



RISK MANAGEMENT IN PROTECTED AREAS

Guidance for asset managers
and asset owners

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Cover image: A pair of young mountain gorillas (*Gorilla beringei beringei*) playing around while hanging from a tree in Uganda's [Bwindi Impenetrable Forest](#). Credit: Pedro Ferreira do Amaral, via iStock.

Executive Summary

The biodiversity crisis and protected areas

We are losing biodiversity at an unprecedented rate, with the current rate of species extinction estimated at 100 times that in pre-human times. Biodiversity loss is also inextricably connected with the climate crisis and leads to the degradation of ecosystem services upon which our society and economy depend.

Protected areas are an instrumental conservation tool, with demonstrated impacts on the reduction of species extinction risk and threats to the associated ecosystems and species richness. An internationally recognised area-based conservation mechanism with regulatory support across the globe, protected areas feature prominently in the Kunming-Montreal Global Biodiversity Framework (GBF). Target 3 of the GBF calls for the protection of 30% lands, waters and seas by 2030, which will necessitate an expansion of the current protected area network. It is, therefore, crucial for investors to manage their investments to ensure they do not undermine such conservation ambitions and can effectively contribute to them.

Why protected areas matter for investors

The financial sector is exposed to nature-related physical and transition risks through their investments in the real economy and their impacts and dependencies on biodiversity. Investments in activities with negative impacts on protected areas can lead to a variety of physical and transition risks. These are likely to materialise in financial consequences for the investor through, for example, fines, significant remediation costs, reputational damage, loss of market value of the investment, potential for stranded assets and lawsuits.

Despite the potential financial implications, investors are not doing enough to explicitly consider the risks of investing in and around protected areas within their policies. ShareAction's latest benchmarking of institutional investors evidences significant room for improvement in the way asset managers and insurers incorporate protected areas into their investment policies. The large majority of asset managers and insurers analysed lacked evidence of any policies to manage their portfolio investment risks associated to protected areas.

Investor recommendations to address protected area portfolio risk

Investors are crucial in helping halt and reverse biodiversity loss through their capital allocation and portfolio stewardship. Investors should understand the role of protected areas in conservation and explicitly incorporate these areas into their environmental and social risk management processes, establishing clear expectations for companies. Escalation policies should also consider the possibility of divestment with a public statement if biodiversity risks are not addressed during an engagement. In strengthening their investment policies, investors should:

- Ensure they understand the potential physical and transition risks of undermining biodiversity conservation objectives.
- Assess and mitigate biodiversity impacts across their whole portfolios but recognise the additional importance of protected areas.
- Engage with companies to request disclosure of location data associated with company assets and, where possible, upstream and downstream value chains.

- Assess if any assets or sites within the portfolio intersect with, or are adjacent to, protected areas.
- Assess which of the assets within the portfolio which overlap with, or are adjacent to, protected areas represent the most critical risks, to prioritise engagement.
- Set ambitious targets to ensure that all assets within protected areas are only engaged in activities that align with the management plan or designation of the respective protected area, and engage with companies to achieve this.
- Define expectations for companies to assess, disclose, and manage their direct and indirect area of influence, which could extend well outside their physical footprint.
- Ensure that investee companies have assessed at a local level whether their assets intersect with lands managed by Indigenous Peoples, particularly where they intersect with protected areas, and have adequately followed Free, Prior and Informed Consent processes where relevant.
- Make clear to investees that lobbying for or carrying out other activities that might contribute to the downgrading, downsizing or de-gazettement of protected areas ('PADDD') is unacceptable.
- Have a robust escalation strategy that covers biodiversity engagement priorities, including consideration of protected areas in voting policies.

This guidance calls for investors to recognise the vital role of protected areas as a tool for biodiversity conservation and take the recommendations above as guidance to strengthen their investment policies, capital allocation and portfolio stewardship processes. Engagement with companies to understand their exposure to protected areas and gather the relevant location data is a core part of this journey to reduce protected area-related portfolio.

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Foreword

We welcome this publication by UNEP-WCMC and ShareAction, as it provides concrete guidance on how investors can mitigate the risks of investing in and around protected areas and incorporate protected areas into their investment policies.

Protected areas are a vital conservation tool with demonstrated positive impacts on biodiversity. The global recognition of protected areas and extensive literature and regulations surrounding them make for a clear framework for investors to align with and help enforce. Ensuring investments do no harm to protected areas is an important lever to strengthen investor biodiversity strategies.

At BNP Paribas Asset Management, we explicitly recognise the risk that investment decisions may pose to protected areas. This acknowledgement is reflected in several key policies outlining how projects and companies we invest in must comply with sector-specific criteria related to protected areas.

For project-level analysis, such as mining, infrastructure or real estate, we have embedded a protected area screen using IBAT based on proximity, given that we usually have access to the GPS coordinates of the project that we consider for investment. For corporate-level analysis, our protected area screen relies on a combination of data partners, including IBAT and WWF Biodiversity Risk Filter, as well as third-party reports.

However, since location and supply chain data are usually only partially available, we know that we need to progress in understanding our potential exposure to protected areas. For this reason, we continue to conduct and publish research on the subject and welcome this guidance.

We believe that effectively considering protected areas in our policies has strengthened our risk management.

Robert-Alexandre Poujade

Biodiversity Lead, BNP Paribas Asset Management

The biodiversity crisis

Global-scale biodiversity loss is currently proceeding at an unprecedented rate. Recent studies estimate around 37% of species will be threatened or extinct by 2100 ([United Nations Environment Programme \[UNEP\] 2023a](#)) while monitored wildlife populations have seen a 69% decrease between 1970 and 2018 ([World Wide Fund for Nature \[WWF\] 2022](#)). The current rate of species extinction is estimated to be 100 times greater than in pre-human times ([Ceballos, G. et al. 2015](#)). Combined with other threats like climate change, this scale of biodiversity loss poses a threat to the stability and resilience of the Earth system as a whole ([Richardson, K. et al. 2023](#)).

The loss of biodiversity is listed in the top five global risks in terms of impact to the global economy and financial system by the World Economic Forum ([Marsden, L. et al. 2024](#); [World Economic Forum \[WEF\] 2024](#)). The benefits that humans gain from functioning ecosystems are termed ‘ecosystem services’. Human health and wellbeing are dependent on ecosystem services, which provide material goods (food, raw materials), regulation of natural processes (water purification, stable climate), and cultural fulfilment (spiritual enrichment, recreation) ([Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services \[IPBES\] 2019](#)).

