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PROTECTING SHAREHOLDER AND NATURAL VALUE

2005 benchmark of biodiversity management practices in the extractive industry

At the request of the Government of the Netherlands, the Executive Secretary is circulating herewith, for the information of participants in the eighth meeting of the Conference of the Parties, a note by Insight Investment and Fauna and Flora International entitled "Protecting shareholder and natural value".

The note is being circulated in the form and language in which it was received by the Secretariat.

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Protecting shareholder and natural value

2005 benchmark of biodiversity management practices in the extractive industry

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This report and the benchmark upon which it is based were designed and written by Jack Foxall, Business and Biodiversity Partnership Manager, and Annelisa Grigg, Director of Corporate Affairs, Fauna & Flora International and by Kerry ten Kate, Director, Investor Responsibility, Insight Investment.

Acknowledgements

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The authors have made their best efforts to ensure the accuracy of the information contained in this report and apologise for any inadvertent errors.

Insight Investment is the asset manager of the HBOS Group, with £88.7 billion of assets under management, as at 31 December 2005. 11.1%[1] of Insight's investments in equities and substantial bonds holdings are in oil & gas, mining & minerals and utilities companies. Insight applies its policy on corporate governance and corporate responsibility to all the assets that it manages and engages with companies to encourage them to adopt high standards on key social, environmental and ethical issues.

Fauna & Flora International (FFI) is the world's first established international conservation body, founded in 1903. FFI acts to conserve threatened species and ecosystems worldwide, choosing solutions that are sustainable, are based on sound science and take account of human needs. FFI believes that it is in the best interest of wildlife conservation to actively seek working relationships with private sector organisations involved in activities which have the potential to impact significantly on biodiversity. Through its Global Corporate Partnership Programme, FFI aspires to create an environment where business has a long term net positive impact on biodiversity. FFI works to enable the private sector (defined as for-profit organisations) to recognise and respond to the risks and opportunities connected with biodiversity and take informed decisions that deliver conservation and business benefits.

VBDO is the Dutch Association of Investors for Sustainable Development. The VBDO unites shareholders who recognise the importance of sustainable entrepreneurship. The ambition of the VBDO is to make capital markets more sustainable. VBDO aims to encourage the development of a capital market in which attention is being paid to social, ecological and economic values, in balance. They approach enterprises and financial institutions and hold them accountable for their role in moving our society to sustainability. They also aim to be a representative of sustainable shareholder-ship (private and institutional) and stimulate the sustainable investment market.

This report and its executive summary can be found on the following websites:

http://www.insightinvestment.com/Documents/responsibility/protecting_shareholder_and_natural_value_2006.pdf

http://www.insightinvestment.com/Documents/responsibility/Executive_Summary_PSNV_2006.pdf

http://www.fauna-flora.org/partners/corporate.html

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Foreword by Pieter van Geel

Our world today faces a number of major global environmental challenges, ranging from preventing climate change to halting biodiversity loss. The Convention on Biological Diversity provides the framework for a coherent and integrated approach to conservation and the sustainable use of biodiversity. Governments, as Parties to the CBD, have a duty to translate the Convention's objectives and targets into responsibilities for all actors in society, including investors and the business sector. Where needed, government should play a facilitating role by providing practical advice on instruments and tools that allow the major groups in society to fulfil their specific responsibilities.

Under the framework of the Dutch Environmental Policy Plan, the Netherlands is working with the investment and business community to develop practical guidance to help companies analyse biodiversity and natural resources as business risks and opportunities. We are helping companies to formulate biodiversity strategies and plans. A Business & Biodiversity Helpdesk may be set up to facilitate implementation.

It is encouraging that, worldwide, more and more companies are actively engaged in such efforts, recognising the business case for managing their impacts on biodiversity and using natural resources sustainably.

The Biodiversity Benchmark as presented in this report should therefore be warmly welcomed. It is an important contribution and a useful tool to guide companies in their management of biodiversity. In itself, the benchmark may act as an incentive for the business sector to engage in conservation and sustainable use of biodiversity and natural resources and to continually improve performance. It allows companies, shareholders and stakeholders like local communities and NGO's to review corporate performance and develop best practice standards and advice.

More and more companies and investors may wish to use this benchmark to guide their biodiversity strategy and management and to constantly improve performance. I am convinced that it will not only help them to effectively address their biodiversity responsibilities, but that it will also prove to be a source of wider inspiration and innovation, allowing businesses to grow and prosper. Clean, clever, competitive.

It is a pleasure for me to congratulate Insight Investment and Fauna & Flora International for this initiative and I am looking forward to continuing to collaborate in the field of biodiversity and business. The Netherlands' government stands ready to continue to support and facilitate the further development of such practical tools and stimulate their use.

Pieter van Geel
State Secretary for Housing, Spatial Planning and the Environment

Foreword by Jim Knight

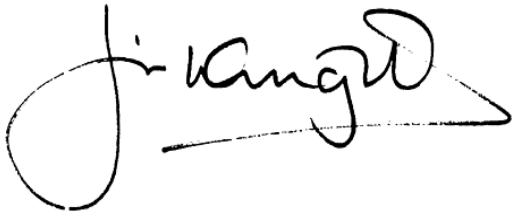
There is no doubt that we are losing the world's biodiversity at an alarming rate. The recent Millennium Ecosystem Assessment (MA) highlighted some of the main challenges that the global community must meet if we are to achieve our World Summit on Sustainable Development (WSSD) target to significantly reduce the rate of biodiversity loss by 2010. One of the key messages is the stark warning that collaboration is needed at all levels and from all sectors of society to move towards the sustainable use of the world's natural resources.

The UK is committed to meeting our 2010 target in collaboration with all interested partners. This commitment is articulated in our WSSD Delivery Plan: "*Beyond Johannesburg: Delivering our international biodiversity commitments*". This Plan highlights the important role that companies can play in helping us meet our 2010 target by means of sustainable trade, but also by minimising and mitigating the impacts of their activities on global biodiversity.

There is a growing interest by governments and investors in encouraging companies to adopt best practice with respect to the management of environmental issues, including biodiversity. The impact that business can have on biodiversity is huge: as a user of vital ecosystem services but also as a contributor to ecosystem change. It follows from this that business has an important role to play in reversing the trend of biodiversity loss. Government, business, civil society and others need to work together towards effective solutions.

The importance of biodiversity for business can be viewed in a number of ways. The MA highlights that businesses that pioneer new technologies or integrate business strategies in anticipation of ecosystem changes will gain competitive advantage over others. There is increasingly the recognition by companies of the business case for managing their impacts on biodiversity as part of a joined-up, integrated and holistic approach to managing risks to their companies operations, performance and reputation.

The UK government welcomes the use of tools such as the Insight Investment / Fauna & Flora International biodiversity benchmark. They allow companies to better articulate their contributions to biodiversity and the corresponding benefits for business. They also contribute to the analysis of business risk upon which fund managers make investment decisions. We hope that the results from this Benchmark will encourage others to better understand the business relevance of biodiversity and the role that business can play in meeting our global commitments, to the lasting benefit of us all.



Jim Knight
Minister for Rural Affairs, Landscape and Biodiversity

Executive summary

Overview

Biodiversity is one of a range of connected risks and opportunities that may affect the reputation and shareholder value of extractive companies, including other aspects of sustainable development, human rights and security. Any one of these issues may affect corporate performance to some extent, particularly within companies that seek to differentiate themselves from competitors through adopting leading social and environmental management practices. As part of an ongoing engagement process, Insight Investment and Fauna & Flora International with financial assistance from the Dutch Social Investors' Forum (VBDO), and the Netherlands Ministry of Housing, Spatial Planning and the Environment (VROM), evaluated the performance of 36 extractive and utility companies against standards of best practice in **biodiversity** management. Twenty-two of these companies were previously evaluated in the benchmark of 2004[2], then Insight engaged with them individually, making specific recommendations of steps each could take to improve management of biodiversity in order to protect shareholder value. This year, the benchmark has been repeated, to gauge to what extent companies have acted on our 2004 recommendations and made other advances in their approach to biodiversity. A further 14 companies have been added in this year's exercise. Insight Investment either has holdings in these companies, or they offer a wider peer evaluation for all the companies involved.

Terms in **bold** are defined in the glossary on p47

The benchmark is a framework for the analysis of companies' performance against a set of criteria for each of 27 issues under 12 headings across four main elements of **governance** structures, **policy** and **strategy**, **management and implementation** and **assurance and monitoring**. A new section entitled leadership was added in the benchmark of 2005 adding 8 further issues under 7 headings. Our research was initially based on publicly available information. Each company was invited to review its draft benchmark analysis to ensure this was an accurate reflection of its activities and to supplement information in the public domain with additional internal information. Twenty (53%) of the 36 companies within this benchmark did so.

See Appendix 1 for a detailed explanation of the 5 elements of the benchmark

See Section 3.4, 'The new Leadership section' on p24

Table 1 How do the companies perform?

	Description	Mining and Minerals	Oil and Gas	Utilities
Companies engaged and actively managing (Score >66%)	▪ Biodiversity is acknowledged as a potential business risk and opportunity ▪ Biodiversity risk has been formally assessed ▪ Specific related policy commitments and management tools in place	Rio Tinto Anglo American BHP Billiton Alcoa#	BG Group BP Shell Total#	Northumbrian Water* Severn Trent Water United Utilities
Companies aware and mobilising (Score 33% - 66%)	▪ 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	CEMEX# Lafarge# Lonmin* Xstrata†	Cairn Energy*† ENI# Norsk Hydro# Premier Oil* Statoil# Venture*†	Centrica National Grid Scottish Power# Scottish & Southern# Kelda
Companies in early stages (Score < 33%)	▪ Little or no evidence that potential risks relating to biodiversity have been formally assessed ▪ No publicly expressed rationale provided for any conclusion that biodiversity is not a business risk ▪ Policy for biodiversity risk management is limited in geographical and/or business function scope or does not exist at all	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

Key findings

Table 1 divides the companies reviewed into three broad categories. A number of companies have made great strides in developing processes to manage biodiversity-related risks and opportunities. The overall trend was for an improvement in the scores of the companies. The average score for the oil and gas companies benchmarked in 2004 was 48%, and this rose to 56% in the 2005 benchmark: an increase of 8 percentage points. Similarly, the average score of the mining companies rose from 46% to 51% and the utilities from 62% to 66%. Five companies (Cairn Energy, Xstrata, Venture, Soco and Tullow) more than doubled their performance from the previous benchmark, although Soco and Tullow's scores started from a low base. Many more companies are aware of the issues and are mobilising resources to address them. We congratulate these companies and urge those that have yet to tackle the issues in depth to review their approach to them. A numerical summary of results for key categories of the benchmark is given in table 2 below.

Table 2 A summary of results

Criteria	Mining and Minerals	Oil and Gas	Utilities
Strong risk assessment processes are in place at the site and the corporate level	**3**/13 (23%)	**7**/13 (54%)	**3**/10 (30%)
Policy frameworks are strong and cover all types of business functions, containing specific biodiversity commitments	**3**/13 (23%)	**3**/13 (23%)	**4**/10 (40%)
Biodiversity strategy in place or under development which covers all types of operations and business functions and includes a range of specific strategic commitments	**8**/13 (61%)	**6**/13 (46%)	**6**/10 (60%)
Biodiversity Action Plans or equivalent site management plans in place for all high risk sites	**4**/13 (31%)	**4** /13 (31%)	**4**/10 (40%)
Internal and external assurance processes in place that cover biodiversity related management systems and all key risk areas	**0**/13 (0%)	**2** /13 (15%)	**3**/10 (30%)
Robust biodiversity performance indicators developed	**0**/13 (0%)	**0**/13 (0%)	**0**/10 (0%)
Report on all operations which contain, are in or near sensitive sites, and the potential impacts and activities undertaken to manage those impacts	**2**/13 (15%)	**3**/13 (23%)	**1**/10 (0%)

A number of leading practices and emerging issues are outlined below, as well as key developments since the benchmark of 2004.

Governance

The existence of strong governance structures ensures that companies consider and manage the wider strategic risks posed by operating in biodiversity-rich locations, such as license to operate and continued access to resources. We evaluated the structures that companies have in place to ensure that such risks and opportunities are identified and incorporated into key decision making and management procedures. Only 8 of the 36 companies gained full (2.5) marks on their approach to risk assessment. Only 14 scored 2 or above and could demonstrate clear linkages between the risks identified and their activities to manage them.

Overall, there is a lack of robust risk assessment processes to allow a comprehensive and complete understanding of the extent to which the company impacts **directly** and **indirectly** on biodiversity. Few companies can clearly demonstrate the links between these risks and conservation actions undertaken. This is an area of concern. There is also a great deal of repetitive publicising of one or two flagship projects. These may be largely based on corporate philanthropy with no clear link to operational risk, rather than the preferable risk-assessment-and-response based approach. Indeed, over-reliance in communications on one or two projects when a company is operating in many countries is a discouraging sign.

Policy and strategy

Our discussions with companies indicate that policy and strategy frameworks are fundamental to drive the management of biodiversity risks. We define policy as a high level aspirational commitment, setting out a company's position on a particular issue. By contrast, strategy acts as a framework and roadmap to drive performance. It describes the company's vision for desired outcomes on a given issue in the medium term, outlining goals, prioritising them and assigning targets.

Although there has been an increase in the number of companies making reference to biodiversity within their policy statements and supporting guidance, many of these statements remain vague and open to interpretation with references to 'enhancing conservation' or supporting 'the preservation of biodiversity'. As such, they do not set out a clear vision and do not clearly communicate to stakeholders the company's policy on biodiversity and approach to risk management, for which the company can be held to account. There are a few notable exceptions, such as those made, for example, by Kelda, Rio Tinto, Anglo American and Shell.

