

**Seventeenth Meeting of the UN Committee of Experts on
Environmental-Economic Accounting
New York, 27-28 June 2022**



DEPARTMENT OF ECONOMIC AND SOCIAL AFFAIRS
STATISTICS DIVISION
UNITED NATIONS

**Business Accounting and the SEEA (Area E)
Summary of activities**

Paper prepared by the Chair and Secretariat of the Business Accounting Working Group

(for discussion)

Background

At the 16th Meeting of the UNCEEA, the Committee reviewed a proposal for the composition and focus of the Business Accounting Working Group (BAWG), or Area E. While a roadmap¹ for alignment between the SEEA and business accounting was adopted by the Committee already at its 15th Meeting, the Committee recognized that the group's objectives and scope should be refined and made more specific. Thus, at its 16th meeting, the UNCEEA agreed that the group should focus on alignment of methodology and standards and communication and presentation of the SEEA to the business community.² Given the rapid pace of development and interest in the area of business accounting for the environment, the Committee urged Committee Members to make quick progress and jumpstart the BAWG.

This cover note describes the progress made over the past year, including the development of a ToR, programme of work and other achievements. It also makes a proposal for specific initiatives that the BAWG can focus its efforts on.

Progress achieved

INEGI (Mexico) volunteered to Chair the BAWG, which had its first meeting in December 2021. The group comprises national statistical offices, international organizations and business organizations/standard setters. It was agreed, as outlined in its [ToR](#), that the overall objectives of the BAWG should be:

- a) Building better linkages between private sector natural capital accounting reporting standards with the SEEA
- b) Increased collaboration and awareness raising between statistical and business communities; and
- c) Greater exchange and use of high quality, interoperable data on natural capital between businesses and national statistical offices.

The group also developed a [programme of work for 2022-2023](#), to concretely guide the activities of the BAWG. Three major activities were identified for the programme of work:

- a) An assessment of current major initiatives and groups
- b) Collaboration with relevant initiatives and groups
- c) Developing SEEA documents for the business community.

The remainder of this document describes the group's progress in these three areas.

An assessment of current major initiatives and groups

The objective of this activity is to better understand the current landscape of major initiatives and groups working on areas related to private sector natural capital accounting, including their mandates and timeframes in order to identify main entry points, potential synergies and avenues for collaboration. Thus, the objective of this activity is to guide which proposed standards and guidelines

¹ https://seea.un.org/sites/seea.un.org/files/business_accounting.docx

² https://seea.un.org/sites/seea.un.org/files/summary_and_next_steps.pdf and https://seea.un.org/sites/seea.un.org/files/unceea16_all_final.pdf

the group should review in the short-term, particularly given resource limitations. According to the Assessment (Annex 1), it is suggested that the BAWG focus its short-term review efforts on the Task Force for Nature-Related Financial Disclosures (TNFD) Framework, International Sustainability Standards Board (ISSB) Standards and European Sustainability Reporting Standards (ESRS). These initiatives all currently present a window of opportunity for stakeholders to influence their development, and they are likely to have an outsized impact in the business accounting space.

At the same time, it is proposed that the BAWG maintain a wide scope in collaboration with the relevant initiatives and groups identified. Many of these initiatives are interlinked and the SEEA's focus of an accounting framework, standardized definitions, concepts, etc., complement these initiatives.

Collaboration with relevant groups and initiatives

To foster a better understanding of new business accounting initiatives by the statistical community, the BAWG has invited several members from standards setting organizations to present their initiatives to the group, including the ISSB and European Financial Reporting Advisory Group (EFRAG). In addition, UNSD has fostered collaboration with the TNFD by becoming a knowledge partner. As a knowledge partner, UNSD has provided feedback on the draft TNFD framework, particularly on definitions, concepts, metrics and targets.

In addition, the UNSD has continued strong collaboration with the Capitals Coalition. For instance, members of the UNCEEA participated in a Business & Nature side event at the IUCN World Congress, organized by the Capitals Coalition in August 2021. UNSD also participates in the Capitals Coalition's Government Dialogue on Natural Capital.³

Developing SEEA Documents for the Business Community

The BAWG has also developed SEEA materials for the business community. In particular, UNSD has created a landing page on business accounting⁴ on the SEEA website, which provides an overview of the connection between business accounting and the SEEA, previous work done on business accounting through the EU-funded Natural Capital Accounting and Valuation of Ecosystem Services (NCAVES) project, and links to relevant resources and initiatives. The website also provides users with information on the BAWG and its current programme of work.

