

We Value Nature 10-Day Challenge Event

Deep dive session on the Principles for Integrated Capitals Assessment (24th March 2021)

Session summary & key takeaways

More than 90 subscribed to this session including a range of organizations across the sectors of consulting, business and research and academia, civil society and NGO and many more. Most of the audience already had already conducted some work on natural capital.

The session covered an introduction to the principles for integrated capitals assessments covering:

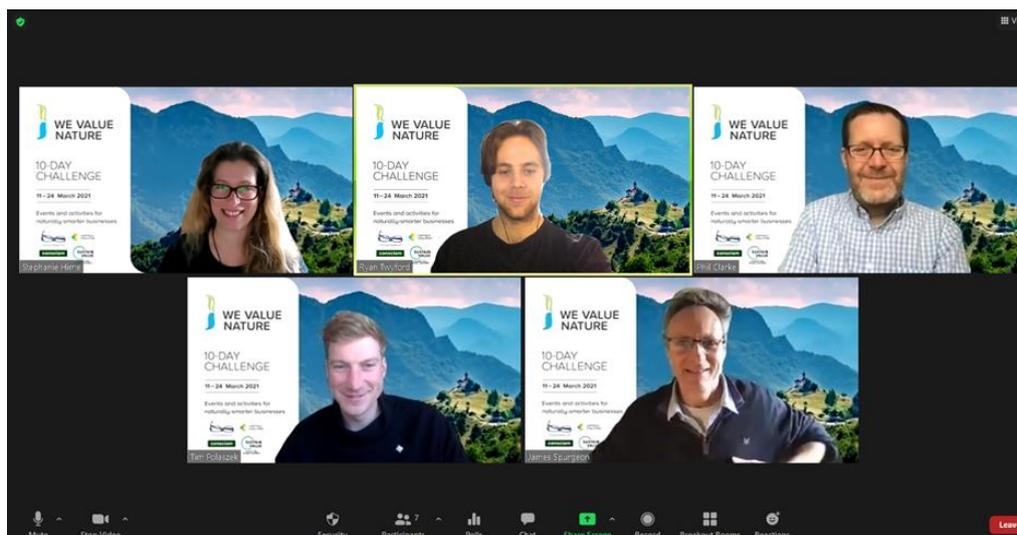
- How the principles have been developed
- The benefits of using an integrated capitals approach
- An introduction to the 5 principles of an integrated capitals assessment
- An overview of each principle
- Examples of where organizations have used the principles (see links below)

Key takeaways:

1. An integrated capitals approach considers all relevant capitals and the relationships between them.
2. Using an integrated capitals approach can make the value of externalities visible and help inform/measure the impact or different actions on different groups of stakeholders. The application of 'systems' thinking, and a more holistic approach ultimately leads to better decision making.
3. The principles to guide an integrated capitals approaches were developed by a community of experts under review from the Capitals Coalition advisory panel. The [Principles of Integrated Capitals Assessments](#) guide was published in January 2021.

Warm thanks to the speakers for the insights shared:

- Dr. Stephanie Hime, Director, Little Blue Research (Presenter)
- James Spurgeon, Director, Sustain Value (Presenter)
- Phil Clarke, Director, Consciam (Presenter)
- Tim Polaszek, Collaboration Manager, Capitals Coalition (Presenter)
- Ryan Twyford, Analyst, Little Blue Research (Support team)



Key solutions presented / actions to take

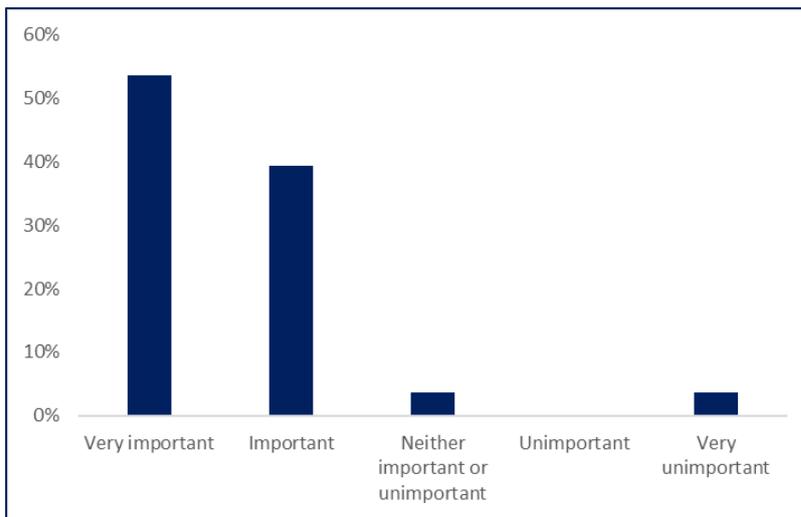
Call to action; using the integrated capitals approach in your work:

- Sign-up to the Capitals Community and join the conversation around the approach (<https://capitalscoalition.org/>)
- Share your experiences, challenges and outputs from applying the standard to help improve best practice.
- Just start. Remember integrated capitals assessment is iterative, it may be useful to start with some simple pilots but remember understanding the interconnections between the capitals is what helps to improve decision making.

