

International Conference “Business and Biodiversity”

Bonn, April 2008

Stakeholder demands: Bringing together the CSR and Biodiversity Agendas in Latin America.

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Abstract

Biological diversity not only offers opportunities for the corporate sector but also constitutes the bedrock of many of the emerging markets' economies (and the companies doing businesses there). The gross domestic products (GDP) of regions such as Latin America have a strong link to natural resources: *‘Latin America produces 47 percent of the world’s soybean crop, 40 percent of copper and 9.3 percent of its crude oil – and in five years Brazilian oil will add to that.’* (George Caspary YaleGlobal. 2008). Companies dealing with primary production (using biodiversity and / or impacting on biodiversity) are confronted with the challenge of securing access to the natural resources within the planned projects' life by addressing key components linked to the communities and the surrounding nature; failure of a company to properly manage biodiversity issues can generate such risks as: difficulties in accessing financial services (The Equator Principles are an example of some of the voluntary self-regulation measures from the corporate sector, in this case banks to promote better environmental performance from companies), social resistance toward specific projects (sometimes ending with denied access to resources needed for the business operations) and the associated risks to the social license to operate.

Sometimes companies can fulfill the legal environmental requirements for getting a license to operate. But more recently the increasing number of social conflicts generated by corporate projects has shown that people's perception of legitimacy is sometimes different to those defined by the local law. Therefore it is increasingly challenging for the companies to operate, not just in legal terms but also in terms of their legitimacy in the eyes of local stakeholders.

The rise in food prices, the strong growth in demand for primary products in the Far East and the relatively easy access to natural resources in Latin America, among others, predicates an increasing number of corporate projects in the region – mainly associated with the mining and agribusiness sectors - which will need to address this CSR and Biodiversity issue. To characterize which business risks will be associated with the growth of primary production – defining risks as the circumstances that would diminish the value or profits of the company's

project – will be necessary to pay special attention to the role of stakeholders. Following this line it can be predicted that demands from stakeholders challenging the access to the resources (e.g. lands and water) will be among the top issues.

Recent cases of social confrontation to corporate projects in Latin America are a wake up call for reviewing how companies can be legal and perceived as legitimate by the key stakeholders at the same time. The cases of the pulp mill projects managed by Botnia and ENCE in the Uruguay river, and the protests against the implementation of a gold mining project by Barrick in the frontier between Argentina and Chile, are examples of the complex social issues facing corporate projects with high environmental impacts.

These risks to business operations, stemming in many cases from the peoples perceptions of how the company actions impact on the nature and biodiversity, could be defined as ‘compliance’ risks. But in this case they are not related to a law but to the complex social, institutional and cultural parameters and values at the local level. Companies’ projects can be legal but perceived as illegitimate by key stakeholders.

Accepting these risks without actions from the company has a high cost and could result in an end to the project. Developing a risk management strategy would imply that corporate units working on reputation, CSR and environmental issues face the challenge of improving their mutual coordination. A ‘perfect plan’ for managing (and minimizing) the biodiversity impacts of a company’s project wont have a ‘perfect’ outcome if it does not take into account the perceptions of the local stakeholders - whom take into consideration social, political and institutional issues -. Managing the risks derived from the impact on biodiversity from just the technical/technological perspective would generate a ‘neutral tactic’ with a weak social dimension. A ‘pragmatic’ strategy for managing risks, taking into account in an early stage the opinions of local stakeholders through engagement processes, can ensure both the design of project operations that minimize impacts and ensure the delivery of the business objectives. The engagement processes requires, among other things, a clear coordination between CSR, communication and environmental areas of the companies; need to have a strategy of dialogues and partnerships with relevant stakeholders – individual and organizations – for understanding the local perceptions of legitimacy; and a clear definition of realistic budgets to implement effective actions.