

PERFORMANCE STANDARD 6

Overview

March 2022



Creating Markets, Creating Opportunities

Lori Anna Conzo
Global Biodiversity Lead, IFC

M. Estella Nucci
Biodiversity Specialist, IFC



PS6 Objectives

- To protect and conserve biodiversity
- To maintain the benefits from ecosystem services
- To promote the sustainable management of living natural resources through the adoption of practices that integrate conservation needs and development priorities

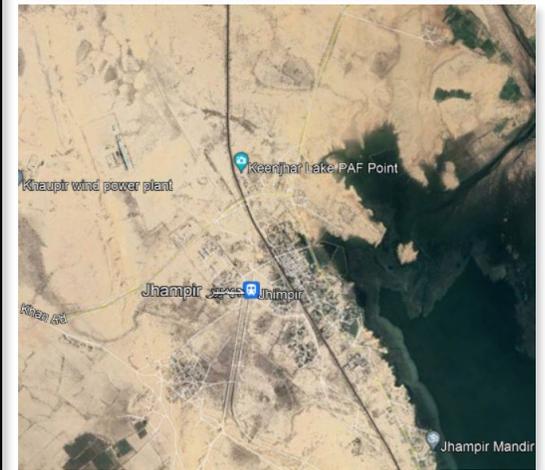
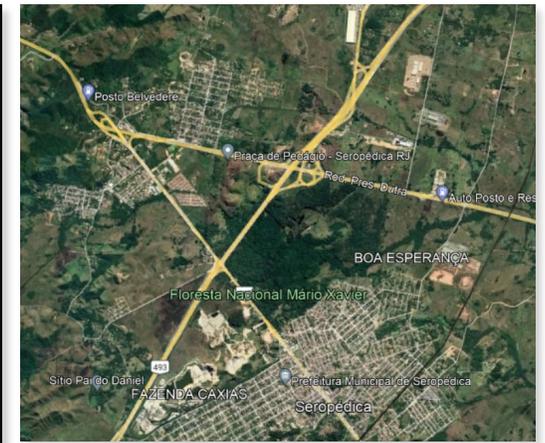
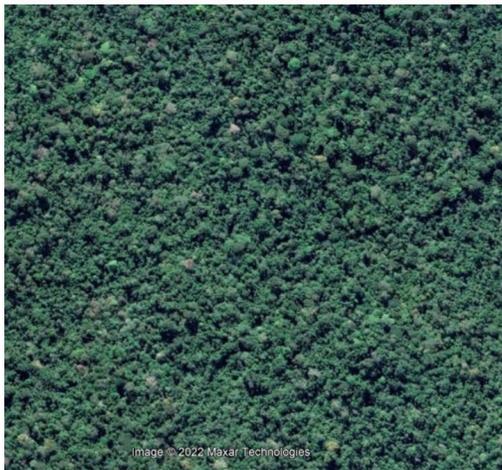
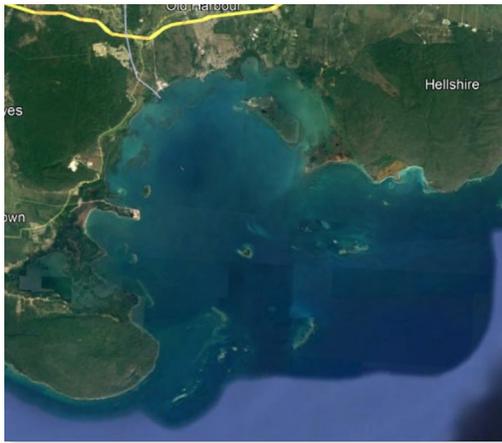
Applicability

PS6 is applicable under three situations:

1. Projects located in **Modified, Natural and/or Critical Habitats**
2. Projects that potentially impact on or are dependent upon **ecosystem services** over which the client has direct management control or significant influence
3. Projects that include the production of **living natural resources** (such as agriculture, animal husbandry, fisheries, or forestry)

Applicability should be determined through the assessment process.

Asset Location Matters



But the same approach is applicable everywhere.

Habitats

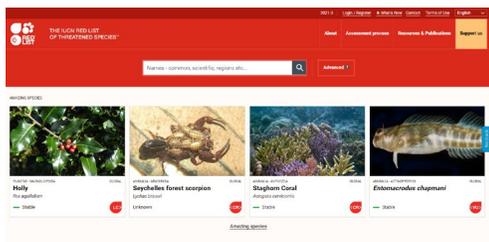
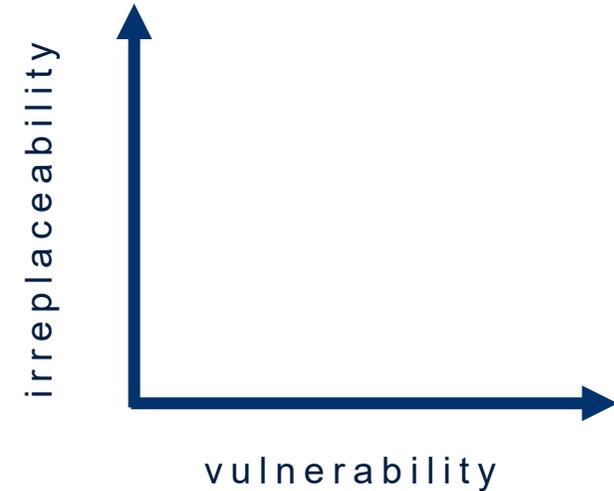
A terrestrial, freshwater, or marine geographical unit or airway that supports assemblages of living organisms and interactions with nonliving environment



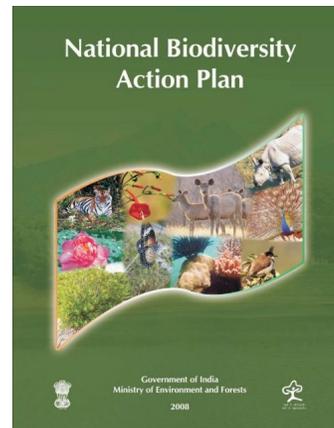
Biodiversity versus Priority Biodiversity Values

For some projects, biodiversity values and ecosystem services associated with a site are numerous

Guidance Note 6 recommends – *Prioritization*, but why?



IUCN Red List of Threatened Species



National priorities

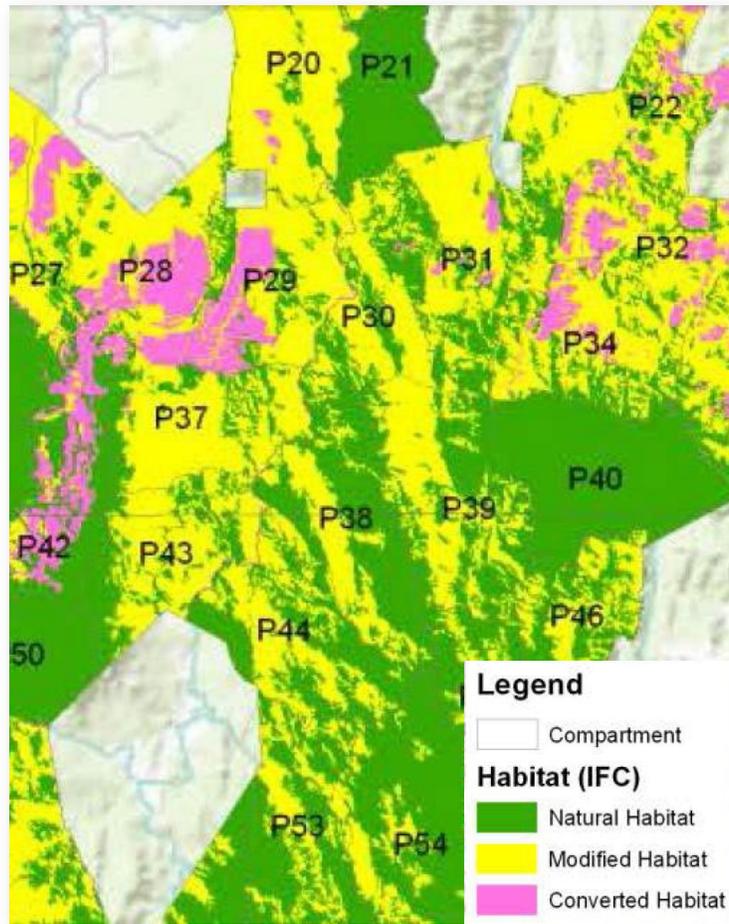


EU Habitat Directive



Habitats/ecosystems

Mapping Natural and Modified Habitat



- Exist as a continuum
- Often a mosaic within one landscape
- No prescribed metrics exist
- Experts with local knowledge required

