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REPORT ON PROGRESS RELATED TO BUSINESS ENGAGEMENT

Note by the Executive Secretary

INTRODUCTION

1. At its eleventh meeting, held in Hyderabad, India, in October 2012, the Conference of Parties (COP) adopted decision XI/7 on business and biodiversity, which built upon previous decisions including, *inter alia*, X/21 on business engagement, X/2 on the Strategic Plan for Biodiversity and the Aichi Targets, and X/44 on incentive measures.
2. In paragraphs 1, 2 and 4 of decision XI/7, the Conference of the Parties called upon businesses to continue liaising with national governments, civil society, organizations, academia and other stakeholders to formulate actions for biodiversity conservation and to consider the revised 2012 International Finance Corporation Performance Standards. The Conference of the Parties further encouraged businesses to, *inter alia*, encourage their supply chains, and other stakeholders, to report on progress made in mainstreaming the objectives of the Convention and the Aichi Biodiversity Targets, to consider including in their annual reports and their corporate information platforms, the impact of their business operations on biodiversity in their value chain, and to consider the use of voluntary standards and certification schemes that incorporate effective safeguards for biodiversity. Businesses and Parties were also requested to liaise with one another, and additional stakeholders as appropriate, and to work on the development of reporting standards on biodiversity.
3. In paragraph 3 of decision XI/7, the Conference of the Parties invited Parties to, *inter alia*, consider promoting the integration of biodiversity into private sector activities, to consider policies and legislation that halt biodiversity loss and reduce incentives that are harmful to biodiversity, and to adopt policies that respect the goals of the Convention and the Aichi Biodiversity Targets, including for the promotion of sustainable consumption and production. It further invited Parties to review strategies for communicating biodiversity agendas and policies to business.
4. In that same decision, the Conference of the Parties also requested the Executive Secretary to:
 - (a) Continue to facilitate dialogue among business, Government and other stakeholders through ongoing support for national, regional and international business and biodiversity initiatives, using the Global Partnership as a framework;

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(b) Compile information on best practices that incorporates all three objectives of the Convention and those of its two Protocols, and facilitate the engagement of businesses, governments and other stakeholders in adopting such practices through various means, including the Global Platform on Business and Biodiversity website, newsletters and specific, targeted workshops;

(c) Continue to work with partners to further refine the analysis of the various tools and mechanisms, and thereby help businesses (including small and medium-sized enterprises) understand, assess and adopt solutions for managing biodiversity risk that are cost-effective, credible and effective; and

(d) Help raise awareness about the conservation of biodiversity and sustainable use of its components and the drivers of biodiversity loss by collaborating with appropriate national, regional and international partners, thereby assisting businesses (including small and medium-sized enterprises) to build capacity related to biodiversity and ecosystem services in accordance with nationally defined priorities and national circumstances, taking into account the needs of developing countries and countries with economies in transition.

II. UPDATE ON ACTIVITIES RELATED TO BUSINESS ENGAGEMENT

5. As an accompaniment to this document, a report on progress made in engaging business detailing the activities of Parties, Business, and the Executive Secretary concerning the various elements of decision XI/7 will be made available as an information document (UNEP/CBD/WGRI/5/INF/15). While there has been anecdotal evidence of progress on the part of the business sector in this area, this has been difficult to track in any comprehensive manner and therefore definitive conclusions are not available.

6. While many businesses continue to indicate that they have heard of biodiversity and consider it to be of importance, there remains a gap in understanding regarding precisely what biodiversity actually entails (i.e. the precise definition of biodiversity and the consequent implications for business activities and impacts). This can create difficulties as companies may not fully understand their impacts and dependencies upon biodiversity and ecosystem services, and will therefore be less able to enact positive changes. In addition, businesses may also find it difficult to place the idea of biodiversity into the larger context of sustainability, particularly as some issues (i.e. climate change on a global scale, pollution on a more local scale) will tend to assume greater importance for them.

7. This is also related to the issue of terminology. The term “biodiversity” can be seen by business as a rather abstract concept. In particular, this term is often associated as being solely the concern of the environmental movement, and therefore somewhat removed from companies’ day-to-day operations. There have been many efforts to find terms that will better resonate with businesses, such as the idea of ecosystem services or natural capital, which implies a “value” that businesses can better understand and thus integrate into their calculations.

