

NCFA secretariat response to requests for clarification

1. **Production impact.** Are there any datasets that actually translate the currently available datasets into quantifiable impact for companies (e.g. "level of disruption risks" to specific impact on "production processes")? For example, the actual numerical impact of reduced water availability in a certain watershed (spatially/temporally explicit) and how that affects the production of goods and services (e.g. 10% decrease in water availability in the summer season leads to 15% decline in corresponding production for a company)?

We don't have any datasets that provide this information at this level of precision. We are currently assessing the materiality of each dependency to each production process. However, this will be qualitative and provide a broad appreciation (like a traffic light system) rather than a precise quantitative relationship. The output of this activity will be available early in the project timeline (June or July).

2. **Red/Amber/Green.** Is the current thinking that the November version of the visualization tool ultimately highlights the red/amber/green ratings? How are these red/amber/green ratings created and will they be believed and valued by financial services institutions?

The current thinking for the tool is that it should be able to provide a risk appreciation based on a business sector's dependencies (and how material they are), and how these are affected by the status and trends of the environment (i.e. the key ecosystem assets and drivers of change affecting the dependencies) in which they are situated. The RAG ratings that you refer to reflect a risk-oriented analysis of which ecosystem assets and drivers of change are the most important to focus on when assessing disruption risk, they are therefore very important but they are not the only aspect that we wish to visualise/represent.

Regarding their believability, the ratings were provided by experts in their field and thoroughly reviewed. In additions, the information base that is provided alongside the tool details the process and the sources used in a fully transparent manner.

3. **End user preferred formats.** Has any work been done to identify preferred tool/website formats by the financial end users? For example, we've been told by some financial institutions that they don't want a website or tool...they just want highly relevant/local data that they can input into their existing analytical spreadsheets (typically in MS Excel).

We have opted for a web-based tool and knowledge base, reflecting the fact that it is not the intention of the tool to directly provide analysis or evaluation for use in financial decision making.



Natural Capital Finance Alliance

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4. **Heterogeneity of data formats.** How are end users intended to access the "inventories of data sets"? Is this simply URL links to these datasets, so they are available for download?

There are two levels here. The tool should import data and process it directly to provide the visualisations as set out above. In addition, the knowledge base part of the website should provide the data inventories. It is unlikely that a financial sector user would delve into these to run their own analysis, but it is part of making the knowledge we have gathered about natural capital risk-relevant data sources available publicly.

5. **Existing visuals.** Have there been any visuals created that outline the kind of tool you want completed by November 26th? Also equally important, have you already created visuals of the possible "end state/steady state" of how the tool will look as more data is captured and all project phases are complete?

No, we don't have this type of visual. For now, the aim is to create a tool that helps users to grasp the issue of natural capital risk and gain some high-level insights about how businesses are exposed to it. Deeper levels of analysis that can provide actionable information for financial institutions are currently seen as needing more tailored and labour-intensive work and we are exploring this through the pilots. It is possible that some or much of this deeper analysis could one day be automated and brought into a tool but there are too many unknowns still at this stage to see this as a practical objective for this current phase of the project.

6. **Portfolio to be evaluated.** When the RfP describes a "portfolio view", is that simply referencing the "portfolio" that is across geographic, ecosystem assets/service, and threat lines? Or is it intended that the tool allows financial services end users to directly input companies and their places of operation (by specific sector) and the tool "analyzes" that financial service portfolio for risk (e.g. true risk diligence)? Specifically, does the tool analyze and assess risk (active calculations or evaluation is done, potentially through indexing of relative risk) OR is it a passive tool that allows end users to find data, but no active assessment is done?

The portfolio view refers to the ability of being able to specify several business sectors or geographies and being able to visualise natural capital risk across them. We don't anticipate that the information in the tool will have the granularity to enable company/asset specific analysis.

The tool will be more than just a passive repository of information. The aim is for the tool to combine the static information on sectors, processes, and dependencies with dynamic spatially explicit environmental data about the ecosystem assets and threats/drivers of change that impact the dependencies. This way it can provide information on which sectors in which geographies are more or less exposed to natural capital risks given the status and trends of the environment in their location.

7. **Financials.** Is there any financial (or economic) data that has been compiled that will allow for the natural capital data to be translated into financial statement impacts?

No, we think this level of analysis is outside of what is achievable in this project.

8. **Data quality.** Has the team done any QA/QC on the actual datasets to confirm the quality of the data is investor grade (suitable for use by financial services "risk management and/or sustainability departments")? What will be the ongoing process to refresh and ensure data posted to the website/tool is kept current (and links are still valid)? Who will be responsible for that?

There is considerable information about all of the identified data sources in the inventories including regarding their perceived reliability. However it is anticipated that only a subset of the data identified in the inventories would be used for the tool itself. How this data is selected and whether a bespoke data back-end needs to be built are questions that we expect the group who is awarded the tender to assist us with. We are very keen to explore the opportunity of linking with existing data back-ends such as those behind UNEP's MAP-X tool or WRI's Resources Watch if that is possible and appropriate to the task.

As stated above, we don't aim to provide risk assessments for use in investment decisions but rather just to enable users to gain understanding of the issue. The data quality/reliability requirements are therefore not as stringent.

How to keep the tool updated and functioning over time will depend on the nature of the data back-end that is chosen and will need to be explored as part of that decision.

9. **Columbia/Peru/South Africa pilots.** When will the tool user insights from the country specific pilots be made available to inform the tool visualization? When will this pilot phase end and who will be responsible if the initial country pilot insights ends up changing into different final recommendations?

The outputs of the pilots will be mostly concluded by September. Given the high-level nature of the analysis provided by the tool however, we don't expect that the pilots will have a large influence on the tool development. The tool stands separately from the natural capital risk assessment process that we are designing for banks. At the moment, the tool is seen as a teaser that might lead a financial institution to be interested in the issue and conduct an analysis of its own exposure to natural capital risk rather than as a way to conduct the analysis itself.