Biodiversity loss is one factor causing the degradation of ecosystem services. Recent research found that nature degradation could slow the UK’s economic growth and cause major shock events, with one scenario leading to a 12% decline in the UK’s GDP – a greater impact than the effects of COVID-19 ([Green Finance Institute \[GFI\] 2024](#)).

Protected areas are a key conservation tool

Protected areas are a key instrument for the conservation of nature and its contributions to people. Protected areas are defined by the International Union for Conservation of Nature (IUCN) as “clearly defined geographical space[s], recognized, dedicated and managed, through legal or other effective means, to achieve the long-term conservation of nature with associated ecosystem services and cultural values” ([Dudley, N. \(ed.\) 2008](#)). Protected areas have been shown to be associated with reduced species extinction risk, fewer tropical forest fires and reduced coral loss ([Langhammer, P. et al. 2024](#)). Terrestrial protected areas have been found to have 10% higher species richness compared to otherwise comparable unprotected areas ([Gray, C. et al. 2016](#)).

The importance of protected areas for nature has long been recognized by the international community, including recently through the Kunming-Montreal Global Biodiversity Framework (GBF). This global landmark agreement, the equivalent of the Paris Agreement for nature, aims to halt and reverse biodiversity loss and to allow the recovery of ecosystems. Target 3 of the Framework aims to ensure that at least 30% of their terrestrial, inland water, coastal and marine areas are effectively conserved and managed as protected areas or other effective area-based conservation measures by 2030, recognizing Indigenous and traditional territories where applicable. As of August 2024, 17.5% of terrestrial and inland waters are managed as protected areas ([Protected Planet 2024](#)).

The GBF outlines the need for a “whole-of-government and whole-of-society” approach to biodiversity conservation, requiring action and cooperation from all stakeholders. Private sector actors – both businesses and financial institutions – can contribute to all 23 global targets outlined in

the GBF. Target 3 relates to protected areas specifically, and the financial sector can contribute to this by ensuring investments do not undermine area-based conservation efforts – through, for instance, investing in innovative financial solutions to support sustainable markets, and integrating spatial biodiversity data into investment decision making.

For more information on the GBF, see: [Stepping Up on Biodiversity: What the Kunming-Montreal Global Biodiversity Framework means for responsible investors](#)

Introducing different types of protected areas

There are a wide range of types of protected areas. Protected areas can be designated at national, regional and international levels, and each of these will be discussed in more detail below. Their usage can vary from being strictly protected, to allowing sustainable use and tourism.

The World Database on Protected Areas (WDPA) is the most authoritative global database of protected areas, containing details of many of the world’s marine, terrestrial, coastal and inland water protected areas. Commercial access to the WDPA is available through the [Integrated Biodiversity Assessment Tool \(IBAT\)](#). As of August 2024, more than 300,000 protected areas are listed in the WDPA ([Protected Planet, 2024](#)). However, whilst it is authoritative, the WDPA is not an exhaustive list of all protected areas. Rather it reflects protected areas which have been reported and/or verified by national governments and other data providers under their commitments to the GBF.

Protected areas can be broadly grouped according to their governance type (which refers to the entity responsible and accountable for their management) or their management category (which refers to their management objectives and permitted activities in general terms). IUCN has defined frameworks for both groupings, which are further detailed in [Annex A](#). There are [six internationally recognized protected area management categories](#) that assist a consistent understanding of protected areas based on their management objectives. However, the application of the categories is not always consistent between countries, and, as of August 2024, only 74% of protected areas in the WDPA had an associated IUCN management category ([Protected Planet, 2024](#)). Therefore, while investors and investees should use the protected area management categories as an initial steer as to the type of protected area, investors should also always expect investees to have investigated the local conditions and the protected area management plan, where available.

There are other areas of particular importance for biodiversity beyond protected areas which are of relevance to investors. These will not be covered in detail in this report, aside from being briefly introduced below, but do warrant further guidance. They are: Key Biodiversity Areas (KBAs), Other Effective Area-based Conservation Measures (OECMs) and territories and areas conserved by Indigenous Peoples and local communities (known as ICCAs or Territories of Life).

Protected areas designated at the national and subnational levels

Countries across the world have designated specific areas for the protection of nature and the services it provides. Their management is regulated at the national or sub-national levels, as well as the types of activities allowed within their boundaries and the level of protection for each specific area. Protected areas designated at a sub-national level may not always be included in the WDPA or other global references, and so in-country investigation is important to ensure any protected areas not listed in global references are flagged. This is also crucial for another reason – many areas managed for conservation by non-state actors (Indigenous Peoples, local communities or private actors) are not recognized as protected areas in legislation or reported to the WDPA.

While many protected areas fall within national boundaries, it is important to remember that species and ecosystems do not generally pay heed to these boundaries. Given this, there are a number of protected areas that extend across multiple countries. These are referred to as transboundary protected areas.

Protected areas designated under regional conventions and agreements

In some cases, protected areas are recognized under regional conventions or agreements. Regional designations reflect that these areas are of regional, rather than just national, importance for biodiversity and conservation. Examples include the [Natura 2000](#) protected area network in Europe and the [ASEAN Heritage Parks](#) network in Southeast Asia. Often, regionally designated protected areas will also be designated as national protected areas. Regional marine protected areas can also be found in areas beyond national jurisdiction, in cases where multiple countries collaborate to designate them. An example is protected areas designated under the [Convention for the Protection of the Marine Environment of the North-East Atlantic \(OSPAR Convention\)](#).

Examples of protected areas designated at a regional level can be found in [Annex B](#).

International designations and agreements

There are a number of relevant international conventions and agreements related to biodiversity. Areas designated under these international conservation initiatives are often - though not always - managed as protected areas. They are recognized as areas of international importance and may or may not be overlapped by protected areas designated at the national level. These include, for example, [Biosphere Reserves](#), [natural or mixed UNESCO World Heritage sites](#) and [Wetlands of International Importance, or Ramsar sites](#). Some international conservation initiatives may not be recognized as protected areas by the relevant national government, but are still valued highly by the international community and therefore any harm to them could incur reputational risks.

Further examples can be found in [Annex B](#).

For more information, see: *Chapter 7 ('International conservation initiatives') of the [IUCN Guidelines for Applying Protected Area Management Categories](#), and [Safeguarding Outstanding Natural Value: The role of institutional investors in protecting natural World Heritage sites from extractive activity](#).*

Other areas relevant for biodiversity conservation

While protected areas can be used as a useful proxy to understand areas of importance for biodiversity, they do not incorporate all such areas. Not all biodiversity is held within protected areas. Investors should also be aware of the following areas, in order to minimize nature-related risks. All of these areas are highlighted within the TNFD's 'Guidance on the identification and assessment of nature-related issues: The LEAP approach' (TNFD 2023a) as datasets to use within sensitive location identification processes (see 'L4: Interface with sensitive locations').

