PROTECTING OUR WORLD HERITAGE, INSURING A SUSTAINABLE FUTURE

The first guide for the global insurance industry to protect our world's priceless and irreplaceable assets

UNEP FINANCE INITIATIVE

PSI Principles for Sustainable Insurance

WWF

United Nations Educational, Scientific and Cultural Organization

In cooperation with World Heritage Centre

About WWF

WWF is an independent conservation organization, with over 30 million followers and a global network active in nearly 100 countries. WWF's mission is to stop the degradation of the Earth's natural environment and to build a future in which humans live in harmony with nature, by conserving the world's biological diversity, ensuring that the use of renewable natural resources is sustainable, and promoting the reduction of pollution and wasteful consumption.

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CONTENTS

EXECUTIVE SUMMARY

World Heritage Sites are recognised for their unparalleled beauty, global significance and/or biological diversity and the important economic, social and environmental benefits they provide to people. They are a source of inspiration and contribute to human well-being. Natural World Heritage Sites, in particular, provide vital resources such as food and water. They deliver critical environmental services such as stabilising soils, preventing floods and capturing carbon, all of which increase our resilience to the most harmful impacts of a warming climate. These sites also contribute significantly to economies through jobs, tourism and recreation.

However, almost half of all natural World Heritage Sites across the globe are threatened by industrial activities and large infrastructure developments, which may cause irreversible damage to the outstanding universal value of these sites.

Sudbury Reef, Great Barrier Reef, Queensland, Australia. Inshore reefs are particularly vulnerable to agricultural run-off carrying sediment, nutrient and pesticides. 50% of reefs south of Cooktown have been lost since catchment development began in 1850.

Furthermore, last year's report of the Intergovernmental Panel on Climate Change (IPCC) highlights the rapid, far-reaching and unprecedented changes needed to limit global warming to 1.5°C. It shows that every extra bit of warming matters, and that warming of 1.5°C or higher increases the risk associated with long-lasting or irreversible changes, such as the loss of some ecosystems.[1] The latest report of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) finds that around 1 million animal and plant species are now threatened with extinction, many within decades, more than ever before in human history.[2]

Meanwhile, the IPCC special report on the ocean and cryosphere offers the latest insights on the impacts of climate change. This is timely. The ocean—whose health and integrity is critical to providing oxygen, food and other resources; absorbing carbon emissions and heat; and building coastal resilience—is under immense pressure from unsustainable development.

Amid this context, the economic and social costs of natural disasters are escalating, and the insurance protection gap is widening.

On balance, how to help protect World Heritage Sites through their core business activities has been unclear to insurers. However, in July 2018, insurers, insurance market bodies and key industry stakeholders from around the world signed the first-ever insurance industry statement to protect World Heritage Sites, articulating a commitment to take action in the following areas as risk managers, insurers and investors:

- Accessing data and understanding best practice
- Raising awareness and supporting widespread action
- Developing and implementing a World Heritage Sites risk approach
- Protecting World Heritage Sites proactively
- Engaging clients and investee companies

Building on the 2018 statement, this first-ever global insurance industry guide highlights the increasingly important role that the industry needs to play in protecting World Heritage Sites.

It explains the risks that insurers face, the role of key actors in the insurance industry, and provides practical tools and a set of basic and advanced recommendations that insurers can implement in their risk management, insurance and investment activities to protect World Heritage Sites, while reducing carbon emissions, building resilience to climate change impacts and tackling biodiversity loss and ecosystem degradation.

Critically, the principles of good risk management and sustainability embodied in this guide can also be used for various types of protected areas—from strict nature reserves, wilderness areas, national parks, and natural monuments and features, to habitat/species management areas, protected landscapes and seascapes, and protected areas with sustainable use of natural resources—as well as Ramsar sites, wetlands of international importance.

This guide shows that collaboration is essential. It is a result of a partnership between UN Environment's Principles for Sustainable Insurance Initiative (PSI), WWF, and the UN Educational, Scientific and Cultural Organization (UNESCO) World Heritage Centre.

It is a call to action for insurers around the world to join the global effort to protect the priceless and irreplaceable assets that make up our World Heritage for present and future generations.

1. INTRODUCTION: WHAT ARE WORLD HERITAGE SITES AND WHY ARE THEY IMPORTANT?

1.1 What are World Heritage Sites?

Heritage is our legacy from the past, what we live with today and what we pass on to future generations.[3] Our cultural and natural heritage are sources of life and inspiration, and are "priceless and irreplaceable assets, not only of each nation, but of humanity as a whole. The loss, through deterioration or disappearance of any of these most prized assets constitutes an impoverishment of the heritage of all the peoples of the world."[4]

Many of the world's most famous places—those with unparalleled natural and cultural beauty, significance and/or biological diversity such as the Galápagos Islands, the Grand Canyon, the Great Barrier Reef, Mount Kilimanjaro and the Pyramids of Egypt—have been designated as World Heritage Sites by the UNESCO World Heritage Convention.[5] These places are recognised globally for their outstanding universal value, which is defined as "cultural and/or natural significance which is so exceptional as to transcend national boundaries and to be of common importance for present and future generations of all humanity. As such, the permanent protection of this heritage is of the highest importance to the international community as a whole."[6]

1.2 Why is it important to protect them?

Currently, there are more than 1,100 natural, cultural and mixed (i.e. natural and cultural) World Heritage Sites across the globe, with almost a quarter being natural sites or mixed sites. Natural World Heritage Sites, in particular, provide economic, social and environmental benefits. They provide vital resources such as food and water; perform environmental services such as stabilising soils, preventing floods and capturing carbon; and contribute significantly to economies through jobs, tourism, recreation and exports. More than 11 million people living in and near World Heritage Sites depend on them for food, water, medicine and jobs—more than the entire population of many countries.

Furthermore, in 2015, world leaders adopted the UN Sustainable Development Goals (SDGs)[7] with the aim of ending poverty, protecting the planet and ensuring prosperity for all. SDG 11 to "make cities inclusive, safe, resilient and sustainable" includes a target to "strengthen efforts to protect and safeguard the world's cultural and natural heritage." The New Urban Agenda[8] that was adopted at the 2016 UN Conference on Housing and Sustainable Urban Development also recognises the importance of cultural and natural heritage. Natural World Heritage Sites also make a significant contribution to SDG 14 (protecting life below water) and SDG 15 (protecting life on land).

However, the well-being of communities is being put at risk by harmful industrial activities that degrade the environment, and that compromise the ability of these places to provide economic and non-economic benefits that are so fundamental to local populations, as well as to our global community.[9] Almost half of natural World Heritage Sites are threatened by harmful industrial activities such as exploring and extracting oil, gas and minerals; illegal logging; overfishing; unsustainable use of water; and large-scale infrastructure projects such as dams, pipelines, roads and mega-ports.[10,11] The risk of adverse impacts on the outstanding universal value of a World Heritage Site from activities outside the site also need careful consideration by governments who issue such concessions, and by companies who obtain them.

United Nations Educational, Scientific and Cultural Organization

World Heritage Convention

What is the World Heritage Convention?

Adopted in 1972, the UNESCO **World Heritage Convention**[12] **aims to protect areas of global importance for all humanity. To date, 193 States Parties**[13] **have ratified the Convention, pledging to recognise and protect World Heritage Sites within their territory** and their national heritage.

For a site to gain World Heritage status, a signatory must present a nomination to demonstrate to UNESCO that the site is of "outstanding universal value", measured against a number of objective criteria.[14] Once inscribed, State Parties have an obligation to regularly report to the World Heritage Committee on the state of their World Heritage Sites. The Convention further encourages State Parties to develop scientifically robust, long-term management programmes for sites.

The World Heritage Committee,[15] comprising 21 representatives of States Parties to the Convention, oversees the implementation of the World Heritage Convention. Through the development and revision of the "Operational Guidelines" the Committee provides specific guidelines to State Parties incorporating new concepts or knowledge, as required. The Committee has primary responsibility for monitoring the state of conservation of World Heritage Sites and is responsible for agreeing to new inscriptions on the World Heritage list, deletions from the list and for deciding what is inscribed on the "List of World Heritage in Danger".

Outstanding universal value

Outstanding universal value is defined as follows in the **Operational Guidelines for the Implementation of the World Heritage Convention**[16]: "Outstanding Universal Value means cultural and/or natural significance which is so exceptional as to transcend national boundaries and to be of common importance for present and future generations of all humanity. As such, the permanent protection of this heritage is of the highest importance to the international community as a whole."

At the time of inscription of a property on the World Heritage List, the Committee adopts a Statement of Outstanding Universal Value which will be the key reference for the future management of the property. It identifies the criteria under which the property is inscribed, including the assessments of the conditions of integrity or authenticity, and of the requirements for protection and management in force.

Trees in the Selous Game Reserve. Selous, Tanzania.

Selous Game Reserve in Tanzania is one of Africa's largest wilderness areas and one of the most valuable and unique places on the planet. It was inscribed as a World Heritage Site in 1982 largely for its elephant and black rhinoceros populations. However, in 2014, Selous was put on the UNESCO list of World Heritage in Danger, mainly due to increased poaching that resulted in a dramatic decline in wildlife populations. There are also industrial threats from mining explorations and planned hydropower dams.

2. DEFINITIONS AND SCOPE

2.1 Types of World Heritage Sites

This document is intended to provide guidance to insurance companies that are committed to protecting World Heritage Sites. The Operational Guidelines for the Implementation of the World Heritage Convention[17] define three types of World Heritage Sites: natural, cultural and mixed.

WWF's Protecting People Through Nature[18] report found that almost half of all natural and mixed World Heritage sites are threatened by harmful industrial activities. Therefore, although the term "World Heritage Site" is used in this guide to refer to all three types (natural, cultural and mixed), special emphasis is placed on natural and mixed World Heritage Sites.

