

RM@RM
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Reporting & Targeting for CBD Resource Mobilization: *a Global Compact view*

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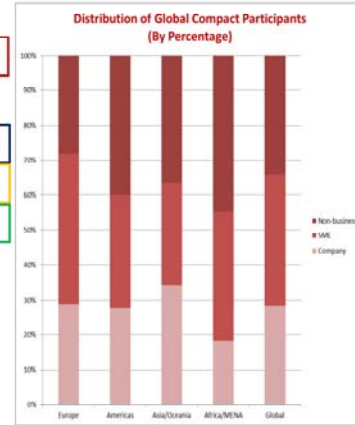
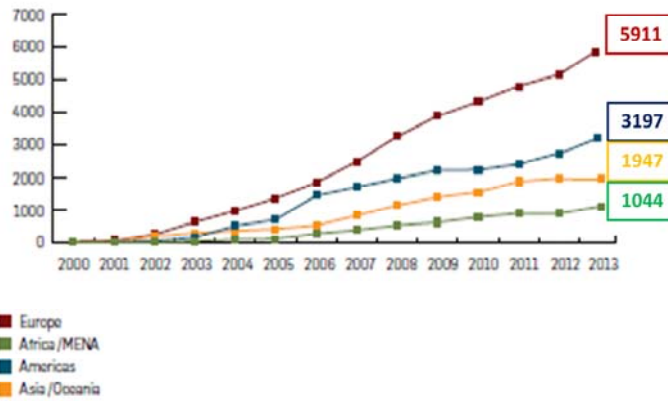


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Good afternoon everybody, first of all I'd like to say that professor Frey apologises for he is not able to be here today , due to previous engagements, so, I am going to present on his behalf some key points addressed by the Global Compact's strategy for private sector to deal with [biodiversity loss and ecosystem services reduction](#).

UN Global Compact

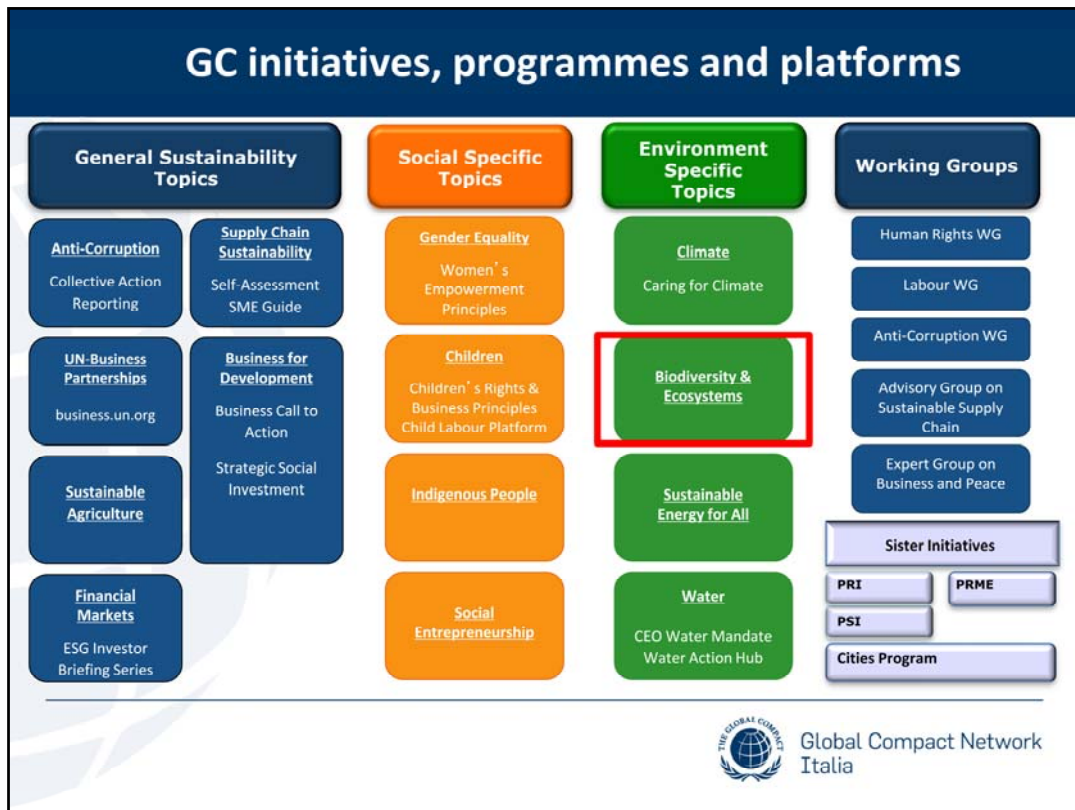
- The Universal Declaration of Human Rights
- The International Labour Organization's Declaration on Fundamental Principles and Rights at Work
- The Rio Declaration on Environment and Development
- The United Nations Convention Against Corruption



