

The Natural Capital Declaration

A commitment by the finance
sector for Rio+20 and beyond

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Convened by



UNEP Finance Initiative
Innovative financing for sustainability



Centro de Estudos em
Sustentabilidade da EAESP

The Natural Capital Declaration (NCD) is a finance-led initiative to integrate natural capital considerations into investment, banking and lending decisions.

Signed by CEOs, it is the cumulative result of over 18 months of engagement with the financial community, as it commits to “acknowledge and re-affirm the importance of natural capital in maintaining a sustainable global economy”.

The Natural Capital Declaration

The Roadmap to a Green Economy

Twenty years ago the first Earth Summit in Rio de Janeiro focused on the importance of the natural environment and the services it provides (collectively, Earth’s “natural capital”) in sustaining human existence. As we approach the twentieth anniversary of this great event, the international community looks to the forthcoming United Nations Conference on Sustainable Development in 2012 (also called “Rio+20”) to make headway on key issues including – the green economy and an institutional framework for sustainable development.

Today, we the undersigned financial institutions wish to acknowledge and re-affirm the importance of natural capital in maintaining a sustainable global economy. This declaration calls upon the private and public sectors to work together to create the conditions necessary to maintain and enhance natural capital as a critical economic, ecological and social asset. We present this declaration to the world community at Rio+20, as a private sector finance response to the conference theme of working towards a green economy’. This declaration has been developed based on an extensive consultation process with the financial community over the course of 2010 and 2011, including meetings in London, Nagoya, Hong Kong, Munich, Washington D.C. and São Paulo.

The Importance of Natural Capital

Natural capital comprises Earth’s natural assets (soil, air, water, flora and fauna), and the ecosystem services resulting from them, which make human life possible. Ecosystem goods and services from natural capital are worth trillions of US dollars per year and constitute food, fiber, water, health, energy, climate security and other essential services

for everyone. Neither these services, nor the stock of natural capital that provides them, are adequately valued compared to social and financial capital. Despite being fundamental to our wellbeing, their daily use remains almost undetected within our economic system. Using natural capital this way is not sustainable. The private sector, governments, all of us, must increasingly understand and account for our use of natural capital and recognise the true cost of economic growth and sustaining human wellbeing today and into the future.

Leadership from the Financial Sector

Financial institutions are an integral part of the economy and society. As the engine of global economic growth, the financial sector can provide some of the tools required to support a transition to sustainable development and eradicating poverty by providing loans, equity, insurance and other financial products and services needed by companies, governments, organizations and individuals. Since virtually every economic activity can have an impact on natural capital either directly or indirectly, through a supply chain, financial institutions have considerable indirect ecological footprints through their customers and directly through their purchasing decisions. These impacts can lead to material financial risks, but also to relevant business opportunities.

At present many financial institutions do not sufficiently understand, account for and therefore value, the risks and opportunities related to natural capital in their financial products and services (loans, investments and insurance products) and in their supply chains. Building this knowledge, as well as appropriate valuation and risk management tools, to take natural capital into account within financial decision-making, are

important early steps to be undertaken by the financial sector.

As members of the financial sector, we consider ourselves key stakeholders in future discussions about valuing and protecting natural capital and we recognise that we have a key role to play in the reforms needed to create a financial system that reports on and ultimately accounts for the use, maintenance, and restoration of natural capital in the global economy. However, we must do this in consultation with government and supported by appropriate legislation and regulation.

Why Government Action is Essential Now

Because natural capital is a part of the 'global commons' and is treated largely as a free 'good', governments must act to create a framework regulating and incentivizing the private sector – including the financial sector – to operate responsibly regarding its sustainable use. We therefore call upon governments to develop clear, credible, and long-term policy frameworks that support and incentivise organizations – including financial institutions – to value and report on their use of natural capital and thereby work towards internalizing environmental costs. This can be done by:

1. Requiring companies to disclose the nature of their dependence and impact on natural capital through transparent qualitative and quantitative reporting;
2. Using enforceable fiscal measures to discourage business from eroding natural capital, while at the same time offering incentives to companies that integrate, value and account for natural capital in their business model;

3. Endorsing and implementing international agreements, including but not limited to, those agreed through the Convention on Biological Diversity;
4. Setting an example through requiring public spending and procurement to report and eventually account for its use of natural capital;

We welcome the World Bank's Wealth Accounting and Valuation of Ecosystem Services (WAVES) initiative and encourage governments to participate.