In addition, the BAWG reviewed and finalized a primer on the SEEA for businesses, with a focus on ecosystem accounting. [SEEA Ecosystem Accounting for Business – A quick introduction](#), provides a short explanation of the SEEA EA conceptual framework, highlighting elements that are useful in the context of corporate natural capital accounting.

³ https://capitalscoalition.org/project/government-dialogue/#:~:text=The%20Government%20Dialogue%20on%20Natural%20Capital%20has%20provided%20a%20platform,together%20representatives%20from%2035%20countries*.

⁴ <https://seea.un.org/content/business-accounting-0>

Questions for the Committee

The Committee is invited to express its views on:

- 1) The programme of work for 2022-2023 of the group; and
- 2) The proposed standards and guidelines for review by the group.

Overview and assessment of key approaches and initiatives in business accounting and reporting on the environment (June 2022)

[informal background document – please do not quote]

1. Introduction

This note provides an overview of a selection of standards, frameworks and approaches for business accounting and reporting on their relationships with environment, in particular ecosystems.⁵ The purpose of conducting this overview is to provide background information on possible initiatives for the UNCEEA Business Accounting Working Group (BAWG) to prioritize. While the focus of the BAWG is not solely on ecosystem accounting, the recent adoption of the SEEA Ecosystem Accounting (EA) and rapidly growing private-sector interest and momentum behind biodiversity and nature-related disclosures makes this area a natural one to prioritize.

Thus, the objective of this note is not to establish a complete analysis of all of the business accounting and reporting initiatives related to the environment. The note does not aspire to be comprehensive, as the landscape is complex and quickly expanding. Rather, it seeks to provide background information on some relevant initiatives so that the BAWG and broader UNCEEA can prioritize its efforts. This document concludes by making recommendations for initiatives the BAWG should prioritize for its 2022-2023 programme of work.

2. Business Accounting Initiatives

The note provides background information on the following initiatives:

- International Sustainability Standards Board (ISSB) standards
- Task Force on Nature-related Financial Disclosures (TNFD) Framework
- The European Sustainability Reporting Standards (ESRS)
- Natural Capital Protocol
- Science-based Targets (SBT)
- Global Reporting Initiative (GRI) standards
- Value Balancing Alliance methodology
- Standards on monetization of natural capital impacts and dependencies: (e.g. ISO 14007 and ISO 14008)
- British Standards Institute (BSI) 8632:2021
- Biological Diversity Protocol
- Transparent
- Align

2.1 International Sustainability Standards Board (ISSB) standards

⁵ This note is an updated version of Section 3 of the literature review, available at: https://seea.un.org/sites/seea.un.org/files/background_paper_release_for_unseeaforum.pdf

The IFRS Foundation⁶ recently established the International Sustainability Standards Board (ISSB) in recognition of increased demand for high quality, transparent, reliable and comparable reporting by companies on climate and other environmental, social and governance matters. The intention is for the ISSB to deliver a comprehensive global baseline of sustainability-related disclosure standards that provide investors with information about companies' sustainability-related risks and opportunities.

In May 2022, the ISSB released exposure drafts for general sustainability-related and climate-related financial disclosures. The proposals build upon the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and incorporate industry-based disclosure requirements from SASB Standards. The disclosures are designed to meet the information needs of investors in assessing enterprise value. The public consultations on these first two draft disclosures will be held until late July, and the ISSB aims to release final standards by the end of this year.

The ISSB is working closely with a number of stakeholders and existing organizations. In particular, the Value Reporting Foundation—home to the Integrated Thinking Principles, Integrated Reporting Framework and SASB Standards will consolidate under the IFRS Foundation/ISSB on 1 July 2022. In addition, the IFRS Foundation and GRI have come to a collaborative agreement to coordinate their work programmes and standard-setting activities, with the ISSB focusing on investor-focused capital market standards, and the GRI focusing on multi-stakeholder sustainability reporting standards.⁷ The ISSB works closely with several other stakeholders in the ESG space, as well as with the International Accounting Standards Board (IASB), to ensure connectivity and compatibility between IFRS standards and ISSB standards.

