Sustainable Prosperity

ENVIRONMENTAL MARKETS

Nature, it's in our Business:

Select Case Studies in Natural Capital Accounting

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Sustainable Prosperity is a national research and policy network based at the University of Ottawa. SP focuses on market-based approaches to build a stronger, greener, more competitive economy. It brings together business, policy and academic leaders to help innovative ideas inform policy solutions.

Acknowledgements: SP would like to thank Carolyn Farquhar of the University of Ottawa's Institute for the Environment and Pamela Laughland of the Network for Business Sustainability for their thoughtful review. Responsibility for the final product and its conclusions is Sustainable Prosperity's alone and should not be assigned to any reviewer or other external party. Review of the report does not necessarily mean endorsement.

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Key Messages

- A growing number of corporations are seeking to understand how resource constraints and natural capital depletion will impact their business. Companies at the cutting-edge are implementing methods of measuring and valuing their impacts on natural capital and are integrating these impacts into their decision-making. This practice is known as natural capital accounting.

- Over 200 companies from different business sectors have adopted natural capital accounting, in a diversity of ways tailored to their individual circumstances. Some companies are implementing valuation of the important unpriced natural resources they use (such as water) while others are valuing the full environmental impact of the production, use and disposal of their products. The companies adopting natural capital accounting are not just natural resource intensive operations. In fact, many companies in other sectors of the economy are also adopting the practice in order to better understand their dependency on natural capital, which may not otherwise be obvious.

- Natural capital accounting can be of high value to organizations; it can result in innovation, help identify opportunities for new collaborations, and lead businesses to become both environmentally and financially sustainable. Further, by helping companies see the environmental impacts of their activities, natural capital accounting encourages companies to decouple the growth of their business from their environmental impacts. For this reason, the adoption of natural capital accounting results in broader economic, social and environmental benefits than just those accruing to the individual companies.

- Natural capital accounting has the potential to transform how business is done. There is a role for both governments and business leaders to further develop natural capital accounting frameworks and to encourage their adoption.

The Issue

Every day, companies around the world produce goods and services for use by consumers and other companies. Producing, consuming and disposing of these goods and services often causes negative impacts on the environment. Companies are increasingly looking to measure, value and understand how their operations and products impact the environment, and how that in turn can impact their business.

The first step to minimizing impact on natural capital is to understand the underlying relationship with the environment. Natural capital accounting (NCA) is one tool increasingly used by companies to do so. **Natural Capital Accounting refers to the practice of accounting for natural capital use, degradation and/or improvement caused by a company's activities, and integrating that valuation into corporate decision-making processes.**

Natural capital refers to the natural environment and its ecosystems from which we extract ecosystem goods (such as wood, minerals, water) and ecosystem services (such as pollination, flood control, air purification, climate moderation) for our use. Natural capital underpins our economy and yet its use is often underpriced or free, and when we degrade or destroy it we are not often held responsible. A United Nations-backed study estimated the annual economic loss of the earth's natural capital due to resource extraction and environmental degradation at between US$2 trillion and US$4.5 trillion.[1]

"We use nature because it's valuable, we lose it because it's free."

– Pavan Sukhdev,
Environmental Economist

With more than 200 companies from around the globe and from various economic sectors and points of the value chain employing NCA,[2] there are a number of different approaches to NCA in use. The main distinction between NCA and other ways of measuring a company's environmental impact (such as measuring an environmental or ecological footprint) is that NCA frameworks go beyond simply quantifying the environmental impact; they extend to putting a value on that impact (often monetary) and incorporating that value in a company's decision-making processes.

This Policy Brief looks at four case studies of companies leading the effort to implement NCA in order to demonstrate the variety of approaches in use – and to show that NCA is helping companies find new ways to innovate, collaborate and ensure the sustainability of their business.[3] There are roles for business leaders and public policy decision-makers to further its development and implementation.

1 Measuring the World Issue 1: Corporate Knights USA Issue 1. Written by Pavan Sukhdev, contributor Corporate Knights. Accessed 07.04.2014: http://www.corporateknights.com/article/measuring-world. For comparison, the International Monetary Fund (IMF) estimated the loss of financial capital from the 2008 global financial crisis to Wall Street and City of London firms at US$2.4 trillion.

