# Meeting report
# Proteus Annual Meeting 2018

## Day 2 - 21st June 2018

The David Attenborough Building, Pembroke Street, Cambridge, CB2 3QZ

### Objectives of the day

- To update participants on key developments in natural capital and their relevance to Proteus members/ other participants and secure input into the proposed approach to integrate biodiversity into corporate natural capital assessments
- To present a draft methodology for biodiversity indicators for extractives for review and comment and secure input into next steps for its implementation

### Presentations

| **Integrating biodiversity into natural capital approaches** |
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| ▪ Natural capital and biodiversity – views from the finance sector (Rosemary Bissett, Head of Sustainability Governance & Risk, National Australia Bank) [download] |
| ▪ Business dependence on nature and potential natural capital-related risk exposure (Katie Leach, Programme Officer, Business and Biodiversity Programme, UNEP-WCMC) [download] |
| ▪ Integrating biodiversity into natural capital assessments: scoping needs and stakeholder engagement (Gemma Cranston, Programme Director, Natural Capital Portfolio, University of Cambridge Institute for Sustainability Leadership) [download] |
| ▪ Natural Capital Coalition: activities update (Marta Santamaria, Policy Director, Natural Capital Coalition) [download] |
| ▪ Integrating biodiversity into natural capital assessments: development of decision support tools (James Vause, Lead Economist, UNEP-WCMC) [download] |
| **Biodiversity indicators and the extractives sector – a draft methodology** |
| ▪ Developing biodiversity indicators for extractives – methodology presentation (Annelisa Grigg, Principal Specialist, Business and Biodiversity Programme, UNEP-WCMC) [download] |
| **Exploring different models of indicator development** |
| ▪ Progress on indicators (Anne Dekker, Vice President Environment, BHP) [download] |
| ▪ Convergence of methodologies for assessing the biodiversity footprint of financial institutions and businesses (Joshua Berger, Global Biodiversity Score Project Manager, CDC Biodiversité) [download] |
| **Shifting from scoping to action – phase 3** |
| ▪ Phase 3 of the indicator project – piloting indicator methodologies for the private sector (Annelisa Grigg, Principal Specialist, Business and Biodiversity Programme, UNEP-WCMC) [download] |

### Supporting Materials

- Agenda [download] and participant list [download]
- Biodiversity Indicators for Extractive Companies – Draft methodology [download]
- Biodiversity Indicators for Extractive Companies – Piloting the methodology [download]

### Take away messages

- Significant progress has been made in articulating the case for a natural capital approach across the private sector, with most Proteus Partners maintaining a watching brief over developments.

- Advancements in natural capital data (particularly spatial data) is beginning to make understanding of the spatial distribution of ecosystem services possible.
- There is continued demand and need for a new approach to biodiversity performance indicators for extractives companies to use both internally and for external reporting.
- The methodology developed by UNEP-WCMC with support from Proteus and IPIECA has made significant progress and is ready for pilot testing subject to some minor changes.
- Several companies are willing and interested in piloting the approach, with support from IPIECA and the potential to explore support via the Cross-Sector Biodiversity Initiative.

*A summary of feedback from participants is provided in Annex 1.*

## Integrating biodiversity into natural capital approaches

Natural capital is essential to all economic activities, both directly and indirectly. Biodiversity underpins natural capital as it provides the essential services that support the provision and maintenance of natural capital assets. Biodiversity is an immaterial issue across many industry sectors. There is substantial progress in assessing industry impacts on natural capital, but a lack of focus on biodiversity. This session explored initiatives and potential approaches to incorporating biodiversity into natural capital approaches.

Environmental, Social and Governance risk can negatively affect financial investment profiles. The National Australia Bank focuses its environmental agenda on climate change, natural resources (or natural capital), and water. Supported by Environmental, Social and Governance standards the bank assesses both impacts and dependencies of proposed projects on natural capital, to provide a holistic view of a project's exposure to environmental risks. A natural capital approach can also present new opportunities for green bonds, green infrastructure lending, and risk-based pricing for the finance sector.

