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Natural Capital Accounting for Organizations — Specification

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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.

This British Standard is intended to be used by those who will be preparing the natural capital accounts. These could be environmental and sustainability professionals, accountants, economists and others working in collaboration.

The natural capital account aims to provide beneficial information to managers of organizations, and their stakeholders such as investors, auditors and those responsible for assurance, certification bodies, regulators/policy makers, customers and the wider public. The standard recognizes that the process of preparing the accounts could be as informative as the results presented in the accounting outputs.

This British Standard does not apply to national or sector-wide natural capital accounts, which are covered by the UN System of Environmental-Economic Accounting – Ecosystem Accounting (UN SEEA-EA) [1] within the context of the System of National Accounts.¹⁾

2 Normative references

There are no normative references in this document.

3 Terms and definitions

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

3.1 base year

first of a series of years of the natural capital accounting period (3.21) for a Natural Capital Balance Sheet

3.2 baseline

projection of future flows of natural capital benefits (3.23) and liabilities (3.14) across the accounting period (3.21) of a Natural Capital Balance Sheet based on the best information available to the organization (3.27)

NOTE 1 As much as possible, the definition of baseline captures the changes in the quality or quantity of natural capital assets (3.22) and the flows of benefits they provide. The changes could reflect past performance, known or expected trends. Trends could be influenced by, amongst other factors, pending regulations, organizational commitments, changes to the organization's operations, the operations of the value chain attributed to the organization and wider environmental and social influences such as demographic change or climate change.

NOTE 2 The user might want to compare different future scenarios to see the implications of actions that the organization considers to take or the assumptions and projections on the quality and quantity of natural capital assets, the flows of benefits they provide and liabilities.

3.3 biodiversity

variability among living organisms from all sources including, inter alia, terrestrial, marine, and other aquatic ecosystems and the ecological complexes of which they are a part; this includes diversity within species, between species, and of ecosystems (3.6)

NOTE Many of the flows of benefits from natural capital come directly from the interactions within and between biodiversity and non-living resources. The interactions that generate these benefits are vast, complex, and often poorly understood. Measurement and monetary valuation of biodiversity can only be partial.

[SOURCE: Art. 2, Convention on Biological Diversity [2], modified]

¹⁾ Although the primary focus of the UN SEEA-EA is on nation-wide accounts, many of its principles and methods are relevant to, and can be applied to, organizational natural capital accounts. The data gathered by national authorities for UN SEEA-EA can also be used by organizations.

3.4 dependency

organization's (3.27) reliance on, or use of, natural capital (3.17)

NOTE Reliance means different things to different organizations and could include revenue generation, cost management, reputation, delivering other objectives and responsibilities.

[SOURCE: BS EN ISO 14007:2019, 3.1.6, modified]

3.5 discount rate

annual percentage rate at which the present value (3.30) of future monetary values is estimated to decrease over time

NOTE Discount rates are used to adjust the value of future flows of revenue, cost or income to present value terms, accounting for time preferences and attitudes to risk (e.g. an organization's opportunity cost of capital).

[SOURCE: HM Treasury. The Green Book: Central Government Guidance on Appraisal and Evaluation, 2020 [3], Glossary, modified]

3.6 ecosystem

dynamic complex of plant, animal, and micro-organism communities and their non-living environment interacting as a functional entity

NOTE 1 Examples of ecosystems include deserts, coral reefs, wetlands, rainforests, boreal forests, grasslands, urban parks, and cultivated farmlands. Ecosystems can be more or less influenced by human activity.

NOTE 2 For example, in the UK and much of Europe, the classification of ecosystems can be considered as a higher-level structure, encompassing one or more types of habitat (3.9). In the UK, ecosystems are often classed as Broad Habitats (UK National Ecosystem Assessment [4]) with the following classes: mountains, moors and heaths; semi-natural grasslands; enclosed farmland; woodland; freshwater, wetlands and floodplains; urban; coastal margins and marine. Other examples include the International Union for Conservation of Nature Global Ecosystem Typology (IUCN GET) [5] adopted by the UN SEEA-EA [1].

NOTE 3 People are part of ecosystems and, like all other living organisms, affect the processes taking place there, as well as deriving welfare gains from them.

