

International Finance Corporation Performance Standard 6

Implications of the November 2018 update to Guidance Note 6

Key messages

The International Finance Corporation's Performance Standard 6 has developed into a widely recognised standard of international good practice for mainstreaming and managing impacts on biodiversity. Updated guidance to support Performance Standard 6 was released in November 2018. This has important implications for companies adhering to the standard, including those summarised below.

Critical Habitat

The update includes significant changes to the criteria for Critical Habitat, predominately to create better alignment with the Global Standard for the Identification of Key Biodiversity Areas. The changes include the removal of the distinction between 'Tier 1' and 'Tier 2' Critical Habitat, consolidation of thresholds, the inclusion of IUCN Red List Vulnerable Species in some thresholds, the addition of quantitative thresholds for ecosystems and the specification of scenarios in which a project will not be approved except in exceptional circumstances.

Natural Habitats

There is now increased emphasis on Natural Habitats, including the requirement to consider the wider landscape when assessing Natural Habitats, and the explicit recognition that degraded habitat can still be designated as Natural Habitat if the ecosystem functions and characteristics remain.

Biodiversity Offsets

The updated guidance on biodiversity offsets includes clarifications on what counts as an offset, and when the implementation of offsets might be appropriate. Offsets are now required to provide conservation benefits for as long as project impacts persist.

Compliance

The new guidance note provides further detail and clarifications on how companies should demonstrate their compliance with Performance Standard 6. The changes include a less prescriptive approach to assessing ecosystem services and strengthens requirements for mapping. The need to provide evidence for the application of the mitigation hierarchy and to maintain adequate documentation for projects has been emphasised. Pre-defined thresholds for adaptive management as part of a Biodiversity Management Plan have also been recommended.

Overall, the updated guidance maintains continuity with the old guidance note, but with some shifts in emphasis to better align with Key Biodiversity Areas criteria. The updates provide more clarity on the requirements to comply with Performance Standard 6 and will strengthen its use as a key assessment for effectively mitigating corporate impacts on biodiversity.

Introduction

The International Finance Corporation's (IFC's) Performance Standard 6: Biodiversity Conservation and the Sustainable Management of Living Natural Resources (PS6) lays out the requirements that clients must adhere to in order to access funding [1]. In a wider context, PS6 has become recognised as outlining international good practice on mainstreaming biodiversity and managing biodiversity impacts, including adoption by the Equator Principles Financial Institutions (EPFI) [2, 3]. PS6 has been in place in its current form since 2012, alongside a Guidance Note (Guidance Note 6: Biodiversity Conservation and the Sustainable Management of Living Natural Resources (GN6)), which was first produced in 2012 (GN6 2012). This Guidance Note provides additional information on how the requirements of PS6 should be interpreted [4].

GN6 was updated in November 2018 (GN6 2018), with the current version of the guidance dated 27 June 2019. The resulting additions and changes to the wording of the document clarify and/or alter the interpretation of PS6. The main changes to GN6 relate to the following topics:

- Definition/thresholds for [Critical Habitat](#);
- Considerations for [Natural Habitat](#) assessments;

- Guidance on the use of [Biodiversity Offsets](#); and
- How companies should demonstrate [Compliance](#).

A summary of the main updates to GN6, and their implications for business funded by IFC or EPFI, are the focus of this briefing note.

Critical Habitat

The identification of Critical Habitat is an important part of the assessment process outlined in PS6. Defined as 'areas with high biodiversity value' [1], Critical Habitat includes areas that meet key criteria for one or more of the five species groups, habitats and/or processes in Figure 1.

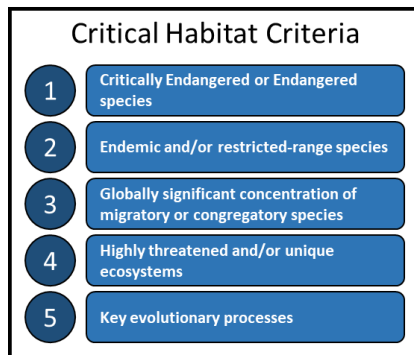


Figure 1: Critical Habitat Criteria as defined in IFC PS6 [1]. Note that the numbers in each of the sections below relate to the criteria the GN6 update has impacted.

