work plan: Disclosure/reporting

Chair: Vicky Beukes, Nedbank (South Africa)
Project Manager: CDP

Aims:

• Develop voluntary disclosure programme with questionnaire to build capacity and general internal benefits within FIs.
• Guidance for reporting on indirect use of and effect on natural capital as providers of financial capital.
• Climate Disclosure Standards Board to develop guidance on integrating material information on natural capital in primary reports (align Integrated Reporting).
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