Our Commitment at the Rio+20 Earth Summit

Anticipating that such a framework will emerge, and noting that no methodology yet exists to adequately report or account for natural capital in the global financial system, we the endorsing financial institutions wish to demonstrate leadership by undertaking to collaborate globally through working groups and engagement with our customers, investee companies, suppliers, civil society, and other stakeholders as appropriate to:

1. Build an understanding of the impacts and dependencies of natural capital relevant to our operations, risk profiles, customer portfolios, supply chains and business opportunities;
2. Support the development of methodologies that can integrate natural capital considerations into the decision making process of all financial products and services - including in loans, investments and insurance policies. We recognise that given the diversity of the financial sector, embedding natural

capital considerations will differ across asset classes and types of financial institutions. We therefore aim to build on work undertaken through other initiatives, such as the UN-backed Principles for Responsible Investment, the Equator Principles, the United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Sustainable Insurance, and The Economics of Ecosystems and Biodiversity (TEEB), so that we can develop methodologies to:

- a. Apply a holistic approach to evaluating bonds and equities through the integration of natural capital considerations in environmental, social and governance (ESG) risk analysis in short, medium and long-term growth forecasts of investee companies;
 - b. Systematically consider and value natural capital in the credit policies of specific sectors, including commodities, that may have a major impact on natural capital either directly or through the supply chain;
 - c. Systematically consider and value natural capital in core insurance business strategies and operations including risk management, risk underwriting, product and service development, claims management, sales and marketing, and investment management;
3. Collaborate, when appropriate, with the International Integrated Reporting Committee and other

stakeholders to build a global consensus around the development of Integrated Reporting, which includes natural capital as part of the wider definition of resources and relationships key to an organization's success.

4. Work towards building a global consensus for the integration of natural capital into private sector accounting and decision-making; supporting, when appropriate, the related work of the TEEB for Business Coalition, and other stakeholders.

By endorsement of this declaration, we wish to demonstrate our commitment to the eventual integration of natural capital considerations into private sector reporting, accounting and decision-making, with standardization of measurement and disclosure of natural capital use by the private sector.

To sign the Declaration, see a full list of signatories or learn more, please visit www.naturalcapitaldeclaration.org or contact us at info@naturalcapitaldeclaration.org

Benefits for Signatory Financial Institutions

Show leadership at the Rio+20 Earth Summit

The UN Conference on Sustainable Development – better known as Rio+20 – presents a unique opportunity for financial institutions to show commitment to progressing on the green economy.

Guidance to implement commitments

Following the launch at Rio+20, a working group will be formed comprising of signatory financial institutions in addition to key supporters. Your institution can receive guidance, should it wish to, on how to implement the commitments stated in the Declaration. This includes access to UNEP FI and UN system expertise and resources on ESG issues, policymaking and science.

Risk management

It is becoming ever clearer that natural capital can have an impact on specific financial products, as well as on long-term growth. By endorsing the Declaration there is an opportunity to understand how natural capital, as part of range of other material ESG issues, can affect your institution's bottom line.

Enhanced Reputation

By signing the Declaration, financial institutions can demonstrate to their employees, clients, and stakeholders what they stand for. It may reduce reputational risk exposure and in fact enhance reputation by differentiating from competitors.

Complementary to other initiatives

The Natural Capital Declaration complements existing initiatives such as the Principles for Responsible Investment and the Principles for Sustainable Insurance by contextualizing how ESG factors can be systematically embedded in business principles, strategies and operations in the context of natural capital. The Natural Capital Declaration does not therefore require signatories to report or disclose additional information

Differentiate from competitors

First movers that endorse the Natural Capital Declaration have an opportunity to differentiate from their competitors by taking responsibility and managing an emerging type of risk.

Join the post Rio+20 Road Map

Though a number of financial institutions have started to embed natural capital considerations in loans, investment and insurance products and in risk management, there is still significant progress to be made to systematically integrate these issues in risk management, accounting frameworks and in reporting. In terms of accounting frameworks for example, today no-one knows precisely how to "account for nature". But tomorrow we will. The Declaration is a starting point for the financial community to engage with other similar initiatives already underway among governments and in the corporate sector, to develop a future methodology to increasingly integrate natural capital considerations into the wider global economy. By endorsing the Declaration and collaborating with this process, you can help shape the outcome.

Early Declaration Signatories

Althelia Ecosphere
ASN Bank
Banco Pichincha
Caledonia Wealth Management
CI Banco
Cyrte Investments
FIRA-Banco de Mexico
International Finance Corporation (IFC)
Mutualista Pichincha
National Australia Bank Limited
Nedbank
Oppenheim
Pax World Management Corp.
Rabobank International
Robeco
Sovereign
Standard Chartered
Unicredit
Vision Banco
Zevin Asset Management



International Finance Corporation (IFC)

IFC is firmly committed to protecting the environment. The recent update of IFC's

Performance Standards on Environmental and Social Sustainability reflects our recognition of the value of natural resources and their contribution to people's livelihoods. I am therefore very glad to be a signatory to this declaration and for IFC to participate in the leadership that financial institutions are taking on this important issue.

Lars Thunell,
Executive Vice President and CEO,
International Finance Corporation



Rabobank

The Earth's resources are the basis for our economy, our food supply and our well-being. We therefore have to guard nature and act according to its rules. We are stewards: for ourselves, for our economy, for food security, for nature itself and for the generations-to-come. This thinking should be the core of business: working in full co-operation with nature!

Piet W. Moerland,
CEO, Rabobank Nederland



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Financial institutions are invited to sign the Declaration ahead of the Rio Earth Summit.

For more information visit
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