Natural Habitats

- Not just intact or pristine habitats—some degree of historical or current anthropogenic impact/management
- Viable set of mostly native plant or animal species
- Human activity has not substantially changed primary ecological functions or species composition

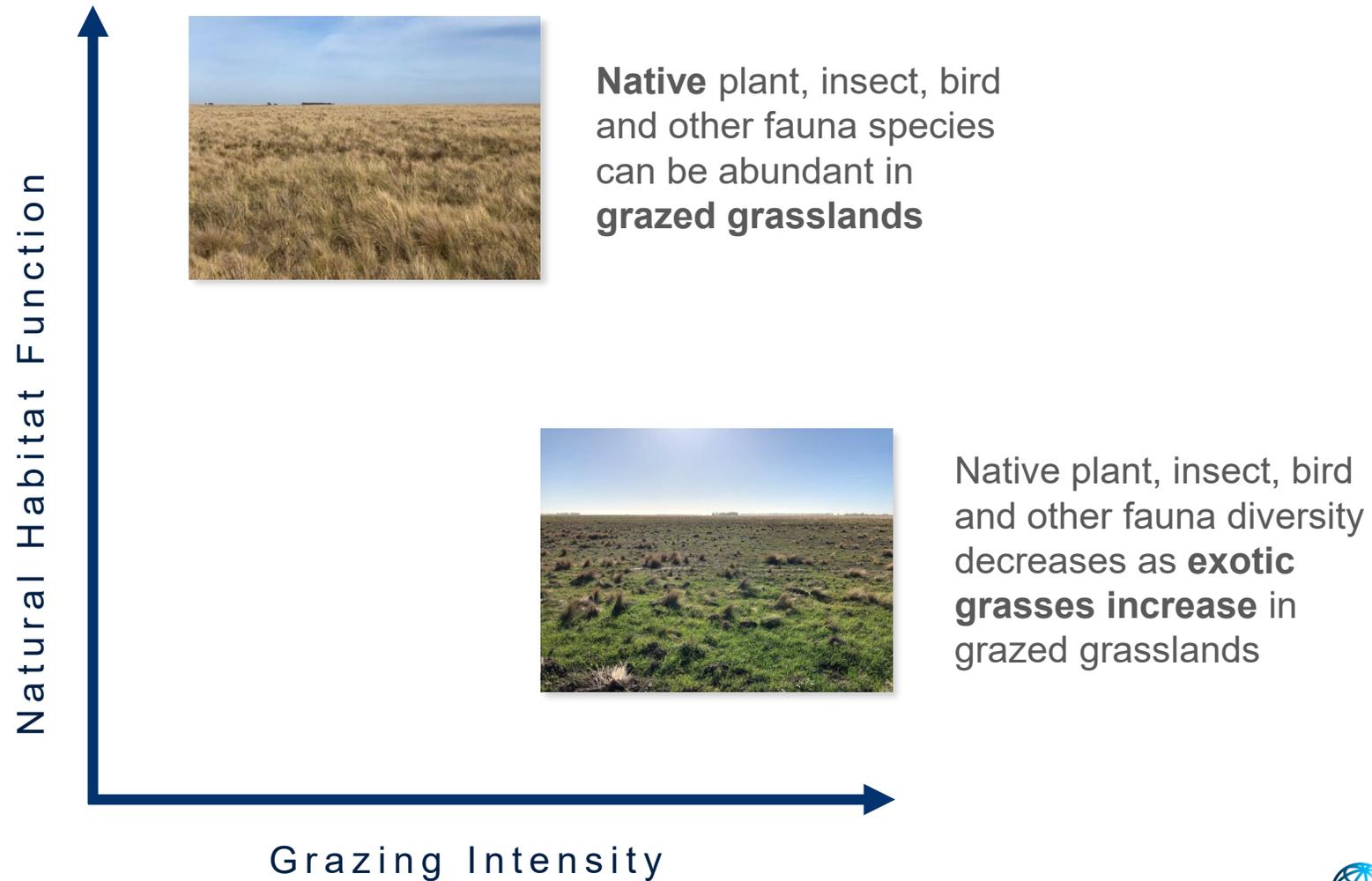
Modified Habitats

- Human activity has modified primary ecological functions and species composition
- Large proportion of nonnative species

Real Life Complexities—Natural or Modified?



Real Life Complexities—Natural or Modified?



Real Life Complexities—Legacy Issues

PS6 Footnote 5 mentions that *habitat converted in anticipation of the project will not be considered modified habitat.*



Further explanation is provided in Guidance Note 6, para 38:

- *The “project” refers to the client’s project as it is described for proposed financing.*
- *Habitat would not be considered modified habitat if it was recently **degraded by the client or a third party in anticipation of obtaining lender financing or regulatory approval for the project in which IFC is considering investing.***
- *Natural disturbances such as forest fire, hurricane, or tornado affecting a natural habitat would not lead to a modified habitat designation.*
- *Where uncertainty over prior modification exists, the client should provide evidence to support why it believes the pre-project habitat modification designation does not apply.*
- *Performance Standard 6 will respect **cutoff** dates for the conversion of natural habitat as established by internationally recognized voluntary standards, such as the Forest Stewardship Council and the Roundtable on Sustainable Palm Oil.*

Real Life Complexities—Wind and Hydropower

Don't be fooled by Google Earth, your biodiversity values may be in the air or in water.
Even when you have modified terrestrial habitat,
you may have a **natural habitat (requirements)** in the **airshed** or in **watershed**.



Critical Habitat Biodiversity Values

Critically endangered/
endangered
species



Endemic &
restricted
range species



Globally
significant
concentrations



Highly
threatened
& unique
ecosystems



Key
evolutionary
processes



The definition of Critical Habitat presented in Performance Standard 6 is in line with the criteria of a number of definitions of priority habitat for biodiversity conservation used by conservation organizations and are incorporated into relevant government legislation and regulations.

Critical Habitat—Thresholds

Critical Habitat Criterion	Threshold(s)
1. Critically Endangered (CR) and/or Endangered (EN) species	<ul style="list-style-type: none"> (a) Areas that support globally important concentrations of an IUCN Red-listed EN or CR species ($\geq 0.5\%$ of the global population AND ≥ 5 reproductive units of a CR or EN species). (a) Areas that support globally important concentrations of an IUCN Red-listed Vulnerable (VU) species, the loss of which would result in the change of the IUCN Red List status to EN or CR and meet the thresholds in GN72(a). (a) As appropriate, areas containing important concentrations of a nationally or regionally listed EN or CR species.
1. Restricted-range species	<ul style="list-style-type: none"> (a) Areas that regularly hold $\geq 10\%$ of the global population size AND ≥ 10 reproductive units of a species.
1. Migratory or congregatory species	<ul style="list-style-type: none"> (a) Areas known to sustain, on a cyclical or otherwise regular basis, ≥ 1 percent of the global population of a migratory or congregatory species at any point of the species' lifecycle. (a) Areas that predictably support ≥ 10 percent of the global population of a species during periods of environmental stress.
1. Highly threatened and/or unique ecosystems	<ul style="list-style-type: none"> (a) Areas representing $\geq 5\%$ of the global extent of an ecosystem type meeting the criteria for IUCN status of CR or EN. Other areas not yet assessed by IUCN but determined to be of high priority for conservation by regional or national systematic conservation planning.
1. Key evolutionary processes	As identified by experts.



