

The Ecosystem Services Benchmark

An overview

The Ecosystem Services Benchmarking tool was developed by the Natural Value Initiative in collaboration with investors from Europe, Brazil, the USA and Australia: three UK-based asset managers (Aviva Investors, F&C Investments and Insight Investment); US-based asset manager (Pax World); Brazilian based bank (Grupo Santander Brasil) and a leading Australian pension fund, VicSuper. Designed to evaluate investment risk and opportunity associated with biodiversity and ecosystem services impacts and dependence in the food, beverage and tobacco sector, it offers investors unprecedented access to information on corporate risk management for an issue gaining rapidly in importance.

USERS

The Ecosystem Services Benchmark (ESB) is aimed primarily at asset managers, but can also inform the banking and insurance sectors. Using it to assess companies within an investment portfolio will enable investors to identify companies that are proactively managing these risks and opportunities and those that have not yet responded. It has a secondary application for companies within the food, beverage and tobacco sectors for which it provides a strategic framework within which to consider the issue. By using it, companies will learn how to communicate more effectively with investors, gain greater reward for sustainable sourcing and facilitate effective management of an issue of increasing significance.

WHY THE ESB IS UNIQUE

The ESB focuses on impacts and dependence on biodiversity and ecosystem services associated with the production and harvesting of raw materials in companies with agricultural supply chains (including agricultural commodities, livestock and fish).

- It increases understanding of risks and opportunities associated with ecosystem services within the finance sector to enable poor performance to be identified and addressed and good performance rewarded.
- It was developed in collaboration with a range of stakeholders from civil society, industry and academia
- It is not a questionnaire and is largely populated based on publicly available information, minimising the burden on companies being evaluated.
- It provides a strategic framework on an overlooked issue that may not be evident in established management systems, e.g. ISO14001.
- It provides signposts to useful tools and initiatives that can save companies time and money, shortcutting labour-intensive methodology development.
- It enables identification of shared challenges that may require cross-sectoral collaboration.



▲ It is estimated that each year we are losing at least ecosystem services with a value equivalent to around €50 billion (The Economics of Ecosystems and Biodiversity interim Report 2008).

HOW DOES IT WORK?

The Ecosystem Services Benchmark evaluates companies over five broad categories of performance; all five sections of the benchmark are interdependent:

- **COMPETITIVE ADVANTAGE:** Measures the extent to which business value is created or protected through company activity to ensure sustainable sourcing with a focus on biodiversity and ecosystem services.
- **GOVERNANCE:** Evaluates the extent to which responsibility is assigned for managing this issue. It reviews whether processes are in place to engage with stakeholders and undertake a formal risk and opportunity evaluation linked to impact and dependence on biodiversity and ecosystem services. This section is absolutely key, as it drives activity in all other areas.
- **POLICY AND STRATEGY:** Evaluates the extent to which there is a consistent policy and strategic framework in place for driving improvement and managing risk and opportunity and guidance/ standards to aid implementation.
- **MANAGEMENT AND IMPLEMENTATION:** Evaluates the extent to which tools, training and assurance processes are in place to drive improvement through the supply chain and cover all priority suppliers/ products/ farmers based on a risk and opportunity assessment.
- **REPORTING:** Evaluates the extent to which the company has internal and external reporting processes, targets and indicators which report progress against stated policies and standards on sustainable sourcing (focusing on impacts and dependence on biodiversity and ecosystem services).

The benchmark evaluates company performance against specific criteria, which represent the different categories of a strong management system. For each criterion, companies are evaluated against four performance 'levels' reflecting the spectrum of current practice, from 'no apparent activity to manage the issue' (Level 1) through 'current strong performance' to 'perceived best practice' (Level 4). This enables companies to be ranked.

The Ecosystem Services Benchmark has been designed specifically for evaluation of the food, beverage and tobacco sectors, but has broader applicability to any supply chain company with an agricultural/ natural resources footprint.

