
thenaturalvalueinitiative

*linking shareholder and natural value*

# The Natural Value Initiative e-newsletter

**Despite the deepening recession, awareness of the links between business risk, opportunity and ecosystem services (see box 1) is increasing. Investors are experimenting with the generation of carbon credits linked to forest conservation; whilst interest in certified sustainable commodities remains high, with the first RSPO certified sustainable palm oil sold in late 2008.**

There is growing evidence of the costs to society of mismanaging natural assets. The release of the Eliasch review in October of 2008, for example, highlighted the role that forests play in storing carbon and preventing dangerous climate change. The ongoing review of The Economics of Ecosystems and Biodiversity (TEEB), which is due to conclude in 2010, is likely to provide further evidence of the costs to business of failing to manage natural raw materials sustainably.

The Natural Value Initiative (NVI) has created a toolkit for the financial community to use in understanding companies' dependence and impact on biodiversity and ecosystem services, and the NVI team is using this to evaluate over 30 companies that have a direct or indirect agricultural footprint.

**Box 1: Defining ecosystem services**

An ecosystem is a dynamic complex of plant, animal, and micro-organism communities and their non-living 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, pollination 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)**

Our initial analysis based on publicly available information has shown a wide range of activity within the private sector on these issues – ranging from global mapping of water usage to the provision of support to supply-chain farmers to implement more sustainable farming practices. Challenges that are emerging from our review include a lack of tools for effective risk and opportunity assessment for companies with complex supply chains and a huge range of ingredients and product lines, and a lack of commonly agreed metrics which can be used to evaluate and manage supplier / farmer performance against key sustainability criteria.

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### NEW DEVELOPMETS

Over the last eight months we have been working hard to finalise our methodology into a pilot version for testing.

### EMERGING INITIATIVES

Call for contributions of case studies and other material to a 'Stern-like' report on biodiversity – deadline 30th June 2009

### NEW PUBLICATIONS

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### THE NVI IN BRIEF

We are developing a tailored risk and opportunity evaluation toolkit for the financial community to use in understanding agricultural companies' dependence and impact on ecosystem services.

We complete our analysis in June 2009 when we will share examples of best practice, highlight those tools and initiatives that are having most traction within the private sector, and flag issues for common collaboration. We look forward to sharing more findings with you as we get them.

**Annelisa Grigg**
**Project Director, the Natural Value Initiative**

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UNEP Finance Initiative
Innovative financing for sustainability

# New Developments

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

## Update from the Initiative

Over the last eight months we have been working hard to finalise our methodology into a pilot version for testing. We would like to thank those groups that provided invaluable comments on our methodology.

Based on the holdings of our six pilot investors (Banco Real, Aviva Investors, F&C Asset Management, Insight Investment, Pax World and VicSuper), we have selected a shortlist of 31 companies from three sectors with a particular impact or dependence on ecosystem services - food, beverage and tobacco. This selection reflects a spread of geographic and sectoral coverage.

Using the Ecosystem Services Benchmark (ESB), we have been reviewing publicly available information for these 31 companies, such as sustainability reports, website disclosures and reports compiled for initiatives such as the Roundtable for Sustainable Palm Oil. We are now confirming our initial analysis through meetings with the companies in which we request that they supply supplementary information.

**Box 2: Companies reviewed**

**Food**
Acucar Guarani S.A
Ahold (Koninklijke Ahold N.V., Royal Ahold N.V.)
Bunge
Cadbury Plc
Carrefour
COSAN
Dean Foods
Groupe Danone
Grupo André Maggi
Hain Celestial Group
Marks and Spencer
Nestle
Parmalat
Sadia
Sainsbury (J)
SLC Agricola Unilever
Tesco
United Plantations
Walmart / Asda
Woolworths

**Beverage**
Diageo plc
Fosters Group
Coca-Cola Company
Heineken N.V
PepsiCo
SAB Miller plc

**Tobacco**
Alliance One
British American Tobacco and Souza Cruz
Imperial Tobacco Group
Philip Morris International

## Next steps

**We aim to complete our analysis by March and launch our key outputs in June 2009. From this work will come three deliverables:**

- Individual reports for each company outlining their performance against the Ecosystem Services Benchmark framework - this report will be used by our pilot investors to inform their overall dialogue with the companies;
- A public report summarising our overall findings and sharing examples of best practice, tools and approaches;
- The final version of the Ecosystem Services Benchmark itself. Our findings will be launched at an event hosted by F&C Asset Management in London on 16 June 2009.

# Emerging Initiatives

### Call for contributions of case studies and other material to a 'Stern-like' report on biodiversity – deadline 30th June 2009
### 06/03/09

In our last newsletter, we reported on a commitment made at the 2007 G8+5 meeting of Environment Ministers in Potsdam to undertake a review on The Economics of Ecosystems and Biodiversity (TEEB). 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. 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.

The results of the first phase of the study 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 in May 2008. The study leaders are now calling for contributions to the TEEB Phase II report, which includes a major focus on business.