[SOURCE: BS EN ISO 14008:2019, 3.2.11, modified]

3.7 ecosystem service

direct and indirect value(s) (3.35) or benefit(s) (3.23) people and society receive from ecosystems (3.6)

NOTE There are several different frameworks for classifying ecosystem services including the Millennium Ecosystem Assessment [6], The Economics of Ecosystems and Biodiversity [7], the IUCN Global Ecosystem Typology [5] adopted by the UN SEEA-EA [1] and the Common International Classification of Ecosystem Services [8], amongst others. Ecosystem services are generally broadly classified along functional lines into provisioning services (e.g. food, fuel, raw materials and fibre), regulating services (e.g. climate regulation and disease control), supporting services (e.g. soil formation, nutrient cycling, water cycling), and cultural services (e.g. recreational access, spiritual or aesthetic benefits). The supporting services are necessary for the production of all other ecosystem services and are also referred to as ecosystem functions.

[SOURCE: BS EN ISO 14008:2019, 3.2.11, modified]

3.8 flow

provision over the natural capital accounting period (3.21)

NOTE Flows could be positive or negative. Positive flows are the benefits of services (3.7) provided by the natural capital asset (3.22), can derive from biotic and abiotic elements of nature and result from the management, restoration, maintenance or enhancement of the natural capital asset. Negative flows result from the deterioration in the quality and quantity of natural capital assets caused by outputs like discharges into air or water.

[SOURCE: Adapted from ONS Principles of Environmental Accounting, 2017 [9] and Natural Capital Committee Natural Capital Terminology, 2019 [10]]

3.9 habitat

terrestrial, freshwater or marine place where plants or animals normally live, characterized primarily by its physical features and, secondarily, by the species of plants and animals that live there

NOTE 1 Technically, a habitat is the natural home or environment of an animal, plant, or other organism, while an ecosystem is a biological community of interacting organisms and their physical environment. For accounting applications, a habitat or a group of related or co-occurring habitats can be considered an ecosystem.

NOTE 2 Several classifications of habitats have been created over time. An example would be the EUNIS classification [11].

NOTE 3 Examples of physical features include topography, plant or animal physiognomy, soil characteristics, climate, and water quality, depth, and temperature.

NOTE 4 Examples of habitats characterized by the species of plants and animals that live there include acid grassland, mixed deciduous woodland, and intertidal rocky shore.

[SOURCE: European Environment Agency, European Nature Information System (EUNIS) Habitat Classification²⁾ [11]]

3.10 impact

positive or negative change to one or more dimensions of a natural capital benefit (3.23)

NOTE Impacts resulting from the operations of the organization (and those attributed to the organization through the operations of its value chain) on the flows of benefits provided by natural capital assets (3.22) during the accounting period (3.21) are shown in the natural capital income statement.

[SOURCE: Adapted from the Natural Capital Protocol, 2016, p.16 [12].]

3.11 impact pathway

describes how a specific activity by an organization (3.27) or an external factor creates an output (3.29) that results in a particular change in the quality and/or quantity of a natural capital asset (3.22) (outcome – 3.28) which results in an impact (3.10) for different stakeholders

NOTE For example, an impact pathway may link the emission of pollutants to air to resulting concentrations in the atmosphere, concentrations to depositions, and to impacts on health, materials, vegetation, and other receptors as relevant.

[SOURCE: Adapted from the Natural Capital Protocol, 2016, p.45 [12]]

3.12 influence

where an organization (3.27) can affect others' management of natural capital assets (3.22)

3.13 land cover

observed physical and biological cover of the Earth's surface, including natural vegetation and abiotic (non-living) surfaces

NOTE Land cover can refer to terrestrial areas, inland water, and coastal waters.

[SOURCE: UN SEEA Central Framework [1], para. 5.257]

²⁾ https://www.eea.europa.eu/themes/biodiversity/an-introduction-to-habitats/folder_contents

3.14 liability

costed schedule of restoration, maintenance or enhancement activities that are incurred, committed or projected, and which ideally support, and are consistent with, the delivery of the projected benefits from natural capital assets (3.22)

[SOURCE: Adapted from eftec et al, 2015 [13]]

3.15 logic chain

sequence showing the links between quality and quantity of natural capital assets (3.22), the flows of ecosystem services (3.7) they provide, and the benefits (3.23) these generate for the society (showing different groups of beneficiaries as relevant)

NOTE Many natural capital assets will supply multiple ecosystem services. There is not a linear relationship between quality and quantity of assets and the provision of flows of benefits. There could be many possible and non-linear combinations.

3.16 materiality

impact (3.10) or dependency (3.4) on natural capital (3.17) is material if consideration of its value (3.35) (irrespective of whether or not that value can be quantified or monetized), as part of the set of information used for decision making, has the potential to alter that decision

[SOURCE: Adapted from the Natural Capital Protocol, p.123 [12]]

3.17 natural capital

stocks of the elements of nature that provide benefits to society, such as forests, fisheries, rivers, biodiversity, soils, minerals, the atmosphere and oceans, as well as natural processes and functions. Natural capital includes both the living and non-living aspects of ecosystems (3.6)

NOTE Natural capital underpins all the other forms of capital (social, human, produced - intellectual, financial and manufactured). Stocks of natural capital provide flows of ecosystem services (3.7) and natural capital benefits (3.23) over time. These services, often in combination with other forms of capital deliver a wide range of benefits (3.23).