2.2 Risk from harmful industrial activities

Harmful industrial activities are operations that cause major disturbances or changes to the character of marine or terrestrial environments. Such activities are of concern due to their potential to cause irreversible impacts on the outstanding universal value and other natural, economic and cultural values. The impacts of these activities are often long-term or permanent. They can also be of concern due to their impacts on the sustainability of local livelihoods, and/or because they put at risk the health, safety or well-being of communities.[19]

Due to their large-scale and often irreversible negative impacts, harmful industrial activities should not be undertaken inside World Heritage Sites or their buffer zones (see box below).

According to the UNESCO World Heritage Centre, the number of large-scale projects planned inside World Heritage Sites remains relatively small.

However, the Centre also advises that many projects planned outside of the physical boundaries of the site can negatively impact its outstanding universal value. It is therefore important that these potential impacts are reviewed through a rigorous Environmental and Social Impact Assessment (ESIA) which specifically evaluates how the World Heritage Site will be affected. If these impacts cannot be adequately mitigated, such projects could lead to the irreversible degradation of the site and therefore should not go ahead.

Careful consideration of the potential impacts of business activities on the outstanding universal value of World Heritage Sites is required. This includes ensuring that sustainable business practices are being carried out. Examples of business activities that are considered to be compatible with World Heritage Sites include eco-tourism, sustainable non-timber forest products, and sustainable fisheries.

Buffer zones

Buffer zones are defined as follows in the **Operational Guidelines for the Implementation of the World Heritage Convention**[20]: "an area surrounding the nominated property which has complementary legal and/or customary restrictions placed on its use and development to give an added layer of protection to the property. This should include the immediate setting of the nominated property, important views and other areas or attributes that are functionally important as a support to the property and its protection."

Buffer zones are defined by the State Party that nominates a site for World Heritage status. Their size is determined on a case-by-case basis. As they are important in protecting the outstanding universal value of World Heritage Sites, harmful industrial activities should not take place within buffer zones, unless the relevant State Party has submitted a request and received a formal approval by UNESCO, after review of relevant assessments by the International Union for Conservation of Nature (IUCN).[21]

Turkana is situatated in the Great Rift Valley in Kenya. It is the world's largest desert lake and the world's largest alkaline lake. Rocks in the surrounding area are predominantly volcanic.

CASE STUDY 1

The disruptive effect of Ethiopia's Gibe III dam on Lake Turkana National Parks in Kenya

In June 2018, the World Heritage Committee inscribed the Lake Turkana National Parks on the List of World Heritage in Danger. The Committee expressed concern about the changes affecting the hydrology of the Lake Turkana Basin, notably the disruptive effect of Ethiopia's Gibe III dam on the flow and ecosystem of Lake Turkana.

Lake Turkana is Africa's fourth largest lake. Its National Parks serve as a stopover for migrant birds and are major breeding grounds for the Nile crocodile, hippopotamus and a variety of venomous snakes.

About 90 percent of the water from Lake Turkana comes from the Omo river, on which the Gibe III dam has been built. Since filling of the reservoir started in 2015, UNESCO has observed a rapid decline in water levels and a modification in seasonal fluctuation patterns. These effects disrupt the natural flooding regime of the lake and are likely to have a negative impact on the fish population of Lake Turkana. This may, in turn, affect the livelihoods of local fishing communities and floodplains, which support herbivore species.

2.3 “Severe-risk” and “high-risk” sectors

In 2003, the International Council on Mining and Minerals (ICMM)[22] adopted a “no-go commitment” in which ICMM members committed not to explore or mine in World Heritage Sites. Similar “no-go” commitments have been pursued with the oil and gas sector and a number of major companies have already signed up. Given the number of World Heritage Sites negatively impacted by new dam projects, efforts are also underway to expand such commitments to the hydropower sector.

The World Heritage Committee considers mining, oil and gas,[23] and large-scale hydropower[24] activities within the boundaries of a World Heritage Site to be **incompatible** with World Heritage status.

For the purpose of this guide, these sectors will be referred to as “severe-risk” sectors. Other potentially harmful industrial activities are referred to as “high-risk” sectors:

- **“Severe-risk” sectors:** Oil and gas, mining and large-scale hydropower.
- **“High-risk” sectors:** Logging, fishing, agriculture, plantations and large-scale infrastructure such as pipelines, roads and mega-ports.

Projects and companies in “severe-risk” and “high-risk” sectors are referred to as “sensitive” when they are linked to potential or actual negative impacts on the outstanding universal value of a World Heritage Site.

2.4 ESG risk approach

Each insurance company is unique depending on its business model, specific lines of business, size, geographic scope, governance structure and other factors.

An insurance company’s environmental, social and governance (ESG) risk approach may consist of a set of policies, frameworks, guidelines, processes or any combination thereof. It is not the intention of this guide to be prescriptive about how insurance companies should integrate World Heritage Sites into their ESG risk approach, as different approaches will be preferred by different insurance companies.

It is important to emphasise that regardless of the selected approach, insurance companies should strive to protect World Heritage Sites to the best of their abilities. This aspiration is supported by the insurance industry, a commitment demonstrated through the *Insurance industry’s statement to protect World Heritage Sites*[25] developed by the PSI in collaboration with WWF and UNESCO (see Section 4).

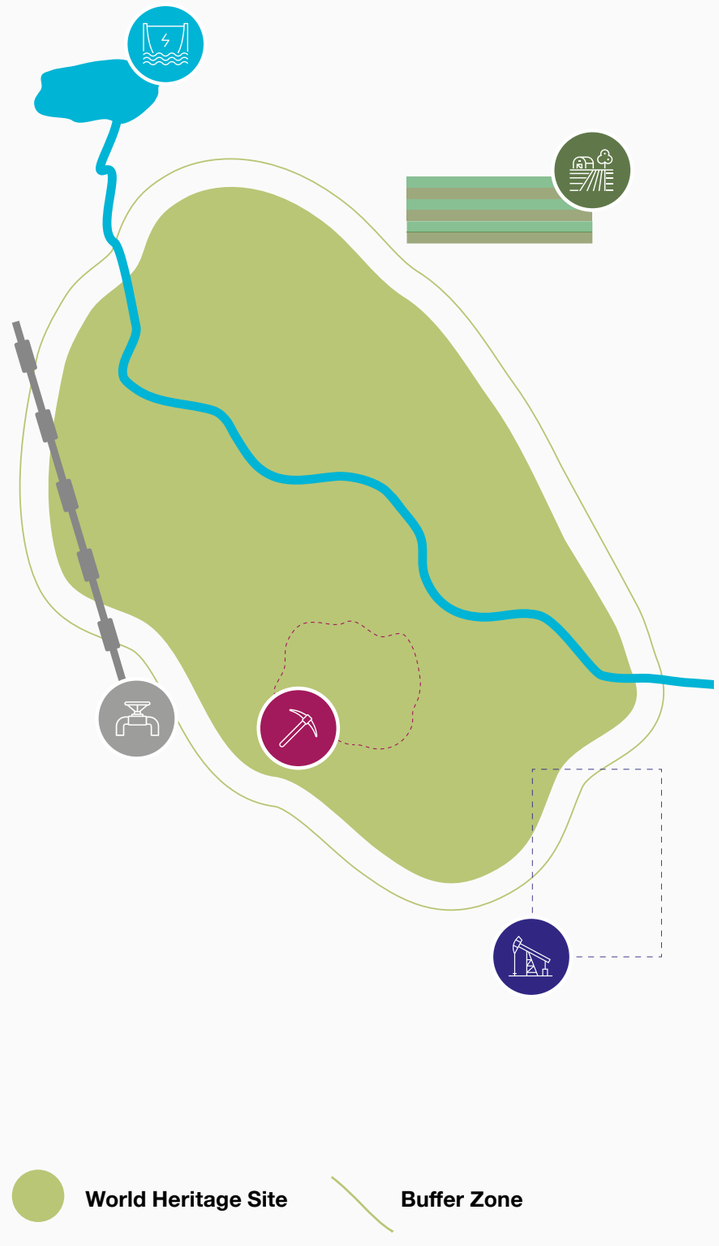
Please note that some companies refer to ESG risk as “sustainability risk”, “environmental and social risk” or other similar nomenclature. For more information on building an ESG risk approach, please refer to the PSI guide to manage ESG risks in non-life insurance business[26].

2.5 Scope

Insurance companies can play an important role in the protection of World Heritage Sites, mainly through the projects and companies that they select to insure and invest in. The scope of this guide entails both underwriting and investment activities.

For the purposes of this guide, the term “investment” refers to the direct investment in financial securities (also known as investment management or asset management) of the insurance company’s own funds and does not cover third-party investment activities.

Figure 1: Examples of “severe-risk” and “high-risk” projects that may have negative impacts on the outstanding universal value of a World Heritage Site. Please note that this figure illustrates potential scenarios and is not a real-world example.



Asset 1
Hydropower dam, upstream from World Heritage site

Asset 2
Agricultural plantation that affects ecosystems of hydrology due to intensive irrigation

Asset 3
Oil and Gas consession overlapping the buffer zone. Concessions grant oil and gas companies exploration and production rights within a certain perimeter.

Asset 4
Mine located within the World Heritage Site

Asset 5
Oil and Gas pipeline Crossing the World Heritage Site.

3. UNDERSTANDING RISK EXPOSURES

Insurance companies have a triple role as risk managers (physical risk management), insurers (financial risk management) and investors (investment management). They may be linked to sensitive clients and investees through their insurance, reinsurance and investment activities. Certain sectors have a higher potential risk than others, as described in Section 2.3.

