



Background discussion note

for workshop

B: Business-related biodiversity assessments

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Business and biodiversity assessment: a perspective

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1. Executive Summary

Business both affects and is affected by biodiversity and the services that ecosystems provide. While the nature, extent and intensity of biodiversity impacts may vary, all businesses – from the smallest to the largest – impact directly and indirectly on biodiversity. Biodiversity assessment represents a set of integrative and iterative tools that, on one hand enable a business to take action and incorporate biodiversity within its strategies and operations, and on the other, empower broader society and markets in making informed choices for a sustained supply of ecosystem goods and services.

This paper highlights a selection of the wide range of business-related biodiversity assessment tools that have been developed, finding that a few sectors, thanks to leading businesses in partnership with conservation organisations, are more advanced in applying biodiversity assessment tools. An ecosystem services approach to biodiversity assessment is likely to be more helpful in different industry sectors, including SMEs, to understand, address and communicate the environmental impacts and their mitigation.

The 2007 Business and Biodiversity Conference represents a prime opportunity to address gaps and identify priority areas to scale up biodiversity assessment as a critical element of conserving the society's endowment from nature.

2. Introduction

The European Union, under the Portuguese Presidency, is organising a conference on Business and Biodiversity on 12-13 November 2007 in Lisbon, with the support of the World Conservation Union (IUCN). This paper serves as a background to one of four workshop streams of the Conference, focusing on biodiversity assessments in relation to business.

Biodiversity – short for biological diversity – means the variability among living organisms from all sources: terrestrial, marine and other aquatic ecosystems. This includes diversity within species, between species and of ecosystems (according to the UN Convention on Biological Diversity CBD). Biodiversity drives the functioning of ecosystems to provide services that underpin society and as such, enable all business to operate. Biodiversity values vary for each business but some values are shared directly or indirectly by all including: food provisioning, fresh water, climate regulation, pest regulation, recreation and inspiration. The Millennium Ecosystem Assessment, led by an international team of experts, concluded that of 24 ecosystem services assessed, 60% are being degraded. Biodiversity loss in particular has been exacerbated by habitat change, climate change, invasive alien species, overexploitation and pollution.

This paper examines biodiversity assessments as they relate to a business. The terms biodiversity and ecosystems are used interchangeably, reflecting the importance of the concept “ecosystem services” as one of the best ways for a company to relate to biodiversity. Underlying this paper is the premise that the ultimate purpose of business-related biodiversity or ecosystems assessment is to ensure that the world, including the company itself, continues to benefit in perpetuity from goods and services that ecosystems provide.

In this briefing, we provide an analysis of approaches that can be used by a business and other stakeholders to assess biodiversity. Examples tools and methodologies for such assessment are provided in section 2, and will be useful for companies, NGOs and governments to review when considering the most constructive approaches to choose from. Section 3 identifies some fundamental issues that remain, with key questions on how to address the gaps in order to improve biodiversity assessment for effective conservation and sustainable development outcomes.

2.1. Compatible perspectives on sustainability

Business both affects and is affected by biodiversity. Some sectors, such as mining, oil and gas, have clear direct impacts on biodiversity. While the nature, extent and intensity of biodiversity impacts may vary, all businesses – from the smallest to the largest – impact on biodiversity indirectly, to some extent, through the supply chain or the investments they make.

This cumulative impact has significant implications for the future provisioning of ecosystem services. Conversely, businesses rely on the services that biodiversity provides e.g. healthy, functioning soils, access to pollinators for agricultural crops. In addition, all businesses have the opportunity to enhance biodiversity, through supporting conservation projects with finance or staff time, or actively managing their land holdings, or through harnessing the energy of their workforce to apply their core business skills to conservation initiatives. Biodiversity is fundamental to the triple bottom line of a business. Table 1 below illustrates the relationship of biodiversity to business.

Table 1: Business and Biodiversity Inter-Relationship

Dimension	Biodiversity	Sustainable Business	Sustainable Finance	Sustainable Development
Environmental	conservation	environmental protection	environmental value	environmental protection
Economic	sustainable use	economic growth	economic value	economic development
Social	equitable sharing	social equity	social value	social development

Source: Business & Biodiversity: The Handbook for Corporate Action, 2002

2.2. The purpose of business and biodiversity assessments

A business needs to understand and assess the general risks and opportunities that biodiversity presents to its core activities, both directly and indirectly. A business may adopt a biodiversity policy or statement accordingly. In order to develop a strategy for implementing biodiversity policy and addressing risks and opportunities, biodiversity needs to be incorporated within a business's existing environmental management system: impact assessment is a key input here, including monitoring and assessment on the ground. To this end, businesses undertake biodiversity assessments at different levels. Apart from internal assessments, businesses also use and benefit from biodiversity assessments carried out externally by others, notably by conservation and research organizations, investors and regulators. These external assessments serve a broader purpose of establishing biodiversity baselines, benchmarks, reporting standards and good governance.

Thus biodiversity assessment represents a set of integrative and iterative tools that, on one hand enable a business to take action and incorporate biodiversity within its strategies and operations, and on the other, empower the broader society and markets in making informed choices for a sustained supply of ecosystem products and services.

It is on this premise and promise of biodiversity assessment that the conceptual framework summarized in Table 2 below is based and has been adopted for discussing the different facets of biodiversity assessment in this paper.

Table 2: A conceptual Framework for Categories of business and biodiversity assessments

Level of Assessment	Internal Assessment	External assessment
Strategic	1. Identifying biodiversity risks and opportunities at the corporate level to inform corporate policies and strategies	4. Assessing biodiversity from society's perspective of business performance, governance and accountability
Operational	2. Assessing biodiversity or biodiversity impacts specific to a business operation or site 'on the ground'	3. Assessing biodiversity for establishing overall baselines as to the status of biodiversity and trends in its conservation (loss) over time.

In this conceptual framework, strategic level assessment is defined as an assessment carried out either internally by businesses or externally by other organizations with a view to assess overall risks and opportunities associated with biodiversity conservation across individual businesses or business sectors and/or ecosystems. In contrast, operational level assessment refers to biodiversity assessment 'on the ground' and is primarily aimed at establishing baselines, biodiversity performance (against established standards, commitments and targets) and benchmarking (comparing biodiversity performance within and across business sectors). Operational level assessment too can either be internal, by the business for the business, or external by other organizations. Whether an assessment can or should be internal or external depends on the overall objective. A key contributing factor to the successful implementation of the tools above is the process by which they are implemented. Often this requires facilitation or training to build the capacity of the businesses employing them to understand and identify biodiversity risks and opportunities.

