European Bank
for Reconstruction and Development

Guidance note

EBRD Performance Requirement 6:

Biodiversity conservation and sustainable management of living natural resources

March 2023

Contents

1. Introduction and objectives

1.1. Purpose of this guidance note

The European Bank for Reconstruction and Development (EBRD) is committed to promoting environmentally sound and sustainable development in the full range of its activities, pursuant to the Agreement Establishing the European Bank for Reconstruction and Development.[1] The Environmental and Social Policy (ESP) is one of the Bank's three good governance policies and a key document guiding its commitment to promoting "environmentally sound and sustainable development" in the full range of its investment and technical cooperation activities.[2] The 2019 ESP and its 10 related Performance Requirements (PRs) were approved by the EBRD Board of Directors on 25 April 2019 and apply to projects initiated after 1 January 2020.

Conserving biodiversity and ecosystem services is of global concern. Human activities affect the majority of the terrestrial and marine environment and have driven notable declines in biodiversity over the last century. Biodiversity is fundamental to the survival of ecosystems and the ecosystem services that support human existence.

This guidance note provides EBRD clients and others with practical guidance for managing project impacts on biodiversity, ecosystem services and living natural resources in accordance with Performance Requirement (PR) 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources.[3] The Bank's role is to ensure overall compliance with the ESP and to guide clients in developing appropriate measures consistent with the mitigation hierarchy to address environmental and social risks and impacts to meet the relevant PRs. The client is responsible for implementing the actions required to comply with the PRs, including PR6.

The EBRD expects its clients to take a systematic approach. This includes adequately describing the biodiversity and ecosystem services in the project area, assessing impacts on them, mitigating these impacts, and implementing practical monitoring and evaluation programmes that inform management decisions throughout the life of the planned development. The Bank applies additional requirements to development proposals affecting protected areas, involving the management of living natural resources, and/or having supply chains that may adversely impact biodiversity and ecosystem services.

The Bank requires its clients to take a precautionary approach to biodiversity conservation. Where there is evidence that an action may have an adverse impact on biodiversity, but there is uncertainty as to its likelihood or consequence, the EBRD will assume a significant adverse impact and require appropriate mitigation for such assumed impact. This precautionary approach is highly relevant to managing risks and impacts to biodiversity as nature is inherently complex and science continues to have important gaps.

1 See EBRD (1990), Article 2.1(vii).

2 See EBRD (2019).

3 See EBRD (2019), p. 35.

1.2. Underpinning principles of PR6

PR6 recognises that the conservation of biodiversity and sustainable management of living natural resources are fundamental to environmental and social sustainability. The PR recognises the importance of maintaining the core ecological function of habitats, biodiversity and ecosystem services – and that all ecosystems support a complexity of living organisms and vary in terms of richness, abundance and importance of species.

The objective of biodiversity conservation and sustainable management of living resources must be balanced with the potential for utilising the multiple economic, social and cultural values of biodiversity and living natural resources in an optimised manner.

1.3. Key changes since the 2014 PR6

The updated version of PR6 took effect on 1 January 2020. It aligns largely with the 2014 version of PR1, but contains some significant changes, including the following:

- the criteria and conditions for identifying priority biodiversity features and critical habitat have been revised
- the term "ecosystem services" has been introduced
- requirements for the minimisation of antimicrobial resistance have been introduced.
- requirements for supply chains have been enhanced.

1.4. Key objectives of PR6

The key objectives of PR6 are stated in paragraph 4 of the PR:

- protect and conserve biodiversity using a precautionary approach
- adopt the mitigation hierarchy in the design and implementation of projects with the aim of achieving no net loss, and where appropriate, a net gain of biodiversity
- maintain ecosystem services
- promote good international practice in the sustainable management and use of living natural resources.

2. Scope of application

In accordance with PR1, PR6 applies to all projects that may pose risks to biodiversity, ecosystems and the services they provide. PR6 may apply to projects of any category. The conduct of the steps described in this guidance note should be commensurate with the level of risk posed by the project.

The EBRD is committed to ensuring that projects are structured to meet European Union (EU) environmental principles, practices and substantive standards, where these can be applied at the project level, and regardless of their geographic location. From a PR6 perspective, this includes for example the EU's environmental impact assessment, and the EU's Birds Directives and the EU Habitats Directives. When host country regulations differ from the EU's substantive environmental standards, projects will be required to meet whichever is the more stringent.

3. Requirements

The client's environmental and social management system (ESMS), as described in PR1, should prescribe the fulfilment and monitoring of PR6 requirements. A client's environmental and social management plan (ESMP) should further describe how these requirements are to be met following the mitigation hierarchy and respecting the limits of the types of impacts that can be offset. The ESMP can reference additional plans that may include, but are not limited to biodiversity action plan, species action plan, biodiversity monitoring and evaluation plan and a biodiversity offset strategy and/or management plan.

3.1. Biodiversity conservation: assessment of risks and impacts; protection and conservation of biodiversity

3.1.1. Establishing a baseline

The assessment of risks and impacts begins with an understanding of the biodiversity and ecosystem services in the area that may be affected by a project. Biodiversity baseline studies should describe the general ecological context, as well as provide additional focused information on ecological aspects that will require special attention in impact assessment and mitigation planning, including features and processes.

Biodiversity baselines should incorporate four principal steps, conducted iteratively to ensure adequate study of ecosystems and biodiversity. They are:

1. defining the study area at the appropriate spatial scale
2. scoping
3. conducting field work
4. "critical habitat" assessment.

These four items are discussed below.

1. Defining the study area at the appropriate spatial scale

> It is important to make the study area large enough to encompass a project's direct and indirect impacts and to characterise the ecological patterns, processes and functions occurring in the project area.