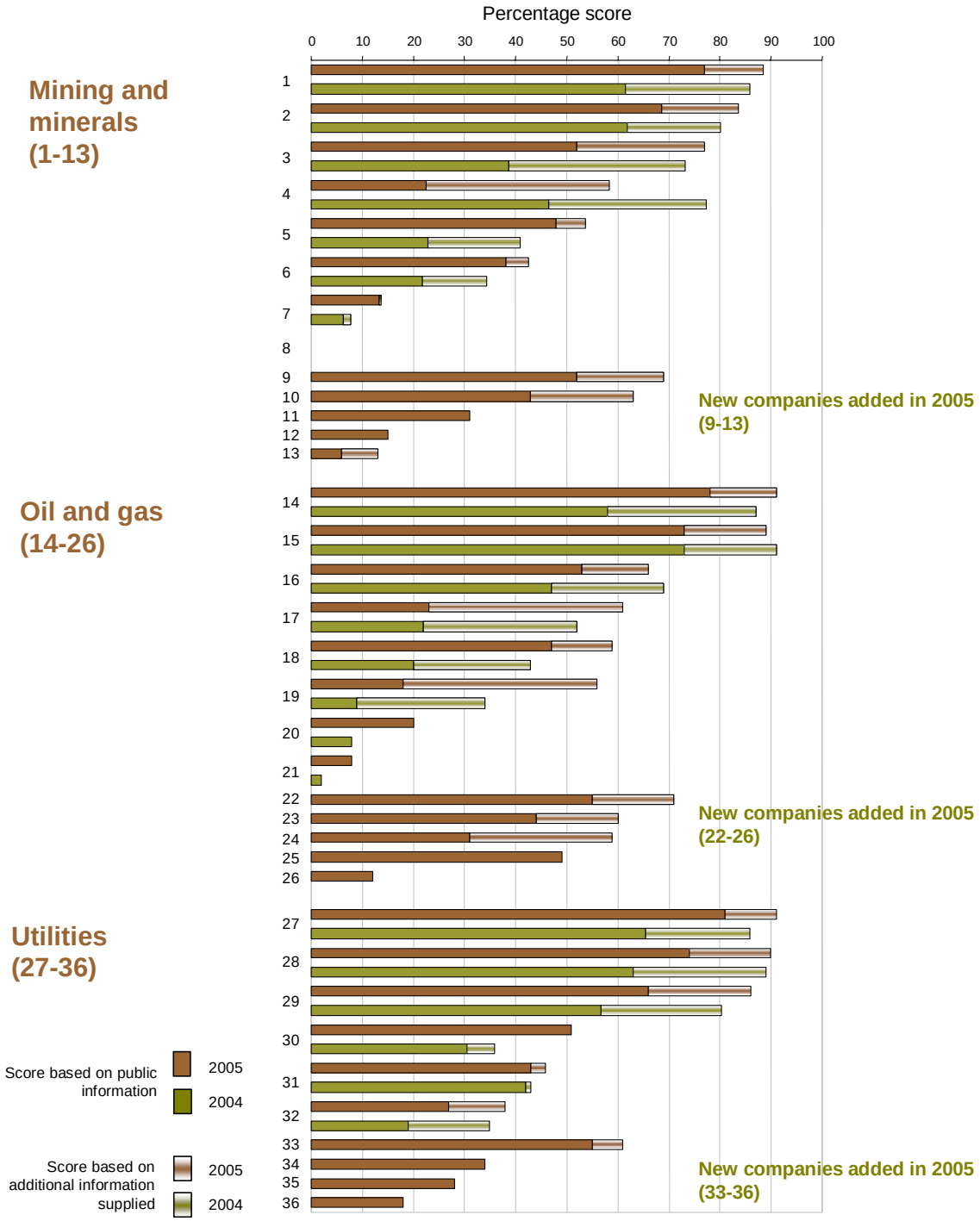
Management and implementation

We looked for indications that companies have in place management tools to ensure that strategies are implemented throughout the company, such as ecological impact assessments or site management plans that clearly include biodiversity. The scores for implementation tools such as the integration of biodiversity into environmental and social impact assessments are relatively high. This reflects our understanding that biodiversity has historically been considered as a site specific issue largely driven by regulatory requirements with no perceived linkage to group level strategic issues, such as continued access to resources. With the emerging global business case for managing biodiversity issues effectively, this is of concern. There is still a relatively large gap between information disclosed in the public domain on companies' management tools and the tools they actually use. This is true for all three sectors.

In addition, even in cases where there are clear, group-level, board approved policies, strategies and the management tools to implement these, it is extremely difficult to tell whether companies are implementing them to consistent, high standards across the group. It is equally difficult to establish whether companies are undertaking conservation of a breadth and sophistication commensurate with their global impact on biodiversity (and thus with their business risks).

Chart 2 Reported and unreported scores for 2004 and 2005

Chart 2 illustrates companies' scores based on their data on the public domain (reported scores) and their final scores based on supplementary information they provided to us (unreported scores) for both the 2004 and 2005 benchmarks.



Monitoring and reporting

This element of the benchmark evaluated the extent to which the companies describe processes to check and ensure that policy commitments and management systems relating to biodiversity are implemented. None of the companies benchmarked scored full marks for reporting against key performance indicators - including qualitative indicators. There remains a gap between publicly disclosed information on biodiversity management practices and what actually happens on the ground. It is therefore difficult for stakeholders to determine how well companies are managing this issue. In addition, companies – and the conservation community alike – are struggling to identify appropriate performance indicators for biodiversity management. It is thus very difficult for companies to demonstrate performance improvements.

Audit processes for biodiversity are focused on site level monitoring programmes, with a few notable exceptions. This raises questions about the extent to which biodiversity management systems are working effectively. Many companies assume that the existence of an environmental management system (EMS) or ISO 14001 management system ensures adequate coverage of this issue. Our research indicates that this is not necessarily the case. Without an audit system that reviews the entire management system for biodiversity (including risk evaluation, site selection, impact assessment, management and monitoring), we and senior management within companies have little comfort that risks are being spotted and managed appropriately. Furthermore, 17 (47%) companies fail to have any assurance over externally reported information on biodiversity. As a result, it is difficult for stakeholders to determine whether the information being used to inform management decisions is complete, accurate and reliable.

Leadership

The section asks a series of more searching questions on whether companies link their conservation activities to locations identified as high risk; whether they have a range of conservation measures in place that are commensurate with their risk exposure (rather than a couple of well-rehearsed show-case examples); how they address the issue of promoting good practice in joint ventures and with contractors; and how biodiversity related liabilities are addressed in sale and closure. We also looked at the positive contributions companies make in terms of working together to address key emerging issues and challenges or sharing information and good practice. BP, Shell and Rio Tinto led the benchmark group on this section.

We understand that for most companies, this section is challenging at this stage of engagement and have therefore kept the leadership section as a separate part of the benchmark and not included the extra marks in the reported score. However, we believe performance in this area is important to manage risks and opportunities linked to biodiversity and that the section is useful to drive continued best practice on emerging issues.

Only 9 of the 36 companies were able to provide evidence that they had taken steps to encourage their contractors and joint venture partners to understand and manage their impacts on biodiversity. The remainder had little to say on this issue and scored zero. This may expose them to risk.

Leading companies are investigating a number of areas of emerging interest. These include biodiversity offsets, landscape level planning, the consideration of the social use and cultural values of biodiversity and means by which ecosystem services are considered in impact assessments and site management plans.

Table 3 Best practice and minimum practice recommendations to companies

Basic management of biodiversity: In the short to medium term, we would like to see all companies:	**Best practice management of biodiversity:** Ultimately, we would like to see all companies taking steps to:
Governance: Identify and understand their impacts on biodiversity and assess business risks and opportunities associated with these impacts. Ensure chains of responsibility throughout the company are in place, as well as processes to assess and manage risks.	
■ Demonstrate awareness of the location of company assets and operations in, near or containing legally designated protected areas and areas already identified as sensitive sites. Use this to perform a high-level evaluation of the related potential business risks and opportunities. ■ Perform periodic reviews of the appropriateness of this assessment as part of routine review of environmental policy.	■ Understand, identify and periodically review the biodiversity risks, impacts and opportunities for contributing to conservation associated with all existing and proposed operations, recognising some areas may not yet have been identified by government and conservation experts as sensitive. This should be informed by local, regional and national biodiversity priorities and goals identified in National Biodiversity Strategy and Action Plans and discussions with key stakeholders. ■ Integrate consideration of biodiversity risks and impacts into key decision-making processes and governance structures.
Policy and strategy: Introduce company-wide policy and/or strategy commitments to understand and manage biodiversity-related risks and opportunities and to avoid, minimise and mitigate and offset impact where possible. Collectively, these should set out vision, priorities, goals and targets for managing biodiversity risk.	
■ Devise a policy and/or strategy on the management of biodiversity risk and opportunity, committing, as a minimum, to manage biodiversity impacts at locations assessed as high biodiversity risk or opportunity.	■ Board-approved publicly available policy on biodiversity (or reference to biodiversity in board-approved environment or sustainable development policy supported by more detailed policy guidance). ■ Group-level biodiversity strategy that acts as a framework for implementing policy commitments developed, in conjunction with key stakeholders, and informed by local, regional and national priorities.
Management and implementation: Implement policy and strategy commitments	
■ Where relevant, ensure biodiversity is considered explicitly in Environmental and Social Impact Assessments (ESIA). ■ Site management plans incorporate management of biodiversity impacts where identified in the ESIA. ■ Key stakeholders identified to assist company to design and deliver policy, strategy and site biodiversity management plans for high biodiversity risk sites.	■ Develop and use a tool that considers biodiversity in initial decisions on siting of new or expanded operations. ■ Ensure consistency of integration of biodiversity into ESIA e.g. guidance documents. ■ Biodiversity action plans or site management plans that include biodiversity at all sites where there is a significant risk to biodiversity or opportunity to contribute to conservation. ■ Develop partnerships with key stakeholders that contribute to biodiversity conservation priorities and corporate strategy. ■ Ensure all staff with biodiversity related responsibilities have access to the relevant competencies and resources
Monitoring, assurance and reporting: Monitor performance and communicate activities to key stakeholders	
■ Report publicly that biodiversity risk has been assessed, with resulting policy commitments and site level management activities	■ Ensure that internal and external assurance processes address the processes for managing biodiversity risks. ■ Develop and report publicly on site and corporate level key performance indicators that cover both biodiversity management process and performance
Leadership: Demonstrate biodiversity best practice in emerging issues	
■ Biodiversity conservation activities are in place for all sites identified as high risk in biodiversity terms	■ Biodiversity conservation activities are in place for all sites identified as high risk in biodiversity terms ■ Biodiversity policy and management plans ensure equivalent standards for joint ventures and third parties such as contractors ■ Closure and sale planning includes consideration of biodiversity related issues ■ Emerging issues are tracked and company participates in related industry initiatives e.g. biodiversity offsets, developing biodiversity indicators

Recommendations

In the short term, we continue to encourage all companies within our benchmark to commit to, and implement, the basic recommendations for the management of biodiversity risks set out in Table 3, which we highlighted in the 2004 benchmark. In the medium term, we encourage them to meet the best practice recommendations outlined in the same table. As part of our engagement, we will be suggesting specific steps that we feel each company could take to be confident that it is operating according to best practice and in a manner appropriate for its risk exposure.

We suggest that those companies that have yet to tackle biodiversity in depth should, **as a minimum**, report the outcome of their high level evaluation of biodiversity risks and resulting policy commitments and site level management activities. We encourage them also to develop and report publicly on site and corporate level key performance indicators that cover biodiversity management process and performance.

For those companies that demonstrate what is, *de facto*, best practice in today's operating environment, we encourage them to ensure that they have in place comprehensive, strategic approaches to managing biodiversity risks and opportunities. These should evolve in line with the changing international policy and operational environments, and as the company's understanding of its impacts on biodiversity develops. Particular attention should be focused on:

- Making clear, unambiguous policy and strategy commitments that demonstrate that the company has identified the risks and opportunities presented by biodiversity, and has clear plans about how it intends to address them.
- Undergoing robust and comprehensive risk assessment processes which identify key areas of biodiversity risk and ensuring that conservation activities are targeted at these risk areas and are commensurate with the scale of the risk. This does not preclude supporting or undertaking conservation activities in low risk areas.
- The development of suitable biodiversity performance indicators, in conjunction with key stakeholders in government, the investment community and conservation organisations.
- Enhancing internal and external assurance processes for biodiversity management systems.
- Participating in effective integrated land-use planning that links community based initiatives with wider national or regional perspectives, merging ecosystem thinking with multi-stakeholder processes and good natural resources governance. As a planning approach, integrated land-use planning will increasingly require companies to link site-level actions at for example, a mine site, to the broader landscape or ecosystem level. It provides a more robust cross-sectoral and integrated approach that can be used to contribute directly towards agreed development goals for tackling poverty and ensuring environmental sustainability.

Also see p.36, 'Landscape level planning'

Next steps

The improvement in disclosures and performance demonstrated by many of the companies after the engagement based on the first benchmark indicates that this form of benchmarking is a useful tool to encourage good risk assessment, policy development and strategic planning by companies. Insight Investment, Fauna & Flora International, VBDO and VROM intend to encourage the benchmarking of companies within the extractive industry and other sectors with significant biodiversity impacts as a means of informing stakeholders of corporate performance.

1 Introduction

Biodiversity is one of a range of connected risks and opportunities that may affect the reputation and shareholder value of extractive companies, including other aspects of sustainable development, human rights and security. Any one of these issues may affect corporate performance to some extent, particularly within companies that seek to differentiate themselves from competitors through adopting leading social and environmental management practices.

Terms in **bold** are defined in the glossary on p47

Growing scarcity of natural resources, increasing development pressures and escalating public concern about the resulting loss of biodiversity, pose a strategic threat (and offer potential competitive advantage) to extractive and utility companies. Society is increasingly sensitised to the importance of, and threats to, biodiversity and is voicing its expectation that business should shoulder its responsibility for the impacts it has on biodiversity by making a positive contribution to its conservation. These companies face **'biodiversity risks'**: unless they demonstrate high standards with respect to the conservation of biodiversity, they may face difficulties in the medium- to long-term in accessing resources in new sites, suffering competitive disadvantage relative to others with better practice. They may also lose revenues through incurring liabilities, damage to reputation and increased operating costs in the short term. This can compromise long-term shareholder value. Conversely, best practice management of impacts on biodiversity can offer benefits (or **'biodiversity opportunities'**) such as speed of obtaining consents and licenses or favoured partner status, increasing shareholder value and links directly to corporate commitments to operate responsibly.

Insight Investment applies its policy on corporate governance and corporate responsibility to all the assets it manages. It has an interest as well as a responsibility to do this because shareholder value can be affected by a wide range of environmental, social, human rights and security issues, as well as the full range of financial and broader economic factors. This is further highlighted by a recent report[3] from the investment broker Goldman Sachs which considers the impact of environmental and social issues on twenty-three oil and gas companies. The report concludes that: "…environmental and social issues will become increasingly important for oil and gas companies seeking to access the new legacy assets, which we view as the key driver of future performance and valuation".

The 2005 benchmark of biodiversity practices in the extractive industry is a product of the 'Biodiversity and Extractives' programme, launched by Insight Investment in 2003. As part of this programme, Insight conducted an evaluation of 22 extractive and utility companies' performance which formed the benchmark of 2004[4]**.** This describes a set of best practice biodiversity management activities identified through a range of company consultations, seminars and research and set out in the Executive Summary of this report. In 2005, Fauna & Flora International collaborated with Insight Investment, with financial assistance from the Dutch Social Investors' Forum (VBDO), and the Netherlands Ministry of Housing, Spatial Planning and the Environment (VROM) to produce a broader benchmark of 36 companies within the mining and minerals, oil and gas and utilities sectors (including the 22 original companies *and* 14 new companies). Insight Investment has used the results of this entire analysis to encourage companies in which it invests to meet a set of **basic biodiversity risk management** standards and to move towards **best practice**. We will use the results of the 2005 benchmark to engage with the companies involved in which Insight Investment holds shares.

See Appendix 1 for a detailed explanation of the benchmark framework

See Table 3 for a detailed explanation of what we mean by 'basic biodiversity risk management' and 'best practice' on p11

Our experience from the benchmark of 2004 has been that engagement by a shareholder such as Insight on the basis of the benchmark can significantly influence the management of biodiversity within companies.

