



Coca-Cola's Natural Capital Story on valuing the impact of their water replenishment programs

Inspiring natural capital journeys
from the food & beverage industry

The natural capital story of The Coca-Cola Company, the world's largest beverage company, demonstrates that natural capital can provide a useful lens to communicate about nature within a business context and to maximize the impact of nature-related projects.

Summary

The Coca-Cola Company (TCCC) quantified ecosystem services related to freshwater sources to better capture and communicate impacts of water community projects beyond replenishment.

Having invested a lot in water replenishment projects, TCCC was driven to understand the variety of benefits that these projects provide to people and society beyond water volumes only. A natural capital assessment was initiated to monetize the ecosystem services in order to identify opportunities and maximize impact. Together with their partners, they developed and piloted a methodology in seven of their European projects. While monetizing impacts was not always easy, the results were clear: water restoration projects can enhance a range of other ecosystem services. If done right, these benefits outweigh the original project investment in a limited period of time. The assessment helped TCCC progress on their natural journey and they are now exploring how to further integrate natural capital into decision-making processes. TCCC has disclosed their methodology as part of their commitment to transparency and to help other businesses in their natural capital journeys.

The campaign is being led by the [Institute of Chartered Accountants in England and Wales](#) alongside the [World Business Council for Sustainable Development](#), [IUCN](#) and [Oppla](#).



**WE VALUE
NATURE**



Supporting
**NATURAL
CAPITAL
COALITION**



This project has received funding from
the European Union's Horizon 2020
research and innovation programme
under grant agreement No 821303

wevaluenature.eu

info@wevaluenature.eu

[@WeValueNature](https://twitter.com/WeValueNature)

Coca-Cola's Natural Capital Story on valuing the impact of their water replenishment programs

THE *Coca-Cola* COMPANY



Therese Noorlander, Sustainability Director Europe, The Coca-Cola Company

“We use natural capital as a lens to redefine water and broaden it”

About The Coca-Cola Company

The Coca-Cola Company is the world's largest beverage company. It is a truly international company, operating in 200 countries and selling over 500 brands: from the famous Coca-Cola, to Fuze Tea and Costa Coffee.

Background

As Water stewardship is one of the four business priorities of The Coca-Cola Company (TCCC). With 43 [replenishment projects](#) around Europe, we have been looking for ways to create a positive impact and become water neutral. But there is a difference between doing good and really understanding the

various needs, impacts and details. The first time people talked to me about oxbows, I had no clue of what an oxbow is and what benefits it provides. Our partner [WWF](#) made me understand that an oxbow can attract more fish which is beneficial for the local community who could set up businesses. Seeing is believing. Visiting these projects and understanding the wider benefits helped me to see their true value.

We realized within the organization that the benefits of our water restoration projects go beyond water volumes, providing additional benefits to people and society, and reducing risks in the watersheds where we operate. We regarded natural capital as a useful lens to redefine water, and measure, understand and manage these benefits. This coincided with the [Green Deal](#) that was coming up, creating momentum at European level which made natural capital an important strategic topic for TCCC. The final push to work on this theme was the close collaboration with trusted partners such as [Denkstatt](#). We felt that this is something we could try and do, and we decided to give it a go.

We started the assessment from the perspective of enhancing the potential of the replenishment programs and therewith the impact of our renewed water strategy ([current water strategy](#)). We have invested a lot in these programs and building the business case for investing in NBS would secure this investment and help us realize positive impact on the long term.

Time horizon:	2019 - 2020
Time investment:	Developing the methodology: 2 FTE, 30 days Implementing the methodology: 1 FTE, 1-2 days/project
Collaboration:	<u>Denkstatt</u>
Scope of assessment:	Project
Value chain boundary:	Direct operations
Impacts/dependencies:	Impacts
Value perspective:	Society
Types of value:	Quantitative & monetary

Process

Around September 2019, the idea of starting a natural capital assessment took shape, and soon after we reached out to our partner Denkstatt. In less than a year, a standardized methodology was developed, and seven water projects were assessed based on the ecosystem services they provide. The methodology was built upon the [Natural Capital Protocol](#) and a materiality analysis was conducted to identify the most important ecosystem services to be included in the assessment. The methodology was developed in close collaboration with our partners, as it is meant to provide easy-to-use guidance to report on water achievements and compare results from different projects. The project was concluded with an external review with all partners involved including but not limited to [WWF UK](#), [WWF Bulgaria](#) and [WWF Central and Eastern Europe \(CEE\)](#).