Transactions (insurance covers or investments) linked to sensitive clients or investees expose insurance companies to a number of risks, as outlined below. In the underwriting context, these risks apply to many lines of non-life insurance business, particularly in the area of industrial and commercial insurance business. Reputational risk and risk of non-compliance with national and international legal frameworks and standards also apply to investment activities. For more information on this topic, please refer to the PSI Guide to manage ESG risks in non-life insurance business[27] and to the *Safeguarding outstanding natural value*[28] report by WWF, Aviva Investors and Investec Asset Management.

3.1 Reputational risk

World Heritage Sites tend to feature prominently in international mainstream media. They are a topical issue for policymakers, regulators, businesses and civil society, especially given international policy frameworks such as the UN Sustainable Development Goals (SDGs). In particular, SDG 11 includes target 11.4, which aims to “strengthen efforts to protect and safeguard the world’s cultural and natural heritage.”

If exposed, insurance companies associated with a client or investee that has negative impacts on the outstanding universal value of a World Heritage Site risk facing significant reputational damage, which can become financially damaging if clients, investors, governments and civil society organisations become concerned. Investors may divest if the company is exposed to negative media coverage and access to financing might become more difficult—which has already happened several times, as in the case of the planned oil and gas exploration in Virunga National Park in the Democratic Republic of the Congo.[29]

Mount Mikeno, with Mount Karisimbi in the background, Virunga National Park, Democratic Republic of Congo

Elephant (Loxodonta) in Selous Game Reserve, Tanzania.

Selous Game Reserve in Tanzania is one of Africa's largest wilderness areas and one of the most valuable and unique places on the planet. It was inscribed as a World Heritage Site in 1982 largely for its elephant and black rhinoceros populations. However, in 2014, Selous was put on the UNESCO list of World Heritage in Danger, mainly due to increased poaching that resulted in a dramatic decline in wildlife populations. There are also industrial threats from mining explorations and planned hydropower dams.

CASE STUDY 2

Selous Game Reserve and the Stiegler's Gorge (Rufiji) Hydropower Project

The Selous Game Reserve in Tanzania was listed as a natural World Heritage Site in 1982 for the global value of its wilderness and large wildlife populations. In 2014, it was inscribed on the List of World Heritage in Danger due to industrial scale poaching of its elephants and black rhinos.

In 2018, during 42nd COM in Manama, Bahrain, World Heritage Committee decided to add Stiegler's Gorge hydropower development to the justification for the continued inclusion of the Selous Game Reserve on the List of World Heritage in Danger.

In 2019, during its 43rd Session in Baku, Azerbaijan, the World Heritage Committee's Decision 43 COM 7A.16 reiterated the Committee's "utmost concern" about Tanzania's decision to develop the Stiegler's Gorge Hydropower Project—also known as the Rufiji Hydropower Project (RHPP)—within the property. The Committee recalled its position that "the construction of dams with large reservoirs within the boundaries of World Heritage properties is incompatible with their World Heritage status", and Tanzania's commitment as part of the boundary modification in 2012 "not to undertake any development activities within the property without prior approval of the Committee".

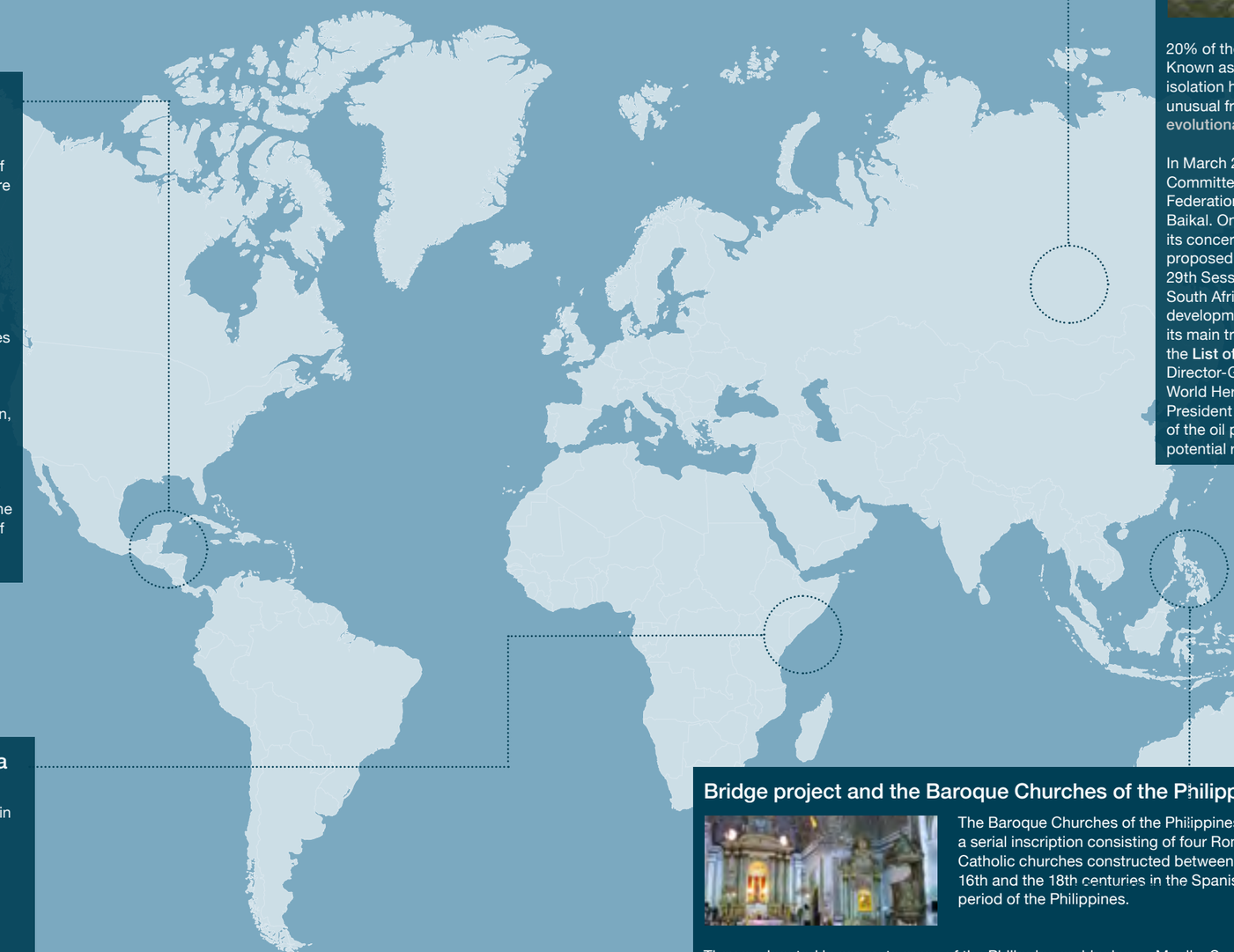
The Committee took note of the conclusions of the independent expert review of the Environmental Impact Assessment (EIA) of the RHPP that the EIA "falls considerably short of acceptable standards and that it does not provide a best practice assessment of the potential impacts on the property's Outstanding Universal Value (OUV)". It expressed its "utmost concern about reports, confirmed by satellite image analysis, that the site clearance of 91,400 hectares of vegetation, including forests, within the future dam area has started", and strongly urged Tanzania "to immediately halt all activities that will affect the property's OUV and will be difficult to reverse". The Committee also stated that "the deforestation and other cumulative damage to such a large area within the property would likely lead to irreversible damage to its OUV and hence fulfil the conditions for deletion of the property from the World Heritage List".

Aside from the expected negative social and environmental impacts of this project and its incompatibility with the World Heritage status of the Selous Game Reserve, building a large hydropower dam inside the property could violate national laws and expose multinational enterprises to formal complaints via the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.

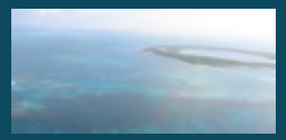
Across regions around the world, there have been instances of major energy, mining and infrastructure projects being halted or opposed due to environmental, social and economic considerations.

CASE STUDY 3

Examples of major energy, mining and infrastructure projects being halted or opposed



Oil exploration and the Belize Barrier Reef



The coastal area of Belize is an outstanding natural system consisting of the largest barrier reef in the northern hemisphere, offshore atolls, several hundred sand cays, mangrove forests, coastal lagoons and estuaries. The system's seven sites illustrate the evolutionary history of reef development and are a significant habitat for threatened species, including marine turtles, manatees and the American marine crocodile.[30] More than half of Belize's population rely on the reef to live. Reef-based tourism and recreational activities provide vital sources of income, and the reef serves as a natural protection against storms along the coast.

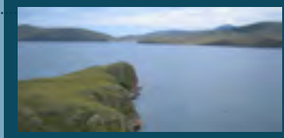
The reef was inscribed on the List in Danger in 2009 due to the destruction of mangroves and marine ecosystems, offshore oil extraction, and unsustainable building projects. However, in 2018, at the 42nd Session of the World Heritage Committee in Manama, Bahrain, the Committee decided to remove the Belize Barrier Reef from the List of World Heritage in Danger. This was due to the historic decision taken by Belize to adopt a moratorium on oil exploration in the entire maritime zone of Belize as well as safeguarding measures such as the strengthening of forestry regulations allowing for better protection of mangroves.