UNEP-WCMC's "Advancing Environmental Risk Management" project, in collaboration with the Natural Capital Finance Alliance, has built a knowledge base of the dependencies of businesses on ecosystem services and natural capital. The knowledge base includes a classification of natural capital assets, documents the drivers of change affecting the provision of ecosystem services, and global and national-level (for Colombia, Indonesia, Peru and South Africa) data inventories for natural capital and drivers of change. The knowledge base will be made available through a "Natural Capital Risk Explorer" tool to increase awareness of natural capital risk.

The Natural Capital Coalition seeks to promote an enabling environment for natural capital engagement in dialogue with governments, exploring synergies between local, national and business approaches to natural capital and increased information flows from regional platforms. The Natural Capital Coalition is collaborating with the Cambridge Conservation Initiative to improve the way biodiversity is incorporated into natural capital assessments. Initial stakeholder engagement and scoping studies reveal that businesses lack clarity on how they depend on biodiversity and its relationship to natural capital. Emerging drivers include: increasing uptake and inclusion of natural capital in government thinking related to biodiversity (for example at the Word Conservation Congress in 2016 and the 13th Conference of Parties for the Convention on Biological Diversity); and internal drivers within businesses that seek to better understand their impacts and dependencies on natural capital. The Cambridge Conservation Initiative (CCI) aims to improve decision support tools by developing metrics to assess the benefits of biodiversity across sectors; however, this is proving difficult for certain sectors where dependencies and impacts are less clear.

***Questions and Answers***

- ***On whether the private sector is assessing the impacts and dependencies of projects on carbon, water, and biodiversity:*** For water, the National Australia Bank have assessed which sectors have the highest dependence on water and the highest water footprint, and this provides a list to use during their risk assessment process.
- ***On what the primary audience is for the Advancing Environmental Risk Management project:*** It is primarily aimed at financial institutions, but the outputs can also be used by businesses and other stakeholders to understand natural capital risk. The project represents a significant step towards understanding ecosystem services by securing more widely available data on the natural capital assets that enable service provision.
- ***On the next steps to fill data gaps:*** There are plans to explore how to address data gaps in the future. The data inventories currently highlight what these data gaps are and where data is already available.
- ***On whether supply chains have been looked into as well and on how uncertainty is being communicated to financial institutions:*** Supply chains have been explored by the Natural Capital Finance Alliance. Dependencies for the full supply chain will be available in the Natural Capital Risk Explorer tool. Uncertainty in terms of the data and relationships between sectors and ecosystem services will be highlighted through the pilot projects that banks

will be undertaking in Peru, Colombia and South Africa. Potential limitations of the data sources are also highlighted in the data inventories.

***Break-out Group Feedback***

**What are your companies doing in relation to biodiversity and natural capital?**
The majority of Partners are not looking holistically at natural capital. Biodiversity is not always seen as a material issue and there is a need to secure its position within natural capital before trialling a natural capital approach. Biodiversity and ecosystem services are implicit in management strategies and reporting. However, reporting is predominantly qualitative at present and natural capital approaches may be able to add a quantitative element.

**What are the drivers?**
A natural capital approach does not currently have a strong business case, especially in offshore operations. There is a need for a clear demonstration or case study that highlights the benefits to companies. A possible avenue to highlight this is to identify reputational costs associated with not engaging in a natural capital approach. Drivers that may influence engagement in the future are regulators, shareholders and disaster risk avoidance. There was a consensus that the Natural Capital Protocol had greater value with governments, who could use the principles to guide top down regulation, to influence the private sector.

**What are the barriers?**
Companies reported a lack of capacity and appetite to incorporate natural capital approaches as well as biodiversity, climate change and water related issues. Terminology surrounding the topic is vast, causing a lack of understanding in the issues, but standardisation of terminology could result in greater buy-in to the approach. There needs to be more clarification on the value of a natural capital approach at the site-level as the majority of natural capital issues seem to be relevant at the landscape-level. National-level frameworks could facilitate the adoption of reporting on natural capital.

