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New Developments



Over the last 6-8 months we have brought together over 90 members of the finance sector, NGO and food, beverage and tobacco sectors to discuss how to evaluate company dependence and impact on biodiversity and ecosystem services. [Learn more](#)

Piloting the toolkit



We encourage investors to work with us to pilot the methodology. [Learn more](#)

Emerging Initiatives:



A Stern-equivalent report on biodiversity

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New Publications



Bloom or Bust? - a CEO briefing on biodiversity and ecosystem services

UNEP Finance Initiative (UNEP FI) launched its latest report "Bloom or Bust" for the global financial services community on 31 March 2008.

[Learn more](#)

Corporate Ecosystem Services Review: managing risks and opportunities arising from ecosystem degradation.

Global warming may dominate headlines today. Ecosystem degradation will do so tomorrow.

[Learn more](#)

Events



5-14 October 2008, Barcelona, Spain. IUCN World Conservation Congress

Meeting of conservation organisations with information exchange and



thenaturalvalueinitiative
Linking shareholder and natural value

Unpredictable weather, competition for crop land between biofuels and traditional crops, declines on soil fertility and increasing consumer demand are severely impacting our agricultural system.

In the last months we have seen spiralling food costs, the World Bank predicting unrest in 33 countries linked to food shortages, conflicts over access to water, and in some cases major decreases in company value as a result of drought induced declines in yield.

Realisation is spreading amongst the investment community that the resources we depend on for much of the world's food supply are finite, declining and in some cases disappearing. Furthermore, these trends are beginning to impact on the price of food and shareholder values. Yet communication between companies dependent and impacting on ecosystem services and the finance sector is weak on this issue. Strong practices remain unrewarded and risks remain unidentified.

The Natural Value Initiative (NVI), a collaboration between international environmental NGO Fauna & Flora International, Brazilian business school FGV and UNEP Finance Initiative aims to address this. We are creating a toolkit for the financial community to use in understanding companies' dependence and impact on biodiversity and ecosystem services.

We are testing this toolkit on current and potential investment holdings of a range of pilot finance institutions and investment managers as part of an ongoing process of engagement with the companies being evaluated.

Interest in the links between ecosystem services and company value is to be growing substantially.

With real movement on an initiative to create a Stern equivalent report on the value of ecosystem services, this interest can only increase. We remain convinced this is the right time for this initiative.

Annelisa Grigg

Project Director, the Natural Value Initiative

Box 1: The importance of ecosystem services

Companies are dependent on ecosystem services (see Box 2). Such services include raw materials such as timber and fish, appropriate quantities and quality of water, and a stable climate. The UN's Millennium Ecosystem Assessment has shown that more than 60% of the ecosystem services on which society and business rely are in decline. This has particularly significant implications for sectors such as the food, beverage and tobacco industries that are closely dependent on ecosystem services.

Failure to manage these issues will increasingly affect the costs of, or access to, capital. This was clearly shown in the Australian wine industry. In Autumn 2007 JP Morgan revised their earnings forecast for winemaker McGuigan Simeon Wines from A\$2.5million profit to A\$1.1 million loss, due to a drought induced fall in yields. By taking steps to ensure that natural resources are managed and harvested sustainably and that ecosystem services are being enhanced, companies can strengthen their competitive position and access new markets. Again, in Australia the wine producer, Banrock Station is investing in wetland protection – recognizing the role of wetlands in maintaining a stable water supply.

[Defining ecosystem services>>>](#)

New Developments

decision making related to
global conservation
priorities

In this section we highlight key developments in the project, emerging initiatives, key publications and upcoming events.

Update from the Initiative

Over the last 6-8 months we have brought together over 90 members of the finance sector, NGO and food, beverage and tobacco sectors to discuss how to evaluate company dependence and impact on biodiversity and ecosystem service.

Two consultation workshops were convened, with one in the [UK on the 8th August 2007](#) and the second in [Brazil, on the 3rd September 2007](#). These workshops confirmed a need for the sort of toolkit proposed by the NVI.

Based on further consultation with selected industry leaders, NGOs and desk research, we drafted a sector specific Ecosystem Services Benchmark tool which evaluates the quality of company management of their impacts and dependence on biodiversity and ecosystem services.

