

CLIMATE 101

Natural Capital Accounting: A Ledger for Nature



Corporate Sustainability, Made Simple



The Essentials

Natural Capital Accounting is the process of calculating the total stocks and flows of natural assets and integrating those values into business decision-making and financial reporting. It looks at the holistic health of ecosystems and operates on two main pillars:



Natural Asset Stocks

The quantity and quality of natural resources and biodiversity available (e.g., forest cover, wildlife populations).

Corporate Implication: For a company owning land or sourcing raw materials from a specific region, the state of the local stock (e.g., declining soil health) determines their long-term operational security.



Ecosystem Services (Flows)

The benefits that these assets provide to business and society, such as water purification by wetlands & pollination by insects.

Corporate Implication: Businesses rely daily on nature's free services (like water filtration and pollination); if these flows stop, production costs skyrocket.

The stocks and flows are assigned metrics (physical or monetary) to quantify them so that they can be integrated into financial reporting and decision making.

Risks Addressed by NCA

Unchecked business activities such as rampant land conversion & resource extraction frequently degrade natural habitats & endanger wildlife. As a result, the underlying ecosystem collapses, posing severe physical & transition risks to businesses.



Physical Risks: Supply chains get disrupted due to ecosystem collapse. For instance, a decline in pollinators directly threatens agricultural supply chains, while the degradation of watershed forests increases the risk of floods or droughts shutting down factory operations.



Regulatory & Legal Risks: Governments are tightening laws around land use and habitat destruction. International laws like the EU Deforestation Regulation mean non-compliance carries heavy costs.



Market & Reputational Risks: Investors & consumers increasingly favor "nature-positive" brands. Companies that fail to account for their impact on local wildlife face divestment and consumer boycotts.

By measuring a company's dependencies and impacts on nature, NCA redefines how businesses value biodiversity, transitioning corporate strategy from reckless extraction to true ecological stewardship.

Implementing NCA

Adopting Natural Capital Accounting requires a strategic pivot across operations, risk management, and reporting. Organizations looking to integrate NCA can follow a four-step framework:

1

Map Dependencies & Impact

Identify where the business touches nature. Does your raw material sourcing rely on deforestation-prone areas? Do your factories disrupt local wildlife corridors?

2

Quantify & Value

Use ecological metrics (such as Mean Species Abundance or hectare-years of habitat preserved) alongside economic valuation techniques to assign value to natural assets impacted or protected.

3

Integrate into Decision Making

Move environmental data out of silos and onto the desk of the Chief Financial Officer (CFO). Factor nature into capital allocation, procurement, and risk assessment.

4

Disclose Transparently

Publish findings using emerging standards like the Taskforce on Nature-related Financial Disclosures (TNFD) to build trust with investors, regulators, and civil society.

Sustainable Value Creation

- Natural Capital Accounting bridges the gap between conservation and capitalism, proving that protecting a tiger corridor or restoring a wetland is not just philanthropy, it is a **smart long-term risk management strategy**.
- Frameworks like the **TNFD** and the UN's **System of Environmental-Economic Accounting (SEEA)** are pushing corporations to measure natural capital metrics with the same rigor they apply to traditional financial auditing.
- When companies learn to value nature on its own balance sheet, conservation transforms from a compliance burden into a **core driver of sustainable corporate resilience**.



Contact us today to understand & report your natural capital.