Transcript of ‘Business and Biodiversity’

Season 1, episode 4, Transforming Tomorrow

[Theme music]

Paul Turner: Hello, and welcome to Transforming Tomorrow, the podcast from the Pentland Centre for Sustainability in Business here at Lancaster University Management School. I'm Paul Turner.

Jan Bebbington: And I'm Professor Jan Bebbington.

Paul: Jan, today we're going to move on from the overviews that we've done both of the Centre and in the Centre's overall work, of the Sustainable Development Goals, the SDGs, and we're going to look on a specific topic, and what's that topic today Jan?

Jan: It's business and biodiversity.

[Theme music]

Jan: So today, we're going to think about biodiversity with a very special guest.

Paul: Yes, it's not just going to be us talking about biodiversity. We've got with us someone who used to work for Nestlé, he's worked for the WWF, unfortunately I was to discover not the World Wrestling Federation, which people of my my age you know will have [Jan laughs] automatically thought of at the time, rather the Worldwide Fund for Nature, he's worked for Shell, he's worked as a forester, and he has worked across the corporate sector, all around issues to do with biodiversity and sustainability.

It is Honorary Professorial Fellow, Duncan Pollard, welcome, Duncan.

Duncan Pollard: Thank you very much.

Paul: I suppose we've introduced you briefly there, but do you want to give us a a rundown of your background, your expertise around business biodiversity.

Duncan: I, I started out life as a forester so that always, uh starts with nature and the long term and, and thinking about about the future, I worked for 20 years, uh in in the forest industry around the world and uh, and then flipped into the uh into the NGO world into, into WWF as as you said, uh where um biodiversity is, is uh I think fundamental to to what they're doing, nature,

Worldwide Fund for Nature is, is there and and and biodiversity being part of that, and I worked at for 10 years at at WWF in the forest program, but then looking after all of their thematic work, so species, and energy, uh forests, freshwater oceans, uh and all of the the policy work, and then I move back to uh the corporate world and moved to Nestlé as essentially Head of Sustainability sitting within the operations function, driving changes to the way that the company operated through its sourcing of materials, and manufacturing and, and supply of those products through to to customers, and right now I'm I I have um a portfolio of work which keeps me in the sustainability area, uh working on climate change and food loss and waste and uh, and other things as well so, so that's about, that's about me.

Paul: I think I commented in the previous episode, Jan, that Duncan seems to do more while he's retired than most people do, or myself, maybe just myself, I don't want to tar everyone with the same brush. [general laughter]

Duncan: I try not to say I'm retired but uh...[laughs]

Jan: Most retirees I know have no idea how they ever went to work [general laughter] so many things to do.

Paul: And I guess then the question is, how did your connections with the Pentland Centre come about?

Duncan: Well they they came about while I was at at Nestlé um originally, because we were faced with a situation uh five or six years ago, uh actually on climate change, uh with an initiative which started through the G7, uh Angela Merkel uh asked the world's central banks to, to determine what their resilience would be under various uh scenarios of, of different scenarios of climate change and that led to an initiative called the Task Force for Climate-related Financial Disclosure.

And that trickled down to companies who were then uh asked, initially voluntarily but increasingly now uh more as a, as as a full requirement of of reporting, to report upon the impact that climate change would have upon the company. This was completely new thinking required for us and we approached the Pentland Centre who were able to bring together experts on agriculture, experts on climate change, and experts on accounting, and it was through that, and through Jeffrey Unerman particularly, who gave us all of the insights to understand how we might go about understanding, assessing and then reporting upon the impacts from the outside in to the company.

So before that, companies had always reported, and still report upon, the impact they're having upon climate in terms of greenhouse gas emissions, but this was, how are changes in the climate going to impact the company.

Jan: I might ask you to reflect on how Nestlé is affected by biodiversity, so how it depends on it, but also what impacts it might have upon it. Because many people listening to this podcast will maybe see Nestlé as a, as a, you know a brand on what they're buying, but they might not fully understand what the company does and how it has that nature connection.

Duncan: Obviously it's a big food company. I like to say, it's maybe a little bit simplistic, but you can pretty much assume that it's buying every commodity from every country, and when we did the calculations in two different ways, the area of land that it depends upon to, to source all of those um agricultural commodities, is about two and a half times the size of Switzerland.

So, so it is huge in terms of the land area required to grow the crops, or actually all the, the sea food as well that it, that it uses. And all the, the wood for the paper and the packaging that that's required. So suddenly you start to say well, okay that, where is that land? Well it's, it's all over the place, it depends upon the commodities that uh you're using so, so palm oil is a, is an obvious one and a famous one that companies are under huge scrutiny about in terms of, of biodiversity impacts, but they're big buyers of, of milk and therefore there's big areas of, of dairy and grazing that that's needed, and cocoa and coffee and, and all of those, so they're sourcing commodities from a variety of countries, a variety of different landscapes, different biospheres if if you like, and biomes if you like.

