

**Part of the Solution – Business, Biodiversity and Sustainable Development**  
**A Strategy for Enhancing IUCN's Interaction with the Private Sector**  
**30 March 2004**

## **1. Introduction**

A rapidly globalizing world is putting increasing pressure on the environment, while also creating new opportunities to engage business and markets in biodiversity conservation. Like many of its members, IUCN – The World Conservation Union is developing links with business in order to enlist new sources of support for the mission of the Union.<sup>1</sup> This includes efforts to encourage improvements in corporate environmental performance, as well as increased private investment in biodiversity conservation.

IUCN's work with the business community is based on numerous Resolutions and Recommendations of the World Conservation Congress, Council decisions, Secretariat policy statements and organizational reviews. This mandate recognizes the significant environmental impact of many industries, but also the potential of the private sector to contribute to conservation. The skills and entrepreneurship of the business world are seen as key resources for conservation across the globe.

The motivation to engage the private sector in conservation is paralleled by concern, in parts of the conservation community, about the extent of business commitment to sustainable use and nature conservation. This implies a need for caution on the part of conservation organizations, not only in their selection of business partners but also to protect their autonomy, integrity and credibility, attributes also highly valued by the private sector.

## **2. Background**

This strategy has been developed in response to IUCN Council Decision C/58/41, which requested the Director General to develop a 'transparent, measured, and thoughtful strategy for engagement with the private sector.' The existing *Guidelines for IUCN Engagement with the Private Sector*, approved by the IUCN Council in 1999, provide a basic framework for collaboration with business (see Annex 1). However, additional guidance is needed to implement this framework. The present document sets out a strategy to support IUCN's engagement with business during the next inter-sessional period (2005 - 2008) and beyond.

This strategy seeks to facilitate and encourage interaction between IUCN and the private sector, based on clear principles and priorities, while minimizing unnecessary restrictions or structural changes that would undermine the ability of IUCN to achieve its mission. Relations with business are sensitive and thus enhanced capacity building, oversight and reporting systems will be needed. At the same time, a practical strategy must be sufficiently flexible to allow IUCN managers to engage with business, while providing for strong management systems that can ensure consistency and reduce risk. It is expected that the strategy will evolve over time, as IUCN gains more experience in its relations with the private sector.

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<sup>1</sup> The mission of IUCN is 'to influence, encourage and assist societies throughout the world to conserve the integrity and diversity of nature and ensure that any use of natural resources is equitable and ecologically sustainable.'

The strategy was developed on the basis of an extensive review of IUCN policies and experience with regard to the private sector. The review, carried out during 2003-04, included a detailed analysis of relevant IUCN policies and other literature, extensive consultation with representatives of IUCN members, Secretariat units and Commissions, and feedback from selected companies. Several background reports are available that describe the findings of the review (see Annex 2).

### 3. Scope

For the purpose of this strategy, the private sector is broadly defined to include commercial enterprise of any size, in any country, whether privately held, 'publicly quoted', wholly or majority owned by the state or by local communities.<sup>2</sup> It covers both legally registered (formal) and unregistered (informal) enterprise, the latter including most family farms and a large proportion of small-scale trade and industry in the developing world. The strategy is also relevant to work with other related organizations such as industry associations, consumer and investor groups or labour unions.

While the formal business sector is the main target of IUCN's private sector work, this strategy recognizes that much damage to the environment is caused by illegal activities of varied nature and scales, for example, illegal logging, wildlife poaching and illicit trade in endangered species. An important part of IUCN's work on the private sector is therefore to encourage the necessary policy, institutional and operational reforms to reduce illegal activities that damage the environment.

The strategy seeks to support the efforts of the IUCN Secretariat and Commissions to achieve the IUCN Mission and implement the Global Programme, through increased and enhanced interaction with business. It is intended to guide the full range of programme activities in which the private sector currently or potentially has a role, at the global, regional, national and project levels. This includes IUCN projects in which companies are key implementing partners, as well as those in which the private sector plays a secondary role. Engagement is thus defined broadly to include any substantive interaction between IUCN and the private sector which seeks to influence the behavior of business in ways that contribute to the IUCN Mission.<sup>3</sup>

IUCN member organizations choose whether, and how, to engage with business based on their respective mandates, strategies and capacities. This IUCN strategy recognizes and reaffirms the autonomy of the membership, while seeking to support the collective aspirations of the members as communicated to the Secretariat through the body of Resolutions and Recommendations endorsed by the World Conservation Congress (previously, General Assembly). This strategy also seeks to help individual IUCN members to design and implement their own private sector strategies, by sharing experience and lessons on engagement across the membership. Finally, the strategy provides members with opportunities to engage with, and promote excellence in, IUCN's private sector work.