Within the scope of this document, the following areas are only included for context; the recommended actions below focus on protected areas. However, further guidance for investors on each of the following areas would also be a valuable addition to the space.

Other Effective Area-based Conservation Measures (OECMs)

An OECM is defined by the Convention on Biological Diversity (CBD) as "A geographically defined area other than a protected area, which is governed and managed in ways that achieve positive and sustained long-term outcomes for the *in situ* conservation of biodiversity, with associated ecosystem functions and services and where applicable, cultural, spiritual, socio-economic, and other locally relevant values." (CBD 2018) OECMs may not be managed primarily for biodiversity conservation, but complement the role of protected areas and contribute towards the global target to protect 30% of lands and seas for nature (CBD 2022). Protected areas and OECMs are often referred to together as 'protected and conserved areas'.

Not many countries have yet consistently recognized or mapped OECMs, however the number is expected to grow over the coming years in support of the implementation of the GBF. Current data on OECMs are held in the [World Database on OECMs](#) (WD-OECM).

For more information, see: [Recognising and reporting other effective area-based conservation measures. \(IUCN 2019\).](#)

Key Biodiversity Areas (KBAs)

Key Biodiversity Areas (KBAs) are identified for their importance to global biodiversity, unrelated to legal status or governance type. A global standard developed by IUCN is used to identify these areas (at the national, sub-national or regional level) and highlights criteria such as threatened species and ecosystem types, geographically restricted species, ecological integrity, and irreplaceability. (IUCN 2016) The [KBA Partnership](#) now works to identify and map KBAs globally, using this standard.

It is important for investors to be aware of KBAs as well as protected areas to reduce their nature-related risks. The location of KBAs may be used to inform priorities for designating new protected areas which are likely to be created as countries strive to meet Target 3 of the GBF. This represents a transition risk as investments within KBAs are potentially at a higher risk of becoming stranded.

For more information, see: [Biodiversity A-Z: Key Biodiversity Areas: A Global Standard for the Identification of Key Biodiversity Areas \(IUCN 2016\)](#), and [Guidelines on Business and KBAs.](#)

Territories and areas conserved by Indigenous Peoples and local communities

Territories and areas that are conserved and governed by Indigenous Peoples and local communities are often called ICCAs or Territories of Life. According to analysis by the ICCA Consortium (2021), "It is estimated that Indigenous peoples and local communities are actively conserving at least 22 per cent of the extent of the world's Key Biodiversity Areas and at least 21 per

cent of the world's lands". This is greater than the area of terrestrial protected areas governed by states and private actors (less than 14% of the world's land at the time of the report's publication). Indigenous Peoples and local communities are contributing extensively to nature conservation globally, and they must be respected as rights holders and given appropriate recognition and support.

ICCAs may or may not meet the definition of a protected area or other effective area-based conservation measure (OECM). Those that do are increasingly being listed in the WDPA and WD-OECM respectively. However, ICCAs have historically not been recognized by governments as part of their national protected area networks, meaning they are significantly under-reported to global databases. Additionally, given historical and ongoing injustices, many Indigenous Peoples are hesitant to make the location of their territories and areas public in global datasets or lack the capacity to do this.

Target 3 of the GBF, which commits signatories to ensure that at least 30% of their terrestrial, inland water, coastal and marine areas are effectively conserved and managed by 2030, also refers to recognising 'Indigenous and traditional territories' (CBD 2022). This term overlaps with the ICCA, protected area and OECM concepts but could also encompass a broader set of areas. Whether and how Indigenous peoples, local communities and governments choose to count such territories towards Target 3 is likely to vary between and within countries. Investors and investees should be aware of these territories, and their cultural, spiritual and conservation values, to minimize risks.

Why should investors care about protected areas?

Protected areas are recognised in frameworks for nature-related disclosures

The financial sector is becoming increasingly aware of its dependencies and impacts on nature and how the economic system is affected by biodiversity loss. Emerging policies are requiring businesses to assess, disclose and reduce their negative impacts on biodiversity in line with Target 15 of the GBF. For example, the EU's Sustainability Reporting Standards' Standard E4 and China's proposed Sustainability Report Guidelines both require companies to report on their impacts on biodiversity and ecosystems, as well as their nature-related targets for the future ([Shanghai Stock Exchange 2024](#), [European Union 2023](#)).

Many private sector actors are stepping up their assessment and disclosure on biodiversity impacts within their operations. There are a range of voluntary disclosure and target-setting initiatives, such as the Global Reporting Initiative (GRI) [Biodiversity Standard](#), the Taskforce on Nature-related Financial Disclosures ([TNFD](#)) and the Science Based Targets Network ([SBTN](#)), which set out pathways for businesses and financial institutions to manage their interactions with nature ([Convention on Biological Diversity \[CBD\] 2022](#)). Increased reporting, disclosure and the setting of targets allows investors and consumers to better scrutinize investee performance and policies relating to biodiversity ([Thomson, E. and Franklin, H. 2024](#); [Share Action 2023](#)).

The TNFD's guidance for financial institutions suggests that financial institutions should assess and disclose their "exposure to companies with assets and/or activities in sensitive locations", specifically including protected areas ([TNFD 2024b](#)), and this is reflected in GRI's Biodiversity Standard (see section 101-5). Protected areas also feature in several steps of SBTN's guidance, notably in relation to prioritising areas for target setting based on overlap of pressures and areas of importance for biodiversity. This document provides further information to investors on protected areas, aligned with these disclosure frameworks. After managing risks, investors may also benefit from new investment opportunities to support the effective management of protected areas, which is discussed further in Box 1.

Box 1: Investing in protected areas; from risk to opportunity

As well as encouraging the financial sector to assess and mitigate the negative impacts of their investments on biodiversity, the GBF also highlights the need to leverage "private finance, promoting blended finance, implementing strategies for raising new and additional resources, and encouraging the private sector to invest in biodiversity" (Target 19).

