

Protecting shareholder and natural value



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2005 benchmark of biodiversity management practices in the extractive industry



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- **What does it do and what does it cover?**
- **How was it developed and how is it done?**
- **What have been the results in 2004 - 2005?**

What is the biodiversity benchmark?



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- Framework describing best practice in the management of biodiversity by companies, produced by Insight and FFI.
- Based on business risk and opportunity.
- Includes 34 standard and 7 leadership aspects of management.
- Establishes criteria for different scores on each aspect, so each company can be marked on the quality of cradle to grave management of biodiversity.
- Allows the comparison of companies' risk management and performance.

What does the benchmark do?



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- Provides an **objective**, consistent basis for examining the comparative risk exposure and management of companies on biodiversity.
- Helps answer the question “how does the CBD translate into **specific responsibilities** for companies”.
- Reveals specific **strengths** and **weaknesses** of **companies** on biodiversity.
- Allows mainstream investors to consider biodiversity in their **investment decisions**.
- Offers companies **peer comparison**, a **framework** and specific suggestions for continual **improvement** on management of biodiversity.
- Transparency and **public visibility** of results offers companies incentive for further improvement.
- Provides detailed **information** to civil society on companies’ performance.

How does the benchmarking exercise take place?



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- Information from **publicly available** corporate **literature** matched against benchmark criteria for **initial results**.
- Initial results sent to each company for correction and addition of **supplementary information** which is not in the public domain.
- Discussions/meetings with companies for any necessary **clarification**.
- Benchmark **results finalised**. General **report published**.
- **Specific results sent to each company** together with “engagement” letter **requesting changes** in governance, policy/strategy, management and disclosure.

Biodiversity Benchmark



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Elements of the biodiversity benchmark:

- **Governance structures**
- **Policy and strategy**
- **Management and implementation**
- **Assurance and reporting**
- **Leadership**

How do the participants perform?



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	Description	Mining and Minerals	Oil and Gas	Utilities
Companies engaged and actively managing (Score >66%)	<ul style="list-style-type: none"> Biodiversity is acknowledged as a potential business risk and opportunity Biodiversity risk has been formally assessed Specific related policy commitments and management tools in place 	Rio Tinto Anglo American BHP Billiton Alcoa#	BG Group BP Shell Total#	Northumbrian Water* Severn Trent Water United Utilities
Companies aware and mobilising (Score 33% - 66%)	<ul style="list-style-type: none"> Awareness demonstrated through acknowledgement of company's impact on biodiversity, its inclusion within certain aspects of risk management and/or some reference within policy documents and/or management tools 	CEMEX# Lafarge# Lonmin* Xstrata†	Cairn Energy*† ENI# Norsk Hydro# Premier Oil* Statoil# Venture*†	Centrica National Grid Scottish Power# Scottish & Southern# Kelda
Companies in early stages (Score < 33%)	<ul style="list-style-type: none"> Little or no evidence that potential risks relating to biodiversity have been formally assessed No publicly expressed rationale provided for any conclusion that biodiversity is not a business risk Policy for biodiversity risk management is limited in geographical and/or business function scope or does not exist at all 	Alcan# Antofagasta Aquarius Platinum* Holcim# Vedanta*#	OMV# Soco*† Tullow*†	E.ON# Suez#

* Companies with market capitalisation of £2 billion or less (source: Datastream, as at 31 December 2004)

Companies that are new to the benchmark of 2005

† Companies that improved their scores by more than 100% from the 2004 benchmark

Power for Change?

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"My question is: Are we making an impact?"

Encouraging change



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■ Average scores show overall trend of improvement

