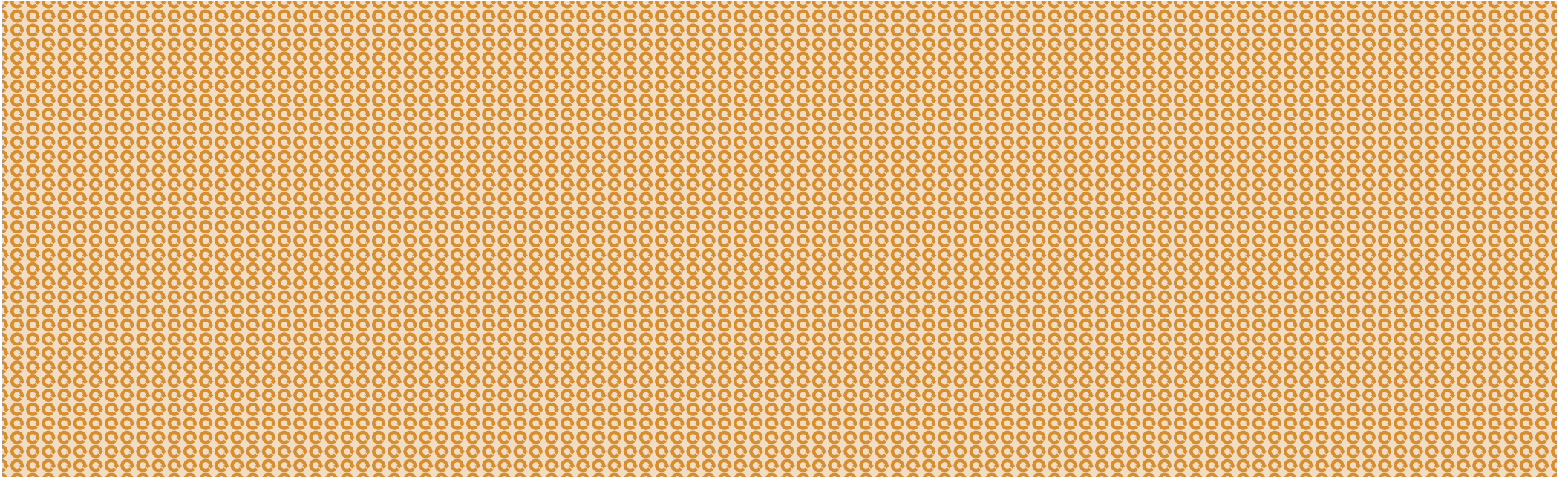


Natural Capital – what do accountants think?



Introduction

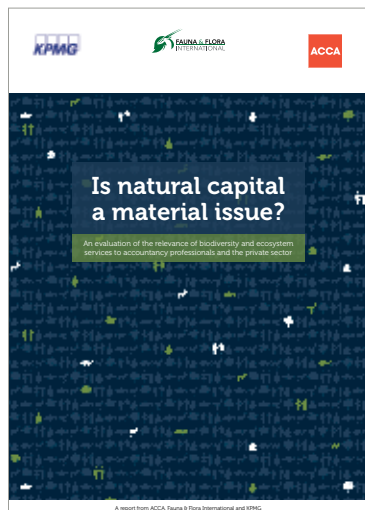
During 2012 ACCA, in partnership with KPMG and Fauna and Flora International (FFI), published the report *Is natural capital a material issue?* The report investigates the concept of materiality, how it is used to identify issues for management and disclosure and the extent to which it currently reflects the significance of natural capital as a business issue.

In order to gather the views and opinions of accountants on natural capital, ACCA conducted a survey of its membership. The key findings of this survey are presented in this paper.

This paper is the first in a series of articles that expand upon the research conducted for the ACCA/KPMG/FFI project.