The study area should consider the area of direct project impacts (for example, physical footprint, effluents and emissions). If the project is likely to induce indirect impacts (for example, development by third parties around a project site), this should be included as well. The study area should then be expanded as needed to encompass the local ecosystems occurring in the area of impact, considering the ecological patterns, processes and functions that are necessary to maintain them. Where such ecological boundaries are not readily evident, watersheds or other topographical boundaries may suffice. Thus, as a minimum, the study area will always include the local extent of ecosystems near the project, and more likely will extend into the broader landscape as described below.

2. Scoping

> A review of existing information, field reconnaissance and stakeholder consultation can provide an initial idea as to which features may be present in the study area. Some features will require focused study. Scoping helps in the design of the field methods needed to study them and in the refinement of the study area. Projects that may have adverse impacts in certain types of areas will not be financed by the EBRD, and therefore should be identified as early as possible.

Scoping provides the basis for selecting the appropriate baseline study methods. It should identify the ecosystems, important biodiversity features and ecosystem services in the area that may require focused study. The study should include an initial desktop analysis and literature review, including a review of regional studies and assessments and global or regional screening tools, such as the Integrated Biodiversity Assessment Tool (also known as an IBAT), as well as a review of stakeholders who may be beneficiaries of ecosystem services generated in the area. This should be followed by initial field reconnaissance and consultation with relevant stakeholders and specialists.

The features that should be identified for potential focused study include:

- **Ecosystems that are a priority for conservation** – habitats listed by the EU Habitats Directive (Annex 1), Bern Convention (Resolution 4), Key Biodiversity Areas (including Important Bird Areas and Ramsar sites), UNESCO Natural World Heritage Sites, Alliance for Zero Extinction (AZE) sites, ecosystems evaluated using the International Union for the Conservation of Nature (IUCN) Red List of Ecosystems method with a status of Vulnerable (VU), Endangered (EN), or Critically Endangered (CR), and ecosystems recognised by the scientific community as being associated with key evolutionary processes.
- **Species and their habitats that are a priority for conservation** including – (a) species listed by the EU Habitats Directive and Birds Directive, Bern Convention, IUCN Red List of Threatened Species with a status of VU, EN or CR, or listed at a national level using the IUCN Red List methodology; (b) species with restricted ranges;[4] and, (c) migratory and congregatory species that utilise the area.
- **Protected areas** – areas with existing or planned legal conservation protection in the relevant jurisdiction(s) (see World Database on Protected Areas and maps from national authorities). This includes Natura 2000 and Emerald Network sites, as well as protected areas that are not within those networks.
- **Ecosystem services** – the benefits that flow from nature to people, including **provisioning** (for example, the supply of food, clean air and water and materials), **regulating** (for example, hydrologic and local climate regulation, nutrient cycling), or **cultural and recreational use**. Services with the potential to have both high importance to relevant stakeholders and limited substitutes should be identified. (See EU Guidance on integrating ecosystems and their services in decision making.) Scoping for ecosystem services should take place in coordination with the social assessment team in order to ascertain which stakeholders may rely on ecosystem services and their degree of dependence. Direct consultation with stakeholders is often required.

Areas designated as UNESCO Natural World Heritage Sites or that meet the designation criteria of the AZE should be flagged at this stage. Projects that will adversely affect these areas will not be financed by the EBRD, with the possible exception of projects that are necessary for the conservation management of such sites.

On completing the scoping study, the study area may require refinement. For example, **the study area may need to be expanded** to fully encompass the **ecologically appropriate areas of analysis** (EAAA) for features that require additional focused study. In most cases that will mean the landscape-level distribution of the feature requiring study, again considering the ecological patterns, processes and functions that are necessary to maintain it. If the feature has patchy distribution in the landscape, it may be necessary to devise an EAAA that encompasses multiple disjunct areas. For some wide-ranging species, the EAAA may be informed by areas of aggregation, recruitment or other specific habitat features of importance to the species. In all cases, the EAAA should consider the distribution and connectivity of such features in the landscape/seascape and the ecological processes that support them. Where it can be shown that multiple values have largely overlapping ecological requirements and distributions, a common or aggregated EAAA may be appropriate. At this stage, EAAAs will be a first approximation based on the information available. They will be further developed and refined once field work is undertaken.

3. Conducting field work

Field work is necessary to complete the baseline study. Specialists in the relevant fields should conduct the work, following good international practices. Field work should be commensurate with and proportional to the potential risks and impacts of the planned development.

Field surveys should be commensurate with and proportional to the potential risks and impacts of the planned development and based on a design appropriate to the features identified in the scoping study. The field surveys should characterise the general ecological context, including a map of aquatic ecosystems and terrestrial vegetation types, each with a representative sample of their species composition, structure and condition in the core study area. Representative fauna surveys should be organised according to aquatic ecosystems and terrestrial vegetation types. For more information on biodiversity baseline methods, see Good Practices for the Collection of Biodiversity Baseline Data, developed by the Multilateral Financing Institutions Biodiversity Working Group.

4 For terrestrial vertebrates and plants, restricted-range species are defined as those species that have an extent of occurrence (EoO) of less than 50,000 square kilometres (km^2). For marine systems, restricted-range species are provisionally considered to be those with an EoO of less than 100,000 km^2. For coastal, riverine and other aquatic species in habitats that do not exceed 200 km width at any point (for example, rivers), restricted range is defined as having a global range of less than or equal to 500 km linear geographic span (that is, the distance between occupied locations furthest apart). Most species on the IUCN Red List have a published EoO. See the IUCN Red List methodology for more information on determining the EoO.