A variety of financial mechanisms have been used to invest sustainably in protected areas. For example:

- Blue or green bonds – fixed income instrument used to raise investment for projects which preserve and protect the environment. For example, in 2017 Fiji began to offer sovereign green bonds which provide funding for projects to protect areas of ecological importance, reduce habitat clearance and reforest degraded areas, among other actions.
- Equity – investment resulting in shared ownership in a company or enterprise. For example, the Meloy fund incentivizes the adoption of sustainability fisheries through equity investments in Indonesia and the Philippines, generating measurable social and environmental outcomes along with reasonable financial returns for investors.
- Impact investing – investment in projects which seek to solve specific social or environmental problems alongside financial returns. For example, &Green Fund, which has a blended structure, invests in commercial projects in agricultural production value chains to protect and restore tropical forests and peatlands.

It is vitally important that ahead of any investment in protected areas, a comprehensive due diligence process is undertaken to understand and then manage any potential risks. Key considerations should include:

- Understanding project's conservation target and business case (and associated metrics), and how this supports the local management plan for the protected area.
- How Indigenous Peoples and local communities have been engaged in project development and how they will be involved in project implementation. Any project involving Indigenous Peoples or their lands and waters will require their Free, Prior and Informed Consent (FPIC).
- Assessment of potential risks from regulatory changes, climate impacts, or social challenges which could result in delays or stranded assets.

Key resource: Lausche, B. (2023). [Sustainable investing in protected areas and biodiversity. Key enabling conditions in policy, law, and institutions](#). IUCN Environmental Policy and Law Paper, No. 90. Gland, Switzerland: IUCN.

Nature-related risks associated with protected areas

Investing in activities or companies with negative impacts on protected areas can generate a range of different types of nature-related risks. Examples of these are given in Table 1, below, using the TNFD’s categorisation of types of nature-related risks ([TNFD 2023b](#)). Given the particularly sensitive nature of protected areas, physical risks arising within their boundaries are more likely to lead to additional transition risks.

Table 1: Examples of nature-related risks linked to protected areas, using TNFD’s categorization of risks ([TNFD 2023b](#))

Risk type	Category	Example
Physical	Acute	A marine oil spill results in pollution of multiple protected areas, causing long-term and extensive impacts to a range of habitats, species and industries.
	Chronic	Nutrient leaching from industrial agriculture results in the build up of pollution in a river system which flows through a protected area. Over time, biodiversity levels in the river are greatly reduced, with knock on effects for the wider ecosystem.
Transition	Policy	A company is left with a stranded asset as a mine they own and operate is located within a KBA which is then designated as a protected area, and activities have to be wound down before the end of the mine’s planned lifespan.
	Reputational	A company within the asset manager’s portfolio is found to have lobbied for the downsizing, downgrading or degazettement of a protected area (PADDD), to serve its own interests. This leads to widespread negative press, and links are made to the investor, with calls made for divestment. <i>For more information, see: Protected area downgrading, downsizing, and degazettement as a threat to iconic protected areas</i>
	Market	A company’s market value is affected due to high-profile activism and boycotts, for example due to being responsible for damaging activities within a protected area, or accusations of lobbying for PADDD. Risks also extend to the investor in the company, and wider calls for divestment from the investor may follow.
	Liability	Disclosure of spatial data for a company’s assets becomes mandatory. Contingent liabilities arise as the company was not prepared and had not collected this data, and some of their assets are in a protected area.

All of the types of risks discussed above can result in direct and/or indirect financial consequences for investee companies, and so the investor. These risks can be mitigated by effective early and ongoing company screening and monitoring, as set out in our recommendations (see: *Practical actions for investors to mitigate risks of investing in and around protected areas*). Protected areas also

provide vital ecosystem services that help guard against wider systemic risks such as ecosystem collapse.

Risks can emerge in a number of ways, as impacts of economic activities on protected areas can be direct or indirect. Direct impacts arise when a project footprint, or its wider area of influence, overlaps with a protected area or its buffer zone¹. Indirect impacts may arise, for example, when the production of the raw materials required to make a product impacts on a protected area, or where additional housing in the vicinity of a new factory affects a protected area ([United Nations Environment Programme- World Conservation Monitoring Centre \[UNEP-WCMC\] 2021](#); [UNEP-WCMC 2022](#)). Hence assets that sit in proximity to a protected area, including for example within a buffer zone, may still be causing impacts inside that protected area.

For more information, see: [UNEP-WCMC Technical Briefing: The Area of Influence of site-based operations – Direct Impacts](#) and [UNEP-WCMC Technical Briefing: The Area of Influence of Site-Based Operations – Indirect Impacts](#)

Investors have room to improve on risk management for protected areas

ShareAction’s latest benchmarking of institutional investors, focused on asset managers (ShareAction 2023) and insurers (ShareAction 2024) evidences significant room for improvement in the way asset managers and insurers incorporate protected areas into their investment policies.

Institutional investors can take actions to protect against risk, both towards protected areas and to their own financial returns, by strengthening their investment policies to better assess and manage their exposure to protected areas.

Only four of the 77 asset managers analyzed establish clear investment restrictions around protected areas; none of the 52 insurers in the sample evidence such restrictions. These investment restrictions include diverse types of sector-specific and/or location-level exclusions, which might not be comprehensive enough to address the risks associated with protected area exposure (see Figure 1, below). Seven asset managers had policies establishing due diligence, including additional screening and engagement with the investee company, while one insurer considered it as part of their risk management approach. However, 64 asset managers and 50 insurers lacked clear evidence of any policies to manage risks associated with protected areas.

¹ Buffer zones are ‘Areas peripheral to a specific protected area, where restrictions on resource use and special development measures are undertaken in order to enhance the conservation value of the protected area.’ – [Biodiversity A-Z](#).