Real Life Complexities—Ecologically Appropriate Areas of Analysis

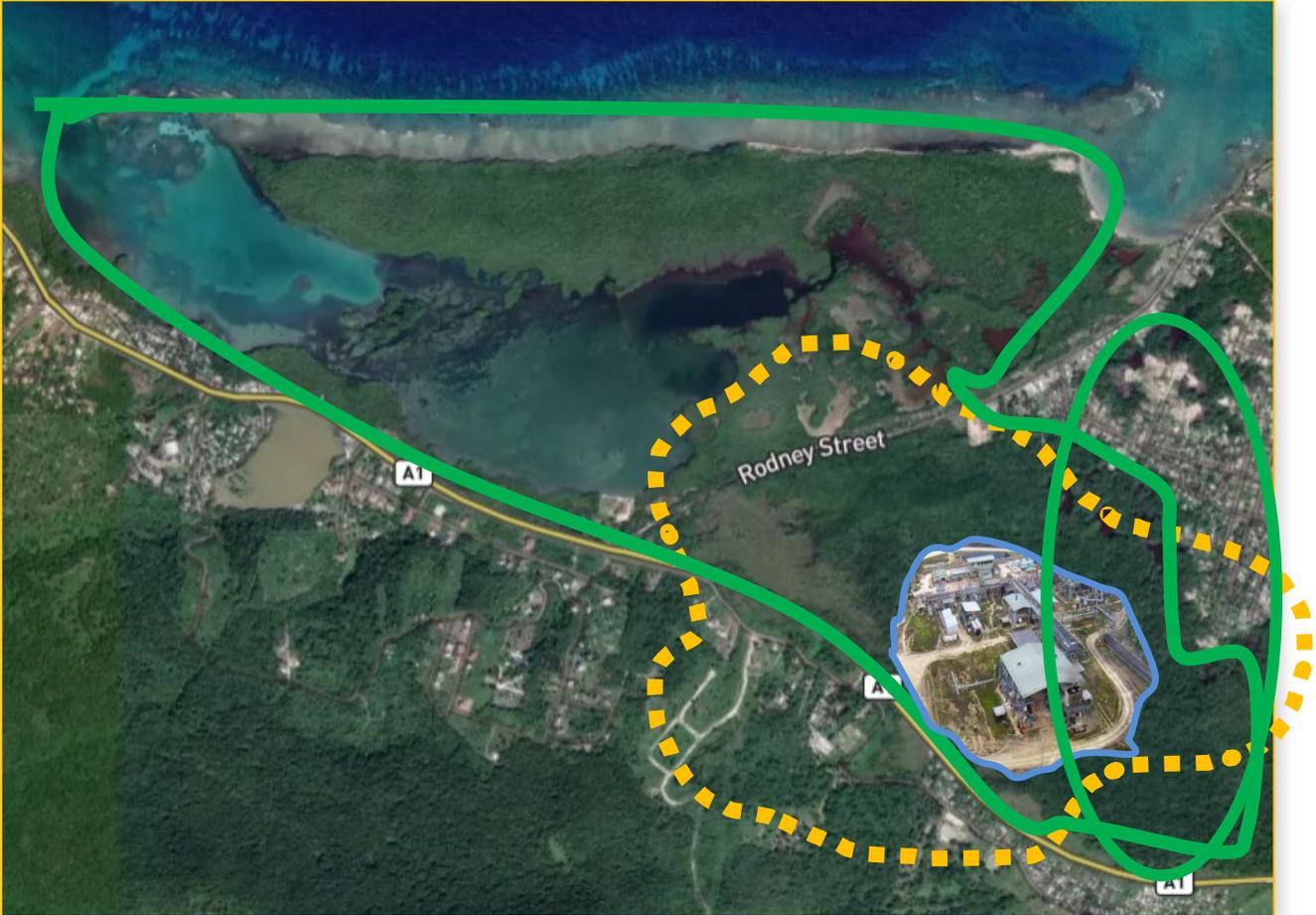
Ecologically Appropriate Areas of Analysis (EAAA) – what is it?

It is the spatial area (as defined by an ecologically relevant unit) for determining if a project is located in a Critical Habitat.

Things to consider:

- Each Priority Biodiversity Value may have its own EAAA or they may overlap partially or entirely (e.g., common habitat).
- Once the EAAA is defined, Critical Habitat ‘thresholds’ will apply as listed in GN6.
- If thresholds are exceeded, the EAAA is the Critical Habitat itself.

Real Life Complexities—EAAA

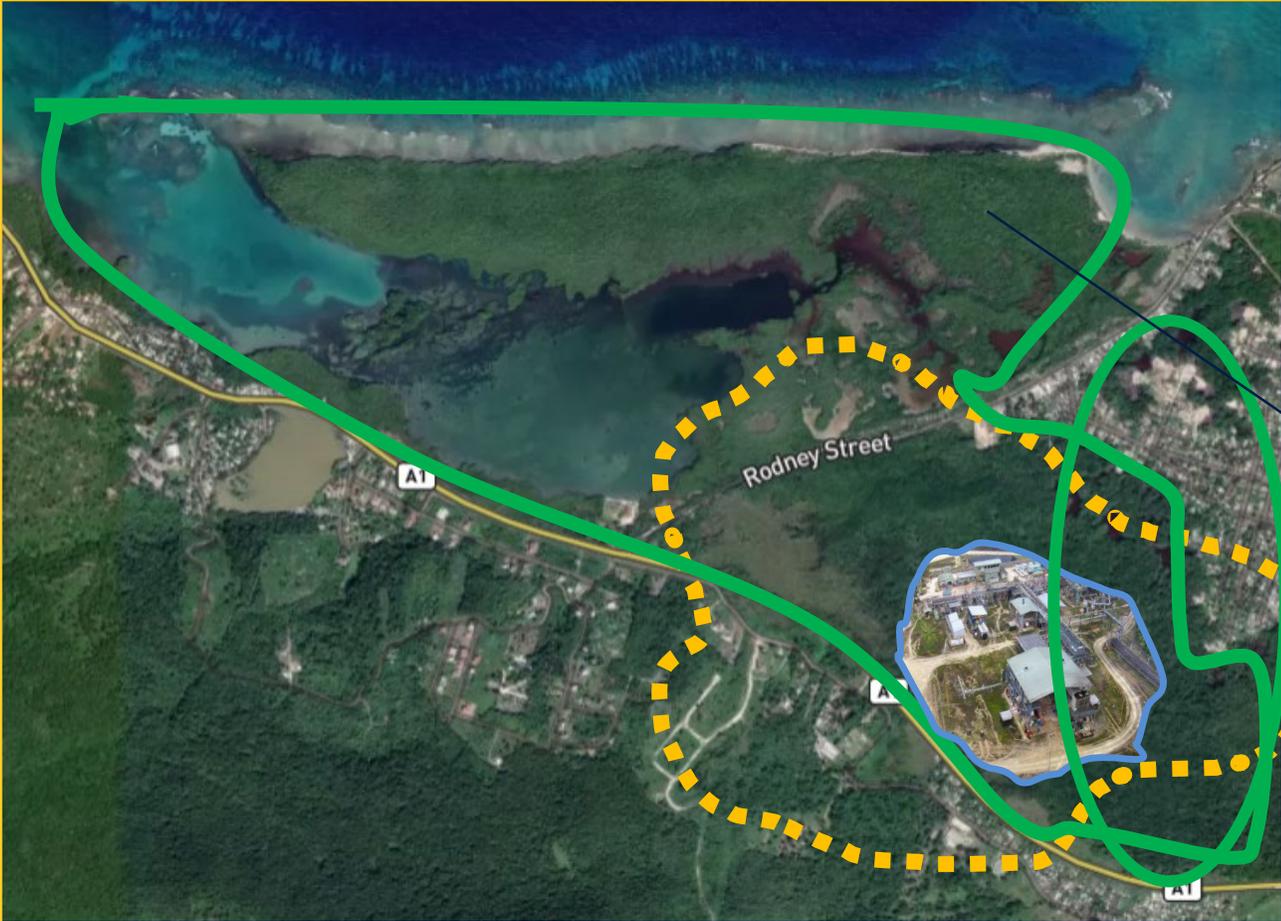


Project Area

Area of Influence

Area of Ecological Relevance

Real Life Complexities—EAAA



Project Area

Area of Influence

Area of Ecological Relevance

Mangrove Forest

Restricted Range frog species

Questions?

