

**First Group Workshop of UNEP FI's Biodiversity & Ecosystem Services Workstream
London, 5 April 2007**

SUMMARY OUTCOMES

UNEP FI convened its first workshop on the Biodiversity and Ecosystem Services Workstream, with 27 participants representing banks, asset managers, and other relevant stakeholders including NGOs and governmental agencies meeting together to discuss financial sector engagement in biodiversity and ecosystem services. The workshop was hosted by KPMG, and ZeroFootprint offset the carbon emissions arising from travel to the workshop.

Presentations were given by:

- Martin Hancock, Westpac – Introduction to UNEP FI and UNEP FI's Biodiversity and Ecosystem Services Workstream
- Cecilia Repinski, World Resources Institute – Ecosystem Change and Emerging Issues for Financial Institutions
- Andre Abadie, Sustainable Finance – Presentation on the key emerging issues, the financial institutions' response, and developing a 'CEO Briefing' to strengthen the business case for financial sector engagement
- Ivo Mulder, IUCN - The World Conservation Union – Biodiversity Risks and Opportunities for the Financial Sector: A Scoping Study
- Kerry Ten Kate, Forest Trends & Annelisa Grigg, Fauna & Flora International – Introduction to the Biodiversity Benchmark
- Sharon Maharg, West LB – Presentation on business case for addressing risk, guidelines and tools for mitigating risk and the gaps (Bank)
- Sagarika Chatterjee, F&C Management, Ltd – Presentation on the business case, guidelines and tools for mitigating risk and the gaps (Asset Manager)

Presentations are available at <http://www.unepfi.org/events/2007/london/index.html>

KEY POINTS OF DISCUSSION

- **Issues with Biodiversity:** How to demonstrate the relevance and materiality of biodiversity? Where to draw the boundaries on the areas of responsibility. Need to understand regional variations in risk profile and consider direct versus indirect impacts on biodiversity. Although the way to get the attention of finance sector is via risk, this may result in avoidance of 'riskier' transactions which may not be the ideal outcome.
- **Barriers to Engagement with the Sector:** Need to correct language to banking/finance language. Lack of awareness of the business risk attached to biodiversity. Lack of level playing field that rewards companies that actively manage this issue. Other issues are easier to understand and take priority. Gradual change is harder to catalyse action. Need to have affirmative statements from parties who endorse the initiative. Some argued for more integrated approach i.e. biodiversity as part of the sustainable development agenda, others felt it should be extracted as a risk to ensure it was considered
- **CEO Briefing:** UNEP FI has commissioned external consultants to draft a briefing for CEOs within the finance sector on biodiversity and ecosystem services. This document will include (i) why biodiversity is an issue; (ii) key risks to financial organisations; (iii) existing tools for the evaluation of risks; (iv) opportunities linking to biodiversity and ecosystem services; (v) next steps. It could be used as a means of establishing a common definition of biodiversity within the working group. The paper is due 21 May 2007 and the Advisory Group will be asked to review drafts and submit feedback by 1 June 2007.

Timeline for CEO Briefing:

Date	Activity	Comment
21 May 2007	First drafts to UNEP FI	For review, comment and feedback from Advisory group
1 June 2007	Feedback cut off date	SFL and FFI will review, assess, collate integrate comments received by 1 June as appropriate
12 June 2007	Final report to UNEP FI	

Biodiversity Benchmark: UNEP FI and Fauna & Flora International recently secured funding for the production of a benchmark analysis of the food and drink industry (producers, processors and retailers). The existing benchmarking methodology developed for the extractive and utilities sectors will be adapted to allow its application to companies with extended supply chain. The recent work done by UBS and Barclays on ESG risk analysis was noted as a useful starting point for this.

The benchmark aims to (i) provide a practical tool for financial institutions to evaluate company performance in identifying and addressing biodiversity-related risks; (ii) encourage change in business behaviour and greater awareness on managing biodiversity impacts; (iii) promote a more standardised approach to valuing the environmental performance of investments; and (iv) influence investment policies and performance of a range of developed and developing country institutions and clients.

The research will be done in Q4 of 2007 for publication in May 2008 at the Conference of the Parties of the Convention on Biological Diversity.

- **Other Issues Identified:** How do you continue to monitor a project?

CHIEF OUTCOMES OF THE WORKSHOP

- Agreement of the need and importance to raise awareness of biodiversity and ecosystem services as an issue for the finance sector
- To move beyond extractives and utilities when evaluating biodiversity risk: The feel was that much work had already been completed in that area and that attention needed to be focused on the food and drink industries, biofuels, waste management, bioenergy, forestry and paper, construction and building materials, agricultural commodities, pharmaceuticals, and leisure and hotel industry. Agree on key biodiversity impacts for each sector.
- Agreement to make the toolkit on environmental and social risk available to the workstream, allowing lessons to be learned from risk evaluation tools already in place. To view the UNEP FI toolkit on environmental and social risk, please visit: <http://www.unepfi.org/toolkit>
- Acknowledgement that few tools exist to enable effective risk analysis of companies impacting on biodiversity. The need to develop such tools was identified. Tools that were discussed include:
 - A map which outlines sensitive sites from a biodiversity and ecosystem services perspective would be useful from a client perspective
 - The biodiversity benchmarking tool developed by Insight Investment and FFI
 - A simple checklist or tool for project finance or environmental and social impact assessment
 - Risk matrix which focuses on priority sector (perhaps based on F&C materiality work) and sets out risks for different parts of the finance sector
 - Special on biodiversity with sell-side brokers
- Acknowledgement of the importance of developing any tools based on existing expertise and case studies, of which there are a substantial number
- Agreement to brief the UNEP FI Asset Management Working Group on the workstream and gain their endorsement/ support of the biodiversity benchmarking initiative

NEXT STEPS

- CEO Briefing drafting by consultants, members to feedback on a draft released on May 21.

- Biodiversity benchmarking initiative taken forward for the food and drink sector, financed by the Dutch government. Input sought from group on ways in which tool can be adjusted. Potential workshop with the food and drink sector in Q3.
- Chair of UNEP FI to brief the Asset Management Working Group (AMWG) on the workstream and to seek endorsement of the benchmarking work in the form of agreement to include company logos on the engagement letters from FFI to companies involved in the benchmark.
- Date for next meeting of the Advisory Group
- Chair of the workstream to be elected and agreed at that meeting