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<sup>2</sup> Throughout this document the terms 'business', 'enterprise', 'company' and 'firm' are used interchangeably with 'private sector'. All are used to refer to entities which have, as their primary activity, some form of commercial enterprise.

<sup>3</sup> Fundraising from the private sector is *not* considered to be the main goal of engagement and is discussed here only to the extent that it affects IUCN's credibility, independence and ability to achieve its programmatic goals. IUCN's separate fundraising strategy – which also covers corporate fundraising – provides additional guidance consistent with this document.

## 4. Contents

The strategy begins with a vision statement and follows with a summary of the external context, the experience and niche of IUCN with respect to the private sector, the overall goals of the strategy and potential forms of engagement, a statement of the fundamental principles intended to guide engagement, and criteria for selecting business partners including risk management.

The remainder of this document contains three annexes: (1) the Guidelines for IUCN Engagement with the Private Sector approved by the IUCN Council in 1999; (2) a list of background documents prepared and other key references consulted in the course of developing this strategy; and (3) an outline of the process of due diligence that IUCN seeks to use in its interactions with the private sector.

## 5. THE STRATEGY

### 5.1. Vision statement

In a sustainable economy, private self-interest and the public good would coincide. Individuals, communities, firms and nation-states would freely invest in activities that improve welfare, reduce inequality and conserve the environment for both present and future generations, not out of charity but because doing so would make them better off both materially and morally. This strategy seeks to guide IUCN's efforts to create the conditions for:

***A sustainable global economy in which businesses are committed and effective partners in achieving a just world that values and conserves nature.***

Private enterprise and competitive markets contribute to human development by meeting people's needs, enhancing security and fostering innovation. However, we are still a long way from a sustainable economy.<sup>4</sup> Environmental trends are increasingly well-documented and, while some indicators show improvements in some areas, the overall situation especially with respect to biodiversity is increasingly alarming. Efforts to promote social justice and equity have likewise been only partially successful.

IUCN believes that private enterprise has a strong interest and an important role to play in securing our natural heritage and using it sustainably for human benefit. Many IUCN members are already working closely with business to achieve conservation goals and sustainable development. However, there is a need for stronger action on the part of governments, business and consumers to make environmental protection and poverty reduction integral to the pursuit of individual, corporate or national prosperity.

The promise of a vibrant economy that meets human needs depends in large part on society's ability to sustain the biodiversity that underpins all economies. The challenge for IUCN is to enlist business in its efforts to achieve a 'just world that values and conserves nature.' Using the language of the IUCN mission, this strategy focuses on how IUCN can influence, encourage and assist *businesses* throughout

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<sup>4</sup> A sustainable economy would be consistent with current concepts of sustainable development, including the broad goals of economic efficiency, social equity and ecological sustainability.

the world to conserve the integrity and diversity of nature and to ensure that any use of natural resources is equitable, efficient and ecologically sustainable.

The balance between the role of the state, civil society and markets varies among societies, and changes over time, as a function of politics, technology and other factors. The potential for collaboration with business to implement the IUCN Programme will also vary accordingly. However, in a world increasingly characterised by a global market economy, there are growing opportunities for IUCN to harness the power of business to help deliver its Programme.

Finally it is important to note that a strong and carefully-crafted regulatory framework plays a key role in creating the conditions for business to support nature conservation. Therefore, it will be important for IUCN to understand and advocate appropriate reforms of public policy and law, in response to an evolving and increasingly globalized market economy.

## **5.2. External context: linking business and conservation**

The nature and extent of interactions between business and conservation organizations have evolved in recent years, reflecting among other factors:

- Growing recognition in global policy of how business can support or impact on biodiversity conservation;
- Widespread introduction of national legislation and local bye-laws on corporate governance, corporate social responsibility (CSR) and 'green procurement';
- Development of new investment standards, incentives and facilities (e.g. 'green' or 'ethical' funds) to stimulate flows of capital to socially responsible activities;
- Increased reporting by many large corporations on their performance with respect to sustainable development;
- Increased attention and growing involvement of many NGOs in shaping business and markets to foster social and environmental benefits;
- Emerging awareness among companies of the importance of biodiversity to their business success and thus growing interest to address biodiversity; and
- Increased participation of businesses in 'progressive' platforms for dialogue and debate, sometimes leading to new voluntary commitments.