2 Methodology

2.1 The benchmark of 2005

Our research was conducted between July and November 2005 based on publicly available information and the results of our engagement programme to date. The same framework was adopted as for the benchmark of 2004, but an additional leadership section was added to capture biodiversity best practice in emerging issues. Fourteen additional companies were also added to the benchmark of 2005 and these are marked with the "# " symbol in Table 4 below. Between September and November 2005, each company was invited to review its draft benchmark analysis to ensure that this was an accurate reflection of its activities and to supplement information in the public domain with additional internal information, if it wished. Twenty (55.6%) of the thirty-six companies within the benchmark sample did so. The results will be used to engage with the original 22 companies and those of the additional 14 companies in which Insight holds shares, to encourage them to strengthen their biodiversity risk management.

See Appendix 1 for a detailed explanation of the benchmark framework

See Appendix 2 for additional information on the methodology

Table 4 Sectors and companies benchmarked

Mining & Minerals	Oil & Gas	Utilities
Alcoa #	BG Group	Centrica
Alcan #	BP	E.ON #
Anglo American	Cairn Energy	Kelda Group
Antofagasta	ENI #	National Grid
Aquarius Platinum	Norsk Hydro #	Northumbrian Water
BHP Billiton	OMV #	Scottish Power #
CEMEX	Premier Oil	Scottish and Southern #
Holcim #	Shell	Severn Trent Water
Lafarge #	Soco International	Suez #
Lonmin	Statoil #	United Utilities
Rio Tinto	Total #	
Vedanta #	Tullow Oil	
Xstrata	Venture	

new company in the benchmark of 2005

The industry sectors and the companies included within the benchmark are particularly exposed to biodiversity risk as a result of the nature of their operations, which have a direct impact on land. Most of the companies have operations in developing countries, where high levels of biodiversity and less regulation may contribute to higher levels of biodiversity risk. The exception to this is the utility sector that has a largely European focus. This was included as these companies are nonetheless exposed to risks related to biodiversity as a result of operating in a culture of environmental activism combined with a well-developed legal framework.

Business risks and opportunities are outlined in our 2004 report

2.2 Limitations of the benchmark

A number of limitations in the benchmark were identified during the process of data collection and should be borne in mind by anyone drawing conclusions from the benchmark. These shortcomings can be viewed in Appendix 2 and include:

- Reliance on publicly available information and internal information provided to us by companies rather than verification of performance at site level
- Constraints on the volumes of information the benchmarking team could analyse. Generally, we were only able to look at two examples of material to support companies' assertions, so the results rely heavily on the companies' own assertions (for instance, on the number and location of biodiversity action plans they have in place). If the company could provide two examples, we awarded full marks.)
- Variation in the nature of company operations in terms of size, location, management style (e.g. top down versus devolved)
- Inevitable subjectivity in interpretation of the results
- Resources available within the companies to respond to requests for additional information

3 Results

This section outlines the findings from our benchmark study in 2005 and compares them with the findings from the 2004 study. We begin by describing general trends and score changes and then illustrate the results from each of the four main benchmark sub-headings. Our report in 2004 went into detail on the key activities undertaken within each benchmark heading. That information is not duplicated here. Instead, we focus on key areas of improvement or new approaches brought by the additional 14 companies included in the benchmark. It also illustrates some of the key trends from the new leadership section, adopted in 2005.

See p29 for 'Conclusions' which discusses the implications of these findings for the effective management of biodiversity risk

3.1 Overview of company performance

Table 1 How do the companies perform?

	Description	Mining and Minerals	Oil and Gas	Utilities
Companies engaged and actively managing (Score >66%)	▪ Biodiversity is acknowledged as a potential business risk and opportunity ▪ Biodiversity risk has been formally assessed ▪ Specific related policy commitments and management tools in place	Rio Tinto Anglo American BHP Billiton Alcoa#	BG Group BP Shell Total#	Northumbrian Water* Severn Trent Water United Utilities
Companies aware and mobilising (Score 33% - 66%)	▪ 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	CEMEX# Lafarge# Lonmin* Xstrata†	Cairn Energy† ENI# Norsk Hydro# Premier Oil* Statoil# Venture*†	Centrica National Grid Scottish Power# Scottish & Southern# Kelda
Companies in early stages (Score < 33%)	▪ Little or no evidence that potential risks relating to biodiversity have been formally assessed ▪ No publicly expressed rationale provided for any conclusion that biodiversity is not a business risk ▪ Policy for biodiversity risk management is limited in geographical and/or business function scope or does not exist at all	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

3.1.1 General trends and score changes since the 2004 benchmark

The vast majority (86%) of company scores have improved since the benchmark of 2004. Headline performance results are included within Table 5 on page 17. Chart 1, below, highlights the average percentage scores for each sector and for each benchmark using the 21 companies that were included in each year of the benchmark for consistency[5].

Chart 1 Average percentage score by sector and by year

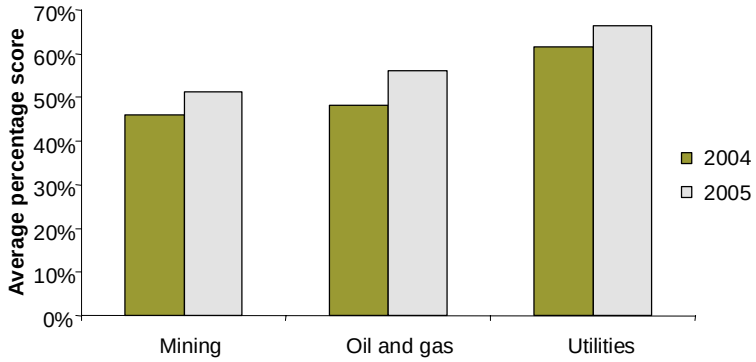


Table 5 2005 results by selected benchmark criteria: the number of companies meeting selected criteria

Criteria	Mining and Minerals	Oil and Gas	Utilities
Strong risk assessment processes are in place at the site and the corporate level	**3**/13 (23%)	**7**/13 (54%)	**3**/10 (30%)
Policy frameworks are strong and cover all types of business functions, containing specific biodiversity commitments	**3**/13 (23%)	**3**/13 (23%)	**4**/10 (40%)
Biodiversity strategy in place or under development which covers all types of operations and business functions and includes a range of specific strategic commitments	**8**/13 (61%)	**6**/13 (46%)	**6**/10 (60%)
Biodiversity Action Plans or equivalent site management plans in place for all high risk sites	**4**/13 (31%)	**4** /13 (31%)	**4**/10 (40%)
Internal and external assurance processes in place that cover biodiversity related management systems and all key risk areas	**0**/13 (0%)	**2** /13 (15%)	**3**/10 (30%)
Robust biodiversity performance indicators developed	**0**/13 (0%)	**0**/13 (0%)	**0**/10 (0%)
Report on all operations which contain, are in or near sensitive sites, and the potential impacts and activities undertaken to manage those impacts	**2**/13 (15%)	**3**/13 (23%)	**1**/10 (0%)

Further significant observations include:

- A large number of companies are still scoring zero for the development of a strategy. 16 (44%) of companies having no strategy in place which sets out their key impacts, activities and objectives and which acts as a framework to drive biodiversity performance. Furthermore, there is a general lack of clear, unambiguous policy commitments in place for many companies. This makes it extremely difficult for stakeholders to determine a company's intent with respect to biodiversity.
- 16 (44%) companies do not commit to set SMART[6] objectives and targets for their management of biodiversity risk and opportunity, this makes it difficult for stakeholders to assess potential for future performance improvements and to track changes in activities.
- There is a wide range in the level of development of risk assessment processes between sectors and companies. A highly developed overall risk assessment process, however, does not necessarily mean that a process is in place for identifying and reporting on impacts on ecologically sensitive sites – which many key stakeholders would deem to be a significant biodiversity risk. This suggests that our analysis of risk assessment processes may be slightly optimistic and that many of the risk assessment processes to which we

allocated scores do not involve a comprehensive understanding of the extent to which the company impacts **directly** and **indirectly** on biodiversity. Associated with this, few companies can clearly demonstrate the links between these risks and conservation actions undertaken.

- By contrast, the scores for implementation tools such as the integration of biodiversity into environmental and social impact assessments are relatively high. This reflects our understanding that biodiversity has historically been considered as a site specific issue with no linkage to global issues such as continued access to resources. With the emerging global business case for managing biodiversity issues effectively, this is of concern.
- None of the companies benchmarked scored full marks for reporting against key performance indicators - including qualitative indicators. This incompleteness of reporting on biodiversity management systems and performance presents an inaccurate picture of risk management to stakeholders with the result that the wrong conclusions may be drawn as to the company's commitment and ability to manage their impacts on biodiversity. This is discussed in more detail in section 3.1.2.
- 17 (47%) companies fail to have any assurance over externally reported information on biodiversity. As a result, it is difficult for stakeholders to determine whether the information being used to inform management decisions is complete, accurate and reliable.

3.1.2 Mind the gap

Chart 2 on page 20 shows the reported and unreported scores for all companies for 2004 and 2005. Companies are represented by numbers from one to thirty-six and they will be advised of their identity and those of the other companies in the benchmark. Our results indicate that, across all sectors, companies are undertaking more activity on biodiversity management than they are reporting and, as with the results from 2004, this is true of all levels of management. It is pleasing to see that scores based on additional information supplied to us have declined in response to an increase of information reported publicly, narrowing the gap between what is communicated on risk management and what is actually done. However, it is vital to stress that the continuing narrowing of this gap will not be achieved simply by providing additional examples of site level activities on biodiversity, but by addressing fundamental components of biodiversity risk management, such as consistent, group-wide methods to identify sensitive sites, disclosure of the location of such sites and incorporation of biodiversity management systems within internal assurance procedures.

3.2 Key findings by sub-heading

This section considers the results of the benchmark according to each of the five broad benchmark areas. Chart 3 on page 21 shows the key findings split by the four original sub-headings, for 2004 and 2005. As before, companies are represented by numbers from one to thirty-six and they will be advised of their identity and those of the other companies in the benchmark. Broadly speaking, the three sectors showed the following key characteristics:

- Mining and metals: The lowest scoring areas include risk management at the corporate and site level, strategy development, the formulation of biodiversity action plans (or integration of biodiversity into site level management plans), reporting on partnerships, and assurance over externally reported information. The highest scoring areas include stakeholder engagement, staff training on biodiversity issues, and the development of environmental and social impact assessments. The areas with the largest score increases from the benchmark of 2004 include stakeholder engagement, policy development, and internal auditing.

- Oil and gas: Lowest scoring areas include commitments made concerning sensitive sites, strategy development, biodiversity action plans or their equivalent, outcomes reported on partnerships, assurance over externally reported information, and internal auditing. The highest scoring areas include responsibilities assigned specifically for biodiversity risk, management assigned at the corporate and the site level, environmental and social impact assessments (ESIAs), and training of staff. The areas with the largest score increases from benchmark of 2004 include risk management assigned at the corporate and the site level, policy and strategy development, and employee awareness over biodiversity issues.
- Utilities: The highest scores based on public material out of all the sectors occur within utilities companies, suggesting that they are reporting more comprehensively on biodiversity as a risk and opportunity. In this sector, the lowest scoring areas included commitments to avoid working in sensitive sites, strategy development, the application of site selection tools, biodiversity action plans (BAPs) (particularly when integrating biodiversity into other site management plans), external auditing, and assurance over externally reported information. The highest scoring areas included the integration of biodiversity into the business at key decision making levels and processes, policy development, Environmental Management systems, ESIAs, local partnerships, and in key performance indicators. The areas with the largest score increases from benchmark of 2004 include the development of specific BAPs (as opposed to integrating biodiversity into other site management plans).

3.2.1 Governance

The existence of strong governance structures is essential to ensure that, in addition to managing the issue on an operational level, companies consider and manage wider strategic risks posed by operating in biodiversity rich locations such as licence to operate and continued access to resources.

Box 1: Risk management in United Utilities

Biodiversity risk management in United Utilities is integrated into formalised risk management procedures through the operation of the Sustainable Development Panel and the environmental management system. Biodiversity is seen as an integral part of sustainable development and has been flagged by stakeholders as a priority theme. A clear summary of United Utilities' biodiversity impacts - both indirect and direct- are given in their biodiversity strategy, a detailed programme has also been set out for sustainable development in Contract Services Solutions which includes overseas operations. The Sustainable development policy commits to assess and manage the environmental risks and effects (including emergencies) associated with United Utilities operations by developing and maintaining procedures and plans and putting them into practice effectively throughout the company.

3.2.2 Policy and strategy

Our discussions with companies indicate that policy and strategy frameworks are fundamental to drive the management of biodiversity risks. We define policy as a high level aspirational commitment, setting out a company's position on a particular issue. By contrast, strategy acts as a framework and roadmap to drive performance. It describes the implementation of the company's vision for desired outcomes on a given issue in the medium term, outlining goals, prioritising them and assigning targets. Four companies achieve a high score in the top cohort, above 66%, for the existence of a specific biodiversity policy and associated guidance.

