



# Embedding Biodiversity in Corporate Sustainability Strategy

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## Introduction

Sustainable development as a concept is now firmly embedded in all development concepts across the globe. The most common definition of Sustainable development and Sustainability is based on the principles as articulated by the Bruntland Commission 'meeting the needs of the present without compromising the ability of future generations to meet their own needs' (World Commission on Environment and Development, 1987). This common understanding has been defined as the three pillars of sustainability, which are frequently referred as the triple bottom line of economic, social and environmental sustainability (Elkington, 1998) or alternatively the three Ps – People, Planet and Profit.

The embedding of the three Ps is so clearly evident in the way the “17 Global Goals” or the SDG's (Sustainable Development Goals) have been defined (United Nations, n.d.). All the issues mentioned in the SDGs require the attention of every part of society, where each one is both the stakeholder and the one responsible for achieving the goals, be it the Government, civil society, or businesses or corporations.

## Business & Sustainability

In July 2017, Sustainable Development Goals (SDG) Business Forum recognised the critical role of businesses in delivering on the promise of sustainable and inclusive development. “The SDGs provide all businesses with a new lens through which to translate the world’s needs and ambitions into business solutions. These solutions will enable companies to better manage their risks, anticipate consumer demand, build positions in growth markets, secure access to needed resources, and strengthen their supply chains, while moving the world towards a sustainable and inclusive development path.”

While it is being said that investing in sustainability has potential benefits for business as it signals to stakeholders that it is committed to the SDGs and this has been linked to positive corporate performance viz. competitive advantage, enhanced company image, and goodwill, social licence to operate and even customer loyalty; it is a difficult journey as it involves investing in the present for benefits that may accrue sometime in the unseen future.

In spite of this, there has been a steady, though slow progress in terms of bringing sustainability elements to the forefront. PWCs 24th Annual Global CEO survey report for the year 2021, based on a survey of more than 5000 global business leaders and qualitative analysis through interviews shows a snapshot of the business leaders’ sentiment and their current top priorities. It is the first time that “Climate Change” is reflected in the list of top ten priorities with 30% of the CEOs saying that it is imperative that work on climate change is taken up in earnest. As per the report, last year, 24% of CEOs selected climate change as an extreme concern; this year, it was selected by 30%. This may seem like a notable jump, but in the context of rising anxiety about nearly all threats due to climate change, it represents just a marginal increase. This is actually a paradox, as on one hand embedding sustainability, climate change and other related topics are no longer on the fringe and we see that companies have been routinely over many years, investing in eco-efficiency measures such as energy, waste management, etc and on the other hand a short-term quarter to quarter performance approach still seems to drive the long-term strategy.

As global pressure mounts on being responsible global citizens, many corporations across the world are slowly embracing “Corporate sustainability” which is an approach that aims at creating long-term stakeholder value through the implementation of a business strategy that focuses on the ethical, social, environmental, cultural, and economic dimensions of doing business as opposed to just creating stockholder value. This pressure is from three general sources: internal stakeholders, external stakeholders, and institutional forces. Internally, pressure from investors, employees, customers, and suppliers has definitely pushed sustainability up the corporate agenda.

Every year, we see more and more companies are adopting and reporting on the triple bottom line taking support of global and national frameworks such as the Global Reporting Initiative (GRI), UN Global Compact (UNGC), CDP, etc. While most of these are voluntary frameworks different countries are legislating disclosures on the triple bottom line, for example in India the “Business Responsibility and Sustainability reporting Guidelines (BRSR) has mandated that top companies start including their non-financial performance in their annual reports (SEBI, 2021). In fact, in recent years, many financial institutions and investor bodies are increasingly focusing on the ESG (Environment, Social & Governance) performance rank of a company. There are many organizations that are mushrooming across the globe that rate and grade companies and make public their reports. Organizations that earlier only graded companies on their financial performance are also moving towards ESG rating of corporations. There are even organizations that are ranking the ranking agencies to understand the robustness of the process. As compared to the previous year, this last year saw many shareholders raise questions on climate change or asked about the ESG rating of their company. This is a welcome change from before and will continue to build even further.

