Shift

Community Engagement, Nature and Financial Materiality:

An evidence review on the financial effects of engagement with Indigenous Peoples and local communities on nature-related issues

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Photos in this report are used for illustrative purposes only and do not relate to specific case studies.

Executive summary

The International Sustainability Standards Board (ISSB) is considering whether companies should disclose information about their engagement with Indigenous Peoples and local communities in relation to nature-related risks and opportunities. Shift recognizes the inherent importance of community engagement in respecting the rights of Indigenous Peoples and local communities when company activities affect them. This report addresses a related but distinct question: whether information about the quality of that engagement is also financially material and therefore relevant for financially material corporate disclosure.[1] The evidence gathered for this report indicates clearly that it is: disclosure on engagement can provide decision-useful information about whether a company's engagement approach is adequate to identify and address their impacts on nature and people before they escalate into financially material social conflict.

To assess this question, Shift reviewed approximately 40 academic and technical publications, supplemented by news reports, existing databases, and conducted interviews with experts including company-community mediators, engagement practitioners, civil society organizations, and consultancies. Shift also worked with UNEP-WCMC, Liquen Consulting, and TMP to develop in-depth case studies to illustrate how company engagement with Indigenous Peoples and local communities concerning nature-related issues has had both positive and negative financial effects. These are detailed in the case study companion for this report.

Across these sources, we identified more than 1200 cases in which corporate impacts or dependencies on nature had associated social effects, and more than 800 of these in which available evidence indicated resulting financial effects. We catalogued the existence and quality of company-community engagement, alongside the financial effects associated with each case.

The evidence reviewed in this report shows that nature-related issues are frequently at the heart of community opposition to company activities. They include, for example, land use change and community displacement, environmental degradation, pollution and resource use. These concerns often sit alongside related concerns about impacts on livelihoods, cultural heritage, access to food or water, consultation, consent, compensation and the distribution of benefits. Where companies engage early, inclusively, continuously, and meaningfully with Indigenous Peoples and local communities, the evidence suggests that they are better able to identify these concerns, respond to them, and, in some cases, draw on local knowledge to improve project design and support nature-related opportunities. Where engagement is weak, late, narrow, or disconnected from business decision-making, concerns are more likely to harden into opposition and increase the risk of adverse financial effects for the organization.

"Where companies engage early, inclusively, continuously, and meaningfully with Indigenous Peoples and local communities, the evidence suggests that they are better able to identify these concerns, respond to them, and, in some cases, draw on local knowledge to improve project design and support nature-related opportunities."

1 According to ISSB definitions, information is material if omitting, mistaking or obscuring that information could reasonably be expected to influence decisions of primary users of corporate reporting, such as investors, lenders and other creditors.

Our research finds clear evidence that community opposition can have significant financial effects. These effects are most visible where conflict causes operational disruption, delay, suspension, or abandonment, but they also extend to legal and regulatory costs, reputational damage, reduced market access, increased costs of capital, investor or buyer withdrawal, and the diversion of staff and management time.

We found evidence of these financial effects across a range of geographies, in both developed and developing economies, spanning diverse market, political and regulatory contexts. This shows that this phenomenon is not specific to jurisdictions where there is weaker or stronger regulation governing how companies engage with Indigenous Peoples and local communities.

These findings are also relevant across sectors. The cases reviewed include sectors with direct and substantial nature footprints, such as mining, oil and gas, renewables, agriculture, forestry, and water, as well as sectors whose nature-related impacts arise more indirectly through supply chains, land use, or resource dependence, including food and beverage, consumer products, technology, and finance. We also identified emerging cases in sectors where these risks may previously have been overlooked, such as data centers, where local opposition has arisen in recent years in response to intensive water, land, and energy use. The financial effects of community engagement with regard to nature-related issues are therefore not confined to traditional natural resource industries.

We also found that the drivers of company-community conflict are broadly sector-agnostic. The risk of conflict is higher where companies operate on Indigenous territories; where customary land rights are not formally recognized or respected in practice, or where companies may impact the core resources on which a community depends, such as their access to food, clean water or shelter. However, these contextual risk factors do not determine outcomes on their own. The likelihood that concerns escalate into conflict is strongly influenced by a company's approach to engagement: who it engages with, when it engages, whether it allows sufficient time for meaningful input, whether it builds broad-based relationships or relies on local elites, and whether community concerns actually inform corporate decisions and practices. This underlines the fact that many of the variables that shape company-community conflict are within management's control. Organizational capability, board-level commitment to relationship building, internal decision-making processes, and the seniority and skill of staff responsible for engagement can all materially influence whether impacts or dependencies on nature become a source of conflict.

For reporting purposes, this means that it is not enough to know whether or not a company engages with communities. What matters is the quality of that engagement. It is crucial to pay attention to indicators of good quality engagement, such as evidence of ongoing and broad-based relationship-building and of company actions taken as a result of the insights gained through engagement. Strong corporate governance of engagement is also associated with lower financial risk.[2]

The research shows that information about the quality of engagement with local communities and Indigenous Peoples is often financially material for investors and lenders. Community conflict can lead to losses in the millions or billions, as well as impacts on reputation, access to capital, staff morale, and opportunity costs. Yet these costs are frequently underestimated or not adequately included in financial modelling. The costs of failures of engagement are dispersed across multiple budget lines, and many costs – such as the cost of diverted executive attention to conflict – are routinely overlooked. The evidence also shows that early, inclusive engagement reduces the risk of conflict and can even boost returns.

The relevance of these issues is likely to increase. Pressure on natural resources is intensifying, driven by global consumption, population growth, agricultural expansion, and rising global demand for energy, land and other materials. Climate change is compounding these pressures, with floods, droughts, fires, and extreme heat already affecting the availability of water, arable land, and other critical resources. At the same time, the transition to a low-carbon economy is increasing competition over land and minerals. Renewable energy systems are significantly more land-intensive than fossil fuels and nuclear, and a substantial share of the critical minerals needed for the energy transition are located on or near Indigenous Peoples' territories.[3] In response to the urgency of scaling low-carbon infrastructure, governments and companies are increasingly fast-tracking projects, in some cases compressing or bypassing meaningful consultation with

2 Rees, Caroline, Deanna Kemp and Rachel Davis. 2012. "Conflict Management and Corporate Culture in the Extractive Industries: A Study in Peru." Corporate Social Responsibility Initiative Report No. 50. Cambridge, MA: John F. Kennedy School of Government, Harvard University.

3 Owen, J.R., Kemp, D., Lechner, A.M. *et al*. (2022) Energy transition minerals and their intersection with land-connected peoples. Nature Sustainability.

affected communities and thus increasing the risk of company-community conflict. Meanwhile, communities themselves are becoming more organized and connected, meaning that local conflicts can more easily attract national and international attention, mobilize broader support, and escalate into reputational, legal, regulatory, and financial risks for companies.

The central conclusion of this report is that engagement with Indigenous Peoples and local communities can give rise to material financial effects because it helps determine whether nature-related dependencies, impacts, risks and opportunities (and management of them) become sources of trust and collaboration or of opposition and loss. While direct causality in individual cases can sometimes be hard to determine, and in others it is quite clear, the evidence base as a whole provides a compelling case that the presence, absence and quality of engagement with Indigenous Peoples and local communities is at a minimum highly correlated with, and would appear to be significantly determinative of, the financial effects resulting from local opposition.

The evidence reviewed here shows that community conflict can erode value through delay, disruption, legal action, reputational harm, market access constraints, financing penalties, unrealized value, and diverted management attention, and that these costs are often underestimated because they are dispersed across functions and not linked back to their nature-related and social roots.

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The evidence also shows that high-quality engagement, especially when undertaken early, inclusively, and as part of core business decision-making, can reduce these risks and improve project resilience. In that sense, engagement is not only a matter of responsible business conduct. It is also financially material information about how a company understands and manages nature-related risks and opportunities, and is therefore decision-useful information for companies, investors, lenders, insurers, and regulators.

Contents

Introduction

In 2012 and 2014, Shift collaborated with the Harvard Kennedy School and the Centre for Social Responsibility in Mining (CSRM) at the University of Queensland to research the costs of conflict between companies and communities in the extractive sector, and how corporate culture influences how well companies manage conflict.[4] This research established that the cost of conflict between companies and communities in this sector is frequently financially material – community-driven project delays can cost a mining operation US $20 million per week in lost revenue – and yet the costs of community-company conflict are frequently underestimated by companies and investors. In particular, costs related to diverted management time or harm to a company's reputation – which in turn affects the chances of gaining future permits, contracts or partnerships – are routinely underestimated. This work established that a company's culture, including its attitudes towards community relationships, governance, and modes of engagement with communities plays a substantial role in the success of conflict management. Over subsequent years a range of experts and academics have pursued further research into these issues in different geographies and sectors, sometimes using large data sets to understand and analyze the relationship between community conflict and financial effects. The Wharton School, TMP, Institute for Human Rights and Business, US SIF, First Peoples Worldwide, and ImpactARC, among others, have expanded the evidence base on these issues.

Questions about the connections between the quality of a company's approach to community engagement, and the costs of failures of engagement are now surfacing in the context of nature-related disclosures. The International Sustainability Standards Board (ISSB) is the global standard setter developing a baseline of sustainability-related financial disclosure standards for companies, aimed at providing investors with decision-useful information on sustainability-related risks and opportunities. The ISSB is currently considering disclosures related to nature, drawing on the work of the Taskforce on Nature Related Financial Disclosures (TNFD).[5]

The TNFD has an existing recommended disclosure (Governance C) related to company engagement activities with Indigenous Peoples, Local Communities, affected and other stakeholders in an organization's assessment of, and response to, nature-related dependencies, impacts, risks and opportunities, and additional guidance on engagement.[6] As the ISSB considers whether to incorporate a disclosure requirement or incremental guidance on engagement with regard to nature, and how to draw on the work of the TNFD, it is considering whether companies' engagement with Indigenous Peoples and local communities may generate material financial effects for companies and financial institutions.[7]

This paper lays out the evidence base for the financial effects of engagement with Indigenous Peoples and local communities with regard to nature-related dependencies, impacts, risks and opportunities (referred to in short as 'nature-related issues'). It demonstrates that nature-related issues are frequently at the heart of community opposition to companies; that community opposition is tied to the quality of a company's community engagement approach; and that such opposition has significant financial effects. Additionally, it shows that high-quality community engagement can contribute to positive financial outcomes such as lower costs of capital, more resilient operations and stable revenue streams.

