

# The Natural Value Initiative

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Linking shareholder and natural value



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

# Overview

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- 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



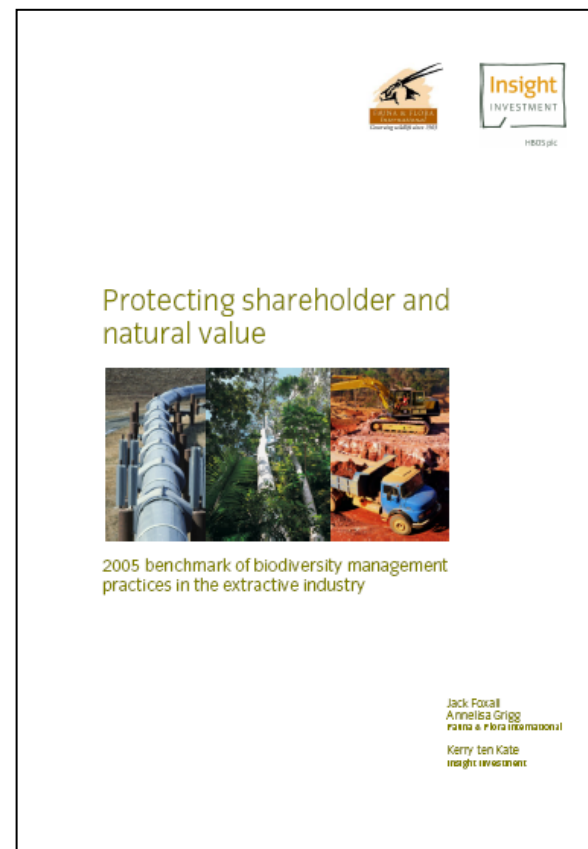
- Key partners;
  - UNEP FI
  - FGV
  - Fauna & Flora International
- Steering committee developed drawn from the finance sector, food and beverage sector and NGO sector
  - Role: to provide an independent critique of the benchmarking methodology and process
  - Current members: M&S, Pax World, UNEP 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
<b>Companies engaged and actively managing</b> (Score >66%)	<ul style="list-style-type: none"> <li>Biodiversity is acknowledged as a potential business risk and opportunity</li> <li>Biodiversity risk has been formally assessed</li> <li>Specific related policy commitments and management tools in place</li> </ul>	Rio Tinto Anglo American BHP Billiton Alcoa#	BG Group BP Shell Total#	Northumbrian Water* Severn Trent Water United Utilities
<b>Companies aware and mobilising</b> (Score 33% - 66%)	<ul style="list-style-type: none"> <li>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</li> </ul>	CEMEX# Lafarge# Lonmin* Xstrata†	Cairn Energy*† ENI# Norsk Hydro# Premier Oil* Statoil# Venture*†	Centrica National Grid Scottish Power# Scottish & Southern# Kelda
<b>Companies in early stages</b> (Score < 33%)	<ul style="list-style-type: none"> <li>Little or no evidence that potential risks relating to biodiversity have been formally assessed</li> <li>No publicly expressed rationale provided for any conclusion that biodiversity is not a business risk</li> <li>Policy for biodiversity risk management is limited in geographical and/or business function scope or does not exist at all</li> </ul>	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