Chart 2 Reported and unreported scores for 2004 and 2005

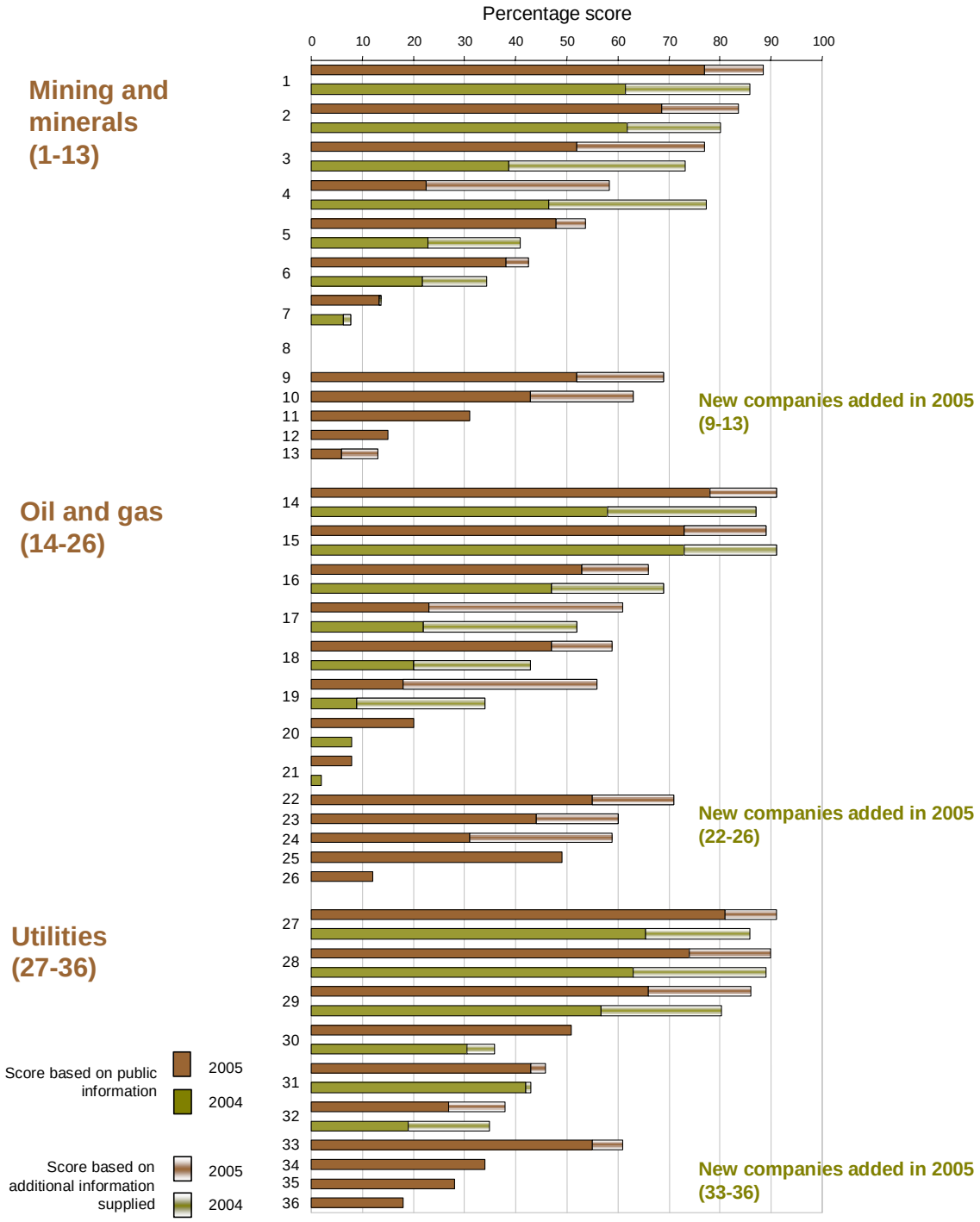
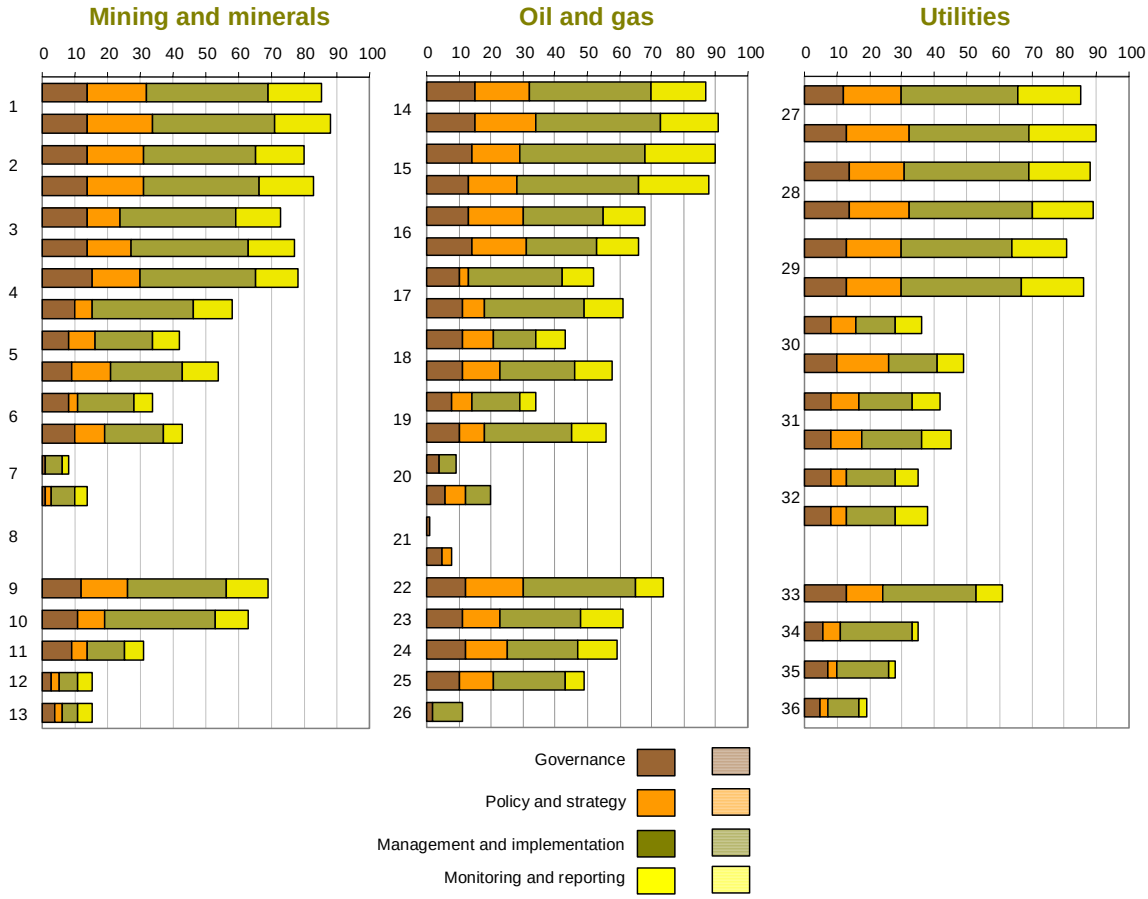


Chart 3 Key findings for all companies by sector and benchmark sub-heading, for 2004 and 2005



Box 2: Best Examples of biodiversity strategy

Rio Tinto launched its biodiversity strategy in November 2004 at the Bangkok World Conservation Congress. The company has taken a strong leadership position on biodiversity within the sector, making a commitment to have a "net positive impact on biodiversity". The strategy was developed in consultation with key stakeholders in the environmental community through convening of an Advisory Group and was tested widely internally before finalising and launching it. Rio Tinto aspires to be a biodiversity leader and commits to integrate the identification, evaluation and management of biodiversity issues into planning, decision making and reporting processes. This approach has been positively received by the conservation sector and investors and provides a clear framework against which company performance can be evaluated.

Kelda Group has now developed a number of commitments which form a strategy for biodiversity which set out some key priorities, goals and targets for managing biodiversity risk. Commitments include:

- Developing a formal biodiversity management process (i.e. a Company Biodiversity Action Plan), which is integrated into the company's EMS and other management systems by December 2005;
- Assessing any significant impacts on biodiversity for relevant business planning and operational practices and procedures;
- Using the environmental aspects identified through Kelda's EMS to prioritise its work in the area of biodiversity and set goals;

- Developing a tool to enable Kelda to clearly identify benefits and costs associated with biodiversity work and to assist with its EMS based decision process;
- Managing its landholdings to achieve its biodiversity goals;
- Seeking to conserve and enhance biodiversity where possible;
- Managing its woodlands to achieve the standards contained within the UK Woodland Assurance Scheme which will lead to UKWAS/Forestry Stewardship Council accreditation;
- Managing its supply chain and investment decisions to reduce the risks of indirect adverse impacts and to enhance biodiversity;
- Developing partnerships with stakeholder groups to assist the delivery of a diverse and sustainable ecology for the region;
- Taking an active role in the Yorkshire and Humber Biodiversity Forum;
- Setting goals annually and reporting on Kelda's biodiversity performance through its web-based Corporate Social Responsibility (CSR) and Environment Report;
- Gaining awareness of the commitments of other BAPs, to ensure Kelda maximises the use of available data and, where possible, share its biodiversity data and survey work.

Kelda also commits to monitor and review this strategy.

3.2.3 Management and implementation

For management and implementation, we evaluate the extent to which policy commitments related to biodiversity are implemented through the use of management tools, for example, site selection tools, ESIAs and through BAPs or their equivalents: integration of biodiversity into site level management plans. We believe that companies should use a range of management tools to address biodiversity risk and integrate it into their decision making, ranging from those designed to select the initial sites for development to those used to manage impacts once development has commenced, and post-closure. Companies may be exposed to reputational risk if they sell an operation or close it without ensuring their biodiversity related liabilities are passed on to the purchaser or are adequately funded and managed once they withdraw.

There is still a relatively large gap between information disclosed in the public domain on the tools companies have in place to manage biodiversity and the tools they actually use. This is true for all three sectors. Since our last benchmark report, additional guidance has been released on biodiversity management within the mining sector which can act as a useful reference point for the sector (see box 4).

Box 3: Best practice examples

Biodiversity Action Plans – Severn Trent Water

The development of biodiversity action plans in Severn Trent plc is advanced and Severn Trent Water reports in detail on its progress in the document: "Biodiversity Action Plan: the first five years- progress report April 1999 - March 2004". Through its biosites programme, Severn Trent Water has surveyed over 1800 sites in Biffa and Severn Trent. Those sites that are most sensitive in biodiversity terms have management plans in place. The company's management states that management plans for other sites are being prepared. Targets for these have been disclosed to ensure that group businesses with a significant biodiversity impact have Biodiversity Action Plans in place.

Development of site selection tool and providing training and awareness on biodiversity issues – Shell

Shell has a formal process in place for evaluating biodiversity impacts in siting decisions and commits to using the Energy and Biodiversity Initiative[7] site selection tool to do so. The company has developed an on-line Early Warning System which allows staff to overlay existing and planned oil/gas developments (concessions, wells, pipelines) with a variety of environmental datasets. These include World Heritage Sites, IUCN Category I-VI Protected Areas, Ramsar sites, WWF Global 200 Ecoregions and Conservation International Biodiversity Hotspots. This provides the user with an early warning of potential environmental sensitivities associated with a particular project (existing or planned).

Shell has also developed a senior management brief, explaining the importance of biodiversity and what staff should do to be aware of in order to comply with the company's Biodiversity Standard. Shell conducted a strategy workshop focused on biodiversity in 2005. This was attended by over 150 people, of which 50 were Shell employees. This gave Shell staff an opportunity to understand a range of key biodiversity issues and potential responses.

Guidance is available on the means by which biodiversity can be integrated into management tools for the oil and gas sector through the Energy and Biodiversity Initiative (**EBI**)[8] which brings together leading energy companies and conservation organisations to provide guidance on how to achieve the integration of biodiversity considerations into upstream oil and gas development. The guidance set out in the EBI documents has now been taken up by the International Petroleum Industry Environmental Conservation Association (IPIECA) and is being promoted through their members. The guidance includes information on site selection tools, indicator development and integration of biodiversity into environmental impact assessments.

Box 4: Guidance on biodiversity management within the mining sector

The International Council of Mining and Metals (**ICMM**)[9], will release draft 'Good practice guidance' for Mining and Biodiversity in the first quarter of 2006. The document is intended for use by technical and environmental managers at mines as guidance on how to improve their performance in biodiversity conservation and management. The guide aims to help mining professionals to identify and evaluate biodiversity, assess the impacts of their operations on biodiversity, and identify the opportunities for biodiversity enhancement or conservation. It contains guidance on stakeholder engagement, integration of biodiversity into site management plans, environmental impact assessments and monitoring procedures.

3.2.4 Monitoring and reporting

Not only must management systems be in place, but management needs to be confident and able to demonstrate that these systems are being implemented effectively. The fundamental questions underlying monitoring, reporting and assurance were: given that systems are in place to manage biodiversity risk, are these systems checked to ensure that they are being implemented? Failure to do so will expose the company to risk and liability and accidents. This section exhibits the lowest scores and this is common to all the sectors. As the issue matures and management systems become further embedded in business operations, we expect to see an improvement in the scores within this section. Well developed assurance processes are often an indicator of a relatively mature management system. This component of a management system is developed once the company is confident about its policy and strategy statements.

Section 3.1.2 outlines the gap between reporting on management systems and their actual level of development. Scores based on additional information supplied are still high for management and implementation which suggests that suggests that public reporting on these issues is still relatively poor in comparison to other benchmark headings.

Box 5: Monitoring, reporting and assurance - best practice examples

Anglo American recently performed a group BAP Peer Review of 13 of their operations covering South Africa, Australia, UK, Chile, and Brazil. The review aimed to collectively strengthen their position in biodiversity management. The review teams comprised of individuals from the different business units to promote interactive learning and knowledge sharing across the group. Each operation's biodiversity management plan was assessed through document reviews, interviews with individuals responsible for biodiversity management and a site visit. A review template was constructed based on many of the issues and recommendations laid out in the 2004 insight benchmark. The results will be incorporated into a consolidated report that highlights the key issues and areas for improvement. The outcome will then be disseminated across the group via Anglo American's Biodiversity Community of Practice (COP) for collective learning and implementation. Key issues, weaknesses and concerns from the review will be taken through to a biodiversity strategic workshop planned for the first quarter of 2006, during which the continuation of the review process will also be considered.

BP has external verification of BAPs in place at a number of sites. Ernst and Young additionally verified all 2004 sustainability reporting and reviewed the sustainability report against AccountAbility's AA1000 Assurance Standard as well as Global Reporting Initiatives 2002 Sustainability reporting guidelines. BP also has an EMS at all their "major sites" which are externally audited to the ISO14001 standard. This combination of assurance processes with biodiversity clearly flagged as included, gives stakeholders comfort that processes are in place to ensure biodiversity related management systems are being implemented effectively.

3.4 The new leadership section

A 'Leadership section' was added to the benchmark of 2005 to capture biodiversity best practice on emerging issues as well as to address issues not dealt with elsewhere in the benchmark. This section poses a series of more searching questions on whether companies link their conservation activities to locations identified as high risk; whether they have a range of conservation measures in place that are commensurate with their risk exposure (rather than a couple of well-rehearsed show-case examples); how they address the issue of promoting good practice in joint ventures and contractors; and how biodiversity related liabilities are addressed in sale and closure. We also looked at the positive contributions companies make in terms of working together to address key emerging issues and challenges or sharing information and good practice.

The scores for the leadership section were far lower than for other sections of the benchmark. This is to be expected, since the section rewards the most advanced areas of biodiversity risk management, and the questions reflect stretch targets. The scores in the new leadership section were "zero weighted" and thus were not included in companies' final scores. However, we report them here for readers' interest. Eight companies scored 0 in this section. The remaining scores are split by sector in Chart 4, which distinguishes between scores based on publicly available information ("reported scores") and those based on additional information supplied to us.