[SOURCE: Adapted from The Green Book: Central Government Guidance on Appraisal and Evaluation, 2020 [3], para 6.45, and the Natural Capital Committee – Natural Capital Terminology, 2019 [10]]

3.18 natural capital account

record or statement relating to the stocks of natural capital (3.17), the flows of natural capital benefits (3.23) they provide, and the positive and negative impacts (3.10) of the operations of the organization (3.27) and attributed to it through the operations of its value chain (3.36) and prepared in accordance with the principles and requirements of this standard

3.19 natural capital accounting

process of preparing a natural capital account (3.18)

3.20 natural capital accounting output

end product(s) of the natural capital accounting (3.19) process

NOTE For the purposes of this standard, these comprise a Natural Capital Balance Sheet and a Natural Capital Income Statement – each with supporting schedules.

3.21 natural capital accounting period

time period of the natural capital account showing the impacts (3.10) and dependencies (3.4) of the organization (3.27) and attributed to it through the operations of its value chain (3.36). For the

Natural Capital Balance Sheet, this is a future period determined by the life of the natural capital assets (3.22) and the planning horizon of the organization. For the Natural Capital Income Statement, this is the preceding accounting period of the organization

NOTE 1 The same accounting period for balance sheet is applied to the change in natural capital asset values (3.35), physical and monetary flows (3.8) and liabilities (3.14). The same accounting period for income statement is applied to the enhancements (3.25) and deteriorations (3.24).

NOTE 2 If both the Natural Capital Balance Sheet and Natural Capital Income Statement are produced, both should use the same reporting date to report on asset values, liabilities, enhancements and deteriorations of natural capital assets based on their quantity and quality on that date as is the case for financial accounts.

3.22 natural capital asset

distinctive component or grouping of biotic and abiotic components and other elements which function together or interact within a spatial area, including ecosystems (3.6), ecological communities, species, soils, freshwater, land, atmosphere, minerals, sub-soil assets and oceans

NOTE 1 Natural capital assets can be conceptualised in different ways. For the purposes of natural capital accounting (3.19), natural capital assets are typically classified according to broad ecosystem types (3.6).

NOTE 2 Biotic and abiotic components are the living and non-living elements of the natural environment respectively, that can provide a flow of benefits (3.8).

NOTE 3 There may be overlap between different natural capital assets (e.g. soils include species, minerals and water), illustrating the complexity of natural capital.

[SOURCE: adapted from the Natural Capital Committee Natural Capital Terminology, 2019 [10]]

3.23 natural capital benefit

goods and services that are ultimately used and enjoyed by people and which contribute to individual and societal well-being (human welfare)

NOTE 1 Benefits can result from use of the natural capital assets (3.22) and the knowledge that they exist. See 3.35 for further detail.

NOTE 2 Natural capital benefits include ecosystem services (3.7) and benefits from abiotic elements of nature.

[SOURCE: United Nations System of Environmental-Economic Accounting – Ecosystem Accounting. Final Draft. Version 5 February 2021 [1], modified]

3.24 natural capital deterioration

flow (3.8) of negative impacts (3.10) linked to the quality or quantity of a natural capital asset

NOTE Negative impacts resulting from the organization's own operations (and those attributed to the organization through the operations of its value chain) during the accounting period (3.21) are shown in the Natural Capital Income Statement. Examples include emissions to air, water and land.

3.25 natural capital enhancement

flow (3.8) of positive impacts (3.10) linked to the quality or quantity of a natural capital asset

NOTE Positive impacts resulting from the organization's own operations (and those attributed to the organization through the operations of its value chain) during the accounting period (3.21) are shown in the Natural Capital Income Statement. Examples include carbon sequestration, water quality maintained, species conserved.

3.26 net present value

sum of an expected flow of future values (3.35) (positive flows minus negative flows) that have been discounted to bring them to today's value using a discount rate (3.5)

[SOURCE: Adapted from The Green Book: Central Government Guidance on Appraisal and Evaluation. 2020 [3], p.133]

3.27 organization

person or group of people that has its own functions with responsibilities, authorities and relationships to achieve its objectives

NOTE The concept of an organization includes, but is not limited to, sole-trader, company, corporation, firm, enterprise, authority, partnership, charity or institution, or part or combination thereof, whether incorporated or not, public or private.