The guidance outlines quantitative thresholds and qualitative guidance for assessing areas against each of these criteria to determine if they meet the PS6 definition of Critical Habitat.

GN6 2018 includes changes and/or additions to the thresholds

and considerations identified for each of the criteria. Key changes are summarised below.

Alignment of Critical Habitat with Key Biodiversity Areas Thresholds



The thresholds for Critical Habitat have been updated to better align with those for Key Biodiversity Areas. This has been conducted following the publication of the Global Standard for the Identification of Key Biodiversity Areas in 2016, which aimed to 'provide a system that can be applied consistently and in a repeatable manner by different users and institutions in different places and over time' [5]. While not completely aligned, many thresholds are now comparable across the two frameworks and some thresholds relating to Criteria 1, 3 and 4 now align directly with those for Key Biodiversity Areas.

The update of the Key Biodiversity Areas Standard and the implications for businesses is the subject of a 2019 Proteus Technical Briefing Note that can be accessed [here](#).

Removal of Tier 1 and Tier 2



In GN6 2012, Critical Habitat was categorised as either Tier 1 or Tier 2 depending on which of the criteria thresholds an area met. This distinction has been removed

	Critical Habitat Criteria	GN6 2012	GN6 2018	Implications
1	Critically Endangered or Endangered species	Tier 1: 10% Tier 2: >0%	0.5%	Small increase in threshold Reduction in overall potential Critical Habitat
2	Endemic and/or restricted-range species	Tier 1: 95% Tier 2: 1%	10%	Threshold significantly higher Reduction in overall potential Critical Habitat
3	Globally significant concentration of migratory or congregatory species	Tier 1: 95% Tier 2: 1%	1%	Threshold unchanged No change to overall potential Critical Habitat
4	Highly threatened and/or unique ecosystems	Qualitative No Thresholds	5%	New Threshold
5	Key evolutionary processes	Qualitative No Threshold	Qualitative No Threshold	No Change

Figure 2: Comparison of thresholds for triggering Critical Habitat between GN6 2012 and GN6 2018. Implications are based on changes to the lowest threshold for Critical Habitat (i.e. Tier 2 for GN6 2012).

in GN6 2018 to better align with the Key Biodiversity Areas thresholds. This means that areas now either qualify as Critical Habitat or do not.

Changes to Thresholds



The thresholds for criteria 1, 2 and 3 have been consolidated and amended, leading to better alignment with the Key Biodiversity Area criteria and fewer threshold options. This has mostly resulted in quantitative thresholds in GN6 2018 that sit between the old Tier 1 and Tier 2 thresholds outlined in GN6 2012 (see Fig 2).

This consolidation has also led to an increase in the number of instances where both population size AND reproductive unit thresholds have to be met in order for an area to be classed as Critical Habitat.

One exception to this is the presence of great ape species, which now automatically requires clients to inform both IFC and the IUCN Species Survival Commission’s Primate Specialist Group.

The presence of great ape species is likely to trigger Critical Habitat, regardless of whether the population present meets the thresholds. In GN6 2018, this exception has been brought into the main text of the document from footnotes.

Specified Exceptional Circumstances



Under GN6 2012, projects involving Tier 1 Critical Habitat were significantly less likely to be approved for financing. With the removal of Tier 1 and Tier 2 Critical Habitat, GN6 2018, instead states that:

“Some areas will not be acceptable for financing, with the possible exception of projects specifically designed to contribute to the conservation of the area” [4].

These areas are:

- World Heritage (Natural or Mixed); and
- Alliance for Zero Extinction sites.

Where great apes are present, GN6 2018 states that *“such areas will be acceptable only in exceptional circumstances” [4].*

Addition of IUCN Red List Vulnerable Species



A threshold addition has been made to Criterion 1 in GN6 2018 for species categorised as Vulnerable (VU) on the IUCN Red List of Threatened Species. The new threshold recognises that project activities in an area that contains a high concentration of a

Vulnerable species could impact the overall conservation status of that species. Under GN6 2018, Vulnerable species can therefore trigger Critical Habitat where:

- globally important populations are present;
- the loss of the population would lead to the species being upgraded to Endangered (EN) or Critically Endangered (CR); and
- the population in question would then trigger Criterion 1a (the area supports $\geq 0.5\%$ of the global population and ≥ 5 reproductive units).