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The UN Global Compact is a strategic policy initiative for businesses announced in 1999 (while the Italian network was established soon in 2003) aimed at aligning business strategies with a number of universally accepted principles concerning human rights, labour, environment and anti-corruption.

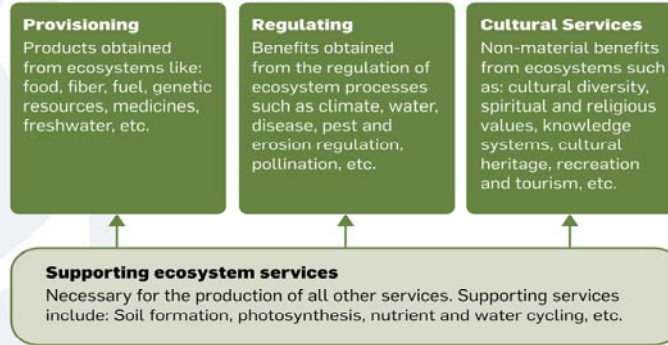
Adhesion to the Global Compact's non-binding principles is voluntary and recent figures show a growth in the popularity of the initiative with a strong increase in the number of partners involved and a pretty equivalent percentage of partners distribution amongst the corporate, small and medium enterprises and non-business sectors in almost all the continent (left aside Africa).



The issue of biodiversity and ecosystems management is one of the key topics included in the environment pillar of Global Compact

a *Global Compact* view on biodiversity and ecosystem services

Figure 1. Types Of Ecosystem Services



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




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Biodiversity is defined as the life support system of this planet from which human livelihood depends, and it is thus crucial in the provision of ecosystem service since the functioning of an eco system and thus its ability to provide services, is strongly influenced by the functional and structural variability in genes, species and ecosystems. Services includes goods provision, regulation of ecological processes and non-material benefits.

Specific aspect of biodiversity	Examples of ecosystem functions	Examples of ecosystem services	Example of benefits	Benefits for organizations & businesses
Genetic diversity	Source of unique biological materials & products	Medicine & agricultural products	Control of disease; health from use of medicines; nutrition; individual pleasure from enjoying variety in food	Pharmaceutical & agro-food companies rely on genetic biodiversity to find new drugs or seeds
Population size and biomass	Primary production extractable as food	Food from crops, fisheries or timber	Health and human material well-being, energy for comfortable temperature control, quality of life, recreational value, etc.	Consumer goods & retail companies benefit from higher productivity rates & improved quality (e.g., Unilever, IKEA).
Interaction between organisms & their abiotic environment	Recovery of mobile nutrients & removal or breakdown of excess nutrients & compounds	Water purification	Clean and safe drinking water, avoidance of disease, recreational value, etc.	Water management companies benefit from higher efficiency & increased quality (e.g., Veolia Waters)
Interaction between organisms and species	Movement of floral gametes (reproductive cells)	Pollination	Health, adequate food production, recreational value, etc.	Companies in the agriculture industry benefit from increased land productivity (e.g., Syngenta)

