

Impacts of illegal wildlife trade on business

Illegal wildlife trade (IWT) is in the global spotlight thanks to its alleged role in triggering the coronavirus pandemic. It is sparking vivid debate among communities of experts not just in conservation, but in business, finance, technology, anti-corruption forces and law.

One such debate is taking place in the ranks of litigation service providers and economic crime experts of The International Academy of Financial Crime Litigators and IWT specialists at the Basel Institute on Governance.

This short series presents their different expert perspectives on topics crucial to combating IWT.

In this edition, Dr. Timothy Wittig, Senior IWT Specialist at the Basel Institute on Governance and Antenor Madruga, Partner at FeldensMadruga, and Fellow of the International Academy of Financial Crime Litigators, explore the impacts of illegal wildlife trade on business.

How do companies see the regulatory and financial risks of being implicated in illegal wildlife trade?

Which sectors are most aware of their risks and which are most oblivious?

Is the situation changing due to the pandemic and consequent spotlight on IWT?

Risks - but also opportunities



Dr. Timothy Wittig
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Five years ago, illegal wildlife trade (IWT) was off the radar of most companies. Wildlife protection was viewed as just a conservation issue, something for charities to take care of. Now it's on everyone's lips.

The covid-19 pandemic, likely triggered by illegally traded wildlife, has helped to propel the issue into the global spotlight. Fortunately, companies in the

transportation and financial sectors had already started to recognise their exposure to the risks of being abused by wildlife traffickers.

What risks?

IWT exposes companies to a host of risks, not only those directly associated with wildlife and its protection. Why? Because it significantly converges with money laundering, financial crime, drug trafficking, human trafficking and threat finance, as well as climate change and humanitarian welfare issues.

For example, heroin trafficking networks in East Africa are known to also be heavily involved in the ivory and rhino horn trades. Illegal logging virtually always overlaps with high-level corruption and kleptocracy, and is itself an important driver of climate change.

So as IWT converges with all of these issues, corporate risk managers are now realising that they need to include IWT in their risk analysis and mitigation processes. Until now, frankly, IWT has been a big blind spot.

These vulnerabilities are now being recognised in international policy and regulatory circles. Environmental crime, including IWT, is included in the European Union's sixth AML Directive as a predicate offence to money laundering. In Switzerland, a so-called "Responsible Business Initiative" aims to make companies liable for human rights abuses and environmental harm throughout their global supply chains. The regulatory net is tightening.

On the business side of things, companies are under increasing pressure from investors and asset managers to mitigate risks related to environmental, social, and governance (ESG) issues. The pressure has increased with covid-19. Crucially, it includes ensuring integrity and sustainability throughout the company's entire supply chain. Demonstrating that your company is not fuelling organised crime or contributing to habitat destruction – even down to raw material suppliers – is a big part of that.

Real opportunities

Personally, I find IWT an incredibly rewarding field to work in because there are real opportunities to make a meaningful positive difference in the world.

One of the best specific examples is the United for Wildlife Transport and Financial Taskforces, a global initiative of the Royal Foundation of the Duke and Duchess of Cambridge. The Taskforces aim to mobilise the private sector against wildlife trafficking using high-level formal commitments backed up by the sharing of actionable intelligence.

The Taskforces were founded four years ago with 12 companies, but now have expanded to include over 150 global companies from the banking, money and financial services, maritime shipping, airline, express delivery, and port operations industries. Just formally convening such a group around an issue like IWT is a major accomplishment.

More importantly together these companies have made huge tangible impact against IWT. Starting from near zero, they are now able to identify and mitigate IWT-related risks internally, share and action intelligence on IWT, and more broadly make active contributions to law enforcement and government efforts to stop global wildlife trafficking.

I have had the honour of working with the Taskforces since their inception as their head of intelligence and analysis. I can say from long experience that the secret to their success are all the unsung working-level heroes within these companies who have recognised the importance of IWT to their companies and to the world. Quietly and without fanfare, they have literally moved entire industries in a more sustainable direction.

Now supported by the Basel Institute's IWT intelligence team, our job is to help these companies expand on this success.

Next up: tech firms and lawyers

Despite impressive progress against IWT in the financial and transportation sectors, the clear outliers in private-sector action against illegal wildlife trade are the big tech monopolies. Social media platforms act as a huge and largely unregulated online marketplace for illegal wildlife trade – even more so now that physical movement is restricted by pandemic lockdowns. Who will tighten the net here?

Perhaps lawyers can. General counsel offices of our partner companies in the Financial and Transport Taskforces are leading the way in using IWT intelligence as an opportunity to strengthen corporate risk management systems as well as to communicate overall sustainability principles.

Looking forward, private law firms can help their clients understand and manage the risks to their business posed by environmental crime.

And law professors can include illegal wildlife trade on academic curriculums – safe in the knowledge that this is an issue that, for companies at least, is only going to get more important.

Awareness is growing



Antenor Madruga
Partner, FeldensMadruga,
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Awareness – or lack of it

Companies are generally unaware of the regulatory, financial and reputational risks related to illegal wildlife trade, although they may be directly or indirectly instrumental to the illegal wildlife trade. This, for instance, is an issue rarely contemplated in compliance programmes of companies obliged to monitor and report money laundering suspicious activities.

Growing incentives

Illegal wildlife trade, as any other relevant criminal trade, needs to integrate their instrumentalities and proceeds through several businesses required by law to promptly monitor and report money laundering suspicions. At the end of 2019, the Financial Action Task Force – FATF has made it a priority to help countries go after the money involved in the illegal wildlife trade, and identify and disrupt large criminal networks that profit from this crime. This and other initiatives, besides the cruelty of the trade itself, will certainly increase the regulatory, financial and reputational risks of companies directly or indirectly implicated in illegal wildlife trade.

Which sectors?

The transportation and cargo sector perhaps is the most aware of its potential risks related to illegal wildlife trade. The financial sector, among others subject to anti-money laundering obligations, seems to be unaware of the role it may play, through its established anti-money laundering structures, in preventing the profitability of the illegal wildlife trade.

Impact of the pandemic

The pandemic and consequent spotlight on IWT will likely motivate government authorities to expand controls and enforcement actions. It is also possible that new regulations will impose further sanctions and compliance obligations to companies in different sectors.



Basel Institute on Governance

The Basel Institute on Governance is an independent, non-profit organisation working around the world to strengthen governance and counter corruption and other financial crimes. Headquartered in Basel, Switzerland since 2003, it is an Associated Institute of the University of Basel and has offices and field experts across Latin America and Africa. Some 80+ staff members work with public, private and academic partners worldwide on cross-cutting issues in the areas of asset recovery, public governance, public financial management, anti-corruption Collective Action and compliance.

The Basel Institute's IWT programme focuses this collective expertise in countering financial crime on the world's fourth largest illegal trade – wildlife trafficking. A specialist intelligence team operates the Information Sharing System at the core of the United for Wildlife Financial and Transport Taskforces, tying in with the work of IWT-focused financial investigation specialists, analysts and field researchers in the world's wildlife trafficking hotspots.

www.baselgovernance.org



The International Academy of Financial Crime Litigators

The International Academy of Financial Crime Litigators (The Academy) is a union of established academic and litigation professionals who are involved with all sides of economic crime cases. Their shared mission is to spark lively debate about relevant experiences and research findings, and to serve as a catalyst for enriching legal theories and litigation practices.

Founded in 2018 in collaboration with the Basel Institute on Governance: The Academy, where theory meets practice.

www.financialcrimelitigators.org