Changes in corporate behaviour are prompted by the growing expectations of consumers, investors, governments and NGOs that businesses should improve their social and environmental performance. Increasing public awareness about private sector operations and accountability has prompted leading companies to engage with NGOs to build trust with civil society. The business case for participating in Corporate Social Responsibility and similar initiatives is expressed in terms of:

- maintaining the informal 'license to operate' with the public,
- easing the process of obtaining formal permits or regulatory approval;
- securing the supply chain and reducing business risk;
- reducing input costs and improving innovation;
- attracting or retaining customers and investors; and
- improving employee morale and productivity.

There are many ways for conservation organizations to engage with the private sector. Environmental activism and advocacy are successfully employed by many

NGOs. Such approaches are often useful in bringing problems to public attention and stimulating governments to act. Some policy-oriented NGOs, alongside government agencies, focus on the role of law and regulations in guiding business behaviour with respect to the environment. Other groups are exploring collaborative engagements with business. The latter trend has been encouraged by progressive moves on the part of some leading companies, together with a growing recognition of the potential for business to make positive contributions to biodiversity conservation.

Cooperation between environmental NGOs and business includes working with (or even helping to establish) small and medium-size enterprises, as well as engagement with multinational companies and business associations across a range of industrial sectors. The forms of collaboration are diverse, as are the financial arrangements between NGOs and business. Some common models include:

- Sponsorship – charitable giving by business to support NGO activities or events, sometimes facilitated by tax incentives, often driven by public relations goals;
- Dialogue/negotiation – exchange of information in an effort to bridge differences and reach a common understanding on a jointly-defined agenda, often financed separately by NGOs and companies to avoid the appearance of ‘selling out’;
- Technical assistance – NGOs provide advice or other services to companies (or vice versa) on a fee-for-service basis, often subject to transparency clauses that reflect the public interest goals of the NGO; and
- Co-branding/joint ventures – NGOs and companies undertake joint investments and marketing of new products/services, with shared risk and shared returns.

There is increasing understanding of the requirements for establishing successful partnerships, including clear rules of engagement, strong commitment from senior managers and mechanisms for equitable participation and conflict resolution. A clear understanding of each partner’s motives is essential.

Financial relationships between NGOs and business remain a subject of recurrent debate. Some NGOs fear a loss of freedom and credibility if they accept funds from business, and therefore insist on minimal conditions. The business community needs to better understand these limitations and to incorporate them in their own civil-society engagement strategies.

Both business and NGOs have changed as a result of their interactions. Many mainstream companies now employ large numbers of social and environmental specialists. At the same time, new businesses have emerged which put social and/or environmental performance at the core of their strategy. These include, for example, eco-tourism operators, producers and traders of organic foods, sustainable forestry enterprise, wetland restoration entrepreneurs and carbon traders, among others.

The changing context has placed additional pressure on NGOs and governments to demonstrate that they, too, are fulfilling their social and environmental responsibilities. Some NGOs now report on their own social and environmental performance, as well as demanding such reports from companies. Moreover, as in the case of businesses hiring social and environmental specialists, many NGOs have recruited staff with experience and training in business and finance to implement their strategies for engaging with the private sector. This in turn has accelerated a convergence of attitudes and approaches among NGOs, governments and business.

### 5.3. IUCN experience and niche

IUCN is an attractive partner for business due to its acknowledged core competencies, which include its:

- unique membership of governments and non-governmental organizations;
- global networks of environmental scientists, policy-makers and practitioners;
- capacity to convene and build consensus among diverse stakeholder groups;
- scientific credibility in protected areas and ecosystem management, species information and biodiversity assessment, and natural resource policy; and
- ability to link conservation practice with national and international policy.

IUCN has a long-standing mandate to work with business.<sup>5</sup> Collaboration with business is a key mechanism to strengthen interaction with the membership, harness the energies of new actors to deliver on the agenda of conservation and sustainable development, and broaden the funding base for conservation. Since the 2<sup>nd</sup> IUCN World Conservation Congress in Amman, IUCN has significantly developed its activities in relation to the private sector. Recent examples include:

- Seeking grants and other sponsorship from business for IUCN activities, e.g. support from the software industry for an innovative Species Information Service;
- Developing case studies, guidelines and training material for improved corporate environmental management, focusing on industry-wide dissemination;
- Providing technical services and advice to individual companies on specific environmental issues, e.g. biodiversity impact assessment of oil pipelines;
- Convening debate and discussion around key business and environment issues, e.g. the IUCN-ICMM Dialogue on Mining and Biodiversity;
- Collaborating with industry to influence intergovernmental processes, e.g. working with oil companies to improve safety standards in shipping; and
- Joint conservation and sustainable use activities, for example, the development of new markets and management systems for wild plant products.