If field work reveals additional biodiversity features or ecosystem services in the area, additional or refined EAAAs may need to be developed, and further field work should be organised to complete any focused study(ies).

The environment and social impact assessment teams should work in a coordinated manner to collect information from relevant stakeholders on local ecosystem services and the degree to which they are relied on, using appropriate methods for the social context.

4. Assessment of critical habitat

Clients must determine if their project will affect **priority biodiversity features** or **critical habitat**. The assessment will rely on a set of criteria and conditions described in this section.

The purpose of this step is to determine if any features in the study area qualify as **priority biodiversity features** or **critical habitat**, following the EBRD's definitions (see Table 1). These features will require attention in impact assessment and mitigation planning. This is an assessment of the context in which the development is proposed and therefore does not consider specific impacts at this stage of analysis. It answers the basic question "how important is the study area for conservation and what PR6 requirements will apply?"

To perform this assessment, the list of all features identified for focused study and confirmed to be in the study area in steps 2 and 3 should be tested against the criteria in Table 1 to determine whether they satisfy the criteria and conditions to be deemed **priority biodiversity features** or **critical habitat**. The criteria and conditions detailed in Table 1 are based on the EU Habitats and Birds Directives, the Bern Convention, and/or draw on the IUCN's Key Biodiversity Area Standard. Figure 1 provides a graphical depiction of this process. Figure 2 provides additional detail on the application of the Habitats Directive in EU countries and the Bern Convention in signatory countries.

Some criteria have no predetermined conditions (that is, PR6 paragraphs 12-iii "significant biodiversity features identified by a broad set of stakeholders or governments", 12-iv "ecological structure and functions needed to maintain the viability of priority biodiversity features described in this paragraph", and 14-v "areas associated with key evolutionary processes"). For these criteria, the assessment must rely on expert judgement beyond the use of Table 1.

Ecosystem services are not explicitly included in Table 1 but should be prioritised, in coordination with the social baseline analysis, according to the importance of, and dependence on, the ecosystem services by relevant stakeholders.

Additional baseline study should be undertaken, as needed, to refine this assessment. Biodiversity can be studied to varying degrees of detail, so it is vital that the work be "proportional and specific to the anticipated risk and significance of impacts." While a general characterisation of the study area is needed in all cases, focused studies using specialists can be reserved for those features that are a priority for conservation. Focused studies should be designed specifically to provide the impact assessment with relevant information, such as the effects on a feature's viability based on the proportion of its national and global distribution degraded or lost due to project impacts. It should also inform mitigation, such as identifying areas of greatest importance (for example, areas of threatened species reproduction) to inform project layout and avoid or minimise impacts in these areas.

Figure 1. Logical flow of critical habitat assessment

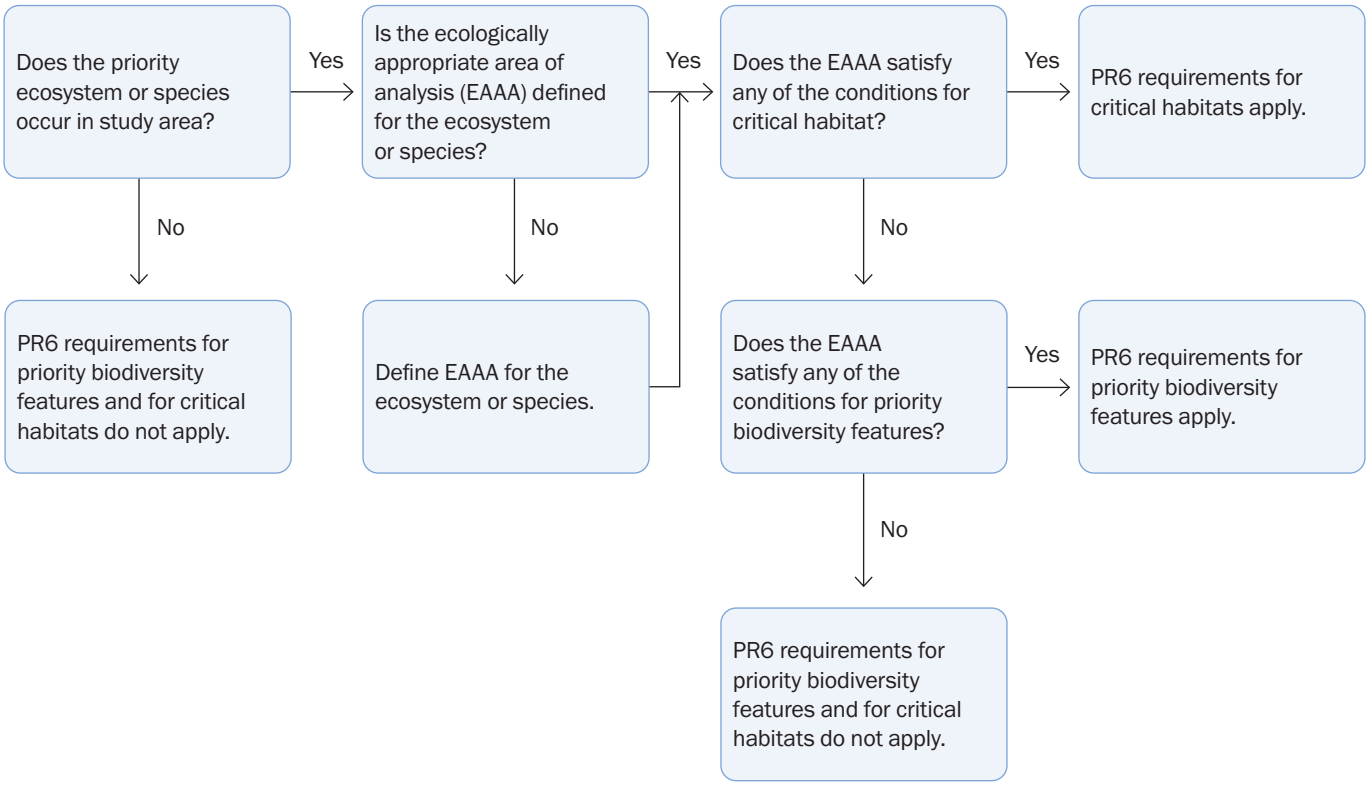


Table 1. Criteria and conditions for identifying priority biodiversity features and critical habitats*