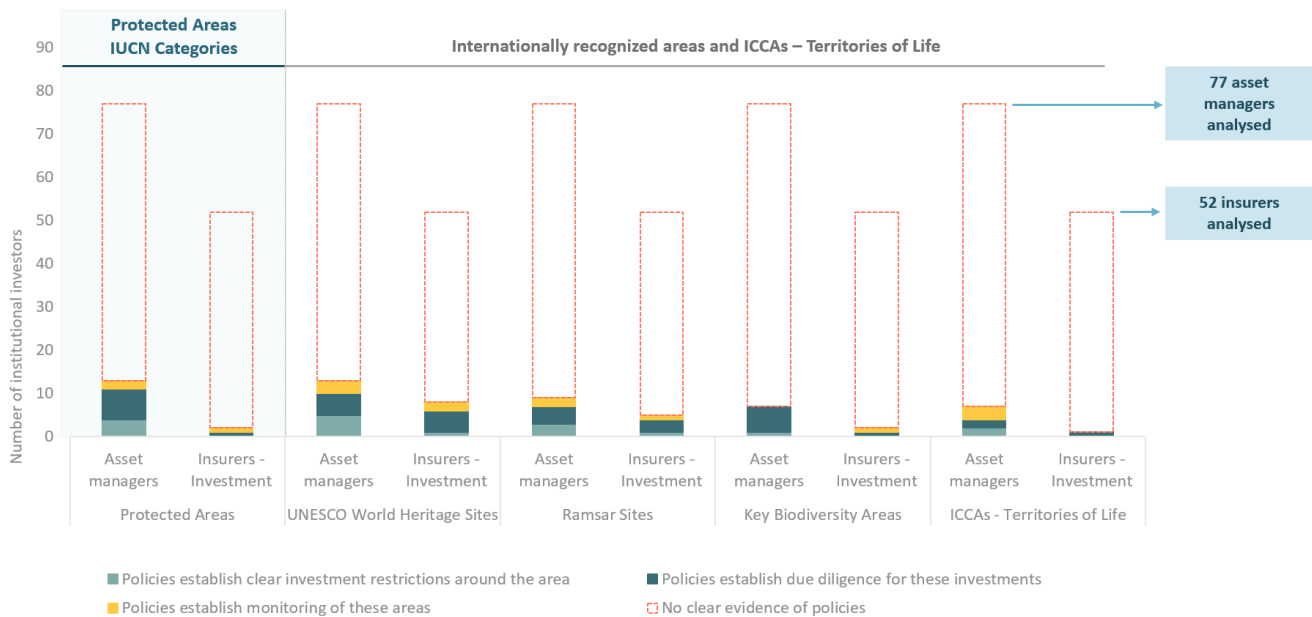


Figure 1: Monitoring of protected areas and internationally recognized areas of biodiversity importance by institutional investors. Data sources: ShareAction’s asset managers and insurers benchmarks. See ShareAction (2023) and ShareAction (2024)

Internationally recognized areas (as defined in IFC Performance Standard 6 to include UNESCO World Heritage Sites, Ramsar Sites and KBAs) and ICCAs are also currently lacking in recognition by institutional investors. While UNESCO World Heritage Sites are recognized marginally more often by asset managers and insurers than Ramsar sites, KBAs and ICCAs, the vast majority of investors analyzed lack investment policies on all area-based conservation measures included in the analysis.

Institutional investors have a long way to go to address the gaps in their investment policies in relation to protected and internationally recognized areas. Highly diversified investors are very likely to be exposed to risks through investments in internationally recognized areas for biodiversity conservation within their portfolios, which makes clear policies, with the associated monitoring and restrictions, even more important. In the following section, we lay out actionable steps for investors to take to strengthen their policies and manage these risks.

Practical actions for investors to mitigate risks of investing in and around protected areas

Below we recommend policies and processes that investors should have in place to manage physical and transition risks relating to protected areas. Having a clear stance on how protected areas are considered is essential for investors to strengthen their biodiversity policies. The regulatory framework and guidelines on protected areas are usually well established, and investors should ensure that their investees are acting in line with these. In addition to the recommendations below, we give an indication of key engagement questions for investees on this topic in [Annex D](#), and illustrate this with a case study in [Annex E](#).

Investors have a pivotal role to play in helping to halt and reverse the currently unprecedented loss of biodiversity through capital allocation, stewardship, engagement, and in some cases, divestment. A comprehensive assessment of nature-related risks and opportunities is vital to ensuring the long-term value of investments. All investors should have a nature and biodiversity policy where they set out their nature strategy and/or nature transition plan to clients and peers – which should also set out their expectations regarding protected areas. Such policies should also set out expectations for investees when it comes to recognising and managing nature-related risks. Organisations such as United Nations Principles for Responsible Investment (UN PRI) ([2024](#)), Finance for Biodiversity Foundation ([2022](#)), and Global Canopy ([2022](#)) offer wider guidance on setting nature policies which could be helpful to look at in addition to this guidance on protected areas. See [Annex C](#) for further reading.

Recommendations for investors

Investors should reflect the importance of protected areas as a key tool for conservation within environmental and social risk management policies and processes. Policies and targets should be publicly disclosed, apply both to new investments and the existing portfolio, and performance against them should be reported on an annual basis for the whole portfolio.

While the focus of this document is on protected areas, these recommendations largely also apply to OECMs, KBAs and ICCAs. Further guidance for investors on these other areas of importance would be welcomed.

Note: A key principle informing all the recommendations below is that **protected areas are highly diverse**. While global databases, like the WDPA, and global classification systems, like the IUCN Protected Area Management Categories, can be a helpful starting point for due diligence, they should only be taken as a guide. To help assess the risk of investments potentially financing activities in or near a protected area, investors should establish expectations for their investees regarding in-country due diligence, research and local context analysis.

We recommend that investors should:

- **Ensure that they understand the potential physical and transition risks of undermining biodiversity conservation objectives.**
- **Assess and mitigate their impacts on biodiversity across their whole portfolios, but recognise the additional importance of protected areas.** Following the TNFD's LEAP approach is the best way to do this, noting that protected areas are recognized as sensitive locations within L4 ([TNFD 2023a](#)).
- **Engage with investees to request disclosure of location data associated with company assets and, where possible, upstream and downstream value chains.** Location data are vital to truly understand nature-related impacts and risks, which are intrinsically linked to their geography. This aligns with TNFD's Additional Guidance for Financial Institutions ([2024b](#)), and GRI's Biodiversity Standard Disclosure 101-5, 'Locations with biodiversity impacts' ([2024](#)).
- **Assess if any assets or sites within the portfolio intersect with, or are adjacent to, protected areas.** This can be carried out by using the [Integrated Biodiversity Assessment Tool \(IBAT\)](#), which provides commercial access to the WDPA. Note that not all protected areas are listed in the WDPA, and so it is also important to expect the investee to have checked for the presence of other protected areas at a country level, which may not be listed at the global level.
- **Assess which of the assets within the portfolio which overlap with, or are adjacent to, protected areas represent the most critical risks, to prioritise engagement.** This should be done by screening the materiality of the activity taking place within the protected area to assess which activities are most likely to cause negative impacts. The significance of the site should also be considered, based on the protected area's IUCN Management Category or level of restrictions on activities laid out in the site's designation. Sites where high-impact activities are taking place within or near protected areas with greater restrictions (eg. IUCN Management Categories Ia, Ib and II) should be prioritised for more immediate engagement.
- **Set ambitious targets to ensure that all assets within protected areas are engaged only in activities which are in line with the management plan or designation of the respective protected area, and engage with investees to achieve this.** Track progress over time, against a baseline.
 - Proposed financing of new assets in protected areas should only be permitted if they are in line with the types of sustainable use (if any) allowed by the area's management plan or designation. Where the proposed asset is not in line with the management plan or designation, engagement should focus on understanding if the asset could instead be located in a less sensitive area. See [Annex E](#) for a case study to illustrate this.
 - For any existing assets that do not align with the protected area's management plan or designation, engagement should focus on ensuring the assets are managed to limit impacts on biodiversity in the short term while developing a clear plan and timeline to close or relocate them outside of the protected area.