More Risks, More Requirements



- PS6 applies, *if significant biodiversity values found*
- Minimize impacts and mitigate, as appropriate

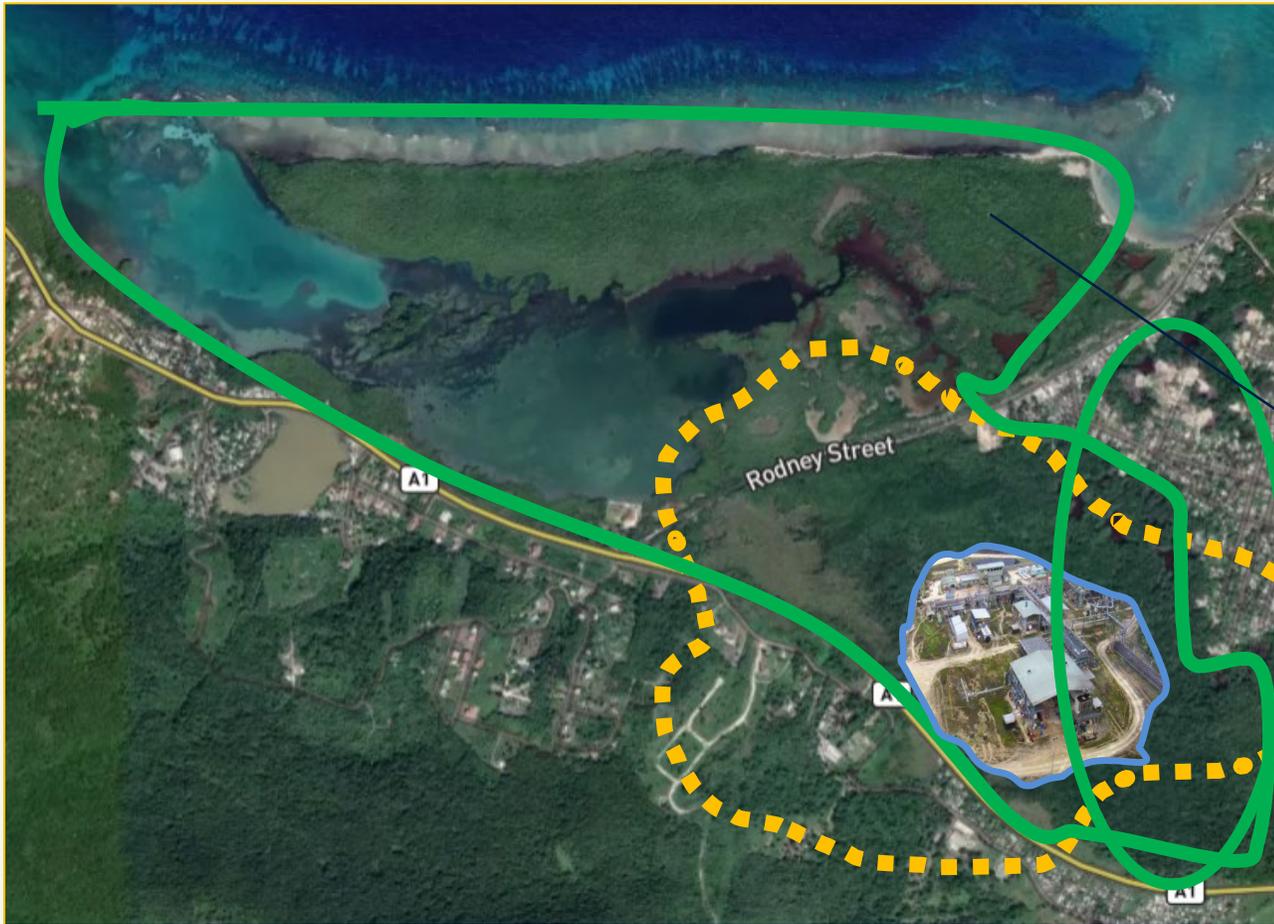


- Alternatives analysis: No viable options in modified habitat
- Stakeholder views on impacts
- **No Net Loss** for natural habitat, where feasible
- (Optional Biodiversity Action Plan in high-risk projects)



- Alternatives analysis: No viable options in modified or natural habitat
- **Net Gain** for critical habitat values
- Biodiversity Action Plan (BAP)
- Biodiversity Monitoring & Evaluation Plan (BMEP)
- **If** biodiversity offsets used, provide technical rationale

Real Life Complexities—No Net Loss and Net Gain



Project Area

Area of Influence

Area of Ecological Relevance

Mangrove Forest – Natural Habitat –
No Net Loss

Restricted Range frog species –
Critical Habitat – Net Gain

Legally Protected and Internationally Recognized Areas

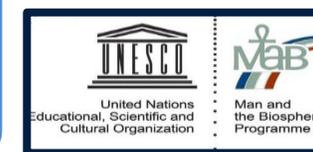


Legally Protected Areas

Clearly defined, recognized, dedicated and managed geographical space, through legal or other effective means, to achieve the long-term conservation of nature with its environmental services and associated cultural values.

Internationally Recognized Areas

Key Biodiversity Areas (KBAs), Ramsar, Man and the Biosphere Reserves, UNESCO World Heritage Sites and Alliance for Zero Extinction sites



UNESCO World Heritage Sites and Alliance for Zero Extinction – No Go

Guidance Note 6, para 55 states that

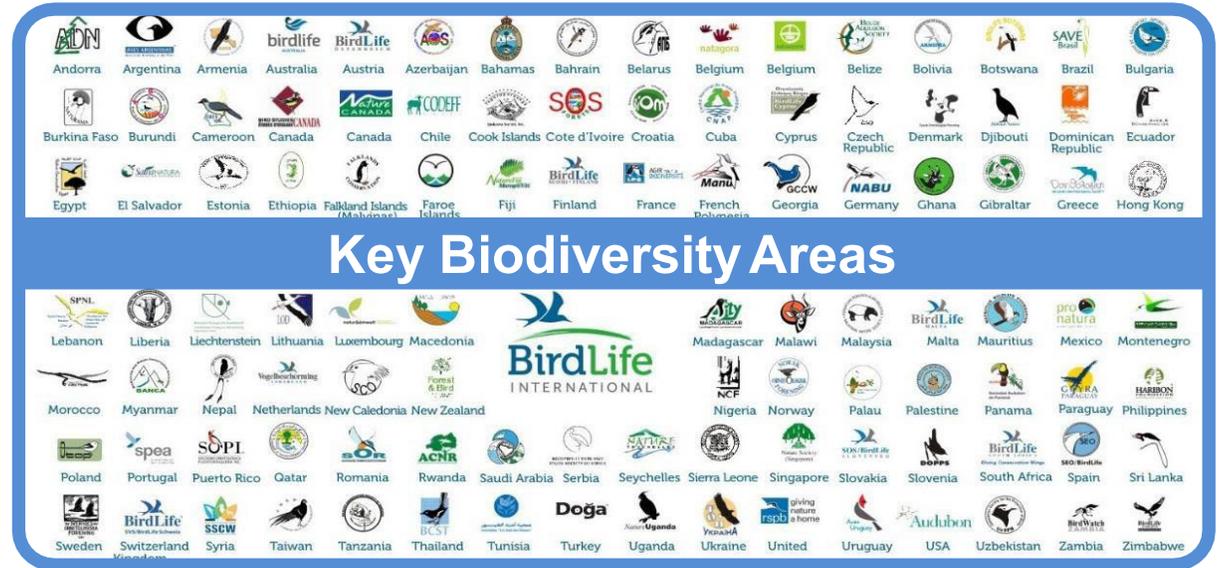
These areas will not be acceptable for financing, with the possible exception of projects specifically designed to contribute to the conservation of the area.

****This is not about achieving Net Gain through mitigation****



© M & G Therin Weise
Author: M & G Therin Weise

Requirements in Legally Protected and Internationally Recognized Areas



- Meet requirements for Natural or Critical Habitat
- Legal permission
- Consistency with management plans
- Consult managers & other stakeholders
- Additional programs to support sites



Overview of PS6: Mitigation Hierarchy

Lower risk fixed, lower costs
Low external reliance
No time lags between impact and result

