



**A FRAMEWORK FOR CORPORATE ACTION ON
BIODIVERSITY AND
ECOSYSTEM SERVICES**



United Nations Global Compact



A report by the United Nations Global Compact and the International Union for Conservation of Nature (IUCN), with support from the Colombia Global Compact Local Network

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Launched in 2000, the United Nations Global Compact is a call to companies around the world to align their strategies and operations with ten universal principles in the areas of human rights, labour, environment and anti-corruption, and to take action in support of broader UN goals. Through the development, implementation, and disclosure of responsible corporate policies and practices, business can help ensure that markets advance in ways that benefit economies and societies everywhere. With more than 10,000 signatories in over 135 countries, it is the world's largest corporate responsibility initiative. www.unglobalcompact.org

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Executive Summary

Society relies on biodiversity and the goods and services it provides for human well-being and for the provisioning of raw materials that produce greater material welfare. Over the past 50 years, through increased population growth and climate change humans consumed and degraded biodiversity and ecosystems more rapidly than at any other time in human history. All businesses, regardless of their size, location or sector, depend upon and have a direct or indirect impact on biodiversity and ecosystem services (BES) through their operations, supply chains or investment choices. It is thus important for businesses to integrate BES considerations into their practices and to participate in the sustainable and equitable use and conservation of BES.

To this end, the UN Global Compact and IUCN have developed this framework for companies to explore the issue of BES as it relates to their activities and corporate sustainability. The overarching objective of this framework is to contribute to the integration of BES into business activities and to firmly position BES conservation among the private sector by engaging the top management of companies in the development, implementation and disclosure of BES policies and practices, in order to reduce risks, manage related impacts and seize opportunities. The framework aims to assist the top leadership of companies in understanding the BES challenge and to prompt the formulation and structuring of BES policies and practices, as part of corporate sustainability strategies that will contribute to achieving long-term profitability, as well as broader sustainability goals - including implementation of UN core environmental principles and related objectives.

A working group, formed by companies from different sectors, UN agencies, civil society and Academia, provided insight into what the main aspects of a framework for corporate action on BES should be and suggested relevant strategies to help companies tackle BES issues. Based on this consultative process and other initiatives such as TEEB, the UN Global Compact and IUCN identified common elements and developed 10 main recommendations for the top management of companies to consider and integrate in order to enable the company to take real and meaningful steps in relation to BES.

The framework consists of four sections. The first section details how companies can understand and explore their relationship with BES by reviewing the various risks and opportunities driven by business actions that impact BES. Section 2 presents key management recommendations that can shape a corporate strategy for responsible BES management. These recommendations represent core elements that should be considered during the development of a BES strategy.

Section 3 of the framework highlights the importance of working with stakeholders and business partners to advance common goals and targets in relation to business activities and BES. Finally, Section 4 provides insight into how companies can monitor and evaluate their performance on BES issues, and disclose their results. In addition, Appendix 2 provides a BES management checklist to guide companies through the process of assessing impacts on BES, identifying risks and opportunities, and disclosing results; while Appendix 3 lists various existing tools and mechanisms that companies can use in implementing the six stages of the BES management strategy that is suggested in this framework.

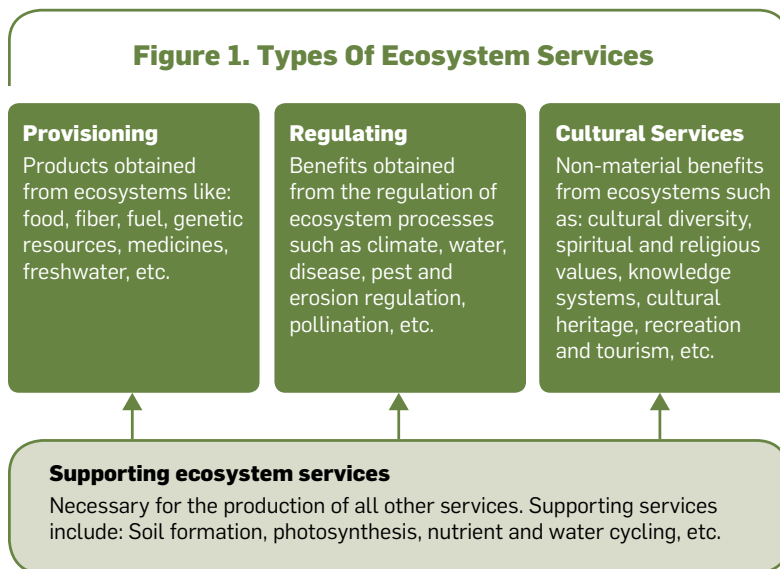
Introduction: Biodiversity, Ecosystem Services and Business

Biodiversity and Ecosystem Services

Biodiversity is the life support system of this planet. Human livelihood depends on biodiversity in the form of genetic material, species and ecosystems. **Ecosystem services** are the benefits obtained by people from **ecosystems** (see Figure 1). Biodiversity is crucial in the provision of ecosystem services, since the functioning of an ecosystem and thus its ability to provide services, is strongly influenced by the functional and structural variability in species as well as the quantity and distribution of all three components of biodiversity (i.e. genes, species, ecosystems). Ecosystem services can be local such as pollination or the provision of fresh water, others regional (flood and landslide control) and still others global in nature (climate regulation). Whilst there are conflicting views on the rate of species and ecosystem loss there is no doubt that this process poses serious risks for human wellbeing.

With increasing human population and consumption, competition for natural resources and ecosystem services is growing and expected to become more intense in the future. The impacts of biodiversity loss and ecosystem degradation have broad and systemic implications that are connected to many of the most pressing challenges humanity faces today, such as food security, and water scarcity. These issues acutely affect the most vulnerable human populations, even further exacerbating poverty. The loss of habitats, pollution, climate change, the introduction of invasive species and the overexploitation of natural resources all put biodiversity under pressure. Driving forces behind these pressures include the expansion of fishing and forestry, urbanization, increased demand for energy and water, and industrial development in general¹ (see Figure 2). Although these activities contribute to economic development, as current and future demand for ecosystem services increases, so too does the risk of jeopardizing the health of critical ecosystem

¹ Millennium Ecosystem Assessment. 2005. Ecosystems and Human Well-Being: Biodiversity Synthesis. Access: <http://www.maweb.org/documents/document.354.aspx.pdf>



Source: Adapted from the Millennium Ecosystem Assessment (2005).

services on which businesses and human well-being depend. If current unsustainable trends continue, ecosystem services that are available today may become more costly or even cease to be available for future generations². The Economics of Ecosystems and Biodiversity (TEEB) has estimated the annual cost of lost biodiversity and ecosystem degradation to be about US\$2-4.5 trillion over a 50-year period³.