For further information

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The information presented in this paper represents:



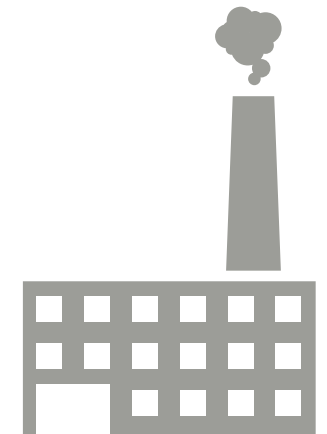
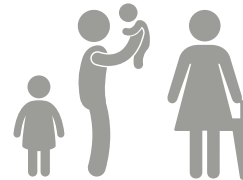
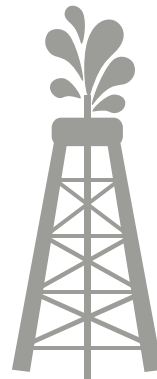
218 completed surveys



50 countries, including the UK (15%), Malaysia (10%), Ireland (8%), Mauritius (6%) and Pakistan (4%).



17 sectors, including the construction, oil & gas, public sector, consulting, transport and manufacturing industries.



13% who were either **CFOs or Finance Directors**, with a further 5% being CEOs or other executive board directors. 8% of respondents were financial controllers and 19% held a management position.



Natural capital and corporate success

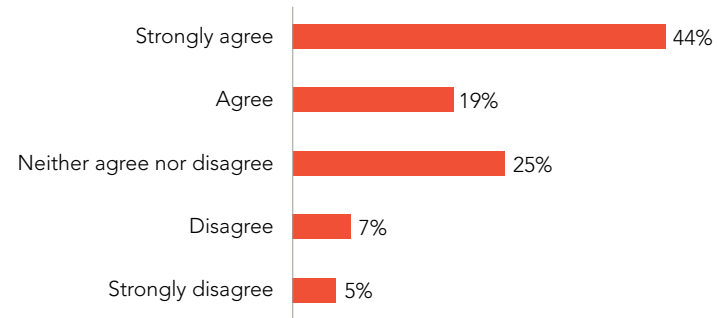
1 The long term success of many organisations is dependent on the natural world



63%

of accountants agreed or strongly agreed that the long term success of their organisations is dependent on the natural world.

The long term success of my organisation is dependent on the natural world



81%

An icon showing two stylized human figures, a man and a woman, standing next to a pie chart with three segments.

of accountants agreed or strongly agreed that the private sector has a responsibility to protect the natural environment.

2 Trends in natural capital pose a range of different risks to the private sector



Accountants surveyed identified a number of different risks to their operations that are associated with natural capital.

These included **physical risks** that disrupt an organisation's activities and increase input costs; **regulatory risks**, such as new pricing and compensation regimes; and **market risks**, such as changing consumer preferences.

The top **5 risks** highlighted by accountants have been identified as follows:

1. Reputational risk (68%)
2. Disruption of operations (61%)
3. Scarcity and increased cost of resources (50%)
4. Supply chain risk (47%)
5. Financing risk (46%)

3 The risks posed by natural capital are expected to increase in the future



The **accountants** surveyed were asked to identify whether a range of issues were important or very important now, and how that would change over the next **5 years**. In all but one case, the importance of the issues increased over time.

The top **five issues** are provided below:

Issue	Important or very important now	Important or very important in 5 years' time	Change	Trend
Loss of market share and customer loyalty due to negative impacts on natural capital resulting in impacts on tourism etc	49%	58%	9%	↑
Reputational, operational or market risks associated with the loss of biodiversity	46%	54%	8%	↑
Climate regulation	55%	59%	4%	↑
Access to clean air	57%	58%	1%	↑
Securing continued access to fresh water	54%	52%	-2%	↓

Corporate approaches to managing natural capital

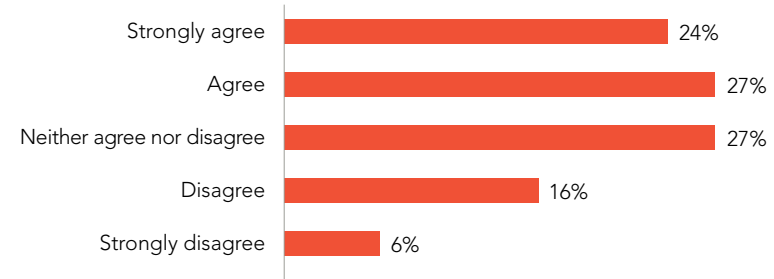
- 4 Organisations are taking steps to manage their impacts on natural capital, but could do more



51%

of accountants agree or strongly agree that their organisations are taking steps to manage natural capital issues.

