The Natural Capital Workflow

This explainer introduces a Natural Capital Workflow (NCW), developed by BHP to help respond to the increasingly complex area of nature-related risk management and reporting. The NCW encourages practical and logical steps that are aligned to the systematic structure of natural capital accounting and assessment set out in CSIRO's *Natural Capital Handbook*.

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Organisations today face growing pressure to respond to the twin crises of nature loss and climate change. These challenges are not only environmental—they are socio-economic - and increasingly of strategic importance to organisations given the drive for global action to enhance transparency and accountability of impacts and dependencies on nature and the goods and services it provides.

Yet, despite the potential competitive advantage offered by responsible stewardship of nature, many struggle to navigate the complex landscape of nature-related frameworks, standards and data requirements. The Natural Capital Workflow (NCW) was developed by BHP for its own use to navigate this complexity, following a series of practical and logical steps that are aligned to the systematic structure of natural capital accounting and assessment set out in CSIRO's Natural Capital Handbook[1]. The NCW includes a hypothetical case study application and is being shared to demonstrate BHP's natural capital approach. Organisations may use and adapt it to meet their own purposes, where they see value. The NCW is designed as a two-phased workflow to enable the selection of locally relevant science-based metrics, across a consistent and credible structure that will support nature-related risk management and reporting in a way that is aligned with a broad range of international requirements.

This explainer introduces the NCW and explains how to apply it to support nature-related reporting and / or decision-making. The NCW is intended for use by those wanting to lead the development of metrics and data on nature-related issues within organisations, such as environment and sustainability reporting teams. The NCW offers an actionable step-by-step process to drive nature-related data compilation in a consistent, repeatable, yet flexible way across a range of operational and organisational contexts and uses.

Problem statement

In response to the increasing global scientific, political and societal consensus on the socio-economic risks associated with nature loss there has been a proliferation of nature-related risk management frameworks and reporting requirements. These have resulted in requests for hundreds of metrics to support reporting and disclosure of organisations impacts and dependencies on nature across different report requirements. As a result, this rapid expansion has created confusion and uncertainty in the absence of a single, practical approach that organisations can use to develop credible, science-based data on nature. Despite their good intentions, this proliferation is increasingly becoming a barrier to corporate action on nature.

Opportunity

Whilst individual frameworks are often targeted at specific issues, when considered collectively they support a holistic set of nature-related issues (e.g. natural capital stocks, flows, obligations, impacts, dependencies, risks, and opportunities, see Figure 1). There is overlap in the broad requirements of these frameworks as they all use a natural capital framing, even if this is not explicitly stated, and this creates an opportunity to increase the efficiency and utility of efforts to systematically assess, quantify and report on a range of nature-related impacts and dependencies.

1 The Natural Capital Handbook – a practical guide to corporate natural capital accounting, impact, dependency and risk/opportunity assessment; and reporting - CSIRO

BHP identified an opportunity (and need) to synthesise the requirements of these global nature-related risk management, reporting and disclosure frameworks using the systematic structure of natural capital accounting and assessment in CSIRO's *Natural Capital Handbook*. The handbook outlines the steps organisations can take to develop holistic metrics and data across nature-related issues. However, more specific guidance on the metrics global classifications to use when gathering information on each issue is required to catalyse nature-related data development. To the best of our knowledge, there is no detailed synthesis of framework information requirements or workflow guidance to provide practical and unambiguous instructions to organisations seeking to align to all frameworks in a simple, efficient and pragmatic manner. The NCW seeks to address this gap and, whilst acknowledging that there is potentially still considerable evolution with respect to metrics internationally, does so in a way that is flexible to future developments. In doing so, the NCW aims to provide clarity for organisations on how to structure a response to these global framework requirements using a single, coherent set of metrics / data.

