

## **IMPROVING CO-OPERATION AND ENCOURAGING PRIVATE INVESTMENT THAT SUPPORTS MEA IMPLEMENTATION**

**What are the gains - for business and others - from private investment that contributes to MEA implementation?**

**Annelisa Grigg, Fauna and Flora International**

### **Introduction**

The corporate sector is, arguably, the single most influential group on Earth, with the power and resources to determine the future of our planet. The land area under corporate management is vast. Community livelihoods and incomes are overwhelmingly dependent on successful businesses with single companies in some cases wealthier than entire groups of governments. Companies rely heavily on the services provided by a healthy functioning ecosystem – raw materials for products, fresh water, sea defences etc to operate efficiently and reliably. However, the cost of retaining and preserving such services is rarely if ever factored into their use.

Companies have a pivotal role in the use and destruction of biodiversity but also offer a huge opportunity to reverse the loss of biodiversity that we are currently experiencing. The activities and attitudes of business are therefore of fundamental importance to the viability and sustainability of the environment in which we all live and on which we all depend. As such, one would expect the private sector to play a key role in the implementation of the Convention on Biological Diversity. Indeed, a significant number of activities are being undertaken by the private sector that attempt to meet the aims of the Convention, in particular through bi or multi-lateral partnerships with environmental groups. However, these are being done almost in isolation from the Convention as part of a company's overall desire to be a responsible corporate citizen, to ensure licence to operate is obtained/ retained and to ensure continued access to resources and finances. Although the CBD makes reference to the private sector, the opportunity for the private sector to contribute to its development is limited and historically private sector involvement has been low.

### **Why should business care about biodiversity?**

Companies are faced with a range of competing issues and priorities – security concerns, the growth of new ways of working, globalisation – for some biodiversity is simply not a priority. As recently as 7 years ago, there was very little discussion in the business world of the need for companies to avoid and minimise their impacts on biodiversity. The environment has changed in the last few years with the emergence of a business case for biodiversity conservation which sits alongside the moral case.

A recent study by the World Resources Institute found that 75% of active mines and exploration sites overlapped with areas of high conservation value. The oil and gas industry shows a similar overlay with biodiversity rich areas with a 50% increase of project development within developing countries which are home to most of the world's biodiversity. This shift is resulting in an increase in concern around the impacts of the extractive industries on biodiversity. Such companies are increasingly linking the need to avoid, minimise and mitigate their impacts on biodiversity with the need to maintain continued access to raw materials, access to finance, ability to get planning permission for new developments, and the recruitment and retention of staff.

The finance sector is also becoming increasingly aware of the need to value their investments based on environmental and social – as well as financial – performance. The last 2 years have seen

Citigroup and HSBC develop investment policies on, for example, forestry or fresh water, that aim to minimise the impacts of certain of their investments on biodiversity. The Equator Principles, to which 29 banks are now signatories, acts as a further stimulant of proactive management of biodiversity through integrating social and environmental issues into project finance. In 2004 two UK financial institutions – Insight Investment and F&C – performed benchmarks of the extractive industry and the extent to which the companies had processes in place to allow them to understand, avoid where possible and minimise their impacts on biodiversity. Such studies are part of a wider process of engagement with these companies that is beginning to raise the profile of biodiversity as an issue within company senior management.

Such pressures are highest, but not limited to the extractive industry. Agribusinesses, for example, are receiving pressure down the supply chain from international retailers. These in turn are being asked questions by investors and civil society about where they source their goods and whether their suppliers can demonstrate basic levels of environmental performance including, increasingly, biodiversity performance. Opportunities such as the development and marketing of biodiversity-friendly products also form part of the business case, albeit a weaker one. Cost reduction, a desire to meet legal requirements and be at the forefront of companies that are actively minimising their environmental impacts are a further driver for companies to avoid impacting on biodiversity where possible.

Biodiversity could therefore be seen as one issue, amongst others that companies must manage in order to compete effectively against their peers in a business world which is placing increasing value on strong environmental and social management processes.

### **What can the private sector bring to the CBD?**

Engaging the private sector in the implementation of the CBD has a number of benefits. If structured effectively, it has the potential to:

- Address some of the root causes of biodiversity loss through encouraging companies to avoid, minimise, mitigate or offset their impacts on biodiversity
- Tap into reservoirs of skills and resources for more and better conservation
- Ensure that implementation mechanisms are designed in such a way to enhance uptake by the private sector
- Increase the perceived importance of the CBD amongst governments and the public which can be influenced by private sector attention

Conservation groups that engage with business see them as a means of creating change, a force that can be used to benefit biodiversity both directly through investment of resources into conservation activities that address private sector impacts and indirectly through helping NGOs to be more effective in their delivery of conservation. This investment goes beyond simply channeling of finance into conservation activities. A far better conservation outcome might be to use specialist business skills and networks to enhance the capacity of a conservation organization to do conservation. Or it may be providing advice and contacts that provide a link to markets that would otherwise have been unavailable.

