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Mainstreaming Biodiversity into Business

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Responsibility for the preservation of biodiversity extends far beyond Governments. Every individual, local community, sector and organisation, whether private, public, national, international or non-governmental, has an obligation and an interest in changing outlooks through education, and by example, thereby helping to end thoughtless or deliberate waste and destruction.[2]

1. INTRODUCTION

Biodiversity conservation has frequently been viewed in isolation from the need to create sustainable livelihoods. As the links between social and economic development, human health and environmental integrity become more apparent, conservation is becoming an increasingly complex affair, requiring input and action by a diverse range of stakeholders, including the private sector.

Biodiversity is defined as the variability within and between species and of ecosystems. Private sector interest in biodiversity goes beyond the identification of the useful elements of

1. The author would like to thank Kerry ten Kate of Insight Investment and Mark Rose, Ros Aveling, Martin Hollands and Zbigniew Karpowicz of FFI.
2. Kofi Annan, United Nations Secretary-General (2004). 'Message for the International Day for Biologial Diversity', 22 May 2004.

biodiversity for consumption (although this, of course, forms a substantial part of private sector interactions with biodiversity) to a recognition that the complex interactions between and amongst species play an important role in creating a stable operating environment. Negatively impacting on biodiversity can therefore have significant implications in terms of reputation, licence to operate and continued access to resources. Beyond this simply utilitarian view, some companies are acknowledging the moral case for managing their social and environmental impacts.

Earlier chapters in this publication have outlined a move toward the integrated treatment of livelihood and biodiversity issues as a means of better addressing the complex links between social and environmental needs and increasing progress towards achieving the United Nations Millennium Development Goals (MDGs). In much the same way, the perceived role of business is changing. It is increasingly recognised that there are both business risks and opportunities associated with mismanagement of biodiversity and, as a result, leading businesses are moving to understand and reduce their impacts. What this means is a shift from companies perceiving biodiversity as a community or philanthropy issue to them seeing it as a core business issue relevant to both risk and opportunity and thus worthy of significant attention and investment.

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This chapter outlines the trend toward the increasingly clear role for the private sector in minimising its impact on biodiversity and facilitating the development of pro-biodiversity business. It outlines some of the causes of this trend and looks at the drivers for the private sector – ranging from multinational corporations to small and medium sized enterprises – to conserve biodiversity. As part of this, the close association between livelihoods, corporate responsibility and biodiversity is considered and barriers to private sector engagement are outlined. Finally, a series of future actions are suggested.

Underlying this chapter is the assumption that the private sector is only one of a set of key stakeholders that must be

engaged in order to reverse the current decline in biodiversity. It is recognised that much of the private sector is operating in a way that fundamentally, negatively impacts on biodiversity but highlights a number of initiatives amongst large and small companies that are beginning to address the issue of biodiversity loss.

The causes of biodiversity loss such as conflicts between resource consumption demands and the encouragement of unsustainable resource exploitation as a result of the globalisation of trade and the increasing separation of the producer from consumer are not examined in this chapter in depth as they have been covered in a number of other publications.

2. THE CHANGING FACE OF BUSINESS – THE RISE OF CORPORATE RESPONSIBILITY

A number of company and sectoral corporate responsibility initiatives have developed, recognising that responsible business practice has the potential to deliver business benefits as well as protect against risk

The increasing size and global influence of business, globalization of trade and greatly enhanced speed of communication have combined to change the relationship between business and society.[3] The developing global impact of business has been matched by increased access to information and a more co-ordinated and informed response by civil society organisations concerned with the level of power and impact such multinational organisations have.

In response to this, a number of company and sectoral corporate responsibility initiatives have developed, recognising that responsible business practice has the potential to deliver business benefits as well as protect against risk. More companies see value in incorporating social and environmental issues as part of their decision making processes as a means of ensuring future access to capital, maintaining licence to operate, attracting and retaining good quality staff and responding to customer needs.