## **Sustainability Trends:**

Before moving forward, it is imperative to understand the current key sustainability trends across the globe. In the “What’s Next for Sustainable Business: 2021 Trend Report by “The Sustainability Institute – ERM Report the top trends clearly articulated include the following aspects of sustainability: Integrated ESG, valuing human

capital, responding to climate change, safeguarding natural systems, building sustainable and resilient supply chain, enabling sustainable consumption and production, applying technology to sustainability, protecting fundamental rights, shaping policy regulation and norms, and moving towards stakeholder capitalism (ERM, 2021).

The World Business Council for Sustainable Development (WBCSD) has narrowed it even further by stating that “it is believed that the world faces three critical challenges: the climate emergency, nature loss, and mounting inequality (WBCSD, n.d.). Also, the current COVID 19 pandemic has illustrated that these challenges are interconnected, and that our systems are not very prepared for the shocks that these might bring to business and society.

## **Sustainability & Biodiversity:**

We have seen that legislation, regulations and voluntary codes of practice such as the UN Global Compact (UNGC), Carbon Disclosure Project (CDP) have added to the pressure on companies to act in a sustainable way. Institutional forces in the shape of norms and expectations have also required companies to acknowledge the importance of sustainability (WBCSD, 2000). As companies start their sustainability journey, they tend to pick and choose elements linked with sustainability, working with things that are most familiar, easy to grasp, measure and bring quick direct monetary benefit or benefits through better ESG ratings. Chief amongst these include work on energy efficiency, water management, air emissions, waste management, safety, diversity, and local community outreach programs.

Many of these are driven by legislation, which is also responding to global concerns being raised by citizens especially the younger generation. For instance, at the United Nations (UN) Climate Action Summit, 2019, Climate Activist Greta Thunberg, in a fiery speech in the presence of all world leaders said “You are failing us. But the young people are starting to understand your betrayal. The eyes of all future generations are upon you. And if you choose to fail us, I say we will never forgive you” (NPR Staff, 2019).

On the positive side, many companies have progressed from reactive responses to environmental threats in the early years to more proactive business strategies that seek to address sustainability in an integrated, strategic manner. Corporate investment in sustainable initiatives also remain significant despite the financial crisis, illustrating that sustainability is not simply an 'add-on' when times are good.

We are already seeing a shift towards addressing climate change, which many corporate both in India and globally adopting some sort of carbon reduction targets, sharing these with the public through platforms such as CDP or SBTi and customers are also reaching out to their suppliers through platforms such as CDP or *ecovadis*. In 2021, a record breaking 13,000 + companies representing over 64% of Global market capitalization disclosed through CDP – 35% more than last year. Science-based Target initiative (SBTi) has reported that more than 2500 companies have taken up action on carbon reduction and more than 1200 companies have worked on an set their targets to reduce carbon to restrict Global warming to 2 degrees and below (SBTi, 2022).

Of the three concerns listed by WBCSD, nature loss of biodiversity and ecological challenges still remains to be addressed effectively. We are observing that complex ecological problems are increasing, not decreasing; the Millennium Ecosystem Assessment by the World Resource Institute (2005) reported that 60% of ecosystems were significantly degraded (WRI, 2005). Businesses also rely on ecosystem services, genes, and species for the growth of their business; for example – agrobusinesses rely on the diversity of wild relatives of major food crops, as a resource to ensure crop resistance to disease and pests along with relying on healthy ecosystems to treat and manage waste, maintain soil and water quality and help control the quality of air. At the same time, business and industry can have major negative impacts on biodiversity resources. While the private sector is part of the problem, it is also part of the solution. The resources and influence of the private sector offer important opportunities for innovative and effective contributions to conservation. Hence it is becoming imperative that corporate sustainability initiatives also consider the related processes for the overall resilience of the planet.