Chart 4 Reported and unreported leadership scores for 2005

(percentage scores – maximum possible score in the leadership section was 14)

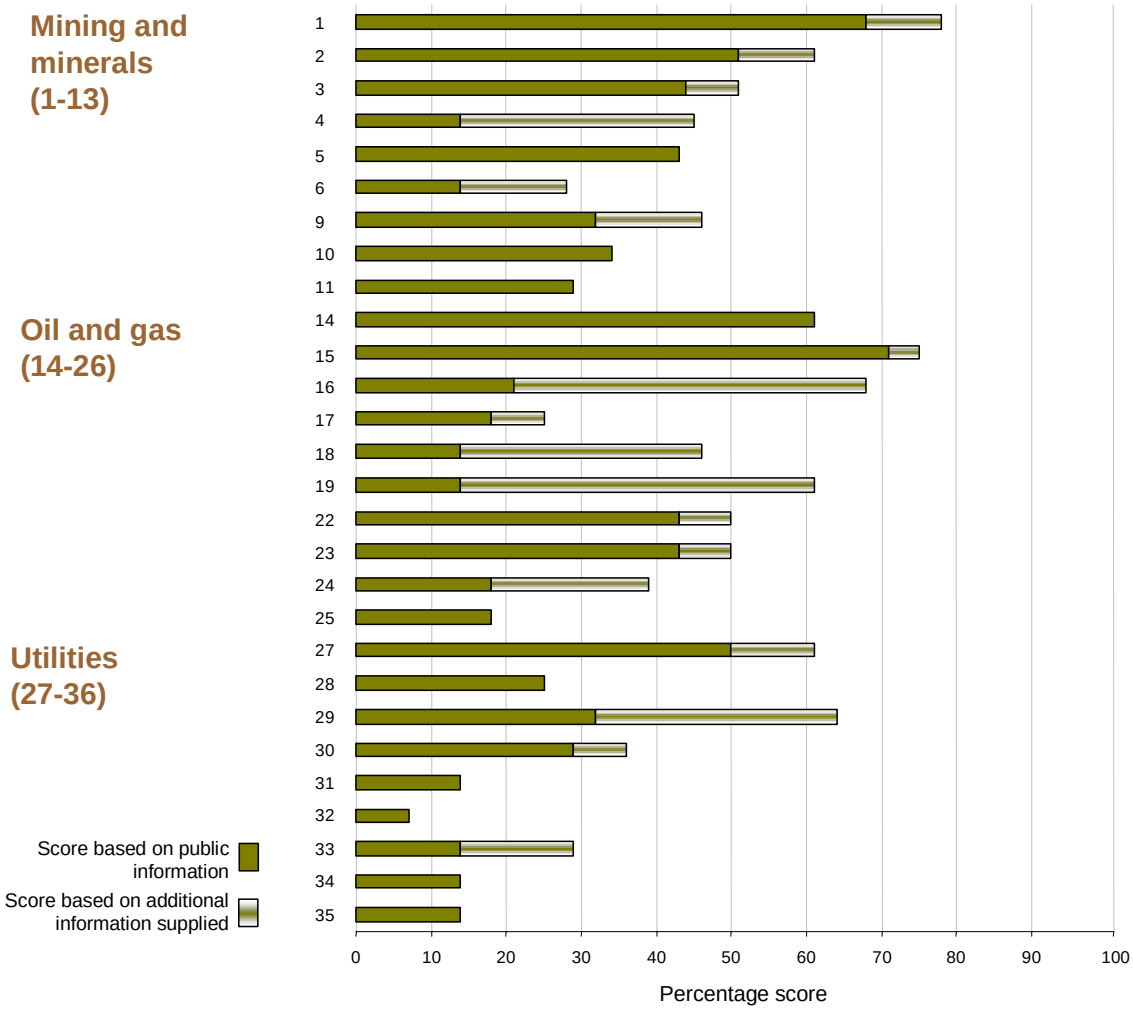


Table 6 Leadership questions and examples of how companies that have scored well have approached these

Criterion	Example (not all examples of good practice are included)
5.1 Risk Management	
5.1.1 Level of conservation activity commensurate with risk exposure Percentage of sites identified as high risk that have linked conservation activities as an indication that the company's conservation activities are at least proportionate to its risk exposure, and focus in particular on high risk areas of high biodiversity value. Level of company's understanding of the proximity of its operations to biodiversity sensitive areas and the extent to which activities have been undertaken to avoid, minimise and mitigate potential impacts.	**BG** has undertaken a review of its operations and has identified those operations which have significant biodiversity risks, these include Trinidad, Kazakhstan, Bolivia and Canada. Activities are underway to manage the risks at all these sites. In Trinidad, for example, the location and design of the exploration and development site has been adjusted. In Bolivia, there have been meetings with local indigenous populations to understand their reliance on local resources and mitigate impact on these. One outcome has been the establishment of native species nursery run by the local indigenous population.

Criterion	Example (not all examples of good practice are included)
5.1.2 Activities undertaken to address causes of biodiversity loss external to the company where such losses have the potential to undermine the company's biodiversity risk management activity Company identifies root causes for pressures on biodiversity within its area of control but external to the company and designs/ implements programmes to help address them where they potentially impact on the companies risk management activities. For instance, if the company's operations impact an area of forest which is already declining as a result of unsustainable subsistence use of that forest, simply addressing the company's impacts on the forest will still result in a decline in biodiversity which may be attributed to the company and result in reputational damage.	**Rio Tinto** has considered the root causes of biodiversity loss external to the company operations and has developed a series of programmes and activities to address them in some high risk operations. For example, QIT-Fer Madagascar Minerals has promoted regional development planning and sustainable resource use agreements in Madagascar to address threats of deforestation from unsustainable subsistence use of fuel wood.
5.1.3 Third party involvement **Joint ventures:** Operations run with joint venture partners represent a key risk area as the company may have a limited ability to influence the joint venture's activities. The policies and standards operated by the joint venture may be lower than the company's own commitments. Effort to influence joint ventures should reflect the level of evaluated risk relating to biodiversity from the joint venture activity and the company should clarify the applicable policies and standards of the joint venture and flag where these differ substantially from its own. **Contractors:** Contractors could be undertaking activities with the potential to impact on biodiversity or have a key role in determining whether biodiversity has been adequately addressed (e.g. ISO 14001 auditors), if they are not properly briefed/ aware of and incorporated in policies/ procedures, there is a risk that management systems will fail. Policy statements and management systems apply to Contractors and processes are in place to ensure they are aware of and following them.	**BHP Billiton** has a specific policy of engaging with partners to influence them with regard to health, safety, environment and community policy and biodiversity is integrated into this process and specifically mentioned. **Rio Tinto's** Environmental Management System (EMS) standard makes it clear that contractor activities have to be managed as part of the EMS, and cites a biodiversity guidance note as a relevant document to be included in the EMS. This constitutes a system for helping to ensure that biodiversity aspects of contractor activities are managed by Rio Tinto.
5.1.4 Site closure or sale Companies may be exposed to reputational risk if they sell an operation or close it without ensuring their biodiversity related liabilities are passed on to the purchaser or are adequately funded and managed once they withdraw. This criterion seeks to establish whether safeguards are written into closure and sale agreements.	**Rio Tinto:** A closure standard was introduced across all businesses in 2005 which makes provision for biodiversity risk. This is to ensure Rio Tinto operations undertake effective planning and implementation for closure to minimise adverse impacts on the socio economic, cultural and natural environment and make a positive contribution to community life in surrounding areas. **Anglo American's** operational biodiversity guidelines include a specific commitment to develop biodiversity criteria related to abandonment, closure and rehabilitation. The Group Technical Director reviews all sale circumstances and evaluates the need for biodiversity related provisions. A detailed procedure for these reviews has been developed.

Criterion	Example (not all examples of good practice are included)
5.1.5 Where the legal and civil society framework is weak and there is a risk of biodiversity risk management activities failing as a result, the company has identified the need to build local conservation capacity In a number of countries where companies operate, the legislative framework, government environmental bodies and civil society organisations are not well developed. As a result there is a risk that activities the company undertakes to manage biodiversity risk are undermined. The company has undertaken a review of its operations and where a lack of local conservation capacity has been identified which has the potential to undermine company attempts at risk management, the company is providing financial or in kind resources to help to address it.	**Northumbrian Water Limited** considered the factors causing loss or decline of 'flagship species' for each habitat type in which the company operates (e.g. the Northern Spike-Rush is the flagship species for wetland margins (inundation communities) within site level biodiversity action plans). The plan also considers the current status of a species or habitat in the region, on their land holdings and a summary of current management practices. Targets are set to improve the status of the specific species or habitat and monitored to ensure they are met. By considering the wider threats to biodiversity, i.e. threats beyond those caused by the company's own operations, Northumbrian Water ensures that the action plan is relevant and reduces the risk of its failure.
5.1.6 Company tracks emerging issues linked to biodiversity risk and opportunities and engages in initiatives aimed at resolving them at an appropriate level (for companies over £100 million turnover) Companies can explore issues that give them a greater understanding of biodiversity risk and opportunity, enabling them to manage it more effectively. They can do this in a number of ways, for instance by participating in working groups on emerging issues, funding or undertaking research into emerging issues, or collaborating with other companies through industry fora. Issues that some companies are tracking at present include biodiversity offsets, biodiversity indicators and landscape level planning.	**Alcoa** recently took over the chair of the biodiversity working group within the International Council of Mining and Metals from **Rio Tinto**. This group has produced technical guidance on biodiversity offsets and Good Practice Guidance on Mining and Biodiversity. **Anglo American** also participates in this working group. Both **Shell** and **Rio Tinto** are exploring the use of biodiversity offsets as one of their tools to manage biodiversity impacts and the potential use of landscape level planning. **BP** has been involved in the Climate, Community and Biodiversity Alliance which aims to develop a system for certifying carbon offsets which have a clear biodiversity and livelihood benefit. **BG** recently took over the chair of the biodiversity working group (previously held by Shell) within IPIECA. This group is exploring the impacts of noise from oil and gas developments on marine mammals and developing an environmental impact assessment tool which incorporates biodiversity. **United Utilities** and **Kelda** have formed advisory committees composed of key stakeholders to assist them in tracking emerging issues.
5.2 Making a contribution to knowledge The company makes available data collected through its ESIAs and baseline surveys to the conservation community.	**Anglo American**, **BP**, **Rio Tinto** and **Premier Oil** are members of the Proteus initiative which aims to collect and make available to decision makers and key stakeholders biodiversity related data.

We highlight some of the best examples in table 6 above, together with a more detailed description of the various elements within the leadership section. A number of companies are involved in leadership activities, working alongside conservation organisations, governments

and other companies to address key emerging issues such as biodiversity offsets, landscape level planning and the development of tools to help companies in developing with biodiversity management.

BP, Shell and Rio Tinto led the benchmark group on this section. Eight (22%) companies (out of the entire 36 benchmarked) scored zero. The leadership results for the utilities sector were poor in comparison with other sectors. This could be partly attributable to the fact that some of the questions asked in this section are specifically geared towards companies which operate in areas where legislative and enforcement capacity is weak and in the world's areas of highest biologically diversity - in Africa, Asia and South America, rather than in Europe, where the majority of the utility companies' operations lie.

To highlight an example, all companies are rewarded in the benchmark for mobilising resources and support to help build local conservation capacity where the legal and civil society framework is weak and there is a risk of biodiversity risk management activities failing as a result. Many European countries (particularly Western European countries) provide a regulated environment which helps to maintain some kind of framework for biodiversity risk management. The UK government, as an example, produced a report in 2002 entitled, "Working with the Grain of nature - the England Biodiversity Strategy"[10]. Subsequent publications provide advice and baseline information and indicators against which businesses can monitor and evaluate their performance.

Only 9 of the 36 companies had clearly stated policies and intent to encourage their contractors and joint venture partners to understand and manage their impacts on biodiversity. 72% had little to say on this issue and scored zero. This may expose them to risk.

We understand that, for most companies, this section will be a stretch target at this stage of engagement. We have therefore kept the leadership section as a separate part of the benchmark and have not included it in the final score. However, we believe performance in this area is important to manage risks and opportunities linked to biodiversity and the section is thus a useful framework to drive continued best practice on emerging issues.

4 Conclusions

This section sets out our conclusions from the benchmarking study and discusses the implications of these findings for the effective management of biodiversity risk.

4.1 Overview

The overall trend was for an improvement in the scores of the companies with an increase in the average scores in the mining and mineral sector from 46% to 51%, in oil and gas from 48% to 56%, and in the utilities sector from 62%to 66%. Five companies (Cairn Energy, Xstrata, Venture, Soco and Tullow) more than doubled their performance from the previous benchmark, although the Soco and Tullow started from a low base.

Companies not previously included within the benchmark show varying results. None score on a par with the leaders within the original benchmark, but two (Alcoa and Total) are within those companies we class as **leaders**.

For all 36 companies, there remain significant gaps between the limited information they place in the public domain on their biodiversity management systems and the full range of relevant work they are doing. Companies were extremely responsive to our request for additional information. Twenty companies provided further material for analysis.

4.2 Areas of significant improvement

Even the leading companies are still making progress on managing their impacts on biodiversity. However, a number of other companies have made great strides in developing processes to manage biodiversity-related risks and opportunities. We congratulate these companies and urge those that have yet to tackle the issues in depth to review their approach to them.

Examples of best practice are given throughout the results section of this report. Based on the changes we have witnessed in a number of companies participating in the benchmark, we can summarise the evolution of a company's approach to managing biodiversity. This is outlined in the diagram below.

Figure 1 The typical evolution of a company as it moves towards best practice

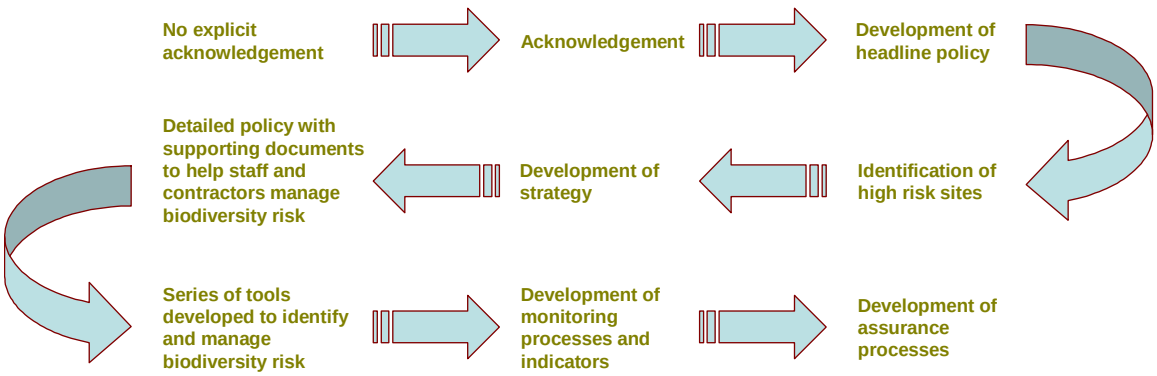


Table 7 illustrates how companies have progressed. In some cases, a company has shown small degrees of progress on many issues, raising its overall score. In others, a company has made significant improvement on one or two specific issues.