The growth of the socially responsible investment (SRI) industry has been a further factor in encouraging

3. UNIDO (2002). *Corporate Social Responsibility: Implications for Small and Medium Enterprises in Developing Countries.* United Nations Industrial Development Organisation, Vienna

responsible business practices. Whilst still relatively small compared to mainstream investment practices, SRI is rapidly growing and is having a greater and greater impact on company activities. The past five years has seen significant growth in the number of SRI funds. Whilst they still make up only a small percentage of capital markets, the amount of influence they have on corporate behaviour far outstrips their shareholdings. In France, for example, the SRI market has increased 35 per cent over the last year from 2.5 billion Euros in 2003 to 4.4 billion Euros in 2004.[4]

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The development of investment indices which benchmark company performance such as the Dow Jones Sustainability (SAM) Index and FTSE4Good have created a visible measure of company activities which, because they publicly benchmark one company's performance against another, are driving board level attention on the social and environmental issues that they describe. The development of industry or cross sectoral standards such as the Global Compact and the Sullivan Principles have set further benchmarks for corporate performance against which civil society can hold them accountable.

3. THE LINK BETWEEN NATURAL AND CORPORATE VALUE

The world's biodiversity is currently disappearing at a rate thousands of times greater than any time in the past.[5] Business clearly impacts on biodiversity – through sourcing of raw materials for production and consumption, management of company landholdings and through release of environmental pollution such as green house gas emissions. Food processors, forestry and paper, mining, oil and gas, utilities, electricity, pharmaceuticals and biotechnology and tobacco companies are the business sectors with the greatest impacts on biodiversity.[6] However, all businesses have some form of impact on biodiversity,

4. Novethic Indicator (2004). http://www.novethic.fr/novethic/images/upload/Indicateur_Q4_2003.pdf
5. Stuart, S. (1999). *Species: Unprecedented Extinction Rate and It's Increasing.* IUCN Species Survival Programme
6. ISIS Asset Management plc (2004). *Are Extractive Companies Compatible With Biodiversity? Extractive Industries and Biodiversity: A Survey.* See http://www.isisam.com

whether directly through their operations or indirectly along the supply chain through pollution or resource use. These impacts can be considered to occur at three levels:

- Primary: impacts of the company within or near its sites;
- Secondary: impacts along the supply chain through product use, migration of people and activities associated with the development;
- Tertiary: indirect impacts through, for example the company's contribution to the areas economic/ social development; impacts on climate change as a result of emissions (see Chapter 3 for a discussion of the links between biodiversity and climate change); introduction of 'alien' species and monocultures.

Alongside these impacts are the changing characteristics of business. Production and consumption are becoming increasingly geographically separated with demand from Western consumer society encouraging the development of large regional industries aimed at producing a single product. This has significant implications for biodiversity as large tracts of native habitat are cleared to make way for non-native monocultures.

The lack of a clearly understood link between corporate and natural value has meant that business has been slow to understand that there are both threats and opportunities posed by mismanagement of biodiversity and have often seen the issue of biodiversity management as a governmental or societal responsibility. Given the complex nature of the impacts outlined above, the debate is set to continue as to where the lines of responsibility are drawn between business and government.

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Many view big business as inherently unsustainable. This is based on the premise that business is governed by the need to generate shareholder value and thus requires unsustainable levels of consumption to generate this value. At first glance, this makes conservation of biodiversity and business incompatible. A responding view from the private

sector is that currently companies are valued on financial terms only and a broader understanding of corporate value is required that brings in the costs of social and environmental damage as a component of corporate value.