8. Another factor to bear in mind is that business can sometimes perceive biodiversity (or sustainability as a whole) as being external to, and possibly irrelevant for, the day-to day operations of the company. If companies are not made aware of the importance of adjusting their core business models to take biodiversity into account, the ongoing negative impacts resulting from these “business-as-usual” models could overwhelm any positives effects that their Corporate Social Responsibility related activities (i.e. donating resources to charitable causes, engaging with the community on various projects) may have.

9. In addition, many companies may not have a significant “direct” effect upon biodiversity, but rather their impacts are felt through their supply chains. This was most aptly demonstrated by Puma’s “Environmental Profit and Loss” (EPL) studies. The EPL covers many aspects of sustainability, including water use, greenhouse gas emissions, land use, air pollution, and waste. The study has demonstrated that, for Puma at least, the company’s own environmental footprint (due to its direct operations) accounted for only 6 per cent of the total for the production and distribution of product, the remaining 94 per cent being in its supply chain. Of that, roughly 75 per cent of the total footprint came from lower level (tier 3 and 4) suppliers, over which Puma has less direct influence. Other organizations

are examining the EPL model with interest, and Novo Nordisk (a Danish pharmaceuticals company) recently published a similar EPL in collaboration with the Danish Environmental Protection Agency.

10. It has also been argued that consumers prefer green products, and thus those companies that take the lead will achieve a significant market advantage. This is true to a point. However, despite what consumers say in various surveys, when their actual purchasing patterns are analyzed, they tend to buy less expensive products, even if the ecological standards are lower.

11. Further compounding this is the ongoing confusion over standards and labelling that beset modern consumers. Even those consumers with the best of intentions, and who are reasonably well informed about environmental issues, can find the plethora of green labels to be confusing. Companies also face similar problems when searching for appropriate standards or certification schemes. Not only is it difficult to judge amongst so many competing “brands”, the selection process is further complicated by the fact that the terminology used between standards is often not consistent. The analysis of standards and certification schemes by the World Conservation Monitoring Centre (WCMC), in conjunction with the Convention on Biological Diversity and other partners, attempted to identify some of these issues as well as certain topics that are not adequately covered by current standards.

12. Related to the plethora of standards, and especially important for Small- and Medium-sized Enterprises (SMEs), is the increasing difficulty in locating appropriate information. This is often not due to a paucity of data but the fact that there is simply too much available to be adequately digested, particularly by non-specialists. There are many excellent tools and guides available, but they can sometimes be difficult to locate, particularly for non-specialists. Through the Global Platform website and the Global Partnership, the Secretariat and the various national and regional initiatives are striving to provide easy-to-use guides and advice that will assist businesses navigate these complicated waters.

A. Activities of Parties

13. The ongoing development of the Global Partnership for Business and Biodiversity has been progressing well with 13 countries and two regions (as of 23 April, 2014) having formally joined the Partnership, and a number of other countries in the process of preparing their applications. With the adoption of a governance document, setting out its structure and role, the Global Partnership is well placed to continue the dialogue between Governments, the business sector, and other stakeholders with regard to business and biodiversity. Parties have also begun to examine some of the incentives that either encourage or discourage businesses from mainstreaming the objectives of the Convention. One area of progress is in the ratification by numerous countries of the Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits arising from their Utilization, which has in turn created a need for businesses to become more aware of the obligations, and the benefits, arising from access and benefit sharing. There are several organizations, noted in the information paper, that are in the process of helping companies in this regard. With respect to the creation of enabling conditions for businesses, including adoption of best practices, promotion of sustainable consumption and production, and reduction of harmful incentives and policies, progress has been seen but it remains uneven and difficult to track. Although the national reports have received some inputs with regard to private sector engagement, overall reporting on business activities through this mechanism has, to date, generally been poor.