2 Millennium Ecosystem Assessment. 2005. Ecosystems and Human Well-Being: Biodiversity Synthesis.

Access: <http://www.maweb.org/documents/document.354.aspx.pdf>

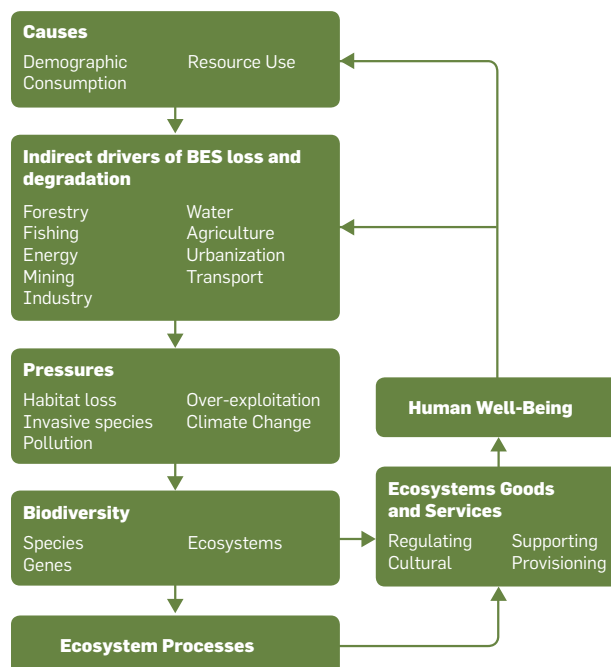
3 The Economics of Ecosystems and Biodiversity.

Access: <http://www.teebweb.org/>

Business and BES

The relationship between business and BES is two-fold. On the one hand, businesses rely on the goods and services provided by BES as input for their products and processes; on the other, they contribute to ecosystem change by generating impacts through their core operations, supply chains or investment choices. Businesses thus have an important role to play in effectively managing BES, both to ensure that their activities do not generate negative environmental impacts, and also to ensure that their impacts, both direct and indirect, do not negatively affect their own business operations or investments. Whilst businesses from all sectors have already begun to integrate BES practices into their overall business strategies, there is more to be done (see Box 1).

Figure 2. Human Impact on Biodiversity and Ecosystem Services



Sources: Adapted from the Millennium Ecosystem Assessment (2005) and the Living Planet Report (WWF, 2010)

Box 1. Objectives of the Convention on Biological Diversity

Realizing the vital importance of biological resources to economic and social development, the United Nations Convention on Biological Diversity (CBD) was opened for signature on 5 June 1992 at the United Nations Conference on Environment and Development (the Rio "Earth Summit") and entered into force on 29 December 1993. The Convention's three main objectives are:

1. The conservation of biological diversity,
2. The sustainable use of its components, and
3. The fair and equitable sharing of the benefits arising out of the utilization of genetic resources, including by appropriate access to genetic resources and by appropriate transfer of relevant technologies, taking into account all rights over those resources and to technologies, and by appropriate funding.

The CBD has recently adopted a strategic 10-year plan (Aichi Biodiversity Targets) that offers opportunities for better alignment between business strategies, the CBD's main objectives and new or improved public policies and regulatory frameworks. It has also launched a Global Platform on Business and Biodiversity to promote markets that support nature conservation and sustainable use (<http://www.cbd.int/business/>).

Section 1. The business case for action on BES

Around the globe, companies are increasingly integrating sustainability as part of their business agendas, seeking opportunities and innovations that contribute to corporate and investor success, while at the same time delivering societal value and developing innovative and transformative solutions. Part of this sustainability agenda is *effective environmental stewardship*. The UN Global Compact has defined good environmental stewardship as the comprehensive understanding and effective management of critical environmental risks and opportunities. As companies advance corporate sustainability, it is important to ensure that their strategies are based on an environmental stewardship approach that includes the sustainable and equitable use and conservation of BES to manage related impacts and dependencies.

1.1 Drivers for businesses to address BES: Risks and Opportunities

Companies today face growing pressure from shareholders, investors, customers, trading partners, NGOs, government and the public to manage and report on how they do business and increasingly, on how they manage the social and environmental effects of the impacts of their activities on BES. This pressure translates into business drivers in the form of risks and opportunities to address these impacts and improve the sustainability of their operations with regards to BES (See Table 1).

The failure to manage impacts and dependencies on BES poses a wide range of **risks**, which can potentially affect a company's competitiveness and profitability and increase its liabilities, thus threatening its long-term viability. BES-related risks can be **operational, regulatory and legal, reputational, or market and financial**. The loss or degradation of BES can affect a company's operations by reducing productivity, disrupting activities or limiting access to resources, resulting in increased operating costs. In terms of regulatory risks, companies may find it difficult to secure a legal or social license to operate if they are not accountable on ecosystem management. As a result of poor environmental practices, they may also face legal or financial liabilities that can ultimately hurt a company's reputation, decreasing brand and shareholder value. Clean-up

and compensation costs resulting from environmental disasters and malpractice judgements can severely affect a company's bottom-line, as well as its reputation.

In addition to being aware of the risks associated with BES, businesses also should recognize the important opportunities that exist to integrate BES conservation into their overall corporate sustainability strategies, and thus create significant added value (See Box 2). Companies may find the opportunity to tap into consumer preferences by developing new products and services, in addition to exploring revenues streams that may open with new green markets. Moving forward with these opportunities may allow companies to get ahead of regulatory requirements, better assimilate the costs of becoming compliant and achieve efficiency before their competitors. As the landscape of risks and emerging opportunities associated with BES management becomes clearer for business, companies that integrate biodiversity and ecosystem conservation into their business strategies will be able to develop this into a competitive advantage: as they manage their resources more efficiently, reduce risks and provide better products and services, they will be able to generate sustainable business outcomes and demonstrate corporate leadership in sustainability.



Table 1: Business drivers for action on BES

Public and private governance	<ul style="list-style-type: none"> • Regulatory rules and requirements: legislation and standards • Public policy: economic instruments such as taxes, subsidies, cap and trade systems • Corporate strategy and principles: commitments and targets • Boardroom focus: BES performance as a proxy for management quality
Non-financial economic benefits	<ul style="list-style-type: none"> • Securing both a legal and social license to operate • Improving reputation, brand value • Delivering corporate social responsibility • Managing non-technical risks • Responding to societal concerns • Providing employee satisfaction • Becoming a preferred business-to-business partner and gaining competitive advantage • Responding to customer demand and consumer preference • Establishing good local relationships by addressing livelihood dependence • Delivering social investment and performance
Financial incentives	<ul style="list-style-type: none"> • Generating savings from investing in natural infrastructure • Gaining resource efficiency • Limiting liability and compensation claims • Avoiding project delays • Creating markets and sources of income for goods, services and technology • Increasing share price by demonstrating good HSSE performance • Meeting investor and lender requirements: i.e. IFC performance standards, Equator Principles



