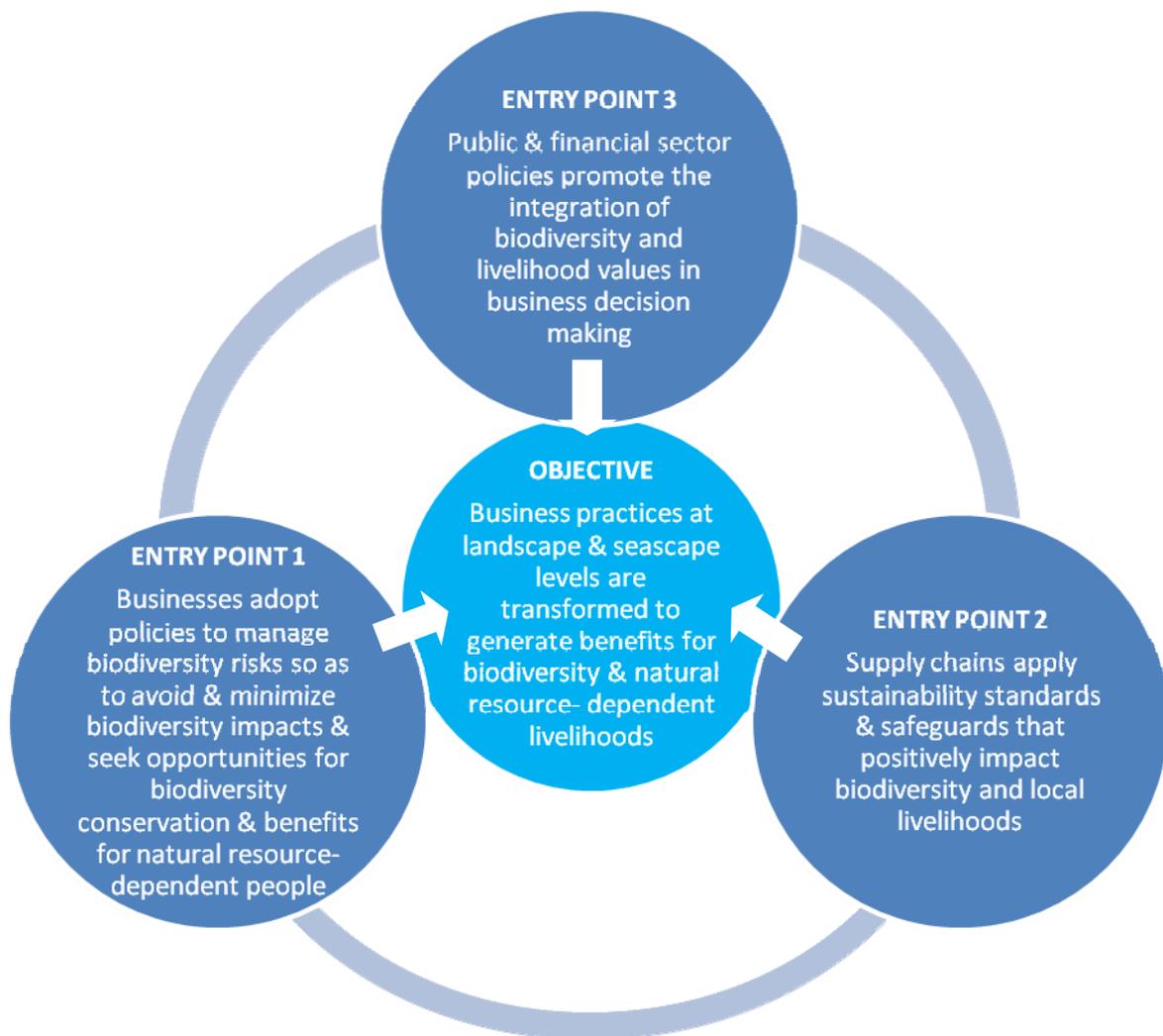




# IUCN Business Engagement Strategy

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## Introduction

IUCN's Council, at its 76<sup>th</sup> meeting (Gland, Switzerland, May 2011), upon recommendation of the Council's Private Sector Task Force, requested that a new Private Sector Strategy be developed<sup>1</sup> with support from the IUCN Secretariat (C/76/24). Since 2004, IUCN's work with the private sector has been framed by *Part of the Solution – Business, Biodiversity and Sustainable Development: A Strategy for Enhancing IUCN's Interaction with the Private Sector*. The need for a business engagement strategy is a reflection of the many conservation challenges and opportunities IUCN faces with respect to the business sector (see Box 1).

IUCN's 2004 Private Sector Strategy was broad and inclusive; this was a strategic decision, allowing IUCN to launch and test a new approach to conservation by building engagements with the business sector. Today, IUCN has a better understanding of the risks and opportunities posed by such interactions and the resources required to implement these engagements. In addition, IUCN knows where it is best placed to add value to, and complement, the work of its Members. At the World Conservation Congress (WCC) in Jeju (September 2012), the Union is set to adopt a more focused global Programme that will enable IUCN to deliver both on-the-ground results and fit-for-purpose knowledge products, working with many agencies including business.

### Box 1. IUCN's policy landscape

Since the creation of IUCN in 1948, General Assemblies and Congresses of IUCN Members have passed approximately 300 resolutions that include or focus on business related activities. The range of topics in these resolutions varies greatly, including a focus on fisheries, tourism, agriculture, the extractive industries and the business sector in general.