2.2 Task Force for Nature-related Financial Disclosures (TNFD) Framework

The Task Force for Nature-related Financial Disclosures (TNFD) takes its approach from the Task Force on Climate-related Disclosures⁸, and aims to develop a *voluntary risk management and disclosure framework* for organizations to report and act on nature-related risks. The audience for the TNFD Framework recommendations and guidance include investors, banks, insurance companies, corporates, regulators and others. The TNFD recently released a first beta version of its framework which included a set of concepts and definitions; a draft set of recommended nature-related disclosures; and early prototype guidance for corporates and financial institutions to support internal assessments of nature-related risks and opportunities. The second beta release of the framework (late June 2022) will contain information on metrics and targets. Future releases of the beta framework may also include additional disclosure recommendations, sector-specific guidance and more. Iterative releases of the beta framework are planned throughout 2022 and 2023, with the final release of TNFD's recommendations taking place in September 2023.

The work of TNFD is closely linked to that of other initiatives. In particular, the TNFD will feed into standards bodies such as ISSB and EFRAG. Instead of creating new disclosure standards, it will build upon the work of standards bodies to develop an integrated risk management and disclosure framework.

⁶ The IFRS Foundation is a not-for-profit, public interest organisation established to develop a single set of high-quality, understandable, enforceable and globally accepted accounting standards—IFRS Standards—and to promote and facilitate adoption of the standards. IFRS Standards are set by the IFRS Foundation's standard-setting body, the International Accounting Standards Board. See <https://www.ifrs.org/about-us/who-we-are/>.

⁷ <https://www.globalreporting.org/about-gri/news-center/ifrs-foundation-and-gri-to-align-capital-market-and-multi-stakeholder-standards/>
⁸ <https://www.fsb-tcfid.org/>

2.3 European Sustainability Reporting Standards (ESRS)

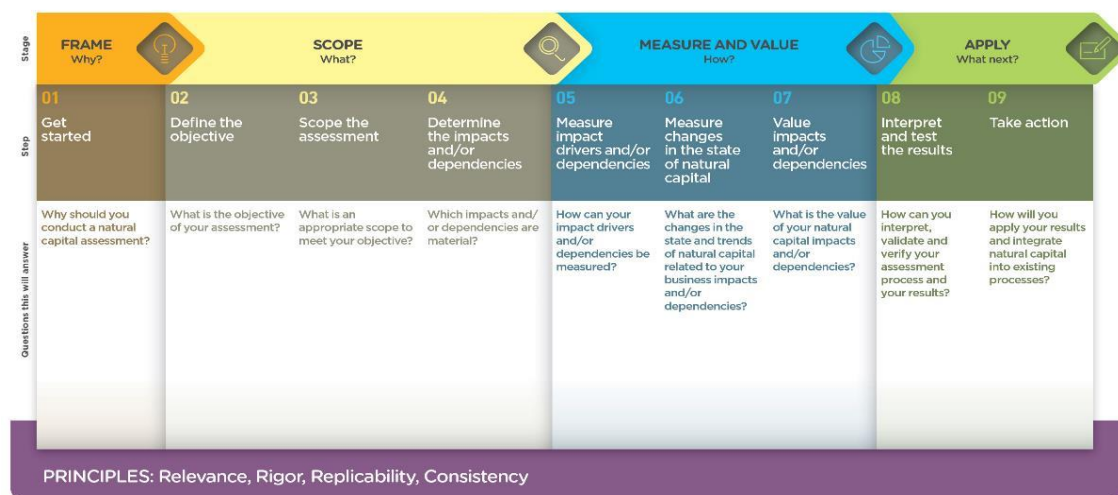
In 2021, the European Commission adopted a legislative proposal for a Corporate Sustainability Reporting Directive (CSRD)⁹, which includes a provision that companies in scope would have to report in compliance with European sustainability reporting standards adopted by the Commission. The Commission further mandated the European Financial Reporting Advisory Group (EFRAG) to develop *standards for mandatory disclosure work for EU non-financial reporting standards*.

In April, EFRAG issued a first exposure drafts of European Sustainability Reporting Standards (ESRS) based on the CSRD.¹⁰ The ESRS are grouped into three categories of standards: 1) cross-cutting standards, 2) topical standards; and 3) sector-specific standards. In terms of environment-related matters, five environmental exposure drafts have been designed to cover six subtopics, with two climate-related subtopics of mitigation and adaptation being covered by a single climate standard. The other environmental standards include those on pollution, water and marine resources, biodiversity and ecosystems and circular economy. The public consultation on the exposure drafts runs to 8 August 2022, with the goal of submitting the first set of draft ESRS to the European Commission by November 2022.