Box 2. Risks and Opportunities from BES – Examples

Opportunity: Increasing company shares from product Innovation

Philips has reported that green products accounted for 39 percent of their sales in 2011, with the introduction of more than 4,000 new green products. The company has invested approximately 479 million EUR in green innovation and Eco-design to address sustainability challenges, including materials and energy efficiency. In addition, they have signed a statement of intent to: contribute to the restoration of BES in the Netherlands, reduce the impact of operations on BES, continue eco-design to develop green products, and work in partnership with IUCN to explore lightning Technologies to address disturbances to fauna.

http://www.annualreport2011.philips.com/content_ar2_011/en/sustainability_statements.aspx#section7

Opportunity: Meeting consumer preferences

A 2011 Union for Ethical Biotrade biodiversity survey showed that 80 percent of consumers want to be better informed about sourcing practices by companies. In addition, a high proportion of consumers (84 percent) would stop buying products if they knew the brand did not respect environmental or ethical practices. The 2012 survey revealed that 74 percent pay close attention to environmental and ethical labels when buying food and cosmetic products, while a large majority would like to be better informed about companies' sourcing practices (80 percent in western countries, 87 percent in emerging countries).

http://www.ethicalbiotrade.org/dl/BAROMETER_Web_2012_EN.pdf

Opportunity: Increasing company profits

Through its commercial buying policies, Kingfisher has committed to source responsible timber, and this strategy has resulted in a positive impact on profits through its commercial buying policies. Sales of Forest Stewardship Council-certified timber have been steadily increasing for the company since 2007 (FSC, 2010). In addition, Kingfisher, together with other retailers, formed the Timber Retail Coalition (TRC) to ensure ethical standards for timber and wood products sold in the European Union.

<http://www.fsc-uk.org/?p=191>

Risk: Jeopardizing a company's license to operate

Adverse impacts on BES can damage a company's reputation and restrict its social and environmental license to operate. Several companies have recently requested licenses to extract gold from an ecologically-important area that provides most of the freshwater supply for the city of Bucaramanga in Colombia. Extraction has faced opposition from local communities and NGOs, who claim they were never consulted on the projects. As a result of this opposition, the Colombian Government has put on hold the licenses to operate in this area.

<http://www.semana.com/nacion/santurban-hasta-donde-debe-llegar-mineria/173144-3.aspx>

Risk: Securing input for business

Stocks of North Sea cod, a popular food across northern Europe, have been greatly reduced by intensive fishing and other conditions. Overfishing led to a major population collapse in the 1990's, prompting a ban on cod fishing and jeopardizing business for many companies. Stocks of other fish, including haddock and hake, have also been seriously depleted. Affected by this reduction, Unilever committed to only purchase fish from sustainable sources and partnered with WWF to set up the Marine Stewardship Council (MSC).

http://www.unilever.com/Images/es_Unilever_FSI_brochureII_tcm13-13238.pdf

Risk: Meeting investor requirements

Investors are increasingly requiring that companies meet certain standards to access capital. For example, project sponsors must assess impacts on BES, natural habitats, invasive species and communities to receive financing from the IFC or from the 76 private financial institutions that have adopted the Equator Principles. IFC Performance Standard 6 on Social and Environmental Sustainability is applicable during the environmental and social impact assessment process for projects that: are located in modified, natural and critical habitats, or potentially impact or are dependent on Ecosystem services.

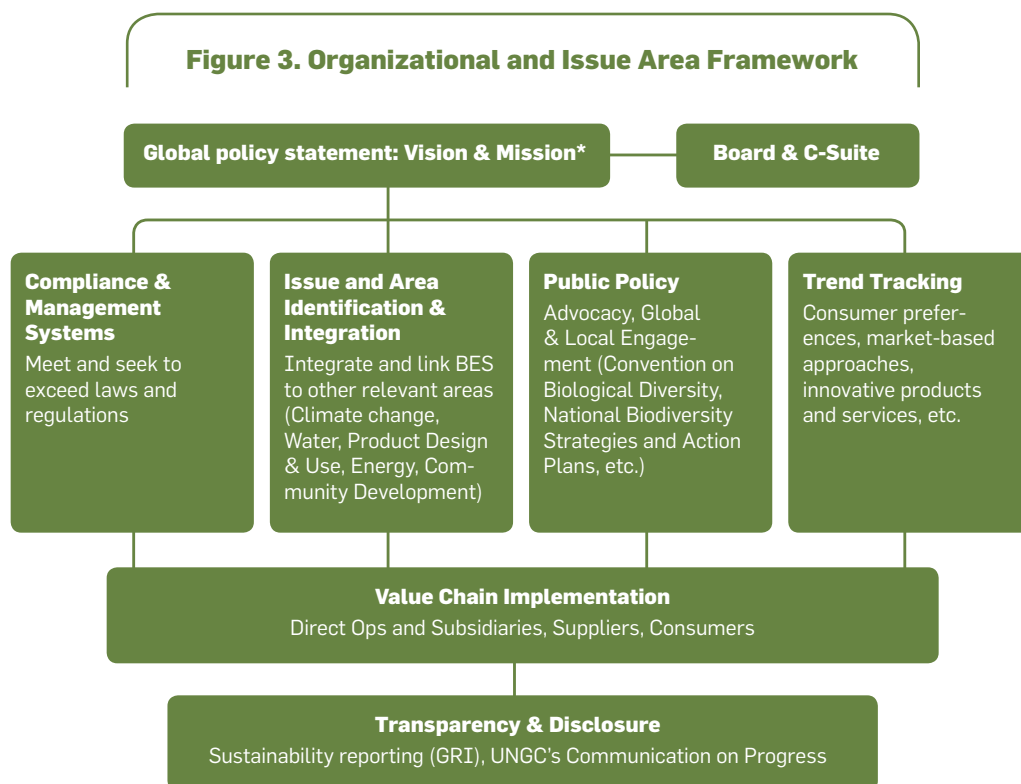
http://www1.ifc.org/wps/wcm/connect/bff0a28049a79_0d6b835faa-8c6a8312a/PS6_English_2012.pdf?MOD=AJPERES

1.2 Corporate governance and BES action

Responsible management of BES begins with corporate governance that integrates BES considerations into all aspects of management. Specifically, the Board can greatly contribute to shaping and managing the company's sustainability agenda and can integrate relevant BES issues into a broader strategy of sustainable operating guidelines, policies and practices to address social and environmental impacts (Figure 3).

As biodiversity and ecosystem services move up the corporate agenda, businesses will need to start developing goals and targets for BES that

can be integrated into risk and opportunity assessments, core operations and supply management, as well as financial accounting, auditing and reporting. It can be helpful for a company to articulate the relevance of BES issues to its operations or products and identify which aspects of its impacts and dependencies on BES should be prioritized for action. The following sections provide recommendations, a BES management checklist and a reference to tools that companies can use to take advantage of opportunities related to BES, allowing them to both contribute to overall global sustainability and gain competitive business advantages.