In 1996, after decades of seeking to address specific business sector issues IUCN's Members asked for a comprehensive approach to engaging the business sector. Resolution 1.81 of the IUCN World Conservation Congress (WCC) held that year "*urged IUCN Members and the Director General, based on the need to influence private sector policies in support of the Mission of IUCN, to expand dialogue and productive relationships with the private sector and find new ways to interact with members of the business community*". IUCN Commissions were also asked to review their programmes with a view to strengthening their efforts to persuade the business sector to support their members.

Following this mandate, the first *IUCN Private Sector Engagement Strategy* was developed in 2004 (in response to Council Decision C/58/41) and the revised *Operational Guidelines for Private Sector Engagement* in 2009 (Res. 4.086).

Over the past years, IUCN has gained experience in business engagements, demonstrating that companies can change the way they operate in a manner that benefits biodiversity and the lives of the people who rely on it. In the process, these engagements have generated:

- Shared visions around contentious issues related to conservation and business that have, in many instances, led to innovative solutions. Examples include the IUCN-International Council on

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<sup>1</sup> The Strategy was developed under the leadership of the Council's Private Sector Task Force. Members of Council, Commissions, Secretariat and other stakeholders provided inputs throughout the process, reviewing the various drafts of the Strategy from November 2011 to March 2012. The Strategy was approved by the Bureau of the IUCN Council in March 2012 (B/57/6).

Mining and Metals (ICMM) platform for stakeholders to discuss and seek the best balance between the protection of important ecosystems and the social and economic importance of mining; and the Western Gray Whale Advisory Panel that provides scientific advice and recommendations on Sakhalin Energy Investment Company Ltd.'s operational plans and mitigation measures.

- Tools and approaches designed and tested to bridge the knowledge and trust gap between the conservation community and the business sector. Examples include the Biodiversity Management System designed by an Independent Expert Panel for Holcim; and the verification protocol developed to add rigor to Rio Tinto's approach to net positive impact.

## **The Business and Biodiversity Context**

### ***Business and biodiversity: Risks and opportunities***

The global economy is an important driver for the loss of biodiversity and the business world is beginning to recognize that it not only has a responsibility for mitigating the impacts of its environmental footprint, but that positive contributions to nature conservation can be good for their bottom line.

Economic development which disregards nature conservation is self-defeating. Generally the understanding and focus of economic development is narrowly conceived and fails to recognise that all economies are dependent on living within Earth's planetary boundaries. Without a strong commitment from the business sector, achieving the global targets set for human well-being and biodiversity conservation becomes all the more difficult.

At the global level, the role of business is also clearly identified. The *Convention on Biological Diversity's Strategic Plan for 2011-2020, including the 20 Aichi Biodiversity Targets*, defines a roadmap for reducing pressures on biodiversity and restoring ecosystems and also emphasises the importance of integrating biodiversity and ecosystem management into all sectors of society.

Business has an important role to play in implementing the Strategic Plan and contributing to the global vision and targets for biodiversity. Business operations are responsible for pressures on biodiversity and ecosystems, but businesses are also dependent on many of the services that ecosystems provide, such as water purification, flood protection, climate protection, pollination, soil formation, and nutrient recycling. Growing awareness of these impacts and dependencies is leading many companies to measure and manage the risks and to engage in mitigation, offsetting and sustainable use approaches. Businesses are also increasingly aware of the opportunities that exist in the development of new biodiversity-friendly markets, sustainable technologies and business models.

In implementing the global vision and targets for biodiversity, business can add complementary perspectives to those of governments and civil society. In particular, knowledge of markets, ability to harness advanced research and development to deliver solutions and management experience can be valuable assets when applied to conservation. Furthermore, businesses already collect large quantities of biodiversity-related data in their areas of operation which could contribute to monitoring the status of biodiversity and progress on achieving the global targets. However, these potential contributions will not happen automatically. IUCN can and should play an important role in helping to bring about changes in business practices and leveraging contributions from the business sector.

The responsibility of businesses goes beyond the conservation of biodiversity and ecosystem services. Businesses should also take action to respect and protect the rights of the people that depend on the natural resources at stake. The implementation of the principle of Free, Prior and Informed Consent (FPIC), which recognizes a community's inherent and prior right to the land and resources and respects its legitimate authority, requiring that any third party enter into an equal and respectful relationship with it, is a critical step that the business sector needs to systematically apply. The recognition of the dependence of local communities and Indigenous Peoples on natural resources needs to be incorporated in the tools and approaches developed for and adopted by businesses.

Finally, there is increased recognition of the need for inclusive and ecosystem based planning at the landscape and seascape levels, in order to achieve real impact. With growing populations and finite natural resources, decision-making processes related to resource allocation need to consider not only immediate financial returns but also the broader opportunity costs of foregoing other livelihood and societal values associated with biodiversity and ecosystem functionality.

### ***The business case for biodiversity and ecosystem conservation***

There is an increasing recognition in the business sector that the risks and dependency of their operations on biodiversity and ecosystem services can have major business implications (see Table 1). The impacts on biodiversity pose a number of risks to corporate performance including in the following areas:

- Operational: increased scarcity and cost of raw materials such as freshwater; disruptions to business operations caused by natural hazards; and higher insurance costs for natural disasters.
- Market: customers switching to sustainably sourced or certified products and governments implementing new sustainable procurement policies.
- Regulatory: emergence of new government policies such as taxes and moratoria on extractive activities.
- Reputational: damage to corporate reputation from media and NGO campaigns, shareholder resolutions and changing customer preferences.
- Access to capital: restrictions as the financial community adopts more rigorous investment and lending policies.