Coal-fired power plant and Lamu Old Town in Kenya

Lamu Old Town is the oldest and best-preserved Swahili settlement in East Africa, retaining its traditional functions. Built in coral stone and mangrove timber, the town is characterised by the simplicity of structural forms enriched by such features as inner courtyards, verandas, and elaborately carved wooden doors. Lamu has hosted major Muslim religious festivals since the 19th century, and has become a significant centre for the study of Islamic and Swahili cultures.[34]

In June 2019, judges from Kenya's National Environmental Tribunal halted the construction of the country's first-ever coal-fired power plant near the coastal town of Lamu due to an improper environmental impact assessment. Activists had warned that the construction of the power plant would increase the country's greenhouse gas emissions by 700 percent and put the World Heritage status of the city at risk, and severely affect the local economy as well as the livelihoods and health of locals.[35]

Oil pipeline and Lake Baikal in Russia



Situated in south-east Siberia, the 3.15 million-hectare Lake Baikal is the oldest (25 million years) and deepest (1,700 metres) lake in the world. It contains 20% of the world's total unfrozen freshwater reserve. Known as the "Galapagos of Russia", Lake Baikal's age and isolation have produced one of the world's richest and most unusual freshwater faunas, which is of exceptional value to evolutionary science.[31]

In March 2006, the Chairperson of the World Heritage Committee sent a letter to the President of the Russian Federation concerning the state of conservation of Lake Baikal. On several occasions, the Committee had expressed its concern on the potentially negative impact of the proposed oil pipeline crossing the property. In 2005, at the 29th Session of the World Heritage Committee in Durban, South Africa, the Committee stated that any pipeline development crossing the watershed of Lake Baikal and its main tributaries would make the case for inscription on the **List of World Heritage in Danger.**[32] In April 2006, the Director-General of UNESCO and the Chairperson of the World Heritage Committee welcomed the decision by the President of the Russian Federation to change the course of the oil pipeline being built across Siberia to eliminate potential risk to Lake Baikal.[33]

Bridge project and the Baroque Churches of the Philippines

The Baroque Churches of the Philippines is a serial inscription consisting of four Roman Catholic churches constructed between the 16th and the 18th centuries in the Spanish period of the Philippines.

They are located in separate areas of the Philippine archipelago—Manila, Santa Maria, Paoay and Miagao. Their unique architectural style is a reinterpretation of European Baroque by Chinese and Philippine craftspeople.[36]

The construction of the "Friendship Bridge" in Manila that would connect Binondo and Intramuros is being opposed by local and international organisations and some government agencies as the proposed project is feared to encroach the buffer zone of the San Agustin Church in the walled historic area of Intramuros. Encroachment of the buffer zone could lead to the delisting of the church and three other baroque churches in the country as cultural World Heritage Sites, as well as the loss of tourism revenues. It has also been alleged that the project would bring additional traffic volume that might affect the outstanding universal value of the church.[37]

In 2019, during its 43rd Session in Baku, Azerbaijan, the World Heritage Committee welcomed the temporary suspension of the construction of the Binondo-Intramuros Bridge until the Archaeological and Heritage Impact Assessment (AHIA) of the project is completed and any resulting major design changes to the bridge are made.[38]

3.2 Increased exposure to liabilities and risk of non-compliance with international standards

The World Heritage Convention is an international treaty ratified by 193 countries, making it one of the most widely recognised international agreements. Because legal protection is a requirement under the Convention, each State Party is committed to protecting the outstanding universal value of its World Heritage Sites by adopting relevant policies in their jurisdictions. Consequently, World Heritage Sites are protected by the legal frameworks of the countries they are located in, which severely restricts the types of activities allowed within their borders. However, enforcement of these legal frameworks can be weak and does not guarantee the protection of World Heritage Sites.

Insuring or investing in a project with the potential to damage a World Heritage Site, or the company that owns or operates such a project, may therefore place the insurance company in breach of existing national and international legal frameworks, and expose them to complaints via international standards such as the OECD Guidelines for Multinational Enterprises[39]. The OECD Guidelines apply to financial sector actors, including institutional investors.

3.3 Potential increased risk of insurance claims

Projects that have potential or actual negative impacts on World Heritage Sites are often linked to high ESG risks. Such projects may be greenlighted without a proper Environmental and Social Impact Assessment (ESIA) or Strategic Environmental Assessment (SEA)—an indication that the company responsible for the project may have disregarded crucial environmental or social issues. It is also possible that the ESIA or SEA may have been conducted properly, but enforcement by the relevant governmental authority is lacking.

Disregarding these issues may, in turn, increase the likelihood of claims for certain lines of business, such as business interruption and delay in start-up insurance covers (due to increased likelihood of community opposition or worker strike). Aside from property and engineering insurance, other relevant lines of business include marine insurance, particularly protection and indemnity insurance for liability risks associated with vessel operations (for example, see the oil spill in the Solomon Islands in Section 5.2).

International best practice standards

International Finance Corporation (IFC) Performance Standard 6[40] specifically addresses impacts on World Heritage Sites in its Guidance Note: "Some areas will not be acceptable for financing with the possible exception of projects specifically designed to contribute to the conservation of the area. Consultation with the relevant national and international organizations that designate these areas is required. These areas should be identified during the assessment of critical habitat and brought to the attention of IFC as early as possible in the financing process. They include UNESCO Natural and Mixed World Heritage Sites." Although the IFC Performance Standards are related to project financing, they are relevant to insurance companies, as projects require insurance coverage in order to be financed.[41]

The **OECD Due Diligence Guidance for Responsible Business Conduct**[42] encourages multi-national enterprises to carry out due diligence on "ecosystem degradation through land degradation, water resource depletion, and/or destruction of pristine forests and biodiversity". Such risks are often associated with industrial activities in and around natural and mixed World Heritage Sites.

4. PROTECTING OUR WORLD HERITAGE: THE INSURANCE INDUSTRY'S COMMITMENT TO PROTECT WORLD HERITAGE SITES

Note: The following is an extract from the insurance industry's statement to protect World Heritage Sites that was launched at the 42nd Session of the UNESCO World Heritage Committee[43], which was held from 24 June to 4 July 2018 in Manama, Bahrain. As of August 2019, the statement has been signed by 17 leading insurers, insurance market bodies and key stakeholders from around the world.

As risk managers, insurers and investors, the insurance industry can play a key role in protecting World Heritage Sites. The industry should act as a responsible steward of risk and capital by recognising World Heritage Sites as drivers of economic, social and environmental sustainability; and by understanding, preventing and reducing risks that threaten the outstanding universal value of these places.

For this reason, we have come together to speak with a united voice in protecting the outstanding universal value of World Heritage Sites for present and future generations. In line with our commitment to sustainable development, including sustainability principles relevant to our business, we commit to the following actions with respect to the outstanding universal value of World Heritage Sites:

- **Accessing data and understanding best practice**
  Work together with stakeholders to access necessary data and information and enhance our knowledge and understanding of best practices to protect World Heritage Sites, as defined in Operational Guidelines for the Implementation of the World Heritage Convention, where relevant to our business (see Section 5.1).

- **Raising awareness and supporting widespread action**
  Raise awareness of World Heritage Sites and promote or support widespread action to protect these places by working together with our clients, business partners, governments, regulators, civil society and other key stakeholders on relevant issues (see Section 5.2).

- **Developing and implementing a World Heritage Sites risk approach**
  Develop and/or implement risk management, insurance and investment principles[44], policies, frameworks, guidelines and/or processes that prevent or reduce the risk of insuring and investing in companies or projects whose activities could damage World Heritage Sites, whenever possible (see Section 5.3).

- **Protecting World Heritage Sites proactively**
  Protect World Heritage Sites through our risk management services, insurance products and/or investments (see Section 5.4).

- **Engaging clients and investee companies**
  Engage with companies we insure and invest in, whenever possible, to improve their disclosure of any activity that could damage World Heritage Sites, and encourage them to adopt and adhere to industry standards[45] and practices to protect these places (see Section 5.5).

5. HOW INSURANCE COMPANIES CAN PROTECT WORLD HERITAGE SITES: RECOMMENDATIONS

This section outlines recommended actions that insurance companies can take to help protect World Heritage Sites, for each of the five areas of the commitment outlined in Section 4.

These recommended actions are voluntary and are examples of possible actions. They represent good practices—classified as basic recommendations or advanced recommendations.

As discussed in Section 2.4, each insurance company is unique due to varying business models, company sizes, governance structures, circumstances across geographies, degrees of specialisation and other characteristics. The recommendations below attempt to balance these factors and provide guidance that can be useful to every insurance company. Insurance companies should adopt these recommendations, where feasible, and build the necessary governance structures that can support them. It is important to emphasise that all insurance companies should strive to protect World Heritage Sites to the best of their abilities.

5.1 Accessing data and understanding best practice

Basic recommendations:

Your company should ensure that it has a good understanding of World Heritage Sites and build capacity to implement transaction-level decisions, as appropriate.

For this purpose, it is crucial to allocate the responsibility for managing ESG risks to an expert, team or committee within your company. The role of this ESG risk function is to serve as a competence centre that can provide guidance whenever transactions might affect the outstanding universal value of World Heritage Sites. If your company has an investment arm, it would be ideal for the ESG risk function to be in a position to advise both the company's underwriting and investment activities, where possible. For more information about this function, please refer to the PSI Guide to manage ESG risks in non-life insurance business[46].

Basic data about business activities that may negatively impact World Heritage Sites can be gathered through simple internet searches and online open resources (please refer to Section 8 for more information). Depending on the characteristics of the insurance company (e.g. size or governance structure), this basic data can be disseminated to underwriters in relevant lines of business and investment managers to help them flag, address or refer sensitive transactions, as appropriate.

