



A4S

**CFO LEADERSHIP
NETWORK**

OUR APPROACH TO EMBEDDING
NATURAL CAPITAL ACCOUNTING
INTO STRATEGY AND
DECISION MAKING

Practical example: United Utilities





WHAT

United Utilities provides water and wastewater services in the North West region of England. We wanted to establish a baseline of the natural assets we own, so in 2018 we created our first corporate natural capital account, which we updated in 2023. We also commissioned a North West Regional account which values the benefits of natural capital beyond our own assets. Natural capital accounting enables us to assess the impact of our investments on our natural assets, provides a measure of how resilient these assets are and supports our ongoing planning.

To help give us a fuller picture, we also assessed both our impacts and dependencies on natural capital. Together this knowledge allows us to manage our catchments in a holistic way that consider the wider environment too.

To help us report on our progress, we became early adopters of the [Taskforce on Nature-related Financial Disclosures \(TNFD\) framework](#), showing how we have embedded the knowledge from our natural capital accounts into our company decision-making processes.

We are evolving our natural capital accounting into a six capitals approach to further improve decision making further by considering an even broader range of impacts and dependencies.



WHY

Focusing solely on measuring financial and manufactured capital leads to an incomplete picture of the value we are creating or eroding. We are entirely reliant on natural ecosystems to provide a resilient service to our customers. It is therefore crucial that we have a good understanding of our natural capital, and work to maintain and enhance it. For this to happen, it needs to be embedded in our strategy and decision making. As the largest corporate landowner in England we are conscious that we are well-positioned to make a significant positive contribution to our environment. In addition, our investors are increasingly taking an interest in environmental resilience as part of ESG assessments.

The natural environment and ecosystem services in our region are under increasing pressure from a growing population and climate change, which is driving the need for a strategic approach to protect and enhance natural capital. Holding an up-to-date natural capital account helps us to capture the true value of our asset base and the services these assets can provide for customers, and it can inform decisions on how to manage this value most effectively. This understanding supports us in identifying nature-based solutions that can help to mitigate our climate impact and supports us in making the best investment decisions.

Finally, reporting on our work using TNFD helps drive change within our sector and beyond and to communicate effectively with our stakeholders including investors.

HOW

Natural capital goes far beyond our own assets. We wanted to understand the impacts on natural capital and to improve its resilience by working with partners such as farmers and land owners. We therefore needed to develop a natural capital baseline of our region as well as for our own organization.

We used consistent methodology for both our corporate and regional natural capital accounts so we could compare the results. Working with a leading consultancy in natural capital accounting, we developed an asset register to calculate the benefit value to both our company and wider society. Some key insights into the value of the natural capital in our region are shown in Figure 1.