These risks clearly have an impact on a business' bottom line and yet many companies fail to recognize the link between healthy ecosystems and their organization's interests. While some companies have taken steps to address their environmental impacts, most are not fully aware of their dependence on ecosystem services and the possible business implications of degraded services.

Most businesses and entire sectors fail to recognize the opportunities that conservation of biodiversity and ecosystem services can bring. The failure to recognize these opportunities may lead to companies being caught unprepared or missing out on new sources of revenue. The opportunities include:

- Differentiating corporate brands by developing a strong environmental performance in a competitive marketplace.
- Pre-empting regulations and public pressure through the implementation of sustainable purchasing, operational, and/or investment practices.

- Developing new markets such as certified sustainable products, carbon sequestration, and biodiversity offsets.
- Introducing new revenue streams such as payments of ecosystem services for company-owned natural assets such as forests and wetlands.
- Implementing cost-savings through a more efficient use of natural resources.
- Obtaining the social license to operate by addressing civil society’s concerns at local and global levels.
- Attracting and retaining employees with good environmental performance and practices which can favourably represent a company’s core values and ethical stance.

**Table 1: Major Biodiversity and Ecosystem Services Risks & Opportunity Drivers for Business<sup>2</sup>**

Driver	Sub-driver	Types and Examples
<b>Operational</b>	Scarcity of valuable natural capital	<ul style="list-style-type: none"> <li>• Security of supply (e.g. interruptions due to water scarcity);</li> <li>• Access to resources (e.g. due to demand for a few key resources such as fisheries or timber);</li> <li>• Potential conflict for resources (e.g. meeting growing demand for food, water, health);</li> <li>• Cost of raw materials (e.g. throughout the value chain);</li> <li>• Incidence of natural disaster damages due to loss of natural risk protection (e.g. erosion due to deforestation or mining);</li> <li>• Decreased access to land and potential resources (e.g. due to biodiversity protection efforts or fragmentation of resources)</li> </ul>
	Continued license to operate	Companies restricted from operating in certain jurisdictions at various levels due to violation of local laws or international norms
<b>Regulations</b>	Government policies for conservation	Rationing of water use or other resource inputs
	Taxes on use of ecosystem services or on activities conducted in highly valuable or threatened areas	Coral reefs, intact forests, tundra, areas of high carbon sequestration potential
	Moratoria on business activities directly impacting ecosystems	<ul style="list-style-type: none"> <li>• Threatened species</li> <li>• Highly biodiverse areas</li> </ul>
	Regulations in highly biodiverse areas	Many institutions use the natural critical habitats concept to identify areas that need particular management attention
	Continued license to operate	Companies restricted from operating in certain jurisdictions at various levels due to violation of local laws
<b>Reputation</b>	Strengthening brand and societal value	Media and NGO campaigns; shareholder resolutions; consumer preferences; access to quality employees
<b>Capital</b>	Access restrictions or opportunities	Biodiversity-specific investment screens and other lending policies

<sup>2</sup> Adapted from *Business and Ecosystem Conservation: Risks and Opportunities: Situation Analysis*, July 2007, SustainAbility for IUCN.

<b>Driver</b>	<b>Sub-driver</b>	<b>Types and Examples</b>
<b>Technology &amp; Products</b>	Innovation to meeting growing demand for food, clean water, health and employment	<ul style="list-style-type: none"> <li>• Substitutes for threatened biodiversity resources;</li> <li>• Technologies that reduce or reverse degradation;</li> <li>• Products or technologies that aid in ecosystem restoration;</li> <li>• Increased efficiencies in use of biodiversity resources</li> </ul>
<b>New Markets</b>	Innovative ways to reduce impact	<ul style="list-style-type: none"> <li>• Certified sustainable products (e.g. organic, fair trade)</li> </ul>
<b>New Businesses</b>	Conservation and biodiversity finance	<ul style="list-style-type: none"> <li>• Restoration and rehabilitation of debilitated landscapes</li> <li>• Creation of new habitats such as wetlands or artificial coral reefs, based on models developed in the emerging market for biodiversity offsets</li> </ul>
	Ecosystem restoration	<ul style="list-style-type: none"> <li>• Social Impact Assessments;</li> <li>• Preparation of Biodiversity Action Plans;</li> <li>• Environmental Management Plans (with integrated biodiversity);</li> <li>• Certification and auditing of BAPs (against a standard);</li> <li>• Certification and auditing of biodiversity offsets;</li> <li>• Conservation, sustainable use and benefit sharing outcomes;</li> <li>• Certification of small-scale producers (e.g. agricultural and NTFP-related);</li> <li>• Certification of biodiversity management systems</li> </ul>
	Environmental asset brokerage	<ul style="list-style-type: none"> <li>• Ecoscurities</li> <li>• Natsource</li> </ul>
<b>New Revenue Streams</b>	Market-based conservation	<ul style="list-style-type: none"> <li>• Katoomba Group's Ecosystem Marketplace</li> </ul>
	Payments for ecosystem services	<ul style="list-style-type: none"> <li>• Chicago Climate Exchange</li> <li>• REDD+</li> <li>• Danone/Evian and Nestlé/Vittel Payment for Ecosystem Services schemes</li> </ul>

## **Key Elements of IUCN's Business Engagement Strategy**

### ***The purpose of the Strategy***

The purpose of the Strategy is to provide IUCN with (i) a coherent framework for influencing the business sector; (ii) a clear reference point as to the level of ambition expected from business engagements; and (iii) a consistent approach to the management of reputational risks and quality assurance.