B. Business sector activities

14. The engagement of the business sector and related stakeholders, and ensuring that they understand and are able to mainstream the objectives of the Convention, its Protocols and the Aichi Biodiversity Targets, is an essential element in the successful fulfilment of the Strategic Plan for Biodiversity 2011-2020. However, while there is anecdotal evidence of an increasing level of activity by business with regard to the issues surrounding biodiversity and sustainability, and concrete examples of such from a handful of companies, specific data with respect to wider engagement is not readily available. Much of what is detailed in the sections pertaining directly to business in the associated information document (UNEP/CBD/WGRI/5/INF/15) refers to measures being undertaken by NGOs or associations

working with the business community. As an example, the promotion of biodiversity concerns into private sector activities has benefitted tremendously from some of the research being done with respect to the Economics of Ecosystems and Biodiversity (TEEB) studies as well as more global efforts such as the creation of the Natural Capital Coalition (formerly the TEEB for Business Coalition). However, comprehensive adoption of the results of this research by companies remains a work in progress.

C. *Specific activities related to decisions adopted at the eleventh meeting of the Conference of the Parties*

15. Pursuant to the various decisions from the Conference of the Parties, the Secretariat has been undertaking a variety of activities to further business engagement. It is important that activities undertaken by the Secretariat in this area are complementary to the work of the many other organizations that are also engaged on aspects of this issue. To this end, the Secretariat has been diligent in forming partnerships and working closely with these other groups so as ensure synergies wherever possible. In line with this, and in direct response to the decisions from the Conference of the Parties, the Secretariat is currently working in the following areas:

(a) Facilitation of dialogue among business, Government and other stakeholders through ongoing support for national, regional and international business and biodiversity initiatives, using the Global Partnership as a framework;

- ***Ongoing development of the Global Partnership for Business and Biodiversity:*** As originally mandated by decision X/21, the Partnership has been developed and currently has a structure for membership. The Partnership, by bringing together different stakeholders, can facilitate dialogue and ensure that businesses understand the requirements of the Convention and Aichi Targets, as well as learning from the best practices of other businesses and stakeholders. As of this writing, the Partnership has 15 members with a number of countries working on their applications;
- ***Mapping exercise:*** In conjunction with partners, the Secretariat is conducting an assessment of the various players in this area and their roles. This is designed to facilitate cooperation and synergize efforts as well as to help in the development of the Global Partnership;

(b) Compile information on best practices and facilitate the engagement of businesses, Governments and other stakeholders in adopting such practices;

- ***Ongoing dissemination of information:*** This represents ongoing work regarding dissemination of best practices through, *inter alia*, the Global Platform website, international conferences and workshops, newsletters, as detailed in the attached information paper;

(c) Work with partners to further refine the analysis of the various tools and mechanisms

- ***Analysis of tools and standards:*** This is an ongoing package of work involving the collection and dissemination of tools and case studies through the Global Platform website. In addition, an ongoing project with UNEP-WCMC and other partners has been looking at various standards, noting certain areas where gaps in coverage or confusion regarding terminology may exist;
- ***Commodity indicators process:*** The Secretariat is also working with various partners so as to identify major indicators of biodiversity impacts among producers of various key commodities;
- ***Sustainable procurement:*** The Secretariat has been working in conjunction with UNEP-DTIE, ICLEI and other stakeholders to help ensure that biodiversity considerations are fully integrated into public procurement policies;

(d) Raise awareness about the conservation of biodiversity and sustainable use of its components and the drivers of biodiversity loss, thereby assisting businesses to build capacity related to biodiversity and ecosystem services;

- ***Biotrade***: This work is investigating possibilities of working with existing biotrade initiatives that support the sustainable use of biodiversity. The Secretariat is also exploring avenues to facilitate greater cooperation between the various organizations engaged in such efforts;
- ***Making the business case for biodiversity in other fora***: This involves going beyond environmental fora to ensure that biodiversity considerations are covered in a variety of sector and policy areas that will have an impact on business but that have not (traditionally) been deeply involved in the Convention on Biological Diversity and/or sustainability process.