3. Business and biodiversity assessments

3.1. Strategic business assessments: corporate risks and opportunities

Some leading businesses in sectors with a clear direct and indirect impact on biodiversity have pioneered the identification of potential risks and opportunities arising from their activities on biodiversity and its conservation. However, many businesses lack the capacity to understand biodiversity and their associated relationship, particularly when it is indirect or further down the supply chain.

Corresponding to the 1st quadrant in the conceptual framework, the following are a few tools and examples of internal strategic assessment of biodiversity by business. Such assessments aim to timely identify and address strategic risks and opportunities in businesses as measures of their profitable and sustained operation over the long term.

3.1.1. Ecosystem Services Review

What is it?

Developed by the World Business Council for Sustainable Development (WBCSD), the World Resources Institute (WRI) and Meridian, the Corporate Ecosystem Services Review (ESR) is an analytical approach that enables a company to identify the business risks and business opportunities associated with the use, degradation, restoration and sustainability of ecosystem services.

How is it useful?

The ESR uses a systematic framework methodology of analysis:

- Evaluate dependence and impact on ecosystem services
- Identify which most significant
- Understand status and key trends in priority services
- Identify resulting business risks and opportunities.

How has it been applied?

The ESR is being road-tested by BC Hydro, Syngenta, Rio Tinto and Mondi.

What improvements may be sought in future?

Road-testing of the tool is currently underway to identify areas for improvement before a full scaling-up. Meanwhile, an obvious challenge is how to make the tool applicable across the different geographies and scales of operations, where interest and capacity to collect and analyze information vary greatly.

3.1.2. Risk and Opportunity Tool

What is it?

SustainAbility, in conjunction with IUCN, has developed a draft tool that enables a business or conservation organisation to map a set of key variables – degree of impact, degree of opportunity, degree of influence – based on the 6 interconnected sustainability issues identified by the Millennium Ecosystem Assessment: Water Scarcity, Climate Change, Invasive Species, Overexploitation of Oceans, Nutrient Overloading and Habitat Loss. Each one provides a specific reference point against which to identify implications and gauge performance.

How is it useful?

The initial aim of the tool was to provide a framework that enables IUCN and other conservation organizations to choose strategic private sector partners with respect to the ecosystem risks and opportunities. However, consultations have identified a second use of the tool, allowing businesses to quickly and easily identify and map opportunities that present the greatest value from both business and ecosystem services perspectives.

How has it been applied?

The tool is currently in draft format and will possibly be piloted by a bank and an agribusiness. For example, a bank could use the risk and opportunities mapping tool to assess potential clients of the bank and inform the relevant investment or lending decisions. Banks and other companies could also use the tool to define their biodiversity policies/principles and targets.

What improvements may be sought in future?

The tool's current focus is on the regulating, provisioning and supporting functions of biodiversity and ecosystems. Future versions could include cultural/social issues.

3.2. Operational business assessments: site specific baselines and impacts

This section deals with internal assessments by business of the status of biodiversity and how it might be impacted by their activities at specific sites and operations, as indicated in the 2nd quadrant in the conceptual framework.

A number of mechanisms, methods and approaches are used by companies to establish biodiversity baselines and how precisely how biodiversity is, or could be, affected by their activities. Such assessments investigate biodiversity *in situ*, resulting from a company's direct or indirect environmental footprint. Often, companies will work in partnership with other organisations that bring particular know-how, in order to assess their biodiversity impact and related impacts from business operations.

3.2.1. Environmental and Social Impact Assessment (ESIA)

What is it?

ESIA is the process of predicting and evaluating an action's impacts on the environment. The need to incorporate biodiversity into ESIA is referred to under article 14 of the CBD.

The European Commission Directive 97/11/EC states that "the environmental impact assessment shall identify, describe and assess in an appropriate manner, in the light of each individual case ... the direct and indirect effects of a project on the following factors:

- human beings, fauna and flora;
- soil, water, air, climate and the landscape;
- material assets and the cultural heritage;
- the interaction between the factors mentioned in the first, second and third indents."

ESIA provide a general framework to allow a company to:

- assess the current status of the environment;
- review the characteristics of the proposed development (and alternatives);
- predict the future state of the environment depending on the possible action;
- propose actions to avoid, reduce and mitigate for negative impacts, and potentially offsetting residual impacts.

How is it useful?

The ESIA encourages monitoring and evaluation throughout and after the life of the project and should be used as the basis of the environmental management plan for the location. It also enables adaptation of both the project design and environmental mitigation measures during the actual implementation of the project as needed.

How has it been applied?

ESIA are legally required in the EU for certain types of projects. "Annex I" projects referred to in the EIA Directive tend to refer to large energy or construction projects, waste disposal and other projects with high potential environmental impacts. ESIA are encouraged for "Annex II" projects, including certain types of projects relating to agriculture, extractives, energy, metal processing, chemical, food, textiles, and infrastructure.

Some sectors have responded with producing their own-sector specific biodiversity conservation guidelines, which shape business approaches to ESIA. Examples include the International Council of Mining and Metals (ICMM) Good Practice Guidance and the Energy and Biodiversity Initiative in the oil and gas sectors. Furthermore, Shell, in partnership with IUCN, has worked to incorporate biodiversity into their ESIA to further inclusion of habitats

and ecosystems. This has also been assisted by the inclusion of ecologists in assessment teams in addition to engineers.

How can it be improved?

The inclusion of biodiversity within ESIA has long been discussed. Current approaches which take a “list approach” have been criticized as they cannot account for the interconnected nature of biodiversity and the various services that ecosystems provide. There is a role for training/capacity building of companies undertaking ESIA to enable them to understand and integrate biodiversity issues, impacts and sensitivities into their analysis.

Fauna & Flora International conducted a review of the extent to which ecological factors were incorporated into impact assessment in two provinces in China. The results showed that there was a need to build capacity of the government and other key stakeholders to understand and address biodiversity issues within ESIA. This is particularly important in countries with legal frameworks that are still under development but are undergoing significant economic expansion.