**What more do you need to assess biodiversity and include it within a natural capital assessment?**
Greater clarity on the linkages between biodiversity and natural capital, a stronger business case, government frameworks for natural capital inclusion, and a good case study were ranked as the most important needs for companies. It is also important to consider how an integrated biodiversity and natural capital approach differs from Environmental Impact Assessments, and explore agreed valuation methods for water and biodiversity, and site-level metrics or tools.

**What form should additional support take?**
According to participants additional support should include the development of a method to translate biodiversity data to natural capital, ecosystem services or associated metrics; a tool to assess impacts on biodiversity and natural capital; and support to regulators on national natural capital accounting. Other suggestions included tailored sector guidance, provision of examples, harmonisation of initiatives, and methods to scale natural capital data to meaningful levels for business.

**What data needs and challenges do you foresee?**
Participants noted data needs and challenges for marine environments and at the catchment level, and to assess change over time. More generally challenges on the provision and quality of data, and linking between the corporate and site-level were reported. It is likely that data needs will evolve over time.

## Biodiversity indicators and the extractives sector – a draft methodology

Previous indicator use by companies has tended to be process-orientated with a focus on qualitative/narrative-based reporting measures. The current challenge has been to produce a performance-based indicator that meets the needs for company decision making. A first draft of a three-stage indicator methodology was presented to Partners. This session explored in more detail the proposed methodology to develop a corporate level indicator following a 'state, pressure, response' model.

***Questions and Answers***

- ***On whether the methodology identifies specific data and information for users to utilise related to specific landscapes:*** This is beyond the scope of the proposed methodology, however there is the possibility of developing a decision tree approach that enables users to identify appropriate datasets.
- ***On baseline data:*** There is uncertainty as to whether the data will be suitable for the needs of a site-level indicator. A gap analysis of where data improvements are needed to take indicator development forward would be useful.

- ***On ranking methods:*** The approach uses the score from the worst performing indicator to provide an overall view of the site, this may not provide the best indicator to advise management decisions as some biodiversity features will be very slow to respond to change.

***Break-out Group Feedback***

**Does the selected methodology meet your business needs?**

- Overall the methodology was well received, and seen as great progress, but piloting will be key to understand if it meets business needs.
- The availability of appropriate 'fit for purpose' data across multiple sites was seen as a potential constraint. It was also questioned whether the methodology would address future changes to the way the industry operates and the impacts/risks of associated infrastructure.
- State, pressure, response was seen as a more government-focused approach by some. It was noted that a single organization will not have full control over the 'state' of a site, and pressures and responses will be come from other factors. The importance of explaining and defining the scope of the indicator was raised, for example, while a company may not have control over all pressures, the indicator might be able to allow tracking of those the company does have control over. More explicit consideration of offsets and compensation as a 'response' was also seen as potentially useful.
- The ability to rank sites using the indicator was seen as positive and it is useful to have a 'traffic light' system for prioritisation internally. Further, the capability to indicate improvement in state over time is most valuable at the corporate-level as it provides an indication of what management actions have the greatest impact.
- There is a real desire for corporate-level biodiversity indicator. It is important for the methodology to complement existing management systems. A dedicated 'tool' could also help integrate the methodology into existing ways of working.
- One potential limitation of the methodology is the comparability of impacts for offshore versus onshore facilities.

**Does it provide a meaningful presentation of performance that is credible and interesting to external stakeholders?**

- Consensus was that it does provide a meaningful and credible presentation of performance, particularly as a way of illustrating a company's 'response' to a negative 'state'. However, the use of Red, Amber, Green rankings can provide overly negative or false impressions and may not be suitable for external reporting.
- The key factor to report to external stakeholders is changes over time and further refinement of this methodology could provide an avenue for external reporting.