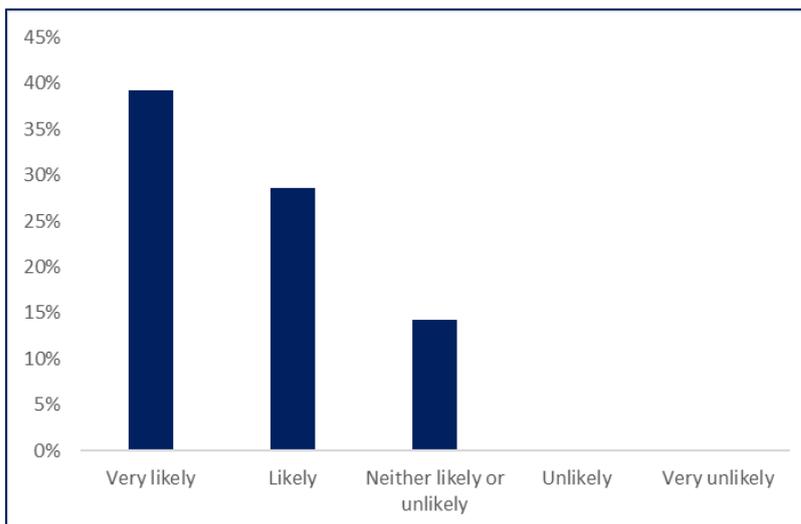
Summary of questions asked during the presentation and by registrants.

1. Output from Zoom polls on the importance of the adoption of integrated capitals approaches, and the audience likelihood of conducting an integrated capitals assessment:

How important do you think it is that Integrated Capitals Approaches are adopted?



How likely are you to conduct an Integrated Capitals Approaches study in the next three years?



2. “How, or should natural resource asset managers account for capital risks from scope three impacts?”

- The integrated approach needs to be used in a holistic way. There is no easy answer as to whether you should take ‘scope 3 impacts’ into account. You have to consider

the decision-making context for your question, look at what you are trying to answer and whether or not including scope three within that makes sense. If you are going to use the approach, the other thing to consider is that companies have more internal data than they think they do. It doesn't mean that data isn't a challenge in this context, but one of the ways that this can be addressed is by getting more stakeholder groups involved with the process, to share their ideas and thoughts and help to identify other data sets that might not have known about.

3. "What accounting unit is the best one to be used to standard size impacts and dependency accounting assessments?"
 - Monetary value is the only unit accounting unit which is totally comparable across all impacts and dependencies, and that is increasingly useful where impacts and dependencies can be monetized. It comes with an enormous caveat in that not all impact can be monetized, particularly when you get into some of the cultural spiritual, biodiversity, and ethical areas of impact. Where you can monetize, the monetary values are not always highly accurate, with significant uncertainty for some of them. So, although it's great to increasingly adopt this standardised monetary approach, it's essential to continue to support that with appropriate quantitative information, and in some places qualitative information.

4. *"Should all companies be looking to integrated reporting as their ultimate aim or are there occasions when looking at the capitals separately (or only 1 or 2 of the capitals) is a valid approach?"*
 - Many organisations are looking at individual capitals and this is a perfectly valid way to start. What the integrated approach allows, is more insight into how different material impacts and dependencies may inter-relate.
 - Depending on the decision, you can make a case for doing single capital assessments. Sometimes it's difficult to dive into something that's fully integrated and is potentially a complex process without attempting to maybe try and look at one thing first. You can then add on to the assessment when developing the integrated approach in the future.
 - Natural capital and other focused capital assessments can be the right way forward, depending on what your decision-making context is. If the assessment is looking at a specific biodiversity or carbon related issue, and where jobs, training and innovation etc are irrelevant, then the natural capital approach may be fine. The same goes for a social or human capital assessments. Note: the approach is more focused towards decision-making rather than reporting.

5. *Clarification question on slide 17: "Does the score relate to financial value? If not, what does the number mean?"*

- The numbers are fictitious, but they relate to monetary values. For the items that weren't monetized, we converted the relative impact and scores to monetary values with an econometric tool.

