

The Natural Value Initiative

Linking shareholder and natural value



With thanks to the Dutch Ministry of Housing, Spatial Planning and the Environment

Overview



- Background
- The need
- The Natural Value Initiative

Background



- The growth of agriculture throughout the world has coincided with a period of rapid loss of biodiversity and ecosystem services
 - Cultivated land now covers one quarter of the world's land
 - Demand for food is projected to increase 70-80% by 2055
 - A further 10-20% grassland and forest are projected to be converted to agricultural land by 2050
 - The growing demand for biofuels is likely to increase this trend
- Agriculturally based industries have a clear reliance on the ecosystem services derived from biodiversity (healthy soils, access to timber, access to water)

Agricultural sector: Challenges & opportunities



- **Business case emerging:** security of supply, reputation, access to markets)
- **Lack of influence/ control:** extended supply chains, turn over of suppliers, lack of direct proximity
- **Value:** tight margins, need to deliver value, cost of environmental markets not borne by the market
- **Focus:** plethora of initiatives and huge range of products – where do you focus?



Centro de Estudos em Sustentabilidade da FAESP



Finance sector: Challenges & opportunities



- **Business case emerging:** service risk, geographic risk, sector risk
- **Range of activity:** Significant increase in awareness of risks and opportunities linked to environmental and social performance (Equator Principles, UNPRI)
- **Information needs not met:** A recent survey by WWF of investors showed that 83% felt that their information needs are not being met
- **Existing tools need revision:** few tools currently exist to enable a rigorous evaluation - how do you evaluate risk and opportunity where control is diffuse and overall strategic framework for risk management is unclear?

Defining the need



- **For the finance sector:** methodologies that are widely accepted and provide a rigorous evaluation of risks and opportunities and which can be fed into investment decision making processes
 - ⇒ Lower investment risk, more secure returns
- **For the agricultural sector:** a strategic framework against which issues based or commodities based initiatives can be placed to facilitate prioritisation and enable more effective communication with an increasingly engaged finance sector
 - ⇒ Reward of good practice

The Natural Value Initiative



- **What?** A multi-stakeholder initiative aimed at raising awareness within the finance sector of the links between biodiversity and ecosystem services and investment value focusing on companies with agricultural supply chains
- **How?** Through adjusting the benchmarking methodology and applying it to 40 companies with agricultural supply chains (producers, processors, retailers)
- **Proposed outcomes:**
 - Greater ability to evaluate BES risk within the finance sector
 - Improvement in BES risk and opportunity management within the agricultural sector
- **USP?** Takes a corporate wide approach rather than a commodities focused approach – highlighting strategic risks and opportunities

Key partners



- Key partners;
 - UNEP FI
 - Fauna & Flora International
 - FGV
- Steering committee developed drawn from the finance sector, food and beverage sector and NGO sector
 - Role: to provide an independent critique of the benchmarking methodology and process
 - Current members: M&S, Pax World, UNEP FI, WWF, Conservation International, IUCN, the CBD Secretariat, BSR, Strathclyde University, FGV


The Biodiversity benchmark




- Framework describing best practice in the management of BES by companies, produced by Insight and FFI.
- Based on business risk and opportunity.
- Includes 34 standard and 7 leadership aspects of management (Governance, policy & strategy, management & implementation, assurance and reporting, leadership)
- Provides an objective, consistent basis for examining the comparative risk exposure and management of companies in BES

	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†	Caim 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



Protecting shareholder and natural value



2005 benchmark of biodiversity management practices in the extractive industry

Jack Focall
Annalisa Grigg
Patricia & Peter Himmelfarb
Kerry ten Kate
magis research

How was it used?



- By companies:
 - As a strategic framework against which to evaluate their activities
 - As a means of securing greater internal support for BES initiative
- By financial organisations
 - To inform investment decisions
 - Goldman Sachs: key element of their ESG reports
- Why was it so positively received?
 - Looked at BES as a business risk and opportunity
 - Brought a global view
 - Came from investment community

The process



Scoping and development (April 07 – October 2007)

- Initial consultations with finance sector (UNEP FI, focus groups, discussions)
- Mapping of key stakeholders and dialogue
- Securing industry input and views through two consultation workshops (in the UK and Brazil)
- Confirmation of the value of a benchmarking tool

Outputs:

- Workshop reports setting out key issues, barriers and summarising the results of the scoping phase
- Future strategy confirmed

The process #2



Implementation (October 07 – October 08)

- Continue to secure pilot institutions in the finance sector (Pax World, F&C)
- Adjustment of benchmarking methodology
- Circulation to key stakeholders for review and comment
- Research companies against the benchmarking methodology based on information in the public domain
- Confirm results with participant companies

Outputs:

- Final benchmarking analysis published
- Companies provided with feedback and rationale for evaluation