ESIA are not adequate to look at the cumulative impacts of many projects in one area. In such a situation, a strategic environmental assessment, on the local, regional or national government level, is more appropriate, into which individual ESIA can be linked. However, this practice is not yet widespread.

Consultation within the ESIA process is also an issue: companies may be reluctant to consult with NGOs through fear of being criticised, or concerns about confidentiality. However, stakeholder consultation is a crucial, often underrepresented part of biodiversity assessments. Ensuring a representative range of stakeholders is a challenge for a company particularly in the context of many stakeholders being resource constrained.

Increasingly environmental NGOs are being asked to take a lead on this role. Often investors and lenders put in place an independent, multi-disciplinary expert panel to review and audit the design and feasibility of larger projects, including environmental impact assessments. For example, the Sakhalin Energy Investment Company (SEIC) asked IUCN to convene an independent scientific review panel to evaluate the science around the critically endangered western grey whale population in the context of impending oil and gas development in the north-east of Russia. The panel was found to be a very useful mechanism and thus eventually transformed into a standing advisory panel on the subject.

3.2.2. Biodiversity Risk Assessment Tool

What is it?

During 2006 the British American Tobacco Partnership (including British America Tobacco, Fauna & Flora International, Earthwatch Institute and the Tropical Biology Association) developed a Biodiversity Risk Assessment Tool. The purpose of this best practice tool is to

provide a simple method for assessing the risks and opportunities to BAT's business activities to biodiversity and ecosystems.

How is it useful?

Increasingly biodiversity is seen as one of a range of social and environmental risks which a business must manage in order to retain their social license to operate. For BAT these risks primarily sit within the agricultural supply chain – the growing and curing of tobacco leaf and the sourcing of packaging materials. Risks in relation to biodiversity are posed where BAT is operating in proximity to ecologically sensitive sites such as protected areas and or where the environmental services of the areas are depleted.

The Risk Assessment Best Practice for Biodiversity tool identifies and prioritizes key biodiversity risks and opportunities for BAT on an operational level.

How has it been applied?

The Risk Assessment tool has been tested in BAT's operational companies in Uganda, Brazil and Indonesia. The tool is now integrated into the EHS biodiversity policy. All BAT operational companies will be expected to conduct a biodiversity risk assessment after this year. The assessment should involve managers, employees and other stakeholders such as local universities, non-governmental organisations and local communities. Where there is a threat to biodiversity an appropriate corrective action plan in support of conservation is required to be developed. The Risk Assessment tool consists of a screening exercise and three assessment stages:

- The first phase is a desk exercise and consultation of stakeholders and people with knowledge of local situations. The procedure assesses threats to biodiversity; identifies potential deficiencies, and alerts senior managers to areas of concern. It identifies opportunities for corrective action. Information from agricultural or forestry extension teams and/or a specialist, NGOs or local universities are also included. It also determines if there is any likelihood of the assessor organization's operations impacting on biodiversity.
- Phase two requires field work and further consultation. It refines understanding of biodiversity impacts, issues and opportunities
- And finally, the last phase is the development of a corrective action plan.

The results of the Tool were used by BAT in their sustainability report for the Global Reporting Initiative's indicators on biodiversity, including protected areas (EN11) and endangered species (EN15). It also feeds into the company's mainstream risk management register and is tracked alongside all other risks. The other fundamental basis of the tool was to ensure that each impact was linked to a business risk and thus that the business case for managing that risk and reducing the impact could be clearly made, justified and funded at an operating company level.

What improvements may be sought in future?

The tool is still in its trial phase. A key lesson learnt from the testing process is that capacity was needed at the site to drive the assessment and promote ownership of the findings. The tool will be reviewed and strengthened when more experience has been gathered from use in the field. It may also be linked more explicitly to methods of assessing biodiversity risks at a strategic, global level.

3.2.3. Site Biodiversity Action Plans*What is it?*

A site (or project) Biodiversity Action Plan (BAP) is precisely that: a plan to manage the biodiversity impacts of a company's operations in a particular location. It is a company's process for identifying what to measure and manage with respect to biodiversity impact. It is distinct from Company Biodiversity Action Plans which are at a strategy level for companies, and it is distinct – but can be linked to – National Biodiversity Action Plans which are managed at a national government level.

How is it useful?

Site Biodiversity Action Plans are a way for companies to carry out the entire process of planning for and implementing actions that reduce impact on biodiversity at a given site. It is a mechanism to assess the level of significance of both primary and secondary impacts, undertake stakeholder consultations, interpret contextually relevant conditions and review needs and benefits of mitigation or offset actions taken.

How has it been applied?

ConocoPhillips has developed a Biodiversity Action Plan for its work in the Gulf of Paria, North East Venezuela. In collaboration with Conservation International, ConocoPhillips has published its assessment and response to biodiversity risks, and has dedicated a website to explaining its activities. Following a workshop with relevant local, national and international stakeholders, the company has prioritised key actions and committed to scientific research studies. Results of the scientific assessment have shown that the Orinoco River Delta and the Gulf of Paria are intrinsically connected and maintain fragile ecosystems. The BAP was useful for assessing biodiversity, disseminating knowledge, raising awareness, achieving consensus on priorities and encouraging regional conservation as well as sustainable development through cooperation among stakeholders.

Fauna & Flora International has also developed a biodiversity action planning tool as part of their partnership with Rio Tinto. This has been tested at three locations (South Africa, Namibia and Brazil) in consultation with key local and international stakeholders. The tool is still being tested but will be rolled out throughout Rio Tinto's operations, prioritising those which have been identified as being biologically sensitive.

What improvements may be sought in future?

BAPs must be accompanied by an upfront and thorough consideration of how the operations of a company are affecting biodiversity and how that impact can be avoided or reduced. Stakeholder consultation and input is a key component of the action planning process; without this there is a risk that risks and opportunities remain unidentified. Care should be taken that a BAP does not simply provide anecdotal evidence of a biodiversity project at one point in time, but that necessary attention is paid to all measures taken to avoid, reduce, mitigate and offset impacts. Responsibility and resource need to be clearly assigned at site level to drive the implementation of the action planning process, and the results need to be clearly linked to mainstream risk and environmental management processes.