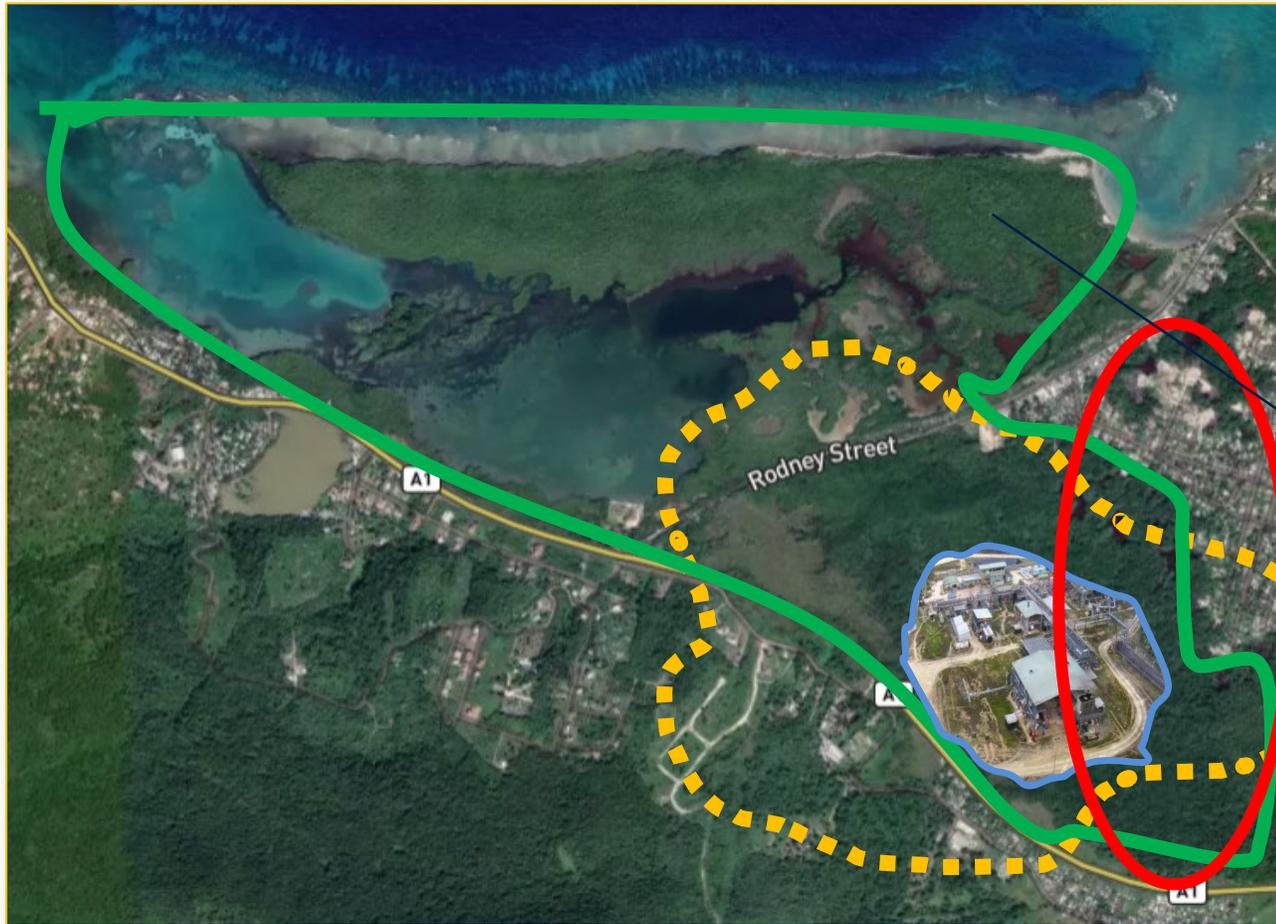


Higher risk uncertain & higher costs
High external reliance
Time lags between impact & result



As a matter of priority, the client should seek to avoid impacts on biodiversity and ecosystem services.

Real Life Complexities—Apply the Mitigation Hierarchy



Project Area
Change Location?

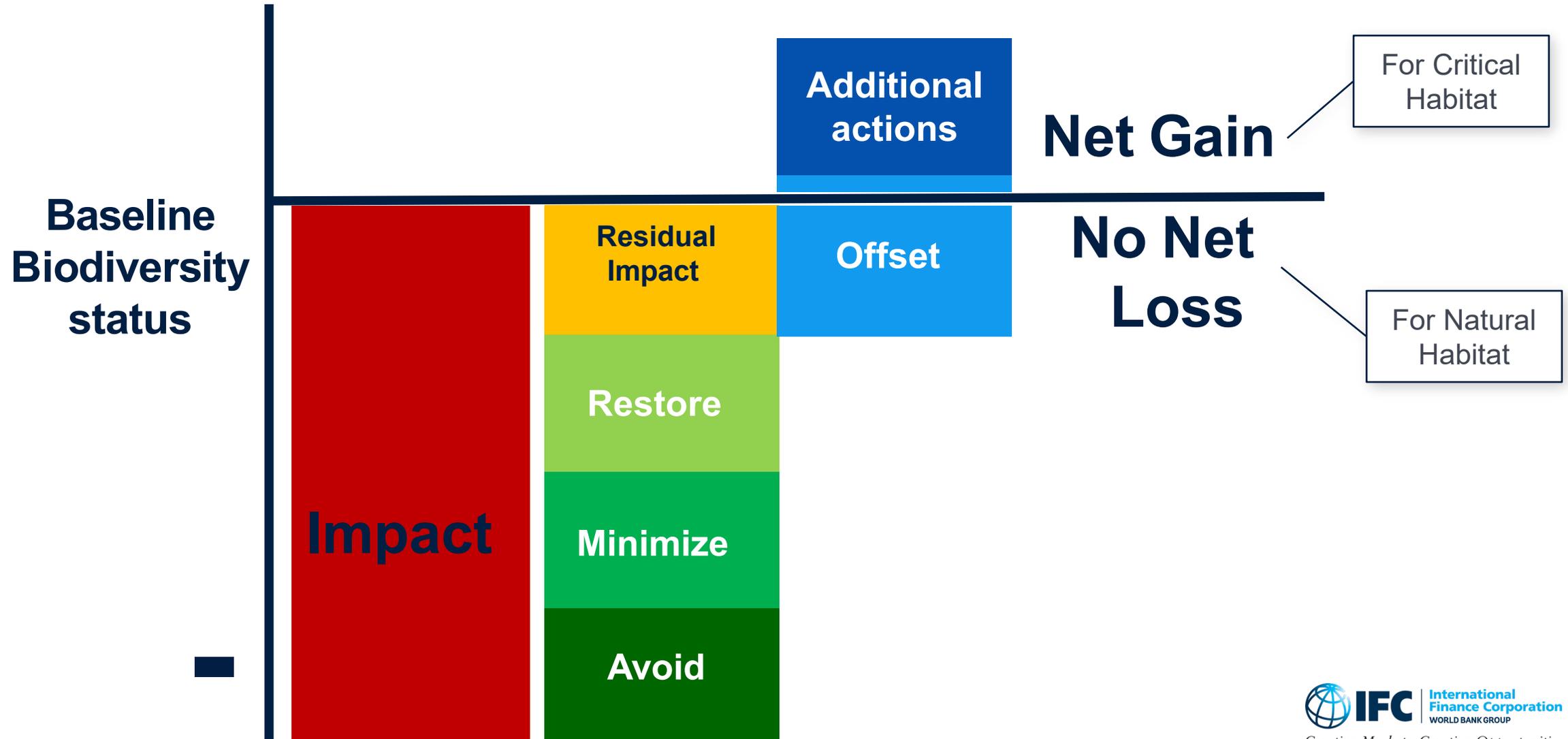
Area of Influence
Aim to Minimize!

Area of Ecological Relevance

Mangrove Forest – Natural Habitat –
No Net Loss

Restricted Range Species Habitat –
Critical Habitat – Net Gain

Mitigation Targets: No Net Loss & Net Gains



Biodiversity Offsets



IFC Principles & Requirements

- Like-for-Like
- Best current practices
- NNL reasonably expected
- Quantified losses & gains
- Best available information
- External offset experts
- On-the-ground
- Long term



Questions?

Other Topics...

