

“The FFI led benchmark is a multi-stakeholder collaboration to measure the performance of companies with agricultural supply chains, to highlight genuine biodiversity-business opportunities and risks and to guide such companies and strengthen their performance in the management of biodiversity”.

Biodiversity underpins our economy.

Biodiversity – plants, animals and the interactions between them – and the goods and services that it gives rise to, underpins our economy. Healthy functioning soils, raw materials for food and medicine and the maintenance of stable climate patterns are closely linked to the existence of significant areas of unspoilt natural habitat. The global economic costs of failing to conserve biodiversity and losing these ecosystem services have not yet been calculated in their entirety.

Growing scarcity of natural resources, increasing development pressures and escalating public concern about the resulting loss of biodiversity, pose a strategic threat (and offer potential competitive advantage) to companies. Companies in the food and drink industry are particularly exposed to this risk. Their supply chains are dependent on the services provided by biodiversity and their markets are closely linked to patterns of consumption, which have shifted rapidly as a result of an increasingly informed and concerned public. This is increasingly being recognised by the finance sector and within the companies in which they invest.

However, tools to enable a rigorous evaluation of environmental performance are scarce despite a rapid growth in ethical investment in financial markets and corporate responsibility within companies.....

Biodiversity is therefore an unaccounted for risk within the financial markets, in much the same way as climate change was 10 years ago.

A unique tool for the finance sector - Since 2004, UK based investor Insight Investment has been collaborating with Fauna & Flora International (FFI) and the Dutch network of socially responsible investors, VBDO, to evaluate the biodiversity management practices of 22 (2004) and 36 (2005) companies in the mining, oil and gas and utilities sectors.

The benchmarking methodology:

- **Is based on establish risk management processes** asks a series of question regarding the presence within a company of appropriate governance procedures, policy

and strategy, management tools and monitoring and assurance procedures to allow understanding and management of biodiversity impacts

- **Avoids placing an administrative burden** on companies by undertaking an initial analysis based on publicly available information
- **Ensures accuracy of the results** through sense checking with the companies and against documented evidence
- **Encourages performance improvement** through engaging directly with the companies on the weaknesses identified.

The tool has been endorsed by a range of stakeholders- governments, banks, companies and NGOs - as an effective tool for evaluating company performance and encouraging changed business behaviour. **It remains the only comprehensive means of analysing biodiversity risk that is in existence.**

The Natural Value Initiative: As part of a wider United Nations Environment Programme Finance Initiative (UNEP FI) project aimed at raising awareness of the links between biodiversity, investment value and the finance sector, UNEP FI and FFI are seeking to form an international collaboration of financial institutions, NGOs and business schools to pilot a methodology **which aims to assess biodiversity risks within the food and drink industry.**

A timeline for development:

- 2007:Methodology revised in consultation with a range of stakeholders and applied to up to 40 companies listed in the UK and Brazil
- 2008:Engagement with companies and finance institutions on benchmark results
- 2009:Benchmark expanded to 3 further countries (20 extra companies from each of the following: South Africa, China and USA) and report released
- 2010:Engagement with companies and finance institutions on benchmark results



“Our work will create opportunities for the food and drink industry, enabling them to understand and manage biodiversity impacts more effectively”

This is part of a wider programme with the finance sector which encompasses a similar analysis of the extractive industry

The plan for 2007- 2008:

Scoping and development

1. May-July 2007

- **Confirmation of the value of the current benchmark tool with the finance industry** to effectively evaluate biodiversity risk
- **Review of the tools needed by the finance sector to analyse biodiversity risk** within companies in the food and drink industry
- **Adjustment of the benchmarking methodology for application to the food and drink industry**



2. August-September 2007

A Workshop will be convened between NGOs, investors and food and drink producers, processors and retailers to:

- draw out the business case for managing biodiversity impacts and risks within the sector
- identify best practice approaches to controlling biodiversity related risks
- review the revised benchmarking methodology and its application to biodiversity



3. October - November 2007

A Report which identifies the business case for managing biodiversity risks within the food and drink industry and sets out a draft framework for evaluating biodiversity risk for piloting by financial institutions



4. October – May 2008

- **Research:** piloting the methodology on 40 companies in the food and drink sector in Brazil and the UK
- **Final report:** Analysis of results and interpretation in a final report which ranks company performance and draws out detailed examples of best practice in managing impacts and issues associated with biodiversity

The scoping phase has been funded by Dutch government through the Ministry of Housing, Spatial planning and the environment.

Key project outcomes will include:

- Greater awareness within the finance sector of the business case for managing biodiversity, the risks associated with mismanagement and understanding of best practice and capacity built in a range of business schools, NGOs, banks and companies to effectively manage biodiversity risk
- Dissemination of case studies of best practice to companies through the publication of two annual reports detailing the results of the benchmarks, identifying emerging issues and outlining best practice approaches to addressing them
- Improvement in performance of food and drink companies through on-going engagement

At each stage, the project will be guided by a steering committee drawn from the finance sector, food and drink industry and NGO sector will provide an independent critique of the benchmarking methodology and process and act as an independent reviewer of the results of the benchmark.

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