3.2.4. Rapid Ecological Assessment*What is it?*

The Nature Conservancy designed Rapid Ecological Assessments as a method for establishing a baseline of species-level biodiversity across landscapes. As a broad survey of vegetation types and species, it provides a basis for informing conservation planning. It prescribes a ten step sequence of events for carrying out a high-level assessment of biodiversity and conservation requirements. The ten steps include conceptual development; initial planning; landscape characterization; planning workshop; training workshop; field implementation; report generation; information integration and synthesis; final report and map; publication and dissemination of products.

How is it useful?

Companies may find Rapid Ecological Assessment a useful way of establishing a biophysical baseline in an area where they are planning to operate. The method allows a fuller understanding of the environment, and a basis for ongoing monitoring of biodiversity density and distribution, and so setting performance objectives.

Companies may find information from a Rapid Ecological Assessment helps planning to minimise impact caused by large-scale development projects, which includes both the primary impacts of operations and the secondary impacts of infrastructure development and social changes that their presence brings.

How has it been applied?

Conservation International's 'Initial Biodiversity Assessment & Planning (IBAP)' tool is an example of how the Rapid Ecological Assessment approach has been adapted to the specific requirements of companies with large-scale development projects. For example, Alcoa and Alcan are working with the organization to implement an IBAP which will influence the siting of a new alumina refinery in Guinea.

What improvements may be sought in future?

The concept of Rapid Ecological Assessment, and the setting of conservation objectives, has been successfully formulated to suit the needs of business with the IBAP approach. While it helps companies incorporate biodiversity into their risk analysis and decision making, the performance measures used at specific sites and criteria for management at each stage, still needs further development.

3.2.5. Business and Biodiversity Offsets*What is it?*

A biodiversity offset is a conservation action designed to compensate for the residual, unavoidable harm to biodiversity caused by development projects, so as to ensure no net loss of biodiversity, and possibly a net gain. A successful and credible biodiversity offset entails a robust biodiversity assessment. The Business and Biodiversity Offset Programme (BBOP) is an international partnership between companies, governments, financial institutions, conservation organizations, and scientists which seeks opportunities worldwide for businesses to voluntarily create biodiversity offsets that support conservation. BBOP is pushing impact assessment further to a more robust level to measure negative as well as positive impacts of conservation measures related to development projects.

How is it useful?

Biodiversity offsets represent a practical tool which enables businesses to address environmental risks and liabilities. This innovative approach to conservation, linking environmental and economic choices, could become a standard part of business practice for those companies with a significant impact on biodiversity. An important element is being able to determine the baseline, quantify the impact of the development as well as of the conservation actions, in order to demonstrate no net loss to biodiversity, or a net positive impact. BBOP is collecting and analysing methodologies for assessment of biodiversity and impacts, including socio-economic dimensions, to develop a tool that could eventually be applied to all development projects.

How has it been applied?

BBOP is developing a portfolio of pilot projects worldwide – ranging from large scale energy projects, to mining sites, housing developments and small scale tourism resorts – which are in the process of testing and improving the offset toolkit in order to demonstrate no net loss of biodiversity and livelihood benefits. Fauna & Flora International and Earthwatch have worked with Rio Tinto on developing offsets in Brazil.

What improvements could be sought in the future?

With regard to biodiversity assessment, key issues to be resolved include:

- What are the most practical methodologies for quantifying impacts on biodiversity and conservation gains? BBOP is exploring methodologies that will quantify structural, compositional, functional and livelihood aspects of biodiversity. It remains to be seen whether methodologies can be achieved for assessment methodologies that adequately measure biodiversity while keeping transaction costs manageable.
- When conservation actions relate to biodiversity that is not “like for like” or ecologically equivalent to the biodiversity on the original impact site (for example, if the conservation action takes place on a different site), how can different elements of biodiversity be compared and relative gains in biodiversity be accounted for?

BBOP are engaging with the International Association of Impact Assessment and other sustainability schemes to address these questions.

3.3. External assessment: biodiversity indicators and baselines

Much of the biodiversity assessment by business draws on research, tools and approaches developed by research institutions, conservation organizations and environment agencies, often externally and independent of business, though at times in collaboration. These operational level assessments (3rd quadrant of the conceptual framework) inform and facilitate biodiversity-related assessments and actions by business. More significantly, these assessments define the broader biodiversity contexts in which business operates, and help in assessing and tracking business performance, governance and accountability in relation to biodiversity. There are a number of opportunities available for companies to strengthen external approaches to assessing biodiversity *in situ*, and to eventually benefit from the outcomes.

3.3.1. Designated Sensitive Areas

What is it?

Designated sensitive areas refer to those regions of the world that are classified by internationally respected organisations as being particularly valuable to society from a biodiversity perspective.

Common systems for designating sensitive areas include:

- IUCN’s protected areas: ranked in terms of management objectives between I and VI
- Birdlife International’s International Bird Areas
- Ramsar List of Wetlands of International Importance
- Natura 2000: a network of protected sites in the European Union which represent areas of the highest value for natural habitats and species of plants and animals which are rare, endangered or vulnerable

- WWF's Ecoregions: broad geographical zones recognised as containing valuable species and habitats
- Conservation International's Conservation Hotspots: areas with especially high levels of biodiversity and/or endangered or threatened species.

How is it useful?

It is very useful for companies to know which areas are considered to be of high value from a conservation perspective. Those are the areas in most urgent need of protection. However there are limitations to this concept, particularly given that protected areas do not always hold areas of high biodiversity. Sensitive areas also provide a useful reference point for assessing biodiversity risks, for avoiding areas of high risks (inescapable loss of biodiversity) and for prioritising a company's direct and indirect impacts most in need of management.

How has it been applied?

All industry sectors can benefit from knowledge of sensitive area designations. For example, in considering its supply chain impacts, a food and drink company that procures a range of agricultural commodities could start its investigations by inquiring which sensitive areas are affected by those regions in which it has ownership over farmland. Alternatively, in considering its direct footprint, an oil company may want to refer to sensitive areas when reviewing pipeline construction so that it understands which areas are best to avoid disturbing. Banks that are signatories to the Equator Principles may modify their lending requirements for projects that are planned in sensitive areas as a way of reducing their negative impact.