So in addition to that there's, there's all of the services that nature provides, the most obvious one is is pollination uh, so that all of the crops that require wild pollination by insects and uh bees and to, to make the crops grow, and clean water and and those kind of things, so um we we understood quite well the dependency that we had upon nature and the, and the impact as well.

The reporting that we did perhaps best illustrates that it was traditional and, and is still traditional to report upon uh biodiversity to the, to the the Global Reporting Initiative around the sites the operations that that a company has and, and for Nestlé then there's more than 400 factories around the world, um each of those factories is located in a place that may or may not have high levels or low levels of biodiversity.

First of all you got to understand that. And then the way that we interpreted that was, was actually that some of those factories will be dependent upon clean water coming from upstream and therefore there's, there's a huge interest in knowing how are those landscapes upstream managed in order to ensure that the water continues to be clean for the future. And by the same token whatever discharges the factory has has a potential impact downstream.

So there's a this geographical connection that that you might think of a factory as a defined site but it's connected into the landscape, and that's quite aside from the sourcing of materials, uh whether that's coffee or cocoa or dairy or palm oil or sugar or, or whatever. And and the how those are grown and the impact that those have. So that's that's really the way that that we started to to understand and think about about nature.

Paul: So you mentioned there the fact that there is been traditional to report on this, are there regulations within the reporting are there things that need to be done that have to be reported on, or is it a free for all?

Duncan: Look there are two ways that traditionally there's been reporting by companies. Leaving aside the financial reporting which which we can come on to in a moment the sustainability level reporting has really been driven by the Global Reporting Initiative that I, that I mentioned. That's a voluntary system, although being voluntary it's it's been taken up by pretty much every major company and therefore it's, it almost becomes the, the standard that companies are judged against.

Uh but as I said and indicated, the the way the Global Reporting Initiative requires you to report on biodiversity is very much dependent upon the location of company assets. So in the case of a Nestlé it would be a factory, in the case of a Rio Tinto or a Shell it's the the oil field or the, the location of the mine. It doesn't ask for that broader supply chain reporting, nor does it ask for the, the impacts that the products that the company might, that the company makes, might have upon the environment.

The second way that companies, I would say for well close to 20 years now, um 15 or 20 years, have been reporting is through um the CDP formerly called the Climate Disclosure Project now just the CDP. The CDP um started out um as a voluntary way for companies to report on climate again whilst it's voluntary it's become the norm for big companies to report upon that so it's almost a requirement if, if you like.

That expanded to cover water, and then it expanded to cover forests, and so forests became the proxy for reporting on biodiversity for, for many companies, especially those involved in the, in the land use or having anything to do with timber or paper or, or so on.

Now I think the interesting thing about CDP is that most companies when they're preparing their annual report, or their sustainability report, reference CDP, but they reference the score they get in CDP, they don't actually give details of their reporting to CDP, and I can assure you there are thousands and thousands of lines of answers of questions that CDP requires, so there's a wealth of, of let's say reporting to CDP that gets kind of hidden in the system that, that you or I if we wanted to find it is incredibly difficult, CDP in fact synthesize all of that into their reports so it's not actually possible, there's not much transparency in, in that reporting if you like uh for the, for any individual wants to, wants to scrutinize what a company is doing or not doing.

Jan: What the CDP does do, I know 'cos I paid them a lot of money, is that you can buy the data.

Duncan: Yes, okay...

Jan: So as researchers...

Duncan: So it's a business...

Jan: Yeah, it is a business model so as a researcher you can buy the data and you're right there's this most amazing information in there that you don't see in the public domain, but also CDP's owners if you like, um and the people that are producing the information for our investors, and so they use that information to make the evaluations they might make as quite sophisticated financial owners to you know, do they like a firm or not like the firm. So I think you're right, the person in the street will never see that data but our, you know the guys that are buying and selling shares and companies presumably, although it's hard to tell, are looking at that data in some shape or form

Duncan: Well, maybe...

Jan: Yeah, that's why I said presumably...

Duncan: I did once spend a little bit of time looking at a Bloomberg terminal and, and indeed the Bloomberg terminal has has the CDP score, but it's almost, has it reported to CDP or hasn't it, and I'm not sure if someone who's making a quick decision on about to press a button on, on buy buying, buying a trunk of

shares is actually really looking at the difference between an A plus or a B minus on, on CDP but it, it may well be looking at has it reported to CDP or not.