BES can be embedded into the overall strategies and activities of the company as suggested in Section 2 of this framework. (* UNGC principles can be considered and integrated within the mission, vision and strategies of a company)

Section 2. Management recommendations for developing a BES strategy

Companies need to start making the connections between healthy ecosystems, their supply chain, consumer demand and the future value of their businesses. They will face varying BES-related risks and opportunities, depending on their sector and the local environmental and socio-economic context.

Businesses seeking to improve their performance in relation to BES management will inevitably implement different strategies, based on their specific impacts and relative dependency on BES. Nevertheless, there are some common elements that should be present in any BES strategy, regardless of level of impact or dependency, which will enable a company to make real progress toward effective management of BES issues.

These common elements were identified through a consultative process and based upon other initiatives such as TEEB for Business, and are summarized in the following ten recommendations for developing a comprehensive BES strategy.

- 1 Identify and value the company's dependencies, as well as its direct and indirect impacts on biodiversity and ecosystem services. Take an additional step and adopt an integrated reporting approach that shows impacts and dependency as an integral part of company operational and financial performance at different levels.
- 2 To effectively manage impacts and dependencies on BES, adopt the mitigation hierarchy to avoid, minimize and rehabilitate negative impacts and then offset any unavoidable residual biodiversity losses (*See Box 3*). Encourage the adoption of this approach throughout the supply chain. As an initial step in implementing this hierarchy, prioritize implementation on sites of high biodiversity value.
- 3 Strive to set BES targets focused on achieving a net positive impact or at the minimum no net loss of biodiversity.
- 4 Identify ecosystem linkages at the landscape level, "beyond the fence" of the operational site, and build these linkages into site-specific and supply chain operational plans. Landscape-level approaches involve integrated planning for natural resources management that links local and operational site-based initiatives with the wider national or regional perspectives of natural resource management.
- 5 Contribute positively to local community development. Respect land rights and land-use rights of local stakeholders, safeguard livelihoods of local natural resource-dependent communities and involve them in decision-making.
- 6 Ensure that the development and implementation of a BES strategy includes engagement with relevant stakeholders, such as local communities living near the operation site, communities whose livelihoods are derived from the use of such resources impacted by operations and local government, in order to advance common goals and ensure that environmental as well as social needs are met.
- 7 Monitor, evaluate and report on biodiversity impacts using relevant biodiversity and ecosystem service impact indicators, and establish a review mechanism to build these results into company strategy and overall corporate sustainability.

8 Contribute to shaping public policies that will create the enabling environment for better integration of BES issues into business activities, and in particular create a level playing field for all companies.

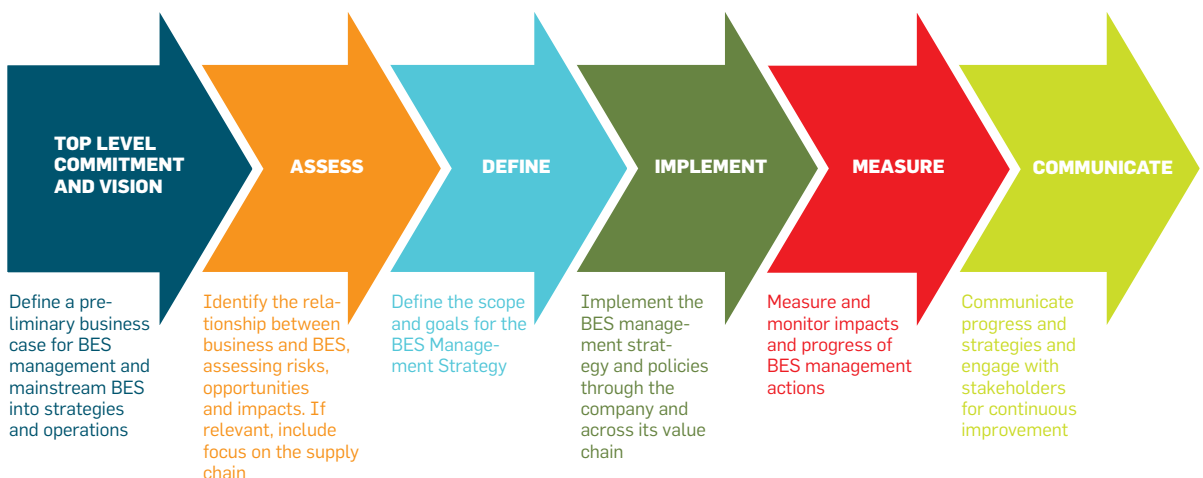
9 Extend the BES strategy along the supply chain. Integrate requirements to safeguard BES in sourcing schemes and provide support to suppliers, especially micro and small and medium-sized operators. For companies upstream in the value chain, make product stewardship commitments and work downstream to promote responsibility among players along the value chain to encourage a “holistic product approach”.

10 Establish partnerships with other organizations (businesses, nongovernmental organizations, academia, etc.) to achieve greater impact beyond the company’s immediate reach or footprint, while supporting BES policy implementation.

To complement these key BES recommendations, the UN Global Compact and IUCN have developed a procedural checklist for integrating BES strategies into business operations. A working group was established (see Appendix 1) to identify crucial steps along the procedural pathway. Through various consultations, the working group provided suggestions on how the top management of companies could integrate BES strategies into their operations. These suggestions were categorized into one of six management stages following the main steps of the UN Global Compact Management model.

The resulting check list (available as Appendix 2 of this document) proves that whilst providing guidance applicable to a variety of companies may be challenging, given that companies operate in different contexts, there are common elements that can be used to address BES challenges. Figure 4 summarizes some of the key steps companies should include within existing environmental management systems or as part of a BES action plan (See Appendix 2 for check list).