A company can increase its level of public accountability by committing to behave in certain ways when operating in sensitive areas, or identifying certain 'no go areas' where it will not operate. For example, mining companies that are members of the International Council for Mining and Minerals (ICMM), recognise that certain areas will need to be protected from intensive development and have committed not to mine in World Heritage sites and to explore the basis for defining other "no go" areas. Similarly, Shell has committed not to explore or drill for oil in World Heritage Sites, and to publicly report on activities in IUCN Protected Areas Management Categories I-IV. This is in part the business response to the Amman Recommendation from the 2nd IUCN World Conservation Congress (2000) calling for restrictions on mining and oil and gas exploration in IUCN Protected Areas Management Categories I-IV.

In the financial sector, ABN AMRO uses IUCN Protected Area categories as one of their filters for assessing investment/lending decisions in the extraction sector. Goldman Sachs is conscious to not invest or lend in critical habitats defined to include, amongst others, IUCN Protected Areas categories I-IV.

What improvements may be sought in future?

Some argue that creating 'no-go areas' can actually hinder sustainable development because it may inhibit increases in wealth, health and well-being of local communities. Furthermore, it may result in the substitution of businesses that are sensitive to environmental issues with those that are less responsible. Careful investment, it is argued, may be more beneficial than leaving areas free for less careful operators or no investment at all. Future improvements are therefore both possible and needed in related public and corporate policies, standards and in their respective applications. For example, the principle of protecting critical biodiversity areas from intrusive developments could be strengthened: on the one hand, by more rigorously defining "no go" areas to have society-wide acceptability and by striving for more coherent and uniform enforcement of protected areas and "no go" policies; and, on the other hand, by companies providing adequate and assured investments for improving host environments and communities.

3.3.2. IUCN Red List of Threatened Species*What is it?*

The IUCN Red List is the world's most comprehensive inventory of the global conservation status of plant and animal species. It uses a set of criteria to evaluate the extinction risk of thousands of species and subspecies. These criteria are relevant to all species and all regions of the world. With its strong scientific base, the IUCN Red List is recognized as the most authoritative guide to the status of biological diversity.

The overall aim of the Red List is to convey the urgency and scale of conservation problems to the public and policy makers, and to motivate the global community to try to reduce species extinctions. Birds and amphibians have been completely assessed.

Table 3: 2007 Red List Indicators

Major group of organism	Mammals	Birds	Amphibians	Fish	Invertebrates	Plants
Number of threatened species worldwide in 2007 (as a % of species evaluated)	22%	12%	31%	39%	51%	70%

How is it useful?

Governments, the private sector, multilateral agencies responsible for natural resource use, and environmental treaties all need access to the latest information on biodiversity when making environment-related decisions. Information about species and ecosystems is essential for moving towards more sustainable use of our natural resources. It can be used as one of a

number of pieces of information to feed into ESIA, Rapid Ecological Assessment and biodiversity risk assessment or action planning.

How has it been applied?

A number of corporate assessments encourage the inclusion of endangered species, including the Global Reporting Initiative Reporting Guidelines, which under additional indicator EN15 asks for the “number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk”. The social and environmental impact assessment element of the Equator Principles goes further and includes the protection and conservation of endangered species. Similarly, the Roundtable on Sustainable Palm Oil states under Criterion 5.2 that endangered species shall be “identified and their conservation taken into account in management plans and operations”.

What improvements may be sought in future?

The IUCN Red List is a global reference for endangered species and is freely available for businesses to access and include in their initial assessments. However, assessing biodiversity is more than species richness. The number of species in an ecosystem does not take into account how variable each species might be, or their contribution to ecosystem properties. Several other taxonomic attributes are valuable for assessment and monitoring, including abundance, variation and distribution.

The Red List is responding to demands to make relevant data available in a format that is more readily usable for decision-makers by working with business groups, development organizations and others in the conservation community. In the meantime, this data needs to be used in conjunction with other assessment schemes.

3.3.3. National Biodiversity Strategy and Action Plans

What is it?

National Biodiversity Strategy and Action Plans (NBSAP) are promoted under the UN Convention on Biological Diversity as an internationally recognized programme for addressing threatened species and habitats and are designed to protect and restore biological systems. Though Member States are encouraged to produce NBSAP, smaller Biodiversity Action Plans (BAPs) can also be developed on a local or regional scale by civil society organisations and companies.

How is it useful?

When local biodiversity action plans, national plans for priority species and habitats, country strategies and business BAPs are collated, an overall and up-to-date picture of the state of a country's most important biodiversity is provided, enabling better informed decisions and policies, such as priority habitats or maps of actions taken concerning a key species.

How has it been applied?

For example, the Biodiversity Action Reporting System (BARS) is a web-based database and reporting tool used in the UK. The widespread use of the system in the UK and the standard format for the data entry allow all organizations and companies to share their knowledge and best practice on BAP implementation speaking a common language. Local BAP partnerships, national plans steering groups, individual organizations and business companies all use BARS to report on their actions to protect important species and habitats, also making the system a useful tool to publicise their biodiversity work and promote best practice amongst the BAP community. Currently six UK companies have added their biodiversity strategies/action plans in the system. Some companies have entered their own action plans; others work in partnership with other organizations in the delivery of local BAPs.

What improvements may be sought in future?

Building on a similar process to BARS, businesses should be enabled to extract information from, as well as contribute to, NBSAPs. This will help to ensure that business actions resulting from a biodiversity assessment fit in within the wider regional and national context, not only adding value to those actions but also improving their relevance and likelihood of long-term success. Business BAP input also ensures that national assessments more accurately reflect current biodiversity status and progress.

3.3.4. Scientific Field Research*What is it?*

Collaboration in independent scientific field research provides a company the opportunity to demonstrate its contribution to society's shared need to better understand and respond to global biodiversity loss. It offers a way to investigate components of biodiversity that are being affected by environmental change.

There are a number of different methods that may be employed: monitoring biodiversity changes over time, investigating the linkages between different ecosystem components, or assessing the viability of different policy interventions.

How is it useful?

Scientific field research is most useful when it is rigorous and when it leads to recommendations and action. On the one hand, partnering in scientific field research may provide a way to assess baseline conditions of an area before a company starts development activities in an area – its responsibility to core stakeholders. On the other hand, participation in scientific field research may provide a vehicle for a company to make a positive contribution to understanding and management of biodiversity in areas that are unconnected to the company's activities – its responsibility to society.