2.4 Natural Capital Protocol

The Natural Capital Protocol, launched in 2016, is a *voluntary framework for natural capital assessment*. In particular, it is a decision-making framework that enables organizations to identify, measure and value their direct and indirect impacts and dependencies on natural capital. The Protocol Framework (Figure 1) covers four stages, “Why”, “What”, “How” and “What Next”. These stages are further broken down into nine steps, which contain specific questions to be answered when integrating natural capital into organizational processes. Although set out in a linear way, the Protocol is iterative and allows users to adjust and adapt their approach as they progress through the framework.

The Protocol is applicable within any business sector, to organizations of all sizes and in all operational geographies. The Protocol is also applicable at multiple organizational levels and scopes, for example at a product, project or organizational level.



⁹ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021PC0189&from=EN>

¹⁰ <https://www.efrag.org/lab3>

Figure 1: The Natural Capital Protocol Framework

There are many existing approaches that businesses will be using to measure and value their impacts and dependencies, inform their decision making and strategy, and engage with stakeholders. The Natural Capital Protocol is complementary to all of these and provides a standardized framework to help include natural capital in decision-making. The Protocol does not provide a framework for external financial reporting, although decisions can be reported. It is essentially a way to standardize the assessment process.

2.5 Science Based Targets ¹¹

The Science Based Targets Network (SBTN) is a *voluntary target-based approach* for natural capital accounting and reporting. It is a collaboration of leading global non-profits and mission driven organizations working together to equip companies as well as cities with the guidance to set science-based targets for all of Earth's systems. This will help them define a clear pathway to ensure they are doing enough across their value chain to address their impacts and dependencies on nature. SBTN is very much inspired by the Planetary Boundaries approach of Rockström et al. (2009)¹², updated by Steffen et al. (2015)¹³. If applied at a landscape scale, is an effective approach for communicating real impact, as it allows to measure the extent of exceedance of the carrying capacity of the ecosystem, and as such provides good indications for operational business risks (e.g. water scarcity). SBTN developed first guidance for businesses in 2020¹⁴. SBTN follows a 5-step approach – assess; interpret / prioritize; measure, set & disclose; act; track.

2.6 Global Reporting Initiative (GRI)

GRI Standards are *voluntary reporting standards* that help businesses (as well as governments and other organizations) understand and report on their impacts on a wide range of sustainability topics. The standards are intended to facilitate sustainability reporting. GRI Standards are a modular system comprised of universal, sector and topic-specific standards. SEEA-relevant topic-specific standards include standards for energy, water, emissions, waste and biodiversity. GRI offers guidance to organizations in how to use the standards to prepare a sustainability report and offers a way for businesses to register their report as part of the GRI reporting process.

2.7 Value Balancing Alliance (VBA) methodology

The VBA is an alliance of multinational companies coming together with a common goal: to create a way of measuring and comparing the value of contributions made by businesses to society, the economy, and the environment – a metric not previously reflected in a company's balance sheet. The Alliance translates environmental and social impacts into *comparable financial data*, and VBA members have tested the methodology to ensure feasibility, robustness, and relevance. The first version of this *Impact Statement methodology* was released in 2020¹⁵ and will be further developed.

The VBA methodology is reflected in Figure 2. The methodology focuses on impact measurement and valuation to help users arrive at a comparable disclosure of a positive or negative value to the impacts of

¹¹ [The Science Based Targets Network \(SBTN\) - Science Based Targets](#)

¹² Rockström, J. et al. , Planetary boundaries: exploring the safe operating space for humanity. 2009, Ecology and Society 14(2): 32.