4 Rees, Caroline, Deanna Kemp and Rachel Davis. 2012. "Conflict Management and Corporate Culture in the Extractive Industries: A Study in Peru." Corporate Social Responsibility Initiative Report No. 50. Cambridge, MA: John F. Kennedy School of Government, Harvard University; and Davis, R. and Franks, D.M. (2014) Costs of company-community conflict in the extractive sector. Corporate Social Responsibility Initiative Report No. 66. Cambridge, MA: Harvard Kennedy School. (hereafter Davis & Franks 2014).

5 ISSB (2026) Information on engagement with Indigenous Peoples, Local Communities and affected stakeholders in the context of nature-related risks and opportunities – Research findings; ISSB (2026) Information on engagement with Indigenous Peoples, Local Communities and affected stakeholders in the context of nature-related risks and opportunities – Recommendations.

6 TNFD (2023) Recommendations of the Taskforce on Nature-related Financial Disclosures; TNFD (2023) Guidance on engagement with Indigenous Peoples, Local Communities and affected stakeholders.

7 According to ISSB definitions, information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions of primary users, i.e. existing and potential investors, lenders and other creditors.

Terminology

A note on the terminology used in this paper: whilst the Kunming-Montreal Global Biodiversity Framework and the TNFD use the term "Indigenous Peoples and Local Communities" (IPLCs) to explicitly recognize both groups as distinct rights-holders and key stewards of biodiversity, in this paper we use the terms "Indigenous Peoples" and "local communities" in a broader sense. That is, we do not make a distinction between "Local Communities" that embody traditional lifestyles relevant for the conservation and sustainable use of biological diversity[8] and those "local communities" who do not. Our research shows that significant financial effects can arise from failures of community engagement due to nature-related impacts in a broad range of contexts.

We also note that there is no widely accepted distinction between "Local Communities" and "local communities" that would allow us to consistently distinguish between these groups in our review of available evidence on the financial effects of community engagement. We do emphasize that engagement approaches should adhere to internationally recognized human rights standards, including the right of Indigenous Peoples to Free, Prior and Informed Consent (FPIC) for business activities affecting their territories. From a business risk management perspective, companies need to engage with both Indigenous Peoples and local communities where their dependencies or impacts on nature affect these groups. Engagement is also important to identify opportunities that could bring financial benefit. In sum, meaningful engagement with Indigenous Peoples and local communities is crucial for a company to identify, assess and manage both nature-related and associated social risks, to identify and seize nature-related opportunities, and to build and maintain a social license to operate.

Methodology

Database

For this research paper, Shift compiled a database of over 1200 cases where corporate dependencies, impacts, risks, and opportunities on nature drove social effects, such as impacts on communities. Each evidence record was coded for the nature-related issue, the associated social effect, indicators of the presence and quality of company-community engagement, and any resulting financial effect.[9] Financial effects were coded where a source provided evidence that community opposition, or the quality of company engagement, was associated with a reasonably evidenced business consequence, such as operational delay, cost escalation, legal or regulatory intervention, market access constraints, reputational damage, loss of finance, or asset write-downs. Where there was information available that quantified the financial loss or gain, this was captured. The database captures cases where the available evidence indicates an association between nature-related issues, community response, the quality of engagement, and financial effects; it should not be interpreted as demonstrating causation with equal strength in every case.

The database draws on a heterogeneous set of sources, including from academic and technical publications, company and civil society reports, news reports, case studies sourced through interviews with and inputs from expert organizations (see below), and existing databases. Approximately 846 cases were obtained on license from a private dataset on company-community disputes developed by TMP, a global research and advisory organization. Graphs in this report used to illustrate findings from the database (Figures 1, 3, 4 and 5) cover data from the 836 cases where engagement between companies and communities led to a financial effect.

8 The term 'Local Communities' is used based on the characteristic listed by the Convention on Biological Diversity and its article 8 (j) which refer to: 'Local communities embodying traditional lifestyles relevant for the conservation and sustainable use of biological diversity'. *Convention on Biological Diversity*, Article 8: In-situ Conservation.

9 The Nature-related financial risks database developed by Alvarez, J., Postel-Vinay, N., Guckenberger, M., Lee, J., Lambin, R., O'Donnell, E. and Pasqua, C. at the Resilient Planet Finance Lab, Environmental Change Institute, and University of Oxford (2025) helped inform the selected parameters for evaluating the potential financial effect of community engagement with regard to nature-related impacts and dependencies.

Review of available literature

Shift reviewed approximately 40 academic or technical publications and working papers relevant to understanding the relationship between impacts on nature, community engagement, company-community conflict, and financial effects. The database includes cases from this literature review. In addition, the literature review strengthens the evidentiary basis by providing systematic and rigorous analysis of the causal links between community engagement and financial effects.

Case studies

We developed detailed case studies in relation to 24 cases across a variety of sectors and geographies to illustrate in more detail how nature-related impacts can translate into community opposition or partnership, depending on the existence and quality of engagement, and the financial effects that arise from the quality of engagement with local communities or Indigenous Peoples. An initial set of cases was generated based on publicly available materials and desk-based research, including company and NGO sources, media reports, and other publications. Additional cases were identified through interviews with experts, and collaboration with three expert organizations: TMP; United Nations Environment Program World Conservation Monitoring Centre; and company-community mediators Liquen Consulting. These detailed case studies are featured in the companion publication of this report, and have been included in the database. We did not directly engage with Indigenous Peoples and local communities specific to their direct experience of the cases contained in the database or featured in the report.

Expert roundtables

In addition to interviews with experts, Shift participated in a roundtable event of the International Indigenous Forum on Biodiversity (IIFB), to seek feedback on preliminary findings. The IIFB represents Indigenous Peoples and local communities from 7 socio-cultural regions organized to coordinate Indigenous strategies on biodiversity.[10]

In addition, Shift hosted a roundtable of experts who shared their feedback and insights in relation to the topic. Attendees included: Rebecca Adamson (First Peoples Worldwide); Ben Bowie (TMP); Margaux Day (Accountability Counsel); Pablo Lumerman, Josefina Ronco, Gonzalo Frei (Liquen Consulting); Stacey Baggaley and Alina Vera Paz (UNEP-WCMC); Alya Z. Kayal and Daisy Nicholls (ImpactARC); and Terence Hay-Edie (United Nations Development Program).

The evidence review covered in this report draws from all of the sources above, including available literature, the database of cases, detailed case studies and engagement with experts.

Structure of the report

Part one of this report describes the connections between the dependencies and impacts of business activities on nature and community opposition to those activities, drawing from our database of cases and available literature. Part two illustrates how financial effects emerge from community opposition, or conversely strong relationships with communities. We present a typology of financial effects, which builds on earlier research on the costs of conflict between companies and communities.[11] Part three focuses on the relationship between community engagement and community opposition and the evidence that community opposition is tied to the absence, existence, or quality of community engagement. Part four explores the key drivers of these financial effects and considers whether these are tied to certain sectors, geographies or other factors. In part five, we consider why understanding the quality of community engagement is relevant for companies' assessment and management of risks and opportunities as well as for their financial reporting.

In the companion publication for this report, we have included 24 case studies which illustrate in more detail how impacts or dependencies on nature, and community engagement, result in financial effects.

10 The IIFB is recognised as the main Indigenous body advising the Conference of the Parties (COP) on the implementation of Article 8(j) and related provisions of the Convention of Biological Diversity.

11 Davis and Franks 2014; Institute for Human Rights Business (IHRB) (2026) The hidden bill of green conflict: De-risking renewable energy by strengthening community trust; Henisz, W.J. and Tadmor, J. (2025) The costs of conflict: Firm-level financial impacts of Indigenous rights-related mining conflicts in Peru. Working paper.

Findings

Part 1: Impacts on nature and community opposition

Business depends on the resilience of nature. That is, businesses depend on nature's ability to continue providing the ecosystem services that are vital inputs to business processes – such as raw materials, water, or natural processes such as pollination and climate regulation. Nature is also fundamental to the lives of Indigenous Peoples and local communities. It underpins food systems, shelter and livelihoods, and in many cases holds deep cultural and spiritual significance. For Indigenous Peoples with deep ties to their territories, the protection of nature is inseparable from their physical, cultural and spiritual survival.

Companies can have both positive and negative impacts on nature, and in doing so directly affect the people who depend on it. As a result, companies need to understand how their nature-related dependencies and impacts affect Indigenous Peoples and local communities. Engagement with these groups is essential to determine potential social effects, such as whether business activities affect homes, farms, grazing land, forests, traditional practices, access to natural resources (e.g., medicines) or sacred sites, and to understand and respond to community concerns in a meaningful way.