Winn M. & Pogutz S., *Business, Ecosystems, and Biodiversity: New Horizons for Management Research*, Organization & Environment, 2013

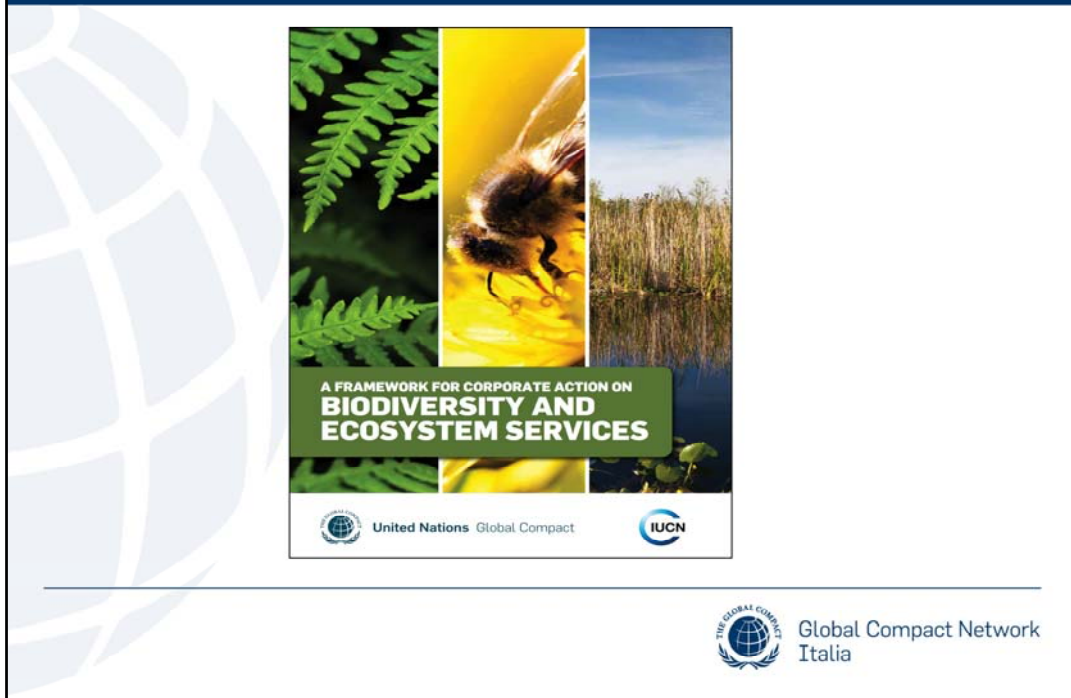


Economic prosperity and human well-being is strongly dependent upon natural capital, which is the world's stocks of natural assets. The OECD's Environmental Outlook to 2050 report (2012) claims that erosion, loss and damage of natural capital provoke irreversible changes that deeply affect our lifestyle, have significant costs in terms both of restoration or substitution and can also severely affect private sector performances.

In fact, from the one side firms relies on goods and services provides by biodiversity and ecosystem services as inputs for production and processes; from the other side ecosystems absorb and process the undesired outputs of production processes.

For instance , the Economics of Ecosystems and Biodiversity report (TEEB) has estimated the annual cost of lost biodiversity and ecosystem degradation to be about US\$2-4.5 trillion over a 50-year period)

The Global Compact framework



Businesses depend upon and have a direct or indirect impact on biodiversity and ecosystem services through their operations, supply chains or investment choices. It is thus important for businesses to integrate environmental considerations into their practices and to participate in the sustainable and equitable use and conservation of BES.

This Global Compact's framework report is to contribute to the integration of sustainability concerns into business activities as part of corporate strategies, which will contribute to achieving long-term profitability, as well as broadening sustainability goals.

Drivers for businesses to address BES

operational, regulatory/legal, reputational,
market and financial



- reducing productivity, disrupting activities or limiting access to resources
- difficulty to secure a legal or social license to operate
- affection of company's bottom-line and reputation



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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 businesses also should recognize the important opportunities that exist to integrate BES conservation into their overall corporate sustainability strategies.