With the growth of socially responsible investment, companies are being encouraged to gain a greater understanding of the social and environmental risks and opportunities faced by their business as a key influencer of shareholder value. Much of the focus in recent years has been on climate change as the big environmental risk, with a plethora of initiatives evolving aimed at mitigating and adapting to climate change. Whilst these have a significant impact on biodiversity, as discussed in Chapter 3, they have focused business attention away from other environmental issues. There is, however, growing interest within the investment community in the links between biodiversity conservation and corporate value. UK companies Insight Investment (Box 7.1) and ISIS Asset Management plc have highlighted biodiversity risks within the extractives industry[7] whilst ISIS has also flagged biodiversity issues relating to oil palm – a component of the supply chain for many retailers and general household products companies.[8]

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The business case for managing biodiversity centres around four key factors, although these are not exhaustive:[9]

- **Continued access to resources**: Over 70 per cent of the reserves and production from 120 oil and gas projects under development are developing countries – home to most of the world's biodiversity – compared with 21 per cent in 1970.[10] Similarly, the World Resources Institute found that approximately three-quarters of active mines and exploratory sites overlapped with areas of high conservation value.[11] In the light of international

7. ISIS Asset Management plc (2004). *Is Biodiversity a Material Risk for Companies? An Assessment of Exposure of FTSE Sectors to Biodiversity Risk*. See http://www.isisam.com
8. ISIS Asset Management plc (2003). *New Risks in Old Supply Chains: Where does your oil palm come from?* Report prepared by Proforest and ISIS Asset Management. See http://www.isisam.com
9. Insight Investment (2004). *Protecting Shareholder and Natural Value. Biodiversity Risk Management: Towards Best Practice for Extractive and Utility Companies* Insight Investment Management Ltd, London, UK
10. Goldman Sachs (2004). Global Energy: *Introducing the Goldman Sachs Energy Environmental and Social Index. Energy Environmental and Social Report*
11. WRI (2003). *Mining and Critical Ecosystems, Mapping the Risks*. World Resources Institute, Washington DC.

commitments to reduce biodiversity loss, this overlap has major implications for extractive industries.

- **Access to capital**: As investors become more aware of the link between social, environmental and economic performance, biodiversity-impacting investments are coming under greater scrutiny. The International Finance Corporation, for example, is revising its safeguard policies which set out the environmental and social conditions which the IFC requires prior to loan approval.[12] These policies include specific reference to biodiversity which is due to be supplemented shortly by a Good Practice Guide for biodiversity management within the private sector. Both the safeguard policies and good practice guide will form part of the requirements placed on signatories of the Equator Principles. Investors such as Insight Investment (Box 7.1) and Isis Asset Management plc are evaluating their investments to understand the level of risk to which they are exposed. This evaluation is considered along side other social, environmental and economic issues and used inform investment decisions.
- **License to operate**: Good relations with stakeholders such as local communities, governments and NGOs can speed the time required to gain permits and confer the status of favoured partner on companies that have strong environmental management practices. The recent Extractives Industries Review recommended that the World Bank take a stronger stance on the operation of extractive companies within sensitive environments.[13] Whilst the Bank has declined to do this, it is indicative of a tightening financing and regulatory regime which may require demonstration of robust approaches to managing corporate impact on biodiversity.
- **Avoidance of costs and liabilities**: Avoidance of financial and reputational cost as a result of infringement of sensitive sites, continued access to stable operating

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12. World Bank (2004). *Striking a Better Balance – the World Bank Group and Extractive Industries: Final Report of the Extractive Industries Review.* Draft World Bank Group Management Response. World Bank, Washington DC
13. World Bank (2004). *op.cit.*

environments and the ability to benefit from essential services such as flood control through ecological activities.[14]

Despite this linking of corporate and natural value, the true costs of environmental services remain externalised. Until such time as the costs of a robust, healthily functioning ecosystem are factored into the delivery of goods and services, they will continue to be exploited unsustainably. Voluntary (and some mandatory) initiatives are beginning to drive the internalisation of such costs. For example, the EU Emissions Trading Scheme is driving the inclusion of the cost of carbon emissions into some industries. However, most countries remain reluctant to legislate to internalise costs – the reluctance of Russia and the US to ratify Kyoto is a case in point. As a result it remains easy for companies to adopt a short-term view that fails to properly value biodiversity.