Criterion	Priority biodiversity feature	Critical habitat
1. Priority ecosystems		
Threatened ecosystems (a) Habitats listed in Annex 1 of EU Habitats Directive (EU member states only) or Resolution 4 of Bern Convention (signatory nations only) (b) IUCN Red List EN or CR ecosystems	(PR6 para. 12-i) (a) EAAA** is habitat type listed in Annex 1 of EU Habitats Directive or Resolution 4 of Bern Convention (b) EAAA < 5 per cent of the global extent of an ecosystem type with IUCN status of CR or EN	(PR6 para. 14-i) (a) EAAA is habitat type listed in Annex 1 of EU Habitats Directive marked as "priority habitat type" (b) EAAA ≥ 5 per cent of global extent of an ecosystem type with IUCN status of CR or EN (c) EAAA is ecosystem determined to be of high priority for conservation by national systematic conservation planning
2. Priority species and their habitats		
Threatened species (a) Species and their habitats listed in EU Habitats Directive and Birds Directive (EU members only) or Bern Convention (signatory nations only) (b) IUCN Red List EN or CR species (c) IUCN Red List VU species (d) Nationally or regionally (for example, Europe) listed EN or CR species	(PR6 para. 12-ii) (a) EAAA for species and their habitats listed in Annex II of Habitats Directive, Annex I of Birds Directive, or Resolution 6 of Bern Convention (b) EAAA supports < 0.5 per cent of global population OR < 5 reproductive units of a CR or EN species. (c) EAAA supports VU species (d) EAAA for regularly occurring nationally or regionally listed EN or CR species	(PR6 para. 14-ii) (a) EAAA for species and their habitats listed in Annex IV of the Habitats Directive (See EU restrictions) (b) EAAA supports ≥ 0.5 per cent of the global population AND ≥ 5 reproductive units of a CR or EN species (c) EAAA supports globally significant population of VU species necessary to prevent a change of IUCN Red List status to EN or CR, and satisfies threshold (b) (d) EAAA for important concentrations of a nationally or regionally listed EN or CR species
Range-restricted species	(PR6 para. 12-ii) (a) EAAA for regularly occurring range-restricted species	(PR6 para. 14-iii) (a) EAAA regularly holds ≥ 10 per cent of global population AND ≥ 10 reproductive units of the species***
Migratory and congregatory species	(PR6 para. 12-ii) (a) EAAA identified as per Birds Directive or recognised national or international process as important for migratory birds (especially wetlands)	(PR6 para. 14-iv) (a) EAAA sustains, on a cyclical or otherwise regular basis, ≥ 1 per cent of the global population at any point of the species' lifecycle (b) EAAA predictably supports ≥ 10 per cent of global population during periods of environmental stress

Note: *Quantitative thresholds derived from IUCN Key Biodiversity Area Standard and aligned with International Finance Corporation's Guidance Note 6 (rev. 2019). ** EAAA denotes ecologically appropriate area of analysis, as defined above. *** The IUCN Key Biodiversity Areas standard cites the following definition for reproductive unit: "the minimum number and combination of mature individuals necessary to trigger a successful reproductive event at a site. Examples of five reproductive units include five pairs, five reproducing females in one harem, and five reproductive individuals of a plant species."

3.1.2. Impact assessment

PR1 provides the general requirements for impact assessment. Biodiversity and ecosystem service impact assessment should be performed in accordance with good international practice (GIP) (for example, the Good Practices for Biodiversity Inclusive Impact Assessment and Management Planning developed by the Multilateral Financing Institutions Biodiversity Working Group). This section clarifies the specific details needed to identify and assess the significance of biodiversity and ecosystem service impacts relative to the requirements of PR6. Impact assessment must involve independent experts where adverse impacts are anticipated in critical habitat.

Direct, indirect and cumulative impacts on biodiversity features and ecosystem services should be identified. Direct and indirect impacts can result in the reduction of species populations, loss or degradation of habitat, habitat fragmentation, disruption of wildlife movement, the spread of invasive species, and reduced generation of and/or human access to ecosystem services. Evaluating the impacts to biodiversity features and ecosystem services should take an ecosystem approach by considering the ecological patterns, processes and functions that are necessary to maintain them.

Where there are other stressors on biodiversity and ecosystem services from past, present or reasonably foreseeable development, the cumulative effect of adding the proposed project's impacts will be more relevant than the project's expected impacts considered in isolation. In other words, the addition of a project impact, however small, can be significant if a habitat or species experiences additional impacts from other sources. A threshold may be exceeded by the sum of these stressors, with deleterious effects on the viability of that habitat or species. As required by PR1, the environmental assessment must consider cumulative impacts.

Impact assessment for projects that may affect **priority biodiversity features** and **critical habitats** should include focused assessments on these features. Impacts should be characterised in terms of their magnitude and duration, and how this may affect the viability of those features in their respective EAAAs.

The impact assessment for ecosystem services should be performed in collaboration with the social impacts assessment and consider both the effect of impacts on the natural processes that provide the ecosystem service, as well as the social and economic implications for relevant stakeholders.