Table 7 Most marked improvements per section of the benchmark

Company	Improvement/best practice
Governance	Since 2004, **Kelda Group** has pledged to ensure that 95% of Sites of Special Scientific Interest's are in a favourable or recovering condition by 2010, by signing a Memorandum of Understanding with English Nature to help them achieve their goal. **Soco** discloses greater information than in 2004 on its environmental risk management processes, which include biodiversity. The company also commits to consult and engage with stakeholders, to try and integrate corporate activities with stakeholders' expectations. The company's commitments on this refer to conservation practices.
Policy and strategy	**Lonmin** has drafted a group biodiversity strategy which makes commitments to having a net positive impact on biodiversity through the project lifecycle. It has also joined the International Council for Mining and Metals' (ICMM) since our previous benchmark and endorse the principle on biodiversity conservation (principle 7), which states that member companies will contribute to conservation of biodiversity and integrated approaches to land use planning. **Tullow's** biodiversity policy, released in February 2005, commits the company to "high standards of Environment, Health and Safety (EHS) performance across [its] business". The stated goal is "to protect people, minimise harm to the environment, integrate biodiversity considerations, and reduce disruption to [its] neighbouring communities." Combined with this, there are greater disclosures on the company's process to manage environmental risks, of which biodiversity is a part. **Kelda Group** has now made a number of commitments which form a strategy for biodiversity, setting out some key priorities, goals and targets for managing biodiversity risk (See Box 2)
Management and implementation	**Cairn:** Since 2004, Cairn has built its in-house competency for biodiversity management by recruiting an ecologist. In addition, the company was able to provide further information on the evaluation of biodiversity risk as part of the environmental impact assessment process. A geographic information system is used to overlay environmental data with maps including biologically sensitive sites. A study is currently underway to strengthen Cairn's assessment process for sensitive sites and biodiversity and to apply this across the Group. **Venture:** Since the last evaluation, Venture has revised its EMS procedures covering Roles and Responsibilities and Training, clarifying the levels of environmental awareness appropriate to different management levels. The company has also updated its Corporate Health, Safety and Environmental Management System (HSEMS), specifying Individual Responsibilities (Chief Executive down) and Collective Responsibilities (e.g. for asset teams). Management of environmental issues – of which biodiversity may be one – is clearly assigned. Venture provides detail of its EMS procedure, including the Block Environmental Risk Assessment (BERA) tool which ensures biodiversity is considered on purchase or development of new activities. There is a formal process for evaluating biodiversity linked to statutory requirements such as the EU Habitats Directive. The company also shows incremental improvements in its development of biodiversity action plans and partnerships with conservation organisations
Assurance	**Venture** was able to supply us with details of the company's process to identify biologically sensitive sites and provided a list of the sites that are potentially sensitive and actions underway to mitigate potential impacts. **Cairn** undertook external assurance of their environmental and social report for the first time in 2004, and has made a specific commitment to report more fully on biodiversity issues and management systems. The company also provides more information on the potential impacts of its operations on sensitive sites and activities to manage them. **Xstrata** had its sustainability report verified and undertook a review of data management and reporting systems for the collation and aggregation of site level data which included biodiversity.

Our 2004 report outlined the differences in approaches between companies, some of which integrate biodiversity fully into their environmental management systems (sometimes to such an extent that it becomes invisible to external stakeholders), while others have specific policy commitments on biodiversity. Although both approaches are equally valid, the latter facilitates evaluation by external stakeholders on the extent to which the company is managing biodiversity. Ideally, integrated management systems and visible commitments to biodiversity are preferred.

4.3 Smaller companies

Although it has frequently been said that smaller companies struggle for reasons of resource constraints to report comprehensively on environmental and social issues, this was not consistently the case for the smaller companies within our benchmark. Indeed, they made the most significant progress in some cases. Although it is not always possible to attribute developments in a particular company to any one influence, there are a number of developments within the smaller companies contained within the benchmark that we feel are worthy of note.

Tullow makes a new reference to biodiversity in the EHS policy. **Soco** also now makes specific reference to biodiversity within its environmental policy “Soco strives to minimise the adverse effects of the by-products of their processes on the natural resources and ecosystems in which we operate”. **Northumbrian Water** is classed as a smaller companies within our survey and demonstrated well developed approaches to managing its impacts on biodiversity (see box 2).

For those companies which are still struggling to disclose detailed information on their management of environmental and social issues more generally, our engagement focuses on encouraging them to get the basic building blocks in place to communicate effectively to key stakeholders on the management of biodiversity. Some companies commented that the logical framework of the benchmark and the external analysis of their response to an issue such as biodiversity was extremely useful, enabling them to think through their approach to the management of this issue.

4.4 The fourteen newcomers

The new companies varied significantly in their performance. Some have scores similar to the existing benchmark leaders and others scored very poorly. There were some notable areas of good practice within the newcomers which include:

- **Total’s** commitments on biodiversity in which they state that they, “will work to improve the application of biodiversity considerations into site rehabilitation projects [and] will seek to compensate for their impacts with appropriate offset projects”. Their approach includes both the consideration of emerging issues such as biodiversity offsets and a commitment to making a positive contribution to biodiversity. **Norsk Hydro** also aims for a net positive impact on biodiversity.
- Within **Lafarge**, a ‘toolbox’ has been developed for staff which details how biodiversity is integrated into the environmental management system and the process is well mapped out. Site selection tools and impact assessment processes are also well documented
- **Alcoa’s** self assessment audit tool addresses biodiversity issues. All locations are expected to complete this within a 12 or 18 month cycle.

4.5 Remaining challenges

A number of areas of weakness remain common to many of the companies within the benchmark sample.

4.5.1 Ambiguous policy commitments

Although there has been an increase in the number of companies making reference to biodiversity within their policy statements and supporting guidance, many of these statements remain vague and open to interpretation with references to 'enhancing conservation' or supporting 'the preservation of biodiversity'. As such, they do not set out a clear vision and do not clearly communicate to stakeholders the company's policy on biodiversity and approach to risk management, for which the company can be held to account. There are a few notable exceptions, such as those made, for example, by Kelda, Rio Tinto, Anglo American and Shell. The lack of clarity of policy commitments in other cases makes it difficult for external stakeholders to grasp the company's approach to managing biodiversity risk.

4.5.2 Linkage between risk identification and activity

There is a general lack of robust risk assessment processes that could allow a comprehensive understanding of the extent to which the company's operations impact biodiversity **directly** and **indirectly**. Only 8 of the 36 companies gained full marks on their approach to risk assessment (and only 14 scored 1 or above) and could demonstrate clear linkages between the risks identified and their activities to manage them. This is an area of concern highlighted in section 5.1.1 of the benchmark. Few companies seem to have a spread of conservation activities commensurate with risk exposure and it is very hard for investors to identify such links. There is also a great deal of repetitive publicising of one or two flagship projects, rather than a risk-assessment-and-response based approach.

See Table 6 on p25, 'Activities commensurate with risk exposure'

4.5.3 Working with third parties

Although it is currently placed within the leadership section of the benchmark, the issue of third parties – joint ventures, contractors and suppliers – is one of increasing significance. Companies are increasingly operating in conjunction with a third party, which exposes them to a range of risks. First, companies with policies on biodiversity create expectations that they abide by their policy for all their operations. They rarely clarify that joint ventures have different policies and operate to different standards. The mismatch of expectation of stakeholders and reality creates a reputational risk. Second, the policies and standards of joint ventures may be less demanding than those of some of the partner companies. This exposes them to risk. Companies can seek to persuade joint venture partners to establish sufficiently rigorous standards, but may not succeed in reaching agreement on high standards nor be able to enforce them, particularly when the company is a minority investor or is not the operator of the facility. Although a number of companies (9 of the 36) endeavour to exert influence on joint ventures and contractors, there is no guarantee of a satisfactory outcome even for these companies, and the remaining 72% of the companies surveyed had little to say on this issue and scored zero. This is a key area of risk for them.

4.5.4 Reporting

There remains a gap between publicly disclosed information on biodiversity management practices and what actually happens on the ground. In addition, the information that is presented is often scattered throughout the company's website or in various different documents and lacks a logical flow of 1) key risks identified, 2) policy and position on the issue, 3) strategy to address those risks, 4) management tools in place to do so and 5) monitoring and review of processes to ensure implementation. For larger companies, it took our research team between 2 – 3 days to get a clear picture of the way in which biodiversity was being managed.

Companies and the conservation community alike are struggling to identify appropriate performance indicators[11] for biodiversity management, so demonstrating biodiversity performance improvement is difficult. A number of companies are attempting to develop appropriate metrics, with varying levels of success. As noted by the Energy and Biodiversity Initiative (box 6), there is no single all-purpose indicator for biodiversity, although there are likely to be a number of generic, process based indicators at head office and site level. Rather, a common methodology can be used to develop indicators for each project. The Global Reporting Initiative Sustainability Reporting Guidelines (2002)[12] also provide some metrics for reporting. However, these are not yet sufficiently well developed nor appropriate to enable performance monitoring on biodiversity. The biodiversity indicators within GRI are under review and revised versions were released early in 2006. It is not clear whether these indicators will be sufficiently well developed to serve the purposes of investors.

Additional information provided by the companies increased the overall average total benchmark score by 24.9%. This is particularly marked in some companies. Without readily available information in the public domain, stakeholders cannot determine how well companies are managing this issue. Few will have the time to undertake detailed research such as that presented in this benchmark report. In its absence, they may draw unduly negative conclusions about the calibre of companies' management of this risk.

Box 6: Biodiversity indicators suggested by the Energy and Biodiversity Initiative

- **Corporate management**: Biodiversity elements included in management system; corporate/business unit budget allocation for biodiversity; sites with biodiversity action plans; ongoing biodiversity conservation projects, at site or collaborations at company level
- **Species:** Globally threatened and data deficient species in area; restricted-range species; invasive non-native species that are threatening to ecosystems, habitats or species; species used by local populations
- **Habitat:** Operational site overlap with conservation priority areas containing globally threatened or restricted-range species; amount of land within the operational site that has a management plan with a biodiversity conservation focus; contribution to habitat conservation

It seems likely that a combined approach would work best. This could comprise:

- a set of generic process-based indicators focused on management system implementation;
- a process for developing site level indicators;
- a generally accepted framework for biodiversity reporting

In order to get to this point, a collective effort from companies, investors and conservation organisations is required to develop agreed indicators.

4.5.5 Monitoring and assurance

Across the board, the monitoring and auditing of biodiversity management systems remains weak, with only 5 of the 36 companies having well developed internal and external assurance processes which incorporate biodiversity related risks. This is an area of concern as assurance is essential both to ensure that the management systems are effectively and efficiently implemented, and to drive performance improvement.

Furthermore, assurance over externally reported information suffers – as with all issues subject to such assurance – from a lack of clarity on the scope of assurance and the extent to which biodiversity information is included within it. In addition, only 19 of the companies (just over 50%) had some form of assurance over their externally reported information on biodiversity, with only 2 attaining strong marks. Robust analysis of company performance in the absence of third party verification of the information disclosed is difficult.

4.5.6 Integration of social and environmental issues

As approaches to biodiversity management and social issues management mature, it is becoming apparent that there is often a lack of integration between social and environmental issues, which may be managed by separate teams, in some cases using separate tools. Given that biodiversity has a clear social dimension with differing values placed on it by different stakeholders as a result of cultural or subsistence use, there is a risk that biodiversity is not being adequately factored into social processes and vice versa. A key step towards more effective integration of these issues is the development and implementation of stakeholder engagement processes that operate at site and corporate level and address both ecological and socio-economic aspects of biodiversity.

4.5.7 Emerging issues

A number of issues are emerging in the discussions between business and the conservation community which are worthy of note, as they are informing the way in which leading companies are addressing biodiversity management and reflect emerging societal expectations.

4.5.7.1 Biodiversity offsets

Biodiversity offsets (practical conservation activities undertaken with the aim of ‘no net loss’ of biodiversity in order to ‘offset’ – or compensate for – unavoidable harm to biodiversity caused by a company’s operations[13]) are receiving increasing attention within governments, industry and conservation organisations. This is being driven by the following:

- **Legal requirements** for compensation or offsets within certain countries e.g. Brazil, the USA and Europe
- The perception that offsets offer the opportunity to secure **more and better conservation**
- There is a significant overlap between mining deposits, oil and gas reserves and areas of high conservation value[14], hence there is almost inevitable conflict between the social and economic demand to exploit these resources and impacts on biodiversity. Where development is appropriate, constructive solutions that integrate conservation and livelihood benefits into business planning can also help companies that impact biodiversity manage their risks, liabilities and costs, strengthening their reputation and license to operate.

Although offsets offer opportunities, the circumstances in which they could appropriately be used, the process for establishing them and how impact and conservation outcomes can be measured and compared require further work. Several leading companies surveyed in the benchmark are engaged on testing the concept of offsets and understanding more fully the issues and opportunities that they present.

Box 7: The Business and Biodiversity Offset Programme

Addressing specific needs identified in a report by Insight Investment and IUCN[15], USA-based NGOs Forest Trends and Conservation International are providing the Secretariat for a group of over 30 companies, government representatives, financial institutions and experts from the conservation community: the Business and Biodiversity Offset Programme (BBOP). Insight Investment and Fauna and Flora International are members of the BBOP Advisory Committee.

The objectives of BBOP are:

- To achieve conservation and livelihood outcomes in a portfolio of diverse biodiversity offset pilot projects worldwide. The pilots aim to demonstrate "no net loss" (or preferably "net gain") of biodiversity and benefits to local communities. The varied portfolio should enable the BBOP partners to draw conclusions on the influence of various factors affecting the success of biodiversity offset projects.
- To compile, use and disseminate a toolkit for designing and implementing best practice biodiversity offsets. The program will draw on the experiences of the pilot projects, the advisory committee and learning network to develop the toolkit.
- To influence developments in legislation, policy and corporate practice related to biodiversity offsets so that they meet both conservation and business objectives.

BBOP will tackle issues such as how to measure corporate impacts on biodiversity and identify and establish appropriate offsets and how to measure and monitor their performance. It will run over a period of 2-3 years and will release a set of technical methodology papers and case studies which companies, governments and other stakeholders can use to develop their thinking and approach to offsets.

ICMM is also examining the use of biodiversity offsets and has produced a guidance paper on the subject, which it is currently using to catalyse debate on the subject amongst key stakeholders[16].

In addition, a series of recommendations on business and biodiversity have been put forward to the Conference of the Parties to the Convention on Biological Diversity. These include consideration of biodiversity offsets as one means of managing impact. Hence, interest is likely to be stimulated at a government level.

4.5.7.2 Indirect versus direct impacts

A key issue which requires further debate is the extent to which companies are held accountable for, and can influence, indirect impacts on biodiversity. Indirect impacts are those which occur outside the operation's area of ownership and direct control, but arise as a result of the company operating in that area e.g. inward migration of workers and felling of trees to create transport infrastructure. It is our view that the company's overall impact on biodiversity comprises both sorts of impact, but that indirect impacts may need to be addressed jointly with other responsible parties such as government. While a company may bear only a share of responsibility for indirect impacts (such as the practices of local communities in response to the presence of a project) stakeholders may perceive the company as being wholly responsible. Companies are thus well advised to pay particular attention to this risk.

4.5.7.3 Landscape level planning

One way of addressing the shared responsibilities for indirect impacts on biodiversity that are triggered by companies' operations is the use of integrated sustainable development planning. This and management at the landscape and seascape level by governments are tools for achieving balanced development and conservation outcomes that are attracting increasing attention amongst governments and corporate leaders on biodiversity. The World Conservation Union, IUCN and ICMM in conjunction with UNESCO and the Cambridge Centre for Conservation Policy are currently exploring this issue. They plan to offer guidance on more strategic and participatory approaches to land use planning, from the perspectives of governments, the conservation community, local and indigenous communities and industry[17]. Both Shell and Rio Tinto are involved in this discussion.

4.5.7.4 Ecosystem services

There is an increasing recognition that the full costs of environmental goods and services (such as the provision of fresh water and use of natural resources such as timber) have not been internalised. The Millennium Ecosystem Assessment (MEA) released in 2005[18] indicated that a number of such services (e.g. the provision of freshwater) are being significantly impaired and the resulting resource scarcity will, in the future, affect businesses either directly or indirectly. This is likely to pose a number of challenges for companies in the future. First, they are likely to be increasingly called on to understand the impacts of company operations on ecosystem services – as opposed to loss of certain species or habitats. Then, the implications of these ecosystem impacts for the efficient running of the business and local stakeholder relations will need to be addressed. Finally, many governments are introducing Payments for Ecosystem Services (PES), so their provision may not be free in the future. Companies may be able to influence governments' policy response to the profound global problem articulated in the MEA by entering into voluntary PES arrangements, as a number of companies, particularly in the utility and water sectors, have done already.