¹³ Steffen W., Richardson K., Rockström J., Cornell S.E., Fetzer L., Bennet E.M., Biggs R., Carpenter S.R., de Vries W., de Wit C.A., Folke C., Gerten D., Heinke J., Mace G.M., Persson L.M., Ramanathan V., Reyers B., Sörlin S. Planetary Boundaries: guiding human development on a changing planet. Science, Vol 347 issue 6223; 13 Feb 2015, DOI: 10.1126/science.1259855

¹⁴ <https://sciencebasedtargetsnetwork.org/wp-content/uploads/2020/11/Science-Based-Targets-for-Nature-Initial-Guidance-for-Business.pdf>

¹⁵ https://www.value-balancing.com/Resources/Persistent/2/6/e/6/26e6d344f3bfa26825244ccfa4a9743f8299e7cf/20210210_VBA%20Impact%20Statement_GeneralPaper.pdf

business on society and environment. The methodology requires reliable data infrastructure and processes for the collection of internal company data on operational impacts and external data on value chain impacts.

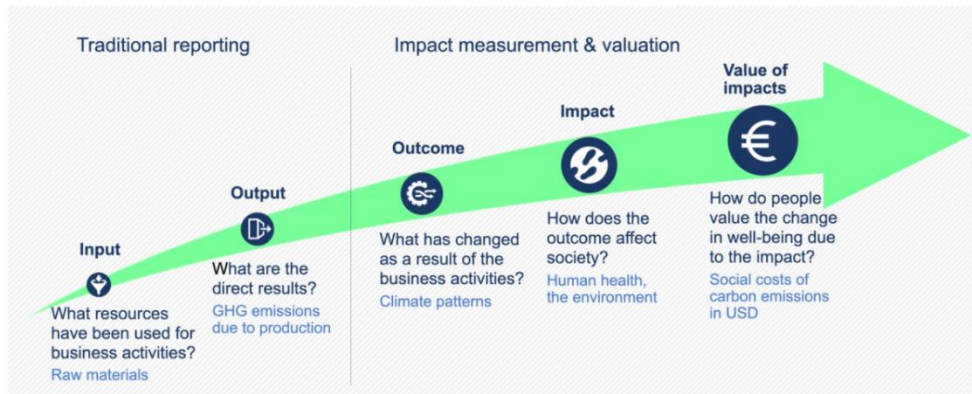


Figure 2: VBA methodological approach

2.8 ISO 1407 and ISO 14008

The area of monetary valuation of environmental impacts and natural resources is huge and complex. ISO has prepared two *voluntary standards on the monetization of natural capital impacts and dependencies* in this field.

The ISO 14008 standard on ‘Monetary valuation of environmental impacts and related environmental aspects’ was released in March 2019. The standard does not set out how an organization determines the specific ‘cost and benefits’ associated with its organizational operation in an Environmental Management context, nor clarify why and how monetary valuation can be used and communicated as part of an existing environmental management approach or system. Instead, the ISO 14008 standard provides organizations a common framework including established methods as well as common terms within the field of monetary valuations. Although the deliverable is a requirement standard, in accordance with ISO’s neutrality principle, it does not mean that it will be used for the purpose of conformity assessment. The framework ensures a higher degree of transparency regarding the numbers and how impacts and aspects have been valued in monetary terms as requirements relate to documentation and justification of methods chosen. With such a framework more specific standards could be developed in the area. One example is ISO 14007.

The ISO 14007 offers organizations guidance on determining and communicating the environmental costs and benefits associated with their environmental aspects, impacts and dependencies on natural resources and ecosystem services. This standard provides direction on decisions that organizations make with regard to identifying and setting the boundaries of their environmental costs and benefits to be considered and also to selecting the type of data to use in order for them to effectively start the process of determining costs and benefits. Overall, measuring both “non - financial” and “financial” information will better inform an organization’s decision making on sustainability.

This international standard is applicable to any organization regardless of size, type and nature, and applies to the environmental aspects, impacts and dependencies of its activities, products and services that the organization determines are to be included among its environmental costs and benefits. The rationale for ISO to engage in this area is that there is already a strong trend in monetary assessments by government

(i.e. the polluter pays principle), private sector (in reporting, risk assessment etc.) and academia. ISO brought much needed transparency and a common language to this work.

2.9 British Standards Institute (BSI) 8632:2021

The British Standards Institute (BSI) is the UK's National Standards Body and has recently released (2021) a *voluntary standard* on Natural Capital Accounting for Organizations.¹⁶ The standard provides specifications and guidance on the process of preparing natural capital accounts, including defining minimum requirements for defining the scope of an account and material impacts and dependencies, as well as for documenting the data and process used to prepare the account. The standard is applicable to organizations of all types and sizes, though the BSI has identified typical users as investors, CEOs, CFOs, and assurance providers. While the standard has been released by the UK, it is meant to be widely applicable.