[SOURCE: BS EN ISO 14001:2015, 3.1.4]

3.28 outcome

change in the quantity or quality of a natural capital asset (3.22)

3.29 output

quantity of emissions or discharges that arise from the operations of the organization (3.27) and attributed to it through the operations of its value chain (3.36)

3.30 present value

sum of an expected flow of future values (3.35) (positive or negative flows) that have been discounted to bring them to today's value using a discount rate (3.5)

[SOURCE: Adapted from The Green Book: Central Government Guidance on Appraisal and Evaluation. 2020 [3], p.133]

3.31 quality of natural capital

condition of natural capital assets (3.22) measured in terms of their biotic and abiotic characteristics and their ability to maintain flows (3.8) of benefits (3.23)

[SOURCE: Adapted from Natural Capital Committee – Natural Capital Terminology, 2019 [10] and United Nations System of Environmental-Economic Accounting – Ecosystem Accounting. Final Draft. Version 5 February 2021 [1]]

3.32 quantity of natural capital

extent, volume, or amount of a natural capital asset (3.22)

[SOURCE: Adapted from Natural Capital Committee – Natural Capital Terminology, 2019 [10] and United Nations System of Environmental-Economic Accounting – Ecosystem Accounting. Final Draft. Version 5 February 2021 [1]]

3.33 responsibility

duty to manage or maintain or enhance natural capital assets (3.22) over which the organization (3.27) has management control or influence (3.12)

NOTE 1 Responsibility may be statutory or relate to voluntary commitments made by the organization (3.27) in relation to natural capital assets (3.22) over which it has management control or influence (3.12).

NOTE 2 Entities that 'control' or 'own' a natural capital asset (3.22) may also be responsible for it unless the duty to manage, maintain or enhance a natural capital asset has been contracted to a different entity.

3.34 stock

quantity and quality of natural capital asset (3.22) existing at a point in time

[SOURCE: Natural Capital Committee – Natural Capital Terminology, 2019 [10], modified]

3.35 value

measure of human wellbeing that results from the benefits (3.23) provided by natural capital assets (3.22). This may be expressed in qualitative, quantitative or monetary terms even though monetary valuation is not always possible or appropriate

NOTE 1 Use value may relate to actual, planned or possible use and may be direct or indirect. Direct use value refers to the consumption of resources extracted from the ecosystem (3.6) or the use of ecosystem services (3.7) without extracting any elements from the ecosystem (e.g. recreation, landscape amenity). Indirect use value occurs where individuals benefit from ecosystem services supported by a natural capital asset (3.22) rather than directly using it (e.g. air pollution removal).

NOTE 2 Individuals may also derive value from the knowledge that habitats (3.9) or species exist irrespective of any actual or planned use of these, or from the knowledge that the natural environment is maintained for the benefit of current or future generations.

[SOURCE: Adapted from Natural Capital Committee – How to do it: a natural capital workbook, April 2017 [14]]

3.36 value chain

all of the upstream and downstream activities associated with the operations of an organization (3.27), including the activities of suppliers (raw and produced inputs and services), activities over which the organization has direct operational control and activities linked to the purchase, use, reuse, recovery, recycling and final disposal of the organization's products and services

[SOURCE: Combined and adapted from GHG Protocol (2011) Corporate Value Chain (Scope 3) Accounting and Reporting Standard – Supplement to the GHG Protocol Corporate Accounting and Reporting Standard [15], p.141 and Natural Capital Protocol, 2016 [12], p.32]

4 Principles

4.1 General

The principles given in 4.2 to 4.7 shall be followed when preparing a Natural Capital Balance Sheet and a Natural Capital Income Statement.

4.2 Rigour

Technically robust information, data, and methods that are also fit for purpose shall be used. The level of certainty and/or confidence in the evidence used shall be documented. Double counting of Asset Values, Liabilities, Enhancements and Deteriorations across natural capital accounting outputs and between natural capital and financial accounts shall be avoided when considered together.

4.3 Completeness

All material information about natural capital assets and benefits and their interactions with other capitals shall be included in the preparation of the accounts. Where material information is missing, this shall be clearly stated so that the accounts can be correctly interpreted.

NOTE 1 All capitals – natural, social, human, produced (intellectual, financial and manufactured) – are related to each other to some degree. Thus, any change in natural capital might also impact other capitals and vice versa.

NOTE 2 See 6.4 for how materiality can be assessed.

NOTE 3 See [6.1](#) for repeatability.