6. *"Is the focus compliance, sustainability or flourishing and wellbeing?" "what's the purpose of the evidence produced, is this done ex-ante or ex-post? What decisions are influenced?"*

- The point made with the water company example is that, for us, not using an integrated approach led to a different decision being made. The reason that we would advocate using an integrated approach is because you can get a better outcome by looking at the whole rather than separate pieces. The approach taken has to be balanced with the time and the budget and the type of decision that you're attempting to make.
- It's important to bear in mind that the basis of the guidance was originally the natural capital and human and social capital protocols, which clearly set out the potential purposes of using the approaches. There are five main generic applications for a company, which are:
 - to assess their risks and opportunities
 - to be able to compare options
 - to assess their impact on stakeholders
 - to evaluate the total value or net value or assets
 - to be able to communicate more effectively, both internally and externally.

The protocols were 80% around decision making guidance and 20% around guidance for reporting. It's key to stress here that the principles are also for internal decision making and management accounting, and so generating information that is useful for that particular scope that you have as an organisation.

7. *"I can't see how this is really any different to economic appraisal when done properly. Lots of your appraisals shown relate to impact assessment - there does not seem to be a link back to report on returns capital so why split in that way? All appraisals should proportionately assess impacts on sensitive receptors - do we not just need to say - look at all this potential impacts and interacted effects you might need / be able to assess?"*

- There are a couple of key differences with the capitals approaches, in particular it adds a business 'dependency' perspective. It also picks up on the connections and systems thinking that the capitals approach. There are a many similarities as well. A good 'extended cost benefit analysis' will get you a long way there, but the integrated capitals approach provides the icing on the cake.

8. *“Scottish Government is committed to a 4 capitals approach so integrated capitals assessment is of key interest to us. How does the approach account for the substitutable nature of some / all aspects of NC?”*

- The scope of your own assessment is important here, as well as collecting the data that's necessary for the assessment, and making decisions as an organisation as to which direction you want to go. You could say in your scope that you are aiming to increase the stock and the flow of all the capitals in the decisions that you're trying to make, and that will inform the decisions that you want to make. The protocols are the process you go through in order to gather that information and put it in context in an integrated way.

9. *Do you have guidance on establishing meaningful timescales in particular, as environmental impacts may not materialise for some time? Is it just based on what's identified as appropriate in stakeholder considerations and, if so, does that not continue to look at the world from a human-based lens?*

- We have been thinking about this from a number of different perspectives, not just the integrated capitals approach, but also thinking about natural capital accounting, or looking at climate change impacts over time. I don't think there is an easy answer to this, but how we have tended to focus on it, in my experience, has been driven by the decision and the timescale of the decision. In a corporate context, that can be quite short term, but in a corporate context, looking at climate change issues, or a natural capital balance sheet, that timescale can actually be a lot longer, 20 to 50 years. Having assumptions around how the environmental services might change in the 20 year, or 50-year period is also something that needs to be considered for the longer term.
- In the finance sector, you see some of the timeframes being longer as well, for example when considering investment portfolios, especially pension funds, who are interested in providing returns for individuals within that 60-to-70-year time frame.

10. *“How do natural capital assessments fit in with environmental assessment such as EIA and ESIA? What's the regulatory environment in the UK and Europe around the requirement for natural capitals assessments as part of other environmental assessments?”*

- Key differences with other approaches include 1) the assessment of dependencies, as well as impacts, 2) the calculation of value, not just measuring indicators - understanding a metric in context, and 3) understanding a systems context, bringing together often siloed areas of sustainability.

Useful resources

Organising Bodies

We Value Nature: 10-Day Challenge
<https://wevaluenature.eu/10-day-challenge-sessions>

Little Blue Research
<https://www.littleblueresearch.com/>

Sustain Value
<https://www.sustainvalue.co.uk/>

Consciam
<https://www.consciam.com/>

Capitals Coalition
<https://capitalscoalition.org/>

Conferences & Further Discussion

Net Impact Approaches, 27th May 2021
<https://www.sustainvalue.co.uk/events>

Capitals Coalition – The Community
<https://community.capitalscoalition.org>

Resources

Natural Capital Protocol

https://capitalscoalition.org/capitals-approach/natural-capital-protocol/?fwp_filter_tabs=training_material

Module 2 We Value Nature Training
<https://wevaluenature.eu/training-resources/module-2>

Integrated Capitals Assessment
<https://capitalscoalition.org/publication/principles-of-integrated-capitals-assessments/>

Social & Human Capital Protocol
[Social & Human Capital Protocol – Capitals Coalition](#)

Case Studies & Further Guidance

Little Blue Research Food & Beverage Impact Valuation Case Study
<https://www.littleblueresearch.com/impact-all/impact-valuation-for-a-food-and-beverage-company>

Sustain Value Guidance on NCA
<https://static1.squarespace.com/static/5fa3eeb26a743931a42aa7fe/t/602bf6bb9c6fb3465e4ee198/1613493959229/EU+Natural+Capital+Accounting+for+Business+Guide+to+selecting+an+approach.pdf>

Capitals Coalition Case Studies
https://capitalscoalition.org/impact/?fwp_filter_tabs=casestudy