- It should be noted that sometimes industrial activities or sites within protected areas are approved by national governments. However, in these cases, while the activity within the protected area may not carry a *legal* risk, it is likely to still carry a *reputational* risk.
- **Define expectations for companies to assess, disclose on and manage their direct and indirect area of influence, which could extend well outside their physical footprint.** Assets that sit in proximity to a protected area, including for example within a buffer zone, may still be causing impacts inside that protected area.
- **Note that some protected areas are managed by Indigenous Peoples, and expect investee companies to have assessed at a local level whether their assets intersect such areas.** Data on lands and waters managed by Indigenous Peoples are not consistently available in global databases, so in-country checks are necessary. If sites do intersect with lands managed by Indigenous Peoples, then Free, Prior and Informed Consent processes must be followed prior to any activities taking place.
 - For guidance, see: [‘Respecting Indigenous Rights: An Actionable Due Diligence Toolkit for Institutional Investors’](#).
- **Make clear to investees that lobbying for or carrying out other activities that might contribute to the downgrading, downsizing or de-gazettement of protected areas (‘PADDD’) is unacceptable.** Companies should instead be contributing to strong management of protected areas.
- **Have a robust escalation strategy that covers biodiversity engagement priorities, including consideration of protected areas in voting policies.** If investee companies consistently fail to make progress on assessing and mitigating risks arising from protected areas, then final steps of divestment and public statements about the company should be considered.
 - For further guidance, see: [‘Introducing a standardized framework for escalating engagement with companies’ \(ShareAction 2023\)](#).

Enacting the above actions through strengthening policies and engagement processes should be seen as a key step in risk management.

Investors should use their protected area risk exposure assessment to support investee-level portfolio decision-making. If exposure to protected areas is considered a material risk for the investee’s overall operations, or if their impacts across a project or projects are deemed sufficiently harmful, this should influence risk assessments and decisions to disinvest at the investee level, as well as for specific projects. As investors progress in this journey, such assessments should encompass equity and fixed-income securities, as well as other relevant asset classes in their portfolios.

Time to act

This document has laid out the variety of protected areas that exist, and the mechanisms and regulations which surround them. The vast network of protected areas is a robust and globally recognised tool for biodiversity conservation, and one that has been proven to work. Supporting the protection and management of such areas by working with investees to identify and prioritise assets which impact protected areas is a crucial and very actionable way to reduce nature-related risks and impacts.

Gathering location data on assets is a key step to assess if assets impact protected areas. This is also a key step to implementing wider biodiversity strategies and is the first stage of TNFD's LEAP approach. Investing in this data gathering now is a vital step to reduce nature-related risk across the whole portfolio and is particularly pertinent for protected areas.

Once risks are addressed, there are also many interesting and untapped opportunities relating to financing biodiversity and contributing to the goals and targets of the Global Biodiversity Framework. Early movers are well placed to not only reduce their financial exposure from nature-related risks, but also stand to gain from unlocking profitable nature-related opportunities for investment.

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Annex A: IUCN Protected Area Management Categories and governance type framework

Table A2: IUCN Protected Area Management Categories, with brief descriptions

IUCN Protected Area Management Category	Description	Number of areas in WDPA ²
<u>Ia</u>	Strictly protected area set aside to protect biodiversity and also possibly geological/geomorphological features. Human visitation, use and impacts are strictly controlled.	22,660
<u>Ib</u>	Usually large, mainly unmodified areas, retaining their natural character, without significant human habitation. Managed so as to preserve their natural condition.	4,067
<u>II</u>	Large (near) natural areas set aside to protect large-scale ecological processes and ecosystems. Can offer spiritual, scientific, educational, recreational and visitor opportunities.	6,621
<u>III</u>	Set aside to protect a specific natural monument. Generally, quite small protected areas and often have high visitor value.	25,247
<u>IV</u>	Managed to protect a particular species or habitat. Many will need regular, active interventions to address the requirements of particular species or to maintain habitats.	89,654
<u>V</u>	Area where the interaction of people and nature over time has produced an area of distinct character with significant ecological, biological, cultural and scenic value. Safeguarding the integrity of this interaction is vital to protecting the area.	52,041
<u>VI</u>	Conserve ecosystems and habitats, together with associated cultural values and traditional natural resource management systems. Generally large, mostly in a natural condition, with a proportion under sustainable, non-industrial natural resource	9,004

² As of August 2024.

	management which is still compatible with nature conservation.	
Not Reported/ Not Assigned	<i>Not all protected areas in the WDPA have a known management category ('Not Reported'), and in some cases data providers decide not to use the management category framework ('Not Assigned').</i>	92,787

For more information, see: [Guidelines for Applying Protected Area Management Categories](#)

IUCN also provide a governance type framework that can be used to categorize protected areas.

This framework groups protected areas according to the entity that is responsible and accountable for decisions about how they are managed. A protected area can have any combination of governance type and management category. IUCN defines four governance types:

1. **Governance by government:** Federal or national ministry/agency in charge; sub-national ministry/agency in charge; government-delegated management (e.g., to NGO)
2. **Shared governance:** Collaborative management (various degrees of influence); joint management (pluralist management board; transboundary management (various levels across international borders)
3. **Private governance:** By individual owner; by non-profit organisations (NGOs, universities, cooperatives); by for-profit organisations (individuals or corporate)
4. **Governance by indigenous peoples and local communities:** Indigenous peoples' conserved areas and territories; community conserved areas – declared and run by local communities.

For more information, see: [Governance of Protected Areas: From Understanding to Action](#).

Annex B – Categorisation of Protected Areas

The following table provides an example of how protected areas can be broadly categorized capturing key types of protected area at international, national and regional levels, aligned with classification categories used in the WDPA.