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4. BIG BUSINESS AND BIODIVERSITY

The response of companies to the issue of biodiversity conservation varies considerably. Some companies fail to acknowledge the link between biodiversity and corporate value, others focus on mitigation of impact or minimising risks whilst yet others see the management of biodiversity as a means of realising benefit as well as managing risk. For some companies there is also a moral justification in addressing these issues. To increase the contribution big business can make to biodiversity conservation, the link between business value and biodiversity needs to be strengthened. Whilst some socially responsible investment companies also address biodiversity issues (Box 7.1), the majority of investors do not. It is therefore critical that the various sustainability investment indices adequately address biodiversity as an issue.

Linking biodiversity to corporate strategy

Some companies have developed challenging visions and policies on biodiversity. BP's Group Chief Executive, for

14. Advisory Committee on Business and the Environment V (2002). *Scoping Paper: Engaging Business in Biodiversity,* ACBE UK

example, has committed BP to having "a real, measurable and positive impact on the biodiversity of the world."[15] In a similar vein, other companies have committed to having a

Box 7.1: Protecting shareholder and natural value – the investor view

Insight Investment, the asset manager of the Halifax Bank of Scotland (HBOS plc) has highlighted biodiversity as 'one of the issues that can contribute to the risks and opportunities faced by a given company'. They link this risk to licence to operate, liabilities, damage to reputation and increased operational costs. However, they are also careful to outline the positive side of managing biodiversity in terms of speed in gaining planning permission and stronger relations with key stakeholders.

In 2004 Insight released a benchmarking study that explored the extent to which 22 companies within the mining, oil and gas, and utilities sectors understood and managed their biodiversity impacts. Drawn from the key elements of a management system, four aspects of biodiversity management were considered: governance; policy and strategy; management and implementation; and, monitoring, assurance and reporting. Levels of activity were found to vary considerably within each sector and the report noted that it was extremely difficult to tell from public disclosures alone the extent to which the companies understood their impacts on biodiversity and had systems in place to avoid, minimise, mitigate or offset their impacts on it. Leading companies showed similar characteristics including:

- Ability to demonstrate an understanding of the links between their impact on biodiversity and business risk;
- Communication of an unambiguous statement that described their vision for biodiversity which could be used to drive progress;
- Elaboration of management tools and processes that addressed key biodiversity risks and meant the companies could deliver upon their policy commitments;
- Development of partnerships with environmental NGOs as a means of gaining greater understanding of the issue, accessing local information and expertise and gaining credibility with stakeholders.

The range of activities within sectors was significant with a number of companies failing to make the link between biodiversity risks and potential business issues. In their report, Insight recommended that companies – purely from a risk and opportunity management perspective – are able to demonstrate the following:

- **Identify and understand their impacts on biodiversity** and assess **business risks and opportunities** associated with these impacts
- Introduce company–wide **policy and/or strategy commitments** to understand and mange biodiversity related risks and opportunities and to avoid, minimize and mitigate impact where possible including publicly stated goals and targets for implementation
- Employ a range of **tools to deliver** on these policy and strategy commitments including site selection tools, environmental and social impact assessments and biodiversity action plans
- **Monitor and report on progress** to key stakeholders

Insight is continuing to work with their investee companies to encourage them to adopt these activities. The challenge will be to ensure that the methodology used here for benchmarking performance evolves in lines with developments in thinking in the area, is taken up by the wider investment community and evaluates the way in which the companies link into and support international and national priorities around biodiversity conservation.

Source: Insight Investment (2004) *Protecting shareholder and natural value. Biodiversity risk management: towards best practice for extractive and utility companies.*

15. Insight Investment (2004). ***op.cit.***

Corporate social responsibility must be underpinned by a strong business case that links social and environmental responsibility with financial success. In the case of biodiversity, the business case is often hard to establish and in a number of sectors other interventions at a governmental level will be necessary

"net positive effect on biodiversity by minimizing the negative impacts of its activities and by making appropriate contributions to conservation in the regions in which it operates". The challenge now will be to develop action plans and strategies that make good these commitments. Critics are sceptical of corporate commitments such as these, but just the processes that companies have to go through to devise and attempt to deliver such claims means that they are gaining understanding of the complexity and importance of conserving biodiversity.