Building on its diverse membership of governments and non-government organizations, IUCN has established a solid record of convening stakeholders to develop scientifically-based standards, guidelines and policies for the equitable and sustainable management of natural resources, notably with respect to protected areas and species information. This experience provides a basis for working with the private sector to help them develop standards, guidelines and policies for integrating biodiversity in business management. IUCN can play a key role as facilitator of such processes. IUCN can likewise support efforts to involve business in conservation fora, including inter-governmental processes where appropriate.

IUCN hosts a range of scientific and policy networks on diverse environmental issues, notably through its six Commissions. These networks provide access to global expertise on the theory, policy and practice of environmental management. There is a potential to expand and strengthen IUCN networks through the increased participation of business, as well as by creating new networks attuned to the needs of business.

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<sup>5</sup> Over 180 member resolutions can be characterised as addressing private sector issues.

Both the IUCN networks and the Secretariat can provide business with technical assistance and information on a range of conservation issues. Potential assistance includes expert advice, publications and training. Demand for such services from the business and financial community is growing, especially in the areas of:

- Company-level biodiversity policy, including impact assessment and management;
- Integrating biodiversity in private investment decisions, including small business development as well as portfolio management; and
- Crafting efficient national and global environmental policies (laws, regulations and standards) that stimulate business innovation and investment.

The strength of its membership, scientific networks and technical capacity makes IUCN a credible and authoritative source of environmental information. This is reflected, for example, in the annual IUCN *Red List* of threatened and endangered species, as well as the IUCN protected area category system, which is used as the basis for park and reserve management around the world. This credibility enables IUCN to instil confidence both within and between the conservation community and business, by providing assurances that environmental and social issues affecting business will be addressed in a thorough and professional manner, based on sound science and wide participation of relevant stakeholders.

In addition to its established strengths, IUCN is developing new capacities that are highly relevant to how business engages in biodiversity conservation. These include IUCN's growing expertise and emerging knowledge networks on the economic and social dimensions of conservation, which can help business to manage both social and environmental aspects of their activities. Specific areas of new expertise include:

- Integrating nature conservation in poverty reduction and development strategies;
- Supporting increased coherence between international trade and environmental policies;
- Developing policy and practice to implement the ecosystem approach; and
- Developing market-based incentives for nature conservation, including payments for ecosystem services.

In order to engage effectively with business, IUCN will need to strengthen its capacity in several areas. One of the most important is how IUCN manages risk to its reputation and credibility. While the credibility of IUCN is one of the main attractions to business, many members and staff see the greatest potential risk of engaging with business to be the potential loss of IUCN credibility and independence. Measures to deal with this risk are outlined below and in Annex 3. Other areas in need of strengthening include:

- knowledge and experience of business in the Secretariat;
- substantive involvement of business experts in the Commissions;
- mechanisms to monitor the social and environmental impacts of IUCN itself;
- understanding of and consensus for engagement in the membership; and
- clear priorities and guidelines for engagement with business.

#### 5.4. IUCN goals and forms of engagement

Based on the vision outlined above, together with an assessment of the external context and the previous experience and niche of IUCN with respect to the private sector, three overall goals (or outcomes) of this strategy have been identified. They are:

1. A conservation community that is well informed about market mechanisms and understands their potential and limitations to achieve biodiversity conservation.
2. A more accountable private sector which contributes to sustainable development including conservation and social equity.
3. Effective dialogue and collaboration between IUCN and the private sector which helps to achieve conservation through, and alongside, sustainable development.

The first goal seeks to enhance the knowledge and understanding of the conservation community of how market forces impact biodiversity, and how market mechanisms can influence conservation either positively or negatively. There is a need for enhanced capacity to influence markets and business, in conjunction with regulatory regimes, to achieve conservation outcomes. In most parts of the world today, conservation work relies largely on government grants and charitable contributions. The many ways in which markets can be influenced to support biodiversity, through economic policy reform, new business development, consumer and investor information campaigns, and other means remains under-explored. IUCN can play an important role in expanding and mobilising these mechanisms through its global networks.

