

Taking a capitals approach

Accounting for non-financial issues in decision-making

“ ... firms that remain unaware of their impacts and dependencies on their non-financial relationships provoke unnecessary risk. They also fail to recognise new opportunities for efficiency, growth, resilience and development ”

www.sustainablegoals.org.uk

What is a capitals approach?

Organisations across public, private and third sectors both depend and impact on financial, manufactured, natural, social, human and intellectual capital. A capitals approach is one where organisations seek to understand these impacts and dependencies so they can recognise and respond to emerging risks, opening up opportunities to enhance productivity, and become more efficient and resilient in an increasingly uncertain world.

Each capital represents a class of assets that can provide a flow of benefits to an organisation. If the asset is depleted, the flow of benefits can be compromised. For example, if an organisation's human capital erodes through low staff morale, the organisation may have trouble meeting its productivity goals. Similarly, if an organisation impacts negatively on natural capital, through damaging biodiversity or causing pollution, its brand and business performance could be adversely affected.

Why take a capitals approach?

A capitals approach is about taking better account of non-financial information in organisational decision-making. This might include, for example, incorporating an organisation's natural, social and human capital impacts and dependencies in a cost-benefit analysis to inform investment choices, or support decisions on how best to manage corporate land holdings.

The capitals approach is not just about identifying and measuring capital impacts and dependencies, but can also be about endeavouring to put a monetary value on each capital so that organisations can compare their impacts and dependencies on them in a consistent and comparable way. Valuation can also help reveal the nature and significance of the trade-offs associated with alternative choices.



Selected experience

Submarine cabling sustainability cost-benefit analysis

Within Scotland, 59 islands are connected to the mainland electricity network via submarine cables. To maintain uninterrupted supply to these regions, Scottish and Southern Electricity Networks (SSEN) replace the cables when necessary.

Since the introduction of Scotland's National Marine Plan (2015) we have been working with SSEN and its stakeholders to develop a cost-benefit analysis model. This model demonstrates to customers, regulators and all users of the marine environment that the methods it proposes for the installation and protection of each submarine electricity cable provides best value in terms of balancing impacts on customers' energy bills, with wider health, safety, social, environmental and economic impacts.

Applying a capitals approach to support investment decisions

Yorkshire Water's vision is to responsibly steward the water environment by developing and applying an investment model that considers financial, manufactured, natural, social, human and intellectual capital in decision-making at various scales across the business.

To bring the vision to life, we worked with Yorkshire Water to conduct primary research using a variety of innovative approaches to investigate the value its customers place on water and the water environment. The results of the research are informing Yorkshire Water's investment planning for a forthcoming price review.

Maximising the natural capital value of National Grid's non-operational land holdings

National Grid understands the importance of managing and preserving the natural environment. With sites located across the UK, it is keen to make a positive environmental contribution. We have been working with National Grid to measure the natural capital on its non-operational sites, value the ecosystem services generated and identify management actions for enhancement or restoration.

The approach has been used to support the business case for investment in natural capital restoration activities on a number of sites and is being integrated throughout its wider business. We are currently updating the natural capital tool we developed for National Grid to incorporate the measurement of biodiversity net gain.

"Working with AECOM on this engagement has been a pleasure. They listened to our brief and assembled a cross-cutting team, which utilised strong skills in both sustainability and engineering, to work with us and our stakeholders on the project. Their ability to change and evolve with the project requirement has meant that they stayed relevant and provided the support the project really needed."

George Cobb, Group Sustainability Accountant,
Scottish and Southern Electricity Networks

Trialling the application of the Natural Capital Protocol to farms and estates

Crown Estate Scotland manages agricultural land, forests, the seabed, commercial premises and just under half of the foreshore across Scotland.

AECOM and Cumulus Consultants Ltd are supporting a coalition of organisations, led by Crown Estate Scotland, to explore the degree to which the Natural Capital Protocol can be applied by land managers on farms and estates to develop a better understanding of the impact of their business operations on natural capital, and the related dependencies, risks and opportunities.



Assessing future options for Little Don reservoirs

Yorkshire Water owns 28,000 hectares of land. By opening up its recreational land to everyone, it hopes to encourage more people to spend more time being more active outdoors, protect the environment, and inspire younger generations to enjoy nature. To achieve these goals and make better decisions to benefit customers, Yorkshire Water is using a capitals approach to quantify the environmental and social impacts of its actions.

AECOM developed an innovative tool that compares the impacts of various land management decisions across the capitals. Drawing on the latest scientific evidence, the tool provides a cutting edge approach to measuring and valuing impacts.