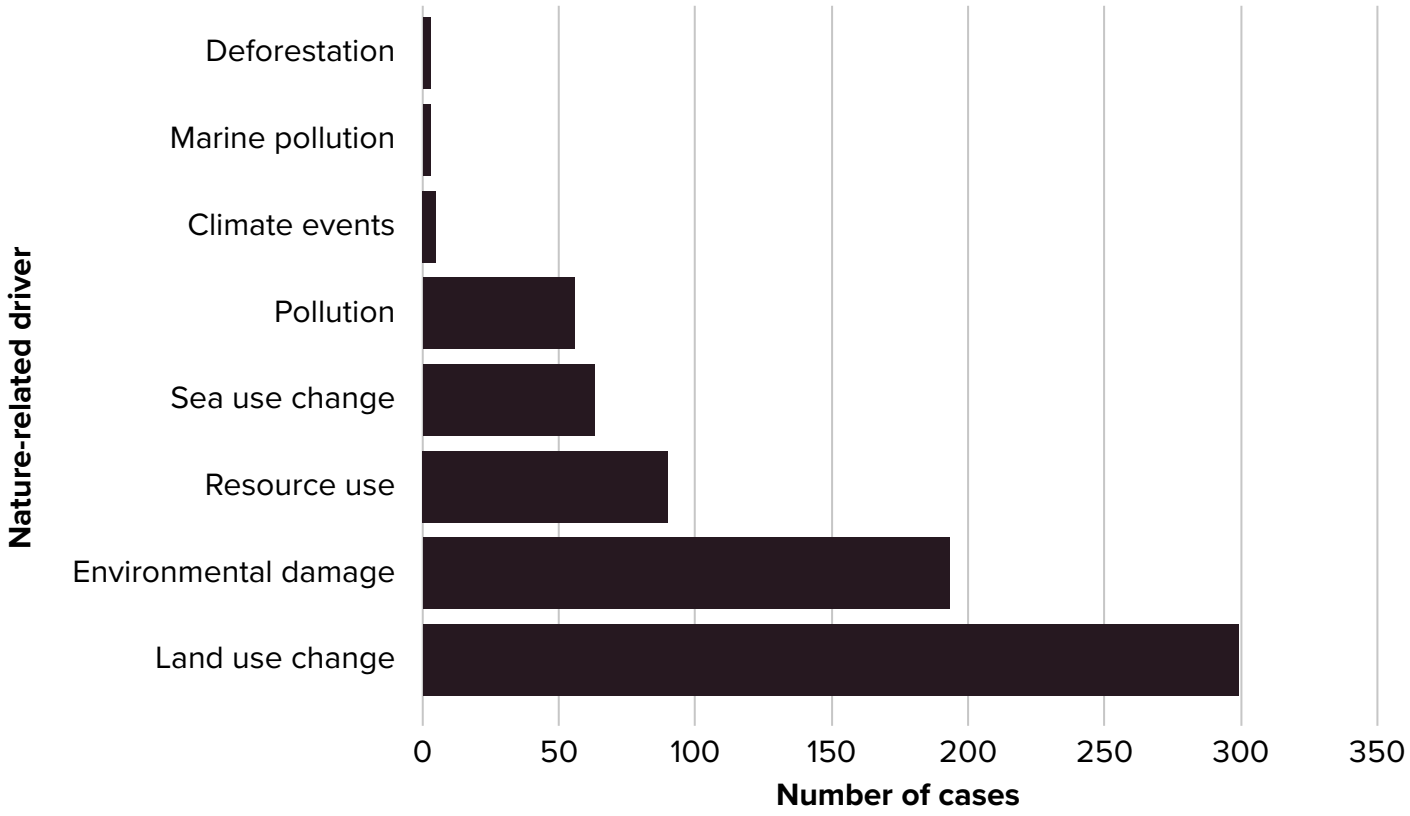
Company impacts on nature can materialize in many different ways. For instance, the development of solar or wind farms involves land acquisition and land-use change; manufacturing beverages or irrigation for agriculture can deplete local water reserves; mining, infrastructure development and spraying pesticides for crops can cause environmental damage. The table below illustrates how nature related dependencies or impacts can cause social effects that drive community opposition across a range of sectors.

Company sector	Examples of nature related dependency or impact	Potential sources of community concern or opposition
Agriculture	Land use change, water use for irrigation, pollution from pesticide use, biodiversity loss	Displacement from homes, economic activities or other natural resources; water scarcity; health or livelihood impacts from pesticide use; impacts on food security from biodiversity loss.
Beverage manufacturing	High water usage	Water scarcity or change in water quality used for drinking, sanitation, farming; perceived unfairness over allocation of scarce water.
Data centers and technology infrastructure	Intensive water and energy usage, land use change	Water scarcity; increased costs of energy; landscape changes; exclusion from decision making.
Finance	Financing of companies or projects with significant environmental impacts	Pollution; health impacts; portfolio companies' responses to community concerns.
Fisheries	Marine or freshwater ecosystem change, pollution	Displacement from fishing grounds; reduced catch; health issues from pollution.
Hydropower	River diversion, flooding, altered water flows, ecosystem disruption	Displacement; loss of fisheries; flooding of land; damage to culturally important areas; impacts on livelihoods; exclusion from decision making.
Infrastructure and transport	Land use change, habitat fragmentation, pollution	Displacement from homes or economic activities; impacts on livelihoods; noise and air pollution.
Manufacturing	Water use, pollution, emissions	Health or nuisance impacts from pollution of land or water; lack of availability of clean water for sanitation or hygiene.

Our research shows that company impacts on nature are frequently a driver of community opposition to those companies' activities. These impacts may be perceived, anticipated or directly observed. Of course, most disputes between companies and communities are driven by a complex array of factors. Community concerns about impacts on nature frequently sit alongside, and are relevant to, other community concerns such as impacts on community livelihoods, compensation, cultural heritage, or the absence of opportunities for community stakeholders to provide (or limit) consent at the outset of projects.

In our database of cases, "land use change," was the most common nature-related driver of disputes between companies and communities, including cases about community displacement, where communities are removed or denied access to their home and land or other environmental assets and ecosystem services on which they depend for their livelihoods. The second two most common drivers for conflict were environmental damage and resource use, both of which imply impacts on nature.

Figure 1: The nature-related drivers[12] of conflict represented in our database



The available literature also strongly points to displacement and environmental impacts as key drivers of conflict between companies and communities. In a review of 51 cases of company-community disputes across South-East Asia (Myanmar, Laos, Thailand, Cambodia, Vietnam, Malaysia, Indonesia and Philippines), displacement from land was again the most common primary driver of disputes between companies and communities (45% of cases), followed by compensation (24%), environmental damage (18% of cases) and shortage of resources (14%).[13] "Compensation" is also usually linked to impacts on nature, where people are compensated as a result of being physically or economically displaced from the land or other environmental assets and ecosystem services on which they depend. That is, nature-related impacts often drive the need for compensation, even if the trigger for conflict is due to tensions related to the quality of compensation itself. The cases in this review included examples from the agriculture, forestry, infrastructure, energy and mining sectors – showing that disputes related to impacts on nature arise in a variety of sectors. A similar review of cases of tenure-related disputes in Africa, including those in palm oil, sugar, mining, energy and public infrastructure sectors, again found that the majority of disputes were driven by forced displacement of local peoples (63%).[14]

12 'Environmental damage' was coded as a driver when "the dispute is driven by damage to the local environment, whether through destruction of crops or other direct land-use change, such as logging, or contamination of land, water or air." The cases coded with "environmental damage" as the key nature-related driver originate from cases obtained on license from a private dataset on company-community disputes that uses this classification.

13 TMP (2017) Tenure and Investment in Southeast Asia.

14 TMP & RRI (2016) Tenure and Investment in Africa 2016.

An academic analysis of 50 cases of company-community conflict around extractive operations found that "pollution and access to/competition over environmental resources were identified as the most common proximate issues that can trigger conflict."[15] This analysis found that whilst impacts on nature, or environmental issues, were the most common trigger for conflict, conflicts between companies and communities are also driven by "socio-economic issues, particularly the distribution of project benefits, changes to local culture and customs, and the quality of ongoing processes for consultation and communication related to the project." [16]

The extent to which community opposition is principally driven by impacts on nature can vary across cases. At one end of the spectrum, community opposition can be driven primarily by the impact on nature itself, for instance, concern over the availability of clean water. At the other end, opposition can be driven by concerns over other issues that are relevant to the nature-related impacts, such as compensation, a company's approach to consultation, or impacts on health or livelihoods.

The quality of the relationship between company and community, and *how a company responds* to community concerns about impacts on nature and related issues, is highly relevant to whether impacts on nature translate into significant financial effects for the company. That is, whilst nature-related impacts are the underlying cause for the company-community tensions in the cases we examined, they are not necessarily the proximate cause of financial effects. Financial risks primarily emerge from community opposition itself, which is closely related to the absence, existence, or quality of company engagement with those communities.

In some cases, the financial effect is directly tied to the nature-related impact. For example, the conflict around the Las Bambas copper mine in Peru was driven by community concerns over the environmental impacts of mining. These concerns escalated because of poor community engagement, including that changes to the project design were approved without proper consultation or adequate environmental studies. The conflict escalated, costing the company approximately 500 days of operational disruption and US $4.5bn in losses.[17]

In other cases, the financial effect may relate to concerns over compensation, livelihoods, cultural heritage, FPIC, other human rights impacts, or due to the deficiencies in a company's engagement approach. This does not mean that these cases are not connected to nature. For instance, concerns around compensation or livelihoods frequently derive from proposed changes to ecosystem services (e.g., land, riverine, or marine resources) on which communities depend. The social conflict around the Kakuzi avocado farm in Kenya had at its roots community concerns over disputed land tenure and community access to natural resources on Kakuzi's land. However, the financial effect arose from allegations of security-related abuses that stemmed from these tensions. Community members alleged that company security guards responded with disproportionate force during community protests, and committed acts of sexual violence against community members on Kakuzi property.[18] These security-related human rights impacts are what garnered international attention and led to a legal case against Kakuzi in the UK, which led to widespread reputational damage, buyer suspension, and £4.6 million in legal costs.[19]

These situations of community opposition to business activities that have an impact on nature are complex. The evidence base generally does not allow an analysis of the extent to which engagement with communities is the unique, dominant or contributing factor to the financial consequences, nor the extent to which effective engagement would have reduced opposition and related costs, all other factors remaining equal. However, taken together, the scale and range of cases provides compelling and consistent evidence that the presence, absence and quality of engagement is at least a strongly determining factor of future financial consequences. This conclusion is underpinned by multiple cases where strong engagement with Indigenous Peoples and local communities – particularly at the start of a project, and also in some cases after problems have arisen – have substantially reduced or avoided opposition and associated financial costs.