With respect to the second goal, IUCN will reinforce on-going work by governments and civil society organizations, including many IUCN members, which seeks to improve business performance on social and environmental grounds. The value added of IUCN lies in its combined focus on biodiversity conservation and social equity, and the strength of its global networks notably in the developing world. Compared to other environmental issues, such as pollution control or resource efficiency, biodiversity management and its importance for commercial success remains a relatively under-developed area of business policy and practice. The links between biodiversity and social equity are even less well understood by business and yet are increasingly important. This is an area where IUCN can make a significant contribution, by helping to develop guidelines and standards for socially-responsible biodiversity management in business

The third major goal focuses on how IUCN can help to bridge the communication gap between business and the conservation community. This is an ambitious role for IUCN, in light of its limited experience and capacity on issues related to the links between business and the environment. At the same time, IUCN has an established record as a convener and facilitator of platforms for dialogue, where governments and non-government stakeholders can find common ground. This is a critical need which IUCN can help meet by organizing events and multi-stakeholder processes where industry and other groups can come together.<sup>6</sup>

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<sup>6</sup> See for example the World Commission on Dams, on-going dialogue with the International Council on Mining and Metals, and collaboration with the finance industry, all of which addressed a range of impacts on biodiversity.

## 5.5. Principles of engagement

In its interactions with business, as with any other part of society or indeed its internal operations, IUCN is guided by a set of ethical and practical principles that reflect its values and mission.

These principles are worth stating here explicitly for two reasons: firstly, because the private sector is vast and fragmented, there is a serious risk of incoherence and even contradiction if IUCN embarks on new partnerships without a clear sense of the aims and means of engaging with business. Secondly, there is widespread scepticism in the conservation community about the merits of collaborating with business, due to past or on-going misdeeds of some firms. By keeping its principles of engagement firmly in mind, IUCN may be able to reduce the risk of disappointment and/or damage to its reputation as a result of working with business.

On this basis it is proposed that any interaction between IUCN and the private sector, as well as any interaction with other organizations and any internal operations, should be:

1. **Relevant** to the IUCN vision and mission.
2. **Consistent** with the official policy of IUCN.
3. **Responsive** to the aspirations of the membership.
4. **Empowering** of IUCN to implement the Global Programme and of IUCN members to conserve nature.
5. **Effective** and results-based with concrete outcomes that can be measured.
6. **Efficient** in the use of IUCN resources as compared to alternative actions.
7. **Transparent** in the sense of ensuring public access to information, while respecting individual privacy and institutional confidentiality, as appropriate.
8. **Participatory** in the sense of creating opportunities for involvement by affected stakeholders, especially vulnerable groups, while respecting legitimate decision-making mechanisms.
9. **Enhancing** the credibility and autonomy of IUCN.

These principles are consistent with a wide range of interactions between IUCN and business. Most of them are likely to be welcomed by potential partners, but some may prove challenging to implement, notably the principles of transparency and participation.

IUCN is strongly committed to the principle of transparency in process and decision-making. At a minimum, IUCN will require public disclosure of the existence and nature of its relations with the private sector (and with other organizations) on activities related to the IUCN Programme. This will include reporting all transactions that involve a transfer of significant resources between IUCN and its partners, whether in cash or in kind. IUCN will additionally seek the right to publish its interpretation of collaborations with other organizations, after mutual consultations as necessary, but will not make claims or statements on behalf of the latter or use their intellectual property without explicit permission. IUCN accepts that its business and other partners have the same rights and obligations.

Conservation organisations that collaborate with business are sometimes accused of compromising their principles in return for cash contributions. Another common criticism is that such collaboration often excludes weak or vulnerable stakeholders, such as impoverished communities or small NGOs that lack the resources to engage on their own behalf. Therefore, IUCN and its partners (including business as well as other organizations) will work to ensure that their partnerships are not exclusive. This

will often entail extra expense, as the costs of wider participation can be significant. An inclusive approach will also take longer to agree objectives and achieve results, as more people need to be consulted. Nevertheless, the commitment of IUCN to social justice and equity obliges it to make the extra effort.

## **5.6. Priority business partners**

The transition to a sustainable economy requires changes across the board in business behaviour, government policies and consumer choices. Clearly, IUCN needs to prioritise its engagement. In addition to the principles outlined above, several pragmatic criteria may be used to screen potential business partnerships, including:

- The expected contribution to conservation and social equity;
- The capacity and added value of IUCN; and,
- The risk to IUCN's credibility.