The Strategy builds on the IUCN vision, *A just world that values and conserves nature*, and seeks to provide guidance as to how the IUCN mission, *to influence, encourage and assist societies throughout the world to conserve the integrity and diversity of nature and to ensure that any use of natural resources is equitable and ecologically sustainable*, can be operationalised in the context of the business sector.

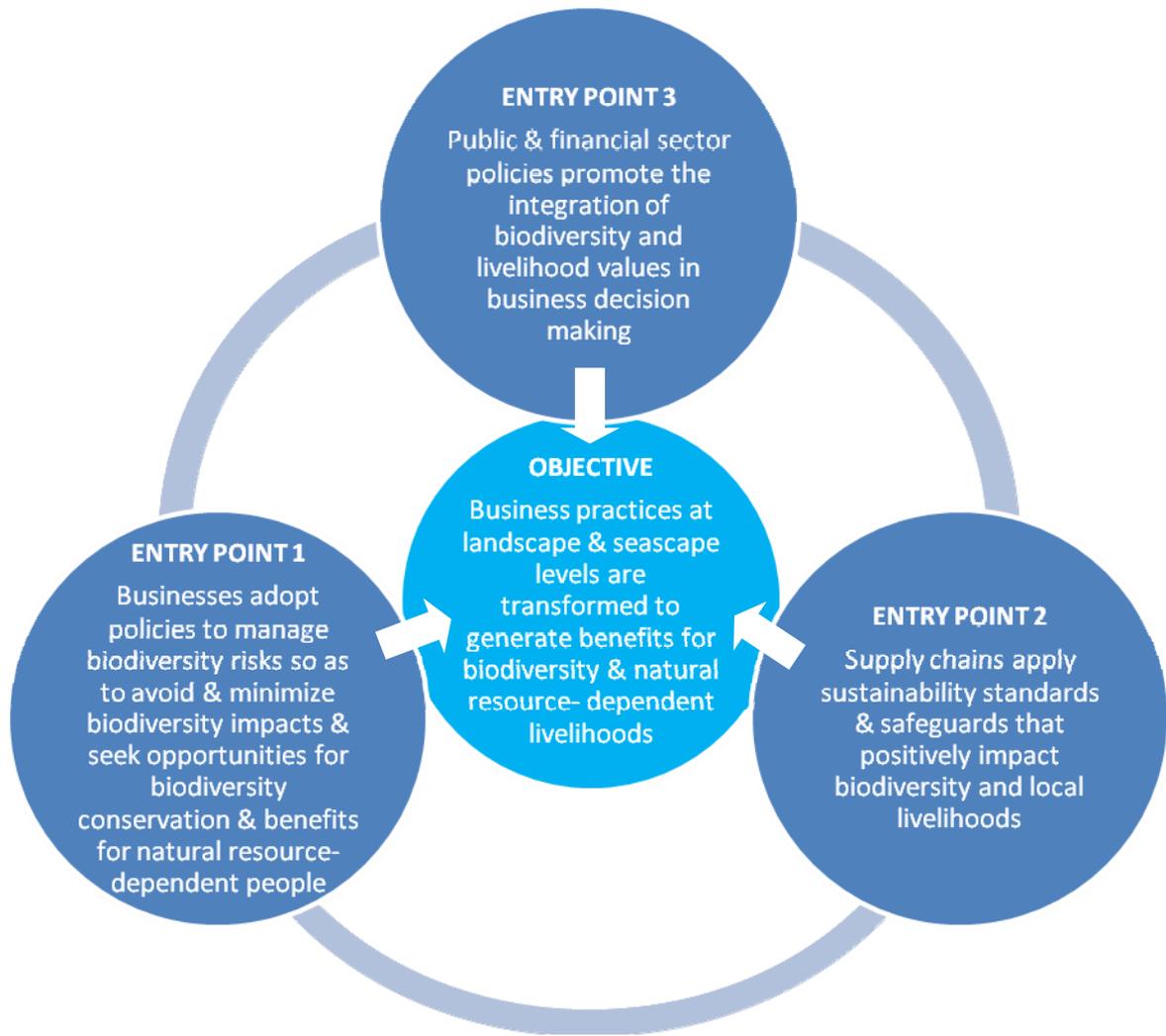
### ***Aim, objective and entry points***

The Strategy aims to *encourage transformational and demonstrable change at the company and sectoral level in how biodiversity is valued and managed by businesses in order to conserve and restore biodiversity and to ensure that biodiversity benefits are shared equitably*.

The Strategy's main objective is that *business practices at landscape and seascape levels are transformed to generate benefits for biodiversity and natural resource-dependent livelihoods*.

To achieve this aim and objective, three interconnected entry points are recommended (see Figure 1):

1. Businesses adopt policies to manage biodiversity risks so as to avoid and minimize biodiversity impacts and seek opportunities for biodiversity conservation and benefits for natural resource-dependent people.
2. Supply chains apply sustainability standards and safeguards that positively impact biodiversity and local livelihoods.
3. Public and financial sector policies promote the integration of biodiversity and livelihood values in business decision-making.