Advanced recommendations:

- Obtain data through a specialised and credible data provider that covers World Heritage Sites and other protected areas. Ideally, this data could be compiled in a global watchlist of sensitive projects and companies, and updated at least annually. At the time of writing, at least one project to provide such data commercially is being developed by a third party. Your company can also refer to the Integrated Biodiversity Assessment Tool (IBAT) for project-related risks. See Section 8 for more information.
- Establish a regular dialogue channel with relevant civil society organisations, international organisations and initiatives to discuss approaches to sensitive projects and companies.
- Discuss the sharing of information on World Heritage Sites with other insurers, reinsurers and intermediaries (e.g. agents, brokers). Working together as an industry to tackle the issue could enhance effectiveness and complement individual systems. Insurance associations and initiatives provide valuable platforms for such discussions. Furthermore, the expected yearly update of the PSI Guide to manage ESG risks in non-life insurance business[47] presents an opportunity to discuss the topic regularly at the international level.
- On the investment side, where feasible, your company should check whether investee companies are in "severe-risk" and "high-risk" sectors. You should enquire whether they currently own or plan to develop concessions, land or projects with potential negative impacts on World Heritage Sites. Such engagements can also be conducted through engagement platforms provided by third parties (examples include the PRI Collaboration Platform[48] and commercial ESG engagement service providers).

Watchlist based on geospatial data

Spatial finance is a new and emerging field that involves integrating geospatial data into financial theory and practice. It is expected that the use of "spatial" approaches to finance will grow rapidly over the coming years. The approach uses both discrete and continuous spatial datasets, remote-sensing data and satellite imagery to independently assess, cross-verify and monitor policies considered under ESG risk assessments.

Geospatial data on World Heritage Sites and industrial operations is essential to assess potential or actual negative impacts on World Heritage Sites. If certain industrial facilities, concessions or projects overlap with the boundaries of a World Heritage Site or its buffer zone, there is a high risk of negative impacts. Proximity to the World Heritage Site or location upstream in the river basin may also be key factors to assess.

However, for day-to-day underwriting and investment processes, emphasis should be placed on producing a watchlist based on geospatial information, complemented by media reports or company-specific ESG ratings. This list would contain information on projects and concessions owned by companies recognised as having potential or actual negative impacts on the outstanding universal value of a World Heritage Site.

Furthermore, WWF is actively engaged with third party data providers and the Integrated Biodiversity Assessment Tool (IBAT) to facilitate the development of corporate-level risk screening tools based on geospatial data, using the World Heritage Site watchlist as a concrete starting point. Such a list is expected to be commercially available in the near future.

To tackle the issue of illegal, unreported and unregulated (IUU) fishing, the European Commission adopted, for instance, a public watchlist of offending vessels.[49] The insurance industry has welcomed this approach, and has asked whether it could be replicated by the UNESCO World Heritage Centre since it is the central repository of information on World Heritage Sites.

5.2 Raising awareness and supporting widespread action

Basic recommendations:

A key reason why many World Heritage Sites are currently under threat is that many actors in the private sector are either not aware of the outstanding universal value of these sites, or not aware of the risks they are facing due to industrial activities or infrastructure developments. Raising awareness within the insurance industry is therefore important, as well as working together with stakeholders such as clients, business partners, regulators, governments and civil society.

In this context, your company should engage on the topic of protecting World Heritage Sites at insurance industry gatherings and with other financial market players, the wider business community, regulators, policymakers, civil society organisations and other key stakeholders.

Advanced recommendations:

- Publicly disclose your company's commitment to protect World Heritage Sites. If there are separate internal documents, consistency in wording and spirit between public and internal documents should be ensured. You can lodge your commitment with UNESCO for it to be formally and publicly recognised (see Section 8 for more information).
- Communicate internally and externally about World Heritage Sites, material risks and your company's commitment to protect these places using the company website, sustainability reports, news articles or social media.
- Work together with other insurers to address the issue of World Heritage Sites through collaborative insurer engagement[50], and/or with other investors through collaborative shareholder engagement.
- Publicly disclose, where appropriate, the date of declination to provide insurance coverage and/or divestment and the reasons your company did not insure and/or divested from a company linked to damage or potential damage to World Heritage Sites.[51]
- Ask potential clients and investees in "severe-risk" and "high-risk" sectors whether they have an ESG risk approach (e.g. a set of policies or a framework) that addresses risks to World Heritage Sites, and encourage them to develop such an approach if they do not have one. This question can be asked at the due diligence or onboarding stage.

Jari Island, a particular biodiverse reef near Gizo Island, Solomon Islands.

© JAMES MORGAN / WWF

CASE STUDY 4

Oil spill in the immediate vicinity of East Rennell in the **Solomon Islands**[52]

In February 2019, an oil spill occurred near East Rennell in the Solomon Islands, which is part of the largest raised coral atoll in the world. The bulk carrier MV Solomon Trader ran aground in Kangava Bay, Rennell Island, while loading bauxite ore. While the grounding and subsequent oil spill occurred outside the World Heritage Site, and no oil has been reported inside the property at the time of writing, there continues to be concern that it may negatively impact the World Heritage Site and the livelihoods of local communities. In 2013, East Rennell was placed on UNESCO's Danger List due to illegal logging activities.

This example serves as a warning that damage to World Heritage Sites may occur unexpectedly. In this case, a protection and indemnity club may be responsible for the remediation of any damage. This type of threat to a World Heritage Site could be reduced by requiring insured vessels to have double hulls and that shipping routes avoid proximity to marine and coastal World Heritage Sites (see the Tubbataha Reefs example on the next page).

Bright featherstars or crinoids in the reef.
Anilao, Batangas, Philippines

CASE STUDY 5

Tubbataha Reefs in the Philippines protected from international **shipping impacts**[53]

The Tubbataha Reefs Natural Park in the Philippines is recognised for its pristine coral reefs, lagoons and coral islands, which span almost 100,000 hectares and support whales, dolphins, turtles, birds and 500 species of fish. In 2013, two grounding incidents involving a US warship and a Chinese fishing vessel ruined more than 6,000 square metres of coral reefs in the park. These incidents highlighted Tubbataha's vulnerability, but concern about shipping impacts in the park predated those groundings.

In 2011, the UNESCO World Heritage Committee, in Decision 35 COM 7B.17, urged the Philippines to expedite its application for special protection for the Sulu Sea. Over the next few years, the UNESCO World Heritage Centre's Marine Programme worked closely with the Philippine government and the International Maritime Organization (IMO) to make Tubbataha the first "Particularly Sensitive Sea Area" in Southeast Asia.

In 2017, the Tubbataha Reefs Natural Park was officially designated by the IMO as a Particularly Sensitive Sea Area—and an "Area to Be Avoided". This designation was a major breakthrough as it requires international vessels to avoid the World Heritage Site, reducing the impact of noise and pollution, and decreasing the risk of future ship groundings.

5.3 Developing and implementing a World Heritage Sites risk approach

Basic recommendations:

Developing an ESG risk approach

The purpose of your ESG risk approach should be to give clear and credible guidance to your employees about how to manage ESG risks. The ESG risk approach can take different shapes (e.g. a set of policies or a framework). It should be managed by the ESG risk function (expert, team or committee) that is responsible for embedding it in the company's underwriting and investment activities.

World Heritage Sites should be a key component of your ESG risk approach. A comprehensive ESG risk approach that includes the protection of World Heritage Sites can help ensure your company's commitment to this important issue. Its main goal is to help reduce the risk of insuring or investing in companies or projects whose activities could damage World Heritage Sites.

Once your company's World Heritage Sites risk approach has been established, it is important to ensure that it is implemented. The World Heritage Sites risk approach can only have an impact if it is effectively embedded in your company's underwriting and investment processes, where relevant.

Implementing an ESG and World Heritage Sites risk approach, and the various processes involved, may be difficult to accomplish all at once. Your company may choose to prioritise relevant insurance lines where links to negative impacts are clearer and more direct—for example, engineering or property insurance—before carrying on with other relevant lines. On the investment side, the investment manager may choose to prioritise, for example, equity investments or corporate bonds.

Using a World Heritage Sites risk assessment checklist

A basic World Heritage Sites risk approach can consist of providing underwriters and investment managers with a checklist. This World Heritage Sites checklist contains a set of simple, yes-or-no questions that non-experts can answer using widely available tools. The questions should be clearly worded and unambiguous, and include links to relevant resources. The checklist should be integrated into the underwriting and investment process, in relevant lines of business.

The goal of this checklist is to reduce the risk of insuring or investing in companies or projects whose activities could damage World Heritage Sites. It should clearly indicate in which scenarios the employee should decline the transaction, or proceed with the underwriting or investment process.

Special emphasis should be placed in lines of business with touchpoints to "severe-risk" sectors (oil and gas, mining and large-scale hydropower) and "high-risk" sectors (logging, fishing, agriculture, plantations and large-scale infrastructure such as pipelines, roads and mega-ports). Training is crucial to ensure that the checklist is used correctly.

See Section 7 for an example of a World Heritage Sites risk assessment checklist. For more information about useful resources and tools, please refer to Section 8. For more information on the investment process, please refer to the *Safeguarding outstanding natural value report*[54] (Section 5.4).

Declining a transaction

Transactions in "severe-risk" sectors where the activity takes place inside a World Heritage Site, or its buffer zone, should be declined because such operations are incompatible with the World Heritage status of the Site, as described in Section 2.3.

Other transactions in "severe-risk" and "high-risk" sectors should be carefully screened for potential or actual negative impacts on the outstanding universal value of a World Heritage Site. If such impacts are confirmed, the transaction should be declined.

If your company deems it necessary to communicate its decision to decline a transaction, it is important to clearly explain to parties concerned why the transaction is not acceptable.

Advanced recommendations:

Implementation of your World Heritage Sites risk approach should allow your company to identify and assess potential risks and set up conditions for: monitoring and engaging with clients and investee companies; declining transactions; or divesting from identified companies.