### **5.6.1 Conservation and equity impact**

In terms of leverage and impact on conservation and equity, the priority is to engage with those business sectors in which change is most important and urgent, due to the scale of their negative impacts on the environment and vulnerable people.

Industries that depend on biodiversity for their productivity, but which are at the same time the proximate causes of biodiversity loss – including hunting and the wildlife trade, fishing, farming and forestry – may be most receptive to arguments that they should pay attention to their resource base. Equally important but often harder to convince of the relevance of biodiversity are industries that can have large adverse impacts on the landscape, such as mining, oil and gas production or the construction of large dams. The same applies to sectors which have significant *indirect* impacts on biodiversity due to the demands they place on natural resources, notably transport and road construction but also the automotive and energy supply industries, as well as architecture, building and construction. The financial services industry (banking and insurance) likewise has large indirect impacts on biodiversity, due to its influence on private investment.

Another priority for IUCN is to assist the development of 'green' enterprise. Examples include organic farming, low-impact logging, renewable energy and nature-based tourism, as well as the 'socially-responsible' investors and 'ethical' traders who support sustainable industry. Such firms may seek collaboration in hopes of gaining a marketing advantage for their products and services, or to obtain technical advice to support their operations. Key considerations for IUCN engagement are the extent to which such businesses invest in biodiversity conservation and/or the sustainable use of renewable resources, as well as their demonstrated commitment to social equity.

While it is important to be strategic and discretionary in choosing engagement with business, the strategy recognizes that IUCN must also be opportunistic. This implies carefully assessing opportunities as they arise in order to capitalize on them.

In addition, IUCN will retain the right to employ constructive critique and advocacy in its engagement with the private sector. Raising public awareness and persuading potential business partners to create a space for dialogue is an important tool and thus part of this strategy. In such situations, IUCN will join forces with members that have relevant skills and capacity to engage critically with business to achieve positive conservation results.

Finally, IUCN will work with both individual enterprises and business associations. Cooperation with individual firms can be especially valuable for the development and testing of innovative approaches to conservation and sustainable development. Engagement with trade associations, on the other hand, is helpful when establishing industry-wide standards and benchmarks, or communicating general conservation messages to a wide business audience.

### **5.6.2. IUCN capacity and added value**

IUCN has limited capacity and cannot respond to every opportunity to engage the private sector, even if it restricts itself to direct requests from business (which may not always be the most strategic opportunities). IUCN also has an established Global Programme within which priorities are defined and technical capacity is organised, as well as a strong membership that is already actively engaged with business.

Collaboration with business must support both the IUCN Global Programme and the related work of the membership. Every component programme of IUCN should consider business as a potential partner for implementing their agenda. They should likewise consider the potential role of the membership when engaging with business.

Private sector engagement can serve as an important means of strengthening IUCN capacity and extending the reach of the Union. IUCN may engage with business in order to develop new capacity in agreed priority areas, provided that new commitments do not undermine existing efforts.

IUCN will reinforce its own capacity to engage with business by seeking input from and joining forces with other informed stakeholders. Such input is especially important where IUCN capacity and knowledge of a particular sector or firm is lacking. In all cases, IUCN will seek to complement the efforts of its membership with respect to the private sector, recognising that in many cases IUCN members may be better able to take a lead in particular interactions with business. Periodic consultation with the members is essential to ensure that IUCN adds value to their work.

### **5.6.3. Risks to IUCN**

IUCN will assess the potential risks of engagement on a regular basis and for all business partnerships. The main risks of cooperating with business are damage to the reputation of IUCN, financial loss, and reduction in capacity.

Risk assessment and due diligence are essential to determine the appropriate forms of engagement. In cases where there is greater risk of damage to reputation, IUCN may limit its engagement to simple dialogue and decline to accept funding from business. Another means of reducing risk to reputation is to separate audit functions from the sale of technical services to business. Conversely, where risks are judged to be low, IUCN may be confident to engage in joint commercial ventures with business. Existing standards and processes of corporate social (and environmental) responsibility or a commitment to certified supplies of key business inputs can be used to identify firms which are serious about improving their performance.

As a general rule, IUCN will focus its private sector engagement on legally registered business entities. Nevertheless, in some instances, it may be appropriate for IUCN to address businesses that are not registered but have significant impacts on

biodiversity, including the informal sector as well as illicit commercial activities such as illegal logging, 'blast' fishing and poaching of wildlife.