The initial investment that was needed for the project was around 80.000 euros. Now that the methodology has been developed, we could complete future projects in a significant shorter time period and at much lower costs. Through our strong collaboration with Denkstatt, we have access to a lot of data which enables us to complete future assessments in just about 2-3 weeks.

Challenging moments

In general, our partners were very happy to get on board and support this project. However, some of our partners perceived the assessment as a new way of evaluating programs and feared that it might lead to the discontinuation of projects. We had to start the conversation with them and make clear that the aim of the assessment was not to disqualify current programs but rather to value the variety of benefits arising from these projects and identify opportunities to maximize impact.

Moreover, some of our partners voiced their concern that nature cannot be valued economically and that a good methodology on natural capital evaluation does not yet exist. We did

Key resources & networks

- [IUCN Red List](#)
- [Natural Capital Protocol](#)
- [Natural Capital Protocol - Integrating biodiversity into natural capital assessments](#)
- [WWF Living Planet Report 2020](#)
- [De Groot, et al. \(2012\). Global estimates of the value of ecosystems and their services in monetary units. Ecosystem services, 1\(1\), pp.50-61](#)
- [IUCN Global Standard for Nature-Based Solutions 2020](#)
- [Aqueduct tool \(World Resources Institute\)](#)
- [IPCC Tier 1 methodology](#)

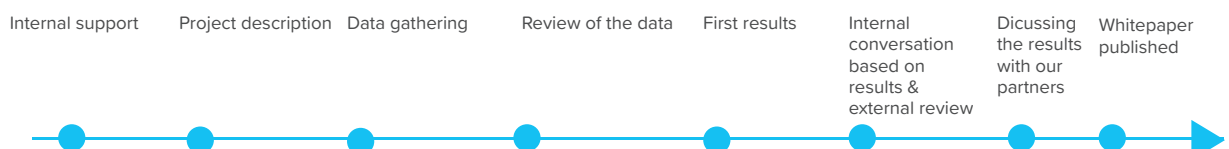
experience that some benefits, especially related to biodiversity and social capital, were difficult to quantify in economic terms. In these cases, we used non-monetized indicators which are valuable in practice and can inform useful decision-making. We continued conversations with our partners on this topic and tried to make them understand that monetizing environmental impacts is a useful way to communicate the value of these projects to our general managers.

“For a lot of topics, Coca-Cola is being scrutinized, but when it comes to water, we have done so many great things”

Assessment outcomes

Our pilot projects show that, in different contexts, water restoration can enhance a range of ecosystem services in addition to providing water. These include carbon sequestration, water quality improvement, flood protection, recreation, and provisioning of food and raw materials. While we found out that water quantity provisioning brings the largest overall benefit, we were positively

Timeline Natural Capital Journey



surprised by the great amount of carbon being sequestered through our projects, which has the highest ecosystem service return on investment.

The assessment showed that, if done right, the ecosystem services benefits of water replenishment projects outweigh the original investment in a limited period of time. As not all benefits are readily quantifiable, the true value of the ecosystem services, might be even larger.

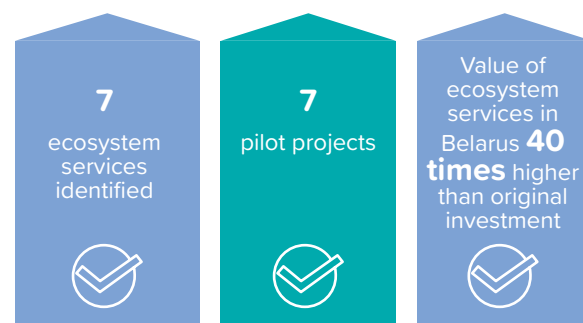
Not surprisingly, the larger the investment in individual projects, the greater the benefits. Yet, we have also identified “easy wins”, where relatively modest investments can bring disproportionately large benefits. These tend to be in areas where the ecosystem is severely degraded before project implementation.