2 According to Trucost, a NCA service firm that keeps track of the state of NCA, more than 200 companies employ NCA. For more information, see http://www.theguardian.com/sustainable-business/natural-capital-nature-conservancy-trucost-dow

3 Many countries are also working to implement natural capital measurement and valuation in their national accounts. For more information, see Sustainable Prosperity's Policy Brief, The Importance of Natural Capital to Canada's Economy, March 2013, available at http://www.sustainableprosperity.ca/article3869

The Knowledge Base

As an emerging business practice, natural capital accounting is rapidly evolving. There is as of yet no specific protocol or approach to NCA[4] – some companies are implementing valuation of the unpriced natural resources they use (like water), others are using a shadow price for carbon to inform their project planning,[5] and still others are estimating the full environmental impact of the production, use and disposal of their products.

And yet while there is no established protocol for NCA, there is a **general approach to NCA** that can be outlined as three steps that a company follows:[6]

1. ***Determining Scope*** – **The company decides what parts of its supply chain, operations, product use or product disposal are to be assessed.**
Best practice: Scope is determined based on a number of factors including environmental considerations as well as stakeholder interest and financial materiality.

2. ***Measuring Impacts*** – **The company then decides exactly what to measure, how to measure it and how that measure will be expressed (e.g., per shoe, for a sporting goods manufacturer).**
Best practice: Indicators selected have both ecological validity (i.e., accurately represent real-world impacts) and can be fed into existing decision-making processes and practices (e.g., project cost benefit analysis) in a meaningful way.

3. ***Incorporating Values in Decision-making*** – **The company then takes the indicators from step two, gives them value in relation to other decision-making considerations and feeds them into corporate decision-making processes and practices.**
Best practice: Monetization of impacts is the easiest method of accomplishing equivalency with financial considerations, however monetization is not explicitly required – what differentiates NCA is the generation of a singular or small set of indicators that can be fed into decision-making processes and practices.

Generally speaking, a company's level and type of natural capital dependency are the primary determinants of what scope to adopt and thus what impacts to measure – and how to ultimately use the findings from the NCA. The case studies described in this Policy Brief show how different companies have followed these steps, and what the impacts have been on their business.

Many countries are also adopting the measurement and valuation of natural capital in their national accounts. Much like traditional business accounts do not measure environmental impact, national economic measures, like GDP and national income, largely do not include measures of natural capital use and degradation. Efforts are underway in various countries to develop frameworks for including the value of natural capital in national accounts. Measuring the value of natural capital helps countries to see where they are not using resources optimally and allows informed decision-making about economic activity. For more, see Sustainable Prosperity's policy brief "The Importance of Natural Capital to Canada's Economy" at http://www.sustainableprosperity.ca/article3869.

4 While there is no formal protocol in place, there are a number of initiatives underway that provide tools to business leaders. For example, see The Global Reporting Initiative, the World Business Council for Sustainable Development, and the Carbon Disclosure Project. The Natural Capital Coalition recently released a guidance document "Valuing Natural Capital in Business: Towards a Harmonized Protocol" which aims to develop and pilot a framework. The document is available at www.naturalcapitalcoalition.org. Firms such as Trucost also offer NCA services to their clients.

5 See Sustainable Prosperity's Policy Brief Shadow Carbon Pricing in the Canadian Energy Sector, from March 2013, available at http://www.sustainableprosperity.ca/article3425.

6 These 3 steps are similar to those outlined in the Network for Business Sustainability's Measuring and Valuing Environmental Impacts: An Introductory Guide available at http://nbs.net/wp-content/uploads/NBS-Executive-Report-Impacts.pdf and in the Natural Capital Coalition's "Valuing Natural Capital in Business: Towards a Harmonized Protocol" available at http://www.naturalcapitalcoalition.org/about/how/natural-capital-protocol/taking-stock.html

The ultimate extension of an NCA framework is to integrate an 'environmental profit and loss' statement within a standard financial profit and loss statement to account for the full costs of the company's operations. This integration can point to opportunities for managing a firm's use of natural capital in a way that ensures financial and environmental sustainability. For more on how PUMA has done this, see the case study later in this Policy Brief.

Rationale for Implementing Natural Capital Accounting

NCA, in its various forms, is in essence a tool for better understanding a business's strengths and the risks inherent in its natural capital use – including the natural resources used as inputs in its production processes, the environmental impacts of its operations more broadly, and even the impact of the consumer's final use and disposal of the produced good or service. Gaining insight about natural capital impacts and using that knowledge strategically allows a company many advantages – such as identifying opportunities for cost savings, gaining competitive advantage by aligning company objectives with regulatory landscapes, gaining social license, identifying new products and potential collaborations, and minimizing supply-chain risks.