Corporate biodiversity activities range from philanthropy (such as the donation of funds to conservation initiatives which are unlinked to the companies' core business), to direct conservation interventions (for example, management of biodiversity impacts on the their own land or involvement in conservation initiatives with NGO partners in the areas impacted by operations such as water courses or protected areas), to working with local stakeholders to build capacity to develop local, regional and national biodiversity strategies and action plans. Whilst philanthropy can have some reputational benefit, it is unlikely to be sustainable in the long term and may suffer in times of economic downturn.[16] Corporate social responsibility must be underpinned by a strong business case that links social and environmental responsibility with financial success.[17] In the case of biodiversity, the business case is often hard to establish and in a number of sectors other interventions at a governmental level will be necessary.

Working at a sectoral level

Sectoral initiatives have a strong role to play in setting benchmarks and providing guidance and advice for companies which lack the in-house resources to understand and respond to pressures from investors and other stakeholders. Two key initiatives are the Energy and Biodiversity Initiative (the EBI) and the International Council

16. WBCSD (2004) *Finding Capital for Sustainable Livelihoods Businesses*. World Business Council for Sustainable Development, Geneva
17. UNIDO (2002). *op.cit*

on Mining and Metals (ICMM). The EBI is an initiative between a number of leading conservation organisations and oil and gas companies which has produced a range of tools and methodologies for managing biodiversity impacts.[18] The ICMM addresses broad sustainable development concerns for the mining industry and also provides specific guidance on biodiversity management and evaluating the extent to which the industry can contribute to biodiversity conservation. As part of this work ICMM member companies have made a commitment not to operate within World Heritage Sites.[19]

The role of the NGO community

NGOs have an important role to play in challenging industry to go beyond mitigation of impact, to offsetting and investing in biodiversity conservation and ultimately striving towards a goal of no net biodiversity loss. Given the scepticism that exists concerning the motivation of corporations, it is important that NGOs with whom they work are independent, objective and able to challenge company activities in such a way that ensures real conservation benefits. The ability to measure and demonstrate conservation outcomes is of fundamental importance and NGOs have been asked to help with establishing conservation priorities and developing performance indicators. Indeed, it could be said that industry has thrown down the gauntlet to the NGO community, asking them to co-ordinate better to help business manage biodiversity more effectively.[20] It remains to be seen whether NGOs will be willing, and able, to respond to this challenge.

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5. THE CASE FOR PRO-BIODIVERSITY SMES

Much of the focus of NGOs and investors to date has been on the biodiversity impacts and management practices of big business. However, small- and medium- sized enterprises

18. Energy and Biodiversity Initiative (2003) *Integrating Biodiversity Conservation into Oil and Gas Development* http://www.theebi.org
19. See http://www.icmm.com
20. Kerry ten Kate, Insight Investors, pers. comm.

(SMEs) are major contributors to both income generation and resource use in much of the world and thus have the potential to significantly impact on, and influence, biodiversity. Indeed, many consider that the path to biodiversity-aware development lies with removing the barriers faced by SMEs rather than focusing on big business. The focus of corporate responsibility itself has been on larger businesses and the associated tools and methodologies are often inaccessible – or indeed inappropriate – to smaller businesses as a result, particularly those that operate in a developing country context and which are beset by a range of social and economic imperatives which frequently overshadow environmental considerations.[21] However, SMEs are seen as essential to the 'path out of poverty' for many developing countries.[22] An important component of a larger company's CSR commitment is support for SME development.[23]

Creating an economically viable SME

The challenge for SMEs is first and foremost ensuring that they are financially sustainable and this needs to underpin any initiative aimed at promoting pro-biodiversity business. From an investor perspective, levels of business risk are high, particularly for SMEs in developing countries. Similarly, levels of return are often lower than many investors are prepared to accept and may only be generated in the longer term. As a result, SMEs can fall into a financing gap, being too small and risky for many private sector investors (with attendant high transaction and management costs), and not demonstrating sufficient biodiversity benefits to access bilateral/ multilateral finance (such as GEF).[24]