How has it been applied?

Scientific field research is often undertaken in partnership with external academic partners or NGOs. It exemplifies how aspirations of two different organisations can be met while undertaking a shared project.

Earthwatch has developed a scientific field research model for involving employees of companies directly in scientific field research, making a contribution to the company's goals and to goals of the scientific community. For example, in collaboration with Cadbury Schweppes, University of Reading and Ghana's Nature Conservation Research Council, Earthwatch has been investigating the relationship between biodiversity and cocoa productivity in different farms of Ghana.

Conservation International has also linked the business interests of companies with their scientific field research competence by developing a 'Rapid Ecological Assessment' method (see section 2.2) to assess biodiversity in the context of ecosystems in locations that are being considered for development.

What improvements may be sought in future?

It is important that companies participate in scientific field research that is action-oriented, and that study findings are used to promote sustainable development. For example, measuring and monitoring biodiversity is most useful where it is linked to management objectives (e.g. how greater biodiversity adds value and opportunity for ecotourism, or how a mine site affects the distribution of species, is only worth knowing if there are aims and objectives put in place to maintain a certain desired level or distribution). Also, scientific research that fully investigates the role of biodiversity in the context of ecosystems and ecosystem services is likely to highlight the utility of biodiversity – and therefore highlight a business case for improved management.

3.4. External Assessment: corporate biodiversity performance and accountability

This section corresponds to the 4th quadrant of the conceptual framework dealing with strategic level biodiversity assessment by organizations external to a company. Such assessments focus on establishing broader baselines and benchmarks that can support businesses to establish their own business or site specific baselines, and enable an assessment and comparison of biodiversity performance within and across businesses.

There are a number of methods that are used by external stakeholders to gauge the quality of a business's biodiversity performance. External assessments are useful in general as they are perceived as independent and therefore credible, albeit they have bias in defining what constitutes 'good' management. The main groups to perform external assessments are investors, business associations, NGOs and regulators, such as the EU. In some cases,

different interest groups may collaborate. External assessments are also very useful for companies to refer to in understanding what is expected of them and in identifying what aspects of management to improve.

3.4.1. Finance Sector Benchmarks

What is it?

Benchmarking provides an objective and consistent basis for examining comparative risk exposure and management of companies on biodiversity. Benchmarks therefore provide a very useful reference point in engagement between all stakeholders (e.g. government and NGOs as well as investors) with a company on what aspects of a performance might need to be improved.

How is it useful?

Benchmarks may be a useful way to stipulate the need for companies to clarify governance structures, policy and strategy, management and implementation, assurance and reporting, and leadership aspects of biodiversity management.

How has it been applied?

A good example is Insight Investment's Extractives Industry Biodiversity Benchmark, which indicates best-practice principles and standards. It has been applied to 22 (2004) and then 36 (2006) companies in the UK from the Mining and Minerals, Oil & Gas, and Utilities sectors. In each sector, companies are rated as being either a) engaged and actively managing b) aware and mobilising or c) in early stages. ISIS Asset Management have undertaken a similar assessment for the mining industry. The results of this work are used by the asset managers in conjunction with a process of engagement to encourage improvement in performance.

Benchmark scores may also be used by NGOs to vet which companies they work with and on what issues. Scores are also a basis for advocating what changes in approach to biodiversity management are desirable or necessary.

What improvements may be sought in future?

The scores generated rely on corporate information and how the tools adopted are applied, and so could benefit from some level of verification. The benchmark may not be reflective of the extent of biodiversity impact by the company operations 'on the ground.' Also, to date, the benchmark methodology has only been used for companies with a direct footprint on biodiversity.

A Natural Value Initiative is a new benchmark currently being developed by Fauna & Flora International, Brazilian business school FGV and UNEP FI and will adopt a similar methodology to identify the business case and best practice for supply chain management

amongst food, beverage and tobacco companies. This is an important step towards measuring upstream biodiversity impacts in a supply chain.

3.4.2. Investment Screening Processes

What is it?

Financial institutions may use screening methodology to measure how well companies manage biodiversity risks. Some investors, particularly in the rapidly expanding area of socially responsible investment, may use screening to inform their decisions of which companies to invest in, or extend credit to. The aim of screening processes is to generate a methodology which is as consistent as possible across companies and between sectors. Examples of investment screening processes include the Dutch Association of Investors for Sustainable Development's (VBDO) Biodiversity Quick Scan and the CBD convention watch developed by Ethical Investment Research Services (EIRIS).

How is it useful?

Screening processes increase accountability and transparency of companies for their actions. It provides a useful reference point for conversations between investor community and companies on the topic of biodiversity management and reduces the risk of exposure from non-compliance litigation, and campaigns. The screening processes that we refer to aim to translate the intent of the Convention on Biological Diversity to the case of companies.

How has it been applied?

In order to assess a company's adherence to the principles of the Convention on Biological Diversity, EIRIS apply their Convention Watch methodology. They monitor occurrence of public allegations that the company may have breached either the conservation or sustainable use principles of the convention, and provide companies with an opportunity to demonstrate how they have addressed the allegations through their policy and actions. For example, Alcoa's development of an Aluminium smelter in Eastern Iceland is resulting in the development of a power station that is estimated to affect fragile habitats and 3% of Iceland's land surface. Following a challenge on its biodiversity impact from a number of campaigning organisations, EIRIS requested Alcoa to provide a formal response. Alcoa articulated a biodiversity policy, details of comprehensive biodiversity assessments and mitigation of impact, in addition to research.

What improvements may be sought in future?

In so far as it highlights relevant and important breaches, screening methods encourage better management. However, only high profile reported cases will be addressed through the method and this probably therefore limits it to monitoring the biggest impacts of the biggest companies. In themselves, screening processes are useful, but to be really useful to companies they should be accompanied by technical assessment of biodiversity 'on the ground'.

3.4.3. Global Reporting Initiative Sustainability Reporting Guidelines

What is it?

The Global Reporting Initiative (GRI) promotes and develops a standardized approach to sustainability reporting. To this end, they have produced a series of guidelines based on economic, social and environmental indicators. Following a large consultation process, the guidelines were revised in October 2006 (known as G3), to improve and expand a number of indicators, including biodiversity.