Management recommendations for developing a BES strategy

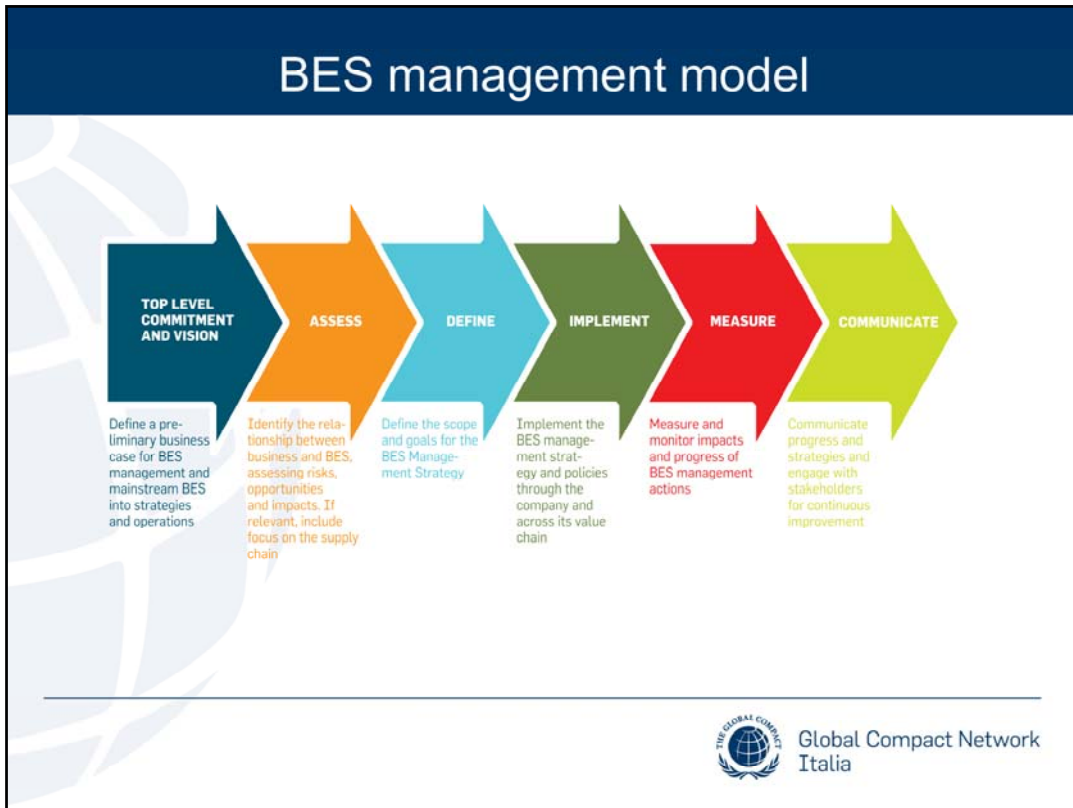
- 1 Identify and value the company's dependencies, as well as its direct and indirect impacts on biodiversity and ecosystem services. Take an additional step and adopt an integrated reporting approach that shows impacts and dependency as an integral part of company operational and financial performance 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.



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Businesses willing to improve their performance in relation to BES management need to implement different strategies, based on their specific impacts and relative dependency on ecosystems. Nevertheless, there are some common elements that should be present in any strategy which will enable a company to make real progress.

These common elements are summarized in the Global Compact's recommendations.



So the management model will necessarily include the following steps, each of them is associated with a checklist and a with dedicated tools allowing companies to both contribute to overall global sustainability and to gain competitive business advantages.

Mesure, evaluation and reporting

“The challenge is to establish reliable information management and accounting systems that can provide relevant information on biodiversity and ecosystem services to support operational decisions (e.g. the choice of production technology), to inform financial valuations or project assessments (e.g. capital investment), and for internal and external reporting”.