	2004	2005
Mining and metals	48%	56%
Oil and gas	46%	51%
Utilities	62%	66%

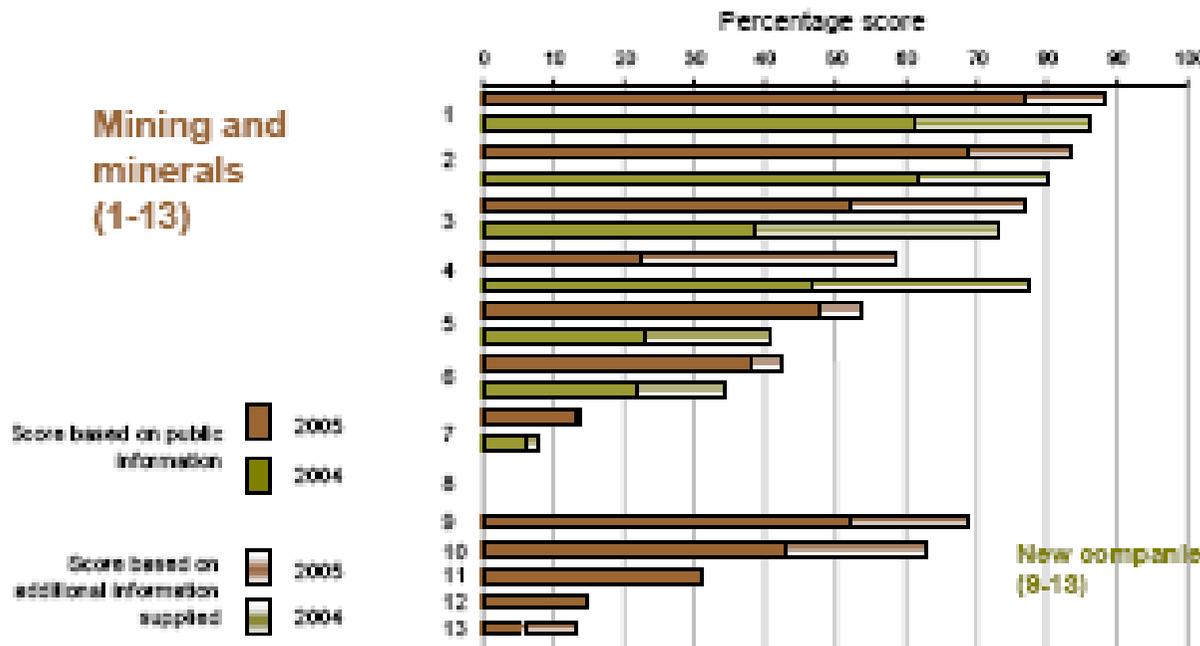
- Cairn Energy, Xstrata, Venture, Soco & Tullow more than doubled their performance
- Ongoing dialogue and key engagement points beginning to be addressed
- A number of companies actively tracking and participating in initiatives to address emerging issues e.g. offsets, landscape level planning
- Areas of significant weakness remain (risk evaluation, policy and strategy, assurance and reporting)

Mining and minerals sector



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Mining and minerals (1-13)



- Scored highest in stakeholder engagement, ESIA, training
- Lowest scores for corporate risk management, strategy, site level BAPs, reporting, assurance
- Largest score increase from 2004 in stakeholder engagement, policy and internal auditing

• Best practice examples:

- Rio Tinto (strategy)
- Anglo American (auditing)
- Lafarge (toolkit)

Oil and gas sector



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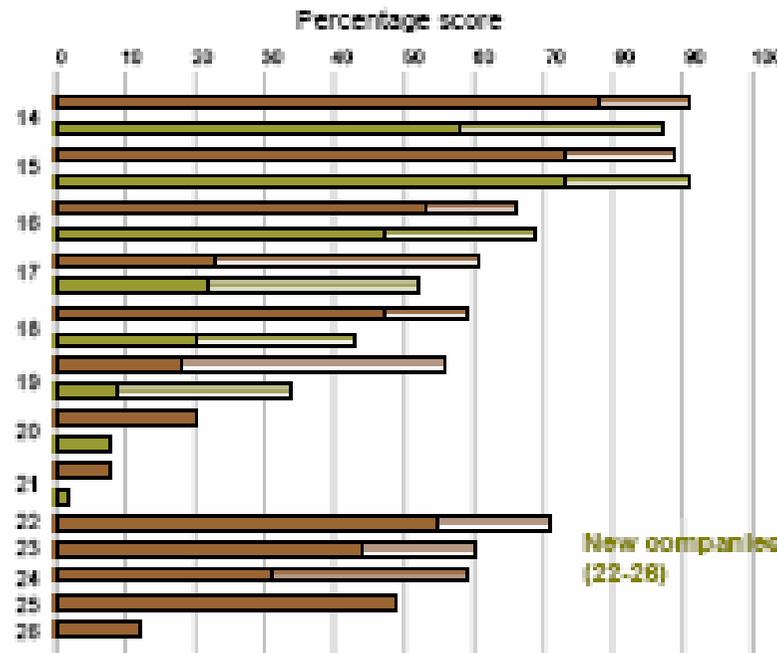
Oil and gas (14-26)