### **Barriers**

A number of barriers remain to engaging the private sector more fully within the CBD process and its implementation. These include:

- **Culture and language:** The CBD has been largely developed by Governments and conservation professionals, as such the style of working and language uses to describe CBD requirements is impenetrable to many businesses.
- **Lack of resources:** recent years have seen increasing demands placed on companies to operate in an environmentally and socially responsible way with clearly articulated policies and management systems to demonstrate their ability to manage them effectively. Climate change, human rights, transparency, corruption, human health, waste – all are complex issues that are not traditionally core to a company's activities which companies are having to grapple with and address. Companies may simply lack the in-house expertise or resource to enable them to consider and address biodiversity issues or to engage in another international process when they are already engaged in a range of others perceived as more business critical.
- **Lack of a clear business case:** until recent years there have been few clear articulations for the business case to avoid and minimise private sector impacts on biodiversity. The focus has been instead on the ways in which the private sector impacts on biodiversity – not how mismanagement of biodiversity can impact on shareholder value. Until a clear business case to manage biodiversity is established and communicated throughout the private sector, and the role the CBD has in delivering on objectives driven by this business case – engagement in the CBD will remain limited.
- **Speed of implementation:** The nature of business is to move to address an issue quickly, pragmatically and with an eye to the most effective return for investment made. This drive may clash with the more considered approach adopted in intergovernmental process – the time frame for CBD implementation may simply be too long to fit readily with the private sector modus operandi.
- **Competing priorities:** The drive in the private sector is to consider the interplay between social, environmental and economic performance and manage activity at an optimal 'balance point' between these three factors for maximum shareholder value. Thus a convention that focuses on a predominantly environmental issue may be perceived as lacking a clear integration with the sustainable development agenda.
- **Scepticism and undue influence:** Concerns amongst other stakeholders that the private sector has vested interests and engagement in the CBD could unduly influence it to allow greater, not reduced, loss of biodiversity may cause them to push back on private sector engagement.
- **Greater regulation:** Increasing the profile of the CBD through private sector involvement may lead to an increase in legislation that increases the cost burden on the private sector and reduces competitiveness if inequitably implemented.
- **Inappropriate valuation:** a key issue in managing any non-financial issues is the fact that they tend to be inappropriately valued within the financial markets and by society as a whole, thus we fail to pay the full costs of the ecosystem services that we use and this cost is rarely factored into a company's cost of doing business or shareholder value. As a result the potential loss of that service is not perceived as an issue of concern to business.
- **Negative perception:** One view could be that the private sector is already engaging on biodiversity issues on a voluntary basis driven by the growth in corporate responsibility,

given that this is the case, what added value is there to companies in getting enmeshed in the complexities of the CBD process?

### **What is the added value for business in engaging in the CBD?**

Business at all levels is undoubtedly faced with problems in engaging with intergovernmental processes on biodiversity. This is compounded by the lack of formal mechanisms for business engagement in the CBD and a failure to adequately address previous findings from engaging with business. For example, at a session of the Global Biodiversity Forum 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 (GBF 2002). 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.

To a certain extent, the arguments for a business to engage on the issue of biodiversity are the same as those for it to engage in the CBD. The question should be asked – what could engagement with the CBD achieve that a series of multi or bilateral NGO private sector partnerships could not which by default link to the objectives of the CBD?

FFI has a range of partnerships with the private sector which aim to have a mutual benefit for business and biodiversity. There are a number of issues common to these partnerships and those of our peers which require a consistent approach, consensus and better defined legal framework for operation or which simply address industry legacies which cannot be addressed by companies in isolation. Perhaps the first step in securing closer and more effective engagement with the private sector in the CBD is to address some of the issues emerging from existing activities which are coming out of NGO corporate partnerships and to remove some of the barriers to their uptake.

These include:

- **Business case:** Gathering evidence to support a clear business case for managing biodiversity that talks in the language of business risk and opportunity and which can be used to secure senior management attention on how to manage biodiversity issues
- **Consensus on priorities:** Companies are faced with a range of conflicting sources of information on location and nature of biodiversity priority areas, consensus on priority areas and clear linkage of these to National Biodiversity strategies and action plans would be a good first step in reducing this confusion
- **Measurement:** reaching agreement on how to monitor and measure biodiversity at an operational and at a strategic level in a way that meets the needs of all key stakeholders – the NGO community, investors, local communities, governments
- **Strengthening private sector component of NBSAPs:** the obvious mechanism to use to engage the private sector more fully in the CBD is through the National Biodiversity Strategies and Action Plans, however, these have not generally been developed with business involvement.

- **Emerging issues:** Convening discussion on issues such as the use of biodiversity offsets or landscape level planning
- **Legacy issues:** historically goods and services have been extracted without paying the full cost of environmental and social harm, as a result there are a number of legacy sites around the world that need activity to address biodiversity issues. To place the burden for this on industry alone when society has received the benefits of the legacy, is to place an unfair responsibility and cost burden on them. Addressing such issues of shared responsibility will require a convener that sits outside the private sector.
- **Uncertainty:** Operating within a clear legal framework that is supported by a range of stakeholders can provide much needed clarity to a company operating in a complex environment with a range of perceptions impacting on their attempts to gain license to operate
- **Consistency of uptake:** a key flaw in leaving biodiversity management to bi-multi lateral partnerships and voluntary initiatives is that it can leave a large swathe of industry unengaged on the issue, focusing on the levers for changing behaviour within the private sector e.g. the financial institutions could create a level playing field but still confer first mover advantage on proactive companies

## References:

CBD (2005) Report of the business and the 2010 biodiversity challenge meeting. London 20-21 January 2005

Grigg, A and ten Kate, K (2004) Protecting Shareholder and Natural Value. Biodiversity risk management: towards best practice for extractive and utility companies. Insight Investment.

IIED (2004) The Millennium Development Goals and Conservation. Managing Nature's Wealth for Society's Health. Edited by Dilys Roe

ISIS (2004) Is Biodiversity a Material Risk for Companies? An assessment of the exposure of FTSE sectors to biodiversity risk. Edinburgh ISIS Asset Management

OECD (2005) Multilateral Environmental Agreements and Private Investment. Business Contribution to Addressing Global Environmental Problems