This is a major change from GN6 2012, in which Vulnerable species were considered only when there was uncertainty over the threat status.

Addition of Quantitative Thresholds for Ecosystems



Quantitative thresholds have been added for Criterion 4 in GN6 2018, based on the developing [IUCN Red List of Ecosystems](#). It also includes areas not yet assessed under this system, *'but determined to be of high priority for conservation by regional or national systematic conservation planning'* [4]. These thresholds replace the qualitative guidance contained in GN6 2012.

Natural Habitats

Previous guidance acknowledged that Natural and Modified habitats

occurred on a gradient and delineating them required careful assessment. The update includes a number of additions and clarifications to the guidance for these assessments.

Changes to Natural Habitat Criteria

The new guidance explicitly recognises that degraded habitats are not necessarily precluded from being designated as Natural Habitat if, in the judgement of a competent professional, the ecosystem functions and characteristics remain.

Consideration of the landscape context of a habitat is also recommended when making this assessment (for example considering the degree of fragmentation of surrounding habitat).

Changes with Respect to Third Party Habitat Degradation

There has also been an alteration to the guidance surrounding whether third party actions that degrade Natural Habitat would result in its reclassification as Modified Habitat.

GN6 2012 stated that Natural Habitat could not be reclassified as Modified Habitat if:

- the client's own actions caused the degradation of the habitat, in anticipation of lender financing; or
- the degradation of the habitat was the result of 'recent'

unsustainable land use practices by third parties.

GN6 2018 has updated the wording of this section to imply that, irrespective of whether the degradation is caused by the client or a third party, actions that are undertaken 'in anticipation' of the project would likely preclude the reclassification of degraded Natural Habitat as Modified Habitat.

In recognition of the biodiversity impacts that habitat fragmentation can cause, there is also a requirement to actively restrict potential third party access to linear infrastructure and access roads that pass through Natural Habitat:

'Clients developing linear infrastructure and/or access roads that cross natural habitat and/or potentially facilitate third-party access to natural habitat, should as a matter of priority develop strict means to control third-party use of such infrastructure' [4].

GN6 2018 states that mitigation measures should be coordinated with construction and operations managers, government and law enforcement agencies. It is recommended that such measures are implemented through an *Induced Access Management Plan*.

Increased Consideration of Landscape Mosaics Relating to Natural Habitat

As well as the updates around the designation of Natural Habitat, there is now a new requirement to consider the wider landscape mosaic when applying No Net Loss to significant biodiversity values associated with Natural Habitat.

Biodiversity Offsets

The guidance surrounding offsetting of impacts as part of the mitigation hierarchy has been updated. What constitutes an offset, and under what circumstances it may be appropriate to implement offsets, has been clarified (Box 1).

Changes to Long Term Requirements for Offsets

An increased emphasis has been placed on ensuring the long term ability of actions to offset impacts on biodiversity. This has included the change from requiring offsets to provide 'long-term' benefits, to an explicit statement that offsets should provide conservation benefits for as long as the project impacts persist.

To further emphasise this shift towards the importance of long term persistence of offsets, requirements for ensuring the financial support for the offset has been shifted from being important in implementation, to a key step in the design process. Again, the stipulation of 'as long as project impacts persist' has been added.

Box 1: Biodiversity Offsets

Guidance on biodiversity offsets within GN6 2018. The guidance in *italics* indicates text in GN6 2018 that is different from that in GN6 2012.

Offset Type	Guidance on requirements from GN6 2018
Protection	<i>Credible analysis of imminent losses (other than those caused by the project) against which the offset provides protection from. May not be appropriate if there is high uncertainty in projected losses.</i>
Restoration	Accepted form of offset involving restoration or enhancement of existing habitat
Recreation	Accepted form of offset in suitable sites where habitat and its biodiversity value can be created. <i>(mainstreamed to be on equal footing with restoration)</i>
Set-asides	<i>May serve as offsets if it is demonstrable that the set-aside will improve gains in biodiversity quality or quantity via protection from external threats</i>
Compensation of affected communities	Can be included in offsets when projects have impacted upon ecosystem services upon which communities rely.

Note that the impacts of a project may significantly exceed active operations [6]. Therefore the shift from 'long-term' to 'as long as project impacts persist' potentially places noticeably larger obligations on companies to maintain their biodiversity offsets.