Table B1. An example of a globally useable categorisation of Protected Areas

International designations and agreements	UNESCO World Heritage sites (natural and mixed)
	Wetlands of International Importance (Ramsar sites)
	UNESCO Man and the Biosphere Reserves
Protected areas designated at the national level	IUCN Management Category Ia Strict Nature Reserve
	IUCN Management Category Ib Wilderness Area
	IUCN management category II National Park
	IUCN management category III Natural Monument or Feature
	IUCN management category IV Habitat / Species Management Area
	IUCN management category V Protected Landscape or Seascape
	IUCN management category VI Protected area with sustainable use of natural resources
	IUCN Management category 'Not Reported' or 'Not Assigned'
Protected areas designated under regional conventions and agreements	Areas of Special Conservation Interest, Emerald Network (Bern Convention)
	<i>Regional marine agreements:</i>
	ASEAN Heritage Parks
	Baltic Sea Protected Area (HELCOM)
	Marine Protected Area (CCAMLR)
	Marine Protected Area (OSPAR)
	Specially Protected Area (Cartagena Convention)
	Specially Protected Area of Mediterranean Importance (Barcelona Convention)
	<i>Natura 2000 sites:</i>
Site of Community Importance (Habitats Directive)	

	Special Areas of Conservation (Habitats Directive) Special Protection Area (Birds Directive)
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For more information, see: [Biodiversity A-Z](#)

Annex C – Further resources to inform nature policies

There are many helpful resources for investors to use to start to understand their nature-related risks, impacts and dependencies. While we are not looking to describe these processes within this guidance, we would recommend the following resources for further reading, for those new to this area:

Overview of the links between the financial sector and nature loss:

- [UNEP FI](#) introduces the role of the financial sector in halting nature and biodiversity loss.
- [UNEP FI, PRI and Finance for Biodiversity Foundation](#) set out what the Kunming-Montreal Global Biodiversity Framework means for responsible investors.
- [ENCORE](#) is a web-based tool which helps financial institutions assess the risks from environmental degradation, such as the pollution of oceans or destruction of forests.
- [The University of Cambridge Institute for Sustainable Leadership](#) provides an overview of the importance of an integrated approach to climate and nature-related risks for financial institutions
- [Finance for Biodiversity Foundation](#) provide guidance for financial institutions on managing the biodiversity and climate nexus in their investments and lending.

Stewardship:

- [Nature Action 100](#) is a global investor initiative supporting greater corporate ambition and action on nature and biodiversity.
- [Spring](#) is a PRI stewardship initiative for nature, convening investors to use their influence to halt and reverse global biodiversity loss by 2030.
- [Investor Policy Dialogue on Deforestation \(IPDD\)](#) is an investor-led engagement initiative that aims to halt deforestation in the most vulnerable biomes of the world.

Guidance for policy development:

- [PRI](#) outlines key considerations for asset owners and investment managers who are developing a biodiversity policy
- [Finance for Biodiversity Foundation](#) gives practical guidance for how financial institutions should integrate biodiversity into their financing activities and decision-making.
- [Finance for Biodiversity Foundation](#) provides a framework for setting nature targets, aimed at asset managers and asset owners
- [UNEP FI, the PRI, the Business & Biodiversity Platform and the Finance for Biodiversity \(FfB\) Foundation](#) offer an overview of nature finance innovations as part of their New Green Shoots series

Deforestation risk:

- [Ceres](#) provides a framework to support investors' understanding and engagement on climate risks associated with deforestation across their portfolios.
- [Forest500](#) assesses companies and financial institutions on how well they are addressing deforestation and human rights abuses within commodity supply chains.
- [Global Canopy](#) sets out a roadmap for how to tackle commodity-driven deforestation within a financial institution's portfolio.
- [UNEP FI](#) provide training to help banks understand how deforestation-risk commodities in their investment portfolios contribute to their overall risk exposure.
- [Trase](#) quantifies exposure to deforestation and other environmental impacts for consumer markets sourcing commodities from regions of production.

Annex D – Engagement questions for investees

It is helpful for investors to understand what they should expect investees to have investigated during a due diligence process in country, ahead of operations beginning. Below we give an indication of key questions that investors should expect investees to be able to answer, in regard to proper risk management linked to protected areas.

- Do you have location data (i.e. shapefiles) for all your assets? If no, do you have a process in place to gather this information, and can you talk us through the timeline for this?
 - How frequently is location data updated and verified for your assets? Do you have a process in place for continuous monitoring and updating of this information? What methods or technologies do you use to ensure the accuracy and completeness of your location data?
- Have you assessed the proximity and/or overlap of all assets with protected areas? How do you account for newly designated or updated protected areas that may not yet be included in the WDPA or other global databases?
 - *Note: The WDPA is not an exhaustive list of all protected areas. Rather it reflects protected areas which have been reported and/or verified by national governments and other data providers under their commitments to the GBF. Additionally, there are some managed natural areas which do not meet the IUCN's definition of a protected area, for example [UNESCO Geoparks](#).*
- **For assets which have been identified as overlapping with protected areas:**
 - Is there a management plan in place for this protected area? What actions are allowed to take place within the area's boundaries (according to the management plan, designation objectives, or associated legal restrictions), and is the activity or asset aligned with these?
 - *Note: relying on information on management categories included within global databases such as the WDPA is not sufficient. As far as possible, it is important for the local governance authority to be consulted on current management plans, and for current local conditions to be understood.*
 - Who is the governance authority for the protected area, and do they have sufficient capability and funds to enable effective management?
 - Does the investment need to be located within the protected area? Have you carried out an impact assessment for the asset, and what impacts are expected? What steps will be taken to reduce impacts on biodiversity? Are there specific reasons that the operation or investment must be located in this protected area, or could an alternative site that is less sensitive be considered?

- **Assets which do not directly overlap with protected areas, but are near or adjacent to them, can still have impacts on the protected area.** In such cases, it is important for companies to have considered and justified what their likely area of influence is – the area around their direct operations which are still impacted by the operations - and if this area of influence overlaps with a protected area. Questions to investigate this include:
 - How do you determine the appropriate size and management of the area of influence around your assets? What criteria or guidelines do you use?
 - What is the likely area of influence of the asset, and does this intersect with any protected areas in the vicinity?

Annex E – Case Study

This case study gives an example of a single protected area in Ghana, the Subri River Forest Reserve, an IUCN Management Category IV (“Habitat / Species Management Area”) where gold is a relevant investable commodity. It outlines how a hypothetical asset manager, Hummingbird Asset Management, assesses the risk of a potential new investment in a mining company with interests in West Africa who are considering a new mine in the Subri River Forest Reserve.