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Currently SME engagement with biodiversity issues is limited to a fairly select range of sectors and services that have managed to demonstrate a financial case for biodiversity. Barriers to wider adoption are varied and

21. UNIDO (2002) *op.cit.*
22. WBCSD (2004). *op.cit*
23. UNIDO (2002) *op.cit.*
24. Mark Eckstein, IFC, pers.comm.. IFC (forthcoming) *Best Practice Guidance on Biodiversity for the Private Sector.* International Finance Corporation, Washington DC

include lack of exposure of SMEs to 'normal' pressure sources or drivers of change. SMEs often sit at the bottom of complex, untraceable supply chains, they access finance from sources that frequently lack environmental and social safeguards and, whilst cumulatively they can have a significant impact on biodiversity, in isolation their impact is small. When this is teamed with lack of ownership of the resources they exploit and lack of knowledge on the legal context of biodiversity the incentive to address biodiversity issues is low.[25]

Research conducted in 2002 for the UK Government's Department of Trade and Industry amongst UK SMEs, found that fear of bureaucracy, time and cost are the main barriers to further engagement on corporate responsibility issues. A lack of knowledge of the issues was also an area of concern. Whilst this described a developed world scenario, it nonetheless highlights problems that will be compounded for SMEs operating in developing countries. The main driver of SME development in the South tends to be a requirement for quick returns to satisfy immediate livelihood needs – often resulting in a short term (and potentially unsustainable) approach to resource exploitation.

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There are significant barriers to overcome to enable SMEs to move to a pro-biodiversity, or indeed, responsible business model. However, there are also substantial benefits to SMEs in engaging on the issue. Smaller companies can possess greater understanding of the dynamics of the ecosystem in which they operate and as a result can more easily achieve a win-win for income generation and biodiversity conservation. They are often located where they can readily see the impacts of their operation on biodiversity and livelihoods and hence the case to address those impacts is easier to make.

A range of organisations have attempted to capitalise on this advantage and provide finance to pro-biodiversity businesses that are otherwise unable to gain funding for

25. IFC (forthcoming) *op.cit.*

expansion or continuation. Examples include Verde Ventures, a joint initiative of IFC, the Global Environment Facility (GEF) and Conservation International,[26] and the EcoEnterprises Fund, an initiative of The Nature Conservancy and the Inter-American Development Bank.[27] Both are based on the tools and principles of venture combined with business advisory support. Since 2000 the

Box 7.2: Creating pro-biodiversity business in the new EU Member States of Central Europe

Many SMEs working in renewable natural resource deal with biodiversity but there appears to be little support, research and few practical tools to help them to partake in new opportunities, both commercially and for conservation. FFI and the DOEN Foundation (with the participation of EBCD and EBRD) joined forces in 2004 to carry out a pilot project to invest in SMEs already working with biodiversity and to develop processes and tools which will help them to expand and innovate.

Three countries in the new member states of central Europe were selected for the pilot on the basis of their diversity of biomes (and therefore economic activity related to the natural resources) and on the basis of their advanced transition to a market economy. Focus was placed on selected regions in predominant and/or high value nature areas in each of the countries (e.g. steppe grasslands in Hungary; forests in Lithuania; coastal and marine, and wetlands in Poland). SMEs were identified in the selected regions for possible direct investment: to strengthen or to diversify their existing operations. Then through a series of interviews and meetings each was assessed against a specifically designed methodology – *the Company Assessment Tool Kit* allowing evaluation of both business and biodiversity benefits which would flow from the investment. Even at the early stage of the company identification and loan feasibility evaluation, many questions (and some answers) have arisen. For example, how can the public good aspect of biodiversity be reconciled with commercial investment? In principle, this is no different to the regulation and financing of the protection of other public goods such as air and water, but systems are not in place for biodiversity. On the commercial side, banks may set loan conditions which do not take account of the long-term nature of some biodiversity business development while unsecured loans and high rates of capital expenditure are often unavailable to SMEs (at least in one of the countries).