Further guidance on assessing the risks of engaging with the private sector is provided in Annex 3.

## **6. Implementation**

Implementation of this strategy will be guided by a detailed action plan. This will describe the main areas of work with the private sector, a system for managing interactions with business and a timetable for implementation. It will also further elaborate on the interface of IUCN membership with the strategy.

The strategy will be reviewed periodically and updated as appropriate, based on further experience of working with business.

## **ANNEXES**

1. Guidelines for IUCN Engagement with the Private Sector (1999)
2. List of background documents and other key references
3. Outline process of due diligence for partnerships with business

## **Annex 1: Guidelines for IUCN Engagement with the Private Sector (1999)**

### Introduction

This paper is a response to the 1996 World Conservation Congress Resolution 1.81 which set the scope for IUCN to pursue relations with the private sector, and encouraged IUCN to be creative in exploring opportunities to achieve its mission more successfully through working with the private sector. It sets out a policy to guide the development of IUCN's relations with the private sector.

The private sector is understood to include profit-oriented enterprise at all levels, inter alia international and national corporations, small- and medium-scale enterprise, and business associations. The policy is intended to reflect IUCN interests and those of the private sector it is to engage. The policy will evolve as IUCN develops experience in building its relations with the private sector.

To help advise IUCN on implementation of this resolution, the IUCN Council established a Private Sector Task Force. This Task Force, in which private sector representatives and the components of the Union (Council, Commissions, Members, and Secretariat) are represented, has drafted this policy. It has also provided advice to the Director General of IUCN on the opportunities for IUCN to interact constructively with the private sector, building on past and ongoing IUCN co-operation with the private sector, and on follow up actions to implement the policy.

### Background

Government, civil society (communities, NGOs) and the private sector are often described as the three pillars of economy and society. IUCN has, since its early stages, been firmly anchored in the first two; however, whereas there have been many positive links with individual corporations and business associations, IUCN has never approached its private sector relations in a structured and strategic way. With rapid global change, the increasing importance of market mechanisms and the major role played by private investment in national development and international trade, the mission of IUCN cannot be fully achieved without working closely and productively with corporations and other private sector organisations. Further, dialogue and action between IUCN and the private sector also requires relating effectively to the appropriate government agencies, and increasingly those responsible for planning, trade and economic policy.

In this context, the potential role for IUCN in relation to the private sector covers a wide spectrum, ranging from informal or ad hoc relationships (IUCN as a convenor, technical advisor, provider of critical and factual comment), through increasing levels of engagement with IUCN as a partner to selected private sector entities (IUCN as a policy advisor, standard setter, joint researcher). The nature of the relationships between IUCN and the private sector will be diverse, depending on the requirements of each circumstance for influence, encouragement or technical support.

Goal: to engage the private sector's entrepreneurship, resources and influence for the conservation of biological diversity and the equitable and ecologically sustainable use of natural resources.

### Objectives:

- to promote a greater understanding within the IUCN constituency and the private sector of the opportunities to advance the Union's mission through co-operation
- to generate a greater understanding of the potential of market-based measures to meet conservation and natural resource management objectives of common interest to the private sector and IUCN

- to engage in productive dialogue among civil society, private sector and government on how to achieve environmental and economic efficiency
- to encourage and assist companies to develop business strategies to conserve biological diversity and natural resources in a manner that is equitable and ecologically sustainable
- to raise IUCN's profile and capacities as a supportive partner to the private sector in meeting its wider responsibilities to society.

#### Principles of Cooperation

IUCN will work according to the principles set out below. Activities undertaken with the private sector should:

- relate clearly to the IUCN mission and serve to advance it
- be structured and carried out with full transparency
- maintain IUCN's integrity and enhance its credibility
- add value to the work of IUCN members, Commissions and Secretariat.

From a private sector perspective, IUCN collaborative activities should:

- focus on issues of interest to one or more private sector partners
- facilitate good relations between private sector organizations and the governmental and non-governmental parts of the IUCN constituency
- create an umbrella which involves IUCN members in particular thematic areas of interest to the private sector
- be prepared to continue supportive relationships even in difficult circumstances
- be forthright in recognising the value of and positive results achieved from cooperation with the private sector where such cooperation has been successful.

