

**Sustainability in Action**

October 2024



# Biodiversity in Focus

Around half of global GDP depends on nature to an average or high degree.<sup>1</sup> Consequently, disruptions to nature and ecosystems have significant implications: not just for all living creatures but for our economy as well. With Climate & Biodiversity being one of the selected themes in our Sustainability Approach, we aim to make companies aware of the importance of preserving biodiversity and to encourage them to develop clear policies, goals and comprehensive reporting. We believe that companies that respect biodiversity in their operations and supply chain – along with managing their other material sustainability issues well - will be ultimately more resilient in the long term. In this edition of Sustainability in Action, we present several of our engagement cases - differing in scope and progress - which focus on biodiversity.

## High impact industry, strong commitment - Anglo American

The mining industry is known to have a pronounced negative impact on biodiversity, causing extensive damage to land and ecosystems, which results in a lack of trust among stakeholders. Anglo American, a global mining company operating predominantly in South-Africa and Latin America, put sustainability at the core of its strategy and is one of the frontrunners in the sector with a clear policy and goals to research and protect biodiversity. We engaged with the company to gain a deeper understanding of their commitment and their goal to deliver a net positive impact (NPI) on biodiversity by 2030.

We initiated our engagement by providing the company with 20 detailed questions in writing, spanning topics such as biodiversity measurement, water use, the role of new technologies

and land rehabilitation. We then organized a videoconference to discuss these topics with Anglo American's key representatives, including their Global Head of Sustainability and biodiversity specialists. We found Anglo American to be well prepared, showing full understanding of the challenges and committed to take meaningful steps in the area.

### Challenging metric

One of the key challenges we discussed was measuring biodiversity. The complexity lies in formulating science-based metrics, collecting data and then building detailed baseline assessments for each mining site, as biodiversity features vary across different areas. The company is creating biodiversity management programmes for each site and works with several NGOs to have these independently reviewed. Anglo American is also aligning their data and practices with the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD).<sup>2</sup>

<sup>1</sup> According to a calculation by the World Economic Forum ('Nature Risk Rising', 2020).

<sup>2</sup> The Taskforce on Nature-related Financial Disclosures (TNFD) has developed a set of disclosure recommendations and guidance that encourage and enable business and finance to assess, report and act on their nature-related dependencies, impacts, risks and opportunities. The recommendations and guidance will enable businesses and finance to integrate nature into decision making.



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Water management is another critical area of focus for the company, intersecting with biodiversity, climate change, and community welfare. Anglo American previously set the goal of a 50% reduction in the use of fresh (ground) water. However, they acknowledge this is not enough for the NPI target and they are working on expanding this goal by converting seawater into freshwater and improving the quality of wastewater, so that the surrounding communities benefit from Anglo American's presence in the area.

### Mutual benefit

Our initial conversation with Anglo American was a very useful dialogue for both parties. We gained a better understanding of their plans, policies and also limitations. Anglo American valued the insight they got into the concerns and questions of stakeholders and investors: our detailed inquiries can serve as a guidance to further refine their policies and goals.

As Anglo American is in the middle of updating their policies and reporting on some key areas we addressed in our meeting, we will also continue our dialogue and monitor their progress, particularly in adopting TNFD recommendations and water usage goals.

### First steps in agricultural machinery – Deere & Co

Agricultural machinery can have a direct impact on biodiversity. We initiated our engagement with the American agricultural machinery producer Deere to assess the level of awareness of biodiversity within the company's management and to understand Deere's plans for establishing a biodiversity policy.

We have conducted two meetings with the companies representatives, amongst them the Head of Sustainability and the Chief Financial Officer. The company acknowledged the absence of a biodiversity policy at the moment, but recognises the need for improvement. The company also acknowledges that it still lacks the resources to measure its biodiversity footprint.

Deere is currently conducting a so called double materiality assessment, which assess both the impact of its business activities on biodiversity and the consequences of biodiversity decline on the company. Once the assessment is concluded, the company will decide on the next steps to take. We will continue to engage with the company to monitor the progress and outcome of the assessment and subsequent actions.

### Reducing plastic pollution and use of plastics – Coca Cola, PepsiCo, Nestlé, Coty

This summer we reached out to some of the world's biggest consumer staple companies that belong to the biggest users and distributors of plastic globally. Our aim was to raise awareness about the importance of addressing plastic pollution and to ensure that these companies have adequate processes in place to mitigate the negative impacts of this issue.

Our 'engagement for awareness' focused on three companies identified as major plastic polluters worldwide, all of which have been flagged due to global plastic pollution.

### Nestlé

After we initiated the engagement, a call was arranged with – amongst others – Nestlé's lead on packaging. The company disputes the unfavourable ESG rating agency's assessment, pointing to the company's policies and concrete actions rather than sector-wide assessments which are applied to them.



Nestlé sees itself as front runner in the battle against plastic waste and we agree that the company has ambitious targets regarding the reduction of newly manufactured plastic and plastic packaging to be designed for recycling. The company also conducts baseline studies in 25 countries, targeting 12 priority countries for waste management projects starting this year. Since the company has proven itself to be well aware of the issue of plastic pollution, we will close this engagement for awareness. We will use the insights gained to apply to the engagements in this sector going forward.

**PepsiCo**

We approached PepsiCo through an email and received a prompt answer. The company said it was committed to reducing plastic waste by reducing packaging use, driving recycling and developing new business models with low or no packaging options. PepsiCo acknowledged the complexity of the issue and supports partnerships and consumer education initiatives. The company also signed onto the Fair Circularity Initiative to support informal sector works. Van Lanschot Kempen will compare PepsiCo’s packaging agenda with its industry peers and consider how to follow up on this engagement.

**Coca Cola**

Coca Cola has replied to our email, saying it recognised its responsibility in addressing a packaging waste crisis and indicated it achieved some important milestones last year. These included making 90% of packaging recyclable and collecting 62% of packaging for recycling. The company has been part of several business initiatives since 2022, and says it is working on enabling conditions to successfully scale a circular economy for plastic and plastic pollution. We will examine Coca Cola’s packaging policy and consider how to follow up on their reply.

**Coty**

This French producer of beauty products for well-known brands is not part of the group of consumer staple companies which we had contacted. However, we want to address Coty regarding the use of plastic packaging and the low use of recycled plastic as well. So far, with disappointing results: Coty has not yet responded to our questions. We find that Coty’s goal to increase the use of recycled materials to at least 30% by 2030 does not look very ambitious when compared to the efforts of their peers.

Additionally, we want to know if sustainability aspects are part of the variable compensation for the board. We believe that Coty has less ambitious goals than its peers and can do more in the areas of biodiversity and plastic waste. We continue to try to get in touch with the company.

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