15 Davis and Franks (2014) Costs of Company-Community Conflict in the Extractive Sector.

16 Davis and Franks (2014) Costs of Company-Community Conflict in the Extractive Sector.

17 Henisz, W.J. and Tadmor, J. (2025) The costs of conflict: Firm-level financial impacts of Indigenous rights-related mining conflicts in Peru. Working paper.

18 IBIS (2022) Kakuzi Human Rights Impact Assessment, Final Report. Available at: https://www.kakuzi.co.ke/documents/normal/ibis hria – 2022.pdf

19 Leigh Day (2021) Camellia plc/Kakuzi litigation. Available at: https://www.leighday.co.uk/news/cases-and-testimonials/cases/camellia-plc-kakuzi/

Figure 2: The causal chain of how nature-related issues, and the quality of engagement, result in financial effects

Part 2: The financial effects of community opposition

In our review, we found strong evidence that where impacts on nature drive community opposition this can have significant negative financial effects on a company. The review also found conversely that where a company builds strong relationships with communities this can have positive financial benefits. Some 836 of the cases within our database indicated these connections, and the available literature added analytical rigor to these findings by providing systematically researched cases and analysis. For instance, in a review of 21 cases of tenure-related conflict across agriculture, mining, forestry, energy projects in Malaysia, Indonesia and the Philippines, 81% of the projects suffered financially significant impacts as a result of the dispute. This did not account for considerable reputational damage in many cases, which is harder to quantify.[20] In a similar review of tenure-related disputes in Africa, including those in the palm oil, sugar, mining, energy and public infrastructure sectors, 69% faced materially significant interruptions.[21]

A review of 28 mining sites in Peru found that conflicts with Indigenous communities around mining projects generated at least US $31.9 billion in identifiable firm costs across 28 cases of company-community conflict, driven mainly by lost productivity, redress, and capital losses. On average, conflict costs equaled about 10.5% of a mine's insitu value, 42.6% of the firm's market capitalization, and 285% of average annual capex.[22] Another empirical study of 19 publicly traded gold mining companies found that only one third of the market valuation of these firms is shaped by the value of its gold reserves, and two thirds was a function of the firm's stakeholder conflict or cooperation as well the stability of the policy and legal operating environment for the mine.[23]

Community opposition can create financially material effects through multiple channels. Some are direct and immediate, such as delays, litigation, project redesign, security costs or damage to assets. Others are indirect or lagging, such as tighter financing conditions, reduced market access, reputational damage, and management attention diverted from core business activities. Below we present a typology of these financial effects.[24] These categories overlap in practice and should not be treated as mutually exclusive. Importantly, these costs are often dispersed across different functions and budget lines, meaning that companies may experience substantial value erosion without identifying it as a single conflict-related cost.

20 TMP (2017) Tenure and Investment in Maritime South East Asia.

21 TMP (2016) Tenure and Investment in Africa.

22 Henisz, W.J. and Tadmor, J. (2025) The costs of conflict: Firm-level financial impacts of Indigenous rights-related mining conflicts in Peru.

23 Henisz, W.J., Dorobantu, S. and Nartey, L.J. (2014) 'Spinning gold: The financial and operational returns to external stakeholder engagement', Strategic Management Journal, 35(12), pp. 1727–1748.

24 This typology was informed by Davis & Franks (2014).

Channels through which community opposition creates financial effect	Illustrative financial effects
Operational disruption, delay	Productivity losses Increased costs of capital Reduced net present value
Project suspension, abandonment and unrealized value	Stranded assets, write-downs Demobilization and remediation costs Opportunity costs (failure to realize planned investments)
Regulatory intervention	Delayed permitting processes Tighter license conditions Fines Permit suspension or cancellation
Legal action	Litigation costs Expert and advisory costs Settlements, damages Administrative proceedings
Loss of market access	Buyer suspension Loss of certification Exclusion from procurement processes
Reputational damage	Reduced brand credibility Weakened investor confidence Weakened relationship with government/regulators
Lender and investor action	Stock devaluation Lender/investor withdrawal Higher costs of capital
Security	Damage to assets Increased security expenses Increased insurance premiums
Personnel	Costs of diverted management time Costs of attracting and retaining staff

Operational disruption and delays

Community opposition driven by company impacts on nature can materialize into significant operational disruption and delay. Delays can arise from community complaints to regulatory authorities, resulting in lengthy permitting processes or suspension of operations during complaints processes. Or delays can be caused by physical disruption through community roadblocks and acts of violence or sabotage to company equipment. Operational disruption and delay are often among the most financially significant effects from community opposition, particularly in industries that rely on significant upfront capital expenditure, or that have a high dependency on timelines, such as mining, oil & gas, agriculture and water utilities and services.[25]

There is strong evidence from the mining sector of the financial consequences of delays due to company-community conflict. Research indicates that a major mining project with capital expenditure of between US$3-5 billion will suffer costs of roughly US$20 million per week of delayed production in Net Present Value (NPV) terms, largely due to lost sales.[26]

In addition to productivity losses, operational disruption and delays can affect a project's underlying economics. Delays increase uncertainty around costs and timing, making capital expenditure less predictable. This uncertainty is typically reflected in higher discount rates, which reduces profitability. Delays also push revenue and reimbursement further into the future, lowering the project's present value, while interest on borrowed funds and other financing costs continue to accrue. Once a project falls behind schedule, it may also disrupt supply arrangements, trigger contractor claims, and require financing to be restructured on less favorable terms as investors view the project as riskier.[27]

Abandonment or unrealized value

In severe cases, community opposition can lead to a project's abandonment, which can be hugely financially significant. In a review of the costs of conflict in the extractive sector, Davis & Franks identify the greatest costs of conflict not only as interruption to current operations, but also as opportunity costs linked to future projects, expansion plans, or sales that do not proceed.

Company expenditure often continues when the investment stops producing value. Companies may be left carrying sunk development and construction costs, and ongoing financing obligations and legal and contractual liabilities. For instance, the Cobré Panama copper mine was forcibly closed in 2023 following widespread community protests driven by intertwined concerns about environmental harm and a lack of transparency over the mine's approval process, which did not allow for adequate community consultation. The closure of the mine cost the company approximately US$800 million,[28] with ongoing monthly maintenance costs of US$17-$18 million.[29]

There may also be costs associated with the demobilization of an abandoned project. In early 2024, a US federal judge ordered an operating 84 turbine wind farm to be dismantled, because the project did not achieve the Free Prior and Informed Consent of the Osage Indigenous Peoples in Oklahoma, US. This teardown is estimated to have cost the company US$260 million, in addition to any damages awarded to the Osage Nation who challenged the wind farm.[30]

Regulatory intervention

Regulatory action is often the first formal channel through which community opposition becomes financially material, before conflict escalates into litigation, publicity or operational disruption. Authorities may pause approvals, require additional studies, reopen consultation processes, tighten license conditions, impose fines, or in some cases cancel or suspend permits altogether. Even where a project is ultimately allowed to proceed, repeated administrative review can extend timelines, increase compliance costs and create uncertainty that affects project valuation and financing.

For instance, following significant community opposition over land and compensation, Kenyan courts ordered that the Kinangop Wind project in Kenya could only proceed if an additional environmental impact assessment was

25 Jamison, A.S., Tadmor, D. and Henisz, W.J. (2025) 'Indigenous Peoples' reactions to foreign direct investment: a social movement perspective', Journal of International Business Studies, 56(6), pp. 720–738.

26 Davis and Franks (2014).

27 TMP (2012), The Financial Risks of Insecure Land Tenure: An Investment View.

28 "First Quantum's Panama mine closure to cost around $800mln, minister says" Reuters, 6 March 2024.

29 Shift, Business Model Red Flags (2025).

30 Shift, Business Model Red Flags (2025).

undertaken, contributing to delays and uncertainty.[31] The project which was valued at approximately US$144 million was ultimately cancelled, after $66 million had already been invested.[32]

Loss of market access

Community opposition can impair access to markets where buyers, certifiers, off-takers or public authorities become unwilling to transact with the company or project. This can occur through buyer suspension, loss of certification, exclusion from procurement processes, or political pressure on governments not to approve projects or commercial arrangements.

The IOI Corporation case illustrates how environmental non-compliance and unresolved land and consent disputes can translate into loss of market access. After IOI was suspended by the Roundtable on Sustainable Palm Oil in 2016, major consumer goods companies including Unilever, Mars, Nestlé and Kellogg suspended procurement contracts with the company, cutting off access to important buyers and distribution channels. The financial effects were immediate, contributing to a US$42 million negative swing in quarterly net income and broader deterioration in the company's market and credit indicators.[33]

Reputational damage

Although reputational damage is often difficult to quantify, its financial effects can be significant. For consumer-facing companies, loss of consumer confidence can weaken sales and long-term brand value. Investors may view the business as riskier, leading to share price pressure, a higher cost of capital, or divestment. Regulators and governments may also respond with greater scrutiny, delayed approvals, or reduced willingness to award contracts or support future projects. For example, after the destruction of the Juukan Gorge cultural heritage site in Australia, Rio Tinto faced intense global backlash and investor pressure that culminated in the departure of its CEO and two senior executives.[34]

Legal action

Legal action and administrative proceedings can produce significant direct and indirect costs. Direct costs include legal fees, expert evidence, internal investigation costs, settlements, damages and the costs of administrative proceedings. Indirectly, legal disputes can consume senior management time, delay decision making, harden stakeholder positions and generate negative publicity that affects the company beyond the case itself.