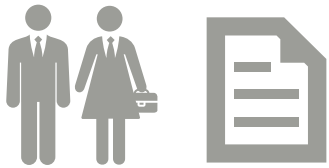
My organisation takes steps to manage natural capital issues



43% An icon depicting two stylized human figures, a man in a suit and a woman in a business dress, standing next to a person sitting at a desk with a laptop. The figures are in grey.

of accountants agreed or strongly agreed that they consider natural capital when making decisions at work. This is a lower proportion than those that felt there are strong links between natural capital and the success of their organisations.

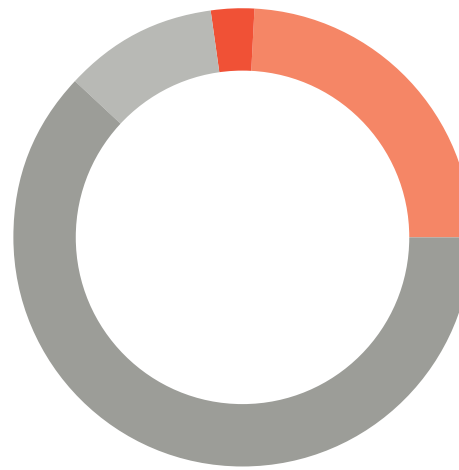
5 Few companies are reporting on natural capital



62% of accountants surveyed work for organisations that do not report on natural capital, with only **3%** of respondents working for organisations that extensively report of natural capital.

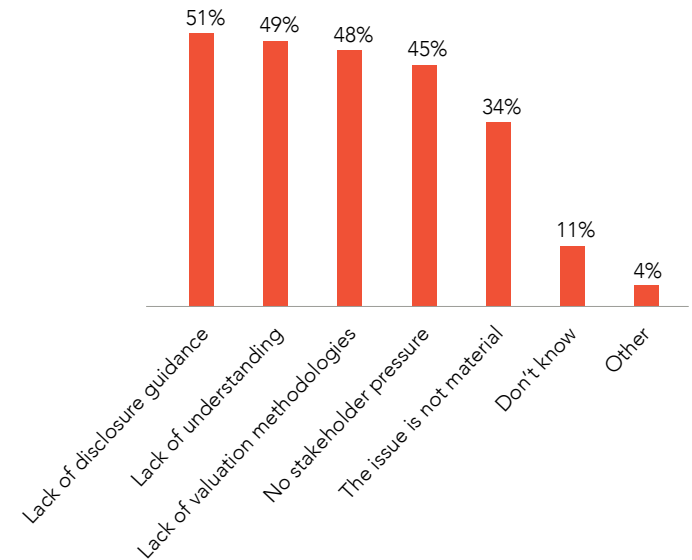
Respondents highlighted a number of barriers to reporting on natural capital, the most significant being a lack of disclosure guidance (**51%**), a lack of understanding (**49%**) and a lack of valuation methodologies (**48%**).

Does your organisation report on natural capital



Yes – extensively	3%
Yes – briefly	24%
No	62%
Don't know	11%

What are the key barriers to reporting on natural capital



The need for greater guidance on natural capital

6 Guidance as a means to increase understanding and better manage risks and opportunities



75%

of accountants surveyed felt that guidance and training on natural capital issues would help them better manage the risks and opportunities presented by them.

I need guidance and training on natural capital issues to help me better manage the risks and opportunities presented by them