Score based on public information

- 2005
- 2004

Score based on additional information supplied

- 2005
- 2004



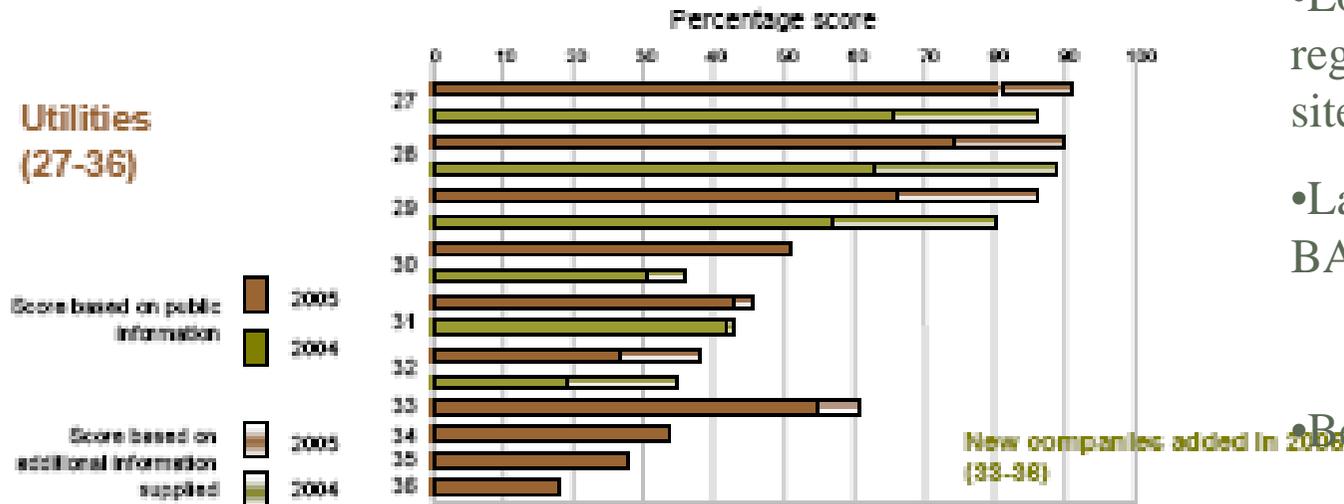
- Scored highest in assignment of responsibility for biodiversity risk management, ESIA, training
- Lowest scores for commitments regarding sensitive sites, strategy, site level BAPs, reporting, assurance
- Largest score increase from 2004 in risk management, policy & strategy and training
- Best practice examples:
 - Shell (training/ site selection)
 - BG (strategic risk review)
 - ENI (EBI)

Utilities sector



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Utilities (27-36)



- Scored highest in integration of biodiversity into business processes, KPIs, partnerships, ESIAs, policy

- Lowest scores for commitments regarding sensitive sites, strategy, site level BAPs, assurance

- Largest score increase from 2004 in BAP development

- Best practice examples:

- Kelda (policy)

- United Utilities (risk management)

Recommendations



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- **Report sets out series of minimum and best practice recommendations for biodiversity management**
- **As a minimum companies should report outcome of biodiversity risk evaluation, policy commitments and site level management activities**
- **Companies are encouraged to pay particular attention to**
 - Making clear policy and strategy commitments
 - Undergoing robust risk assessment processes and creating linked biodiversity management activities
 - Development of biodiversity performance indicators
 - Addressing gaps in assurance processes
 - Participating in effective integrated land use planning

What are the limitations of the benchmark?



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- So far, only designed for **direct footprint impacts**, not supply chain impacts.
- **Relies** largely on **corporate information** (eg existence of policies and management tools on biodiversity) and companies' statement on how these management tools are applied. (But does require some evidence to back up assertions.)
- Doesn't provide detailed, technical **“how to”** information, but points companies to examples of best practice.
- **Human and financial resources** required to do the analysis and communicate with companies.

Vision for the future



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- Wider uptake of benchmarking approach: finance sector, collaboration with NGOs and business schools
- Promote consistency of approach and enhance data quality
- Focus on sectors deemed material in terms of biodiversity impacts: design a supply-chain benchmark to complement this direct footprint one.
- Interest from CBD community, UNEPFI, NGOs and business schools.