- Alien invasive species
- Threats to biodiversity and contextual risks
- Ecosystem services
- Deep dive on project risks—such as wind and transmission and distribution lines

Let's focus on supply chain



PS6 Objectives

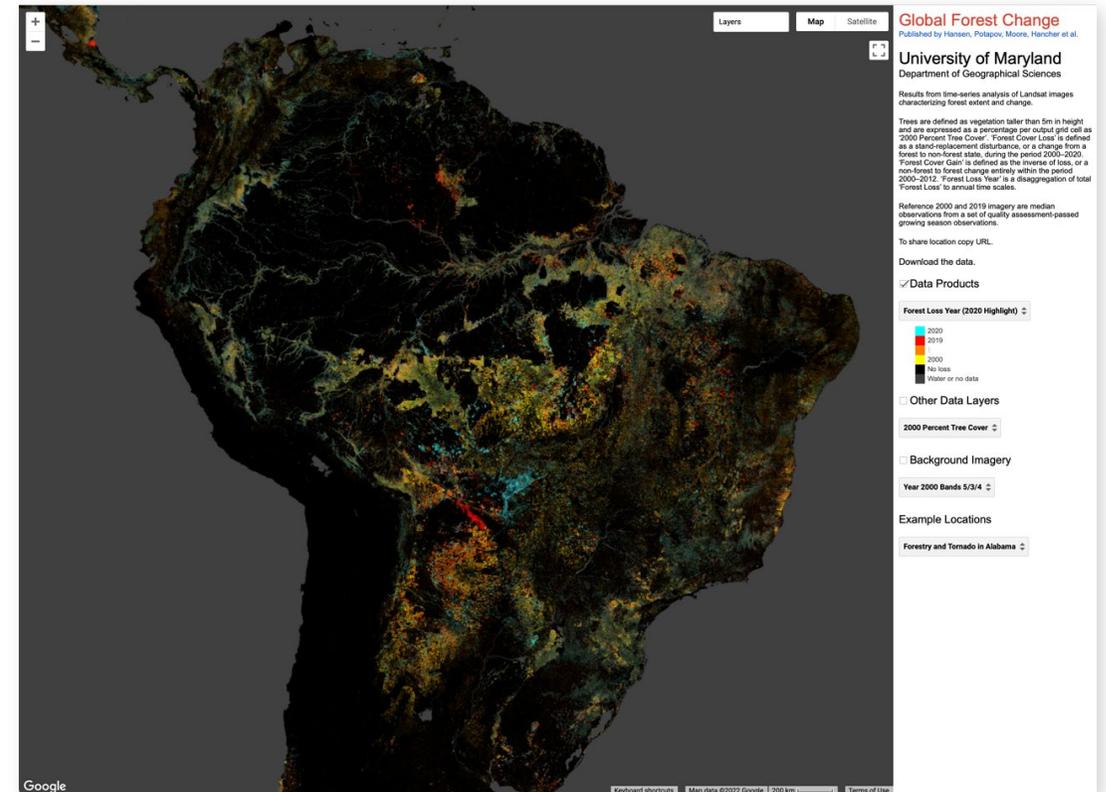
- To protect and conserve biodiversity
- To maintain the benefits from ecosystem services
- To promote the sustainable management of living natural resources through the adoption of practices that integrate conservation needs and development priorities

Why are Supply Chains Important in PS6?

A core objective of PS6 is *to protect and conserve biodiversity*.

Some businesses have supply chains that cause natural habitat conversion. **These impacts may be many times greater** than the footprint of the business' own operations, especially in the agriculture sector.

IFC seeks to ensure that its investments do not stimulate further biodiversity loss through its clients' supply chains.



The principal driver of deforestation (color-coded by year) in this image of South America is caused by cattle and crop expansion by independent business entities that sell into national and global supply chains.

Why are Supply Chains Important in PS6?

Search  US edition

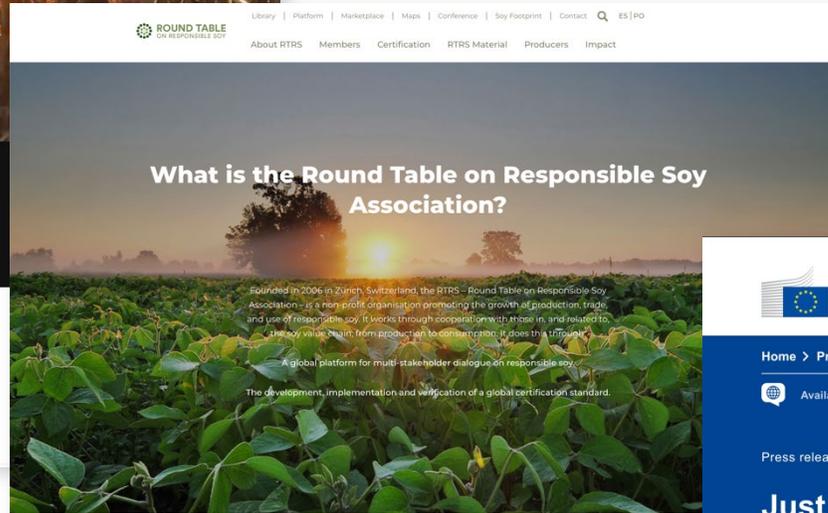


Animals farmed

Soy destruction in Argentina leads straight to our dinner plates

Argentina's Gran Chaco forest is being razed for soya, ending up in Europe as animal feed, and on our plates. It's the backbone of Argentina's fragile economy, but has come at a price for the indigenous people who live there

by [Uki Goni](#) in Salta



Library | Platform | Marketplace | Maps | Conference | Soy Footprint | Contact | ES | PO

About RTRS Members Certification RTRS Material Producers Impact

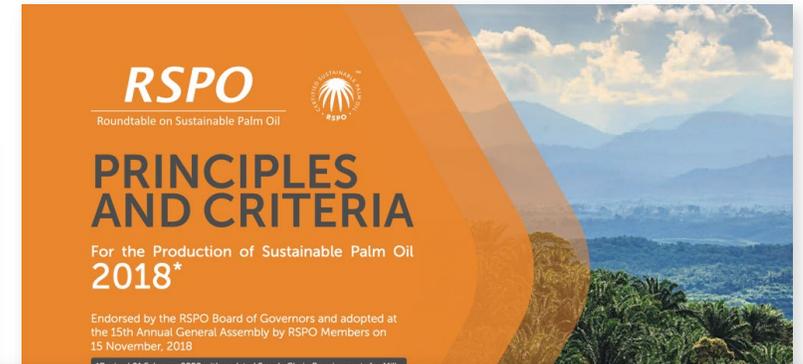
What is the Round Table on Responsible Soy Association?

Founded in 2006 in Zürich, Switzerland, the RTRS - Round Table on Responsible Soy Association - is a non-profit organization promoting the growth of production, trade and use of responsible soy. It works through cooperation with its members and related stakeholders to ensure that soy production is sustainable, it does this in a transparent way.

A global platform for multi-stakeholder dialogue on responsible soy.

The development, implementation and verification of a global certification standard.

Promotion of responsible soy production



RSPO
Roundtable on Sustainable Palm Oil

PRINCIPLES AND CRITERIA

For the Production of Sustainable Palm Oil 2018*

Endorsed by the RSPO Board of Governors and adopted at the 15th Annual General Assembly by RSPO Members on 15 November, 2018

*Revised 01 February 2020 with updated Supply Chain Requirements for MSB



 English 

Home > Press corner > Corporate sustainability due diligence

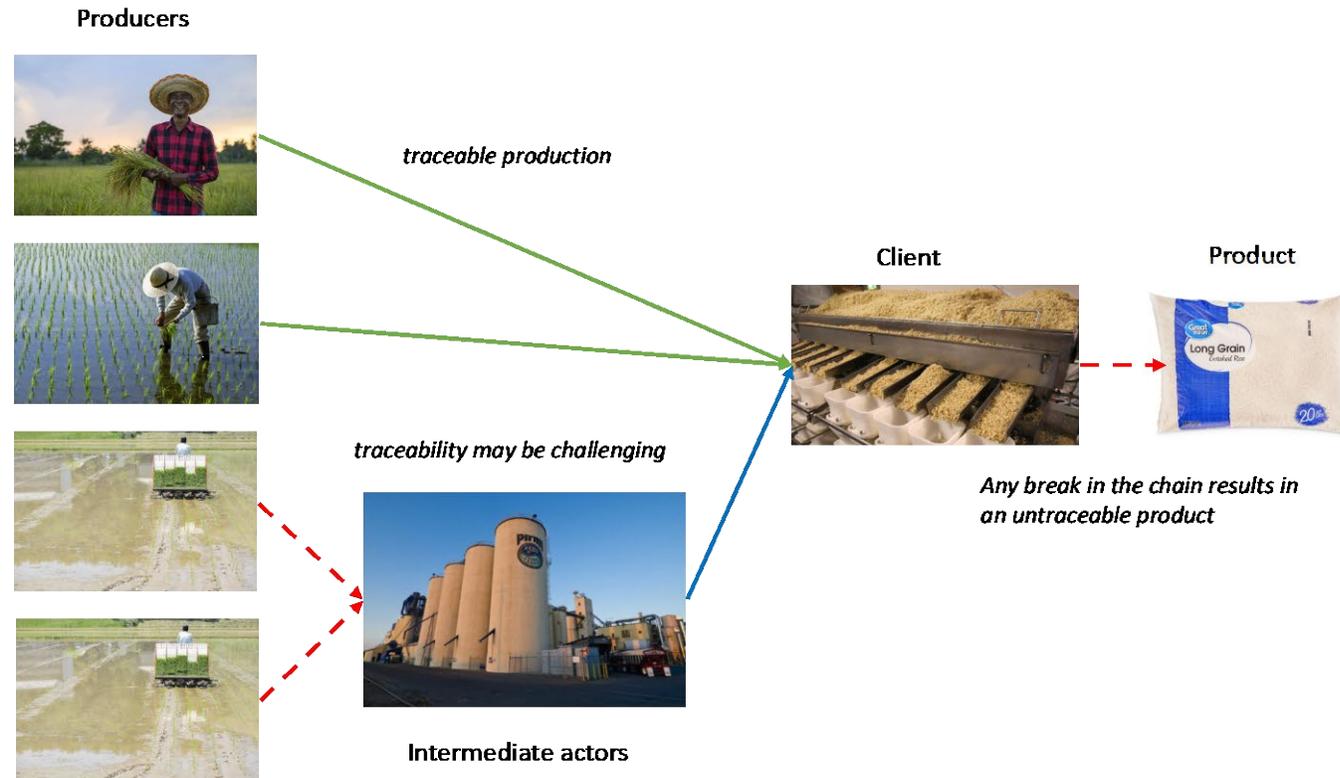
Available languages: 