Using a watchlist of sensitive projects and companies

- Develop—or obtain from intelligence providers, the UNESCO World Heritage Centre and/or civil society organisations, where possible—a watchlist of companies and projects that have potential or actual negative impacts on World Heritage Sites. Prospective business opportunities in relevant lines of business should be screened against such a watchlist. This step should be embedded in underwriting and investment processes, and ideally automated. The system should raise a red flag when a company or project matches an entry in the watchlist.

Requesting more information

- Require relevant information from prospective clients (directly or through brokers) or prospective investee companies flagged as potentially linked to sensitive projects. Usually this information would consist of an Environmental and Social Impact Assessment (ESIA) or a Strategic Environmental Assessment (SEA), which must be reviewed to ensure it addresses impacts on the relevant World Heritage Site.
- For existing clients or investee companies potentially linked to sensitive projects, require the same information and set conditions related to risk reducing factors, where possible. See Section 5.5 for more information on the topic of engagement.
- In cases where the potential risk is uncertain, you should consult the UNESCO World Heritage Centre to clarify whether the activity is compatible with the World Heritage status of the Site.
- Clients in "severe-risk" and "high-risk" sectors may also be required to develop their own World Heritage Sites risk approach, individually or at the industry level (the International Council of Mining and Metals[55], for example).

Developing a World Heritage Sites policy or policy statement

- Develop a public World Heritage Sites policy to improve communications with clients, civil society and other stakeholders on the issue. A policy can help implement and communicate your commitment to protect World Heritage Sites and provide your employees with sufficient backing to ask relevant questions to clients in "severe-risk" and "high-risk" sectors. This policy should be clearly worded, it should take into account all potential damage (i.e. harmful industrial activities in World Heritage Sites or their buffer zones, and activities outside World Heritage Sites that may cause damage to their outstanding universal value), and it should apply to all relevant insurance lines and investments.
- You can lodge your World Heritage Sites policy or any other World Heritage Sites risk approach with UNESCO for it to be formally and publicly recognised. This helps demonstrate leadership and commitment on this topic (see Section 8 for more information).

Suggestions for advanced ESG governance setups

- Introduce a referral and escalation mechanism for transactions flagged as sensitive and requiring expert involvement. Underwriters and investment managers use this mechanism to refer transactions to the ESG risk function (expert, team or committee). In cases of disagreement, an escalation can be triggered to senior management or a senior committee for final decision-making.
- Use a "three lines of defence" risk governance approach to strengthen your ESG risk approach. This method requires sharing of information and duties between three functions: the underwriters and investment managers, the ESG risk function, and internal audit. The first line of defence (underwriters and investment managers) applies simple and automated ESG checks to day-to-day transactions. The second line (ESG risk function) manages ESG risk assessment of referred transactions. The third line of defence (internal audit) performs spot and portfolio checks.

Te Wahipounamu World Heritage Site
South Island, New Zealand

CASE STUDY 6

Existing large infrastructure

In certain World Heritage Sites, large infrastructure projects, such as roads, hydropower dams or ports, were already present at the time of inscription. Although these infrastructure projects might have had negative impacts on the natural or cultural values of the site at the time of their construction, during the evaluation of the nomination of the site to the World Heritage List, it was considered that these values (which were the basis of the World Heritage nomination) were of outstanding universal value (OUV) and justify the World Heritage status.

New Zealand offers a few examples of infrastructure present at the time of the inscription of properties.

Te Wahipounamu

The landscape in the Te Wahipounamu Park, situated in south-west New Zealand, has been shaped by successive glaciations into fjords, rocky coasts, towering cliffs, lakes and waterfalls. Two-thirds of the park is covered with southern beech and podocarps, some of which are over 800 years old. The kea, the only alpine parrot in the world, lives in the park, as does the rare and endangered takahe, a large flightless bird[56].

In the early 1960s, Manapōuri Power Station, New Zealand's largest hydropower station and second largest power station, was constructed within what today is Te Wahipounamo. At the time of the inscription of the site on the World Heritage List in 1990, it was considered that in spite of the dam, this area was one of the least transformed in New Zealand and presented sufficient unique features to justify the World Heritage status.

Tongariro National Park

The mountains at the heart of the Tongariro National Park have cultural and religious significance for the Maori people and symbolise the spiritual links between this community and its environment. The park has active and extinct volcanoes, a diverse range of ecosystems and some spectacular landscapes[57].

Tongariro National Park has several ski areas, resorts, hotels and lodges within its boundaries. World Heritage status was granted in 1990 in full knowledge of these activities being in place for many years. The Whakapapa Ski Area has been in operation since 1953. The evaluation considered that these facilities did not affect the scenic, geological and associative values, which justify the OUV of the site.

Given the above, an important consideration is standard operational insurance covers, such as property insurance, for existing large infrastructure.

If the infrastructure in question was present at the time of the inscription of the property and has no negative impacts on the outstanding universal value of the World Heritage Site, it could be deemed that operational covers for the specific asset and the company operating it could be underwritten, and therefore acceptable under a World Heritage Sites risk approach.

However, special caution should be given to projects which upgrade or replace existing infrastructure. If this is the case, the operator should contact the UNESCO World Heritage Centre and the impact of such upgrades or replacements would need to be reviewed.

Due to the unique circumstances surrounding each World Heritage Site, it is suggested that the UNESCO World Heritage Centre and/or the relevant State Party be consulted for guidance on such transactions.

Environmental liability insurance

Environmental liability insurance is a type of commercial insurance that covers costs for accidental environmental damage, usually in the form of air, water or land pollution.

This type of insurance cover should be considered when assessing ESG risk. Environmental liability insurance pay-outs go to remediation and clean-up of the pollution event, or to compensate victims, especially if the offending company goes bankrupt. This would therefore render the insurance cover desirable from the perspective of ESG risk, and for the families of victims.

While environmental liability insurance offers benefits in terms of remediating damage and compensating victims, it should always be recognised that World Heritage Sites are considered to have outstanding universal value. These places are unique and irreplaceable—the overarching aim is to avoid any damage to their outstanding universal value whenever possible.

In this context, the process of underwriting environmental liability insurance provides an opportunity to ensure robust risk management by the company being insured to avoid any damage to World Heritage Sites, including requiring an Environmental and Social Impact Assessment (ESIA) or a Strategic Environmental Assessment (SEA), and helping ensure that the recommendations of such an assessment are enforced.

5.4 Protecting World Heritage Sites proactively

Basic recommendations:

Too often, the insurance industry's value proposition is perceived to be limited to that of a risk carrier (i.e. paying for financial losses that may be incurred by clients). However, as a risk manager, the insurance industry has a wealth of experience in assessing, quantifying and reducing risk. With more than USD 30 trillion in global assets under management, the insurance industry is also a major institutional investor, so its investments are another significant lever to contribute to the protection of World Heritage Sites.

Many insurance companies provide risk management advice to clients to prevent or reduce losses (e.g. pollution prevention, flood resilience, fire safety). This expertise could be leveraged specifically to protect World Heritage Sites, particularly for industrial activities taking place near them, to prevent any potential negative impacts through mitigation measures and stronger risk management.

Advanced recommendations:

- Use scenario analysis in catastrophe and climate risk models to assess potential damage to World Heritage Sites. Given the importance of World Heritage Sites for communities, natural ecosystem resilience and sustainable development, it is valuable for local and national governments to understand the potential economic consequences of damage to World Heritage Sites. Insurance associations, the scientific community and environmental organisations should also be engaged to help quantify the value of natural World Heritage Sites in reducing economic and/or insured losses.
- Explore innovative solutions to protect World Heritage Sites, including insurance for natural ecosystems, parametric insurance[58], catastrophe bonds[59], green bonds[60], and blue bonds[61].

Corals, Great Barrier Reef, Queensland, Australia

Elephant tracks visible on a flood plain in the Okavango Delta, Botswana.

© JAMES MORGAN / WWF-US

Innovative insurance schemes for natural ecosystems

Insurance schemes linked to natural ecosystems are currently in an exploratory stage.

In 2018, The Nature Conservancy and the state government of Quintana Roo in Mexico announced the creation of a “Coastal Zone Management Trust” to promote the conservation of coastal areas in the Caribbean, including financing insurance coverage for the Mesoamerican coral reef and coastal beach sand against the impact of hurricanes. The global reinsurer, Swiss Re, was involved in the development of this innovative coral reef insurance concept.

Healthy coral reefs are essential to the tourism industry of Quintana Roo. They also provide coastal protection against storms and reduce beach erosion. In 2019, the Quintana Roo government purchased a parametric insurance policy that would offer up to USD 3.8 million to repair hurricane damage to the reef starting June 2019. The insurance product, provided by Mexico-based insurer, Afirme Seguros Grupo Financiero SA de CV, will be triggered if wind speeds above 100 knots are registered within the covered area, with a pay-out split of 50 percent for reefs and 50 percent for beaches.[62] This is an example of how multi-stakeholder partnerships can support the resilience of vulnerable communities.

Another innovative insurance concept is the Restoration Insurance Service Company for Coastal Risk Reduction (RISCO). The idea is for RISCO to be a social enterprise that would finance mangrove restoration and conservation in vulnerable coastal areas in the Philippines in order to reduce property damage risks and protect blue carbon. RISCO is one of the six winning ideas for 2019 under the Climate Finance Lab.[63]

A World Heritage Site Protection Bond?

Over the last few decades, there has been significant growth in insurance-linked securities such as catastrophe bonds. By securitising their accumulated risk exposure in specific territories due to natural hazards (e.g. windstorm, flood, earthquake) in the form of catastrophe bonds, insurers have transferred peak risks in their portfolios to the capital markets.

Based on the concept of catastrophe bonds, would it be possible to tailor such a bond to protect World Heritage Sites?

