

ESG Viewpoint

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Chemicals and biodiversity – a year since EU’s ban on bee-harming pesticides

In April 2018, the EU Member States endorsed the EU Commission’s proposals to ban all outdoor uses of three neonicotinoids (“neonics”). One year on, we review our engagement on chemical safety and biodiversity risk with ten agrochemical companies to see how they are responding to the new rules.

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What are neonics?

- Neonics are plant protection products often used to control harmful insects in the agriculture sector. Their pesticide effects on insect pollinators, such as honey and wild bees, have been intensively debated for years. The European Food Safety Authority (EFSA) concluded in early 2018 that neonics are a threat to most bee species in most intended uses.
- The subsequent EU ban in April 2018 was not entirely new, as neonics had been severely restricted since 2013. The US and Canada are also restrictive in different ways.
- However, under the EU 2018 decision, EU Member States were also granted the rights for emergency authorisations. For example, Denmark granted permission to use neonics for sugar beet seed in December 2018.

Our engagement

Over the last 12 months, we requested dialogue with ten companies involved in the production of neonics, namely **FMC Corp, Nufarm Ltd, K+S AG, Israel Chemicals Ltd, Monsanto Co, Yara International ASA, Mosaic Co, CF Industries Holdings Inc, Syngenta AG** and **BASF SE**.

Of the ten companies we reached out to, all but four were responsive, though they offered varying degrees of openness when discussing the topic – and not all were willing to discuss their biodiversity risk management in depth.

We will continue to engage with those who failed to provide us with information on this issue to ensure that their biodiversity-related risks, including reputational risks, are managed with a transparent approach.

Case study

BASF

Since we believe that BASF would be affected by the EU's ban, we prioritised it in our engagement plan. We spoke with the company to ask how they take considerations of bee health into account within their product development strategy. With a 250-strong team working on product and chemical safety, the company has well-developed procedures, but we wanted to understand how this is helping them to navigate the rapidly changing regulatory situation.

BASF informed us that, since 2019, bee protection is formalised in their R&D process. Bee experts conduct toxicology tests at an early stage of the product development cycle, and only products that won't cause bee mortality will then be further developed. BASF has also been conducting farmer training to educate smallholders on the right ways to apply their products to avoid biodiversity harm, as well as post-sale product research to determine impacts on the ground.

We were impressed with the level of detail shared by the company, but this does not entirely mitigate the risks, particularly given the complexities of integrating the recently acquired Bayer assets. We encouraged the company to improve its reporting in this area.

Key trends observed: more awareness on future regulatory risks and more innovations

Amongst the companies we engaged, BASF, Mosaic, CF, Nufarm and FCM's responses gave us a positive impression. Some of them are starting to take the most stringent regulatory standards around the world as their risk benchmark to understand the potential impacts if such regulations were to be enforced globally. Many of these standards are indeed from the EU, including the 2018 ban and the tightening requirements of European regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH).

Several companies also told us they recognise the need for replacement products, and have been initiating R&D programmes to develop these. However, not all alternatives to neonics are free of harm to pollinators. For example, Flupyradifurone and Sulfoximine-based products are exempted from the EU's ban because of their different chemical structures

to neonics. Recent studies, however, have shown that they may still have significant side effects to pollinators and other non-target species with even realistic doses, and some markets are starting to ban their use.

It is therefore important to ensure that resources are spent on developing a new generation of pesticides that are genuinely harm-free to biodiversity. If further developed for large-scale farming, biopesticides¹ could be important in contributing to a more sustainable approach. Major regulators have also been encouraging the development (for example, the quicker approval process by the US Environmental Protection Agency), leading to more registered biopesticides in recent years.

Continuing our engagement: constructive communication with the farming sector to enable innovations

Neonics regulations affect not only agrochemical companies but also individual farmers. During the EU legislative process, there was opposition from many farmer unions, voicing concerns about implications for crop yield. To avoid disruptive consequences to smallholders' livelihoods, governments have been working with farmers on alternative approaches for crop protection.

While encouraging the development of neonics substitutes, we think that ongoing education and support to the farming community are vital to the success of any alternative products. This would help especially smallholders to be more open to new, more sustainable pesticides once these solutions become more applicable to farming in scale.

We believe that agrochemical companies have a central role in enabling this shift to happen. Our engagement with these companies will continue to encourage them to:

- 1 Recognise biodiversity as a material and evolving governance issue, informing business strategies, lobbying practices and product innovations;
- 2 Take the most stringent regulations around the world as their risk and compliance benchmark;
- 3 Assess and encourage corporate transparency on biodiversity impacts of products;
- 4 Scale R&D on crop protection products with lower biodiversity impacts, including but not limited to biopesticides, suitable for outdoor crops and at the field scale;
- 5 Develop meaningful farmer engagement and education programmes on biodiversity impacts of products sold and on alternative farming methods.

¹ Pesticides derived from natural materials such as animals, plants, bacteria and certain minerals

Key risks

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