Figure 4. BES Management Model

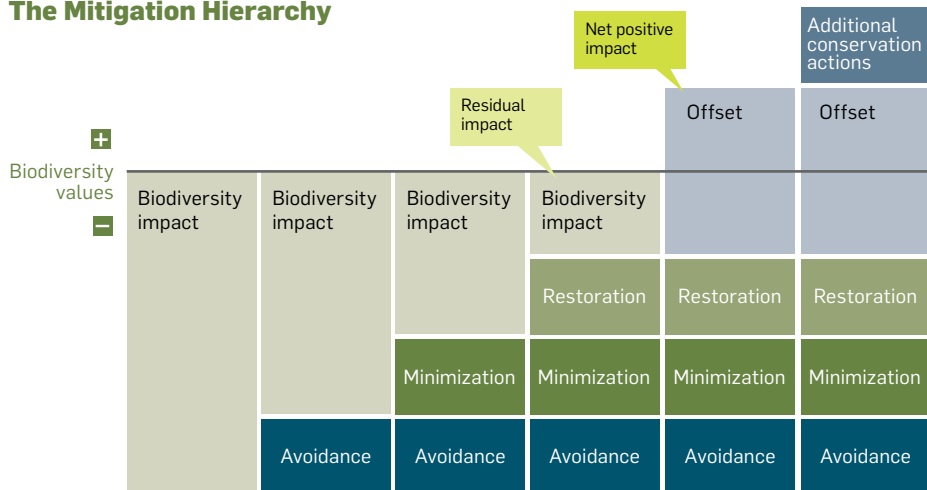




Box 3 : The Mitigation Hierarchy and Biodiversity Offsets

The mitigation hierarchy is widely regarded as a best practice approach to managing biodiversity risk. According to the mitigation hierarchy, efforts should be made to prevent or avoid impacts to biodiversity. Following this, efforts should be made to minimize impacts, and then restore adverse effects. After these steps have been implemented, any residual negative effects should be addressed via a 'biodiversity offset' in order to achieve 'no net loss' of biodiversity or 'net positive impact' on biodiversity, where offsets take overall impacts significantly higher than a 'no net loss' level. Offsets are "measurable conservation outcomes resulting from actions designed to compensate for significant residual adverse biodiversity impacts arising from project development and persisting after appropriate prevention and mitigation measures have been implemented" (BBOP, 2010).

The Mitigation Hierarchy



Sources: Rio Tinto and Biodiversity –Achieving results on the ground, <http://www.riotinto.com/documents/ReportsPublications/RTBiodiversitystrategyfinal.pdf>, BBOP (2012) <http://bbop.forest-trends.org/>

Section 3. Collaboration and collective action on BES

Increased awareness of the pressures exerted on companies to act responsibly on economic, social and environmental issues has led companies to seek active involvement and collaboration with relevant stakeholders to promote the sustainable and equitable use and conservation of natural resources. Stakeholders are those groups or individuals that are affected by business activities and/or have the ability to affect the outcome of those activities. This encompasses a range of actors, including local communities, governments, financial institutions, shareholders, employees and consumers.

The appropriate internal or external stakeholders to partner with may vary for a company, depending on the stage of operations. Thus, companies need to identify and assess relevant stakeholders and determine which forms of collaboration may have the greatest impact at different stages.

3.1. Inclusiveness and collective action

Collaborative action between relevant stakeholders promotes inclusiveness and partnerships that can lead to positive impacts for those affected, contribute to the sustainable and equitable use of BES, decrease associated risks for the company and legitimize the company's corporate sustainability efforts.

Involving relevant stakeholders in the development and implementation of a biodiversity strategy can have many benefits, including obtaining both a legal and social license to operate, increasing productivity, attracting ethical consumers and investors and securing future access to natural resources. Creating partnerships and involving all relevant actors not only leverages expertise, capacities and resources but can also lead to: sharing of innovative technologies and practices, support for participatory decision-making and conflict resolution, advancement of best management practices, and the building of coalitions to shape an enabling environment that increases BES action and benefits for all actors. Thus, it is important for companies to identify the most strategic types of engagement and the most appropriate partners. There are various scales at which to pursue engagement and action, including internal, local or regional, national and international (see Table 2).

Scale or scope	Stakeholders	Engagement opportunities/benefits
Internal operations	<ul style="list-style-type: none"> • Employees • Shareholders 	<ul style="list-style-type: none"> • Assess risks and opportunities • Share decision-making and responsibilities, increasing involvement of stakeholders • Increase transparency and thus credibility of the company • Build corporate values and capacity of staff
Local community/ authorities	<ul style="list-style-type: none"> • Local communities • Community-based organizations 	<ul style="list-style-type: none"> • Improve reputation and access license to operate by improving social and environmental performance • Improve capacity to work with communities • Reduce operational risks • Develop inclusive business models that account for BES and the community
National	<ul style="list-style-type: none"> • National agencies • National government bodies • National NGOs 	<ul style="list-style-type: none"> • Identify changes in pending regulations that can affect the company • Provide input into processes designed to shape regulations
International	<ul style="list-style-type: none"> • Global initiatives and working groups 	<ul style="list-style-type: none"> • Receive global recognition of efforts and image as a responsible brand • Share knowledge of best practices and approaches

Within certain industry sectors, companies have begun collaborating together to develop standards and share best practices in order to increase overall efficiency and reduce duplication and inconsistencies. Already various industry associations such as International Council on Mining and Metals or the Cement Sustainability Initiative are encouraging members to include BES concerns as part of their core operations. Collaboration within sectors can also leverage common concerns and may lead to coalitions that go beyond the local to influence national policies and regulations that foster greater BES business action.

An inclusive approach to BES action also involves the equitable sharing of benefits arising from the use of biological resources (*see Box 4*). This component is particularly important when working with communities and implies a social aspect to business development. Companies

making use of natural resources and operating in areas where they have potential impacts not only on BES but on local communities need to account for the social impacts of their operations, involve communities in discussions and recognize property rights. Integrating such considerations can reduce reputational and operational risk (*See Box 2*). In particular, the objectives of the UN Convention on Biological Diversity objectives and the Nagoya Protocol highlight the importance of the fair and equitable sharing of the benefits arising out of the utilization of genetic resources, taking into account free and prior consent of local communities, mutually agreed terms for resource use and monetary benefits from the commercialization of products based on genetic resources.

Box 4: The CBD Nagoya Protocol on Access and Benefit Sharing

One of the objectives of the UN Convention on Biological Diversity (CBD) is the fair and equitable sharing of the benefits arising out of the utilization of genetic resources. This objective developed into an international agreement – the Nagoya Protocol – which aims at sharing the benefits fairly and equitably, including by appropriate access to the resources and by appropriate transfer of relevant technologies, on the basis of prior informed consent and mutually agreed terms.

Genetic resources, whether from plants, animals or micro-organisms, are used for different purposes that include research and the development of new products in sectors such as agriculture, pharmaceuticals, cosmetics or biotechnology. In some cases, traditional knowledge is associated with the use of these resources, which also provides value. Parties to the Convention may apply voluntary guidelines on access and benefit sharing (ABS) developed by the Convention (Bonn Guidelines – guidance on establishing administrative, legislative or policy measures on ABS for providers and users) or ratify the Nagoya Protocol, which will enter into force when it has been ratified by 50 countries.



3.2 Involving the supply chain

Companies are increasingly being held accountable for the impacts generated throughout the supply chain footprint of a product, and face a risk of reputational damage if biodiversity-related inputs are procured from unsustainably sourced resources. The increasing interest of consumers, retailers and regulators in the carbon, water and biodiversity footprint of products can drive action by producer companies to work along their supply chain to control and measure BES impacts of their entire production process.

Businesses in different sectors may find that sustainably managing BES throughout the different stages of their supply chains is critical to addressing associated risks and to capture emerging opportunities when doing so. As natural resources are present in all produc-

tion processes, the sustainable use of resources throughout the supply chain is crucial to ensure a ready supply of production components and minimize the potential for business disruption from BES-related impacts.