**Figure 1: Strategic objective and entry points for IUCN's Business Engagement Strategy**

## ***Key elements of IUCN's Strategy***

The delivery of tangible change on the ground in terms of business contribution to biodiversity conservation and sustainable livelihoods is the principal intention of this Strategy irrespective of whether the entry point is at the corporate or sectoral or policy levels. The other key elements to the IUCN Business Engagement Strategy include:

- IUCN will pursue change agendas with key business players at the global and local level from corporate policy to operational and site-specific processes.
- IUCN will call for change at the landscape or seascape level, thus going beyond the boundaries of the individual business operations.
- IUCN will use its convening power, credibility and experience with multi stakeholder dialogue processes to organise and facilitate issue-based or landscape/seascape focused dialogues that improve understanding, build trust, close knowledge gaps and ultimately identify opportunities for progress with respect to business-related impacts on biodiversity and natural resource-dependant peoples.
- IUCN will provide evidence that will contribute to the business and ethical case for the integration of the values of biodiversity, ecosystems and associated livelihoods into business operations.
- IUCN will support business leaders, in companies and associations, who are committed to transformational changes, allowing early adopters to capture a competitive advantage while also encouraging the mainstreaming of practices within the sector.

IUCN's Business Engagement Strategy aligns with the draft *IUCN Programme 2013- 2016* by focusing on landscape/seascape level biodiversity and ecosystem services, advancing good environmental governance and applying nature-based solutions to global challenges.

With the support of IUCN's Commissions and Council, the role of the IUCN Secretariat's Business and Biodiversity Programme's is to set the strategic direction, coordinate IUCN's overall approach and provide institutional quality assurance in all business engagements. The Strategy will be implemented through IUCN's global thematic and regional programmes and will help guide the work of IUCN's six Commissions (see section below, *Implementing the Business Engagement Strategy*).

## ***The scope of the Strategy***

The Strategy will encompass all business entities including commercial enterprises of any size, whether privately held, publicly quoted, wholly or majority owned by the state or by local communities. The Strategy will be applicable to the IUCN Secretariat and guide the work of Commissions. The Strategy will not cover the activities of National or Regional Committees but it is hoped that these components of the Union would choose to adhere to its spirit and intent.

This Strategy does not apply to sponsorship and licensing agreements established with business entities. Its focus is exclusively on engagements that aim at delivering changes in business operations that would have positive impacts on biodiversity, ecosystems, and natural resources-dependent communities.

## ***Scaling-up in priority sectors***

IUCN's ambition is to bring about change in business policy and practices with respect to biodiversity and ecosystem services at a scale that makes a significant difference or impact. The Strategy reflects that such change can happen at different levels and be triggered by various push and pull factors; there is not one single template or blueprint as to how positive change occurs. Figure 1 highlights the

three key entry-points that IUCN will deploy to help bring about such change: 1) business policies and practices, 2) supply chains, and 3) public and financial sector policies. For each of these entry points IUCN aims to scale up, with significant and tangible results on the ground. In order to achieve this, IUCN will:

- i. Engage with a few selected leaders in priority sectors to develop or adapt, field test and pilot new tools and other best practice approaches. Good practices will be collated to demonstrate the business and conservation benefits.
- ii. Build on best practice experiences and other available evidence, and identify, approach and encourage a group of companies within selected sectors and/or industry associations to develop, adopt and promote voluntary standards that eventually act as a benchmark for improved management of biodiversity and ecosystem services among businesses.
- iii. Direct engagement with public policy and the financial sector in order to send clear regulatory and investment signals to entire business sectors based on the importance of biodiversity and ecosystem services and/or to ensure that progressive businesses are able to operate on a “level playing field”.

While IUCN may pursue tangible changes to business practices via entry points 1) and 2) there are also cases where IUCN’s policy influencing approach provides the best channel to bring about necessary changes on the ground. IUCN’s convening power is a particular strength of the Union at all levels of its business engagements.

Considering the Strategy’s objective and related entry points, IUCN will engage *sectors* that present great risks or opportunities through their supply chain – directly or indirectly– on biodiversity and ecosystem services including habitat loss and overexploitation of natural resources. Potential sectors include:

- Large biodiversity footprint sectors with high direct impact on ecosystems, habitats and associated local livelihoods: Extractives (Mining, Oil and Gas); Agriculture, Commercial Fisheries; Forestry; Bio-energy.
- High biodiversity dependent sectors with strong supply chain links at landscape or seascape levels: Food and Beverage, Tourism, Pharmaceuticals; Consumer Goods.
- Leveraging sectors: Financial, Retail.

Within the selected sectors, IUCN will work with *companies* that have made a commitment to transformational change and who are clearly recognized as leaders in their sector. IUCN will look to each of these businesses to support the creation and use of credible standards and also to take the results of the engagement to the wider sector, e.g. through business or industry associations. Businesses will be expected to integrate biodiversity and ecosystem values within their corporate policies, from a life cycle perspective, and be willing to manage the impacts on biodiversity and ecosystem services of their operations. IUCN’s *Operational Guidelines for Private Sector Engagement* (2009) ([http://cmsdata.iucn.org/downloads/ps\\_20guidelines.pdf](http://cmsdata.iucn.org/downloads/ps_20guidelines.pdf)) will assist in the identification of the best fit in terms of selecting individual companies and provide the approved procedures for managing the engagements. The Operational Guidelines will be updated to fit with Strategy.

## ***The Strategy in action***

To implement the Strategy, IUCN will:

- *Adopt, adapt and create tools and approaches.* IUCN can help the business sector in adopting, adapting or creating business tools including standards and approaches at the global level, as well as testing and implementing these in local operations. In particular, IUCN can apply its knowledge products to the business context and decision making processes. IUCN helps to ensure that standards and practices are based on best available science and know-how and have received input from a wide set of stakeholders. The Union can further assist the business sector to scale up activities and to influence public policies to create the enabling environment for their implementation. IUCN is also well positioned to contribute or lead the development of standards for the integration of biodiversity in business practices.
- *Provide expert guidance on conservation issues at the local, regional and global level.* IUCN has an unmatched scientific knowledge base and global experience in planning and implementing conservation programmes. The IUCN network in the Secretariat and Membership (organizations and Commissions) will work together to create synergies to address complex and controversial scientific issues.
- *Establish engaging and trusted platforms for discussion with other interest groups.* IUCN's convening power, credibility and experience can help the business sector to develop productive consensus between different stakeholders – including businesses, NGOs (especially IUCN members), governments, the science and engineering communities, and local communities – and promote joint actions and solutions.