4.4 Consistency

Assumptions, methods and data, unless motivated by relevance for the situation, shall be applied in the same way throughout the accounting process to arrive at conclusions in accordance with the purpose and scope of the natural capital accounts and to facilitate comparisons over time, and, where relevant, across organizations.

4.5 Credibility

All steps of natural capital accounting shall be conducted in a transparent and fair manner, and the information provided to interested parties shall be truthful, accurate, substantive and not misleading.

4.6 Relevance

Selected natural capital assets, the benefits they provide, impacts and dependencies of the organization, data sources, assumptions, boundaries and methods shall be appropriate to the needs and requirements of the purpose and boundaries of the natural capital accounts.

4.7 Transparency

Input data, assumptions, calculations and documentation shall be available, comprehensive and clearly communicated to allow the intended audience to understand how natural capital accounts are prepared; making Asset Values and Liabilities in the Natural Capital Balance Sheet and Enhancements and Deteriorations in the Natural Capital Income Statement visible; and facilitating interpretation of the accounts for the decisions of the organization.

5 Natural capital accounting outputs and scopes

5.1 Scope 1 (S1) and Scope 2 (S2)

Selection of natural capital account output ([6.5](#)) and scope and what is included in the natural capital accounts shall be made based on the following:

- a) The impacts and dependencies of the organization (and, if included, its value chain) on natural capital assets.
- b) The organization's legal or voluntary responsibilities.
- c) The purpose of preparing a natural capital account ([6.2](#)).
- d) The result of a materiality assessment ([6.4](#)).
- e) The availability of data ([6.6](#)).
- f) The principles given in [Clause 4](#).

NOTE [Table 1](#) summarizes the key differences between the two natural capital accounting outputs (Natural Capital Balance Sheet and Natural Capital Income Statement) and Scope 1 (S1) and Scope 2 (S2). The scopes are specific to this British Standard and do not relate to the scopes of other standards.

Table 1 — Key differences between accounting outputs, Scope 1 and Scope 2

Account	Scope 1	Scope 2
Natural Capital Balance Sheet – accounting for the dependencies of the organization and its value chain on natural capital assets	Natural capital assets owned by the organization or for which the organization has a legal or voluntary responsibility ^{A)}	All other natural capital assets on which the organization depends through its own operations or the operations of its value chain ^{B)}
Natural Capital Income Statement – accounting for the positive and negative impacts of the operations of the organization and its value chain on natural capital assets	Impacts on any natural capital asset due to the organization's own operations (e.g. land use, grid electricity, fuel, water) ^{C)}	Impacts on any natural capital asset attributed to the organization through the operations of its value chain (supply chain upstream, consumer use and post-consumer waste downstream) ^{C)}

NOTE 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. [Annex C](#) provides some examples.

^{A)} Example organizations/contexts: Land-based businesses like farms, forestry, water suppliers; management of conservation areas like national parks, nature reserves; local authorities; combination of these organizations.

^{B)} Example organizations/contexts: The use of a resource by land-based businesses that they do not own (e.g. water, raw materials, regulatory services) and natural capital dependencies of manufacturing, production and retail businesses in any sector.

^{C)} Example organizations/contexts: Any organization whose own operations and/or the operations of its value chain impact natural capital assets positively or negatively.

5.2 Scopes for a Natural Capital Balance Sheet

The Natural Capital Balance Sheet shall show the value of the benefits provided by natural capital assets to the organization and the rest of the society and the organization's liabilities for maintaining those assets over the accounting period.

The Natural Capital Balance Sheet shall show the dependencies of an organization (directly or through its value chain) on the stock of natural capital assets. The value of the stock of natural capital assets shall be the discounted sum of the projected benefit flows to the organization and the rest of society over the accounting period. The benefit values shall be net of any costs of producing those benefits.

The cost of activities that will contribute to restoring, maintaining or enhancing the quality and quantity of natural capital assets and hence the flow of benefits shall be included in the liabilities. Liabilities shall be the discounted sum of these costs over the accounting period.

If Asset Values and Liabilities that accrue to the organization are already included in the Financial Balance Sheet, they shall also be shown in the Natural Capital Balance Sheet, however double-counting shall be avoided when natural capital and financial accounts are considered together.

Future flows of benefits and liabilities over the accounting period shall reflect expected or projected changes in the quality and quantity of natural capital assets due to the organization's own operations, attributed to the organization through the operations of its value chain and external factors. The natural capital accounting period shall be the time period that is appropriate for the life of the natural capital asset given the operations of the organization.

NOTE 1 For example, for the farming and forestry sectors, business plans and project lifetimes stretch over several decades.