Where the proposed project or plan impacts priority biodiversity features it must be shown that there are "no technically and economically feasible alternatives" and where impacts are expected on critical habitats, "no other viable alternatives within the region exist for development of the project in habitats of lesser biodiversity value." As required in PR1, projects must include an analysis of alternatives in terms of "project location, technology, size, scale and design, mitigation options and a 'without project' scenario." Biodiversity and ecosystem impacts should be included in that analysis.

For projects proposed in or near protected areas, see the section further below entitled Legally protected and internationally recognised areas of biodiversity value for additional information on impact assessment.

3.1.3. The protection and conservation of biodiversity, priority biodiversity features and critical habitats

Mitigation plan

For all projects to which PR6 applies, the EBRD expects the project to mitigate biodiversity and ecosystem service impacts following the mitigation hierarchy (described below) and in accordance with the relevant legislation and GIP. PR6 provides performance requirements for impact mitigation for ecosystem services (PR6 para. 9-10, as well as relevant sections of PR5 and PR7), priority biodiversity features (PR6 para. 13, footnote 77), and critical habitat (PR6 para. 15-16, and footnotes 79-82). These requirements constitute the performance target for the project's mitigation plan. For example, for a planned development with the potential to generate significant negative impacts on a priority biodiversity feature or critical habitat, a mitigation plan will be required that achieves **no net loss** or a **net gain** of those features in the EAAA.[5]

5 The client should agree with the EBRD on a threshold for materiality of impacts to determine when no net loss or net gain requirements apply. For example, a wind farm might develop a threshold for incidental mortalities of non-threatened bird species, or a project may be allowed incidental impacts to a very small area of common vegetation, and provisions for no net loss or net gain would only be required if such thresholds were exceeded.

The mitigation plan should follow a hierarchy of actions:

- **avoidance**: action taken to fully prevent impacts, such as relocating a project or changing its spatial layout to prevent impacts in specific locations
- **minimisation**: action taken to reduce the duration, intensity and/or extent of impacts that cannot be completely avoided
- **restoration**: action taken to assist in the recovery of a feature that has been degraded, damaged or destroyed
- **offset**: measurable conservation outcomes resulting from actions designed to compensate for significant residual adverse biodiversity impacts arising from project development and persisting after appropriate avoidance, minimisation and restoration measures have been taken. Not every type of impact can be offset, as discussed below.

The client should achieve its mitigation targets by avoiding impacts wherever feasible, followed by minimisation actions. Where impacts do occur, restoration may be proposed. The residual impacts, after these measures are considered, can in some cases be compensated for with a biodiversity offset, or other means of compensation in the case of impacts to ecosystem services. For more information on the mitigation hierarchy see A Cross-Sector Guide for Implementing the Mitigation Hierarchy, developed by the Cross-Sector Biodiversity Initiative.

The core principles of biodiversity offsets are to: (a) deliver conservation gains beyond those that would have occurred in the absence of the offset; (b) conserve biodiversity features that are the same as, or in some cases of higher conservation priority than,[6] those impacted by the planned development; and (c) generate conservation benefits that endure as long as the residual impact of the project. Biodiversity offsets can take the form of conservation projects that **restore and protect** areas degraded by impacts unrelated to the planned development or that **avert the loss** of biodiversity from impacts unrelated to the planned development. For more information, see the World Bank's User Guide on Biodiversity Offsets.

Projects that plan to use biodiversity offsets should develop, with the assistance of independent experts, a biodiversity offset strategy that explains how the offset will be developed and will adhere to the principles described above. The client should provide information on the type of offset (restore and protect *versus* averted loss), the method for site selection, the relevant stakeholders, the method for quantifying the conservation gains achieved by the offset in units comparable with the residual impact of the planned development, the legal means to protect the feature, and the financial and institutional arrangements to support the offset over time. As offsets are typically implemented independently (and offsite) of regular project-level environmental management, a biodiversity offset management plan should be developed once the offset is ready for implementation. This is an operational document that guides the day-to-day execution of the offset, including descriptions of management activities, performance metrics, budget, assignment of management responsibilities, monitoring and reporting, and the method for refining the offset as needed over time.

Impacts to ecosystem services that affect livelihoods should be compensated for in accordance with PR5.

The expected outcome of the entire mitigation plan should be documented in a loss-gain analysis that illustrates the net balance of residual impacts and gains from offsets. The rigour of the analysis will be commensurate to the risk, ranging from qualitative expert opinion in low-risk scenarios to in-depth quantitative analysis, performed by specialists, for scenarios where risks and/or impacts are higher. The outcome of mitigating impacts to ecosystem services should be documented in accordance with PR5, and PR7 where applicable.

6 Offset design should secure broad stakeholder support when seeking to conserve features different to those impacted.

Box 1. Loss-gain analysis

For projects that impact **priority biodiversity features** or **critical habitat**, loss-gain analysis will be necessary to establish that **no net loss** or a **net gain** is achieved, respectively. The analysis must be specific to the biodiversity features impacted by the planned development – there is no single method that can be applied in all cases. However, some basic principles apply. The units of measure for impact assessment must be consistent with those for measuring the benefits of a biodiversity offset. They should reflect both the quantity and quality of the feature. For example, if a threatened species' habitat is measured, its extent as well as its quality relative to the species' optimal habitat requirements, are important to consider. In this case, quality (Q) might be expressed as a coefficient (0-1) multiplied by the area (for example, hectares), providing the unit of measure Qha. Using this metric, a loss-gain calculation depicting a net gain would look like:

Residual Impact of Project = Area of Project Impact (ha) x Habitat Quality (Q) = 100 ha x 0.75 = 75 Qha

Offset = Area Restored and/or Conserved (ha) x Habitat Quality (Q) = 250 ha x 0.5 = 125 Qha

For projects with the potential to generate significant negative impacts on critical habitats and their features, supporting analyses require a higher degree of rigour. It must be demonstrated that the project will not jeopardise the viability of the critical habitat or the features it supports within the EAAA, and that the national or global populations of EN or CR species (depending on the relevant criterion for "critical habitat" designation) will not decline to a degree that affects the persistence of that species over many generations. Such effects could occur, for example, in situations where a mitigation plan relies heavily on restoration that takes years to come to fruition and the temporal loss of the habitat may not be tolerated by a highly threatened species that relies on it. In such cases, the project may need to be re-designed. In cases where targeted mitigation is needed for a particular threatened species, it may be appropriate to document it in a stand-alone species action plan.

