

BS 8632:2021



BSI Standards Publication

Natural Capital Accounting for Organizations — Specification

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Published by BSI Standards Limited 2021

ISBN 978 0 539 06096 6

ICS 03.060

The following BSI references relate to the work on this document:

Committee reference SES/1/1

Draft for comment 20/30401242 DC

Amendments/corrigenda issued since publication

Date	Text affected
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Foreword

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This British Standard is published by BSI Standards Limited, under licence from The British Standards Institution, and came into effect on 30 June 2021. It was prepared by Subcommittee SES/1/1, *Environmental Management Systems*, under the authority of Technical Committee SES/1, *Environmental Management*. A list of organizations represented on these committees can be obtained on request to their secretary.

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The provisions of this standard are presented in roman (i.e. upright) type. Its requirements are expressed in sentences in which the principal auxiliary verb is “shall”.

Commentary, explanation and general informative material is presented in smaller italic type, and does not constitute a normative element.

Where words have alternative spellings, the preferred spelling of the Shorter Oxford English Dictionary is used (e.g. “organization” rather than “organisation”).

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0 Introduction

This British Standard provides specifications and guidance for the process of preparing natural capital accounts for organizations. By combining financial, environmental and socio-economic information, natural capital accounting reveals the value of nature to organizations, and the rest of society, and the value of organizations' (positive and negative) impacts on nature. The purpose is to better integrate natural capital considerations into financial and other business analyses. Thus, a natural capital account is produced for internal decision making and could also be reported externally. Users might also wish to show how the natural capital accounts link to other aspects of their accounts and disclosures. However, this is not a reporting standard.

This British Standard presents the terminology, principles, steps and outputs of natural capital accounting with the aim that the process is transparent, repeatable and generates information that is useful for decision making. This process of providing comprehensive and transparent information can help an organization:

- identify its impacts and dependencies, and that of its value chain, on natural capital assets, and associated risks and opportunities;
- communicate information and implications within the organization and with external stakeholders;
- make more informed business strategies and operational decisions by integrating natural capital accounts with assessment of other capitals and by testing different scenarios about the future conditions and management or investment options; and
- monitor changes over the accounting period due to internal and external factors and evaluate effectiveness of the decisions by the organization in addressing such change.

There are two key outputs from natural capital accounting – each with supporting schedules: (i) the Natural Capital Balance Sheet and (ii) the Natural Capital Income Statement. These are inspired by the financial balance sheet and income statement (or profit and loss account) to improve consistency with financial accounts even though some details differ. The information used to create a natural capital account may come from financial accounting, management accounting, environmental, social and governance (ESG) analysis and other economic, social and environmental analyses undertaken by the organization, or available in academic or official publications or grey literature.

This British Standard is applicable to organizations of all types (public, third sector and listed and unlisted private) across all sectors, and of any size (such as SMEs and larger businesses) and to one or more sites in which they operate. A group of organizations dependent on the same natural capital assets, or considering collaborating to change their impacts, may produce joint natural capital accounts.

A Natural Capital Balance Sheet could cover dependencies on assets the organization owns or has responsibility for; assets owned by other organizations or assets that are not owned by any individuals or organizations (e.g. the atmosphere). A Natural Capital Income Statement could cover impacts from the organization's own operation and attributed to it through its value chain on any or all of these assets. This British Standard defines different scopes in order to help organizations produce the natural capital account that best informs their sustainability and/or business strategy, and supports decision making.

For an organization that owns natural capital assets or has legal or voluntary responsibility for natural capital assets, this British Standard specifies the process of producing a:

- Natural Capital Balance Sheet (Scope 1) that shows its dependencies on these assets;

- Natural Capital Balance Sheet (Scope 2) that shows its dependencies (through its operations or its value chain) on natural capital assets owned by others or for which others have responsibility;
- Natural Capital Income Statement (Scope 1) that shows the impacts from its operations on any natural capital asset; and
- Natural Capital Income Statement (Scope 2) that shows the impacts attributed to the organization through the operations of its value chain on any natural capital asset.

For an organization that does not own or have legal or voluntary responsibility for natural capital assets, this British Standard specifies the process of producing a:

- Natural Capital Balance Sheet (Scope 2) that shows its dependencies (through its operations or its value chain) on natural capital assets owned by others or for which others have responsibility;
- Natural Capital Income Statement (Scope 1) that shows the impacts from its operations on any natural capital asset; and
- Natural Capital Income Statement (Scope 2) that shows the impacts attributed to the organization through the operations of its value chain on any natural capital asset.

Assets that are not owned by anyone could be included in Scope 1 or Scope 2 depending on the organization and materiality of its impacts and dependencies.

Transparency is required in documenting accounting output and scope choices, data inputs, sources and quality, and assumptions. The requirements of this British Standard differ depending on the accounting output and the scope selected. The requirements of this British Standard might also be a basis for auditing natural capital accounts. This standard is applicable internationally.

1 Scope

This British Standard provides specifications and guidance for the process of preparing natural capital accounts including minimum requirements for defining the scope of an account and the material impacts and dependencies; and documenting the data and process used to prepare the natural capital account.

There are two key accounting outputs of natural capital accounts prescribed – each with supporting schedules:

- a) a Natural Capital Balance Sheet showing the organization's dependency on natural capital assets; and

NOTE 1 Scope 1 includes the natural capital assets the organization owns or has legal or voluntary responsibility for. Scope 2 includes other natural capital assets. Assets that are not owned by anyone might be included in Scope 1 or Scope 2 depending on the organization and materiality of its impacts and dependencies.

- b) a Natural Capital Income Statement showing the positive and negative impacts of the organization on natural capital assets.

NOTE 2 Scope 1 includes the impacts from the organization's own operations. Scope 2 includes the impacts attributed to the organization through the operations of its value chain.

This British Standard is applicable to organizations of all types (public, third sector and listed and unlisted private) across all sectors, and of any size (such as SMEs and larger businesses) and to one or more sites in which they operate. A group of organizations dependent on the same natural capital assets, or considering collaborating to change their impacts, may produce joint natural capital accounts. This standard is applicable internationally.