The FFI/DOEN pilot has begun a process of learning and knowledge accumulation with the aim of producing a viable investment mechanism and, in the longer term, catalysing policy changes that will create an environment which favours SME pro-biodiversity business. The project itself will provide some of the tools (e.g. company assessment, standard loan and standard costings guidelines and key indicator monitoring systems) but these will need to be further refined (with for example, eligibility criteria for investment packages) and the public/private aspect of investment will need more research. Nevertheless, the work done by the pilot will directly assist in the further technical design of EBRD's proposed Biodiversity Financing Facility. In the meantime, the pilot is not just a paper exercise. By the end of the project, a number of SMEs working with high-value resources will have received loans which will help in the sustainable management of the biodiversity as well as improving the commercial sustainability of the enterprise.

Source: Fauna and Flora International (http://www.fauna-flora.org) in co-operation with the DOEN Foundation (http://www.doen.org)

26. See http://www.conservation.org/xp/verdeventures/
27. See http://www.ecoenterprisesfund.com/

European Bank for Reconstruction and Development (EBRD) has also been in the process of examining the feasibility of establishing a Biodiversity Financing Facility. In 2004 Fauna and Flora International began a pilot project to create a viable pro-biodiversity investment mechanism which initially is being piloted for small and micro enterprises in Hungary, Lithuania, and Poland (Box 7.2).

A number of such initiatives have failed in the past and a key step in facilitating the successful development of these initiatives will be to learn from past failures and tailor any new approaches accordingly.

If the barriers to SME development – financial, trade and resource – are overcome they have the potential to play a huge role in minimising business impacts on biodiversity. The International Institute for Environment and Development is undertaking a range of activities aimed at overcoming some of these barriers and allow SMEs to more effectively contribute to reducing poverty and improvement security of forest goods and services (see Case Study).

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6. BUSINESS, BIODIVERSITY AND THE INTERNATIONAL AGENDA

Business at all levels is faced with problems in engaging with intergovernmental processes on biodiversity. This is largely because the business voice is excluded from the debate. Whilst there are reasons for this – concerns over the level of influence that business can exert in the case of big business and lack of opportunity, resources or expertise to contribute in smaller business – there is a clear argument for the involvement of business in such processes as a key stakeholder with a huge impact on biodiversity and also with the potential resources to address that impact.

The Convention on Biological Diversity (CBD), for example, in its formal processes has no involvement from business at all. Business is instead confined to participating in initiatives such as the Global Biodiversity Forum (GBF) which unfortunately feeds very late into the CBD process. At a

session in The Hague in 2002, the GBF highlighted the important role business should play in the delivery of the objectives of the CBD and recommended a series of actions to ensure a business voice is represented in the process.[28] Unfortunately these recommendations have not been taken up and as a result the array of learning about the management of biodiversity held within the business sector remains untapped and business is becoming increasingly frustrated as they are unable to feed in the practical knowledge of how business can contribute to biodiversity conservation. The SME community is similarly under represented in such discussions.

The Millennium Development Goals also have surprisingly little direct reference to business given that more than half the flow of funding from developed to developing countries is from private sources. Given the far-ranging impact of the private sector in terms of development, social equity and environmental impacts, business is surely a key sector to catalyse into action. Links to biodiversity conservation can be made within Goal 7: Ensuring environmental sustainability through target 9 'integrate the principles of sustainable development into country policies and programme and reverse the loss of environmental resources'. However the associated indicators 'ratio of protected area to maintain biodiversity to surface area' and 'proportion of forests' mean very little in terms of the impact and performance of industry with regards to biodiversity management.