Some planned development may have the potential, without mitigation, to generate **non-offsetable** impacts. A non-offsetable impact jeopardises the viability of the feature at a national or global level. Clear examples of this would be a project that impacts an EAAA that fits the designation criteria for an AZE site or an UNESCO Natural World Heritage Site. Another example can be found in Article 12 of the Habitats Directive, which prohibits certain impacts on species listed in Annex IV of the Directive.[7] The EBRD cannot finance development with non-offsetable impacts so all options for re-design that avoid such residual impacts should be explored.

Biodiversity is inherently complex and there is often uncertainty in impact assessment and mitigation planning. This uncertainty can be managed to some degree by taking a precautionary approach and through monitoring and adaptive management. A biodiversity monitoring and evaluation plan (BMEP) should be practical and inform management decisions. It serves two core purposes: to confirm that impact assessments were accurate and ensure that mitigation is functioning as planned. As such, the BMEP is essential for adaptive management. It should contain several key pieces of information: (a) baseline values for priority biodiversity features; (b) the current status of those features (as monitored periodically); (c) the trend of that status (for example, declining, stable, improving); (d) performance thresholds for the current status that triggers a change in mitigation needed to ensure that PR6 requirements will be met; (e) a description of alternative mitigation that will be implemented if thresholds are crossed (these options may change over time due to knowledge gained through experience or changing conditions).

The mitigation and monitoring plans should be included in project ESMSs and ESMPs and should also be compiled in a single document that synthesises all of the mitigation actions related to biodiversity and ecosystem services. This provides greater ability to see how the composite of actions come together to achieve no net loss or net gain and related performance targets.

7 EU member states may derogate the Habitats Directive in certain cases (for example, for imperative reasons of overriding public interest, or IROPI). In non-member countries, clients should conduct expert assessment of "critical habitat" using the other criteria and thresholds listed in this guidance to determine the appropriate restrictions and requirements. Expert assessment should be conducted by biologists with specialised experience with the species in that particular geographic context, wherever feasible. The intent is to avoid inappropriate application of the Annex IV species list to non-member countries with significantly different ecological contexts and/or more favourable species conservation status.

Legally protected and internationally recognised areas of biodiversity value

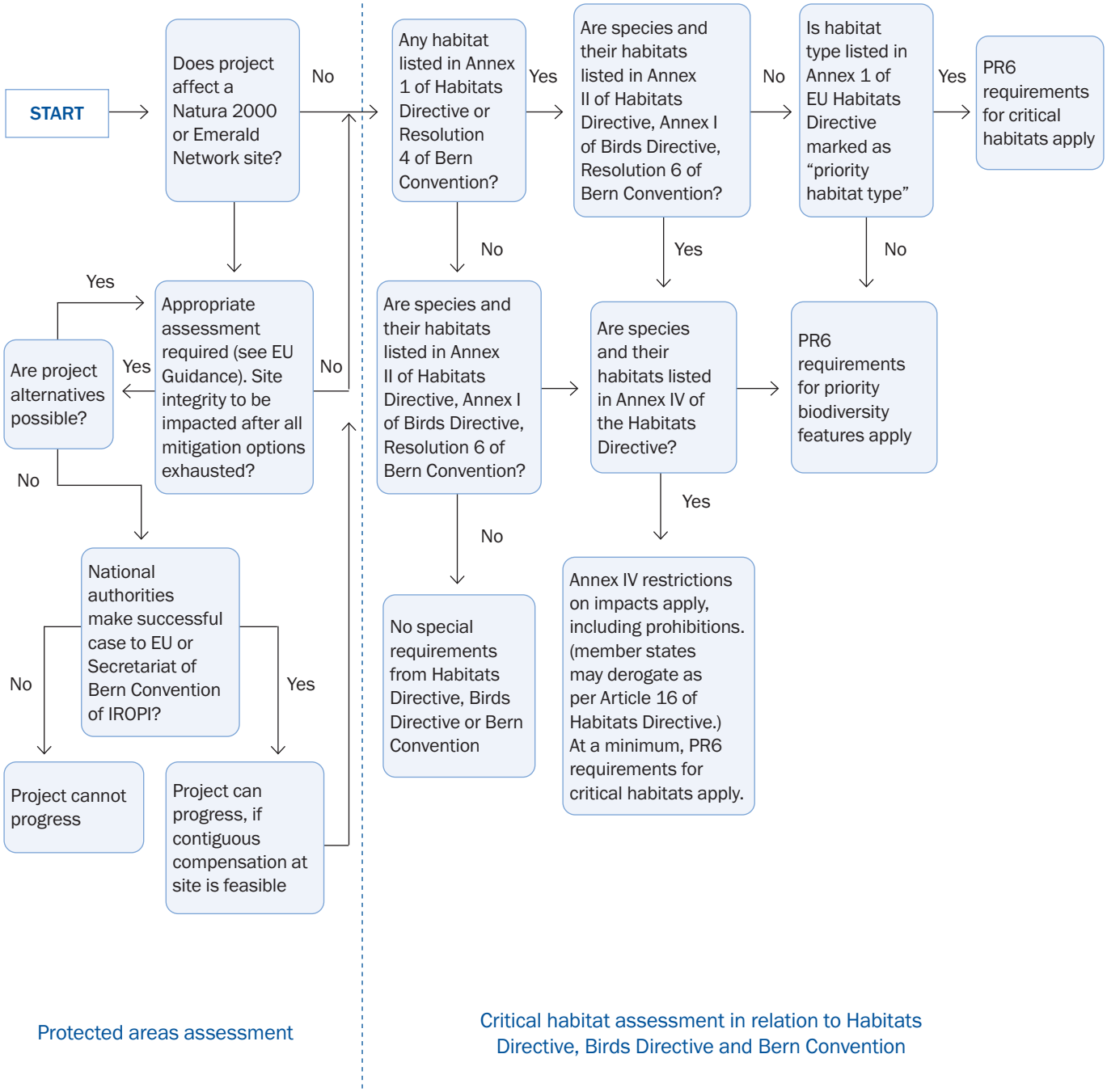
According to the IUCN, "a protected area is a clearly defined geographical space, recognised, dedicated and managed, through legal or other effective means, to achieve the long term conservation of nature with associated ecosystem services and cultural values." For this section of PR6, internationally recognised areas of biodiversity value include **only protected areas** listed under international conventions or agreements, including, but not limited to, UNESCO Natural World Heritage Sites, UNESCO Man and Biosphere Reserves, and Ramsar sites (Wetlands of International Importance). Protected areas are mapped and catalogued in the World Database on Protected Areas and A to Z Areas of Biodiversity Importance, both managed by the United Nations Environment Programme's World Conservation Monitoring Centre.