The standard outlines two main outputs of the accounts—a natural capital balance sheet and a natural capital income statement. The natural capital balance sheet is designed to show the organization's dependency on natural capital assets, while the income statement is designed to show the positive and negative impacts of the organization. The standard also outlines two possible scopes for the accounts. Scope 1 includes the natural capital assets the organization owns or has legal/voluntary responsibility for and focuses on the impacts from the organization's own operations. Scope 2 includes other natural capital assets and the impacts attributed to the organization through its value chain operations.

2.10 Biological Diversity Protocol (BD Protocol)

The Biological Diversity Protocol (BD Protocol)¹⁷ is designed as a comprehensive biological diversity *accounting and reporting framework for businesses*. The BD Protocol is an output of the Biodiversity Disclosure Project (BDP), managed by the National Biodiversity and Business Network (NBBN) of South Africa and hosted by the Endangered Wildlife Trust (EWT). It helps provide biodiversity-specific guidance to measuring changes in the state of biodiversity (step 6 of the Natural Capital Protocol). The BD Protocol is an example of applying biodiversity accounting concepts in an analogous way as advocated by the SEEA EA, although similarities and differences need to be further explored.

2.11 Align Recommendations and Transparent Methodology

The Align project 'Aligning Accounting Approaches for Nature' will assist the European Commission's efforts to support businesses, financial institutions and other stakeholders in developing standardized natural capital accounting practices by establishing a standardized approach to biodiversity measurement and valuation.¹⁸ The project's output will comprise *recommendations for a standard on biodiversity measurement and valuation*. The recommendations will describe common elements of biodiversity measurement for companies which can be *integrated into voluntary and mandatory frameworks* for disclosure and target setting. Thus, Align aims to accelerate the evolution of natural capital approaches and biodiversity measurement and valuation from guidance to standardization.

The recommendations aim to support existing and ongoing efforts in this space, including that related to

¹⁶ <https://www.bsigroup.com/en-GB/standards/bs-86322021/>

¹⁷ https://www.nbbnbdp.org/uploads/1/3/1/4/131498886/biological_diversity_protocol_bd_protocol.pdf

¹⁸ [Aligning Accounting Approaches for Nature - Capitals Coalition](#)

CSRD, ISSB, GRI, TNFD, SBT, as well as Align's sister project, Transparent¹⁹.

Transparent is developing standardized approaches for natural capital accounting focusing on *impact measurement and valuation principles* for business activities, in line with the ambition of the European Green Deal, and with a focus on water, air, land and to an extent biodiversity, with Align providing more details on the biodiversity element. Align is meant to build upon the principles espoused in Transparent, with a focus on guidance for biodiversity. It is supported by the LIFE program grant by the EU Commission and led by the Value Balancing Alliance in consortium with the Capitals Coalition and the World Business Council For Sustainable Development.

3 Conclusions

Based on the limited resources of the BAWG, it is proposed that the group focus its short-term efforts on reviewing emerging standards, focusing on those which may have the highest impact. Many of the above standards and methodologies, while relevant to the SEEA, have already been finalized and there is less room for collaboration. While the BAWG should still strive to collaborate with these relevant initiatives and groups and seek connections where they can be built, the creation of new standards and methodologies provides a window of opportunity that the BAWG should take advantage of.

In particular, it is suggested to focus on the TNFD Framework, ISSB Standards and ESRS. These initiatives are all under development and have existing feedback/comment processes in place which the BAWG can utilize. Moreover, the TNFD Framework, ISSB Standards and ESRS are all proposing indicators and metrics. In addition, focusing on mandatory disclosure standards (ESRS) and heavily anticipated disclosure frameworks with global applicability (ISSB and TNFD), means that the group's limited resources can have an outsized impact.

While the BAWG should prioritize its short-term review efforts on these three initiatives, it should still maintain a wide scope in collaboration with the above relevant initiatives and groups. Thus, the group's longer-term efforts may also focus on other initiatives, such as Align and Transparent. Many of these initiatives are interlinked and work together to provide a better picture of business impacts on the environment and ecosystems. Thus, the SEEA's focus of an accounting framework; standardized definitions, concepts and methods; and rigorously produced and consistent statistics can complement a wide array of initiatives in the business accounting space.

¹⁹ <https://capitalscoalition.org/project/transparent/>