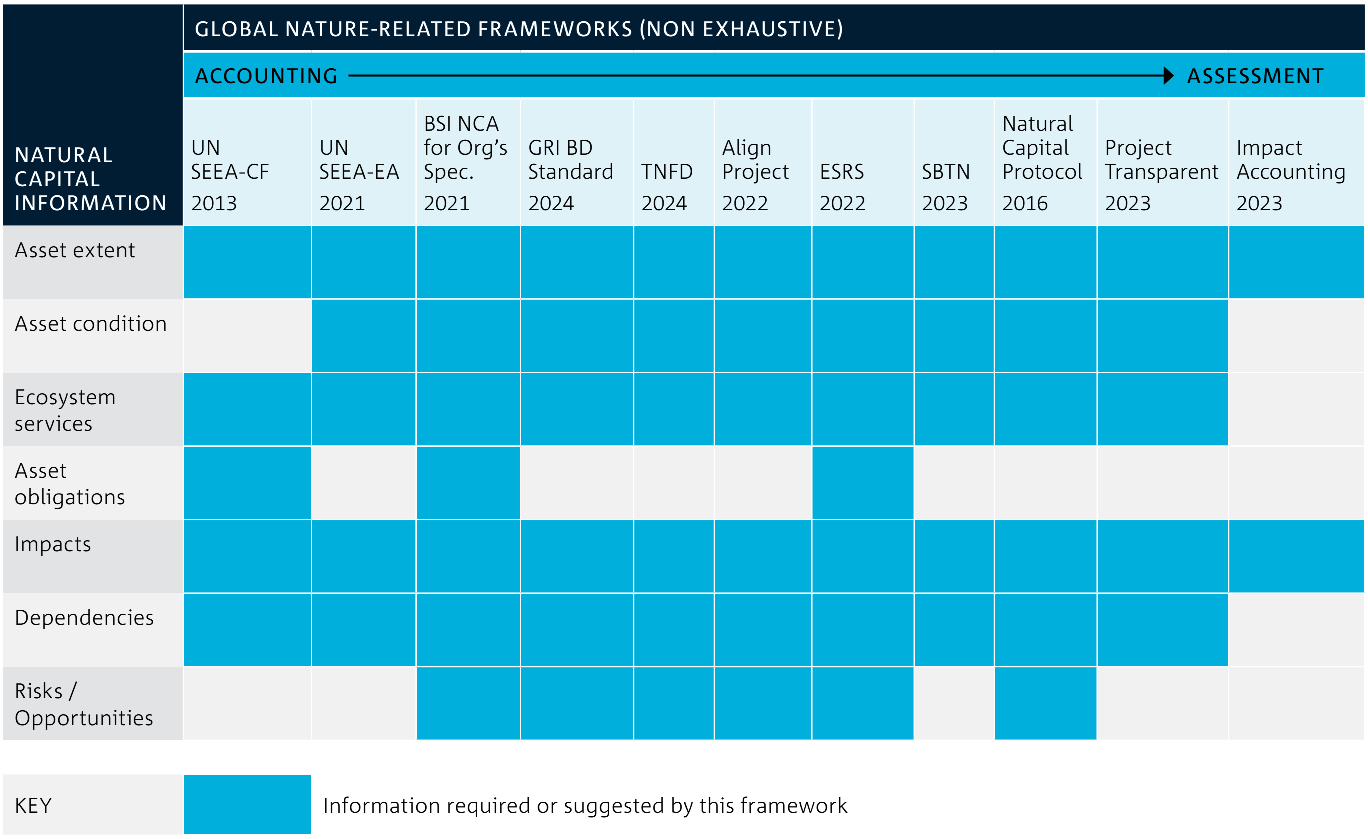

Figure 1. The NCW is designed to promote the alignment of natural capital metrics with a diverse range of international reporting frameworks (note: this figure is illustrative and does not cover all frameworks evaluated).

Proposed solution

The NCW aims to address the confusion and uncertainty caused by framework proliferation by outlining a series of practical steps (Figure 2) to support the development and use of a single-set of credible (science-based) nature-related metrics in line with emerging global expectations for nature-related risk management and reporting.