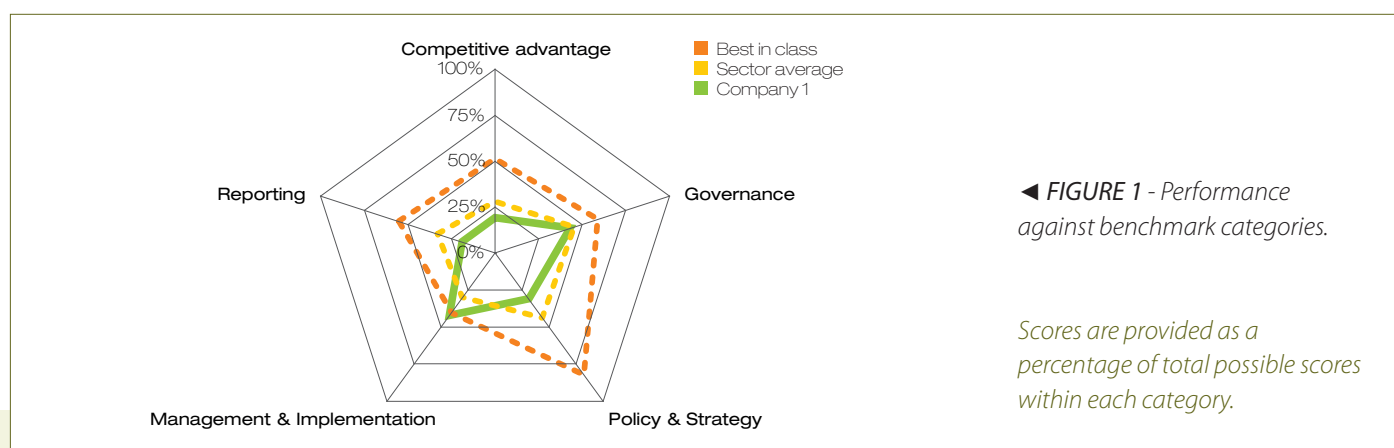
► *Cultivated land covers now one quarter of the world's land. This has resulted in loss or degradation of natural habitats such as forests and wetlands.*



OUTPUTS

The Ecosystem Services Benchmark can provide information for investors' ongoing engagement / dialogue with the company under evaluation. Three different layers of analysis allow:

- **IDENTIFICATION OF SECTORS** within a portfolio which are not currently active on the issue and that present a potential risk.
- **IDENTIFICATION OF COMPANIES** that show limited apparent activity on managing the issue. In addition, the analysis can focus down on areas of poor performance, allowing recommendations for improvement to be made. Figure 1 shows how the analysis allows areas of strong and weak performance to be identified at a company level.
- **IDENTIFICATION OF COMMON AREAS OF WEAKNESS** across sectors that might benefit from cross-sector collaboration.



Each company evaluated receives a summary of their results. By incorporating discussion of the recommendations and outcomes of the analysis into investor dialogues with poorly performing companies, improved performance can be encouraged, and ultimately risk is more effectively managed.

The Ecosystem Services benchmark and its application is explained in more detail in a guidance document available from the Natural Value Initiative website. Three documents are available:

- **The Ecosystem Services Benchmark Guidance Document:** This document describes the Ecosystem Services Benchmark (ESB), its content, application, strengths and weaknesses.
- **The Ecosystem Services Benchmark V1:** A Microsoft Excel template of the benchmark.
- **Linking shareholder and natural value:** A report from a pilot test of the tool, this highlights areas of best practice and common areas of improvement in managing impacts and dependence on biodiversity and ecosystem services.

A number of developments are likely to encourage still greater focus on the issue of biodiversity and ecosystem services. In particular, a review of The Economics of Ecosystems and Biodiversity will conclude in 2010; billed as the equivalent to the Stern review for biodiversity and ecosystem services, this is likely to have implications for national and international policy. By using the ESB, investors can start the journey to understand and manage what will become an increasingly significant issue for companies, particularly those with agricultural supply chains.



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.

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.

One of our key outputs is the **Ecosystem Services Benchmark**, a tailored risk and opportunity evaluation tool for the financial community to use in understanding agricultural companies' approaches to managing their dependence and impact on ecosystem services.

The project is guided by a multi-stakeholder steering committee whose members include: Sadia, Banco do Brasil, VicSuper, Agribusiness Responsavel Brasil, Grupo Santander Brasil, Bunge, KPMG, Business for Social Responsibility, WWF, Pax World, IUCN, Strathclyde University and the Global Reporting Initiative.

For further information please visit the NVI website at www.naturalvalueinitiative.org, or contact:

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