The Economics of Ecosystems and Biodiversity (TEEB) for Business, 2010:
<http://www.teebweb.org/our-publications/teeb-study-reports/business-and-enterprise/>



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The principal issue for taking action turned up to be assessing and evaluating :

Assessment

1. data shortage
2. scale
3. dependence and impact

	Water use Emillion	GHGs Emillion	Land use Emillion	Other air pollution Emillion	Waste Emillion	TOTAL Emillion	% of total
	33%	32%	26%	7%	2%	100%	
TOTAL	47	47	37	11	3	145	100%
PUMA operations	-	●	-	-	-	8	6%
Tier 1	•	●	-	-	•	13	9%
Tier 2	•	●	-	-	•	14	10%
Tier 3	●	●	-	•	•	27	19%
Tier 4	●	●	●	•	•	83	57%



Environmental Profit and Loss Account



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In terms of assesment, main issues include:

1. scarce data available, complexity of relationship, or the need for highly specific competences not available in the firm;
2. what relationships to evaluate, what ES to mesure and at what scale (for instance as in the PUMA case tier of 3° or 4° level are the principale responsible for environmental impacts generated by the company)
2. both direct and indirect (in the form of supply chain) impacts and dependence between ES and production activity should be evaluated

Evaluating and reporting

Table A2.1: Profit and loss

	2012 (£'m)	2011 (£'m)
Revenue	890	750
Cost of goods sold	-650	-520
Operating profit	240	230
Operating expenses	-120	-100
Depreciation	-30	-25
EBIT	90	105
Interest	20	20
Tax	20	23
Profit after tax	50	59

How much will costs increase as a result of environmental damages, or for rehabilitating land, or for impairment associated with written-down assets? Will there be higher input costs (e.g. water)? There may also be liability concerns.

To what extent are revenues dependent on natural capital? By how much would revenue decrease if natural capital was degraded? How can natural capital markets be developed to create new revenue streams?

How would the useful economic lives of assets be altered if natural capital was degraded? Do they need to be re-valued and, if so, how would this affect the annual depreciation charge within the accounts?

If governments levy taxes on environmental impacts, how would this affect the company's tax bill?

What impact would poor environmental performance have on a company's cost of capital? Would lenders see poor performers as higher-risk prospects if they are not addressing natural-capital related matters well?