Press release | 23 February 2022 | Brussels

Just and sustainable economy: Commission lays down rules for companies to respect human rights and environment in global value chains

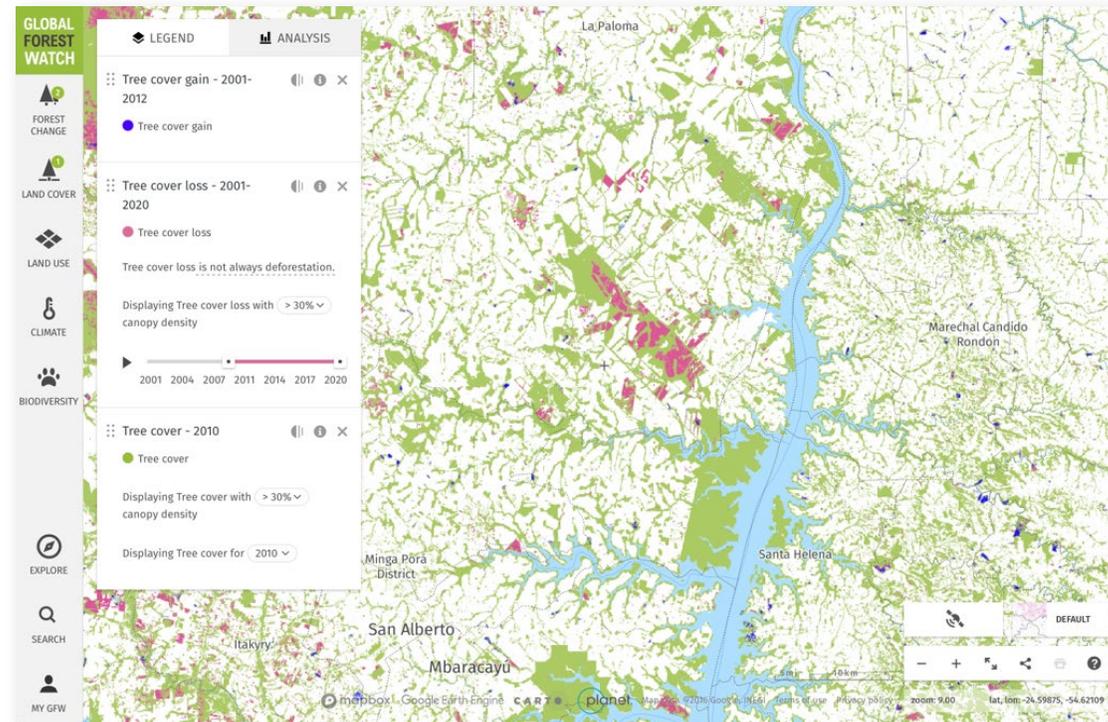
The impacts of supply chains is a shared concern among governments, industry, lenders, and environmental groups. Cutoff dates for habitat conversion are becoming more common.

Challenges: Traceability



Supply chains **may have multiple points of purchase and sale**. It is not always possible to trace supply all the way to the producer, as some points of sale may not be able to, or wish to, share information on their suppliers.

Challenges: Verification



If production is traceable, it may be possible to develop GIS polygons of their properties. With this, a company can verify whether habitat conversion is occurring at those sites. Larger supply chains with smaller producers pose practical challenges to doing this.

Challenges: Influencing Supplier Practices



English

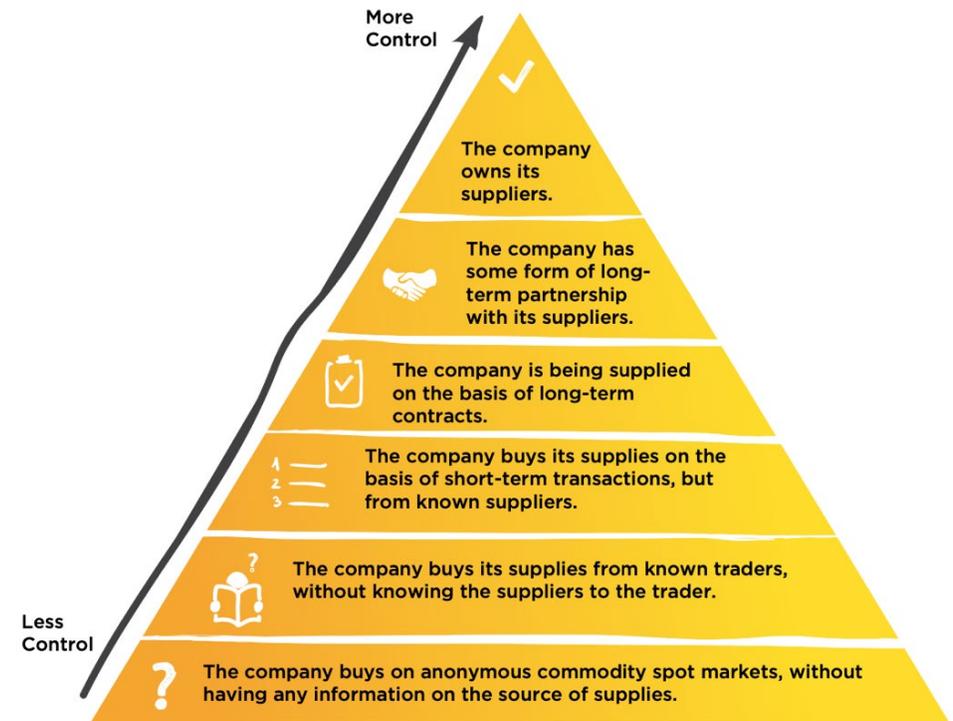
Sustainable Growth

At Mercon, we seek sustainable growth for all of our partners. We aim to build long term relationships with our stakeholders based on trust, excellent customer experiences, information and shared value.

Thanks to our financial services through Mercapital and our sustainable production program LIFT, we're able to work hand in hand with our clients to invest in supply chain management and together contribute to building a better coffee world.

LIFT Program →

Mercapital →



Suppliers can be influenced to change their practices, including reducing habitat conversion. However, a company's leverage to influence its suppliers varies according to their commercial relationship.