Close collaboration with suppliers on BES strategies will be vital for realizing the benefits associated with sustainably managing a company's supply chain. This collaboration can lead to products that are innovative, have fewer negative impacts on BES and increase sales for companies. In addition, integrating suppliers as part of the strategy to address BES challenges contributes to a process of due diligence, thus minimizing reputational or operational risks from unexpected issues.

Section 4. Setting goals and tracking performance

4.1. Setting goals

As suggested by the UN Convention on Biological Diversity, understanding impacts and dependencies and involving relevant stakeholders are essential to informed decision-making and to designing interventions that effectively address the effects of core operations or supply chains on BES.

Whether a company has large or small impacts or is highly or only marginally dependent on BES, its goals and commitments on BES issues should be supported by guiding principles, developed at the highest levels of management, that direct the company's voluntary actions. These principles can help a company set responsible and plausible goals and targets that reflect best practice and, most importantly, indicate desired outcomes.

These goals should then be translated by the company into specific and relevant policies and strategies. The three environmental principles of the UN Global Compact may offer guidance on issues such as innovation, cooperation and self-regulation of environmental strategies. For example, Principle 7 refers to taking a precautionary approach to environmental challenges, given the fact that the effects of BES loss and degradation are highly uncertain. Precaution may help to avoid high future costs from actions that result in irreversible environmental damages. Principle 8 promotes greater environmental responsibility, while Principle 9 promotes the development and diffusion of environmentally friendly technologies.

4.2. Monitoring, evaluating and disclosing company performance

Once a company has set goals, decided on which activities to pursue and implemented a plan of action to manage BES issues, it is important to integrate processes to measure its performance against goals or standards. This process will allow a company to understand and evaluate how much progress has been achieved against set targets and what areas or policies need to be reinforced.

Companies should implement monitoring and evaluation programmes to track progress of implementation at different levels of their operations, whether at the product level or throughout the supply chain. This information is crucial to support decision-making processes, inform project management and report to external and internal stakeholders on the company's performance.

Companies can develop SMART indicators that are specific, measurable, achievable, relevant and time-bound. Although indicators will vary from project to project, SMART indicators can show the success or failure of actions carried out by the company and includes the establishment of periodic reviews and validation of the plans of action.

Corporate sustainability reporting is an effective way for companies to communicate on their performance. Reporting can also legitimize efforts and build credibility with stakeholders. There are several tools available for reporting on performance and results, for example the Global Reporting Initiative (GRI), which has worked with the UNGC on annual integrated corporate reports for those companies that have joined the UN Global Compact (see Box 5). In general, and as acknowledged by the CBD, reporting serves three main purposes:

1. As a tool for objective communication with stakeholders about the company's performance. Stakeholders, such as investors who want to understand whether poor BES performance can become a business risk or communities that may be affected by operations, have an interest in understanding whether companies are actually making progress on BES issues.
2. As an internal management tool to align different parts of the organization with company strategies, policies and responsibilities on BES. Reporting also helps companies to continue assessing risks and opportunities and to integrate these assessments into management processes.
3. As a source of information for markets to systematically incorporate BES considerations into decision-making.



Box 5: Reporting company performance on BES

There are various ways that companies can report on their BES-related activities. Companies can become certified through management systems such as ISO 14001, or they can use guidelines for reporting such as the GRI or the UNGC's Communication on Progress. The GRI promotes a standardized approach to sustainability reporting that is based on environmental, social and economic indicators. In 2006, the guidelines for reporting were revised and now include a number of indicators on biodiversity.

The annual Communication on Progress – required for UN Global Compact business participants that have committed to integrate the UN Global Compact ten principles into their business strategies and day-to-day operations – can also serve as a way to disclose advancements in relation to the four main issue areas included in the communication (human rights, labour, environment and anti-corruption). In particular, companies can communicate progress on the three environmental principles (Principles 7, 8 and 9), which closely relate to the UN CBD's objectives.

Other reporting initiatives with implicit indicators that can help companies to report on and disclose their progress include the Carbon Disclosure Project and the Forest Footprint Disclosure.

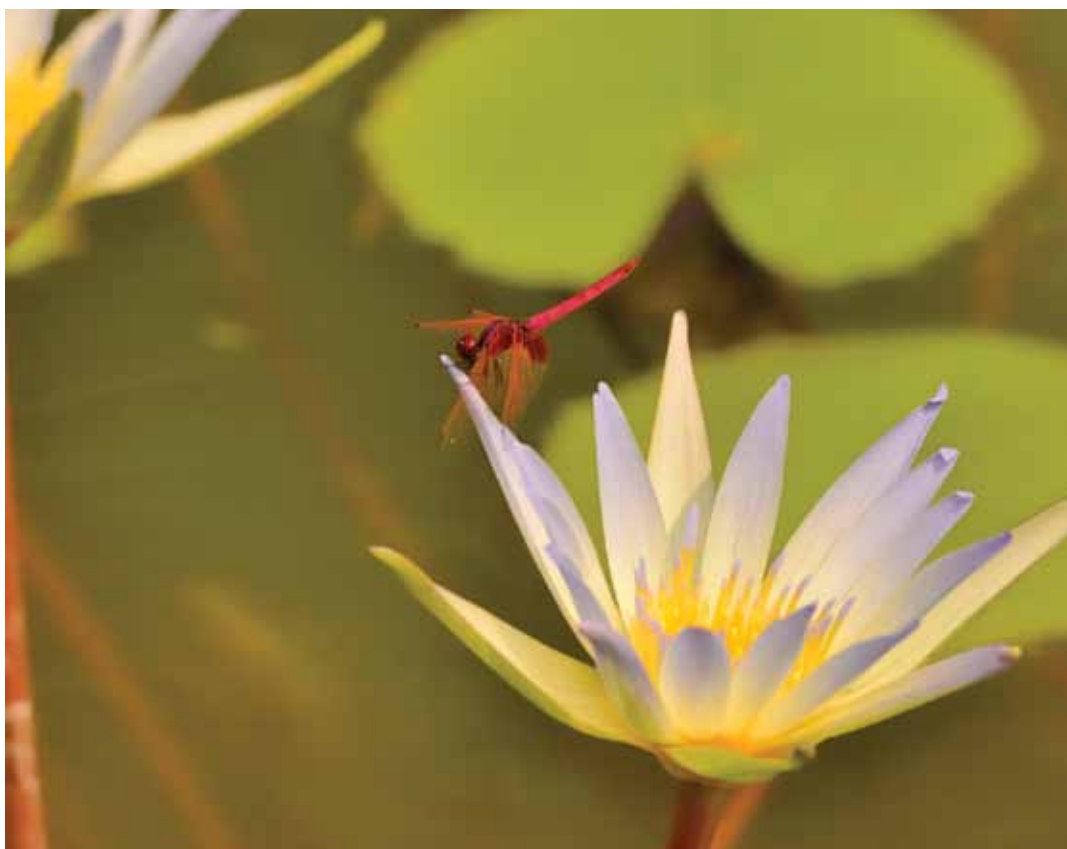
Source: http://www.unglobalcompact.org/COP/communicating_progress/cop_policy.html,