A survey of the field of NCA shows its benefits can be grouped into four major categories: financial, reputational, operational and strategic. Examples of commonly experienced benefits are listed below under each category.

$ FINANCIAL – *Creating Efficiencies While Mitigating Financial Risks*

- Measurement and tracking of naturally derived inputs facilitates the identification of resource efficiency opportunities, often resulting in cost savings.
- Investors are increasingly evaluating companies on their level of vulnerability to the growing scarcity of natural resources, such as water, and are likely to reward companies that actively measure and manage these vulnerabilities.
- In the future, availability of financing will be increasingly tied to principles of environmental sustainability, such as the Equator Principles, which form a risk management framework adopted by financial institutions assessing and managing environmental and social risk in projects. Companies already employing these practices will be attractive, low-risk investment options for institutions employing this approach.
- It is increasingly likely that the coming years will see regulators price pollutants, such as carbon and some ecosystem services, creating a serious risk for businesses that do not already monitor and seek to mitigate pollution.

REPUTATIONAL – *Practicing Transparency and Gaining Trust*

- Consumers' increasing awareness of the environmental impacts of their choices will continue to lead to increasing demand for both transparency and performance improvements. Companies that meet these needs will gain loyal consumers and find themselves ahead of the competition.
- Corporate clients concerned with their reputation will mitigate reputational risk by seeking out suppliers and buyers with positive reputations.
- For companies engaged in manufacturing, development and resource extraction, having a positive environmental reputation and transparent environmental impact may facilitate the project permitting process and support a more positive public response to new business activities (i.e., development of social license).
- Companies that partner with environmental organizations in pursuing the creation, re-creation or maintenance of natural capital simultaneously benefit from the partner organization's expertise and public image.

OPERATIONAL – *Addressing Risks Through Innovation and Employee Engagement*

- The most often cited benefit of NCA is the insight it provides into natural capital dependency risk, both internally and throughout a company's supply chain. Addressing this risk often requires a company to seek more sustainable sources of inputs and/or invest directly in the maintenance, creation or re-creation of natural capital, including 'green infrastructure.'
- The process of decoupling operations from negative environmental impacts can unleash creative forces within corporations by engaging employees in a re-think of business practices and products. This can lead to innovations such as improving existing processes, finding production efficiencies, or even identifying new products and technologies for commercialization.
- By translating environmental impacts into financial costs, employees unfamiliar with environmental issues may be more easily engaged in impact reduction activities.

STRATEGIC – *Meeting Sustainability Goals While Growing New Markets*

- Integration of NCA into decision-making helps identify risks and opportunities that arise from a company's use of natural capital, including – in the ultimate application of the concept – how "environmental profit and loss" impacts the company's bottom line.
- Sustainability initiatives can be targeted towards areas of greatest impact and new opportunities can be identified, such as new product lines or partnerships.
- The use of NCA data in cost-benefit analysis of potential projects bolsters the business case for environmentally friendly solutions, by allowing comparisons and trade-offs with non-environmental factors.
- Companies that actively report on progress are well prepared for new environmental reporting requirements; furthermore, by collaborating on a common set of metrics, these companies may be able to influence potential regulation.
- Using NCA can provide companies with new ways of thinking about their existing products and processes – leading to innovations in the form of new products and processes, giving them access to new markets and providing a competitive advantage.

Case Studies

Four case studies, chosen for their diversity and for their differing use of NCA, illustrate what NCA can look like in real-world applications. Included in the case studies are two global companies and two Canadian-based companies. The two international corporations, PUMA and Unilever, are both considered global leaders in the measurement of the natural capital impacts of their activities. The innovations demonstrated by the two Canadian companies, TD and Teck, center on the maintenance, creation or re-creation of natural capital following the measurement of the environmental impacts of their business operations. These examples show how corporations in different sectors, at different points in the value chain and with different corporate structures and goals are successfully tailoring NCA practices to their individual business context.

Unilever's Sustainable Living Plan[7]
Engaging Suppliers, Employees and Customers

Description: International consumer goods producer

Approach: In 2010, Unilever set out to decouple its growth from its environmental impacts by doubling the size of its business while halving its environmental footprint by 2020. As a first step, Unilever is calculating its environmental footprint by measuring the impacts of each of its products in terms of GHG emissions, water use and waste produced from the production of raw materials, manufacturing, transportation, point of sale, consumer use and disposal. Unilever expresses this measure in terms of the impact from a single use, portion or serving of a product (e.g., a cup of tea). Unilever is likely the only company to conduct a 'cradle to grave' assessment[8] of its impacts across its product line. Despite the size of the task, over the last few years Unilever has accomplished this for 70% of its products.