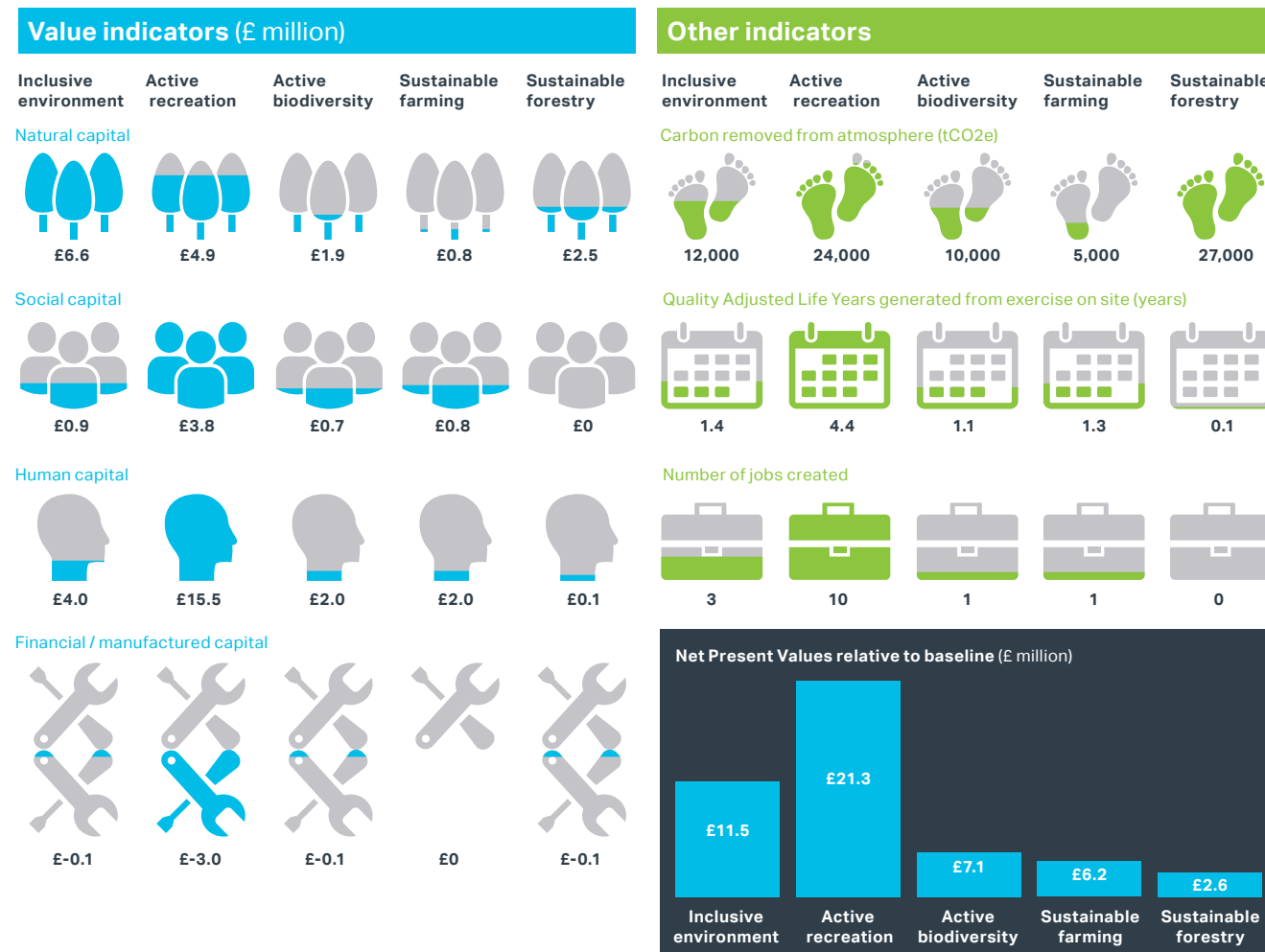
We piloted the tool in the 'Little Don' area in South Yorkshire to guide the site's re-development as a recreational hub, comparing five different scenarios:

- Inclusive environment: encouraging all groups to interact with the environment
- Active recreation: planting trees and encouraging sports such as mountain biking
- Active biodiversity: protecting and restoring nature
- Sustainable farming: working with farmers to better balance the needs of the environment
- Sustainable forestry: focusing on woodland creation and hedgerow planting across the majority of the site.

The results suggest that encouraging active sports may provide greatest potential benefits, despite costing more than the other proposed scenarios. The results also demonstrate the pros and cons of each scenario, and the existence of important trade-offs between the goals of encouraging visitor diversity, protecting biodiversity, and creating employment opportunities.

Yorkshire Water will discuss the results with stakeholders in the Little Don area to decide on a site management approach that meets everyone's needs.

Yorkshire Water is intending to apply the tool more widely in future to guide land management and land use decisions that will help it achieve its goals across its landholdings.



Valuing beach and river care volunteer programmes

Anglian Water's RiverCare and BeachCare Programmes bring volunteers together with the common goal of improving their beach and river environments. We evaluated the contribution of both programmes to natural, social and human capital. Using natural capital and social capital valuation methods, we were able to quantify and, where feasible, monetise the natural, social and human capital value of both programmes.

The results from the analysis revealed that the RiverCare and BeachCare Programmes make significant monetary and non-monetary contributions to Anglian Water. They also add to social and natural capital through reputational gains, increased positive media coverage, contributed to volunteer wellbeing and avoided costs of litter picking.

How can we help?

We can help your organisation develop and apply capitals thinking and ensure that impacts and dependencies on non-financial relationships are robustly understood.

We are adept at gathering comprehensive evidence, distilling key messages and communicating complex information on impacts and dependencies in easy-to-digest formats. We then work closely with you to develop bespoke tools to assist your organisation to reflect this information in decision-making processes so you can make better-informed choices.

Our inter-disciplinary capitals team includes specialists in environmental economics, accountancy, social impact, land management, asset management and climate change.

Working with a diverse array of professionals from across AECOM, we offer unparalleled capitals approach expertise and support.

About AECOM

AECOM is built to deliver a better world. We design, build, finance and operate infrastructure assets for governments, businesses and organizations in more than 150 countries. As a fully integrated firm, we connect knowledge and experience across our global network of experts to help clients solve their most complex challenges. From high-performance buildings and infrastructure, to resilient communities and environments, to stable and secure nations, our work is transformative, differentiated and vital. A Fortune 500 firm, AECOM had revenue of approximately \$18.2 billion during fiscal year 2017. See how we deliver what others can only imagine at aecom.com and [@AECOM](https://twitter.com/AECOM).

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