Jan: Yeah I think you're right, yeah I think you're right.

Paul: Bearing that in mind, is there a way of being able to distinguish what is good reporting, what is bad reporting, is there a way to assess these reports that in the way they're submitted easily to know if a company's doing a good job of the way it is analysing itself and its activities and its impacts?

Duncan: That's a little bit coming on to what we're doing at the Pentland Centre. Going back to how I, I first got to know the Pentland Centre and, and this this work to understand the impact of climate change upon companies, the next thing that's coming along is, is on nature. So we have the Task Force on Nature-Related Financial Disclosures, which is saying that uh all the evidence shows that the status of Nature and biodiversity is going down, so then the question is, so what does that mean for companies. And that's then the, the entry point for for us here to start to look at what would good reporting look like?

And, and so for the last two years uh Jan and I have been looking at, uh 20 or so companies, global companies, across all of the different sectors that are either dependent upon or, or potentially impact nature and biodiversity and, and so we you know we cover mining and oil and gas and seafood and uh forestry and food and clothing, um utilities and, and we're looking at trying to understand what would good reporting look like and, and how would we move from not just kind of a report into the current and the future standards that that are out there but, but more to try and get behind that and see whether companies have an understanding, or how deep is that understanding.

I mean it's one thing to report, reporting's fine but but actually we need to know or understand the companies themselves, are they understanding their dependency? Are they understanding the status of nature and biodiversity around them? Are they understanding their dependency upon that, are they understanding the impact that they they're making? And are they understanding the changes such as climate change, pollution, invasive species, land use change, all of these drivers of the change of biodiversity, are they understanding that? Are they understanding how technology, how government policies, how markets are, are changing and how that impacts upon that.

So that's what we we're trying to, we we're trying to understand, so so yes it is possible to, to start to differentiate between the good and the bad.

Paul: On a similar vein then, is it possible to compare companies working in totally different areas, in totally different sectors, and the quality of their reporting? Because presumably some companies are going to be having a much more obvious externally such as mining, such as um deforestation impact on the environment, than others.

Duncan: So let's take two examples, let's take the mining industry and the food industry. The mining industry, even if you take the biggest companies, they've got what 20 30 40 mines, locations around the world, um where they, they are intersecting with, or interacting with, or potentially impacting nature.

The guidance that's out there suggests, and I think I agree with this, that that it's hard to see, it's hard to say that, that mining Industries have a dependency upon nature. Or at least a material dependency upon nature, they certainly have a material impact, or potential impact upon, upon nature.

And so how you look and analyse the mining industry is clearly going to be different to the food industry and the example that I gave you of Nestlé, which is sourcing from a huge geographical area, huge geographical footprint and, and with production processes that um, can vary widely and, and differently in terms of the impact that they have.

Jan: For our listeners I might something, say something about materiality, because that really matters in a, in a company context when you're trying to decide, you know, you might have many impacts but what which ones really matter.

So materiality is a way of figuring out the ones that really matter as opposed to things, like impacts that are there but aren't as important as other impacts. So it's a really crucial, um characteristic of of information but also for action. Is it material? And you might say is it material to the natural environment, is it material in a financial sense, is it material in a social sense, so materiality is a really big topic to understand and a really, you know, technical and practical topic to understand in the field.

I might perhaps move on and sort of think about the analogy of some of our listeners that might have their, their shopping bag, and they've got their things in it. And so if you even start to think about my shopping bag and thinking

about how would I know where all of these, these um resources came from, you know, not just who picked them, but where were they grown, how are they transported, etc.

My mind sort of explodes at that point in terms of the absolute volume of data that you need. How does a big company with you know 400 factories, how do, how do you deal with that data requirement that sits behind knowing what your impact on nature is and knowing what your dependencies on it are?

Duncan: Let's take an example of coffee, but we we could say any any commodity but, but coffee. You can go into your local coffee shop or supermarket and you can find on the shelf Ethiopian coffee, Colombian coffee, in order to be able to make that claim that it's from Colombia they need to know.

Jan: [laughing] Yes...

Duncan: They have to be able to prove that. If you then look and buy some instant coffee, and I won't name any any brands, but you know them all. They're not saying where that coffee is from, so it's a mixture. The blend may well come from two or three or four places.

If you're a company like Nestlé and you've got a coffee factory in Mexico that's using coffee from Mexico you pretty much know your farmers because you're buying from them. But if you're a coffee factory in Spain you're importing coffee from all over the place, you're probably buying through complex supply chains, with two or three intermediaries in between. That gets harder. And the trick of course is then, well how much time and effort do you put into mapping those supply chains?