Increased Emphasis on Adaptive Management

Under GN6 2018, monitoring, evaluation and adaptive management have been consolidated into the design steps for offsets, rather than as additional considerations.

Compliance

Along with the guidance on how companies should operate with regards to biodiversity, there have also been updates on how companies should demonstrate their compliance with the requirements of PS6.

High Conservation Value Assessments

GN6 2018 clarifies the role of certain tools for assessing compliance with PS6. For example, GN6 2012 contained a number of paragraphs relating to High Conservation Value (HCV) areas. While GN6 2018 still makes

reference to HCV assessments as useful sources of information, it is clarified that they are unlikely to be sufficient to cover a PS6 assessment on their own. To reflect this, HCV areas have also been removed from the list of areas likely to qualify as Critical Habitat.

Ecosystem Service Assessments

In a shift similar to that for HCV outlined above, specific reference to Ecosystem Service Reviews (as defined by the World Resource Institute) has been replaced by a less prescriptive requirement to conduct a systematic ecosystem services assessment.

This reflects the range of tools that can be used to assess ecosystem services, and provides companies with more flexibility in selecting the most appropriate approach given the context of the site.

Requirements for Mapping

The updated guidance places emphasis on mapping of areas in relation to various aspects of PS6. These include the mapping of the extent of Critical, Natural and Modified Habitats within the project area during baseline survey and risk identification stages. It also requires mapping of set-asides to ensure they can be adequately protected.

Changes to Project Documentation

As in GN6 2012, a Biodiversity Action Plan is still required for

projects in Critical Habitat, and for some in Natural Habitat. GN6 2018 states that a Biodiversity Action Plan should be used to capture and document biodiversity-related commitments and mitigation and management actions *'for all projects that have the potential to significantly convert or degrade natural habitats'* (where the actions aren't integrated into one or more topic-specific management plans). A Biodiversity Management Plan is also recommended for high-risk projects in natural habitats.

PS6 states the need to adopt adaptive management practices. GN6 2018 states that *'Monitoring plans should define performance thresholds or triggers for adapting mitigation and management'* and recommends that thresholds to trigger adaptation of mitigation measures are pre-defined.

Requirements for Evidence of Mitigation Hierarchy Approach

The updated guidance has increased the emphasis on providing evidence for the appropriate application of the mitigation hierarchy. Demonstration of how impacts have been avoided is now required. This is to be done by providing evidence that several options have been considered and that the option selected avoids impacts that could have been caused by other options.

Clients are also required to provide a "defensible rationale" for how

they will achieve No Net Loss. Recognising that different processes may be appropriate for different project scales and contexts, assessments could be made using a 'sliding scale' of quantitative and/or semi-quantitative metrics and the certainty with which this assessment is conducted based upon the severity of the risk to Natural Habitat.

Conclusions and Implications

A key implication of the changes in GN6 2018 is the need to have in place a tailored approach for assessing compliance with PS6. This recognises that different assessments will be appropriate in different contexts (e.g. the size of a project) and that not all tools or standards will be able to demonstrate compliance with PS6 on their own.

This shift towards a tailored approach is reinforced by the requirement to provide evidence to support decisions made in achieving compliance. These changes may require companies to adapt their current procedures in order to formally address requirements.

The closer alignment of Critical Habitat thresholds with those of Key Biodiversity Areas is another step in strengthening the position of PS6 to mainstream biodiversity, by ensuring wider scientific

consensus on the criteria and value of Critical Habitat. The alignment of thresholds demonstrates the mechanism behind the assertion that most Key Biodiversity Areas will qualify as Critical Habitat. While Key Biodiversity Areas do not always trigger Critical Habitat, they provide companies with an initial high-level screening tool that could

be used to target further in-depth assessment for Critical Habitat.

The increased alignment also creates an opportunity for companies to make a positive contribution to the identification of Key Biodiversity Areas by sharing their data from Critical Habitat assessments with the [Key Biodiversity Areas Partnership](#).

Overall, the updated guidance surrounding PS6 remains consistent with that outlined in the old guidance note (GN6 2012), but with some clarifications and shifts in emphasis. These expand and provide more clarity on requirements and will strengthen PS6 as a key assessment for effectively mitigating corporate impacts on biodiversity.

References

- [1] IFC (2012) Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources
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