

The Natural Value Initiative

Linking shareholder and natural value



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



Overview



- The Natural Value Initiative
- A benchmarking approach
- Next steps
- The UK workshop
- Discussion sessions

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



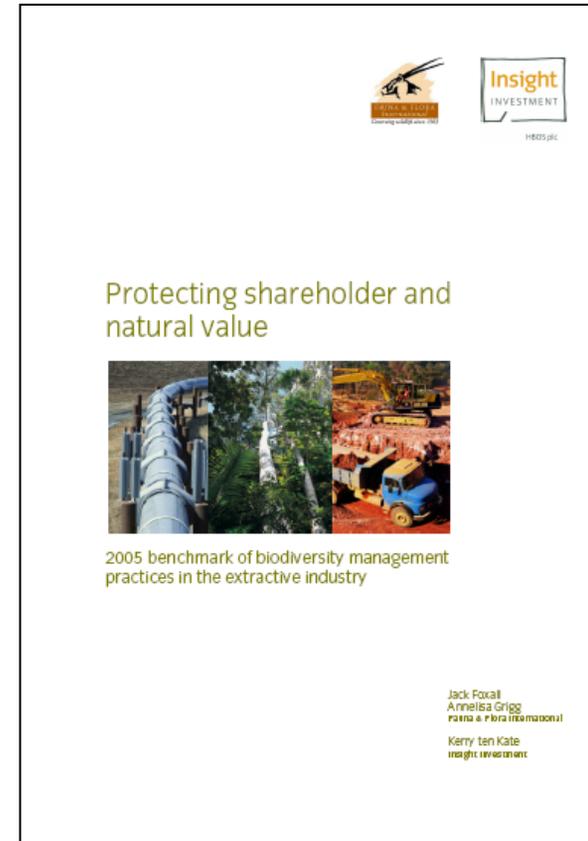
- Key partners;
 - UNEP FI
 - FGV
 - Fauna & Flora International
- Steering committee developed drawn from the finance sector, food and beverage sector and NGO sector
 - Role: to provide an independent critique of the benchmarking methodology and process
 - Current members: M&S, Pax World, UNEP FI, WWF,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



The detail



- **Governance:**
 - is responsibility assigned for biodiversity?
 - is it viewed in terms of risk and opportunity and has a risk assessment been performed?
- **Policy and strategy**
 - is a policy or strategy in place that specifically refers to biodiversity?
- **Management and implementation**
 - Do impact assessments and site selection decisions include biodiversity?
 - Are there site level management plans that include biodiversity?
- **Assurance and reporting**
 - Is there internal or external assurance processes that include biodiversity?
 - Are indicators in place to monitor impact and outcome?
- **Leadership**
 - Do the activities in place to support biodiversity address the impacts of the companies?
 - Do they address the supply chain?

The Biodiversity benchmark



	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

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)

Outputs:

- Workshop reports setting out key issues, barriers and summarising the results of the scoping phase
- Future strategy confirmed outlining the value, scope and nature of a benchmarking tool

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

UK workshop: key areas of discussion



- 43 participants from the finance sector, food and beverage, tobacco and NGO sectors
- One day workshop aimed at gaining input in to the need, scope and nature of an evaluation tool for the finance sector
- One of two such workshops - critical opportunity to secure input from the group
- Results of each workshop are summarised

UK workshop: key areas of discussion



What is the business case for minimising impacts on biodiversity and associated ecosystem services?

- For the finance sector reputational risk: concerns about investment returns and potential opportunities linked to the growth of the carbon markets.
- Within the food and beverage and tobacco sectors: security of supply, reputation and access to markets.

How are such issues communicated to the financial community?

- The financial community is not asking the correct questions
- Most of these questions are not coming from mainstream investors.
- Information required to evaluate risk is not available

What are the challenges to managing the issue?

- Complexity
- The language used acts as a barrier
- Large number of demands on time – difficult to prioritise
- Failure of society to adequately value ecosystem services

UK workshop: breakout sessions



3 breakout groups all tasked with the same questions

- **What is the business case for minimising impacts on biodiversity and associated ecosystem services?**
- **How are such issues communicated to the financial community?**
- **What are the challenges to managing the issue?**

Report back: nominate someone to report back