This report will set out the economic case and identify economic tools to help business make the transition to a 'green' economy, in which natural capital and its risks and returns are neither remote nor external to business success. It aims to:

- offer practical guidance for business on how to measure and manage the risks of biodiversity and ecosystem losses;
- explore innovative economic tools for adapting production to produce in more biodiversity-friendly ways, including avoidance, mitigation and offsets;
- help business leaders to identify and grasp new market opportunities linked to the conservation and sustainable use of biological resources;
- provide business managers with the tools to inform themselves and others about the wider impacts of business activities, not only in terms of financial and human capital but also natural capital.

Contributions are welcome at any stage but are especially encouraged before 30 June 2009 and should be sent to: env-teeb-call-D3@ec.europa.eu

The Natural Value Initiative will be contributing to this process, supporting it through sharing research gathered from a review of the publicly available information of 31 companies in the food, beverage and tobacco sector.

# Emerging Initiatives

## The Forest Footprint Disclosure Project 25/02/2009

### New initiative to spur companies to reveal their forest impact follows in the footsteps of the highly successful Carbon Disclosure Project

The Forest Footprint Disclosure Project aims to create a tool that allows the financial sector to evaluate companies based on their impact on natural ecosystems. It is a practical step forward to halting deforestation. The global agricultural sector is a huge driver of forest destruction, with palm oil, soya and beef production ever encroaching into tropical forests. For example, Europe buys half the soya exported from the Brazilian Amazon state of Mato Grosso, where 90% of soya grown on former rainforest comes from. Understanding a company's 'forest footprint' gives a potential investor insight into both the risks and opportunities associated with deforestation.

The first 'forest footprint' questionnaire is to be sent to companies in May 2009. An annual report, the first of which is due in November 2009, will publish the resulting information, with the intention to influence best practice in the private sector. The Forest Footprint Disclosure Project focuses exclusively on forest ecosystem impact, whilst the NVI covers all ecosystem dependencies and their 'services' – that is, the benefits we receive from all natural habitats such as water purification and carbon sequestration.

Click here for further information

## Identification and development of opportunities for biodiversity services for rating agencies 25/02/2009

### The financial world is increasingly acknowledging the link between environmental impacts and business risk and opportunity. Pension funds and asset managers are exploring different ways to incorporate sustainability issues in their investment criteria.

For decision-making they are to a large extent dependant on the information sold by rating agencies. Information on biodiversity issues is, however, still rather limited, both in terms of quality and quantity. Furthermore, the translation from biodiversity issue and impact to business risk and opportunity has not yet been clearly made.

The project will provide an overview of biodiversity related services currently offered by rating agencies. It will also map relevant initiatives in development and identify obstacles for the implementation of new services. The project seeks to engage/involve financial investors, rating agencies and environmental NGOs From this analysis we will assess – together with rating agency partners – the potential to develop and to implement new biodiversity related services.

For more information on this project, contact Ard Hordijk, Nyenrode Business Universiteit

## New Publications

### Sissel Waage, PhD and Emma Stewart, PhD (2008)

**Ecosystem Services Management: A briefing on relevant public policy developments and emerging tools**

If your company had real estate liabilities that could be turned into assets, would your senior executives consider action? If your firm could tap into new revenue sources that might cover the costs of this transition from liability to assets, what implications would it have on prioritizing action? And if, in the process, your business could create a good marketing story that speaks to core values—around clean air, green neighbourhoods, and healthy children—how would you see this opportunity?

### Fauna & Flora International (2008)

**Dependency and impact on ecosystem services – unmanaged risk, unrealised opportunity: A briefing document for the food, beverage and tobacco sectors**

Unpredictable weather, competition for land between biofuels and tradi- tional crops and declines on soil fertility are severely impacting our agricultural system. In the last months we have seen spiralling food costs as commodity prices increase, 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 communi- ty that the resources we depend on for much of the world's food supply are finite, declining, and in some cases, disappearing.

## Events

**16th June 2009, London, UK.**
The Natural Value Initiative launches its findings. A discussion of the results of the NVI's analysis of corporate approaches to managing impacts and dependence on ecosystem services and biodiversity. Click here for more details

**1-2 April 2009 Katoomba Meeting, Cuiaba, Matto Grosso, Brazil**
International conference to explore new and emerging approaches to payments for ecosystem services in Brazil.
Click here for more details

**17-19th March 2009 Growing a 21st Century Agricultural Revolution, nr Washington DC, USA.**
International conference focusing on key issues of water, climate, energy, biodiversity and poverty, and key strategies to tackle these issues in global agricultural supply chains. Hosted by Keystone Center, Sustainable Agriculture Initiative Platform and the Sustainable Food Lab.
Click here for more details

# The Natural Value Initiative in brief

**The Natural Value Initiative is a collaboration developed and led by international conservation NGO Fauna & Flora International (FFI), Brazilian business school FGV, and the UNEP Finance Initiative.**

We are developing a tailored risk and opportunity evaluation toolkit for the financial community to use in understanding agricultural companies' dependence and impact on ecosystem services.

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

- Build expertise in the finance sector for evaluating risk and opportunities associated with this biodiversity and ecosystem services;
- Build awareness of the dependence of company's with agricultural supply chains on biodiversity and ecosystem services;
- Stimulate improved performance in those companies 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, 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 Zoë Cullen at info@naturalvalueinitiative.org

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