Conclusion

All businesses, regardless of size and sector, depend upon and impact on biodiversity and ecosystem services. As such, this framework has sought to provide an overview of how companies can approach the management of BES. By realizing the importance of integrating BES considerations into their overall corporate sustainability strategies, understanding how activities impact BES through core operations and supply chains, developing management strategies and engaging with relevant stakeholders who can help advance BES outcomes, companies can address potential risks and gain a competitive advantage over their peers that have not yet recognized the benefits of good environmental stewardship in relation to BES issues. Hence, companies can create profitable opportunities in line with consumer

preferences, which are increasingly favouring greener and more responsibly sourced products. Integrating the proposed recommendations on Section 2 and following the BES management strategy checklist suggested in this framework can help companies to seize such opportunities and ultimately achieve relevant BES conservation outcomes.

This framework was created as a flexible, living document that will be updated to remain relevant and effective, and thus the suggested model and tools presented here may evolve over time according to new challenges and needs. The framework also reflects the currently available strategies and tools to address BES challenges; these will also be updated as new tools and mechanisms are developed.





Glossary

Biodiversity – the diversity of genes, populations, species, communities and ecosystems that underlies all ecosystem processes.

Corporate Sustainability – as defined by the UN Global Compact, corporate sustainability is a company's delivery of long-term value in financial, social, environmental and ethical terms.

Ecological Footprint – represents the amount of productive land and sea necessary to supply the resources consumed by a human population and assimilate the associated waste. A footprint analysis compares human demand on nature with its ability to regenerate resources and provide services.

Ecosystems – according to the CBD definition, an ecosystem is a dynamic complex of plant, animal and micro-organism communities and their non-living environment acting as a functional unit. Ecosystems have no fixed boundaries and depending on the purpose of analysis, a single lake or a watershed could be considered an ecosystem.

Ecosystem processes – the physical, chemical and biological actions or events that link organisms and their environment such as decomposition, nutrient cycling, production of plant matter, and fluxes of nutrients and energy.

Ecosystem services – the benefits that humans derive from ecosystems. These are obtained only if ecosystems include the biodiversity that guarantees the functional ecosystem processes that are needed to deliver them.

No net loss or Net positive impact – Companies in some sectors (i.e. extractives) may lead operations that can inevitably result in some loss of BES in a given area despite mitigation and restoration efforts. In this case, the company can aim to achieve no net loss or a net positive impact by taking actions to conserve and restore BES in other areas and striving to maintain overall ecological integrity.

Species – a group of organisms that differ from all other groups of organisms and which are capable of breeding and producing fertile offspring.

Appendix 1: List of working group Members

To support the development of this framework, a working group, comprised of companies from various sectors, UN agencies, civil society and academia, provided insight into what the main aspects of a framework for corporate action on BES should be, and suggested relevant strategies to help companies tackle the BES challenge. We thank the following for their contribution:

- Secretariat of the Convention on Biological Diversity
- UN Conference on Trade and Development
- UNEP—Financial Initiative
- UNEP – World Conservation Monitoring Centre
- IUCN – Commission on Environmental, Economic and Social Policy
- Sustainable Agriculture Initiative
- International Council on Mining and Metals
- World Business Council for Sustainable Development
- Movimiento Empresarial Pela Biodiversidade (MEB)
- Duke University
- Novartis
- Eskom
- Holcim
- Nestle
- Carbones Del Cerrejon
- Grupo Boticario
- Syngenta

Appendix 2: The BES Management Strategy Checklist

The UNGC and IUCN formed a working group to assess which actions could be included in a BES management model. Through various consultations, the working group provided suggestions on how the top management of companies could integrate BES strategies into their operations. These suggestions were categorized into one of six management stages following the main steps of the UN Global Compact Management Model, which is used to align corporate sustainability strategies with efforts on four different fronts (environment, human rights, labour and anti-corruption).

The following checklist suggests some of the key steps companies can include within existing environmental management systems or as part of a Biodiversity action plan.

BES Management Strategy Checklist

Stage 1: Establish Top-level commitment and vision
<p>1.1 Define a preliminary business case for BES management specific to corporate needs and/ or strategy: what advantage would improved BES management confer to the company: market leadership, cost savings, employee motivation, improved market share, set standards for emerging regulatory framework etc.</p>
<p>1.2 Identify experience from other companies (either within or outside the sector) with mainstreaming BES. Identify major lessons (both positive and negative) that may be relevant to the specific situation of the company.</p>
<p>1.3 Solicit support from key operational divisions, key senior managers and board members who will be instrumental in implementing BES protocols and secure a mandate for a "network of BES champions" to take this work forward.</p>
<p>1.4 Test preliminary assumptions behind corporate BES business case with BES network and define a provisional working goal, associated objectives and timeframe for the development of an ecosystem services framework.</p>

Stage 2: Identify the relationships between business and BES

- 2.1** Develop a full understanding of BES within the context of the corporate business strategy, operational procedures and associated risks:
- How does a company impact BES and where does it have its largest footprint (upstream, downstream operations, supply chain)?
 - Assess risks and opportunities arising from poor management of BES.
 - Assess dependencies of the organization on BES along the value chain, focusing on the company's operations, procurement (suppliers, sub-suppliers) of raw materials and the use by consumers of the company's products.
 - Understand and quantify the benefits of specific BES components upon which the company is dependent and assess the status of these BES components.
- 2.2** Conduct a baseline study on the major operational activities, products or services that are likely to have clear impacts on BES (based on conclusions from 2.1) and document the adequacy of existing corporate practices to either mitigate risks or safeguard critical ecosystem services.
- 2.3** If relevant, include a focus on the supply chain and progressively implement procurement requirements that encourage and eventually require suppliers to adopt best practices.

Stage 3: Define the BES management strategy's scope and goals

- 3.1** Establish a concrete corporate goal and associated objectives, along with a defined timeline for corporate-wide roll out, for BES management.
- 3.2** Establish working benchmarks to "do no harm" and "do some good" with respect to avoiding, minimizing or negating the impact on those BES components most affected by company operations. A BES management pilot strategy should:
- Focus on those actions that the company can undertake related to operations for which it is responsible or has a degree of influence.
 - Be limited to testing in a few geographic localities (depth rather than breadth).
 - Be based upon measurable targets or (more likely) establish a robust framework by which credible targets can be established and reliably measured.
 - Ensure that draft BES management protocols and methodologies are consistent with the format and oversight requirements of existing corporate operational procedures.
 - Include, if appropriate, a strategy for those BES components that are indirectly impacted by the company or by others and on which the company is dependent.
 - Identify partners with the appropriate skill profile to help develop credible methodological and monitoring frameworks.
 - Make provision for a 3rd party independent assessment/ audit at the end of the pilot period.
- 3.3** Establish annual corporate targets and managerial incentives for direct action in implementing the corporate BES management strategy. Ensure responsibility and accountability for internal awareness rising and implementation of the strategy is clearly assigned. Simultaneously, invest in innovation and technological development to improve the environmental performance of the operating units.