This builds on the earlier benchmark to evaluate the biodiversity management practices of the extractive industry, developed by FFI in collaboration with Insight Investment and the Dutch Network of Socially Responsible Investors (VBDO).

We very much welcome feedback on our approach and methodology. Please contact the Initiative on info@naturalvalueinitiative.org for copies of the methodology.

Box 2: Defining ecosystem services

An **ecosystem** is a dynamic complex of plant, animal, and micro-organism communities and their nonliving environment interacting as a functional unit. Examples of ecosystems include deserts, coral reefs, wetlands, rain forests, boreal forests, grasslands, urban parks, and cultivated farmlands. Ecosystems can be relatively undisturbed by people, such as virgin rain forests, or can be modified by human activity, such as farms.

Ecosystem services—sometimes called “environmental services” or “ecological services”—are the benefits that people obtain from ecosystems. Examples include freshwater, timber, climate regulation, protection from natural hazards, erosion control, and recreation.

A company **depends** on an ecosystem service if that service functions as an input or if it enables, enhances, or influences environmental conditions required for successful corporate performance. A company **impacts** an ecosystem service if the company affects the quantity or quality of the service.

Source: WBCSD, WRI, Meridian Institute (2008) www.wri.org/

Piloting the toolkit

We encourage investors to work with us to pilot the methodology. This involves:

- Reviewing the toolkit and providing us with feedback, thereby helping to shape a relevant and credible tool for risk and opportunity analysis
- Lending institutional weight to the initiative by endorsing our work and signalling the investment communities concern about this issue
- Acting as pilots, testing the methodology on your own investments and using it to inform your engagement process
- Reviewing the results of our analysis and the final methodology, engaging in dialogue with the NVI to determine how best to address this issue in your analysis

Through participating in the NVI, we expect investors to experience the following benefits:

- Improved understanding of biodiversity and ecosystem services risks and opportunities
- Gaining a window on best practice

- Developing means to ensure investee companies are operating sustainably with respect to the natural environment

Currently we are working with Banco Real, F&C Asset Management, Insight Investment, Pax World and VicSuper. To enquire further about what it means to be a pilot or for a copy of our draft methodology which is currently available for public comment, contact Annelisa Grigg on info@naturalvalueinitiative.org

Emerging Initiatives

Report launched that demonstrates an annual cost to society of £40 billion from biodiversity loss

In March 2007, a commitment was made at the G8+5 meeting of Environment Ministers in Potsdam to undertake a **Review on the Economics of Biodiversity Loss**. Described as 'Stern-like' report for biodiversity, the review will evaluate the costs of the loss of biodiversity and the associated decline in ecosystem services worldwide.

The results of the first phase of the study, which started late last year, were reported by the German Federal Ministry for the Environment and the European Commission at the Convention on Biological Diversity 9th Conference of the Parties in Bonn, Germany on 29th May. Called the '**The Economics of Ecosystems & Biodiversity (TEEB)**', initial findings from the study indicate that from 2000 and 2050, society will use ecosystem services with a total equivalent value of around £40 billion from land based ecosystems alone. Furthermore, cumulative welfare losses associated with the loss of biodiversity may amount to 7% of annual consumption by 2050. These impacts will be felt by the poorest of the world first and hardest.

Led by Mr Pavan Sukhdev, Managing Director and Head of Deutsche Bank's Global Markets business in India, the study may have far reaching consequences for policy action in this area. Mr Sukhdev stated "If we truly want to manage our ecological security, we must measure ecosystems and biodiversity – scientifically as well as economically. The economic compass that we use today was a success when it was created, but it needs to be improved or replaced... urgently".

The report launched yesterday is the results of the first of two phases of research. The second, more substantial, phase of the study will run into 2009, and its final results will be presented at CBD COP-10 in 2010.