How is it useful?

Companies use the reporting guidelines as a checklist of indicators to include in their sustainability reports. Reports based on the GRI framework can be used by stakeholders and competitors to benchmark organizational performance with respect to laws, norms, codes, performance standards and voluntary initiatives; demonstrate organizational commitment to sustainable development; and compare organizational performance over time.

How has it been applied?

Early environmental reporting focused primarily on the direct negative impacts on environment. GRI, with its direct reference to biodiversity in the general guidelines, ensures that the more than 1000 companies that use the GRI guidelines at least consider biodiversity within their impacts.

Previous biodiversity reporting within corporate reports was considered to be random and inconsistent. The indicators themselves were also considered ill-defined. The revised guidelines now include specific references to protected areas and categories of endangered species. Also, a greater emphasis was included on habitats protected and restored rather than simply changed.

GRI have also produced a biodiversity resource document, published in early 2007, with a view to explaining the biodiversity component and suggesting sources of information on how to report on the indicators. Improvements in reporting performance will only be gauged following publications of 2007 reports in 2008.

What improvements may be sought in future?

GRI guidelines are broad in order to be inclusive and adapted to all business and are therefore limited in nature. Sector supplements have been developed to focus on specific issues and needs of companies in different sectors. These have been developed with existing sector-specific groups, such as ICMM. The current GRI guidance is also perceived by some as playing to the lowest common denominator: the indicators are currently insufficient to be able to identify and manage biodiversity impacts. Companies leading in this area require

significantly greater input. Improved guidance is also required in terms of indirect impacts on biodiversity, which are harder to gauge and can be significant.

3.4.4. Indicators to measure progress in Europe for the 2010 biodiversity target

What is it?

Developed by the European Environment Agency, the set of 26 indicators propose a useful tool for measuring and helping to achieve progress towards the European target to halt the loss of biodiversity by 2010. Some of the indicators directly track the impact on a component of biodiversity, whereas others reflect threats to biodiversity, its sustainable use and integrity. The set as a whole can be used to help assess the effect of various sectors and sectoral policies on biodiversity.

How is it useful?

The proposed indicators have streamlined many existing indicators across EU countries to provide a consistent format for summarising complex and often disparate sets of data and thereby simplify information, enabling a comparison of progress. The indicators also enable the identification of where Europe needs to take further action in order to meet its target.

How has it been applied?

The indicators are not intended to be comprehensive, but to provide a first set, based on available data. The set is intended to be as representative as possible and flexible. Moreover, they can also complement other sets of indicators designed to assess progress in other policy sectors. For a business, it remains to be seen whether the indicators can also be applied on an operational or site level. Businesses can monitor their progress towards achieving national and/or European biodiversity objectives.

What improvements may be sought in future?

The proposed indicators were released in October 2007 and further feedback is sought. In the interim the European Environment Agency acknowledge that further work is required. For example, socioeconomic driving forces were not included in the first set of indicators.

More generally, EEA calls for improved collaboration and coordination between the vast array of actors and existing data and methodologies. To improve the indicator set, additional methodological areas for development are also identified, including accounting for the physical stocks and flows of ecosystem goods and services; the valuation of ecosystem goods and services; biodiversity and climate change impacts and adaptation links; and modelling future trends for biodiversity and ecosystems in Europe and in the global context.

4. Conclusions and recommendations

The key points from the four categories of assessments are summarised below, as well as overall observations and recommendations.

4.1. Strategic business assessments: corporate risks and opportunities

- The risks and opportunities of biodiversity need to be understood and assessed for an individual business in a given sector. Tools such as those listed earlier (section 2.1) provide such a framework.
- The companies can usefully employ these approaches to identify and manage their biodiversity footprint.
- From the subsequent analysis, senior executives may adopt a relevant policy or statement which includes targets to be met both globally and on the ground.

4.2. Operational business assessments: site specific baselines and impacts

- Conventional environmental impact assessments do not specifically include biodiversity issues in their screening phase. Tools such as the BAT's Risk Assessment Tool and the Rapid Ecological Assessment can be incorporated into EIA stages.
- Tools that initially focused on biodiversity and reputational risk are now developing to consider ecosystem services and security of supply.
- Assessing how biodiversity and variability of life is affected by company operations may be useful for clarifying the level of impact (e.g. a construction company establishing the footprint of a real estate development) or developing sustainable strategies (e.g. a coffee company establishing guidelines for cropping and production by farmers).
- Defining robust biodiversity indicators against which reliable baseline and performance assessment can be established remains an unfinished agenda. Some sectors are more advanced than others.
- A widely accepted generic tool is lacking in this area.
- Working in partnership with organisations having relevant technical competency is often the most effective approach to assessing biodiversity affected by company operations.

4.3. External assessment: biodiversity indicators and baselines

- Data is currently provided largely by public and civil society environmental organizations that also are leading the development of strategic concepts and approaches to biodiversity assessments, at times in partnership with business.
- Companies can make a positive contribution to biodiversity conservation by participating in scientific assessments.
- Companies improve their understanding of biodiversity, associated business-risks, and management of those risks – especially if business occurs at the research site, or in its vicinity or in a similar environment.

4.4. External assessment: corporate biodiversity performance and accountability

- The companies can use the overall assessments and baselines established by external organizations in establishing their own business and site specific baselines and performance targets. The companies can also use external assessments in monitoring biodiversity changes and managing impacts in relation to their activities 'on the ground'.
- External measurements that different stakeholders agree to are a powerful tool to enhance the accountability of companies.
- Disparate groups of stakeholders often share a common interest in assessing the quality of a company's biodiversity management.
- One of the more powerful external approaches to assessing the quality of a company's biodiversity management is from investors, using benchmarks and screening.

4.5. Assessing Ecosystems and Business

Overall, successfully assessing and managing biodiversity will require adoption of a number of internal and external approaches and methods, which investigate both business performance and biodiversity *in situ*. A number of different approaches should be taken in order to strengthen overall management, and to be most workable and effective, those approaches must be viewed in light of how a company relates to biodiversity and ecosystem services. And the voluntary approaches must not stand alone – to achieve high level EU targets, they must be accompanied by further fiscal and regulatory incentives.