16. In addition to the above, and line with decision XI/7 (specifically the paragraphs calling for the ongoing development of the Global Partnership as well as the dissemination of information and engagement of business), one of the primary activities undertaken by the Secretariat during the intersessional period in this area was the facilitation of the Third Meeting of the Global Partnership for Business and Biodiversity, held in Montreal, on 2-3 October 2013.¹ The meeting was well attended, with over 180 participants during the two day event, with the mix being about half Canadian and half international, and including a good cross section of business sectors mixed with Government representatives, NGOs, and academia. There were roughly 60 speakers in total and over 25 countries represented. The meeting touched upon a number of areas of relevance to the discussion of business engagement as well as specific sectorial concerns. The panel topics included: Access and benefits-sharing safeguards, supply chain management, agrifood, retail-consumer goods, extractive industries, sustainable public procurement, standards, and engagement of stakeholders. The discussions and subsequent recommendations built upon many of the conversations that have been undertaken in other fora around the world, covering similar topics. The recommendations included issues related to reporting; accounting and resource mobilization; and standards and engagement.

III. ONGOING AREAS FOR CONSIDERATION IN DRAFT RECOMMENDATIONS

17. While there is anecdotal evidence that progress has been made, particularly in the last few years, with respect to the mainstreaming of biodiversity considerations in the business sector, there remain a number of significant challenges that need to be addressed if the goals of the Convention are to be realized and the Aichi Biodiversity Targets met. Inconsistencies in reporting frameworks and issues regarding terminology (discussed above) can also sometimes lead to businesses actually downplaying their positive actions in this area. In some cases, companies have taken quite progressive actions to conserve biodiversity (i.e. through activities designed to reduce waste or use of resources, protection or restoration of natural areas, clean-up of water supplies, rehabilitation of land) without realizing that these are all measures that contribute to this objective. As a result, reporting by companies may not always accurately reflect their positive impacts in this area, and this may also act to stifle further complementary actions by these firms. Conversely, there is also the ongoing danger of “greenwashing” whereby businesses may overstate their actions related to sustainability and biodiversity. This is an area requiring ongoing attention.

18. Another of the important issues to be addressed is the ongoing task of awareness-raising and capacity-building. There have been many workshops and various fora (a selection of which have been listed in the associated information paper (UNEP/CBD/WGRI/5/INF/15)) which have served to make the business case. Unfortunately, it is often the case that despite the quality of these conferences and the information provided, it is generally only those firms that are already engaged with this issue that are in attendance. While this can certainly help those companies to improve their performance, the result is that

¹ The full report of the meeting is available at:

http://www.cbd.int/business/GP%20meeting%20doc/3_Third%20meeting%20of%20the%20GPBB/Thrid%20-%20Report.pdf.

these workshops have a relatively limited impact among the vast number of firms that have yet to understand and appreciate the importance of this issue. If the 2020 goals are to be met, particularly given the growing affluence of the world population and the consequent demand for more goods and services, it is essential that a wider selection of the world's businesses be made to understand the importance and inherent benefits of sustainability and protecting biodiversity, as well as being encouraged to take action.

19. An issue that can act as a constraint on action is the complexity and difficulty in accurately measuring and/or valuing biodiversity and the resultant impacts that a company (and its supply chain) may have. Valuation and monetization have various challenges, including scientific uncertainty, inaccurate weightings of value by potential markets, the non-fungibility of biodiversity assets, and moral and ethical concerns over valuing nature (which is seen by some as being "beyond value"). The TEEB reports (and in particular the one devoted to business) has made a very important start in this area by assessing values of ecosystem services, but this too has certain limitations. This has been complemented by additional ongoing studies, but a single, easy to understand set of metrics is unlikely to emerge. The private sector continues to be interested in being engaged in the conversations concerning valuation of biodiversity and mechanisms that may emerge from this exercise, and in some cases (such as the EPL discussed above) they are in the forefront of innovative solutions to this problem.

20. It is also important to realize that even where businesses are willing to take action, there may be various policy and economic challenges that make this difficult. In the current economic climate, many businesses are unwilling to make large-scale investments or significantly change their mode of operations. Adopting biodiversity and ecologically friendly practices, no matter that they may increase profitability in the medium- to long-term, may nevertheless incur some up-front costs, which many businesses will view with caution. Compounding this issue is the lack of a clear regulatory framework in many jurisdictions that could provide a strong signal to businesses on how to act. The resulting uncertainty means that many businesses will be reluctant to make expensive changes or investments. A related issue is the desirability of establishing a level-playing field with respect to biodiversity issues such that businesses in different jurisdictions are not able to undercut each other by taking advantage of weak (or poorly enforced) regulations.