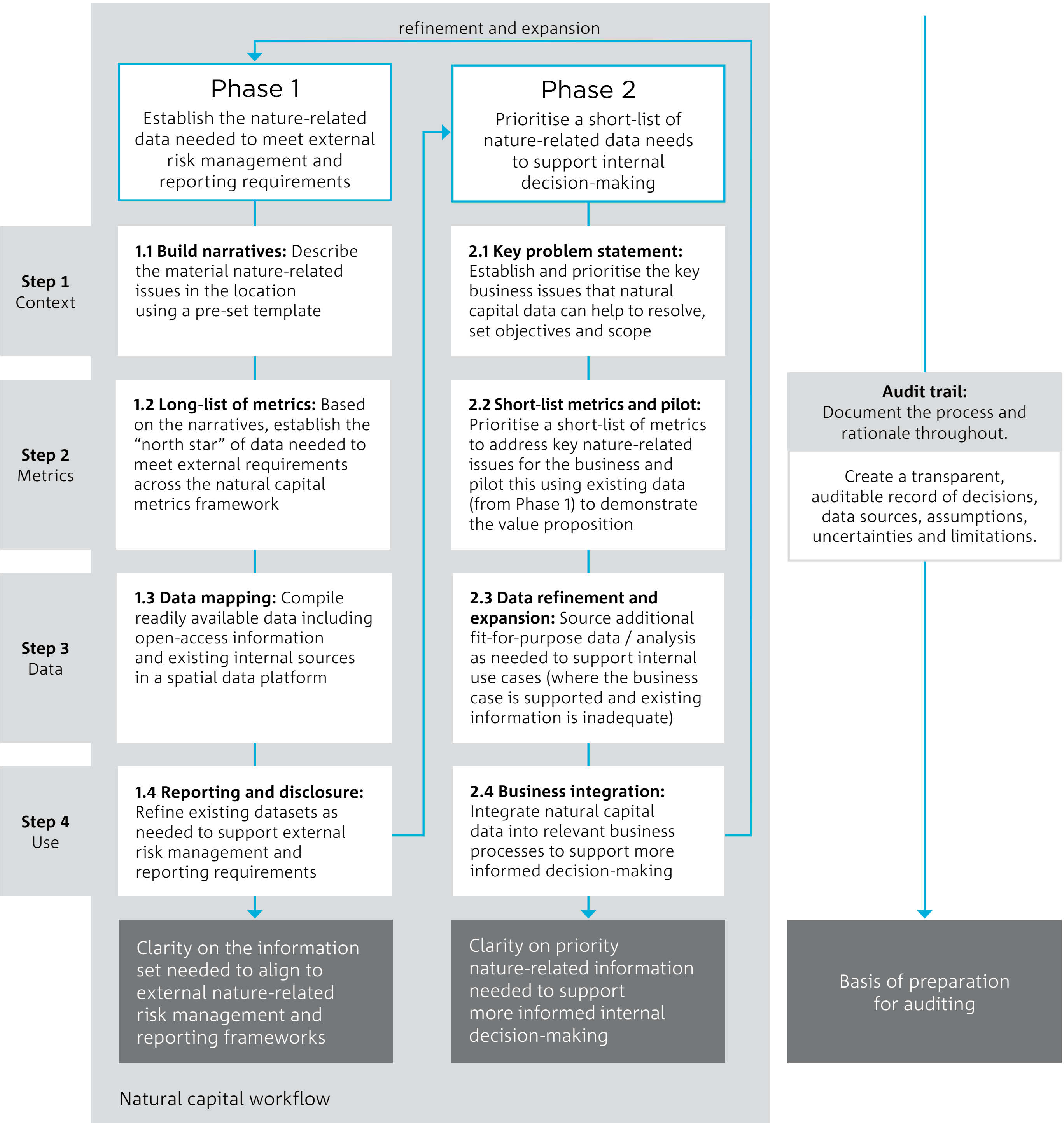

Figure 2. Overview of the Natural Capital Workflow

The NCW utilises the systematic structure of the CSIRO Natural Capital Handbook (Figure 3) which encourages consistency with existing statistical standards such as the United Nations System of Environmental, Economic Accounting[2] and the Natural Capital Protocol, ensuring that there is strong alignment across a range of global risk management and reporting frameworks (e.g. UN SEEA, ESRS, GRI, TNFD). It spans a comprehensive set of nature-related metrics to inform management decisions and support reporting based on:

- **Stocks** – What is the status of the natural capital assets that the organisation stewards across a specific geographic area?
- **Flows** – What is the productivity and value of these natural assets to the business and society based on the ecosystem services they generate?
- **Obligations** – What are the costs associated with legal or voluntary responsibilities to restore, maintain or enhance natural assets?
- **Impacts** – How does the organisation affect nature and its value (positively or negatively) in that location?