5 Recommendations

This section outlines a series of recommendations that we encourage companies to follow in their approach to managing biodiversity related risks and identifying opportunities.

5.1 Basic versus best practice management of biodiversity

In the short to medium term, we continue to encourage all companies within our benchmark to commit to, and implement, the basic recommendations for the management of biodiversity risks set out in Table 3, which we highlighted in the 2004 benchmark[19].

In the medium term, we encourage them to meet the best practice recommendations outlined in Table 3. It is our belief that this will assist companies to effectively manage their biodiversity related impacts and associated risks and opportunities.

We suggest that those companies that have yet to tackle this issue in depth should, **as a minimum**, report the outcome of their high level evaluation of biodiversity risks and resulting policy commitments and site level management activities.

We encourage them also to develop and report publicly on site and corporate level key performance indicators that cover both biodiversity management process and performance. This could include disclosures on:

- Policy and strategy commitments on biodiversity and stance with regard to sensitive sites.
- Commitment to understand and manage risks associated with sensitive sites.
- The process by which management has evaluated the companies' operations to determine potential impact on biodiversity and associated risks.
- The results of this process, detailing the location of sensitive sites and management activities to prevent damage, or if no such sites are identified, that this is the case.
- Mechanisms to ensure that the above are implemented, including internal and external assurance processes and third party verification of externally reported information. We do not expect separate mechanisms to be developed for biodiversity, rather that existing mechanisms are expanded to include the issue.

For those companies that demonstrate what is, *de facto*, best practice in today's operating environment, we continue to encourage them to ensure that they have in place comprehensive, strategic approaches to managing biodiversity risks and opportunities, that can evolve in line with the changing international policy and operational environments, and as the company's understanding of its impacts on biodiversity develops. Particular attention should be focused on:

- Making clear, unambiguous policy and strategy commitments that show the company's approach to biodiversity.
- Undergoing robust and comprehensive risk assessment processes which identify key areas of biodiversity risk and ensuring that conservation activities are targeted at these risk areas. This does not preclude supporting or undertaking conservation activities in low risk areas. However, it is a useful prioritisation in risk management terms.
- The development of suitable biodiversity performance indicators, in conjunction with key stakeholders in government, the investment community and conservation organisations.
- Enhancing internal and external assurance processes addressing biodiversity management systems.

Table 3 Best practice and minimum practice recommendations to companies

Basic management of biodiversity: In the short to medium term, we would like to see all companies:	**Best practice management of biodiversity:** Ultimately, we would like to see all companies taking steps to:
Governance: Identify and understand their impacts on biodiversity and assess business risks and opportunities associated with these impacts. Ensure chains of responsibility throughout the company are in place, as well as processes to assess and manage risks.	
■ Demonstrate awareness of the location of company assets and operations in, near or containing legally designated protected areas and areas already identified as sensitive sites. Use this to perform a high-level evaluation of the related potential business risks and opportunities. ■ Perform periodic reviews of the appropriateness of this assessment as part of routine review of environmental policy.	■ Understand, identify and periodically review the biodiversity risks, impacts and opportunities for contributing to conservation associated with all existing and proposed operations, recognising some areas may not yet have been identified by government and conservation experts as sensitive. This should be informed by local, regional and national biodiversity priorities and goals identified in National Biodiversity Strategy and Action Plans and discussions with key stakeholders. ■ Integrate consideration of biodiversity risks and impacts into key decision-making processes and governance structures.
Policy and strategy: Introduce company-wide policy and/or strategy commitments to understand and manage biodiversity-related risks and opportunities and to avoid, minimise and mitigate and offset impact where possible. Collectively, these should set out vision, priorities, goals and targets for managing biodiversity risk.	
■ Devise a policy and/or strategy on the management of biodiversity risk and opportunity, committing, as a minimum, to manage biodiversity impacts at locations assessed as high biodiversity risk or opportunity.	■ Board-approved publicly available policy on biodiversity (or reference to biodiversity in board-approved environment or sustainable development policy supported by more detailed policy guidance). ■ Group-level biodiversity strategy that acts as a framework for implementing policy commitments developed, in conjunction with key stakeholders, and informed by local, regional and national priorities.
Management and implementation: Implement policy and strategy commitments	
■ Where relevant, ensure biodiversity is considered explicitly in Environmental and Social Impact Assessments (ESIA). ■ Site management plans incorporate management of biodiversity impacts where identified in the ESIA. ■ Key stakeholders identified to assist company to design and deliver policy, strategy and site biodiversity management plans for high biodiversity risk sites.	■ Develop and use a tool that considers biodiversity in initial decisions on siting of new or expanded operations. ■ Ensure consistency of integration of biodiversity into ESIA e.g. guidance documents. ■ Biodiversity action plans or site management plans that include biodiversity at all sites where there is a significant risk to biodiversity or opportunity to contribute to conservation. ■ Develop partnerships with key stakeholders that contribute to biodiversity conservation priorities and corporate strategy. ■ Ensure all staff with biodiversity related responsibilities have access to the relevant competencies and resources
Monitoring, assurance and reporting: Monitor performance and communicate activities to key stakeholders	
■ Report publicly that biodiversity risk has been assessed, with resulting policy commitments and site level management activities	■ Ensure that internal and external assurance processes address the processes for managing biodiversity risks. ■ Develop and report publicly on site and corporate level key performance indicators that cover both biodiversity management process and performance
Leadership: Demonstrate biodiversity best practice in emerging issues	
■ Biodiversity conservation activities are in place for all sites identified as high risk in biodiversity terms	■ Biodiversity conservation activities are in place for all sites identified as high risk in biodiversity terms ■ Biodiversity policy and management plans ensure equivalent standards for joint ventures and third parties such as contractors ■ Closure and sale planning includes consideration of biodiversity related issues ■ Emerging issues are tracked and company participates in related industry initiatives e.g. biodiversity offsets, developing biodiversity indicators

5.2 Next steps

We will be engaging with the companies included in this benchmark in which Insight is invested, suggesting specific steps that we feel each company could take to be confident that it is operating according to best practice and in a manner appropriate for its risk exposure.

We acknowledge that this benchmark is limited in scope and tackles only 36 companies in the mining, oil and gas and utilities sectors. There are many more companies within these sectors under both private and state ownership. The improvement in disclosures demonstrated in many of the companies subject to the benchmarking process indicates that this form of benchmarking is a useful tool to encourage clarity of reporting to key stakeholders. As such, we encourage governments and other investors to use this benchmark to gauge risk exposure and impacts on biodiversity for these sectors.

It is the intention of Insight Investment and Fauna & Flora International to encourage the future benchmarking of companies within the extractive industry and other sectors with significant biodiversity impacts. A constructive next step would be to facilitate the development of an international consortium of researchers and NGOs to perform the benchmark, while enabling the financial community to use the results to inform their investment decisions.

Appendix 1: Benchmark framework

1 Governance

- **Responsibilities:** Responsibility for biodiversity performance is assigned at all levels.
- **Risk management:** Biodiversity risks have been factored into risk evaluation for normal business operation and changes in operations. The company has made a commitment to understand and manage its impact on sensitive sites. Management acknowledges the business risks associated with operating in sensitive sites and demonstrates that they have reviewed their own operations as a result of this knowledge and identified key areas of risk and impact e.g. protected areas.
- **Stakeholder engagement:** Engagement undertaken to inform understanding of biodiversity issues and impacts and possible responses at local and global level.
- **Integration:** Biodiversity risks and opportunities are integrated at key decision making points, including investment decision making, the assurance process, operational management, business planning and risk evaluation.

2 Policy and strategy

- **Policy:** The Company makes a policy commitment to understand and manage biodiversity risks.
- **Strategy:** A strategy is in place which sets out the company's key impacts, activities and objectives with the intention of acting as a framework to drive biodiversity performance.

Insight Investment has identified the following characteristics of a strong policy/strategy document. Commitments to work in partnership and dialogue; to understand, avoid, minimise and mitigate impact; to offset unavoidable impact on biodiversity and/ or make a positive contribution to biodiversity; to integrate biodiversity into core business processes; to develop objectives and targets and report; and to continuous improvement. Also, reference to legal framework relevant to biodiversity, e.g. the Convention on Biological Diversity.

3 Management and implementation

- **Site selection tool:** A process has been developed to ensure that biodiversity is factored into initial decisions on siting of new locations or activities. Potential tools include the use of geographic information systems or databases of sensitive sites. This would be used well before the decision to proceed with an investment and, in combination with the ESIA, may result in a decision not to proceed.
- **Environmental and social impact assessments (ESIA):** We sought evidence that biodiversity was integrated within tools used for ESIA and these were being implemented in all locations.
- **Site level biodiversity management:** Biodiversity is managed either through integration of the issue into site management plans or through the development of Biodiversity Action Plans for all sensitive sites.
- **Partnerships:** Local, national and international partnerships are essential to manage biodiversity impacts and risk. Effective partnerships demonstrate the following characteristics: Partners are involved in setting the partnership vision and goals; partnerships are designed to support corporate biodiversity policy, strategy and biodiversity action plans/ site management plans; partnerships help meet the objectives of other partners and support national/ community biodiversity priorities; and the partnership has measurable outcomes that are monitored and reported.

- **Competencies and employee awareness:** Key staff competency is ensured by recruitment or training e.g. focused training on impact assessment, negotiation with communities. Mechanisms are in place to raise awareness of employees in key positions on issues relating to biodiversity.

4 Monitoring, reporting and assurance

- **Internal audits:** Internal reviews are conducted on the extent to which biodiversity risks are being managed at all levels of the business. They should incorporate consideration of management activities and supporting information systems.
- **External independent audits:** Independent external reviews are conducted on the extent to which biodiversity risks are being managed at all levels of the business. They should incorporate consideration of management activities and supporting information systems
- **Third party report verification:** A third party verifies the company's externally reported information regarding biodiversity management.
- **Key performance indicators:** The company reports on its programmes to evaluate risks around biodiversity and, if these risks prove significant, discloses its approach to managing biodiversity impact, indicating progress against strategy.
- **Sensitive sites:** The company demonstrates that it has reviewed its own operations to determine level of risk relating to sensitive sites, discloses key risk areas and action to manage them.

5 Leadership

- **Level of conservation activity commensurate with risk exposure:** Understanding of the proximity of operations to biodiversity sensitive areas and tailoring of activities to address these (measured as the percentage of sites identified as high risk that have linked conservation activities).
- **Activities undertaken to address the causes of biodiversity loss external to the company, but with the potential to undermine its biodiversity risk management activity:** Company identifies root causes for pressures on biodiversity within its area of control, but external to the company, and designs/ implements programmes to help address them e.g. if the company is impacting on an area of forest which is already declining as a result of unsustainable subsistence use of that forest, simply addressing the companies impacts on the forest will still result in a decline in biodiversity which may be attributed to the company and result in reputational damage.
- **Third party involvement:** The Company makes clear the extent to which joint ventures can be influenced to manage biodiversity risks to company standards and policy statements and management systems on biodiversity apply to contractors and processes are in place to ensure they are aware of and following them.
- **Site closure or sale:** Safeguards are written into closure and sale agreements to ensure company is not exposed to reputational risk. Companies may be exposed to reputational risk if they sell an operation or close it without ensuring their biodiversity related liabilities are passed on to the purchaser or are adequately funded and managed once they withdraw.
- **Where the legal and civil society framework is weak and there is a risk of biodiversity risk management activities failing as a result, the company has identified the need to build local conservation capacity:** The company has undertaken a review of its operations and, where a lack of local conservation capacity has been identified which has the potential to undermine company attempts at risk management, they are providing financial or in kind resources to help to address it.
- **Company tracks emerging issues linked to biodiversity risk and opportunities and engages in initiatives aimed at resolving them (for companies over £100 million turnover):** Participation in working groups on emerging issues, funding or engagement in research into emerging issues, collaboration through industry fora on biodiversity related

issues that allow a greater understanding of biodiversity risk and opportunity or enable the company to manage it more effectively. Understanding of key areas in biodiversity management that are lacking in information and activities undertaken to address these or pilot new methodologies such as offsets e.g. participation in working groups on legacy issues, landscape planning, biodiversity offsets, biodiversity indicators. Participation in biodiversity initiatives of industry working groups e.g. ICMM, IPEICA and EBI.

- **Contribution to knowledge:** Sharing of information with the conservation community. Company makes available data collected through their environmental and social impact assessments and baseline surveys to the conservation community or attends key events aimed at sharing information.

Appendix 2: Methodology

The information in this appendix provides additional information to that in Section 2 on page 14. The benchmark is designed to evaluate companies on the basis of the core components of a strong system for managing biodiversity risk. We focused on the process that companies should have in place to ensure that they can identify, understand and manage the risks associated with their impacts on biodiversity. The key elements covered are:

- **Governance:** this section evaluates the extent to which responsibilities are assigned for managing biodiversity related risks, whether the risk identification and management framework incorporated biodiversity issues – an element of which is dialogue with key stakeholders – and the extent to which these are factored into core decision-making processes.
- **Policy and strategy:** this section asks the questions 'Does the company have a clear policy statement on biodiversity and is this supported by a strategy which is designed in such a way to drive performance improvements throughout the business?'
- **Management and implementation:** this section focuses on the extent to which the company has the mechanisms in place to ensure that biodiversity policy and strategy are implemented. Such mechanisms include tools for site selection, environmental impact assessments and site management plans which incorporate biodiversity, training and awareness raising on biodiversity issues and the existence of strong partnerships with conservation organisations that drive local and corporate level performance improvements, that include positive contributions to biodiversity conservation.
- **Monitoring, reporting and assurance:** this section evaluates the mechanisms companies have in place to ensure that the policy, strategy and management systems are being implemented effectively and the extent to which publicly reported information communicates a fair picture of the company's efforts to manage biodiversity related risks.
- **Leadership:** this section sets out a series of stretch targets for companies, including some areas of significant challenge such as the means by which the company ensures that joint ventures and contractors implement, rather than undermine biodiversity policy commitments and management systems and the extent to which conservation activities are designed to factor in background loss of biodiversity or a lack of local conservation capacity to support them.

Within each section, the benchmark assigns different marks for various levels of calibre and comprehensiveness of a company's approach to each issue, based on common criteria described in the benchmark. The detailed framework is given in Appendix 1 on page 40.

Addressing sensitive sites

Recognising the complexity of the issue of sensitive sites, consideration of the management requirements for operations in sensitive sites are addressed in each of the five categories of issues in the Insight biodiversity benchmark of 2005, which includes consideration of:

- Policy commitments to understand and manage impacts on sensitive sites.
- Mechanisms to identify sensitive sites impacted by operations during the pre-investment stage, during environmental impact assessment and implementation of site management plans and their links to site and group level risk management.
- Commitments to report on operations in, adjacent or containing sensitive sites and associated management activities.