In *addition* to the other requirements of PR6, projects with the potential to negatively affect a legally protected area must respect the conservation goals of the area and the features it seeks to protect. IUCN classifies protected areas into six categories, each with different types of conservation goals and permitted human uses – all categories seek to constrain development that is not integral to the conservation goals of the areas. IUCN protected area categories I to IV strictly limit development. Human intervention is expected in categories V and VI, but only category V areas allow for intensive natural resource uses, such as agriculture and forestry. Category VI only allows low-level non-industrial sustainable use of natural resources. The management plan of an area should reflect its goals and constraints on development.

Projects that may impact a protected area either from within or outside of its boundaries and will degrade its ability to meet its management goals **will not comply** with PR6. In cases where there is potential for impacts to occur, project design must include consultation with protected area authorities. Projects may not have any significant residual impacts on Natural World Heritage Sites (as described elsewhere in this guidance as **non-offsetable** impacts).

Within the EU, according to Article 6(3) of the Habitats Directive 92/43/EEC, any project or plan within a Natura 2000 (or Emerald) Network site, or in its vicinity, requires an appropriate assessment, conducted by national authorities following European Commission guidance, to ensure that it will not have a significant impact on the integrity of the site. Projects that fail to show without reasonable scientific doubt that there will be no negative effect on the conservation objectives of the site, its integrity or the integrity of the Natura 2000 (or Emerald) Network as a whole will not be compliant with the Habitats Directive. In some instances, national authorities may derogate this requirement of the Habitats Directive for "imperative reasons of overriding public interest (IROPI)" under Article 6(4) of the Directive. As required by the Habitats Directive in these cases, compensatory measures must ensure that the overall coherence of the Natura 2000 (or Emerald) Network is protected. An appropriate assessment is **not a substitute** for the assessments the client must conduct itself for PR6 compliance. Furthermore, the EBRD is not a competent authority and cannot opine on derogation of the Habitats Directive. The client must apply whichever requirements result from the two assessment approaches, PR6 and appropriate assessment, that are most stringent. Figure 2 provides a graphical depiction of this process.

Figure 2. Application of PR6 using Habitats Directive, Birds Directive and the Bern Convention



Note: This flowchart applies to projects in the EU and Bern Convention signatory nations. In EU accession countries, some threatened habitats may not yet be listed in Annex 1 but may require equivalent treatment. This flowchart complements the critical habitat flowchart – it is not a substitute.

Invasive alien species

An alien or non-native plant or animal species is one that is introduced or spreads beyond its original range of distribution. Invasive alien species are non-native species that may spread rapidly by outcompeting other native plants and animals when they are introduced into a new habitat that lacks natural controlling factors. Invasive alien species are recognised as a major global threat to biodiversity and ecosystem services.

The principal measures for controlling invasive alien species are: (a) prevention of their intentional and unintentional introduction; (b) early detection and eradication; and (c) management to prevent their spread where they are already established. EU regulation 1143/2014 sets out requirements for member states and is accompanied by an official list of Invasive Alien Species of Union Concern. Clients in non-member countries should not intentionally introduce invasive alien species and should establish controls to prevent their unintentional introduction and/or spread where this is a risk, even if such an introduction is not forbidden by the host country regulatory framework. In the absence of adequate knowledge regarding the invasiveness of alien species, a risk assessment should be conducted in coordination with competent professionals with knowledge of the particular species in question. Genetically modified organisms can also be considered alien species, with similar potential for invasive behaviour, as well as potential for gene flow to related species. Any new introduction of such organisms should be assessed with due regard to the Cartagena Protocol on Biosafety and EU substantive environmental standards.