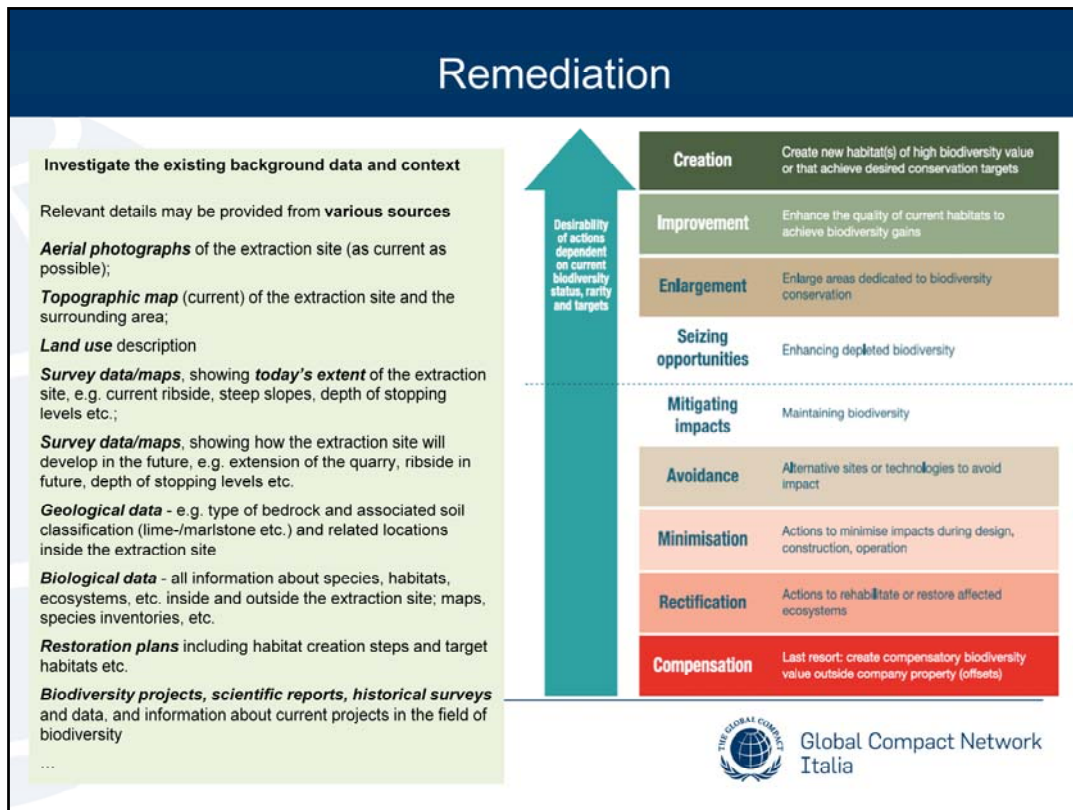
Ecosystem Service	Possible proxy indicator
Food	Presence of edible plants and animals
Fibre	Presence of species or abiotic components with potential use for timber, fuel or raw material
Biomass fuel	Presence of species or abiotic components with potential use for timber, fuel or raw material
Freshwater	% use of the water available and provided by the system
Genetic resources	<ul style="list-style-type: none"> Ecosystems diversity and distribution Level of biodiversity intactness
Biochemicals, & pharmaceuticals	Presence of species or abiotic components with potentially useful chemicals and/or medicinal use
Air quality regulation	<ul style="list-style-type: none"> Volume of chemicals emitted to or extracted from the atmosphere Leaf area index, NO_x fixation, etc.
Climate regulation	<ul style="list-style-type: none"> Volume of greenhouse gases or aerosols captured from atmosphere Natural forest cover
Water regulation	<ul style="list-style-type: none"> Water storage potential of relevant ecosystem or landscape in litres Natural forest cover
Erosion regulation	<ul style="list-style-type: none"> % of area covered with vegetation and trends of change Number of company activities that have contributed to erosion potential



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For what concern evaluating and reporting, some of the issues that may arise include:

- Existence of multiple techniques with distinctive strengths and weaknesses for both evaluation and reporting
- All of them are specific and contingent
- For what concern evaluation, the existence of trade-off effects amongst ecosystem services need to be considered too



Finally, it is also pointed out the need for listing possible solutions for BES damaging and to ponder benefit and costs of all of them before taking action. For instance Italcementi is elaborating its own strategy for data collection including the tools listed in the first column and setting remediation strategies spanning from compensation of biodiversity loss up to the creation of biodiversity itself.

some CG Italian network recommendations

- Impact of primary sector and services
- What financing biodiversity means
- Actual investments and distinction between different initiatives



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The GC Italian network meeting held on February 2014 signalled a number of issues that need to be taken into account when dealing with the mobilisation of resources for biodiversity:

1. Primary sector is the one that most significantly impacts on environmental services and thus the one that potentially more significantly finance biodiversity;
2. for service sector it could be interesting to measure the indirect impacts (for instance the funding provided to other businesses) as the direct impact results to be comparatively lower;
3. It is fundamental to define what should be considered as financing biodiversity as different businesses set up different projects in the field of biodiversity conservation both at national and international level.
4. It should be clear how much of the expenditure prescribed by law for biodiversity conservation are actually invested for this purpose,
5. distinction between control of impacts, compensation and biological offsetting in private sector should be more clearly defined

Collaboration and collective action on BES

Table 2: Scale of stakeholder engagement

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



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In general, the Global Compact suggests that collaborative action between relevant stakeholders 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 BES conservation strategies can have many benefits, including obtaining legal and social license to operate, increasing productivity, attracting ethical consumers and investors and securing future access to natural resources. Thus, it is important for companies to identify the most strategic types of engagement and the most appropriate partners.