

## Nature Positive: turning biodiversity from a risk into an opportunity

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**Globally, the natural world on which people and economies depend is in crisis. Species are declining, biodiversity loss and novel diseases, such as Covid-19, all pose business risks, but the renewed international focus on nature and biodiversity also highlights emerging opportunities for businesses to establish a leadership role and pursue positive impacts for the natural world. The combination of risk management and opportunities for positive action underpin the business case for integrating biodiversity into decision-making.**

The evidence is clear. Earth is in the midst of a biodiversity crisis. Studies from groups as diverse as WWF, IPBES and the World Economic Forum<sup>3</sup> have documented this. Animals and plants across the globe, from lions in Africa to farmland birds in Europe<sup>4</sup>, are becoming rarer due to human-induced threats.

The world's economy depends on functioning ecosystems<sup>5</sup>, yet land-use change and direct exploitation, such as industrial fishing and pollution, are taking their toll on our natural world. As ecosystems are encroached upon, the risk of encountering novel diseases such as COVID-19 increases. There is still time to reverse this trend, but to 'bend the curve'<sup>6</sup>, individuals, governments and the private sector all need to play their part.

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As awareness of the biodiversity crisis grows, so does society's expectation and appetite for change. The year 2020 was billed a 'superyear' for biodiversity, with a series of high-level meetings planned to set the nature conservation agenda for the next decade. A zoonotic disease has disrupted this, highlighting the risk of mismanaging biodiversity. Events are now planned for 2021, leading up to the all-important Convention on Biological Diversity conference (CBD COP 15) in China.

But the pandemic has not halted the ambition for change, and leaders in the private sector recognise the urgent need to respond. In 2019 and 2020, new initiatives and approaches to corporate interaction with the natural world proliferated. Some are sector specific, such as The Fashion Pact and OP2B; others, such as Business for Nature and the Science Based Targets Network, span sectors. But why should the private sector be involved, and what can it do?

## **GOOD FOR NATURE, GOOD FOR BUSINESS**

Understanding and managing a company's impact on the natural world is good for business. There has been growing awareness of this by the private sector over the past 30 years: the field of 'business and biodiversity' has grown and become more sophisticated. Goals have become more ambitious, evolving from single issues such as 'dolphin-friendly tuna' to broader commitments like zero-deforestation supply chains<sup>7</sup> and net positive impact<sup>8</sup>.

There is a strong business case<sup>9</sup> for integrating biodiversity into decision-making. Companies that have adequately considered their environmental impacts have seen risks transformed into opportunities, with improvements to reputational standing, gains to competitive advantage

- through approval and acceptance from the public, governments and financial institutions
- and securing a place in the

The business case stems from the following risks: regulation and compliance; reputation; competitiveness and marketing; and reliance on nature. Non-compliance with regulations and laws could lead to restricted access to resources and litigation concerning adverse impacts on biodiversity. Being associated with adverse biodiversity impacts could affect reputation, leading to divestments and a negative effect on brand and share value. Embracing biodiversity also enhances competitiveness and marketing, determining the choices of investors and consumers, production costs, stakeholder confidence and employee well-being. A biodiverse natural environment provides ecosystem services<sup>10</sup> - pollination of crops by wild insects, coastal vegetation providing protection from storms, and a regular water supply - which businesses depend on.

Addressing these risks is increasingly driving business: for example, more countries<sup>11</sup> are enacting stricter regulations to mitigate impacts or mandate net gain. Recent shareholder action prompted Procter & Gamble to phase out deforestation<sup>12</sup> in their supply chain, and lenders are providing preferential loan conditions<sup>13</sup> for meeting sustainability goals.

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## **BEING PART OF THE SOLUTION**

Society expects companies not to use slave labour, and to ensure the health and safety of their workforces. Expectations are increasing that the private sector should at least have a neutral, but

ideally a positive impact on the environment.

Recognition that the private sector should not just do no harm to the environment but be part of the solution is influencing<sup>14</sup> the development of a new global biodiversity framework for conservation. Due in 2021, the framework<sup>15</sup> is likely to state explicitly that private sector actors should play a part in helping nation states meet their global commitments.

So how can businesses live up to these new expectations? To be part of the solution, to be nature positive<sup>16</sup>, companies can do as follows.

- **Lead.** Join other businesses worldwide; add their voice to global initiatives advocating positive change. Help engage and influence policymakers<sup>17</sup> to adopt ambitious policies on nature; demonstrate their ambition, and showcase plans and actions at global events. To be successful, awareness of the issues may need to be raised, and a firm commitment is required. Finally, human and financial resources should be committed to achieving a bold transformation.
- **Understand** biodiversity risks, dependencies, and opportunities associated with projects and investments. This includes assessing value chains to identify biodiversity impacts related to sourcing – including transparency about origins – and operations, as well as dependency on biodiversity. Risk assessment is a valuable tool for focusing on resources that have the biggest impact on nature, or which offer the simplest ways to reduce negative impacts and identify potential positive contributions. Companies with significant direct footprints need to understand their assets, and how they interact with biodiversity. Global data<sup>18</sup> and tools<sup>19</sup> exist to support these steps.
- **Develop** simple and clear biodiversity targets that demonstrate commitment, and align with global standards for doing business and goals for sustainable development – one way is to set a science-based target for nature (SBTn). A valuable framework for categorising actions and setting targets is the Mitigation Hierarchy (see Box). This framework, in use for a decade in some sectors (notably the extractive industries), is central to SBTn
- **Transform** targets into actions, using metrics and indicators to measure biodiversity impacts and dependencies, and evaluate and adapt practices to stay on. Piloting approaches within different parts of a company will ensure action plans are fit for purpose, and can increase understanding and support from key staff. When the targets are clear, disclose them. Be proud to play a part.
- **Partner** with civil society, communities and other stakeholders who can help in understanding impacts and dependencies – and who may be essential in implementing effective actions.
- **Implement.** Finally, the measures need to be implemented, and progress

The natural world should no longer be viewed simply as a barrier to development, as a risk. Businesses and economies depend on nature. Just as society expects companies to provide financial and social returns, they can and should be a positive force for the natural world. The tools exist to support this journey and to transform businesses – and the time to act is now.



## ***The Mitigation Hierarchy – A tool for delivering private sector biodiversity risk management***

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The Mitigation Hierarchy is an effective tool for projects and companies aiming not to have an overall negative impact on biodiversity, or on balance, to produce a net gain. Companies may already be carrying out actions that can be mapped against the Mitigation Hierarchy's sequential steps of Avoid, Reduce, Restore and Regenerate, and Transform.

**Avoid** the impact as much as feasible, for example, by choosing a different location, process or timescale. Avoidance is often the most effective and least expensive mitigation action, but requires biodiversity to be considered at the early stages of a project or transaction.

**Reduce** the impact where avoidance is not possible. Effective reduction can eliminate some negative impacts.

**Restore and regenerate** where impacts cannot be avoided or fully reduced. This could include restoring natural habitat on the least productive land or revegetating areas occupied by temporary infrastructure. Regenerative measures on working lands can enhance biodiversity and ensure system resilience.

**Transform the way business interacts with nature.** This could include working to establish the overall enabling conditions for the success of mitigation actions, and for catalysing broader positive change for biodiversity: for example, by pooling data between actors in a landscape, or joining industry bodies to drive change across a sector.

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