As a primary layer of protection, a “World Heritage Site Protection Bond” should be premised on terms and conditions that require compliance with the Operational Guidelines for the Implementation of the World Heritage Convention.

As a secondary layer of protection, the bond would respond to a hazard event (e.g. cyclone, storm surge, drought, fire) that causes damage to a World Heritage Site, and help restore, to the extent possible, the site. For example, restoring coral reefs or mangrove forests damaged by cyclones.

Such a bond could protect World Heritage Sites such as the Belize Barrier Reef, the Great Barrier Reef or the Okavango Delta in Botswana.

5.5 Engaging clients and investee companies

Basic recommendations:

Avoiding business relationships with clients that have negative impacts on World Heritage Sites is a key goal, but it does not necessarily prevent those impacts from occurring. Therefore, an engagement strategy with existing clients and investee companies should be followed as necessary.

Where possible, your company should make its clients (directly or through brokers) and investee companies in "severe-risk" and "high-risk" sectors aware of your World Heritage Sites risk approach, explaining its implications and the possibility of declining coverage or further business if there is any indication of negative impacts on the outstanding universal value of a World Heritage Site. If your company has a strong relationship with a certain client, the client should be encouraged to adhere to industry best practices, and to develop their own World Heritage Sites risk approach, if they do not have one yet. Their approach can then be lodged with UNESCO (see Section 8).

Your company can also engage clients (directly or through brokers) and investee companies in a dialogue on strengthening their risk mitigation capacity to help prevent accidents, especially for industrial and infrastructure projects near World Heritage Sites.

Advanced recommendations:

- Disclose your company's World Heritage Sites risk approach to your main clients in "severe-risk" and "high-risk" sectors as early as possible, for example, at the onboarding stage. Reinsurers should act similarly for their insurer clients/cedants, and investment managers for external investment mandates, where possible. Your company can also agree with your clients (directly or through brokers) on an improvement plan or non-renewal of cover should the risk approach be breached.
- Engage with your clients at a transaction level. If a certain sensitive project with a key client is located outside a World Heritage Site, but could potentially damage it, set conditions for risk reduction measures. Involve other teams in your company to increase understanding of the issue, such as risk engineers and underwriting teams. If the conditions are not met, decline coverage.

For more information on engaging investee companies, please refer to the recommendations provided by the *Safeguarding outstanding natural value*[64] report.

Safeguarding outstanding natural value
(WWF, Aviva Investors, Investec Asset Management)

This report, published in 2015, provides details on why and how institutional investors should protect natural World Heritage Sites, focusing on extractive industries.

The report recommends that investors take the following actions, where possible and appropriate:

a. Ensure you are aware of whether any extractive companies in which you invest (or plan to invest in) currently own concessions or operate within or adjacent to natural World Heritage Sites, or if they plan to do so in the future

b. Directly engage extractive companies in your portfolio that are active in, or adjacent to, natural World Heritage Sites to encourage them to change their strategy, or to consider divestment if insufficient progress is made

c. Disclose when you have divested and the reasons for divestment

d. Engage with the extractive sector at industry level to encourage improved disclosure on the issue and the wider adoption of "no go" and "no impact" commitments for natural World Heritage Sites

e. Collaborate with other investors to address the issue collectively

f. Encourage the disclosure of extractives concessions data either publicly or in widely used financial data sources

6. ROLE OF OTHER KEY ACTORS IN THE INSURANCE INDUSTRY

Brokers serve as intermediaries between clients and insurers, and between insurers and reinsurers. Although brokers are neither risk carriers nor asset owners, they play a crucial role in the insurance industry value chain through the sharing of information between insurers and insureds, and between reinsurers and reinsureds.

In particular, brokers have the ability to either facilitate or hinder discussions on ESG risks. Brokers should increase their efforts in facilitating these discussions. This facilitator role also applies to investment consultants and advisors, and ESG data providers.

Furthermore, international regulatory expectations raised by soft law, such as the OECD Due Diligence Guidance for Responsible Business Conduct, hold brokers to the same responsibilities as other companies within the industry. Brokers should be expected to conduct due diligence on ESG risks and to ensure responsible business conduct.

Therefore, brokers should adopt their own ESG risk approach to protect World Heritage Sites. This would serve as a clear signal to the insurance industry that activities with negative impacts on World Heritage Sites should not receive financial support.

Insurance and financial regulators should also ensure that World Heritage Sites are protected, particularly as they are part of countries whose governments have adhered to the World Heritage Convention (i.e. States Parties). Regulators can encourage insurance companies to include World Heritage Sites as a risk factor in their ESG risk approach or encourage insurance companies to join relevant industry initiatives that can help them better understand and protect World Heritage Sites.

Insurance and investment associations can play a key role in raising awareness of the topic, disseminating good practices and engaging with policymakers, regulators, business and industry, civil society organisations and academia to help protect World Heritage Sites.

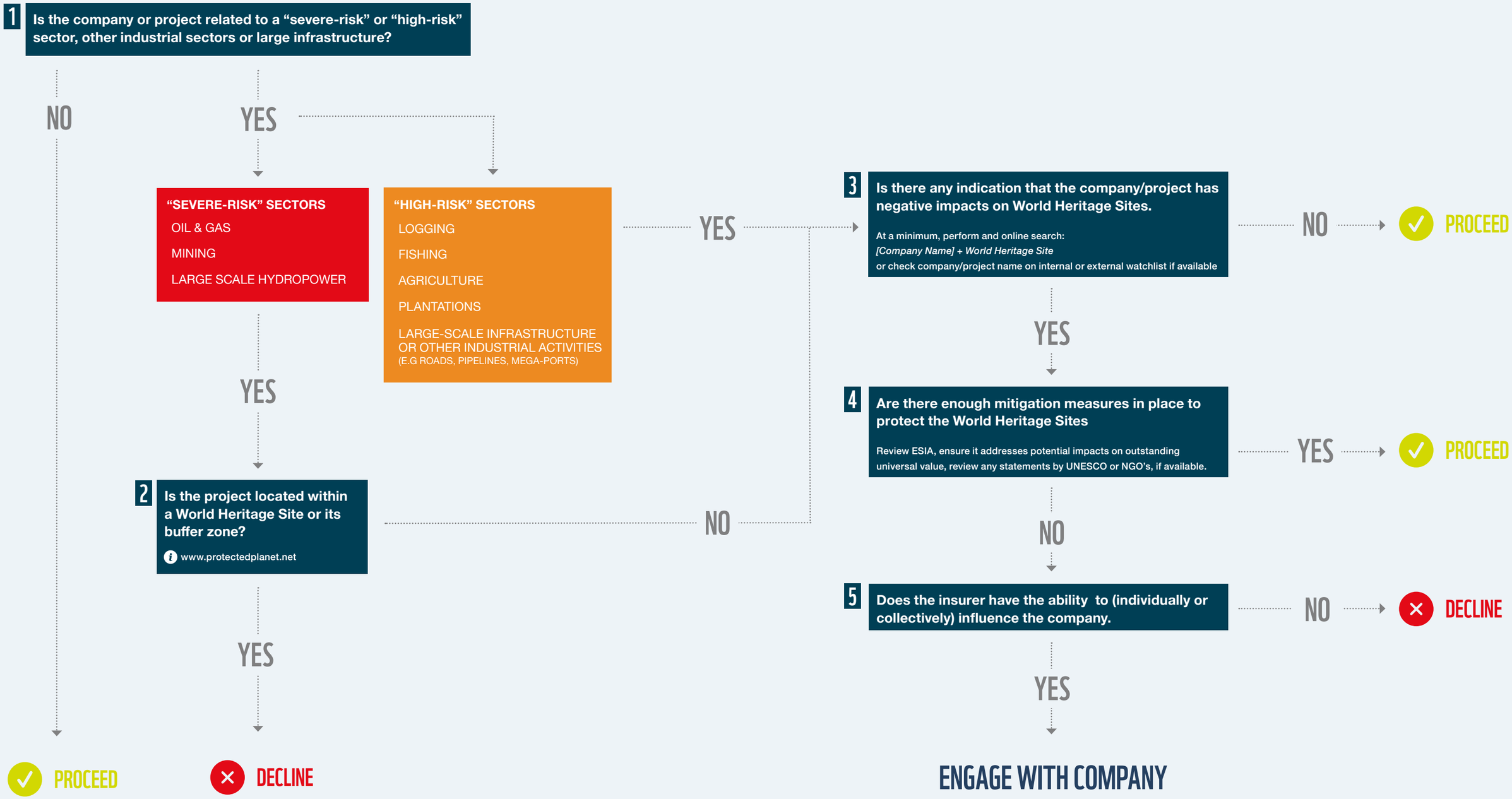
UNESCO's World Heritage Committee—as the central repository of information on World Heritage Sites—should actively request States Parties to provide high-quality geospatial information on the World Heritage Sites in their respective territories, including borders and buffer zones, and the projects that could threaten them. This information sharing could be extended to the Tentative List of World Heritage Sites that States Parties intend to consider for nomination.

Critically, the principles of good risk management and sustainability embodied in this guide can also be used for various types of protected areas—from strict nature reserves, wilderness areas, national parks and natural monuments and features, to habitat/species management areas, protected landscapes and seascapes, and protected areas with sustainable use of natural resources—as well as Ramsar sites, wetlands of international importance.

Working together with key stakeholders, insurance companies—as risk managers, insurers and investors—can help protect the priceless and irreplaceable assets that make up our World Heritage for present and future generations.

7. EXAMPLE OF A WORLD HERITAGE SITES RISK ASSESSMENT CHECKLIST

Activities allowed inside World Heritage Sites and their buffer zones are those that add to the conservation value of the Site. Such activities should be small-scale and non-industrial, particularly in natural and mixed World Heritage Sites. Examples of business activities that are considered to be compatible with World Heritage Sites include eco-tourism, sustainable non-timber forest products, and sustainable fisheries.