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Similarly, whilst Goal 8 refers to the need to develop an 'open, rule based, predictable, non-discriminatory trading and financial system' which includes a commitment to 'governance, development and poverty reduction' it fails to acknowledge the need to adjust current financing methods to factor in environmental and social risks and opportunities and therefore appropriately value investments. This misses a fundamental lever for change in corporate behaviour.

28. Global Biodiversity Forum (2002). ***Statement of the 16th Session of the Global Biodiversity Forum, to the 6th meeting of the Conference of the Parties to the Convention on Biological Diversity,*** **The Hague, The Netherlands**

Overall such initiatives and processes remain obscure to business and, as a significant global force for development and potentially for conservation, excluding business is a major omission. There is an urgent need, therefore, for the governors of these processes to consider how business – large and small – can be drawn into these discussions and appropriate safeguards set up to ensure that their level of influence is appropriate.

7. THE WAY FORWARD

A range of stakeholders have important roles to play to to increase understanding of the business case for biodiversity and to encourage the uptake of pro-biodiversity business. These include:

- Investors: Consistency is needed in the methods used to evaluate the risks and opportunities associated with biodiversity and their impact on company shareholder value across the investment industry. Logically this would sit within the remit of the UNEP Finance Initiative. Within the development and investment bank community, the cascade of biodiversity safeguards within mainstream safeguard policies, such as those produced by IFC, is important in particular in relation to the use of financial intermediaries who have a significant influence over investment flow in developing countries. The recently developed Equator Principles which aim to promote consistency of project investment social and environmental standards, have been signed up to by 27 banks. However, these focus on project finance in excess of $50 million which limit them in scope and reach.

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- Companies: Leading companies need to consider their role in contributing to conservation going beyond simply restoration or rehabilitation to setting sectoral level vision, targets and initiatives which can be delivered on a regional or national basis in conjunction with other industry players and stakeholders. This should recognise the responsibility industry leaders have in raising the level of awareness and management of biodiversity impacts

throughout the sector – from large companies to SMEs. They should continue to encourage the NGO community to collaborate with each other and business to drive this process forward and to call for a voice within the CBD. In doing this they must realise the need that NGOs will have to build their capacity to consider business and biodiversity issues. It may be that there is a role here for an international business and biodiversity grouping which draws upon the skills and experience of international and national NGOs already actively engaging with business and which sets out clear processes for governance of such collaborations to ensure that NGO integrity, objectivity and financial independence is maintained.

- SMEs: Additional effort is required to remove the barriers to financing and development of pro-biodiversity SMEs. This could be linked to larger companies' wider corporate responsibility programmes through corporate supply chains and the development of accessible finance initiatives through financial institutions. This requires companies to consider the need to create a business environment that understands the non-financial value of biodiversity.

A useful initiative would be to agree a set of principles for determining conservation priorities that can be used as a basis for dialogue between business, NGOs and government in informing development activities, or equally assisting in a decision not to develop

- NGOs: Relationships based on trust need to be fostered between NGOs big business. Associated with this, NGOs will need to build their capacity to engage with business and understand the various pressures and demands that business operates under, including those associated with corporate responsibility. A useful initiative here would be to agree a set of principles for determining conservation priorities that can be used as a basis for dialogue between business, NGOs and government in informing development activities, or equally assisting in a decision not to develop.
- Intergovernmental processes: Processes such as the CBD and Millennium Development Goals need to acknowledge the significant importance of business in driving biodiversity loss and thus the ability for business to engage to reduce this loss. Mechanisms need to be set up

within all relevant intergovernmental processes to ensure that business and biodiversity is on the agenda.

- Governments: Governments are important in providing the necessary framework and incentives for ensuring environmental costs are included in the full cost of doing business – for example through the creation of tailored financial instruments.
- Cross-sectoral initiatives: Multi-stakeholder initiatives are required in which NGOs, business and governments work together to define appropriate measures of company management of biodiversity which can be used by all parties to measure real conservation benefits. Alongside this, formal integration of business as a stakeholder within the development of national biodiversity strategies and action plans is required. Finally, business and NGOs need to work together with governments and stakeholders to determine regional conservation priorities.