Results: Unilever's 2012 progress report shows that it has begun this process by experiencing year-over-year sales growth while decreasing greenhouse gas emissions per consumer use by 6% and waste production per consumer use by 7% since 2010. Water use has remained unchanged over the same time frame.

These numbers belie impressive progress by Unilever in reducing its direct manufacturing impacts. In 2012, 50% of all its factories achieved the goal of sending no waste to landfill. Levels of carbon dioxide emissions from factory energy use are 60% below 1995 levels in absolute terms. Similarly, water extraction by Unilever factories has decreased by 73% from 1995 levels in absolute terms.

7 All the information in this case study came from the 'Sustainable Living' Unilever global website. Accessed 07.04.2014: http://www.unilever.com/sustainable-living/

8 'Cradle-to-grave' refers to the measurement of impacts from the production of the raw materials through to the disposal of the product. Unilever has indicated it hopes to eventually go further by adopting a circular economy model that eliminates waste by design.

Company-level Benefits:

- **Cost-savings:** The selection of energy, water and waste as indicators points to financial considerations and profit margins being key drivers.
- **Reputational benefits**: Unilever is focusing its marketing efforts on promoting its more sustainable products and is actively educating consumers about how they can further minimize their impact when using and deposing of the product.
- **Product innovation:** Unilever is applying a lifecycle approach by re-designing existing products to reduce the impact of consumer use and/or disposal. The measurement of the cradle-to-grave impact of a single product encourages a re-imagination of how that product is designed, made, used and disposed of. Unilever capitalizes on the plethora of innovative technologies being developed internally by commercializing them through their investment arm, Unilever Ventures.
- **Reduced supply chain risk:** Given its dependence on agricultural inputs that are often produced unsustainably, such as palm oil, Unilever has a clear business case to manage this supply risk through sustainability initiatives.

PUMA's Environmental Profit and Loss Reporting[9]

Treating Nature like a Business

Description: International footwear and apparel brand

Approach: In 2011, PUMA released an environmental profit and loss (EP&L) report, which monetized the natural capital profits and losses caused by PUMA's operations and supply chain in 2010. PUMA relied on econometric modeling for 88% of the data used in the EP&L and, with the support of PricewaterhouseCoopers and Trucost, developed an innovative methodology to assign value to PUMA's material impacts – both positive and negative – from 'cradle-to-gate.'[10] PUMA describes its methodology as a best practice tool and hopes other corporations adopt it.

cont'd

9 All the information in this case study came from the following sources:

- Environmental Profit and Loss Account for the year ended 31 December 2010. PUMA. Accessed 07.04.2014: http://about.puma.com/wp-content/themes/aboutPUMA_theme/financial-report/pdf/EPL080212final.pdf
- 'New PUMA Shoe and T-Shirt impact the Environment by a third less than Conventional Products', PUMA global website. Accessed 07.04.2014: http://about.puma.com/new-puma-shoe-and-t-shirt-impact-the-environment-by-a-third-less-than-conventional-products/

10 From the production of the raw materials through to the point of sale

In 2012, PUMA followed up with a Product EP&L that compares the impact of a newly developed, more sustainable shoe and T-shirt with their conventional counterparts from 'cradle to grave' in terms of greenhouse gas emissions, water, waste, air pollution and land use. These new products cause 31% less environmental impact than their conventional counterparts.

Results: The 2010 EP&L concluded that if nature were a business, PUMA's core operations would have to pay nature EUR 8 million for services rendered and their suppliers would owe an additional EUR 137 million – meaning that 94% of PUMA's total impact is caused by its suppliers, over which it has more limited influence.

Company-level Benefits:

- **Reduced impacts drive product innovation:** Insight into impacts allowed PUMA to achieve significant reductions and spawned a new product line.
- **Monetization eases decision-making:** PUMA found that expressing impacts in a common metric (i.e. Euros) allows for comparability when assessing trade-offs and prioritization to maximize positive impact.
- **Enhanced engagement on environmental objectives:** The ability to cite the financial cost of an activity has also helped PUMA communicate its goals and challenges to employees and stakeholders unfamiliar with environmental issues in an easily understandable way, allowing for greater engagement.
- **Long-term risk management:** Quantifying levels of exposure to natural capital depletion risks has provided an early warning of potential risks arising from increasing costs, whether driven by government policy, environmental activism, consumer demand, growing scarcity of raw materials, or as a direct consequence of escalating environmental degradation.