Subri River Forest Reserve, Ghana

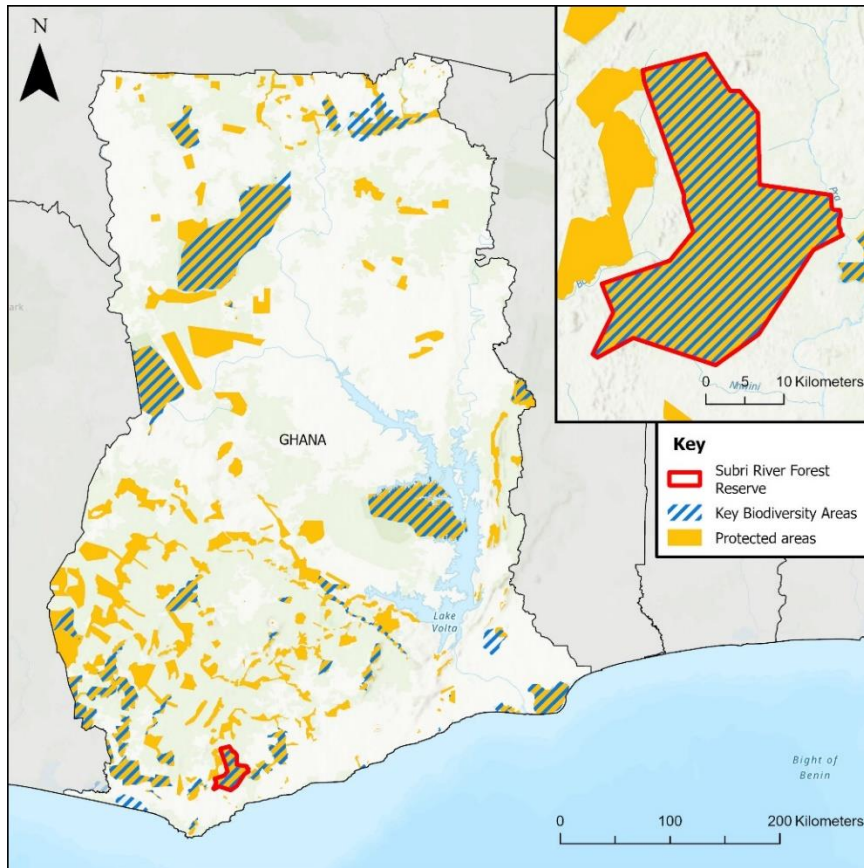


Figure D1- Map showing the location of the Subri River Forest Reserve within Ghana (outlined in red). Other protected areas are shown in orange shading, and Key Biodiversity Areas are shown in blue hatching.

Data sources: Protected area and Key Biodiversity Area data downloaded from the Integrated Biodiversity Assessment Tool (IBAT) (<http://www.ibat-alliance.org>), accessed May 2024. Provided by BirdLife International, Conservation International, IUCN and UNEP-WCMC. Basemap produced by: United Nations Geospatial, 2024. Contributor: UNGIS, UNGSC, Field Missions. © UNITED NATIONS 2018. Disclaimer: The designations employed and the presentation of material on this map do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

The Subri River Forest Reserve is a 591.6 km² protected area and Key Biodiversity Area in the southwest of Ghana ([UNEP-WCMC 2024](#), [Key Biodiversity Areas Partnership 2024](#)). Subri River Forest Reserve is categorized as a production reserve by the Ghanaian government, meaning that it can be sustainably exploited for production of timber and non-timber products and tourism ([Ministry of Lands & Natural Resources 2016](#)).

The reserve is subject to deforestation driven by the expansion of timber plantations ([Buzzard, P. and Parker, A. 2012](#)), and cocoa plantations ([Abu, I. et al. 2021](#)). Illegal gold mining has also been reported ([Birdlife International 2024](#)).

Investor considerations for a focus commodity: gold

Gold is one of Ghana’s most important export commodities and investors must be aware of impacts on protected areas arising from investments in this market ([Department for Business and Trade 2024](#)).

Gold mining results in significant impact to nature through habitat destruction, water pollution, land contamination and diversion of waterways. Ghana has many gold deposits in the south of the country and there are multiple large-scale mines in the Western Region, close to the Subri River Forest Reserve's boundaries ([Minerals Commission 2024](#)). Additionally, analysis of satellite imagery indicates small-scale mining around all boundaries of the Subri River Forest Reserve ([Barenblitt, A. et al. 2021](#)).

Mining in protected areas is not allowed according to Ghanaian environmental policy, but in recent years the government has issued licenses to allow mining to take place within protected areas ([Nature and Development Foundation \[NDF\] West Africa 2023](#)). This decision has been controversial, subject to protests and petitions from national and international NGOs and civil society organizations ([A Rocha International 2021](#)).

Applying the guidance: a potential investment in a gold mine within Subri River Forest Reserve

Hummingbird Asset Management, a hypothetical global financial institution with a strong responsible investing focus, is considering a potential investment in TerraGold Inc., a mid-tier mining company exploring gold deposits across West Africa for export. Hummingbird's team is conducting thorough due diligence to inform their decision. While the financial performance of TerraGold Inc. is strong, the Hummingbird team is interested in thoroughly understanding TerraGold's approach to biodiversity and the associated risks throughout their mining operations.

Following best practice, the Hummingbird team takes the following steps to prioritize and manage these risks:

- Using [ENCORE](#), the Hummingbird team has identified mining as one of the highest-impact sectors in their portfolio. As per Hummingbird's risk policies, any investments in mining companies therefore trigger an additional risk analysis by the asset manager's analysts.
- Hummingbird engage with TerraGold to better understand their biodiversity policies and request the location data for all mining sites and sites from which they source.
- TerraGold shares the location data of all their current sites, including a potential new mine that the investment will help them to develop. Hummingbird checks the location data in IBAT and finds that the planned new mine is within the boundaries of the Subri River Forest Reserve. None of the other sites intersect with protected areas.
- Given the intersection with the protected area (in this case, an IUCN Management Category IV area where large-scale economic activities are likely to be deterred), Hummingbird ask TerraGold to explain how the proposed mine aligns with the management plan for the Subri River Forest Reserve. As TerraGold are not able to articulate this, Hummingbird conduct further research as part of their due diligence process. They ascertain that mining is not permitted in any protected areas within Ghana, and TerraGold have not got a special license.
- Given the legal, reputational and transition risks associated with a new mining site within a protected area where mining is not permitted, Hummingbird decide that they will only finance TerraGold if they relocate the planned new mine site to be outside the physical boundaries of the protected area. The new site should also be away from the protected area's buffer zone, to eliminate potential indirect risks.