## Entry Points and Interventions

As stated in the above section, there are three entry points to achieve the aim and objective of the Strategy. Each entry point has its biodiversity context and a series of interventions that IUCN will seek to achieve.

**Entry Point 1:** *Businesses adopt policies to manage biodiversity risks so as to avoid and minimize biodiversity impacts and seek opportunities for biodiversity conservation and benefits for natural resources-dependent people.*

### Entry Point 1: The biodiversity context

Mitigation of impacts is at the heart of good environmental stewardship. It assumes that an entity will take all actions to firstly avoid, then to minimize and rehabilitate its impacts and, only as a last resort, offset what is residual. This sequence is referred to as a mitigation hierarchy. Many governments, financial institutions, businesses and NGOs already adopt elements of a mitigation hierarchy, including “no net loss”, “net positive impact” and “biodiversity offsets”. The mitigation sequence will need to be assessed and tested to establish whether and how it can be a requirement for the successful and credible management of business operations that can potentially affect biodiversity and ecosystem services. A business shall firstly try to avoid impacts, with particular attention to critical natural habitats, where highly vulnerable and irreplaceable biodiversity components are present, as these types of impacts cannot be ameliorated nor compensated. The mitigation hierarchy then calls for the adoption of all possible measures to minimize and rehabilitate impacts. In principle, offsets could then be adopted to address the residual impact, and eventually go beyond and thus achieve either a no net loss or a net positive impact state.

Today, leading multinationals are experimenting with biodiversity policies designed to offset their biodiversity impacts or even to positively contribute to biodiversity conservation. These claims need to be verified. However, if proven to be sound, businesses can become positive allies in the conservation of biodiversity at local and global levels.

Transforming business practices at the landscape level requires that companies look beyond their immediate site of operations and consider broader ecosystem-wide connections as part of their impact assessment. They should examine how their impacts interface – either positively or negatively – with other actors and operations across the landscape.

The adoption of a landscape approach should help address the cumulative impact of businesses operating within the same landscape and encourage mutually beneficial collaborations through enhancing coordination of actions that improve the ecological connectivity. Working at the landscape level will require the active participation of communities and Indigenous Peoples, as well as other key stakeholders including beneficiaries of natural resources and/or ecosystem services.

From a public policy perspective, for a landscape level strategy to succeed, governments need to create level playing fields where good business stewardship is rewarded and the needs and opinions of natural resource-dependent communities are properly taken into account. Governments also have the responsibility to regulate the use of land and other natural resources to which businesses must adapt.

From a business operations perspective, achieving no net loss or net positive impact on biodiversity has to take into account the linkages –positive and negative– and leakages between the business operations at the site level and effects at the landscape level. Credible claims can only be made when baselines for any management intervention are focused at the landscape level.

## **Entry Point 1: Key Interventions**

IUCN will seek to achieve the following key interventions in this entry point:

- *Support the integration of biodiversity risk management measures in business operations.* IUCN will support businesses to develop and operationalise risk screening and amelioration tools based on the establishment of credible and verifiable biodiversity baselines, from both an ecological and social perspective. These tools should be robust enough to allow recognition of local “no-go” areas, establish frameworks to minimise impact of an operation, define the key elements for rehabilitation and restoration strategies and outline a verifiable and credible approach to any required offsetting interventions.
- *Establish a no net loss/ net positive impact dialogue.* Further work needs to be done to understand how no net loss and net positive impact (nnl/npi) claims can be credibly implemented and measured and how they relate to an ecosystem based approach. Through a multi stakeholder dialogue, common practices and standards on how to operationalise (nnl/npi) will be assessed including biodiversity metrics and verification protocols. The most effective policy conditions and practices will also be identified and promoted. Through the dialogue, IUCN will bring together like-minded and committed companies from primary, secondary and tertiary sectors, governments and NGOs. The role of these players will be to participate in setting standards and developing tools; to jointly advocate for policy reforms; to pilot the tools; and to ensure a global outreach of the results.
- *Support stakeholders’ participation in decision-making and benefits sharing.* IUCN believes that to achieve positive outcomes for both biodiversity and natural resource- dependent communities, all stakeholders must participate. To that end, IUCN will develop platforms and dialogues that convene all relevant players, and support the establishment of Citizens Advisory Councils to provide a voice to affected communities. The goal is to instigate consensus-driven, science-based dialogues which promote integrated, landscape-level management processes resulting in joint vision and action plans on a variety of issues including governance of natural resources and putting into practice the principle of Free, Prior and Informed Consent (FPIC).

**Entry Point 2:** *Supply chains apply sustainability standards and safeguards that positively impact biodiversity and local livelihoods.*

## **Entry Point 2: The biodiversity context**

Decisions made by manufacturing companies, often a thousand miles away from the sourcing sites, can have incredible repercussions on local biodiversity and biodiversity-dependent communities. This dynamic opens up significant opportunities to influence change on the ground. The actions of many small scale producers are difficult to influence on a one by one basis, but can be effectively leveraged by engaging the markets and manufacturers the producers supply.