Teck's Net-Positive Impact on Biodiversity[11]
Turning Mining Into an Investment in Natural Capital

Description: Canada's largest diversified resource company

Approach: Mining has significant impacts on biodiversity[12] through the loss of habitat – directly, through the development of the mine and attendant infrastructure and indirectly,

through air and noise emissions and water use. Teck has committed itself to attaining "net-positive impact" (NPI) on biodiversity on its sites, which requires that the mine site be returned to the same level of ecological productivity as it had prior to being developed (i.e. reclamation) and/or that a higher level of productivity be created elsewhere through the maintenance, restoration or creation of biodiversity (a practice known as "offsetting").

Results: Teck is taking a tiered approach to attaining NPI on biodiversity that spans a mine's lifecycle. Throughout a site's development and operation, impacts are avoided when possible and otherwise minimized. At the end of a mine's life, the site is restored to recreate the biodiversity values it had prior to its development. Where full restoration is not possible, biodiversity offset projects are identified during the planning process to maintain and exceed overall biodiversity levels. If Teck is successful in attaining NPI and ecologists and environmental experts accept the validity of the claim, mining may become compatible with an increase in natural capital. Because Teck's operations are resource extraction projects, its approach to NCA for biodiversity is done at the project level. For instance, Teck recently purchased over 7,000 hectares of private land near a steelmaking coal operations in British Columbia for the purpose of ecological conservation.

11 All the information in this case study came from the Generations: Teck 2012 Sustainability Report. Accessed 07.04.2014: http://teck.com/Generic.aspx?PAGE=Teck+Site%2fResponsibility+Pages%2fSustainability&portalName=tc

12 Biodiversity is defined as the variety of living organisms and ecosystems in an area. As natural capital refers to nature and its ecosystems that provide goods and services to humans, biodiversity is a component of natural capital.

Company-level Benefits:

- **Maintenance of social license:** Teck reports that local communities in the areas of mine sites practice traditional ways of life and expect protection and transparency regarding biodiversity.
- **Enhanced efficiency of mitigation and abatement activities:** Focusing on biodiversity streamlines and coordinates individual protection efforts previously focused on specific impacts (e.g. erosion.). Streamlined efforts benefit both the environment and the local communities of interest that depend on nature to maintain traditional ways of life.
- **Community buy-in through engagement:** Teck has successfully engaged a wide variety of stakeholders in these efforts by launching a multi-stakeholder initiative to develop a framework for assessing, managing and monitoring cumulative effects around mines in B.C. (both land and aquatic.)

TD Bank Group's TD Forests[13]
Responding to Customer Values and Expectations

Description: Large North American retail and commercial bank

Approach: TD Forests takes a lifecycle approach to measuring, managing, mitigating and offsetting a single environment impact: paper use. Like all NCA approaches, TD began by measuring its impact by tracking its corporate-wide paper use, which amounts to 14,000 tonnes of paper annually. Next, TD set an absolute reduction target of 20% from a 2010 baseline by 2015 (the equivalent of 300 million sheets of paper per year). Mitigation efforts are two pronged, with a focus on increasing recycled content and on only purchasing paper created from forests certified as sustainably managed. To reduce "dependency on paper-based information" TD has embedded this goal into its business by putting an internal 'shadow price' on paper, expediting projects that reduce paper usage, creating knowledge exchange opportunities amongst businesses, increasing online and e-banking services and usage rates, and engaging employees. In recognition that despite all these efforts large amounts of paper will continue to be required, TD converts its total annual paper usage into an equivalent area of forest habitat which it then purchases and conserves for perpetuity through the Nature Conservancy of Canada and the Nature Conservancy in the U.S.

Results: In 2012, TD Forests' first year, the equivalent of more than two football fields of forest habitat was protected daily.

Company-level Benefits:

- TD is able to differentiate itself from the competition in its alignment with customers' values and in meeting their expectations for environmental responsibility. When asked, 90% of TD's customers identified forest conservation as a specific issue of concern and a reduction in paper as the way TD could best improve its environmental performance.