While the industry and businesses have started to work on this aspect, most of the initiatives are industry or business focused and few, if any, attempt to analyse cumulatively interrelated systemic impacts on the local, regional or global scale. Why is it that organizations and businesses are unable to adopt a stance on biodiversity and take actions to address the same? Of course, there are examples of companies including companies in India (Tata Steel, Tata Chemicals, Mahindra's) are articulating their biodiversity policy, there are still some concerns that stop organizations from taking that path. Two major bottlenecks are making organizations put biodiversity on the back burner. These are:

## **1. Difficult to understand biodiversity and its intergenerational impact:**

Unlike other systems that are directly linked with business, it is extremely difficult to understand biodiversity and the impact of business activities on it. This is mainly because impacts are not immediate and actions now may result in impacts many years later. Additionally, the time taken to do a current status study may take anywhere between a few months to couple of years. Even then it may be difficult to be sure that all the elements of biodiversity have been covered. It is easier for the industry to just talk about greening and green cover, disregarding concepts such as local biodiversity conservation or even simple biodiversity opting to go with monoculture, fruit, or quick growing trees. The focus here is normally on compliance. We know that the rate of biodiversity loss is very high and is an area of concern.

## **2. Putting a value on biodiversity:**

Money makes the world go round. Businesses and industries find it easy to work with improving the monetary value of things including all matters related to non-financial measures. According to them, improving monetary value is improving efficiency. When it comes to biodiversity, this kind of focus leads to looking at elements of biodiversity that give better returns based on their current commercial value. Other elements of biodiversity, that are complex and deal with many variables, and are already difficult to understand fall by the wayside.

This is not to say that there haven't been attempts to put a "True cost" and a value to environmental and ecological systems. In 2007, environment ministers from G8+5 countries agreed to undertake a global study on the economic significance of biodiversity (and loss), resulting in the establishment of TEEB, now hosted by the United Nations Environment Program (UNEP). The TEEB study highlights the economic benefits of biodiversity and the costs of biodiversity loss, and emphasizes the critical role of the private sectors. "Businesses must manage risks to reputation and the bottom line posed by environmental damage " (TEEB, 2010). We need more studies of corporate sustainability that incorporate measures of biodiversity impact, particularly using sectoral assessments, and from a regional geographic perspective. Some of the methods that have been tried by businesses and business groups include the "Natural Capital Protocol or the True Value Method".

### **What can be done, and how should corporations start incorporating the same within their strategies?**

There are four critical steps that corporations need to do and these include: setting the agenda on biodiversity, working with various stakeholders for mapping the current status, possible impacts and vulnerabilities and setting up joint management action plans, working on resource efficiencies and focusing on ensuring that all processes lead to a circular economy.

#### **1. Setting the business agenda on biodiversity is about stating the organization's policy towards biodiversity conservation, use and management:**

It is about setting targets. We see that many organizations, both global and Indian have taken such a step for example Tata Steel, Mahindra & Mahindra, etc. Targets include working towards no net negative impact or even positive impact on biodiversity. Many organizations have moved towards taking help of different frameworks, such as the Rainforest Alliance or to help them set appropriate targets.



## **2. Understanding the baseline:**

This requires a joint effort from the stakeholders including the involvement of appropriate communities that may be impacted. A simple risk assessment to understand vulnerabilities could be the starting point for prioritizing the study area. A bottom-up approach to understanding the current status would help in the process of finalizing the next step, i.e., the action planning and monitoring progress.

Of course, the need of the hour is relooking at the method of doing business and making business processes that incorporate a cradle-to-cradle approach as opposed to gate-to-gate management, which most organizations tend to do well. This is a long-term strategic approach that ensures zero waste in any landfill.

## **3. Circular economy is getting on the fast track:**

With the current push in India for managing plastic wastes or e-waste etc. this aspect of redesigning the business model towards a circular economy is getting on the fast track.

In conclusion, while corporate sustainability as a concept is more widely accepted, currently only a few elements are included in a company's long-term strategy. Foremost among these are elements that can show immediate benefit or those that are somehow linked with legislature. A focus on Climate change mitigation and even adaptation strategies is now picking up. However, biodiversity, nature, and ecology and their interlinkages with climate change, circular economy, and resource efficiencies are issues that corporates are still to pick up in earnest, as these are difficult to map and understand. It is only when these are truly included in sustainability thinking and long-term strategies would corporates embrace the true meaning of sustainable development.

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