For coffee there's been an awful lot of effort put into that because it's one of those commodities that is under huge scrutiny uh by, by consumers. They need to know, there's, there's known issues around the sourcing uh, and in order to be able to demonstrate that the practices are, are of a good standard then, then time and effort is put into it.

But if you think of some other kind of globally traded commodities like wheat. You're buying wheat for bread and you know this year it might come from Ukraine, next year it might come from, from Canada, the year after it might come from Australia. There's a tendency by, you know...there's a certain quality requirement that's required but there's a certain price. And the growth and the

productivity may well be different in different countries and therefore you're buying on the market.

Because there's this constant change that's when it gets harder to actually have the traceability and know exactly where it's come from. And so if you want traceability it pretty much forces you to, to get closer to the growers. And one example I will use, and it's it's...it's not releasing anything that's, that's confidential, because I think that the big companies like like Unilever and Mars and Nestlé have said it all publicly.

When they started seriously, seriously having to map their supply chains, of sourcing palm oil, uh in order to make a commit, they make a commitment to zero deforestation. So, so you make a zero deforestation commitment, you have to know where your palm oil is coming from. And for most companies that's taken it that's been a ten, more than ten year journey to map out understanding, through very complex supply chains, probably two, three, four tiers of suppliers, where it's coming from.

As you said Jan, the volume of data required is huge. The way to manage that has been by actually reducing the number of suppliers, so all of those companies that I mentioned previously had thousands of...once they figured out where is it coming from, and they realized there were thousands of different places, and if price and quality is how you're determining this then, then who, you're buying from today is different from who you were buying from yesterday, well that's no longer good enough if you need to be able to demonstrate zero deforestation.

And so they've all they've all now got less than 200, maybe even less than, these days maybe even less than 100 suppliers. So they've had to change the way that the procurement function works in order to be able to demonstrate that traceability.

Paul: It sounds though like there has been a lot of progress made, lots of progress has been made in recent years. Do you see that progress continuing, can you see that it's continuing to build towards a more positive future with regards to what's going on with companies, their biodiversity reporting, their actions with regards to this?

Duncan: Yeah I... you know, looking at, looking at the reporting this year it is interesting and it reflects exactly what we've just been talking about. There will be more scrutiny, I mentioned before TNFD, uh the Task Force on Nature-

related Financial Disclosures, that will drive better disclosure by companies of, of their understanding of their dependency and impact upon, upon nature. You start to see a lot of very interesting developments, companies partnering with academic institutions, starting to use technology, some AI-facilitated technology, to understand biodiversity around them, and monitor monitor that, that biodiversity.

You also see start to see companies using, using nature in their, in their branding as well. So you start to see all these threads of, that we've been talking about uh occurring. So in the climate, in the climate area, we've, you know it's fairly, it's fairly clear that there are some products if you like which are just not consistent with the climate emergency that we've got.

Coal would be the great example but we could talk about oil and gas as well. We haven't got that far with nature and biodiversity, but it's it's quite easy to speculate as to, as to what those products and, and business um models are that, that are contributing to, to nature. We haven't quite got that far but you know, you can predict that in a few years time if as, as the as the discourse on, on nature and biodiversity advances that that's where we'll get to.

Jan: And on that point of speculation, um I've now got many ideas racing around in my mind which we might gossip about once this podcast is finished.

[Laughter]

Paul: speaking of Jan, I think that's a great place to draw to a close. On a positive note there's been not as much of the doom and gloom that you tend to bring to these proceedings in in this particular episode I'm afraid.

Jan: There was accounting though so...

Paul: Yes...

Jan: ...I'm happy!

Paul: Well, and that's the important thing that we're happy we've covered accounting that's, that's it. Thank you very much Duncan Pollard.

Duncan: Thank you.

[Theme music starts softly.]

Paul: That's been really interesting Jan talking about business, biodiversity, the broad range of topics, there some of it tying in with supply chains, which is

what we'll be discussing next week when we'll have Distinguished Professor Linda Henry here with us to talk about Modern Slavery and all through the supply chains there. Really great topic to open up with when we're starting to look at the work that's going on in the Pentland Centre.

Jan: I agree and I think we're already seeing some consistent messages, so the Sustainable Development Goals topics are coming through, but also um consideration of traceability, I think that's going to keep us in mind for quite a bit of time, also reporting I think we'll see more of that as we go forward in the podcast, so I think that's our first big topic covered ,but there's lots to come back to there as well.

Paul: That's it for this episode of Transforming Tomorrow, the podcast from the Pentland Centre for Sustainability in Business here at Lancaster University Management School. I'm Paul Turner.

Jan: And I'm Professor Jan Bebbington.

[Theme music]