The Millennium Ecosystem Assessment has provided more tangible evidence of how the interests of global society can be met through conserving ecological services. We therefore believe that the *Business and Biodiversity* agenda has become an *Ecosystems and Business* agenda. In a world where there are scarce resources, and the allocation of ecological services to contribute to human well-being will become increasingly important (and contentious) in the

future, it is important that decisions are made that will maximise the synergies between different ecosystem services. The methods and approaches to biodiversity conservation, including those listed in this paper, do not become obsolete by any means; but their importance should be seen in the context of whole ecosystems.

Within this recommended approach, every company should (as a minimum) assess its operations and activities with regards to the six specific challenges put forward by the Millennium Assessment, as an organising framework. The challenges include: Water Scarcity, Climate Change, Invasive Species, Overexploitation of Oceans, Nutrient Overloading and Habitat Loss. Each one provides a specific reference point against which to identify implications and gauge performance. Every company should consider its impact in terms of the links between ecosystem services and human well-being, which include regulating, provisioning, supporting and cultural services. This should also form the basis for stakeholder engagement processes that recognise the value that the environment offers to external groups. Adopting a whole ecosystems view, on the basis of ecosystem services, is the best way for companies to relate to biodiversity, in gearing operations to environmental impacts that matter most and in marketing concepts of biodiversity conservation to internal audiences.

This review has highlighted a number of examples of assessment tools and methodologies that can be used by a business to assess biodiversity and ecosystem services. However, they represent just the tip of the iceberg. In reality, many schemes exist. For example, over 40 different methods for determining offsets for wetlands are used in the United States. Approaches that attempt to standardise biodiversity and business performance assessment are very welcome, such as those being developed by BBOP.

Underlying all types of business-related biodiversity assessment is the need for performance indicators which can be used to assess whether a target has been achieved. For example, when a business states an overall strategic aim of “no net loss” of biodiversity, or even a “net positive impact”, how can this be measured? On the rehabilitation of a mine site, how can a business determine whether it has successfully reintroduced key flora or fauna species? For NGOs working in partnership with business, how can the biodiversity benefits of those partnerships be verified? Responsible investors too need performance indicators to credibly assess whether a business has sufficiently avoided, minimised and mitigated the impacts of an infrastructure development.

It is important that indicators – including actions measured, scale and reporting – are adapted to the needs and objectives of the assessor. Depending on their relative key features, such as biodiversity components linked to a business opportunity, targets should be set for the relevant attributes, including biodiversity components that fulfil important ecosystem services. Such targets should, where possible, be SMART: specific, measurable, achievable, realistic, time-

specific. In addition, decisions should also be taken on where, when, how and by whom the measurements should be taken.

Another remaining issue is the difficulty of identifying what to measure for biodiversity conservation performance assessments and how to measure it. For example, knowledge is lacking on how much an ecosystem can be simplified but still provide the ecological services upon which society depends. Biodiversity knowledge has been developed opportunistically by differing groups, resulting in information that is too patchy and selective for optimal long-term planning. The relevance of the assessment systems that have been developed to date could be improved under a coherent assessment framework.

Some suggest further that performance measures vary so considerably between business sectors, environmental organisations and assessors that generic indicators are unlikely to be successful. GRI have started to respond to this by producing Sector Supplement Guidelines. Such an approach implies that a uniform set of biodiversity performance indicators applicable across all sectors is not possible to define or would be too generic. Considering that much of the biodiversity assessment work in the past has focused on extractive sectors, **what other sectors must now be targeted as a priority for developing and instituting adequate biodiversity assessment frameworks?** However, the issue remains that biodiversity indicators vary from site to site depending on threats, management activities, impact and stakeholder interests and values, hence making consolidation difficult.

Equally important and requiring attention is the outstanding issue of small and medium enterprises (SMEs). The sector assessments frameworks in the extractive industry and elsewhere have primarily remained limited to large multinationals. SMEs cannot be reached without a conscious and concerted effort. A particular challenge is the lack of awareness, means and motivation to assess and report biodiversity performance. Any assessment system that is excessively demanding in terms of indicators and data collection is unlikely to be successful. **Is it possible to develop a few simple – even if simplistic – indicators and a related assessment framework to enable SMEs to at least begin assessing and reporting on their footprint while harnessing the opportunities that biodiversity assessment offers?**

Questions remain as to what the EU, civil society, and companies can do to address the gaps for biodiversity assessment over the next few years. Options include:

- More robust articulation and awareness-raising of the business cases for managing biodiversity and ecosystem risks and opportunities.
- Supporting work on the internalisation of environmental costs in financial models, perhaps based on the G8 Potsdam Initiative's call for a biodiversity equivalent of the Stern Review on the economic costs of climate change.

- Developing a framework for reporting biodiversity performance, similar to the WBCSD's work on the GHG reporting protocol.
- Developing, with business, a simple to-do list of biodiversity indicators, especially for getting biodiversity assessment work off the ground in small and medium enterprises, potentially building on the work of the RSPB's Biodiversity Technical Assistance Units project.
- Creating mechanisms to stimulate voluntary actions alongside regulatory compliance for biodiversity conservation.
- Advocating and promoting the selection and targeting of other priority sectors, beyond extractive industry, for biodiversity assessment and reporting.
- Building ESIA capacity in countries where the rate of development is high and capacity is low.

The 2007 Business and Biodiversity conference in Lisbon provides the opportunity to explore and respond to these questions and imperatives.

5. Annex

5.1. Acronyms

BAP	Biodiversity Action Plan
BARS	Biodiversity Action Reporting System
BAT	British American Tobacco
BBOP	Business and Biodiversity Offsets Programme
CBD	UN Convention on Biological Diversity
EEA	European Environment Agency
EIA	Environmental Impact Assessment
EIRIS	Ethical Investment Research Services
ESR	Ecosystem Service Review
EU	European Union
FFI	Fauna and Flora International
GRI	Global Reporting Initiative
ICMM	International Council for Mining and Minerals
IUCN	World Conservation Union
NGO	Non-governmental organisation
RSPB	Royal Society for the Protection of Birds
SME	Small and medium enterprise
SRI	Socially responsible investment
UNEP FI	UN Environment Programme Finance Initiative
WBCSD	World Business Council for Sustainable Development
WRI	World Resources Institute
WWF	World Wide Fund for Nature

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