

# NOT JUST FOR THE BIRDS

Business should protect biodiversity in order to maintain a stable operating environment  
BY NOEL MORRIN

Long-term strategy, capital investment, cash flow, operating profit, competitive advantage, intellectual property – these are all familiar terms in the average company boardroom. But biodiversity?

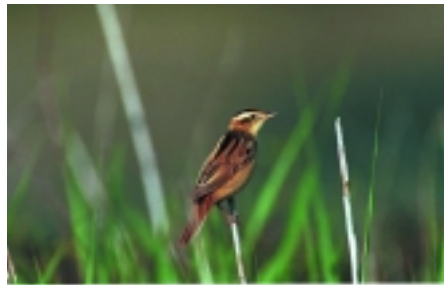
Yet the continuing failure of many businesses to fully understand biodiversity is contributing to the potential risks of an increasingly unstable operating environment, and as a result putting all of these recognized business processes at risk.

Adequate supplies of raw materials, biological services and stable operating conditions are essential for any company to produce a return on its investments, resources and intellectual property that is sustainable over time. Maintaining healthy and thriving wildlife (plant, bird, marine and animals), protecting their habitats and conserving precious natural resources play a key role in these activities. Living organisms help to regulate the composition of the atmosphere, the hydrological cycle and climate; to protect coastal zones; to generate and conserve fertile soils; to disperse and break down wastes; to pollinate crops; and to absorb pollutants.

Yet many of these services are neither widely recognized nor properly valued in economic terms, despite a recent estimate by the United Nations Environment Programme (UNEP) Finance Initiative of the combined economic value of 17 ecosystem-services in the range of \$16 trillion–\$42.9 trillion (€12.7 trillion–€42.9 trillion) per year.

## Losing the soft focus

While many companies now have an environmental policy in place, with climate



change and pollution seen as the “hard issues”, all too often conservation and species-protection are seen as a “soft issue” that has limited economic relevance to the organization’s day-to-day business operations. Little attention is paid to the high economic cost of this more gradual environmental degradation and loss of natural resource potential.

Many businesses still fail to understand how biodiversity underpins the beneficial operating conditions necessary to enable normal business processes to take place, and the resulting bottom-line business benefits. But just by looking at the potentially devastating effects of vanishing species – plants which could have been a source of revolutionary medical treatments, for example – and the destruction of precious natural resources, the adverse economic consequences to business from failure to adequately sustain biodiversity quickly become evident.

Even from just a few threats, such as

Noel Morrin is *international environment director at RMC Group, a manufacturer of materials for the construction industry. Its website is [www.rmc-group.com](http://www.rmc-group.com)*

floods, water shortages, crop failures and extreme temperature changes, damage to biodiversity is now having serious economic and business consequences and impacting significantly on the operation of all types of business worldwide. Assigning explicit values to these “natural” catastrophes identifies the real costs that damaged environments and global warming are causing to the global economy – costs that will continue to rise without concerted action at both collective and individual company level

According to a study conducted by the UNEP Finance Initiative in conjunction with Munich Re, one of the world’s biggest re-insurance companies, natural disasters in 2003 cost the world billions. The cost of the European heatwave alone was \$10 billion (€7.9 billion), while flooding of China’s Huai and Yangtze rivers damaged 650,000 apartments at a cost of nearly \$8 billion (€6.4 billion).

Despite a growing body of hard evidence, the threatened status of obscure species and habitats in faraway places is still unfortunately all too easily dismissed by business as having no direct relevance to its long-term future and profitability. Institutional investors and shareholders unquestionably have a key role to play in directly addressing this. Lobbying the companies in which they invest to be proactive on environmental issues is no longer just an option. While historically discussions on investment have focused on the investment decision process, issues of corporate social responsibility are now an essential part of the equation and it is becoming increasingly obvious that if a financial institution mishandles an environmental or sustainability issue, both



its bottom line and its reputation in the marketplace can be badly damaged. Governments, lending institutions and society as a whole are exerting increasing pressure on companies worldwide to manage their impact on biodiversity in a responsible manner.

For a company like RMC, incorporating biodiversity into our business operations is critically important to ensuring our long-term profitability and competitiveness. The plain fact is that if we fail to be aware of the impact our business operations can have on the environment and do not make a genuine and sustained effort to mitigate these or seek out opportunities to act that go beyond mere regulatory compliance, we are putting our "licence to operate" at risk.

Non-governmental organizations (NGOs), for instance, are now increasingly likely to seek revocations of existing planning permissions when damage or destruction occurs at irreplaceable natural sites, quite apart from vigorously opposing even outline planning applications.

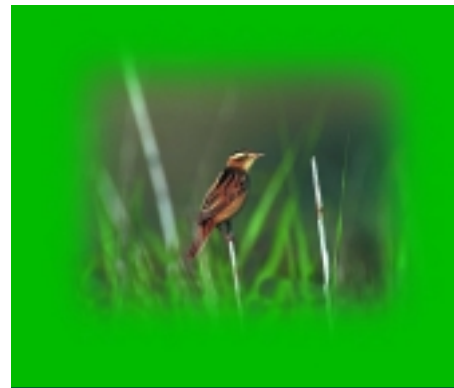
It is precisely for this reason that RMC has established a global partnership with Birdlife International – our partnership offers us the opportunity to develop a serious engagement with partners whose expertise will be invaluable in capacity-building within the company and to

promote more sustainable, and ultimately, more successful business practices.

**Financial institutions**

Through their management of capital financial institutions, shareholders and investors play a critical role as accelerators or decelerators in ensuring that environmental issues like biodiversity are properly addressed by the companies they fund; the consequences of their actions and their influence reaches far beyond the immediate impact on those organizations. Major shareholders, such as insurance companies that risk the financial consequences of continuing inaction, are now taking active steps to bring pressure to bear on boardrooms.

Ongoing failures to protect biodiversity may result in further imbalances of nature with hitherto unimagined and potentially grave economic and socio-economic consequences. It is no longer an issue for consideration at some point in the dim and distant future – irreversible damage has already been inflicted on some species and their habitats and we simply can't afford to continue in this way. Ultimately, their failure to thrive may mean that your own business and the businesses in which you invest will fail to thrive as well.



*"BIODIVERSITY CANNOT SIMPLY BE A GOVERNMENTAL OR EVEN AN INTERGOVERNMENTAL ISSUE, BUT MUST BE THE SHARED RESPONSIBILITY OF ALL HUMAN BEINGS AND ALL SECTORS OF SOCIETY, INCLUDING THAT MAJOR MOBILIZER OF NATURAL RESOURCES – AND POTENTIAL DESTROYER OF THE ENVIRONMENT – THE PRIVATE SECTOR"*

*International Business Leaders' Forum – Getting Real: The Challenges of Sustaining Biodiversity Partnerships*