**How important is it to link this work to broader policy trends, such as the Sustainable Development Goals?**

- Finding a way for companies to assess progress against SDGs was seen as important. Many companies embrace and review activities against the SDGs already (although they do not necessarily formally 'report' against them). SDGs can be particularly useful in relation to securing support ('buy in') for related work internally. However, caution was also advised – the SDGs are primarily seen by business as relevant for governments, so the value of linking the indicators to the SDGs for the private sector was questioned.
- The methodology was seen as a useful way to aggregate performance (rolling site level data into a group reporting structure) and manage risk. It could potentially be used to help communicate progress against SDGs internally, but not externally at this stage.

**What adjustments are required to the methodology to ensure it reflects business realities and is credible with stakeholders?**

- The methodology assumes 'business as usual'. Transformative change and transitions within the industry are not captured sufficiently within the methodology, nor is infrastructure associated with sites.
- It would be useful for the methodology to include a 'screening' option that looks at 'states' to identify 'hotspot' sites for companies to focus on. This could be the first step of an interactive and iterative process through which the main 'risks' can be identified.
- Developing detailed theoretical case-studies to walk through the process would also be valuable, particularly to establish the potential synergies or overlaps with existing management processes and systems.
- The approach is good for internal communication. However, the narrative has to be very clear, and the traffic light system is not currently fit for external communication. A template narrative describing the key biodiversity values, trends in their state, and impacts/pressures within the area would be an easier way to communicate the indicator externally.

- The use of process-based information in the response category of the state, pressure, response framework utilises readily accessible data but reduces the impact of state and pressure results that are performance-based. It is important that these processes link to specific pressures to make them more credible.
- It would be useful to ensure that the scope of the indicator methodology is explicitly stated i.e. a way for companies to assess pressures and responses associated with **their** operations.
    - Suggestions for improvement also included: consideration of other aspects such as natural capital and guidance on how to use proxies for biodiversity.

## Exploring different models of indicator development

Numerous indicators have been developed for biodiversity reporting. This session provided lessons learned from organisations designing indicators for the extractives sector.

Conservation International and BHP highlighted an approach for indicator development based on IFC Performance standard 6 Critical habitat concepts. They noted that Critical Habitat is complex and needs careful consideration. Areas of influence need clarity to enable selection of appropriate buffers, metrics and appropriate timeframes for assessments. Further, iterative adjustments over time should account for climate change related species migrations and should influence the assessment timeframes. It is also important to engage with stakeholders to identify priority biodiversity features in a local context.

CDC Biodiversité have been working with financial institutions and companies to establish a common approach to biodiversity footprinting. A short report summarising the approach will be published and presented at relevant meetings and events in November 2018. The methodology has been supported by the French and Dutch governments, both of which will be engaged in future discussions and meetings.

***Questions and Answers***

- ***On how attribution of impacts at specific sites across a portfolio was dealt with:*** Lessons learned from the Greenhouse Gas Protocol provided a means to attribute impacts in the approach, in particular by specifying different scopes of impact to account for supply chains.

## Shifting from scoping to action – phase 3

This session focused on taking the development of the proposed biodiversity indicator methodology to a piloting stage by Proteus Partners and IPIECA members. Piloting will assess if the methodology has the potential to improve management decisions and will apply to stages 2 and 3 of the methodology. Site selection will incorporate a variety of geographical and operational settings. Areas to further explore include identifying appropriate areas of influence, understanding non-attributable pressures and whether proxy data fits within the indicator methodology. Companies' roles within the process would include the identification of a sponsor to pilot the sites, provision of case study materials to enhance the methodology and engagement in workshops to identify user needs and ensure the indicator is practical at the site-level.

