1. About this page

This page is designed to help fund managers quickly familiarise themselves with the topic of cultural heritage as it relates to investment. It is not intended to be a detailed technical guidance document.

- Additional considerations
  Formal specific technical guidance is provided at the end of this page and in Reference materials, including International Finance Corporation's (IFC's) 2012 Performance Standard 8: Cultural Heritage.

  This page provides an overview and general guidance. Fund managers should carefully consider each company based on its specific characteristics and circumstances including scale, location, technology, management capacity and commitment, and track record. Risks, impacts and opportunities relating to a particular company or sector can also change over time for a number of reasons (e.g. changes in the applicable laws and regulations or to the company's activities or assets). Fund managers may need to engage external experts in some situations (see 'Advice for fund managers' section below).

2. Introduction

Cultural heritage encompasses: (i) properties and sites of archaeological, historical, cultural, artistic and religious significance (including graves and burial sites), which can comprise natural features such as sacred graves or rock formations (tangible heritage); and (ii) cultural knowledge, innovations and practices including language, music and traditions (intangible heritage). Fund managers need to consider impacts on both types of cultural heritage regardless of whether or not the specific heritage in question is formally protected (e.g. UNESCO's World Heritage programme).

Community concerns about impacts on cultural heritage (including cultural heritage that has no formal protection) are significant in many countries. These concerns require that companies proactively engage with local communities to understand the nature of the cultural heritage and the value placed on it by the community.

Tangible cultural heritage may only become apparent during the construction phase of an investment (so called ‘chance finds’). Companies should develop processes that allow for the protection and conservation of these types of finds.

3. Why companies and fund managers should address this topic

- Risks for the business
  Companies’ activities have the potential to damage cultural heritage. Cultural heritage can be critical for land access and operations throughout the life of a business and is often integral to good community relations. Failure to assess the presence and significance of cultural heritage can result in risks and impacts such as:
    - Planning and permitting delays.
    - Reputational risks.
    - Poor relationships with local communities (and potentially the loss of social licence to operate).

  Companies should therefore avoid, to the extent possible, impacting on cultural heritage. This will avoid incurring reputational and operational risks and will also help the company (and potentially the fund manager) to avoid costs related to the management of impacts on cultural heritage (e.g. costs associated with the implementation of cultural heritage management plans, consultancy fees and project delays).

- Opportunities for the business
  Proactive engagement with regulators and local communities on the protection and conservation of cultural heritage can result in inter alia:
    - Stronger relations with Affected Communities. In (unusual) situations where companies will derive commercial benefits from traditional knowledge or customs (e.g. knowledge of the use of medicinal plants, or commercial benefits derived from customary events and activities), arrangements need to be put in place to ensure that benefits are shared equitably with Affected Communities.
    - Companies and their investors can play a role in promoting awareness of, and appreciation for, cultural heritage.

4. Advice for fund managers

See CDC environmental and social checklist as it contains questions and tips to help fund managers to assess the E&S aspects of an investment.

Companies and investors should assess whether cultural heritage may be impacted. Fund managers should ensure that, at a minimum, companies' management systems are compliant with local laws and regulations. Local regulations may not be fully aligned with good international industry practice (GIIP). Fund managers should assess companies' alignment with international standards and, where appropriate, develop action plans to ensure that any gaps are addressed within a reasonable time frame.

The likelihood that cultural heritage will affect an investment largely depends on the location of the company's assets and activities. However, some sectors are more likely to impact cultural heritage given their intrinsic characteristics:

- Sectors most frequently associated with impacts on cultural heritage
    - Extractive industries, infrastructure, energy and utilities, agribusiness (physical damage to tangible cultural heritage particularly during construction phase).
    - Tourism and hospitality (physical damage and potentially commercial exploitation of intangible knowledge and traditions).
    - In some cases, pharmaceutical and biotechnology (commercial use of traditional knowledge and customs).

Where cultural heritage is likely to be encountered, appropriate experts should be engaged. Consultancies focusing on environmental and social issues, or engineering, may not include technical expertise on cultural heritage. Fund managers may therefore need to obtain this expertise via universities, anthropological groups or other sources.

Where impacts on cultural heritage may be present, companies should be able to demonstrate that they have appropriately engaged with local communities and implemented management plans and procedures (e.g. chance find procedure) that follow, include, cover or make evident (as appropriate) the following:

- Permits and approvals
  If significant adverse impacts on cultural heritage are evident or likely, companies are typically required to obtain legal approvals or permits, even if they are not expected to operate in areas with legally protected cultural heritage. Fund managers should ensure that the company has obtained the necessary approvals and permits.

- Removal of/impacts on cultural heritage
  Companies have a responsibility to preserve and protect cultural heritage by following a mitigation hierarchy (avoid, reduce and restore). In most instances, the preferred option is to leave tangible cultural heritage unaffected and to avoid any impacts to avert reputational and operational risks to the company and its investors. It should also avoid the costs associated with the implementation of cultural heritage management plans, consultancy fees and project delays.

  Where cultural heritage assets are below ground or underwater, and are archaeological in nature, considerable time may be required for an adequate assessment, even if the cultural heritage is left in situ. This will need to be factored into investment timelines, and it will be necessary to put a cultural heritage management plan in place.

- Community engagement
  Community engagement is important for companies with activities that affect cultural heritage. Fund managers should ensure that the company has: (i) engaged with Affected Communities who use, or have used, the cultural heritage; and (ii) incorporated the views of the Affected Communities into their decision-making process and management plans. An effective grievance mechanism should be put in place.

- Management plans
  Fund managers should ensure that the company has implemented adequate management plans that are commensurate with the impacts and take community concerns into account. Such management plans should include, as appropriate, chance find procedures outlining the actions to be taken if previously unknown cultural heritage is encountered. Where relevant, the fund manager should ensure that contractors (e.g. engineering, procurement and construction contractors) follow these or similar management plans.

In some cases, avoiding impacts may be challenging because cultural heritage may only be discovered during construction activities. Therefore, companies that could negatively impact cultural heritage should put in place a chance find procedure. When companies' proposed operations are located within a legally protected area (e.g. a UNESCO World Heritage Site) or a legally defined buffer zone, the company should take additional measures to promote and enhance the conservation of the area.

- Use of cultural heritage
  When a company proposes to use the cultural heritage (tangible or intangible) of a community for commercial gain (e.g. the commercial development of indigenous knowledge about the value of medicinal plants), fund managers should ensure that the revenue and development benefits accrued from this use flow equitably to the Projects.">Affected Community.

5. Further resources

- Further information and guidance
  - IFC 2012 Performance Standard 8: Cultural Heritage
  - IFC 2012 Guidance Note 8: Cultural Heritage
  - UNESCO Convention Concerning the Protection of the World Cultural and Natural Heritage (World Heritage Convention)