Designing the benchmark

In developing the structure and content of the benchmark, we drew on the following:

- Internationally recognised management system standards such as ISO14001.
- Evaluation structures laid out by various investment indices such as FTSE4Good and Dow Jones Sustainability Indices.
- Guidance published by the Energy and Biodiversity initiative[20]
- Work done by the Advisory Committee on Business and the Environment[21]
- The results to date of company consultations, seminars and research in Insight's 'Extractives and biodiversity' engagement programme[22]

In addition, we consulted a number of companies on the design of the benchmark to ensure that it was a practical representation of best practice.

The five elements of the benchmark are interdependent and the optimal approach is to having an adequate level of activity within each element. Having a clear policy and strategy helps drive change through the business but will not be effective without appropriate governance structures to assign responsibilities and focus effort. Similarly, devising a good policy and strategy lacks credibility without the tools and competencies to implement them and then test that implementation. However, recognising that some of these elements play a greater role in risk management than others, we gave greater weight to the existence of management tools and partnerships that would ensure policy and strategy were implemented and to the reviewing and reporting of progress as a means of checking progress.

We weighted the sections as follows: governance structures - 15% of total score allocation; policy and strategy - 20%; management and implementation - 40%; and monitoring, reporting and assurance - 25% (the new leadership section was not included in the weighting).

Publicly available and supplementary information

In July - October 2005, we analysed the information related to management of biodiversity that each company had published, together with information gathered from our engagement programme to date, in the context of the benchmark's structure and marking system.

Recognising that there is frequently a gap between activities that companies disclose in publicly available documents and the full range of activities they are actually conducting, we sent each company the draft benchmark analysis inviting them to ensure it was a fair and accurate reflection of their activities. We asked for evidence to support any statements they chose to provide about the existence of biodiversity policies and management systems that were not in the public domain. For those companies that provided supplementary information, we revised the score as appropriate. Some companies may have released additional material into the public domain since that date and this is not included within this assessment.

Robustness of the benchmark

There are many possible ways of evaluating performance on biodiversity. This is just one approach that aims to reflect elements of current best practice. The benchmark is an attempt to provide a flexible but rigorous method to help investors and companies assess their performance but it inevitably has many limitations:

- **Demanding for respondents:** In the attempt to avoid 'questionnaire fatigue', we conducted the research ourselves based on information the companies had already put in the public domain. However, the benchmark is detailed and checking the information and gathering more to send us would have been time consuming for respondents.

- **Objectivity:** By describing criteria for different scores in the benchmark framework and routinely applying these to each company, we have aimed for objectivity, but assigning scores on particular issues inevitably demands a degree of interpretation.
- **Limited resources to assess risk exposure:** We are aware of the nature of each company's business and which countries each company is operating in. In some cases, we have information on the nature of biodiversity at specific sites. However, it was not possible to do a site-by-site assessment of all the companies' exposure to biodiversity risk, thus the benchmark examines whether companies have assessed this risk exposure for themselves.
- **Limited resources to verify implementation:** Given the scope of many companies' operations, it was impossible for us to check consistency of implementation. The results rely heavily on companies' own assertions and reviewing data on a sample basis, although extra marks were given for verified information and a press search was performed as a sense check on the data provided.
- **Management or performance?** Given the challenge of measuring whether companies' policies and management systems bring about specific changes in the levels and distribution of biodiversity, the benchmark focuses on the management systems rather than performance. One aspect of a strong management system, however, is a targeted strategy and performance indicators. The challenge of defining indicators is discussed in page 33 and Box 6.
- **Flexibility:** Companies vary by size and scale (large and small), by location (UK based only, European based, multinational) and by structure and responsibilities (central versus devolved), and therefore having varying levels of risk exposure. Similarly, the approach to managing biodiversity may vary from company to company with some devolving responsibility for that management to divisional levels and others taking a much more centrally driven approach. This will naturally influence the nature of the management systems in place for the issue. We endeavoured to design the benchmark to be flexible enough to respond to different approaches to the management of biodiversity and to different scales of operation by companies by recognising and awarding credit for different approaches that achieve the same result. However, there are limits to which any benchmarking exercise can accommodate the range of different circumstances faced by companies. The particular issue of smaller companies is discussed in the 2004 report, "Protecting shareholder value- Biodiversity risk management: towards best practice for extractive and utility companies".
- **Integration:** It is preferable for biodiversity to be integrated into existing management systems but difficult to tell whether the issue is adequately addressed when no specific mention is made of it. This issue is addressed in the 2004 report, "Protecting shareholder value - Biodiversity risk management: towards best practice for extractive and utility companies".
- **Transparency:** We have endeavoured to be transparent by informing companies of our intention to benchmark them, involving some companies in the design of the benchmark, sending all of them the initial results with an explanation of the basis of the benchmark, and offering them the opportunity to correct and supplement the information we used. However, we have not spent as much time working with some companies included more recently in our programme and with those whose London offices do not have environmental specialists.
- **Full mark syndrome:** Whilst a detailed criterion has been prepared to score each company under each issue in the benchmark, it is difficult to gauge when a company has reached best practice and can be allocated full marks. In some cases, scoring criteria will indicate that a company should be awarded full marks because, for example, it has provided three examples, but is this necessarily indicative that the company has developed its full potential in addressing the issue?

- **Global extent or application:** in some instances it is difficult to tell from public information, for example, from the citation of the use of a tool or process, whether its application is global. Site selection tools may well be used but it is not always clear from disclosures that all sites are considered.
- **Completeness:** Gathering company evidence is a time-consuming task and it is not always possible to be sure that every piece of evidence has been viewed.

Glossary of Acronyms and Terms

BAP:	Biodiversity Action Plan
Basic biodiversity risk management:	The minimum actions that we feel would enable companies within these sectors to understand and identify major biodiversity-related risks and to demonstrate that they are starting to manage them.
Best practice:	Companies that meet the basic standards described above are likely still to be exposed to a level of risk and are better placed to take advantage of related business opportunities if they can demonstrate best practice. Table 2 on page 9 describes our view of the key elements of best practice that would be found in a company with a strategic, comprehensive approach to managing the risks and opportunities posed by biodiversity. Ultimately all companies that commit to operate as responsible corporate citizens and that are exposed to biodiversity risk should move towards best practice.
Biodiversity:	'Biological diversity' means the variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems. (Article 2, Convention on Biological Diversity)
Biodiversity opportunities:	Some companies already recognise the potential opportunities presented by support for company operations among staff and other stakeholders, but in faster permit and concession negotiations that produce earlier revenues and considerable savings, as well as the competitive advantage of favoured status as a partner.
Biodiversity Impacts:	Harmful effects on biodiversity through activities that threaten the abundance, location and viability of biodiversity caused directly (e.g. through habitat loss) or indirectly (e.g. through anthropogenic climate change) by human activities. This report focuses on impacts that may be caused by the operations of extractive and utility companies. Companies' operations may lead to more significant secondary impacts to which other causes, such as government policy and further habitat conversion by people in the area, also contribute. Impact is sometimes also referred to as 'footprint'.
Biodiversity risk:	We use this term to refer to two categories of business risk that extractive and utility companies may face unless they demonstrate high standards with respect to the conservation of biodiversity, and the corresponding business opportunities associated with good practice. The first is the risk that they may face difficulties accessing resources in new sites and capital for new investments, likely through competitive disadvantage relative to others with better practice. The second category of business risk is loss of revenues through incurring liabilities, damage to reputation and increased operating costs. The risks to biodiversity from companies' operations (see 'biodiversity impacts'), and more broadly the risks to society from the current unprecedented global loss of biodiversity to which companies' operations contribute are of great importance, but are not what we mean by the term 'biodiversity risk' as used in this report. See Section 2.

CBD:	Convention on Biological Diversity. See www.biodiv.org.
Direct impacts:	Impacts resulting directly from project activities, and typically limited to the immediate project area[23].
Ecosystem:	The complex of a community of organisms and its environment functioning as an ecological unit.
EBI:	The Energy and Biodiversity Initiative. A partnership of four oil & gas companies and five NGOs. See www.theebi.org.
EMS:	Environmental management system
ESIA:	Environmental and Social Impact Assessment
Governance:	The process or set of processes by which a company's board and management regulate and control the company's activities, including the identification, evaluation and management of risk. This report focuses on governance structures for managing biodiversity risk and the company's impact on biodiversity.
ICMM:	International Council on Mining & Metals. See www.icmm.com
Indirect impacts:	Impacts triggered by the project's presence e.g. inward migration of people following economic opportunities offered by a mining site[24].
IUCN:	The World Conservation Union. See www.iucn.org
Natural value:	The combined use and existence values of biodiversity, including direct and indirect uses such as the provision of ecosystem services and raw materials for food, healthcare and many other uses, as well as the inherent cultural, spiritual and aesthetic values of biodiversity to society.
NBSAPS:	National Biodiversity Strategies and Action Plans. See http://www.biodiv.org/world/reports.aspx?t=nbdsaps and http://www.undp.org/bpsp/nbsap_links/nbsap_links.htm
NGO:	Non-governmental organisation.
Offset:	Practical conservation activities undertaken with the aim of 'no net loss' of biodiversity in order to 'offset' – or compensate for – unavoidable harm to biodiversity caused by a company's operations. Offset refers to conservation activities undertaken once all attempts have been made to avoid and minimise damage to biodiversity.
Policy:	We define policy as a high level aspirational commitment, setting out a company's position on a particular issue.
Sensitive sites:	There is no definition of 'sensitive sites', but the term is often understood to mean sites of high biodiversity value, by virtue of high levels of biodiversity, endemism, rarity, vulnerability, threat or particularly important associated social or cultural values.
SSSI:	Site of Special Scientific Interest
Stakeholder:	A person or group that has an investment, share, or interest – a 'stake' – in the issue at hand or who will be affected by decisions on the issue or can affect corporate performance. Stakeholders in the context of this report are those affected by and/or able to influence an extractive or utility company's biodiversity risks and impacts. They would typically include local communities, employees, suppliers and shareholders.

Strategy:	A planned course of action intended to best achieve adopted goals, which may be described in a policy. In the context of this report, we use 'strategy' to refer to a document defining the company's vision for desired outcomes on a given issue in the medium term, outlining goals, prioritising them and assigning targets.
The benchmark of 2005:	A framework created by Insight Investment and Fauna & Flora International to analyse the comparative performance of extractive and utility companies on the management of biodiversity risks and impacts in 2005. It covers thirty-five issues under nineteen headings across the five main elements of governance structures, policy & strategy, management & implementation, assurance & reporting and leadership. See Appendix 2.
The benchmark of 2004:	A framework created by Insight Investment and Global Balance to analyse the comparative performance of extractive and utility companies on the management of biodiversity risks and impacts in 2004. It covers twenty-seven issues under twelve headings across the four main elements of governance structures, policy & strategy, management & implementation and assurance & reporting. See Appendix 2.
UNEP-WCMC:	United Nations Environment Programme World Conservation Monitoring Centre. http://www.unep-wcmc.org/.

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Endnotes

[1] As at 30 September 2005

[2] Grigg, A., ten Kate, K. 2004. Protecting shareholder and natural value- Biodiversity risk management: towards best practice for extractive and utility companies, (http://www.insightinvestment.com/documents/responsibility/protecting_shareholder_and_natural_value.pdf)

[3] Goldman Sachs. 2005. Global Energy: Sustainable Investing in the Energy Sector and Goldman Sachs. 2004. Global Energy: Introducing the Goldman Sachs Energy Environmental and Social Index. Energy Environmental and Social Report. 24 February 2004

[4] Grigg, A., ten Kate, K. 2004. Protecting shareholder and natural value- Biodiversity risk management: towards best practice for extractive and utility companies

[5] We excluded RMC and CEMEX from this analysis as RMC was taken over by CEMEX in 2005. The company structure has therefore changed significantly and the results from 2004 and 2005 are not comparable.

[6] Specific, Measurable, Achievable, Realistic and Time-bound

[7] Framework for integrating biodiversity into the site selection process. The Energy and Biodiversity Initiative http://www.theebi.org/pdfs/selection.pdf

[8] The Energy and Biodiversity Initiative (EBI) was created to develop and promote practices for integrating biodiversity conservation into upstream oil and gas development. The Initiative seeks to be a positive force for biodiversity conservation by bringing together leading energy companies and conservation organizations to share experiences and build on intellectual capital to create value and influence key audiences. The nine members of the EBI are: BP; Chevron Texaco; Conservation International; Fauna & Flora International; IUCN – The World Conservation Union; The Nature Conservancy; Shell; Smithsonian Institution; Statoil.

[9] The International Council for Mining and Metals (ICMM). Their vision is, “a viable mining, minerals and metals industry that is widely recognised as essential for modern living and a key contributor to sustainable development”. ICMM members believe that the mining, minerals and metals industry acting collectively can best ensure its continued access to land, capital and markets as well as build trust and respect by demonstrating its ability to contribute successfully to sustainable development. ICMM members offer strategic industry leadership towards achieving continuous improvements in sustainable development performance in the mining, minerals and metals industry. ICMM provides a common platform for the industry to share challenges and responsibilities as well as to engage with key constituencies on issues of common concern at the international level, based on science and principles of sustainable development.

[10] Defra 2002 Working with the grain of nature,. A biodiversity strategy for England Department of Environment Food and Rural Affairs http://www.defra.gov.uk/wildlife-countryside/biodiversity/biostrat/

[11] See Biodiversity Indicators at http://www.defra.gov.uk/wildlife-countryside/biodiversity/biostrat/indicators/index.htm

[12] The Global Reporting Initiative http://www.grig3.org/

[13] Insight Investment & IUCN 2005 Biodiversity offsets: views, experience and the business case

[14] The World Resources Institute has found that three-quarters of active mines and exploratory sites overlap with areas of high conservation value and areas of watershed stress. The WRI study used the InfoMine database and overlayed these with WWF 'Global 200 Ecoregions', Conservation International 'Hotspots', BirdLife 'Endemic Bird Areas' and WRI 'Forest Frontiers' as indicators for ecological value. It found that over a quarter of the world's active mines and exploration sites overlap with or are within a 10km radius of a strictly protected area and nearly one third of al these sites are within areas of intact ecosystems of high conservation value. See Miranda, M. et al. 2003.

[15] http://www.insightinvestment.com/Documents/responsibility/Biodiversity_Offsets_Report.pdf

[16] ICMM 2005 Biodiversity offsets – a proposition paper. International Council on Mining and Metals http://www.icmm.com

[17] IUCN 2005 Work Programme Item: Landuse Planning Issues http://www.iucn.org/themes/business/mining/wpitem_landuse.htm

[18] Millennium Ecosystem Assessment http://www.millenniumassessment.org/en/index.aspx

[19] Grigg, A., ten Kate, K. 2004. Protecting shareholder and natural value- Biodiversity risk management: towards best practice for extractive and utility companies, (http://www.insightinvestment.com/documents/responsibility/protecting_shareholder_and_natural_value.pdf)

[20] The Energy and Biodiversity Initiative www.theebi.org

[21] http://www.defra.gov.uk/environment/acbe/default.htm

[22] http://www.insightinvestment.com/Responsibility/project/biodiversity.asp

[23] ICMM 2005 Biodiversity offsets – a briefing paper for the mining industry. International Council on Mining and Metals http://www.icmm.com

[24] ICMM 2005 Biodiversity offsets – a briefing paper for the mining industry. International Council on Mining and Metals http://www.icmm.com

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