Care must be taken, however, in the way supply chains are leveraged as there can be unintended environmental and socio-economic consequences. An increase in transaction and implementation costs for micro and small- and medium-sized enterprises (SMEs) can result in many being excluded from the market with secondary effects not only on jobs and rural livelihoods but also on biodiversity. In this respect, overcoming barriers to market entry provides promising approaches to the integration of biodiversity and associated livelihood values in a supply chain. Experience shows that strengthening the integration of biodiversity and ecosystem services in supply chains needs to be accompanied by building capacity from the bottom up.

With regard to sourcing standards, companies wanting to integrate sustainability and more specifically biodiversity and associated livelihood values in their supply chains can do this in various ways: develop their own sourcing standards, adopt a certification scheme and/or only purchase products that have been certified. Another approach is to add other corporate values to existing certification standards (certification+). Clearly the choice is dependent on various issues including the applicability of existing standards and the resource capacity of individual members along a specific supply chain.

The challenge from the buyers' perspective is that traditionally companies don't believe that individually they can influence behaviour along the supply chain through their purchasing power. Working with a group of companies or business associations that share supply chains can be an effective strategy which, however, needs to address the fact that information on resource costs and contracts is often commercially sensitive and therefore information on resource use is rarely public or shared.

A number of consumer goods companies *have* started to take a deeper look into their supply chains to understand their impact and their dependency on biodiversity and ecosystem services. Life Cycle Assessment, Environmental Profit & Loss Accounting, Ecosystem Service Reviews are among the approaches that have been receiving greater attention in recent years and have contributed to raising the awareness that businesses in sectors higher up in the supply chain can influence their suppliers on the ground.

In parallel, the development of "biodiversity businesses" or commercial enterprises that generate profits via activities that conserve biodiversity, use biological resources sustainably, and share the benefits from this use equitably, is a strategy that has been adopted in many resource management projects. A key challenge in this type of intervention is the need to identify and address the isolation gaps that local producers experience, to develop scale efficiencies and bargaining power; help product development and sales; strengthen business and technological capacity; and address policy

gaps to improve their operating environment. Addressing these factors is paramount to ensure that community based resource management projects actually succeed in the real market, becoming sustainable businesses.

## **Entry Point 2: Key Interventions**

IUCN will seek to achieve the following key interventions in this entry point:

- *Support manufacturing companies to better assess their impacts and opportunities at the landscape level.* IUCN will support individual businesses in the assessment of their biodiversity and ecosystem services impacts along their supply chain with particular focus on the landscape level. IUCN will carry out ecosystem service reviews to highlight the business risks and opportunities linked to the sourcing of particular products or services.
- *Assist companies and business associations to implement biodiversity and equity sourcing requirements in their supply chain.* IUCN will advise on best standards and approaches (including chain of custody) to proactively address the risks, dependencies and opportunities in a company's supply chain. As part of this effort, IUCN will participate in the development and review of certification standards by contributing to the conservation voice in the discussions. Awareness raising, education and capacity building programmes, that focus on the micro and SME producers, will be developed to support the implementation of specific supply chain standards (corporate and certification) in specific landscapes.
- *Enhance business skills in communities involved in biodiversity businesses.* IUCN is well positioned to connect buyers and sellers for products that rely on a "biodiversity business" model by linking local actions to global markets. IUCN will support communities in developing sustainable natural resource based businesses by promoting business skills development programmes such as those related to improving access to markets, realising competitive advantage and ensuring community groups are well positioned in their respective supply chains.

**Entry Point 3:** *Public and financial sector policies promote the integration of biodiversity and livelihood values in business decision-making.*

### **Entry Point 3: The biodiversity context**

Businesses do not operate in a vacuum. Public policies, including legislation, regulations, taxes and subsidies and other measures, and access to capital and the associated financing conditions are some of the main factors that can have a major influence on corporate commitments to integrate biodiversity and associated livelihoods values in their operations. Often the assumption at the corporate level is that a voluntary commitment will be reciprocated with enabling public policies. When this does not happen, it becomes difficult to justify continued investment at the corporate or shareholder level. In some cases, well intentioned voluntary actions can be at odds with national legislation such as when a company may not be legally able to set aside part of its concessions for conservation.

Governments at the national and local levels in particular have a number of crucial roles to play. They can develop and implement policy measures such as regulatory frameworks or market instruments that:

- support the scaling up of successful voluntary initiatives to the sectoral level thus creating a level playing field;
- create market differentiation mechanisms to reward early adopters of sustainable practices;
- enable the effective implementation of corporate commitments by removing regulatory or other types of barriers; and
- create demand for sustainable products and services through the implementation of public procurement policies and the integration of best practices in state owned enterprises.

Businesses can also be an important ally in promoting policies favouring biodiversity conservation by using their influence in the political arena to promote the business case for policy reforms. Furthermore, where weak governance is an issue, businesses can also support the implementation of policies, and participate in the transfer of information on good public policy practices between governments and regions. It is however crucial to recognize the role that weak governance and corruption plays in undermining the effect of good public policies.

Another important factor that can influence and enable the integration of biodiversity and ecosystem services in corporate practices is access to financial capital. In sectors involved in large capital expenditure projects, the lending criteria that financing institutions impose on projects that have a potential impact on biodiversity can be a major leverage for taking corporate action. In the last decade, biodiversity and ecosystem services related risks have been recognised as material risks by a number of leading institutions. Today, over 70 financial institutions have adopted the Equators' Principles (EPs). The International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD) have explicitly included in their performance standards, biodiversity considerations and more precisely the need to apply a mitigation hierarchy including the design of offsets and overall "outcomes that can reasonably be expected to result in no net loss and preferably a net gain of biodiversity" (IFC, Performance Standard 6). The IFC has also recently accepted that it will require free prior and informed consent for any of its investments that directly impact Indigenous Peoples in their territories. However, a recent review conducted by IIED of the

main investment principles (*Investing for Sustainable Development? International Institute for Environment and Development, 2011*) concluded that “investment decisions are still governed primarily by financial criteria” and that the proposed sustainability criteria have been unable to have a real impact on the sustainability of the projects.