13 All the information in this case study came from the following sources:

- Embedding Responsibility: 2012 Corporate Responsibility Report. TD Bank Group. Accessed 07.04.2014: http://www.td.com/document/PDF/corporateresponsibility/TD-2012-CR-Report.pdf
- 'TD Forests', TD Bank Group. Accessed 07.04.2014: http://www.td.com/corporate-responsibility/tdforests.jsp

Broader Benefits of NCA

At this early stage in the use of NCA, the companies using it appear to be investing considerable effort in it because they see real value. Whether implemented broadly (as PUMA and Unilever have done) or more narrowly (as with Teck and TD's initiatives, which have focused on particular resources or impacts), the key to NCA success appears to be in the commitment to do it in such a way that it informs business decision-making.

Distilling these case studies, along with others, shows that NCA's value added is in ensuring better-informed company-level decisions – and ultimately, more financially and environmentally sustainable businesses.[14] These benefits enjoyed by individual companies have the potential to benefit industry, society, and individuals more broadly through their positive impacts on the economy and the environment.

Innovation

NCA harnesses the creative power of business to find ways to produce lower-impact goods and services by creating a method for environmental impacts to be measured and the result(s) fed into existing decision-making processes. This process has produced wide-ranging innovations, from Puma's new product line to Unilever's new manufacturing technologies. These innovations fulfill (and create) demand by consumers and regulators for lower-impact goods and services, and demonstrate that innovative products can successfully be produced and marketed on a large scale.

Collaboration

For global companies with diversified products, the effort required to measure and appropriately value their impacts can lead to collaboration with industry peers, stakeholders and experts. These collaborations can lead to development of best practices and could set the stage for standardized approaches to NCA. Successful partnerships with environmental organizations serve as models to others and bolster public support for the industry and for environmental stewardship.

Sustainability

Decoupling business growth from environmental impact requires the ability to measure a baseline and then assess progress against that baseline. NCA has the underlying assumption that while efficiency gains are important, companies need to go beyond small incremental intensity improvements in their natural resource use, towards more transformative changes that reduce their overall environmental impact. Some companies may choose to go even further and seek to have a net-positive impact.

14 Like any environmental initiative, NCA has the potential to be used primarily as a tool for promotional use or 'greenwashing', but at this early stage in the use of NCA, the companies using it appear to be investing considerable effort in it because they see real value.

Implications

The companies at the cutting-edge of natural capital accounting are showing that the potential returns are large. The insights provided by thoughtful use of NCA can drive innovation, build collaboration and encourage business sustainability. Done well, NCA can help transform a business and its products and can put a business on a path that ensures ongoing business viability. In helping companies become more innovative, collaborative and sustainable, NCA has the potential to benefit the economy and society more broadly. For these reasons, Sustainable Prosperity believes there are roles for both business leaders and policy-makers to further its development and encourage its adoption.

Implications for Business Leaders

As an emerging business practice, NCA will be used differently by different companies. Companies interested in using NCA to inform their decision-making can begin by identifying the most relevant environmental inputs and outputs for their operations, adapting and adopting NCA best practices as appropriate in order for NCA to be informative and meaningful. Looking at the experiences of the early adopters can provide insight on what might work best for each company.

The value of NCA is in transforming products, processes and partnerships. Business leaders should carefully consider where their business has its greatest environmental impacts and what their motivations are for NCA. With those two inputs guiding them, they can begin implementing NCA by following the three steps outlined earlier. Going through the steps of NCA will allow companies to identify new innovations, engage and collaborate with employees and other organizations and businesses, and to ultimately promote the economic and environmental sustainability of their business.

Implications for Policy-Makers

Natural capital accounting goes beyond the traditional pricing of natural resources as inputs for a business's production – some companies even include environmental degradation resulting from their full supply-chain and the full lifecycle of product use, including disposal. This represents a significant evolution in business practices, of which investors and institutions that regulate or influence business should be aware.

Though some companies (including Canadian companies) are taking important steps to include valuation of natural capital, the practice is not yet common. Canadian governments – federal, provincial and local – have the opportunity to provide leadership in three ways:

- By introducing natural capital accounting of their own operations and their supply chains,
- By introducing natural capital valuation into national and provincial economic measures, such as GDP, thus ensuring public sector decision-making reflects the costs and value of using nature, and
- By developing frameworks for natural capital valuation as an input in decision-making processes for government support of private projects (e.g., linking regulatory approvals and public funding for projects to a better understanding of natural capital impacts.)

In providing leadership as outlined above, policy makers have the potential to help develop and promote best practices and encourage standardization of NCA methods, including data collection, analysis and presentation.

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