Addressing Supply Chains

- 1** Understand the origin of your supply
- 2** Determine if it is an area of significant habitat conversion
- 3** If so, seek alternative origins of supply
- 4** If this is not possible, attempt to verify and influence suppliers



Key Take-aways

No Go for UNESCO Natural World Heritage Sites and Alliance for Zero Extinction sites

Focus on **PRIORITY** biodiversity values and develop specific mitigation measures for those

In a modified terrestrial landscape, you must look at the **AIRSHED** and/or the **WATERSHED**

Offset are expensive, uncertain, and need a long-term commitment—focus on **AVOIDING** and **MINIMIZING**

Start getting serious about supply chain, **TRACE** your commodities to the producer

PS6 Publications

Guidance Notes



Guidance Notes to IFC's Performance Standards - Effective January 1, 2012



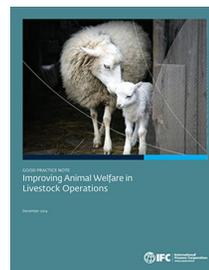
IFC's PS6 web page [Link](#)

More resources are available at <http://www.ifc.org/ps6>

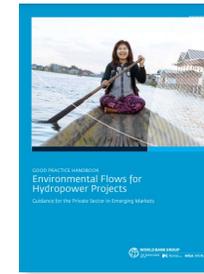
Good Practices



Good Practice Guidelines for the Wind Energy Sector in Argentina: Management of Impacts on Birds and Bats (In Spanish-2019)



Good Practice Note: Improving Animal Welfare in Livestock Operations (2014)

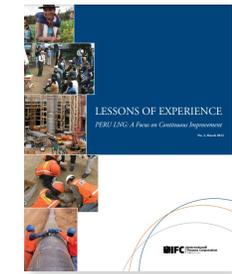


Good Practice Handbook on Environmental Flows for Hydropower Projects (2018)



A Guide to Biodiversity for the Private Sector (2006)

Case Study



Lessons of Experience No. 3 - Peru LNG: A Focus on Continuous Improvement (2013)

Tools and Resources



[www.https://www.ibat-alliance.org/](https://www.ibat-alliance.org/)



www.iucnredlist.org



www.biodiversitya-z.org



<https://data.unep-wcmc.org/>



www.iucngisd.org/gisd



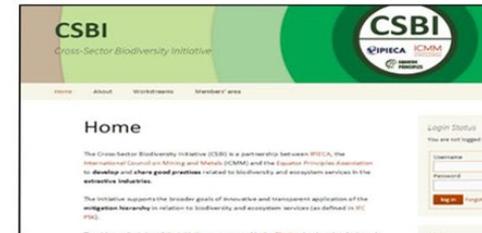
<https://powo.science.kew.org/>



www.gbif.org



www.globalforestwatch.org



www.csbi.org.uk



Specific guidance on mitigation hierarchy and baseline data:

<http://www.csbi.org.uk/our-work/tools-guidance/>

Good Practices for Biodiversity Inclusive Impact Assessment and Management Planning Prepared for: Multilateral Financing Institutions Biodiversity Working Group:

<https://publications.iadb.org/publications/english/document/Good-Practices-for-Biodiversity-Inclusive-Impact-Assessment-and-Management-Planning.pdf>

Questions?

Extra slides

Invasive Alien Species

Alien or nonnative species introduced beyond original range.
Invasives spread quickly due to lack of controlling factors.



- No introductions unless within regulatory framework
- No high risk alien invasives, regardless of regulation
- Risk assessment for any introductions
- Implement measures to avoid accidental introductions



- Avoid spreading to new areas
- Eradicate from natural Habitat under client control, where practicable

Threats and Contextual Risks

extra slides

While considering the appropriate mitigation strategy for a project, it is key to factor in other threats and contextual risks to biodiversity.

These may affect the effectiveness of action plans. For example:

- Alien invasive
- Illegal wildlife trade
- Illegal logging
- Climate Change driven effects (e.g., desertification or sea-level rising)

Management of Ecosystem Services



Focus on management control or significant influence



- Stakeholder engagement process (PS1)
- Avoid & minimize impacts
- Maintain value & functionality
- See PS 4, 5, 7 & 8



- Minimize impacts
- Increase resource efficiency
- See PS 3

extra slides

Real Life Complexities—Overlooking Projects Impacts on Biodiversity

extra slides

Myths about the wind section

- Myth #1: It's a “green” sector with no E&S impacts
- Myth #2: It's important not to site wind farms in “flyways” for migratory birds

What is true:

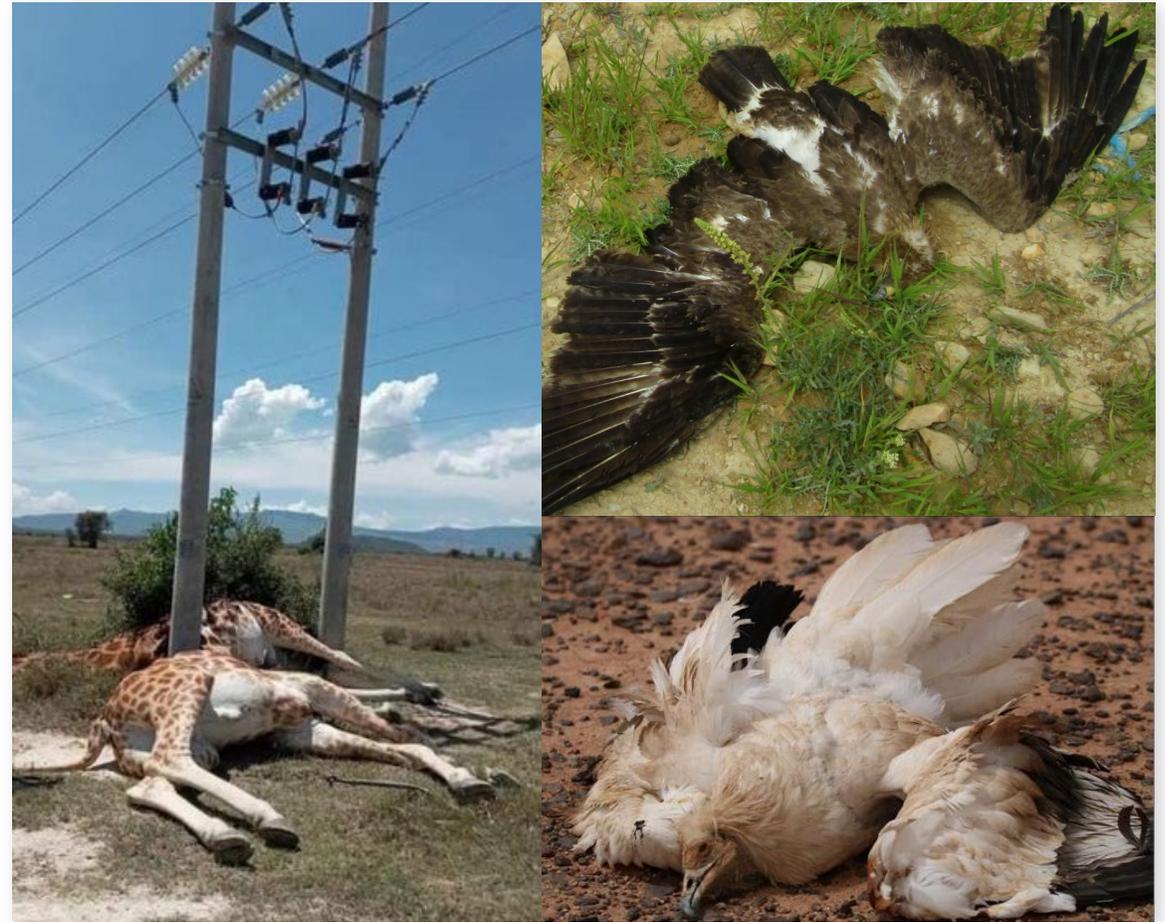
- Energy yield assessments should factor in curtailment
- Post-construction fatality monitoring is key to truly understand the level of impact and is complex

Real Life Complexities—Overlooking Projects Impacts on Biodiversity

extra slides

Don't forget transmission lines:

- Collision risk
- Electrocution risks



Real Life Complexities—PS6 Issues in Projects



- Acquiring land for development without identifying habitat type and/or alternatives
- Incomplete or no assessment of habitats, including starting biodiversity studies too late
- Incomplete or missing Biodiversity Action Plan for projects in critical habitat
- Misunderstanding PS6 supply chain requirements
- No consultation with communities nor local experts regarding biodiversity issues
- Overlooking projects impacts on biodiversity

extra slides

Sustainable Management of Living Natural Resources

Primary production of living natural resources



- Encourage land-based agribusiness or forestry on already converted land
- Manage sustainably via good practice and technology
- Use relevant & credible standards, where available
- Pre-assess conformity with standards & take action to comply
- Where standards are absent, commit to GIIP and support their development

Real Life Complexities—PS6 Supply Chain Requirements

Purchasing primary production from regions with high risk of conversion of natural or critical habitats. System should:

- 
- **Adopt system to evaluate primary suppliers**
 - **Integrate into ESMS**
 - **Determined by client management control & influence**

Identify source of supply & habitat types

Support ongoing review of primary supply chains

Limit procurement to low-risk suppliers, e.g., certified under credible standards

Require actions to shift supply chain to low-risk suppliers over time

extra slides

Thanks