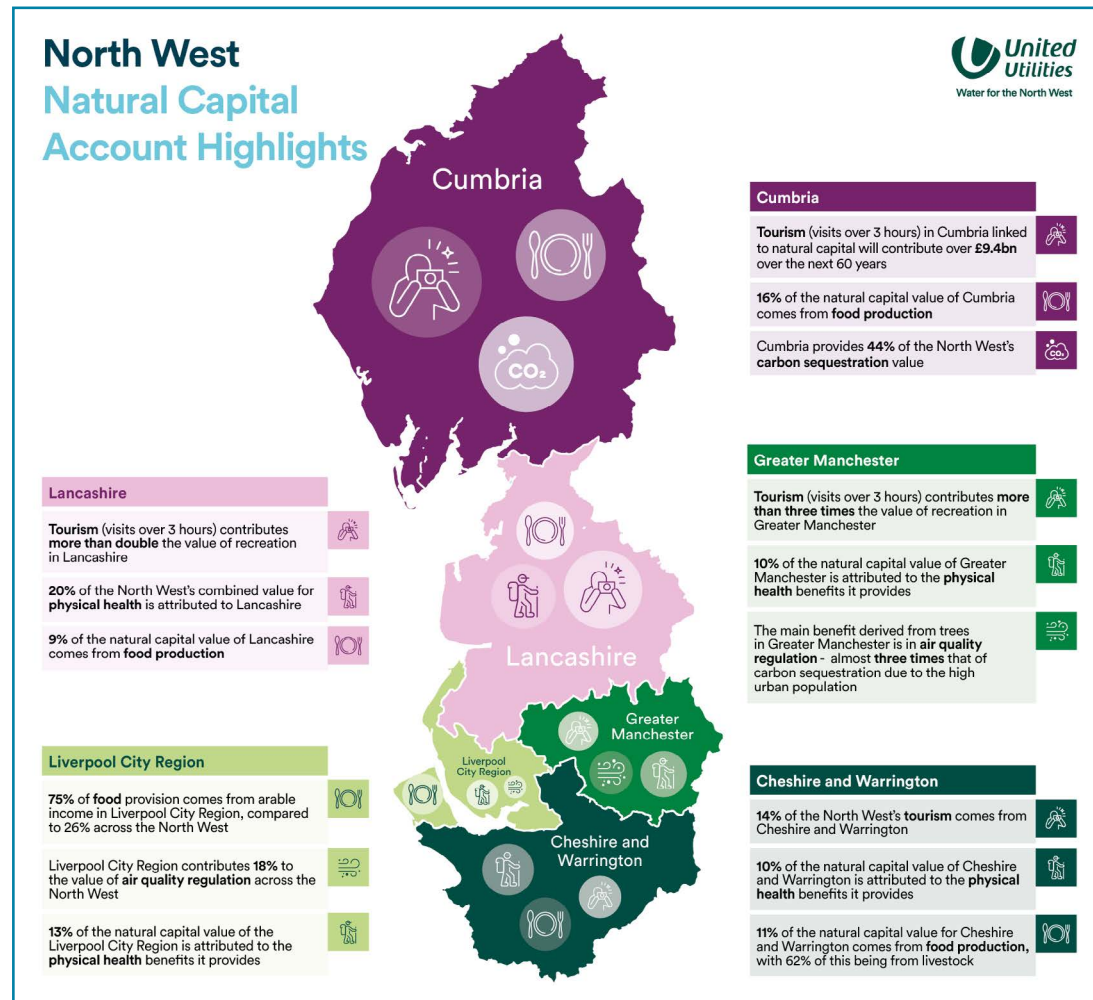



Figure 1: North West Natural Capital Account provides a baseline position to track changes and recognize trends across the region over time (extract from [North West Natural Capital Account](#))



We looked at our natural capital impacts and dependencies by assessing our interactions with nature and what impact we have on the environment in the short, medium and long term. Whilst dependencies can sometimes be harder to identify, if unmanaged these business risks can have material impacts on the bottom line. This knowledge also facilitated our TNFD reporting.

We used these insights to develop a target for natural capital which enabled us to integrate it further into decision making. This encouraged us to explore new ways of delivering natural capital value in the interventions we implement, particularly for the ecosystem services that customers have expressed a willingness to pay for, such as water quality, reduced flooding, biodiversity, recreation and climate resilience. We have since developed a value framework built on the six capitals (financial, manufactured, natural, human, social and intellectual capital). Considering a wider range of information enables us to make more sustainable and resilient long-term decisions. Moving towards a value-based decision-making approach helps us to consider a fuller picture while ensuring decisions are made with the best cost-benefit ratio.

SUPPORTING CULTURAL CHANGE WITHIN THE COMPANY

We took a gradual approach to embedding natural capital thinking within the organization which has allowed time for cultural change and led to a successful implementation.

To assist in the cultural shift progress, we focused on activities in three main areas: tools, capacity building and engagement.

Tools:

- We developed an internal natural capital and ecosystem services valuation tool. This helps us identify any potential ecosystem benefits from our future projects during their development stage.
- We followed [British Standards Institution](#) standards (BS 8632: Natural Capital Accounting for Organizations) while developing our updated corporate natural capital account.

Capacity building:

- We worked with a leading consultancy company in natural capital accounting. Working alongside them to develop the accounts built our internal capacity.

- We utilized current guidance and support documents such as the TNFD, British Standards Institution standards and the [Environment Agency's enabling a natural capital approach guidance](#).
- We developed a bespoke natural capital e-learning course for our employees to upskill and expand their knowledge on the subject, allow them to help embed natural capital decision making with the organization.
- We hosted workshops and regular meetings to train our employees in how to use our natural capital and ecosystem services valuation tool.
- We recruited people with finance skills, specializing in a six capitals approach, to help further embed the strategies in key business decisions. The key financial skills we looked for were in data management, the principle of materiality, and supporting and influencing decisions.



Engagement:

- We engaged with the Chief Financial Officer early on in the process to support the development of our natural capital account and its evolution into a six capitals accounting approach.
- We reported on our business risks in our annual report to give full disclosure on our nature-related risks and opportunities.
- We held monthly natural capital working group meetings to disseminate information to key internal stakeholders and to discuss any concerns relating to nature-based project delivery.
- We hosted various external webinars and talks on the benefits of incorporating a natural capital approach in business decisions. These included our experience with a nature-based approach to project development and our work on incorporating the TNFD framework into annual corporate reporting.
- We worked with external partners to gain access to necessary data and identify key solutions.



TOP TIPS

ENGAGE KEY INTERNAL AND EXTERNAL STAKEHOLDERS EARLY IN THE PROCESS AND OFFER TO UPSKILL AND KNOWLEDGE SHARE

Get your CFO and senior leaders on board at the start. Identify others both internally and externally who are key to driving change and consider what additional skills/ information they need. Share your examples and take away knowledge from what others have done.

ASSESS YOUR DEPENDENCIES ON NATURAL CAPITAL, AS WELL AS IMPACTS

Whilst impacts may be easier to identify, dependencies can have a material effect on the success of your organization in the future and should be of interest to senior leaders.

MAKE USE OF EXTERNAL GUIDANCE AND STANDARDS

We used TNFD, British Standards Institution standards and the Environment Agency's "enabling a natural capital approach" guidance to make use of the best practice frameworks.

PUBLISH AND DEMONSTRATE THE SUCCESS OF THE BENEFITS

Natural capital doesn't respect land ownership or boundaries so engaging stakeholders is key to driving a consistent approach to using and managing the data facilitating the delivery of larger scale interventions. Highlighting the benefits helps to gain support both within the organization and from our external relationships with our customers, regulators, investors and wider stakeholders. Reporting through TNFD helps to drive market and wider uptake.

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