Examples of project types that pose a risk of unintentional spreading of invasive species include: (a) linear infrastructure – roads, rails, pipelines and transmission lines; (b) projects handling large volumes of international cargo; and (c) ports and shipping via ballast water. In areas where invasive species may pose a risk to priority biodiversity features or critical habitats, baseline studies should include a summary of invasive species already present in the project's study area, and mitigation and monitoring plans should seek to prevent, detect and eradicate invasive species during the life of the project, including those already present in the area. A dedicated invasive species plan may be appropriate in these cases.

Linear infrastructure projects should include regular monitoring and eradication of invasive species that may use the right-of-way as a corridor for spreading. Projects with international cargo may be subject to national regulations for inspection and quarantine. If not, voluntary measures may be needed. Clients are expected to comply with the International Convention for the Control and Management of Ships' Ballast Water and Sediments Convention. Clients should also refer to Guidelines for the Control and Management of Ships' Ballast Water to Minimize the Transfer of Harmful Aquatic Organisms and Pathogens, published by the International Maritime Organization.

3.2. Sustainable management of living natural resources

Projects that involve the primary production of natural resources, including crop or livestock production, natural or plantation forestry, aquaculture or fisheries, production and use of biomass for energy and biofuels will also comply with additional requirements.

PR6 requires that projects comply with national regulatory requirements, GIP and relevant EU substantive environmental standards. The client should adopt sector-specific voluntary sustainability standards and certification systems with independent verification, where they exist. Sustainability standards are well developed for many types of primary production, such as those of the Forest Stewardship Council for forestry and the Marine Stewardship Council for fisheries. In general, standards that conform with the ISEAL Code of Good Practice for Setting Social and Environmental Standards will likely be consistent with PR6 GIP requirements. However, the EBRD does not endorse any particular standard as meeting its requirements, since standards can change in both content and application on the ground over time. Standards are evaluated on a case-by-case basis. Where a relevant standard has not yet been developed, or a generic global standard has yet to be approved for use in a specific geographic region or country, clients are required to operate in the spirit of internationally accepted GIP.

Maintaining good animal welfare is both an ethical responsibility and a practical necessity due to the close links between animal welfare, animal health and human health. Harmonised EU rules are in place covering a range of animal species and welfare-affecting issues. EU Council Directive 98/58/EC concerning the protection of animals kept for farming purposes provides the minimum standards for the protection of all farmed animals, while other EU legislation sets welfare standards for farmed animals during transport (Council Regulation EC1/2005) and at the time of stunning and slaughter (Council Regulation (EC) No 1099/2009, Commission Implementing Regulation (EU) 2018/723). Specific directives provide additional protections for individual animal categories such as calves (Council Directive 2008/119/EC)), pigs (Council Directive 2008/120/EC), broilers (Council Directive 2007/43/CE) and laying hens (Council Directive 1999/74/EC). The above rules apply to EBRD-financed projects within and outside of the EU. In addition, clients are expected to implement relevant GIP for their specific sectors and activities (for example, World Organisation for Animal Health (WOAH)).

Antimicrobials, such as antibiotics, are substances used to kill micro organisms or to stop them from growing and multiplying. They are commonly used in human and veterinary medicine to treat a wide variety of infectious diseases. Antimicrobial resistance refers to the ability of micro organisms to withstand antimicrobial treatments. The overuse or misuse of antibiotics has been linked to the emergence and spread of micro organisms that are resistant to them, rendering treatment ineffective and posing a serious risk to public health. PR6 requires clients to be cognisant of this risk, use current GIP for responsible use of antimicrobials (for example, WOAH, and follow EU substantive standards).

3.3. Supply chains

Clients must prioritise the purchase of living natural resources that are produced in accordance with internationally recognised principles and standards of sustainable management, where available. Standards that conform to the ISEAL Code of Good Practice for Setting Social and Environmental Standards will likely be consistent with PR6 GIP requirements. However the EBRD does not endorse any particular standard as meeting its requirements, since standards can change in both content and application on the ground over time.

In some cases, projects may rely on core inputs, production of which may pose a risk to biodiversity. Examples include natural resource commodities, agricultural products, forest products or other goods whose production may be associated with land use or environmental practices that may be incompatible with biodiversity conservation. In these cases, the supply chain must be evaluated for major risks posed to biodiversity, such as large-scale habitat loss or over-exploitation of fisheries. For example, a project that uses palm oil as a core input must evaluate the source of that oil and determine if the suppliers are contributing to deforestation – a common environmental concern with the production of palm oil.

Where risks or impacts to biodiversity are present: (i) the client must be able to identify where the supply originates, also known as “traceability”; (ii) the client must evaluate whether the supplier(s) may be contributing to significant conversion or degradation of priority biodiversity features or critical habitat ; and if so, (iii) the client must institute supply chain controls to halt the biodiversity loss, or find alternative suppliers if the client has insufficient leverage to institute those controls. The client should conduct ongoing review of its suppliers. Standards and certification systems for a number of products now exist that can facilitate verification and ongoing review of supply chains, although the EBRD does not endorse any particular standards.

Glossary

PR6 and this guidance note use the following terms and definitions:

Biodiversity – technically defined as the variability of life on earth, although PR6 uses the term in practice to refer to the group of living organisms in a given area.

Ecosystem services – the benefits that flow from nature to people in three broad categories: provisioning (for example, the supply of food, clean air and water and materials); regulating (for example, hydrologic and climate regulation, nutrient cycling, pollination or the formation of fertile soils); cultural or recreation benefits.

Habitat – the environment, including physical and biological features, where the members of a species live. For the purposes of PR6 the term *habitat* can also refer to an *ecosystem*, which is the composite of all living organisms and their physical environment.

Population – the individuals of a species that live and interbreed within a particular geographical area at the same time.

Species – a group of living organisms that can interbreed in nature. It is the lowest taxonomic level in biological classification.

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