Some responses to the benchmark



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- **Company use of the benchmark as a framework to audit approaches to biodiversity management**
- **Logical framework for approaching biodiversity management for small and large companies**
- **Means of securing senior attention on biodiversity, builds the internal business case**
- **Takes a significant amount of time to complete – resource intensive**

Over to our panel for their views

Additional information



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Governance structures



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- **Responsibilities** for biodiversity performance assigned at all levels including 1) Group / Divisional level and 2) Site level
- **Risk management** Implications of key biodiversity impacts and issues factored into risk evaluation within the lifecycle of operations and supply chain.
- **Stakeholder engagement** to inform understanding of biodiversity issues and impacts at local and global level.
- **Integration** biodiversity integrated into corporate decision-making.

Policy and strategy



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■ Policy commitment to:

- understand, avoid, minimise and mitigate impact throughout life cycle of operations (across value chain and temporally)
- contribute to legal & policy framework
- work in partnership
- offset impact
- integrate into core business processes
- monitor & report
- continuous improvement

■ Strategy to drive biodiversity performance:

- vision, SMART objectives and targets

Management and implementation



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- **Environmental management system** includes consideration of biodiversity
- **Site selection tool** to ensure biodiversity factored into initial decision on siting of new locations / activities
- **Environmental and social impact assessments (ESIA)** for any new capital project and any substantial modification of existing projects as early as possible in the project lifecycle and iterative
- **Biodiversity Action Plans** at site level for all sites of high biodiversity value or risk of significant impact on biodiversity. OR: **Integration of biodiversity into (other) site plans**, e.g. site management plans, community development plans, closure plans, water management plan, waste rock management plans etc.
- **Partnerships** partners involved in setting vision and goals; designed to support corporate goals and NBSAP and other national/ community biodiversity priorities; measurable outcomes are reported
- **Competency & Employee awareness** Key staff competency ensured by recruitment or training and mechanisms in place to raise awareness of employees in key positions on issues relating to biodiversity

Assurance and reporting



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Site level & corporate level audits

- Internal & external audits to determine extent policy and procedures at site and corporate level.
- Progress against BAPs or site management plans.

Management information

- Internal & external audits to determine whether information used is complete, accurate and reliable.
- External audits refer to report verification

Key performance indicators

- Qualitative indicators (measures effectiveness of management systems e.g. proportion of BAPs in place at high risk sites)
- quantitative/outcome indicators (for example catastrophic event recorded, reclassification of location as site of special conservation (e.g. SSSI, IUCN protected areas))
- Process indicators relate to management systems, outcome refer directly to performance

Sensitive sites

- Commitment to understand and manage impact on sensitive sites
- Acknowledgement of business risks
- Disclosure of key operations in/adjacent to sensitive sites

Leadership



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- **Level of conservation activity commensurate with risk exposure**
- **Activities address external underlying causes**
- **Clarity on third party involvement**
 - Are joint ventures influenced by company standards
 - Do contractors follow company standards
- **Closure or sale managed to protect reputation by ensuring biodiversity management continues**
- **Track emerging issues**
- **Share knowledge/information with conservation community**

Detailed results



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Criteria	Mining and Minerals	Oil and Gas	Utilities
Strong risk assessment processes are in place at the site and the corporate level	3/13 (23%)	7/13 (54%)	3/10 (30%)
Policy frameworks are strong and cover all types of business functions, containing specific biodiversity commitments	3/13 (23%)	3/13 (23%)	4/10 (40%)
Biodiversity strategy in place or under development which covers all types of operations and business functions and includes a range of specific strategic commitments	8/13 (61%)	6/13 (46%)	6/10 (60%)
Biodiversity Action Plans or equivalent site management plans in place for all high risk sites	4/13 (31%)	4 /13 (31%)	4/10 (40%)
Internal and external assurance processes in place that cover biodiversity related management systems and all key risk areas	0/13 (0%)	2 /13 (15%)	3/10 (30%)
Robust biodiversity performance indicators developed	0/13 (0%)	0/13 (0%)	0/10 (0%)
Report on all operations which contain, are in or near sensitive sites, and the potential impacts and activities undertaken to manage those impacts	2/13 (15%)	3/13 (23%)	1/10 (0%)