The Natural Value Initiative

Linking shareholder and natural value

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

[Logos and images related to the initiative]
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?
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

<table>
<thead>
<tr>
<th>Description</th>
<th>Mining and Minerals</th>
<th>Oil and Gas</th>
<th>Utilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies engaged and actively managing (Score &gt;66%)</td>
<td>Biodiversity is acknowledged as a potential business risk and opportunity</td>
<td>Rio Tinto</td>
<td>Northumbrian Water*</td>
</tr>
<tr>
<td>Companies aware and mobilising (Score 33% - 66%)</td>
<td>Biodiversity risk has been formally assessed</td>
<td>Anglo American</td>
<td>Severn Trent Water</td>
</tr>
<tr>
<td>Companies in early stages (Score &lt; 33%)</td>
<td>Specific related policy commitments and management tools in place</td>
<td>BHP Billiton</td>
<td>United Utilities</td>
</tr>
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* 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 practice in the extractive industry
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