Lender and investor action

Community opposition can also affect the cost and availability of capital. Investors and lenders may treat a conflict-affected project as riskier, resulting in higher pricing of debt or equity, tighter covenants, delayed investment decisions, more onerous monitoring requirements, or withdrawal from financing altogether. Insurance can also become more expensive or more limited.

Research found that shareholder valuations of companies are informed by whether the company has a history of conflict with its stakeholders. The study reviewed 51,000 media reported events describing interactions between 2300 political, economic and social stakeholders and 19 gold mining firms on the Toronto stock exchange, and information on the companies' stock prices. It found that investors are more likely to sell company stock after a "critical event" such as a protest, regulatory intervention or environmental campaign if the company had a history of conflict with its stakeholders.[35]

Security

As conflict escalates, companies may face material costs related to security and asset protection. These can include higher spending on guards, escorts, surveillance, transport controls, and emergency responses, as well as losses from damage to equipment, private property, or public infrastructure. In some cases, projects may also face higher insurance premiums because conflict raises the assessed risk profile of the site. These costs can arise both at the project site and elsewhere in the

31 Chartered Institute of Arbitrators, Kenya, Alternative Dispute Resolution (ADR) Journal, Volume. 10, No.3, 2022.

32 Reuters (2016) Kenya wind power project cancelled due to land disputes https://www.reuters.com/article/world/kenyan-wind-power-project-cancelled-due-to-land-disputes-idUSKCN0VW10Y/?utm; WindPower Monthly (2016) 61MW Kinangop project cancelled https://www.windpowermonthly.com/article/1385206/61mw-kinangop-project-cancelled?utm

33 Henisz & McGlinch, ESG, Material Credit Events and Credit Risk (Working Paper Dataset, 2019–2025).

34 Reuters (2020) Rio Tinto bows to pressure over cave blast as CEO, executives exit, https://www.reuters.com/world/americas/rio-tinto-bows-pressure-over-cave-blast-ceo-executives-exit-2020-09-11/?utm

35 Dorobantu, Henisz & Nartey (2017) Not All Sparks Light A Fire.

value chain. For instance, many banks faced large-scale protests at their head offices over their involvement in financing the Dakota Access Pipeline, leading to increased security costs.[36]

Personnel

One of the most important but most frequently overlooked financial effects is the cost imposed on staff and management.[37] Conflict can absorb large amounts of time in meetings, mediation, crisis response, legal strategy and stakeholder communications, pulling senior decision makers away from revenue-generating activity and strategic priorities. It can also contribute to stress, burnout, absenteeism and higher turnover, especially among community-facing teams, while making it harder to recruit and retain skilled staff. For example, in a large-scale bioenergy project in West Africa, prolonged community conflict required dedicated engagement staff, security personnel and ongoing mediation efforts, with several million dollars spent on stakeholder management and support programs.[38] This illustrates how unresolved disputes can generate substantial personnel related costs which could possibly have been avoided with continuous, meaningful and proactive community engagement from the start.

36 Author's interviews with banks that financed the Dakota Access Pipeline.

37 Davis & Franks (2014).

38 Locke, Anna; Munden, Lou; Feyertag, Joseph; Bowie, Benedick (2019) Assessing the costs of tenure risks to agribusiness, TMP and Overseas Development Institute (ODI), London.

Part 3:
The relationship between community engagement, community opposition and financial effects

The financial effects of community opposition are increasingly clear. This raises the question of the extent to which engagement with Indigenous Peoples and local communities can prevent or reduce community opposition. Our review suggests that the existence, timing, and quality of community engagement are often decisive in determining whether nature-related dependencies or impacts remain manageable or escalate into disputes that create financial harm. Community engagement helps build trust, surface concerns early regarding impacts on land, water, biodiversity and livelihoods, and gives communities confidence that their concerns will be heard and addressed. Where engagement is weak, absent, or poorly timed, communities are more likely to conclude that their concerns will not be taken seriously and to turn instead to complaints, protests, legal action, or operational disruption.

The literature consistently supports this link. One study of emerging market investments across sectors found that 46% had experienced disputes with local communities, and that 30% had suffered delays of more than one month, costing US$25 million to US$40 million on average.[39] Significantly, the same study identified social dialogue with communities, a form of community engagement, as the most effective risk mitigation strategy. A related survey of 85 agricultural investors in sub-Saharan Africa found that 90% considered social dialogue highly effective for identifying community needs, addressing them, and building social acceptance.[40] Taken together, these findings suggest that engagement is one of the main ways companies reduce the likelihood that community concerns develop into financially material conflict.

Evidence from research on "Indigenous rights management" points in the same direction. Research conducted by the Wharton School found that companies with stronger "Indigenous rights management" experienced fewer "material credit events", including delays, shutdowns, legal settlements, and regulatory or political intervention. By contrast, companies rated poorly on "Indigenous rights management" across multiple independent sources experienced 3 to 66 times more material credit events.[41] While "Indigenous rights management" is broader than engagement alone, meaningful engagement, including processes aimed at securing the Free, Prior and Informed Consent of Indigenous Peoples where applicable, is one of its core components.

Early engagement is especially important, as once conflict hardens, it becomes significantly more difficult and expensive to rebuild trust. A cross-sector review of 51 land-based conflicts in Southeast Asia found that 76% of disputes began before operations started, while only 20% began during operations.[42] Given that operations typically account for the longest phase of a project lifecycle, this is a striking finding. It suggests that social risk often crystallizes before a project is operational, when communities are forming their expectations, assessing likely impacts, and deciding whether the company can be trusted. Engagement at the earliest stages of a project can therefore be critical in identifying community concerns, understanding how impacts are perceived, and adjusting project design before positions become entrenched.

This finding is echoed in research from the extractive sector. A review of 50 extractive projects found that the conflicts most likely to lead to project suspension or

39 Feyertag, Joseph; Bowie, Ben (2021) The financial costs of mitigating social risks: Costs and effectiveness of risk mitigation strategies for emerging market investors, ODI Report, Overseas Development Institute (ODI), London.

40 *ibid*.

41 Henisz and McGlinch, ESG, Material Credit Events and Credit Risk.

42 TMP (2017)Tenure and Investment in South East Asia.

abandonment typically began during the feasibility and construction stages, when project impacts are first felt and before major investments are fully committed. This is precisely the stage at which engagement can have the greatest financial value. If communities are engaged early, they can identify concerns around land, water, biodiversity, livelihoods or cultural heritage before those concerns escalate into opposition, and they may also inform changes to project design that are far less costly at an early stage than later in the project lifecycle.[43]

Additional evidence on the value of early engagement comes from a study of mining projects in Peru, which found that firms investing more in proactive engagement at the front end of a project, including consultation and social programs, consistently faced lower reactive costs later in the life of the mine. As the authors note, this "front end loading" is consistent with the idea that proactive engagement can generate positive financial returns and function as a form of social risk insurance.[44]

High quality engagement has positive financial effects

Evidence also shows that high-quality community engagement can facilitate positive financial effects.

As part of this research, TMP analyzed 16 cases across a variety of countries and sectors where companies had a strong approach to engagement with Indigenous Peoples and local communities, to determine whether strong stakeholder engagement is associated with better operational and financial outcomes at the project level.[45] They found that where community engagement is early, inclusive, and embedded into project design and implementation, it can help reduce operational friction, support permitting and investor confidence, and strengthen the conditions for projects to meet or exceed financial expectations.

The strongest evidence links good community engagement to smoother project delivery and greater operational stability. Projects that engaged communities early and in participatory ways were less likely to face major opposition, prolonged disputes, or breakdowns in community relations, when compared to similar projects. For instance, at the Ngonye Falls hydropower project in Zambia, formal participation agreements, inclusive governance, and a 6% community equity stake appear to have helped reduce risks related to social license, land access, and resettlement. By contrast, the Polihali Dam project in Lesotho has been marked by disputes over resettlement, compensation, consultation, and local jobs, leading to protests, road blockades, arrests, a formal complaint to the African Development Bank, repeated disruption to works, and major cost escalation.[46]

At the Eskay Creek mine in Canada, strong engagement with the Tahltan Nation, reflected in formal consent and ongoing partnership structures, have helped reduce the risks of project delays associated with local opposition, and enabled the company to secure key federal and provincial permits. This support helped unlock a US$750 million financing package and significantly de-risked construction. By comparison, the New Prosperity project in British Columbia faced sustained opposition from the Tsilhqot'in Nation over potential environmental impacts. The company undertook an additional US$300 million redesign, while conflict, blockades, and litigation continued over more than a decade.

In addition, strong engagement and partnership with Indigenous Peoples and local communities can help companies identify and realize opportunities linked to nature-related dependencies and impacts. For example, companies have used traditional medicine insights and plant-based knowledge to discover new drugs, with approximately 40% of pharmaceutical products derived from nature and traditional knowledge.[47] In Alaska, the Red Dog Mine, a partnership between Teck Resources and the 15,000 Iñupiat shareholders of NANA Corp. sources nearly 5% of the world's zinc supply.[48] One of the largest seafood companies in the Southern Hemisphere is a joint venture between Māori and a Japanese seafood company.[49]

43 Davis & Franks, Costs of Company–Community Conflict (2014).

44 Henisz and Tadmor, FirmLevel Financial Impacts of Indigenous Rights–Related Mining Conflicts in Peru, working paper.

45 This analysis was conducted by TMP for Shift.

46 The whole Lesotho Highlands Water Project Phase II budget (which includes a number of dams and water tunnels including Polihali) has increased from approximately US$488 million in 2008 to about US$3.1 billion by 2025.