21. The work of the Secretariat and associated partners has been increasingly focussed on trying to address the challenges outlined above. Additional work is needed that will require ongoing partnerships between the business sector, Governments, NGOs, IGOs, academia, and other relevant stakeholders. The draft recommendations suggested below are designed to further encourage this collaboration as well as to help create an enabling environment that will allow for more effective engagement with many of these challenges. In addition, this work is also linked to the ongoing efforts of the Secretariat with regard to the strategy for resource mobilization (UNEP/CBD/WGRI/5/4) as well as the efforts with regard to sustainable development.

IV. SUGGESTED RECOMMENDATION

The Ad Hoc Open-Ended Working Group on Review of Implementation of the Convention may wish to recommend that the Conference of the Parties, at its twelfth meeting, adopt a decision along the following lines:

The Conference of the Parties,

Acknowledging the ongoing development of the Global Partnership for Business and Biodiversity as evidenced by the increasing numbers of participants,

Taking note of the results and recommendations stemming from the Third Meeting of the Global Partnership for Business and Biodiversity held on 2 and 3 October 2013 in Montreal,

Acknowledging also that the majority of companies around the world still have much to do with regard to appreciating the importance and the benefits of biodiversity to their affairs as well as mainstreaming biodiversity into their business models and into supply chains,

Noting that there exist gaps with regard to reporting on business activities and that additional data is needed to help make informed decisions regarding business engagement,

Acknowledging the important ongoing work being done on the topic of biotrade by various organizations,

Understanding that sustainable procurement (both public and private) can be a major driver of change across many business sectors, and should thus be encouraged,

1. *Invites* Parties to:

(a) Provide support (in conjunction with other stakeholders) to the Global Partnership for Business and Biodiversity, and its associated National and Regional Initiatives;

(b) Request the Global Partnership for Business and Biodiversity, and its associated National and Regional Initiatives, to gather and analyze reporting by businesses regarding their efforts to mainstream the objectives of the Convention and its associated Protocols, as well as the Strategic Plan for Biodiversity (2011-2020) and the Aichi Biodiversity Targets, and to provide this information to National Focal Points for inclusion into national reports, as appropriate, as well as providing a global summary to future meetings of the Conference of the Parties;

(c) Seek to foster public and private partnerships to help encourage the development of biodiversity strategies, including resource mobilization, and strengthen capacity-building;

(d) Continue work to create an enabling environment, building on existing decisions, such that businesses can effectively implement the objectives of the Convention and its associated Protocols, as well as the Strategic Plan for Biodiversity (2011-2020) through the use of best practices in standards and other tools and mechanisms;

(e) Ensure that biodiversity issues (particularly with regard to business) are discussed in other multilateral fora and that these issues are integrated (to the degree possible) into their considerations and outcomes.

2. *Encourages* businesses to:

(a) Include in their reporting frameworks biodiversity considerations and to ensure that the actions taken by companies, including the activities of their supply chains, are captured, taking into account the goals of the Convention, the Strategic Plan for Biodiversity 2011-2020 and the Aichi Biodiversity Targets;

(b) Build the capacity of their senior levels of management, line staff, and their supply chains, with regard to biodiversity considerations;

(c) Foster green procurement policies on a wide scale.

3. *Requests* the Executive Secretary, in addition to the work specified in previous decisions, to:

(a) Assist the Global Partnership for Business and Biodiversity and its associated National and Regional Initiatives, as appropriate, in developing reports on the progress of biodiversity mainstreaming by businesses for future meetings of the Conference of the Parties, through, among other means, the convening of a technical workshop on reporting frameworks in this area;

(b) Facilitate analysis and cooperation with respect to various issues, including, *inter alia*, commodity indicators, sustainable production and consumption, and procurement issues, in conjunction with appropriate stakeholders;

(c) Assist in the dissemination of biodiversity considerations and the business case for biodiversity into various business fora.