Stage 4: Implement

- 4.1** Implement, review and refine a methodological framework for avoidance, control, mitigation and compensation for the risks and negative impacts or for the enhancement of positive impacts in pilot sites.
- 4.2** Independently assess the robustness, validity and replicability of actions taken at pilot sites. Identify how the outcomes of the pilot phase can be translated into company policies that express the commitment to BES and feasibly align the organization towards these goals.

Stage 5: Mainstream measuring and verification

- 5.1** Formalize and disseminate a measurement and verification protocol (including provision for period independent audit and review) that monitors the effectiveness and efficiency of the BES management actions and, when necessary, corrects any non-compliance and performance failure.
- 5.2** Continue to review BES footprint according to the chosen scope and systematically implement corporate BES monitoring and verification protocol.
- 5.3** Evaluate the results both internally, if appropriate, and as part of an independent certification scheme or widely accepted international performance standards. Based on the results, continue to refine and improve the procedures.

Stage 6: Communicate progress & engage with stakeholders

- 6.1** Perform comprehensive and transparent disclosure of company progress towards meeting its BES commitments/corporate targets.
- 6.2** Communicate and collaborate with stakeholders, including governments, NGOs, investors, and other companies to take collaborative action on those aspects which can only be addressed in partnership.
- 6.3** Engage industry associations and sectoral platforms with a view to advancing BES best practice management across the sector.
- 6.4** Establish networks and partnerships with local, national and international NGOs and environmental specialists in the field of BES with the objective of ensuring a multidisciplinary approach and knowledge-sharing.



Annex 3: Suggested Tools for BES management

ARIES – Assessment and Research Infrastructure for Ecosystem Services Project

Tool for assessing, planning and valuing ecosystem services. <http://ecoinformatics.uvm.edu/aries>

Integrated biodiversity assessment toolkit – IBAT

Provides an overview for businesses on available tools and partnerships that can help them manage BES resources. <http://www.ibatforbusiness.org/>

Business and Biodiversity Offsets Programme – BBOP

Assessment on whether offsetting is appropriate and provides guidance on how to design offsets. Shows business how to use the mitigation hierarchy (avoid/minimize/restore/offset) to achieve no net loss or a net gain of biodiversity.

<http://bbop.forest-trends.org/>

Proteus [UNEP WMCM – Business partnership]

Provides information on protected areas, BES-relevant sites and status of marine and coastal systems. <http://www.proteuspartners.org/>

Guide to Corporate Ecosystem Valuation [WBCSD]

Framework that helps businesses to integrate ecosystem valuation into their accounting system. <http://www.wbcsd.org/work-program/ecosystems/cev.aspx>

Global Water Tool [WBCSD]

Maps water use by companies and assesses risks through their global operations and supply chains. <http://www.wbcsd.org/work-program/sector-projects/water/global-water-tool.aspx>

Business Ecosystems Training [WBCSD]

Free capacity-building programme to increase the knowledge and understanding of the links between ecosystems and business.

<http://www.wbcsd.org/bet.aspx>

The Corporate Ecosystem Services Review [WRI, Meridian Institute, WBCSD]

Methodology to help managers develop strategies to manage business risks and opportunities. <http://www.wri.org/publication/corporate-ecosystem-services-review>

INVEST – Integrated Valuation of Environmental Services and Tradeoffs [Natural Capital Project]

Tools to map and value ecosystem services to help in decision-making and management choices. The tools can help estimate how the current location, amount, delivery and value of relevant services are likely to change in the future. <http://www.naturalcapitalproject.org/InVEST.html>

Global Action Network for Transparency in the Supply Chain

Tool to offer GRI-certified training and one-on-one support to their Small and Medium Enterprise Suppliers in preparing a GRI G3 sustainability report <https://www.globalreporting.org/reporting/reporting-support/support-for-supply-chain/Pages/default.aspx>

Global Reporting Initiative GRI – Biodiversity supplement

Resource to help companies understand reporting in relation to biodiversity. <https://www.globalreporting.org/resource/library/Biodiversity-A-GRI-Resource-Document.pdf>

Global Reporting Initiative – G3 Guidelines

G3 guidelines provide information on how to report and on what should be reported in terms of disclosure on management and performance indicators. In the environmental category there are 5 performance indicators that ask companies to report on various biodiversity-related issues such as size of land owned in protected areas, impacts of activities, strategies for managing impacts on biodiversity, etc. <https://www.globalreporting.org/reporting/latest-guidelines/g3-guidelines/Pages/default.aspx>

Industry Initiatives

Biodiversity indicators for monitoring impacts and conservation actions

[The Energy and Biodiversity Initiative]

Methodology for developing site-level indicators to monitor BES impacts. www.theebi.org/pdfs/indicators.pdf / <http://www.theebi.org/>

The Ecosystem Services Benchmark

[The Natural Value Initiative]

A tool for investors to assess the management of BES risks and opportunities in companies with an agricultural supply chain. http://www.unepfi.org/fileadmin/documents/ecosys_benchmark.pdf

IPIECA – Ecosystem services guidance

Various guides for the Oil and Gas sector
<http://www.ipieca.org/focus-area/biodiversity>

ICMM – Biodiversity

Sustainable development framework, Good practice Guidance on Mining and Biodiversity and ICMM-IUCN dialogues. <http://www.icmm.com/biodiversity>

Better Sugarcane Initiative

Standards and certification Schemes to produce sustainable sugar. <http://www.bettersugarcane.org>

Roundtable on Responsible Soy Association

Standards for responsible soy production. <http://www.responsiblesoy.org>

Roundtable on Sustainable Biofuel

Third party certification system for biofuel standards. <http://cgse.epfi.ch/page65660.html>

Roundtable on Sustainable Palm Oil

Site and supply chain certification scheme and a biodiversity group to address.
<http://www.rspo.org/>



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The Ten Principles of the United Nations Global Compact

HUMAN RIGHTS

- Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2 make sure that they are not complicit in human rights abuses.

LABOUR

- Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4 the elimination of all forms of forced and compulsory labour;
- Principle 5 the effective abolition of child labour; and
- Principle 6 the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

- Principle 7 Businesses should support a precautionary approach to environmental challenges;
- Principle 8 undertake initiatives to promote greater environmental responsibility; and
- Principle 9 encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

- Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery.