47 World Health Organization (2023) Traditional medicine has a long history of contributing to conventional medicine and continues to hold promise.

48 https://www.teck.com/operations/united-states/operations/red-dog/

49 https://www.sealord.com/about-us/our-story-heritage/

At the Kilombero Sugar Company in Tanzania, effective engagement with a broad set of stakeholders including local smallholder farmers helped secure major investment for a $238.5 million expansion. The expansion, which is expected to more than double annual sugar output and significantly increase the company's economic impact, relied on dependable future cane supply from local smallholders. By building trust including through clearer education and communication on pricing and the establishment of new community-level organizations, the company was able to recruit smallholders to grow sugarcane and strengthened investor confidence in the reliability of that supply.[50]

In Brazil, cosmetics company Natura & Co partners with 45 Amazonian communities to source natural ingredients from the region. The company's model also relies on traditional knowledge held by Indigenous Peoples and local communities, including knowledge related to the properties of natural ingredients and extraction techniques used in product development. Natura's long-term, rights-based approach, centered on Free, Prior and Informed Consent, fair benefit sharing, and sustained local relationship building, underpins a sourcing model that is central to its Ekos product line. By helping secure reliable access to ingredients, this approach supports supply stability, product differentiation, and brand credibility. Natura's investment in local value addition and community capacity also helps deepen these relationships and strengthen the resilience of its sourcing base. It is an example of how good quality engagement can create financial benefits by enabling stable revenue streams, supporting business growth tied to nature-based products, and reinforcing the long-term viability of the company's business model.[51]

See the companion publication for this report for further detailed case studies demonstrating the positive financial benefits of high-quality community engagement.

50 See the detailed case study on Kilombero Sugar and Natura & Co. in the companion publication for this report.

51 *ibid*.

Assessing quality of engagement

When assessing company performance on engagement with Indigenous Peoples and local communities in relation to nature-related issues, it is important to consider not only whether engagement has taken place, but also its quality. Company-community engagement exists along a spectrum, from one-way disclosure of information about a company's activities and potential impacts on nature to more participatory approaches involving consultation, collaboration, revenue-sharing, shared decision-making, and long-term partnership. Where companies operate on Indigenous Peoples' territories, engagement should be aligned with internationally recognized human rights standards, including the right of Indigenous Peoples to Free, Prior and Informed Consent (FPIC).

Companies may engage with communities, but still be exposed to financial risks, because of deficiencies in the quality of engagement. For instance, academic research into the risks of conflict associated with development finance projects found that organizations that engage with and involve a more representative set of stakeholders in their operations, rather than favoring engagement with powerful groups, experience less conflict directed toward their projects.[52]

High-quality engagement is not defined simply by the existence of contact with communities, but by whether engagement is early, inclusive, accessible, ongoing, and capable of influencing company decisions and responses. By contrast, financial risks are more likely where companies fail to identify and engage all relevant groups, rely on transactional or one-off engagement, or keep engagement disconnected from project design and operational decision-making. The indicators below provide a practical way to distinguish between stronger and weaker approaches to engagement that may have materially different financial effects.[53]

Indicators of poor engagement	Indicators of high-quality engagement
Fails to identify all relevant affected groups, including marginalized or less visible groups	Undertakes robust mapping, including affected groups, Indigenous Peoples, local communities, and marginalized groups
Relies on "official" spokespeople or local elites as proxies for the whole community	Engages a broad and representative range of community members, not only formal leaders or politically connected actors
Engages communities too late, once key decisions are already made	Starts engagement early, before key decisions are locked in, and allows community views to shape project design and impact mitigation
Engagement is viewed as a one-off or transactional process focused on land access or permit approvals	Engagement is part of ongoing relationship building throughout the life of the project
Allows insufficient time for communities to understand proposals and respond	Allows sufficient time for communities to understand proposals and respond
Community engagement staff are disconnected from operational and commercial decision makers	Engagement is embedded in organizational strategy and decision making, with clear internal information flows to business leaders and the board
Company representatives lack sufficient seniority, authority, training, or local knowledge	Engagement is led or supported by people with sufficient seniority, authority, training, and understanding of local context

52 Henisz & Jamison, 2024.

53 See also the TNFD (2023) Guidance on engagement with Indigenous Peoples, Local Communities and affected stakeholders.

Part 4:
What drives this causal chain?

In parts 1-3, we have outlined how impacts or dependencies on nature can lead to community opposition; that this community opposition causes financial effects; and that community opposition is closely tied to the existence and quality of engagement with communities. In part 4, we explore the drivers of the causal connection between nature effects, community engagement and financial effects.

There is a common perception that financial risks from poor community engagement emerge where there is weaker regulation or enforcement regarding how companies engage with Indigenous Peoples or local communities. However, our evidence base shows that these financial effects occur all over the world, across diverse market, political and regulatory contexts (see Figure 3 below). This demonstrates the financial effects of community engagement are not tied to specific jurisdictions or where there is a stronger or weaker regulatory context.

Figure 3: The countries represented in our database

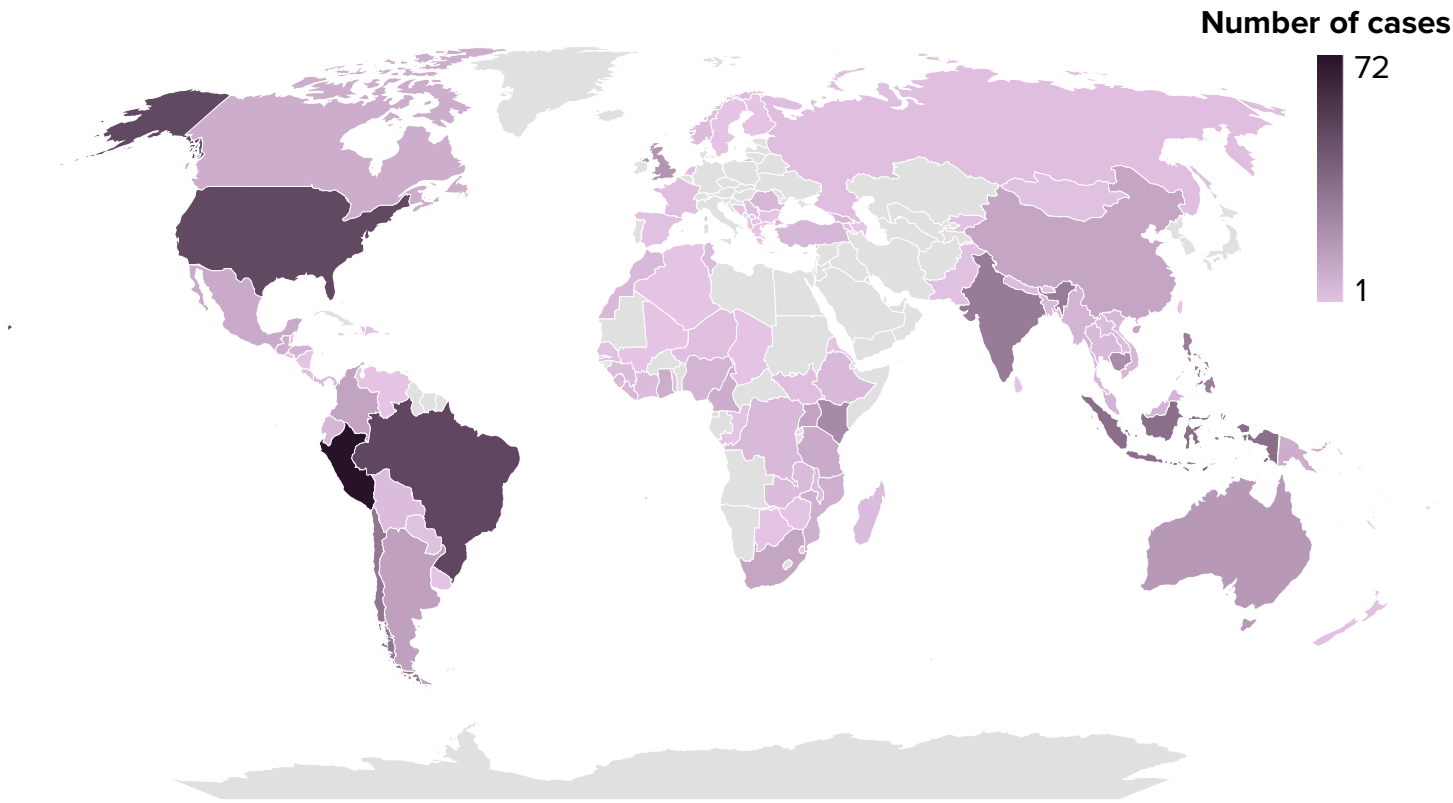
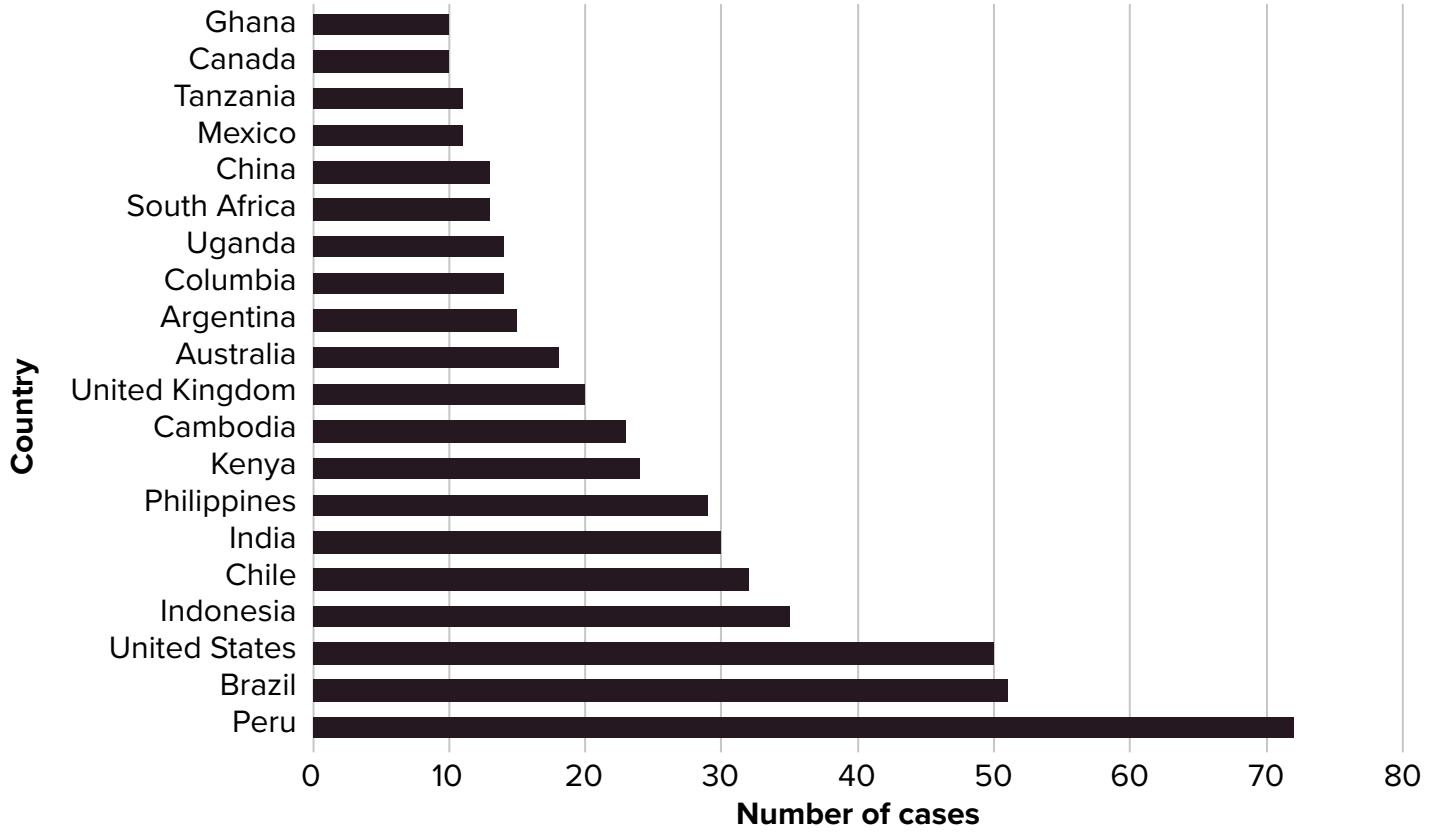