Lessons learned

During our natural capital journey, we have learned the value of collaboration and clear communication. Through involving our project partners during the development of the methodology, we have been able to identify data needs and structured approaches for valuation, which helped us gather good on-the-ground data. Going to the field and working together directly with our partners made us see and better understand the various benefits that these projects can bring. We noticed that we, as a business, and our NGO partners speak a different language. We are trained in a different way. Asking open questions has truly helped us understand what is happening on the ground. At TCCC, we see natural capital as a valuable term to bridge these two worlds, strengthening our collaboration.

In addition, natural capital can help bring more consistency and alignment in the advocacy landscape which is currently quite fragmented: “We have so many things we as a big company need to do and need to look after. There are NGOs at our doorstep asking us to manage X, Y and Z when it comes to water. Then there is other NGOs asking us to prioritize other topics and actions. And sometimes, these asks even conflict”. Natural capital could guide us through this fragmented landscape as it encompasses so many different aspects of sustainability and prosperity, helping us unite our efforts.

The natural capital assessment furthermore helped us communicate the benefits that we create through our water programs to our senior management with the aim to secure long-term



involvement. Talking business is key and the way to do that is putting impacts in numbers and translating these into a return on investment.

Natural Capital Uptake

Before undertaking the natural capital assessment, we were in the starting phase of integrating natural capital into our business. Thinking back on it, we were somewhere between the phase of “first steps” (phase 1) and the “developing” phase (phase 2). While at TCCC, we already did some thinking on the topic and started a few activities, we had not yet completed a natural capital assessment.

Upon the completion of the natural capital assessment, we now position ourselves between the “developing” (phase 2) and “maturing” (phase 3) phase. We are currently exploring whether natural capital will become a new entry point of working and whether it will become an integral part in our decision-making processes.



Next steps

Moving forward, we plan to include the results from the assessment in new investment decisions. We encourage TCCC's local teams who are closely involved with these projects to use the results to start a conversation.

TCCC is taking a leadership position when it comes to water, and we are motivated to engage with others on this topic. We have published a [whitepaper](#) where we disclose our methodology on natural capital accounting to support the origination of new projects and investments in this area. "I would love all companies to get knee-deep in nature-based solutions and natural capital calculations, and tell about them".

The natural capital assessment will be very valuable for our European strategy and is aimed to be used as an important decision-making and communication tool. This can make a tremendous impact as Coca-Cola Europe works across 42 countries. We are currently exploring whether we could test and refine our methodology in additional territories of our global operation.

Coca-Cola Europe sees natural capital accounting as part of the way forward. With the European Commission and the financial sector moving in that direction, we feel that there is real momentum now for natural capital.

"Natural capital is an interesting bridge between the world of environmental scientists and the more business-related world"

Key success factors for the natural capital journey of The Coca-Cola Company were its inductive internal environment as they were able to build on their previous water activities and their engagement with project partners. This resulted not only in the development of a robust methodology and smooth implementation, but also fostered a mutual understanding on the topic of nature.





Piece of advice

1. **Connect the concept of natural capital with something you have done before.** The true value of natural capital is that it can be a useful lens to redefine and broaden your environmental efforts. If you have not done anything nature-related before, think about why this is the case and what you would need to get started.
2. Carry out a **mapping exercise** to compare the investment in nature-based solutions projects with the (estimated) return on investment. This makes the value of these projects very tangible.
3. Analyze the **environmental risks** that your company faces and its **related costs**. This could help inform a new way of measuring return on investment.
4. Make people see the benefits and translate the language into something they can understand. **Keep the language plain and simple** to help people inside and outside the organization resonate with the topic.
5. **Make clear what the benefits and for whom the benefits are.** “If I can only say there will be more birds which is nice for the people there, they (senior management) will challenge you for more relevance and business connection. But if I tell them (senior management) this is good for your ingredients because we will mitigate risks because your sugar beets will become better, they will think that’s very interesting and would want to learn more”.

Developed by:



The campaign is being led by the [Institute of Chartered Accountants in England and Wales](#) alongside the [World Business Council for Sustainable Development](#), [IUCN](#) and [Oppla](#).



WE VALUE NATURE

Supporting



NATURAL
CAPITAL
COALITION



This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 821303

wevaluenature.eu

info@wevaluenature.eu

[@WeValueNature](https://twitter.com/WeValueNature)