***Break-out Group Feedback***

**What advantages and challenges do you see in testing the methodology?**

- There was broad interest in conducting a pilot and it was seen as an important step in refining the methodology – or rejecting it. Companies want to be involved because the end goal is to report on biodiversity. However, there were concerns from some about the time and resources that would be required to test the methodology, and if a business case could be made for this. The availability of suitable data was also seen as a challenge, as was collecting data from specific facilities. It was considered likely to be easier to conduct a pilot for new locations (which often have more data available) and also easier for those at the commissioning stage.
- The proposed piloting methodology is not currently clear on what is required, and a desktop study might help clarify what is required in terms of data input and the measuring/monitoring process. The Integrated Biodiversity Assessment Tool would be helpful in the initial screening phase.
- To ensure the process and lessons learnt are applicable across all sites it is important to include variety in terms of life-cycle stage, types of activities, realms (marine vs. terrestrial), and data availability across the piloting sites.
- Piloting should be an iterative approach, which may make the entire piloting process a little longer, but would help address issues early on. The piloting approach should not impose any additional workload on people at the

site-level, it should be 'lightweight' and not require the creation of new systems. Ideally, the methodology would use existing processes that can be easily reframed to fit the methodology.
- A key challenge for carrying the pilot phase forward will be to identify site-level staff that are willing to take on the additional workload and implement the pilot effectively. It is therefore essential to clearly communicate the benefits of developing a workable indicator to site managers and to ensure they are aware of the data requirements.
- It is important that raw data is not attributable to companies or specific locations, which could infer company identity.

**What adjustments are required to the pilot process to facilitate its uptake?**

- An initial scoping workshop with site-level staff would be helpful in kick-starting pilot projects, and identifying which processes are already in place that can be adapted to fit the proposed methodology. A one-day or two-day workshop to look in detail at a case study would be helpful in understanding the feasibility of the pilots and in identifying challenges at an early stage.
- Success and failure criteria are key to ensure the piloting process happens smoothly and effectively.
- Using companies' existing screening processes would also facilitate the piloting process.
- Defining the scope for the pilots is also very important because, for example, production sites will be more straightforward than including upstream and downstream units (e.g. retail stations). Participants felt that the largest sites should be the highest priority to include in the scope of the piloting phase.
- The number of pilots that any one operator is asked to undertake should be reduced – perhaps to one per business – to receive high-level feedback and ensure that capacity is not exceeded.
- A desk study was identified as a useful first step to understand what would be required – Partners suggested that IPIECA would have an important role in this study.

**Where should Proteus/IPIECA go next with this work?**

- IPIECA was seen as having a very important role in the next steps for this work. IPIECA could help co-ordinate/conduct a desktop study to establish the data and time requirements for the pilot and methodology at a high-level. If a business case is developed, companies could engage through IPIECA to pilot the methodology.
- IPIECA is keen to continue engagement in the project and include within their 2019 workplan. However, it was discussed whether the scope of funding falls under the remit of IPIECA or whether the Cross-Sector Biodiversity Initiative would provide a better avenue to ensure pilots in both the mining sector and oil and gas sector.
- IPIECA members proposed that funding be provided for writing up rather than data collection in the field to ensure there is no disparity in the benefits received across companies.

***Summary of next steps***

- UNEP-WCMC will take on board the feedback received during the Proteus Annual Meeting. It was recognised that the methodology requires some refinement and additional feedback will be sought from the project's Advisory Group and IPIECA.
- Given the positive response to the methodology, it will be refined for testing, clarity will be provided on the scope, nature and resources required for pilot testing, and pilot companies sought. We will also seek to continue to collaborate with IPIECA in this work as well as exploring new avenues of collaboration, for example, through CSBI.

## Annex 1: Summary of feedback survey

- The majority of respondents agreed that the workshop met expectations and all agreed that they benefited from the topics discussed in the breakout group sessions.
- The topics were relevant to the sector and it was also beneficial to gauge other companies' perspectives on the topics.
- The majority of respondents felt the length of presentations was just right, although a small number felt that the presentations cut into discussion times.
    - Approximately half of the expressed interest in engaging in the third phase of the biodiversity indicators for extractives project. The remaining participants were unsure of the commitments required at this stage or did not feel there was enough clarity in the processes and outcomes of the methodology in its current state.