Figure 4: The top 20 countries represented in our database



A significant proportion of the published research on the financial materiality of conflicts between communities and companies has focused on the extractive sectors, resulting in a particular wealth of evidence related to these sectors. However, there is substantial evidence of similar dynamics in a range of other, diverse sectors which either have physical footprints themselves or physical footprints in their value chain, as well as water-intensive industries and industries associated with pollution.

Our review of cases found examples of this causal chain across the following sectors:

- Agriculture
- Apparel and consumer products
- Automotive
- Electric utilities and power generators (includes renewables)
- Finance, insurance and asset management
- Food and beverage
- Forestry, fisheries and aquaculture
- Infrastructure
- Land management
- Manufacturing
- Mining
- Oil and gas
- Real estate
- Technology
- Tourism (including ecotourism)
- Transport
- Water and waste

Value chain impacts

The Dakota Access Pipeline (DAPL) case illustrates how financial risks can arise when there are nature-related impacts and failures of engagement in the value chain. The banks that financed the project became targets of coordinated NGO campaigns and protests, and interviews with bank employees suggest that these campaigns led to significant management distraction, increased security costs at bank branches, and lower staff morale. One study asserts that the banks that financed DAPL had slower deposit growth, as customers moved their money away from these banks due to the reputational fallout of being associated with the controversy.[54]

Similar dynamics are emerging in carbon and biodiversity credit markets, where projects that proceed without the adequate consent of Indigenous Peoples or

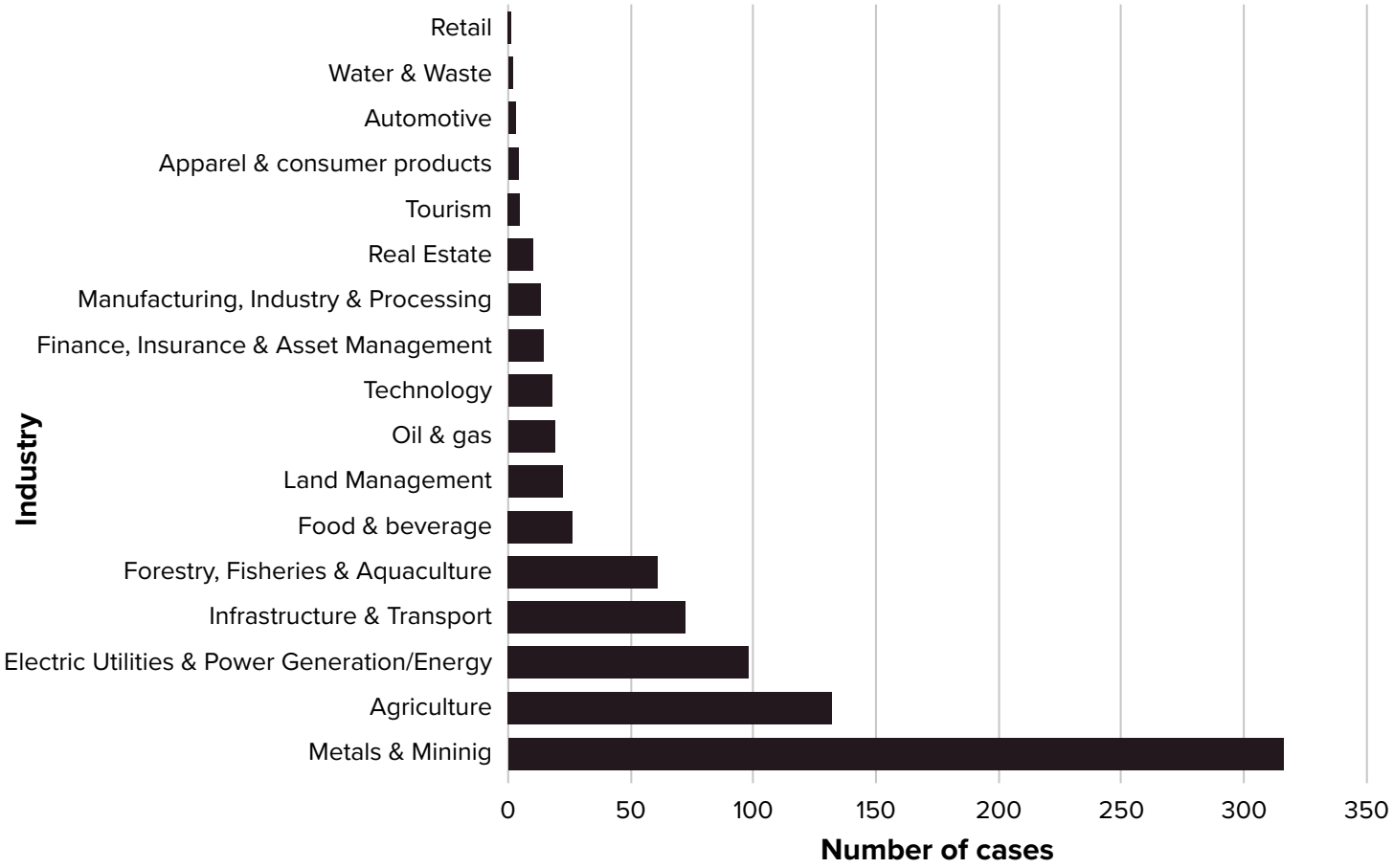
54 Mikael Homanen (2018), Depositors Disciplining Banks: The Impact of Scandals.

local communities can generate media and civil society scrutiny that extends beyond project developers to the companies purchasing the credits. This has affected firms across sectors, including apparel, technology, transport, and consumer goods.[55] More broadly, consumer goods companies and retailers can also experience financial effects through disrupted supply chains when they suspend or terminate relationships with suppliers linked to company-community conflict. For instance, in the Kakuzi avocado case, retailers including Tesco, Sainsbury's and Lidl suspended ties with the company due to the allegations of human rights abuses associated with company-community conflict.

The number of cases found in a given sector reflects that the sector has been the focus of targeted research; it does not necessarily reflect the likelihood of financial risks occurring in that sector. Newer industries show a similar propensity for significant financial effects, but have not yet been the focus of dedicated research, meaning there are fewer cases available in the public domain.

A few years ago, we may not have seen any cases related to community opposition to data centers. However, as a result of the rapid expansion of artificial intelligence, we have found many discrete cases where projects to develop data centers with significant up-front sunk capital have been delayed or withdrawn due to community opposition related to their intensive water, land and energy use. It is clear that failures of community engagement are a contributing factor to investor-relevant financial effects within this sector, even though academic research within the area is still nascent.

Figure 5: The industries represented in our database



55 For example Gucci, Salesforce, BHP, Shell, easyJet, Leon, and Disney have been named in international news media with reference to poor quality carbon offset projects.

Drivers of community opposition

Our review suggests that the factors that increase the likelihood of community opposition, and therefore the financial materiality of engagement, are broadly sector-agnostic. Some are contextual features of the operating environment, and others are shaped by the choices companies make about how they engage. Across sectors, conflict is more likely where projects overlap with customary land tenure or unresolved land claims, where operations are located on or near Indigenous territories, where projects affect communities' core resources such as land, water, food, housing, or culturally significant ecosystems, and where projects are located in border regions or other areas with weak state accountability.