- **Dependencies** – How does the organisation rely on nature for its services in that location?
- **Risks** – What risks arise from the organisation's impacts and dependencies on nature in that location?
- **Opportunities** – What opportunities exist to enhance value through better stewardship in that location?

The NCW provides flexibility to adapt the selection of metrics to specific geographic contexts and a hypothetical example of its application is provided in an accompanying Microsoft Excel workbook.

2 https://seea.un.org/

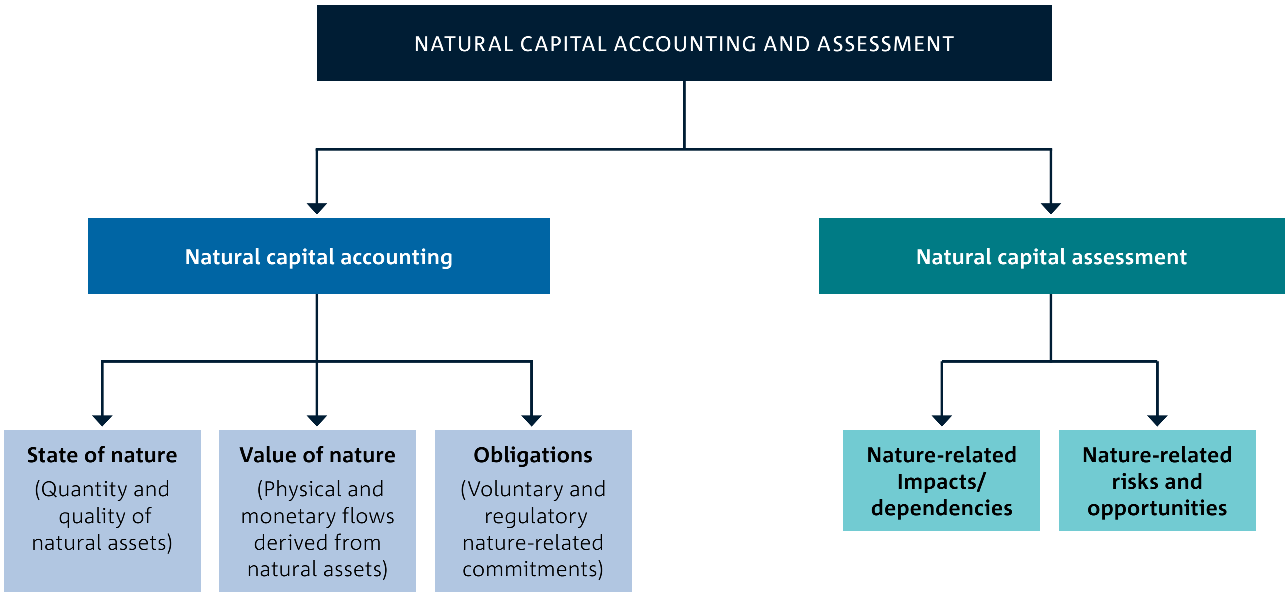

Figure 3. Broad overview of the structure recommended in CSIRO's *Natural Capital Handbook* that has been adopted in the NCW

In addition to guiding the selection of natural capital metrics, the NCW provides advice on the use of standardised classifications (e.g. IUCN ecosystem types, CICES ecosystem services classification, FAO land use classes), and demonstrates interoperability across global framework requirements, with a specific focus on the development of metrics that can support broader disclosure requirements with the aim of promoting consistency and comparability in responding to these.