#### Criteria for Selection of Activities

IUCN activities undertaken in co-operation with the private sector should:

- be clearly related to the IUCN Programme
- provide clear value-added to the parties involved
- address root causes and sources of problems, where action can be most effective
- lead to clear, practical outputs, oriented to solutions
- offer the chance of early successes to build mutual confidence and demonstrate benefits
- set reasonable expectations, boundaries and responsibilities of participants, through agreed rules of engagement
- encourage experimentation and contribute to learning and building of capacities
- offer opportunities for participation by members of the IUCN constituency

- be able to attract resources necessary to carry out and ensure adequate continuity
- have interested private sector and IUCN partners willing to commit time and effort.

#### Criteria for Selection of Partners

In developing collaboration, IUCN will favour private sector organisations which:

- practice transparency
- are committed to quality in their operations
- are publicly committed to conservation
- have policies, procedures and practices in place to ensure the achievement of environmental goals and have a track record in implementing these.

## Annex 2: Background documents and other key references

Copies of the following IUCN reports are available on request.

*Business and Biodiversity: A Situation Analysis for Enhancing IUCN Interaction with the Private Sector.* IUCN, December 2003.

*IUCN and Business: A governance perspective.* Report prepared by the IUCN Business Unit, November 2003.

*Overview of membership experiences with private sector engagement IUCN-Mesoamerica: Summary Report.* Anja Meinecke, August 2003.

*Literature review: In the context of the 3-IC Private Sector Engagement Project.* Anja Meinecke, October 2003.

### Other key documents consulted:

Beloe, Seb; Elkington, John; Hester, Katie Fry; Newell; Sue. 2003. *The 21st Century NGO: In the Market for Change.* SustainAbility, UNEP and The Global Compact. (<http://www.sustainability.com/programs/pressure-front/ngo-report.asp>)

Business Partners for Development (2002). '1998-2001 / Tri-Sector Partnership Results and Recommendations' in *Putting Partnering to work.* (<http://www.bpdweb.org/products.htm>)

Earthwatch Europe; IUCN; WBCSD. 2002. *Business and Biodiversity: A Handbook for Corporate Action.* (<http://www.biodiversityeconomics.org/handbook>)

Heap, Simon. (2000), *NGOs Engaging with Business – A World of Difference and a Difference to the World,* INTRAC: Oxford.

International Business Leaders Forum. 2002. *Measures for success: Assessing the impact of partnerships.* (<http://www.pwblf.org/csr/csrwebassist.nsf/content/f1d2a3b4c5c6.html>)

Issak, R. 2002. 'The making of the ecopreneur' *Greener Management International*, 38: 81-91.

Pendleton, Andrew; with McClenaghan, Sharon; Melamed, Claire; Bunn, Isabella; Graymore, Daniel. (2004). *Behind the mask: The real face of corporate social responsibility.* Christian Aid: London.

Porter, Michael E. and van der Linde, Claas. 1995. 'Green and Competitive: Ending the Stalemate', *Harvard Business Review*, September-October, pp. 120-134.

### **Annex 3: Due diligence**

Due diligence is a tool commonly used by the private sector for assessing the risks associated with a business decision such as a merger, acquisition, or partnership. The process essentially involves asking a series of questions about the company under consideration and its activities. It is intended to be an accessible and structured, but not laborious or prohibitive, way of identifying the risks associated with a particular engagement. An additional benefit of the due diligence process is that it can also help build a better understanding of the company, including the potential overlap in areas of interest with IUCN, thus building a more effective engagement strategy.

The focal areas for the questions include:

- Basic information about the company (e.g. the sector in which it works, its role in the sector, its subsidiaries and their activities)
- Information about environmental policy and standards (of the company and subsidiaries)
- Information about public commitments on the environment and sustainable development
- Assessment of the seriousness with which environmental issues are taken in the company (e.g. the level of responsibility for environmental performance and biodiversity in particular)
- Commitment to external processes and standards (e.g. involvement in recognised processes aimed at raising corporate standards)
- Reputation and presence in the media (e.g. the company's media coverage, as well as coverage of its subsidiaries and of the sector as a whole)
- Sensitivity among the membership (e.g. sectors or companies which members have expressed concerns or issues about in the past or are likely to have issue with)

These questions are intended to provide an indication of the types of risks associated with a particular engagement, and are not meant as a means of screening out specific types of engagement. The next steps are to assess the risks of an engagement, identify means of managing those risks, and then finally take an informed decision about whether or not to pursue the engagement. Naturally, the more risks associated with a particular engagement, the more management time and effort is needed. Thus 'high risk' engagement activities should have higher levels of opportunities associated with them.

30.03.2004