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Natural capital accounting for organizations — Principles, requirements and guidance

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Contents

Page

Foreword	v
Introduction	vi
1 Scope	1
2 Normative references	1
3 Terms and definitions	1
3.1 Terms related to natural capital	1
3.2 Terms related to natural capital account	3
3.3 Terms related to natural capital accounting	6
4 Principles	7
4.1 General	7
4.2 Rigour	7
4.3 Completeness	7
4.4 Consistency	7
4.5 Credibility	7
4.6 Relevance	7
4.7 Transparency	7
5 Process of preparing a natural capital account	8
5.1 General	8
5.2 Define the purpose of the natural capital accounting	9
5.3 Define the organization	9
5.4 Select the scope of natural capital account	9
5.5 Select the type of natural capital account	10
5.6 Natural capital register	11
5.7 Undertake materiality assessment	11
5.8 Identify interested parties and the extent of their involvement	12
6 Collect data and conduct data quality assessment	13
6.1 General	13
6.2 Attribution and apportionment	14
6.3 Monetary valuation	14
6.4 Discounting of monetary values	15
7 Natural capital income statement	15
7.1 General	15
7.2 Increases in natural capital and associated natural capital benefits	16
7.3 Decreases in natural capital and associated natural capital benefits	17
7.4 Completed natural capital income statement	17
8 Natural capital balance sheet	18
8.1 General	18
8.2 Natural capital risk register	19
8.3 Physical flow account	19
8.4 Monetary flow account	19
8.5 Cost schedules	20
8.5.1 General	20
8.5.2 Maintenance cost schedule	20
8.5.3 Production cost schedule	20
8.6 Completed natural capital balance sheet	20
9 Documentation, interpretation and integration	23
9.1 Documentation	23
9.2 Interpretation	25
9.2.1 Interpreting the natural capital income statement	25
9.2.2 Interpreting the natural capital balance sheet	26
9.3 Integration	26

ISO/FDIS 14054:2025(en)

9.3.1	Integration of natural capital accounting with financial accounting.....	26
9.3.2	Integration of natural capital accounting into decision-making and reporting.....	27
Annex A	(informative) Graphical representations in natural capital accounting.....	28
Annex B	(informative) Examples of an organization's purpose for natural capital accounting.....	30
Annex C	(informative) Illustrating the choice of natural capital account and scope	32
Annex D	(informative) Monetary valuation context and background	34
Annex E	(informative) Hypothetical case study of a natural capital income statement and a natural capital balance sheet of a farm	36
Bibliography	41

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Foreword

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This document was prepared by Technical Committee ISO/TC 207, *Environmental management*, Subcommittee SC 1, *Environmental management systems*.

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Introduction

This document presents the terminology, principles, requirements and guidance used to prepare natural capital accounts to ensure the process is transparent, repeatable and generates information that is useful for decision-making.

By combining financial, environmental and socio-economic information, natural capital accounting reveals the value of nature to an organization or its value chain, and the rest of society, and the value of the impacts or dependencies on nature from an organization's activities or those attributed to its value chain. Both market and non-market values are included in natural capital accounts, making the best use of qualitative, quantitative and monetary methods of measurement.

A natural capital account is prepared for internal use and can also be reported externally. Users of natural capital accounts can also identify the links to their financial accounts and disclosures.

The 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, and the associated risks and opportunities;
- communicate information and implications within the organization and with external interested parties;
- conduct scenario analysis to support strategy, risk management and operational decisions;
- consider the options for investing in natural capital or to manage impacts and dependencies on natural capital;
- monitor natural capital and the impacts or dependencies from an organization's activities or its value chain over time, including the effectiveness of the organization's actions.

This document is intended to be used by those who will be preparing the natural capital accounts. These can be environmental and sustainability professionals, accountants, economists and others, with sufficient ecological, economic and other relevant knowledge, working in collaboration.

Natural capital accounts aim to provide information to managers of organizations, and interested parties such as investors, auditors, assurance and certification bodies, regulators, policy makers, non-governmental organizations, customers and the wider public. The process of preparing natural capital accounts can be as informative as the results presented in the natural capital accounts.

A group of organizations that depend on the same natural capital (e.g. natural capital in a specific location such as a water basin), or that are considering collaborating to change their impacts, may prepare joint natural capital accounts specific to the shared natural capital. The information used to create the natural capital accounts including their supporting schedules can come from different sources such as financial accounts, environmental management systems, environmental, social and governance analysis, and other economic, social and environmental analyses undertaken by the organization, or academic or official publications (e.g. national or subnational natural capital accounts) or grey literature.

This document foresees that the process for preparing natural capital accounts includes scope choices, data from different sources and of different quality, and assumptions. It requires that the process and results be documented transparently. The requirements of this document can also be a basis for auditing natural capital accounts.

Natural capital accounting for organizations — Principles, requirements and guidance

1 Scope

This document provides terminology, principles, requirements and guidance for the preparation of natural capital accounts for organizations.

Natural capital accounts quantify the impacts from the organization's activities on natural capital, or the dependencies of the organization on natural capital, or both.

The scope of natural capital accounts can be expanded to cover activities in the organization's value chain.

There are two types of natural capital accounts, each with supporting schedules:

- a) the natural capital income statement;
- b) the natural capital balance sheet.

This document is applicable to all types of organizations (e.g. public, private (both listed and unlisted) or non-governmental organizations) across all sectors, and of any size (such as small to medium-sized enterprises (SMEs) and larger businesses) and to one or more sites at which they operate.

This document does not apply to national, sub-national or sector-wide natural capital accounts.

2 Normative references

There are no normative references in this document.

3 Terms and definitions

For the purposes of this document, the following terms and definitions apply.

ISO and IEC maintain terminology databases for use in standardization at the following addresses:

- ISO Online browsing platform: available at <https://www.iso.org/obp>
- IEC Electropedia: available at <https://www.electropedia.org/>

3.1 Terms related to natural capital

3.1.1

natural capital

stock of renewable and non-renewable natural resources (e.g. plants, animals, air, water, soils, minerals) of a given quality existing at a point in time that separately or in combination yield a flow of benefits to people

Note 1 to entry: Natural capital includes both living and non-living aspects. It includes biotopes, mountains, fields, forests, meadows, unimproved land, minerals, oceans, glaciers, ice sheets, freshwater, microorganisms, wild fauna and flora, electromagnetic spectrum, and geospatial orbit.

Note 2 to entry: Natural capital underpins all the other forms of capital (social, human, intellectual, financial and manufactured). Natural capital, often in combination with other forms of capital, provides *natural capital benefits* (3.1.4) over time.