Click [here](#) for further information

New Publications

Bloom or Bust? - a CEO briefing on biodiversity and ecosystem services

UNEP Finance Initiative (UNEP FI) launched its latest report "**Bloom or Bust**" for the global financial services community at a half-day event focused on "Film, Conservation and Investment" at the historic Palais des Nations in Geneva on 31 March 2008. The report, written for UNEP FI by Sustainable Finance Limited in association with Fauna & Flora International, examines where the financial services sector should stand on biodiversity and ecosystem services (BES) issues and reinforces the need for responsible and sustainable development of new markets based on natural value.

Richard Burrett, of ABN AMRO, and Chair of UNEP FI's Biodiversity & Ecosystem Services work stream commented: "Bloom or Bust is timely in coming just ahead of the UN Convention on Biological Diversity (CBD) meeting taking place in Bonn in May. The report takes an in-depth look at the financial services and capital markets' business case for involvement in BES from both risk and opportunity perspectives."

To download the complete report, visit: www.unepfi.org/.

Corporate Ecosystem Services Review: managing risks and opportunities arising from ecosystem degradation.

Global warming may dominate headlines today. Ecosystem degradation will do so tomorrow.

To prepare businesses for this new landscape, three organizations recently launched a set of guidelines designed to help companies proactively develop strategies to manage risks and opportunities arising from ecosystem degradation. The guidelines, called the "Corporate Ecosystem Services Review," were developed by the World Resources Institute (WRI) in collaboration with the Meridian Institute and World Business Council for Sustainable Development (WBCSD). Five WBCSD members – Akzo Nobel, BC Hydro, Mondi, Rio Tinto, and Syngenta – "road tested" the methodology and provided input to its design. Initial response has been very positive and there is considerable interest amongst the WBCSD membership to take forward the guidelines.

It is anticipated that the guidelines will enable its users to realise a number of benefits. They can help companies anticipate new markets and government policies that may emerge in response to ecosystem degradation. They can strengthen corporate environmental impact assessments by adding considerations traditional methods may overlook. They also offer the potential for companies to predict and manage conflicts over resources, identifying options for better trade-offs between ecosystem services.

"The methodology helped us identify and rank emerging problems, and provided us with a framework for turning risks into opportunities," said Peter Gardiner, natural resources manager at Mondi, a leading international paper and packaging manufacturer. Mondi's newfound strategies include a number of operational changes that will increase the company's efficiency in using freshwater, an essential but increasingly scarce ecosystem service, and lead to the generation of new markets for the company's byproducts.

Some road-testers, such as Mondi and BC Hydro, used the guidelines to gain insight into the direct implications that ecosystem trends pose for them. Other road-testers, such as Akzo Nobel and Syngenta, applied the methodology to understand the risks faced by a segment of their customers due to ecosystem degradation and, in turn, discovered opportunities for new products or services that address these risks. The Review Guidelines profile these and other road-test experiences.

For a copy of *The Corporate Ecosystem Services Review*, visit www.wri.org.

The Natural Value Initiative in brief

The (NVI) is a collaboration between international environmental NGO Fauna & Flora International, Brazilian business school FGV, UNEP Finance Initiative. We are developing a tailored risk and opportunity evaluation toolkit for the financial community to use in understanding companies' dependence and impact on ecosystem services.

Events

5-14 October 2008, Barcelona, Spain.
IUCN World Conservation Congress
Meeting of conservation organisations with information exchange and decision making related to global conservation priorities.

<http://www.iucn.org/congress/2008/news/invite.htm>

By building a leadership group within the finance sector which pilots and support this toolkit, we intend to:

- Build expertise in the finance sector for evaluating risk and opportunities associated with this issue
- Build awareness of the food, beverage and tobacco sector's dependence on biodiversity and ecosystem services
- Stimulate improved performance in the food, beverage and tobacco sectors and reward good behaviour

The project is guided by a multi-stakeholder steering committee whose members include: Sadia, Banco do Brasil, VicSuper, Aliança da Terra, Conservation International, Agribusiness Responsavel Brasil, Banco Real, Bunge, KPMG, Business for Social Responsibility, WWF, Pax World, IUCN, the Convention on Biological Diversity Secretariat, Strathclyde University and the Global Reporting Initiative.

For further information visit <http://www.naturalvalueinitiative.org> or contact Zoe Cullen at info@naturalvalueinitiative.org



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