Land is a particularly important driver. Many company-community conflicts begin with disputes over land ownership, access, or control. In many emerging markets, formal land records do not fully reflect customary land tenure, meaning that companies may override longstanding local claims even where they appear compliant with official title. Where community claims to land are ignored, or where land-related costs and benefits are seen as unfairly distributed, the likelihood of conflict rises sharply.[56]

The risk is especially acute where companies operate on or near Indigenous Peoples' territories. In these contexts, the issue is often not only economic loss, but also the protection of rights, livelihoods, cultural survival, and self-determination. This helps explain why projects near Indigenous lands are associated in the literature with higher rates of costly disruption, regulatory scrutiny, and legal challenge.[57]

Border regions can also carry elevated risk, as weak state accountability and lower local alignment with national priorities may increase the likelihood that companies bypass engagement requirements with local communities. In such cases, local peoples may hold private companies to account through opposition even where the law does not.[58]

However, these contextual risk factors do not determine outcomes on their own. The evidence suggests that the likelihood that community concerns escalate into conflict is strongly influenced by the company's approach to engagement. Risks rise when companies do not engage at all or when they engage only with local elites, official spokespeople, or government intermediaries rather than building broad-based relationships across the affected community.[59] An insular engagement strategy can reinforce perceptions that benefits are being captured by a narrow group while costs are imposed on others, intensifying grievances and undermining trust. By contrast, broader and more representative engagement can help companies understand the range of community interests at stake, identify emerging concerns early, and reduce the risk that opposition hardens.[60]

This underscores that the financial materiality of engagement is not simply a question of whether engagement exists, but of its quality. Effective engagement is responsive, inclusive, and aligned with international human rights standards and good practice, including the specific rights of Indigenous Peoples to Free, Prior and Informed Consent. Meaningful engagement, and where applicable, consent-based approaches, are critical to any durable basis for project legitimacy. Where companies do not engage, or where engagement is narrow, late, or transactional, communities are more likely to conclude that formal channels will not address their concerns and to mobilize opposition instead.

This also points to an important practical implication for companies. Many of the variables that shape company-community conflict are within the company's and management's control. Organizational capability, board-level commitment to relationship building, internal decision-making processes, and the seniority and skill of staff responsible for engagement can all materially influence whether impacts or dependencies on nature become a source of conflict. In that sense, the capacity to engage well should be understood as a material business capability.

56 TMP (2012) The Financial Risks of Insecure Land Tenure: an Investment View.

57 Henisz and Tadmor (2025).

58 TMP (2012) The Financial Risks of Insecure Land Tenure: an Investment View 2012.

59 Nartey, L.J., Henisz, W.J. and Dorobantu, S. (2018) 'Status climbing vs. bridging: Multinational stakeholder engagement strategies', Strategy Science, 3(2), pp. 367–392 and Jamison, Pacheco, Ganson, and Henisz (n.d.) When does development finance fuel conflict? Insularity in World Bank Group project portfolios. Working paper.

60 *ibid.*

Part 5: Why is this information relevant to companies and investors?

The evidence reviewed in this paper indicates that the financial effects of nature-related company-community conflict can be very large, running into the millions or billions of dollars.[61] These effects are most visible where opposition causes major operational disruption, delay, suspension, or abandonment, but the financial consequences extend much further. They can also include legal and regulatory costs, reputational harm, unrealized value, higher financing costs, and the diversion of staff and management time away from core business activity.

At the same time, these costs are frequently underestimated by both companies and investors. One reason is that they are rarely identified or tracked as a single category of conflict-related cost. Instead, they are dispersed across legal, security, development, finance, communications, and community relations functions, making it difficult to assemble a full picture of value erosion and costs.[62] A recent review on the costs of conflict in the renewables sector describes this as a "hidden bill" of community opposition, consisting of cumulative but often untracked losses spread across projects, departments, and stages of the project lifecycle. In one quantified renewables example, local conflicts across a portfolio were associated with around US$200 million in losses, 3.3 GW of undeveloped capacity, and more than US$4 billion in foregone clean energy investment over 10 years.[63]

This matters because poor visibility of these costs can distort decision-making. When the financial consequences of weak engagement are hidden in separate budget lines, the financial materiality of failing to invest in strong community relationships may not be fully understood. Conversely, if these costs are made visible, companies can better justify earlier and stronger investment in building community relationships through meaningful engagement.[64]

The financial impacts of company-community conflict can be long-lasting. Some conflicts can persist over many years or even decades.[65] However, the financial impact on companies from community conflict tends to materialize in the medium to long term. In the short-term companies may face significant pressures to push projects through decision gates, without leaving sufficient time or budget for building strong relationships with communities, particularly where the potential financial impacts of poor community relationships are not well understood. Companies and investors would be better placed to manage financial risks stemming from nature-related issues and poor-quality engagement if community engagement was not understood as a cost, but as an investment in relationship capital that reduces costs over a longer time horizon.

A related body of work on land tenure risk suggests that the financial exposures from company-community conflict may be even larger than is typically assumed. A typical investment encountering land tenure problems may face an order-of-magnitude increase in cost, with

61 Henisz, W.J. and Tadmor, J. (2025) The costs of conflict: Firm-level financial impacts of Indigenous rights-related mining conflicts in Peru. Working paper.

62 Davis and Franks (2014); Henisz and Tadmor (2025).

63 Institute for Human Rights and Business (2026).

64 Davis and Franks (2014).

65 For example, at the Tintaya mine in Peru, community tensions that emerged early in the project's development evolved into recurring cycles of protest, negotiation and renewed conflict over several decades, generating repeated operational disruptions, compensation costs and sustained management attention. Source: Harvard Kennedy School, Shift, (2012), Corporate-Community Dialogue: Documentary Series; Barton, Brooke; Reficco, Ezequiel; Rangan, V. Kasturi (2006) Corporate Responsibility & Community Engagement at the Tintaya Copper Mine (A and B), Harvard Business School.

potential bottom-line damage ranging from massively increased operating costs, in some scenarios as much as 29 times above a normal baseline, to outright abandonment of an operating project.[66] Yet these risks are frequently missed by traditional financial modelling. This matters because if such risks were properly incorporated into project appraisal and risk management, they would likely alter both investment decisions and the value placed on early, high-quality engagement.

The quality of engagement is often one of the main variables shaping whether nature-related impacts remain manageable or escalate into costly conflict. For companies, this means that engagement capability should be treated as a material component of project governance, risk management, and strategic execution. For investors, lenders, and other users of financial reporting, it means that information on how a company identifies affected groups, conducts engagement, addresses grievances, incorporates stakeholder perspectives into decisions, and manages consent and benefit-sharing is relevant to assessing the durability of cash flows, the resilience of project pipelines, and the credibility of the company's broader nature strategy.

The potential financial risks to companies from nature-related conflict with communities is also increasing. Firstly, there is growing pressure on natural resources driven by global population growth, agricultural expansion, and increasing demand for energy and materials associated with economic development.[67] Secondly, climate change is compounding these pressures, with fires, floods, droughts and extreme heat already affecting the availability of water, arable land and other critical resources in key regions. The transition to a low-carbon economy is adding further strain. For example, renewable energy systems are significantly more land-intensive than fossil fuels and nuclear power. In response to the urgent need to scale up low-carbon energy capacity, governments and companies are increasingly fast-tracking mining and renewable energy projects, in some cases reducing or bypassing consultation with affected communities – and thus increasing the risk of costly conflict. Lastly, in the information age, community opposition is becoming more organized and connected, meaning that local conflicts can more easily spread beyond the immediate project area, attract national and international scrutiny, and translate into wider operational, reputational, legal, and other financial consequences for companies. With risks of conflict over impacts on nature likely to increase in the future, companies that recognize the value of meaningfully engaging with communities, and do this well, will have a competitive advantage.

High-quality engagement with Indigenous Peoples is also important to address the systemic risks of climate change and nature loss, as Indigenous Peoples play a disproportionately large role in protecting global ecosystems. Vast quantities of critical minerals are needed for the global energy transition and it is estimated that 54% of the critical minerals required for the energy transition are located on or near Indigenous Peoples' territories.[68] This means that it will be challenging to address the systemic financial risks associated with climate change and nature loss without working in partnership with Indigenous Peoples.

66 TMP (2012) The Financial Risks of Insecure Land Tenure: An Investment View.

67 United Nations Environment Programme (2019) Global Resources Outlook.

68 John R Owen et al (2022) 'Energy transition minerals and their intersection with land-connected peoples', Nature Sustainability.

Conclusion

The central conclusion of this paper is that engagement with Indigenous Peoples and local communities can give rise to material financial effects because it shapes whether nature-related dependencies and impacts become sources of trust and collaboration or of opposition and loss. While causality in individual cases can sometimes be hard to determine, whilst in other cases it is quite clear, the evidence base as a whole provides a compelling case that the presence, absence and quality of engagement with Indigenous Peoples and local communities is at a minimum highly correlated with, and would appear to be significantly determinative of, financial effects resulting from local opposition. This effect is present across diverse jurisdictions and sectors.

The evidence reviewed here shows that community conflict can erode value through delay, disruption, legal action, reputational damage, financing penalties, unrealized value, and diverted management attention, and that these costs are often underestimated because they are dispersed across functions and not linked back to their nature-related and social roots. It also shows that high-quality engagement, especially when undertaken early, inclusively, and as part of core business decision making, can reduce these risks and improve project resilience. In that sense, engagement is not only a matter of responsible business conduct. It is also financially material information about how a company understands and manages nature-related risk, and is therefore decision-useful for investors, lenders, insurers, and regulators.

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