The structure of the NCW aims to be holistic in its consideration of nature-related information (i.e. natural capital stocks, flows, obligations, impacts, dependencies, risks, and opportunities). Developing metrics and data across this structure effectively captures the intent of a wide range global nature-related reporting frameworks, i.e. to understand and improve organisational performance in relation to its stewardship of nature. Furthermore, the NCW retains the flexibility to respond to future evolution in existing framework requirements or the emergence of new frameworks, promoting confidence within organisations to get started on nature-related data development and use.

Finally, the NCW supports the prioritisation of data development to meet specific internal use cases, by establishing where quantification can help to resolve material nature-related issues for an organisation. This ensures that data is not solely compiled for disclosure purposes but can also be integrated into all levels of decision making, driving improved outcomes for business, people and nature.

THE NCW IS a practical, hands-on approach that organisations can use to guide them through the identification, development and use of nature-related metrics and data.

THE NCW IS NOT another framework.
It aims to guide the organisational responses to the emerging nature-related risk management and disclosure requirements by providing a single, consistent and pragmatic approach to nature-related data development based on the systematic structure of CSIRO's *Natural Capital Handbook*.

THE NCW IS FLEXIBLE and can support a range of corporate **USE CASES** for nature-related data, including:

- Assessment of current and future nature-related performance.
- Tracking progress towards organisational targets or obligations.
- Comparing options.
- Certification by third parties.
- Screening and assessment of nature-related risks and opportunities.

Conclusions and recommendations

Applying the NCW provides clarity on the information set needed to align to external nature-related risk management and reporting frameworks (i.e. a long-list of metrics) as well as the priority information needed to improve internal decision-making for a specific use case (i.e. a short-listing of priority metrics for a particular internal application). Credibility and certainty are provided through alignment to CSIRO's *Natural Capital Handbook* as well as established international standards and classifications for accounting and assessing natural capital. This provides confidence on what to measure and why, helping to resolve the confusion and uncertainty caused by nature-related framework proliferation.

Organisations are encouraged to utilise the NCW and to collaborate and share learnings regarding its validity in driving:

- Improved understanding and management of natural capital assets
- Consistent and comprehensive natural capital data collection and reporting
- Enhanced decision making and risk management based on credible and robust metrics and data
- Enhanced monitoring and evaluation of nature-related targets and commitments
- Improved reporting and disclosure through close alignment with global reporting frameworks and standards

Additional testing of the NCW may uncover further opportunities to refine the application and use of the NCW. Whilst the NCW has been designed primarily for internal BHP use, it has the potential for broader utility. Addressing these opportunities could promote uptake of the NCW and ultimately the mainstreaming of natural capital accounting and assessment to support better outcomes for business, people and nature.

Acknowledgement

This explainer and an associated excel workbook were developed as part of an ongoing partnership between BHP and CSIRO, supported by BHP's social investment funding. The partnership between the two organisations aims to support the uptake and adoption of natural capital accounting and assessment in organisational decision making.

The Natural Capital Workflow and associated Natural Capital Metrics Framework (NCMF) was developed by Phil Cryle, Principal Natural Capital at BHP, independently of this partnership. CSIRO, as the developer of the Natural Capital Handbook, provided a review of the NCMF under a separate BHP commissioned project and has contributed to the development of the hypothetical case study of the NCW in the associated excel workbook.

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