### **Entry Point 3: Key Interventions**

IUCN will seek to achieve the following key interventions in this entry point:

- *Help facilitate alliances and platforms to advance progressive public policy conditions that would enable the delivery of effective biodiversity and ecosystem services outcomes:* IUCN will support discussion platforms and dialogues that bring together businesses and public policy makers to develop multi-sectoral development plans to ensure use of resources is sustainable and conservation concerns are met (e.g. the Arctic). IUCN will also encourage in all relevant Multilateral Environmental Agreements the incorporation of Strategic Environmental Assessments, including cumulative and multi-source impacts; livelihoods implications in resource management at landscape level; and the ecosystem based approach. Specific dialogues to address the cost of weak, ineffectual or corrupt governance to biodiversity will be established. Collaboration with international business bodies such as the UN Global Compact, the World Business Council for Sustainable Development (WBCSD) and industry associations such as ICMM (mining), IPIECA (oil and gas) and SAI (food and beverage) will also provide a major catalysis for the policy influence focus.
- *Support the integration of biodiversity criteria in financial institutions’ lending requirements, with particular emphasis on emerging economies.* In partnership with progressive financial institutions promoting biodiversity conservation and sustainable use as criteria for business engagement, IUCN will develop mechanisms and tools to facilitate and monitor the implementation of biodiversity related performance standards.
- *Directly contribute to public policies that support biodiversity conservation.* At the national and regional level, the integration of biodiversity and associated livelihood values in public procurement standards, in relation to products and services with a large impact on biodiversity and with a high potential leverage on other sectors, will also be considered. In the international context, IUCN can bring different voices, including business in multilateral/regional policy processes and bring multilateral policy positions to business by interpreting protocols and processes to business such as Access and Benefit Sharing (ABS) and other relevant processes. Furthermore, IUCN will support convergence in messages on public policy and the role of business between key relevant networks (in particular WBCSD and UN Global Compact) and the conservation community.

## Implementing the Business Engagement Strategy

IUCN's mission and vision remain the fundamental justification for any activity the Secretariat undertakes, including engagements with businesses. By extension therefore, any business engagement must be understood as a Programme implementation mechanism and not a stand-alone intervention or device by which implementation is resourced.

The Strategy will be implemented through IUCN's global thematic and regional programmes and will guide the work of Commissions. Each programme or Commission will have to identify which entry points are most relevant to the implementation of their work plans. This should involve a geographic or thematic situation analysis and an assessment of the transformative potential of the selected interventions. In practice, this will require programmes and Commissions to integrate elements of the Business Engagement Strategy in their quadrennial programmes and annual work plans.

IUCN is not starting from a "blank page" and will take early action to implement this strategy in the following areas:

- Re-orientate existing engagements with companies from extractive sector to ensure better alignment with the Strategy and in particular with entry point 1 (transforming landscape impacts).
- Build on existing activities to establish a more systematic engagement with the agriculture and fisheries, food and beverage and bio-energy sectors with a particular focus on entry point 2 (sustainable supply chains).

In addition, IUCN will seek to expand the geographic scope of its engagement with businesses, with particular emphasis on key emerging economies. This will take the form of building collaborations with emerging economy multinationals around entry points 1 and 2 based on the experience, knowledge and lessons learned since IUCN's first engagements with the business sector.

Entry point 3 (Strengthening the enabling framework provided by public and finance sector policies) constitutes a new departure for IUCN, therefore IUCN will initially focus on three key areas:

- i) Reinforce regulatory platforms for the production and use of bioenergy, from agriculture and forestry, as it relates to land use and ecosystems' transformations.
- ii) Ensure that public and finance sector interest in biodiversity offsets is well informed and lays the ground work for significant and tangible improvements in environmental stewardship. To fully engage in this area of work, IUCN will first need to complete a thorough consultation with its Members to strengthen its own general policy on offsets.
- iii) Provide a platform to bring together governments, the finance sector and the progressive business sector to consider practical opportunities on how to achieve net positive impacts on the environment and biodiversity from industrial scale activities.

Finally, to support an effective and efficient integration, internal awareness and capacity will be built and structures to support implementation of the Strategy will be established including a business sector coordination body internal to the Secretariat and advisory groups within and across the Commissions. Existing policies and processes relevant to engaging the business sector will be harmonized. Particular attention in the implementation shall be paid to the issue of capacity. Although the Business Engagement Strategy applies to IUCN's Secretariat and Commissions, it is

envisaged that its implementation will count on the participation of Members and all components<sup>3</sup> of IUCN in the spirit of the *One Programme Charter*<sup>4</sup>.

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<sup>3</sup> The IUCN Statutes (Article 15) describe the components of IUCN as: (a) the World Conservation Congress; (b) the Council; (c) the National and Regional Committees and Regional Fora of Members; (d) the Commissions; and (e) the Secretariat.

<sup>4</sup> One Programme Charter, adopted by the IUCN Council in May 2011:  
[http://cmsdata.iucn.org/downloads/iucn\\_one\\_programme\\_charter.pdf](http://cmsdata.iucn.org/downloads/iucn_one_programme_charter.pdf)