8. USEFUL RESOURCES AND TOOLS

PSI guide to manage environmental, social and governance risks in non-life insurance business.

Safeguarding outstanding natural value (WWF, Aviva Investors, Investec Asset Management): This report provides details about how institutional investors should protect natural World Heritage Sites, with a special focus on extractive industries.

protectedplanet.net: Protected Planet is a publicly available online platform that contains regularly updated geospatial information about World Heritage Sites and other protected areas. It is managed by the United Nations Environment World Conservation Monitoring Centre (UNEP-WCMC).

whc.unesco.org: The UNESCO World Heritage Centre website provides access to the list of natural, cultural and mixed World Heritage Sites, the list of World Heritage in Danger and other useful publications and resources.

- whc.unesco.org/en/list: Database on World Heritage Sites. For each site, this website provides the Statement of Outstanding Universal Value, along with other relevant documents and maps of the site, with its official boundaries.
- whc.unesco.org/en/soc: Database on State of Conservation. This website provides reports on the State of Conservation, related decisions and mission reports, among other documents.
- whc.unesco.org/en/guidelines: Operational Guidelines for the Implementation of the World Heritage Convention.

unepfi.org/psi/world-heritage: The PSI/WWF website contains information about the statement of commitment to World Heritage Sites and related documents and events.

iucn.org/theme/world-heritage: This address links to the IUCN World Heritage Programme. IUCN is the Technical Advisory body on nature to the World Heritage Committee.

mneguidelines.oecd.org/ncps: OECD Guidelines for Multinational Enterprises.

Third-party providers of World Heritage Sites data

There is an emerging ecosystem of ‘spatial’ platforms, building on advancements in satellite imagery and analysis capacity to provide insights into environmental issues, such as climate change, deforestation, water risk, etc., at regional, national and increasingly also at a parent company level. As technology continues to improve, we expect these approaches to develop further and become more widely available within the existing risk management tools used by the financial sector. A number of platforms providing insights into environmental issues, including protected areas and “severe-risk” and “high-risk” sectors are already available. Examples include:

Integrated Biodiversity Assessment Tool (IBAT): IBAT provides authoritative geographic information about global biodiversity. The users can access the World Database on Protected Areas, IUCN Red List of Threatened Species and the World Database of Key Biodiversity Areas through the tool’s data download services.

Ecometrica: A more ‘holistic’ platform, which provides insights based on a diverse range of satellite-derived products. From forest protection to disaster response, sustainability reporting software to full global supply chain intelligence, Ecometrica’s technology uses machine learning to provide users with a complete view at local, national, regional or supranational scales.

RepRisk ESG Risk Platform: Identifies and assesses ESG and sustainability risks associated with over 30,000 projects and 120,000 companies in more than 180 countries. It allows users to compile a global watchlist of sensitive projects and companies and link asset- and corporate-level adverse impacts to World Heritage Sites and other protected areas. The data and metrics are updated daily and can be fed into the underwriting, risk, compliance and investment systems of insurances and banks.

Verisk Maplecroft Corporate Exposure Tool: Measures asset-level oil and gas company and peer group industry exposure to ESG, climate and political risks, allowing users to compare and benchmark the exposure of almost 3,000 companies and 10,000+ assets to over 150+ issues.

Lodging a World Heritage Sites risk approach with UNESCO

Insurance companies can lodge their World Heritage Sites risk approach with UNESCO. This can be done by sending a letter to:

World Heritage Centre,
UNESCO
7, Place de Fontenoy
75352 Paris CEDEX 07
France

or by e-mail to Mechtild Rossler (M.Rossler@unesco.org) with the following subject line:
“<Company Name> request to lodge World Heritage Site policy.”

9. THE PRINCIPLES FOR SUSTAINABLE INSURANCE

PRINCIPLE 1

We will embed in our decision-making environmental, social and governance issues relevant to our insurance business

Company strategy

- Establish a company strategy at the Board and executive management levels to identify, assess, manage and monitor ESG issues in business operations
- Dialogue with company owners on the relevance of ESG issues to company strategy
- Integrate ESG issues into recruitment, training and employee engagement programmes

Risk management and underwriting

- Establish processes to identify and assess ESG issues inherent in the portfolio and be aware of potential ESG-related consequences of the company's transactions
- Integrate ESG issues into risk management, underwriting and capital adequacy decision-making processes, including research, models, analytics, tools and metrics

Product and service development

- Develop products and services which reduce risk, have a positive impact on ESG issues and encourage better risk management
- Develop or support literacy programmes on risk, insurance and ESG issues

Claims management

- Respond to clients quickly, fairly, sensitively and transparently at all times and make sure claims processes are clearly explained and understood
- Integrate ESG issues into repairs, replacements and other claims services

Sales and marketing

- Educate sales and marketing staff on ESG issues relevant to products and services and integrate key messages responsibly into strategies and campaigns
- Make sure product and service coverage, benefits and costs are relevant and clearly explained and understood

Investment management

- Integrate ESG issues into investment decision-making and ownership practices (e.g. by implementing the Principles for Responsible Investment)

PRINCIPLE 2

We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions

Clients and suppliers

- Dialogue with clients and suppliers on the benefits of managing ESG issues and the company's expectations and requirements on ESG issues
- Provide clients and suppliers with information and tools that may help them manage ESG issues
- Integrate ESG issues into tender and selection processes for suppliers
- Encourage clients and suppliers to disclose ESG issues and to use relevant disclosure or reporting frameworks

Insurers, reinsurers and intermediaries

- Promote the adoption of the Principles
- Support the inclusion of ESG issues in professional education and ethical standards in the insurance industry

PRINCIPLE 3

We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues

Governments, regulators and other policymakers

- Support prudential policy, regulatory and legal frameworks that enable risk reduction, innovation and better management of ESG issues
- Dialogue with governments and regulators to develop integrated risk management approaches and risk transfer solutions

Other key stakeholders

- Dialogue with intergovernmental and non-governmental organisations to support sustainable development by providing risk management and risk transfer expertise
- Dialogue with business and industry associations to better understand and manage ESG issues across industries and geographies
- Dialogue with academia and the scientific community to foster research and educational programmes on ESG issues in the context of the insurance business
- Dialogue with media to promote public awareness of ESG issues and good risk management

PRINCIPLE 4

We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles

- Assess, measure and monitor the company's progress in managing ESG issues and proactively and regularly disclose this information publicly
- Participate in relevant disclosure or reporting frameworks
- Dialogue with clients, regulators, rating agencies and other stakeholders to gain mutual understanding on the value of disclosure through the Principles

Sea turtle, Diving in Daphne Menor, Santa Cruz Island, Galapagos, Ecuador

ACKNOWLEDGEMENTS

We are grateful to all insurers, reinsurers, insurance market bodies and key stakeholders who signed, *Protecting our World Heritage: The insurance industry's commitment to protect World Heritage Sites.* This insurance industry statement of commitment laid the foundation to develop this guide.

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About UN Environment's Principles for Sustainable Insurance Initiative (PSI)

Endorsed by the UN Secretary-General and insurance industry CEOs, the Principles for Sustainable Insurance (PSI) serve as a global framework for the insurance industry to address environmental, social and governance risks and opportunities—and a global initiative to strengthen the insurance industry's contribution as risk managers, insurers and investors to building resilient, inclusive and sustainable communities and economies. Developed by UN Environment's Finance Initiative, the PSI was launched at the 2012 UN Conference on Sustainable Development, and is the largest collaborative initiative between the United Nations and the insurance industry.

www.unepfi.org/psi

About WWF

WWF is one of the world's largest and most respected independent conservation organisations, with over 5 million supporters and a global network active in over 100 countries. WWF's mission is to stop the degradation of the earth's natural environment and to build a future in which humans live in harmony with nature, by conserving the world's biological diversity, ensuring that the use of renewable natural resources is sustainable, and promoting the reduction of pollution and wasteful consumption.

wwf.panda.org/wwf_news

About the UN Educational, Scientific and Cultural Organization (UNESCO) World Heritage Centre

Established in 1992, the World Heritage Centre is the focal point and coordinator within UNESCO for all matters related to World Heritage. Ensuring the day-to-day management of the World Heritage Convention, the Centre organises the annual sessions of the World Heritage Committee and its Bureau, provides advice to States Parties in the preparation of site nominations, organises international assistance from the World Heritage Fund upon request, and coordinates both the reporting on the condition of Sites and the emergency action undertaken when a Site is threatened.

whc.unesco.org

About ECOFACT

ECOFACT supports its clients in navigating ESG risks and opportunities. Since 1998, ECOFACT has worked alongside leading banks, insurers, institutional investors, international standard-setters and non-profit organisations. ECOFACT helps clients assess business transactions and investment portfolios, develop risk management solutions and understand regulatory developments in corporate responsibility and sustainability.

For this project, the PSI and WWF joined forces with ECOFACT to develop the first insurance industry guide on World Heritage Sites. ECOFACT achieved this by pooling best practice examples from leading insurance companies. The findings and recommendations were tested in a workshop hosted by Munich Re. This report reflects ECOFACT's commitment to support the insurance industry's efforts to protect World Heritage Sites.

ecofact.com

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UNEP FINANCE INITIATIVE

PSI Principles for Sustainable Insurance

In cooperation with

United Nations Educational, Scientific and Cultural Organization

World Heritage Centre

WWF

Why we are here

To stop the degradation of the planet's natural environment and to build a future in which humans live in harmony and nature.

COVER IMAGE: Rufiji River in Selous, Tanzania
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