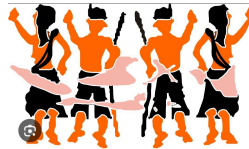


Recommendations for the Biodiversity Team on the Revision of IFC PS6



Following two discussions with the International Finance Corporation (IFC) team on the revision of Performance Standard 6 (PS6) on biodiversity conservation and sustainable management of living natural resources, we submit the following recommendations to strengthen alignment with the IFC's stated commitments and the urgency of the biodiversity crisis.

1. Aligning PS6 and the IFC's biodiversity commitments

The IFC should not permit biodiversity loss from project-related impacts, particularly in light of its alignment with the Kunming-Montreal Global Biodiversity Framework (GBF) and the commitment to conserve at least 30 percent of land and oceans by 2030.

The historic emphasis on generalized biodiversity conservation and over-reliance on offsets are incompatible with the goal of halting and reversing biodiversity loss. Rather than acting as a safeguard, these approaches often enable continued degradation. **PS6 should therefore adopt a clear “no loss” standard.** This requires a precautionary and restrictive approach that does not rely on offsets to justify biodiversity loss, and one that is supported by stronger requirements on impact avoidance, as well as on capacity, timing, and monitoring.

- **No loss vs. no net loss.** The IFC team has suggested that the distinction between “no loss” and “no net loss” is largely semantic rather than practical. If, as suggested, the difference is not operationally meaningful, PS6 should adopt “no loss” as the clear standard.

Civil society organizations (CSOs) continue to view this distinction as highly significant, particularly given the fact that over 75% of the world's land mass is already significantly altered or degraded, which has accelerated global and regional biodiversity loss. : The concept of "no net loss" implies that there is further loss of biodiversity, but that that biodiversity is compensated elsewhere. However, the notion that biodiversity can be compensated is conceptually flawed, as is explained further below.

- **Timeframe (temporality).** A core flaw in the offset model is the timing gap between impact and compensation. Biodiversity loss typically occurs immediately, while offset measures are implemented later and may take years, if ever, to deliver results. This temporal mismatch is incompatible with a “no loss” standard. Allowing for “temporary loss” exacerbates this problem. In practice, delays, weakened oversight over time, and changing regulatory or financial conditions can mean that offsets are only partially implemented, or not realized at all, creating a significant risk of permanent biodiversity loss under the guise of (future) compensation.
- **Biodiversity in a given place is unique.** Each location's climate, soil, geography, and historical processes shape its distinct biological community, with species often specialized to their environment and interdependent in ways that are not fully understood. Attempting to compensate for biodiversity loss by restoring or creating habitats elsewhere ignores this uniqueness, as it is impossible to recreate the exact same species compositions, genetic diversity, and ecological functions, or to restore the complex relationships and evolutionary potential that have been lost. Biodiversity does not have a single metric, unlike carbon, and can not be substituted for. Thus, biodiversity compensation is inherently inadequate and risks normalizing the destruction of irreplaceable natural systems.
- **Offsets and problematic methodologies** The current offset model raises fundamental concerns

about whether impacts can be reliably measured and genuinely compensated. In practice, offsets are often small-scale efforts with limited conservation value and risk serving to justify harmful projects rather than ensuring ecological equivalence. Even where “no net loss” is claimed, there is little evidence that offsets are proportionate to the damage caused. These limitations demonstrate that offsets cannot reliably deliver a “no loss” outcome. The shortcomings are most evident in high-value ecosystems, such as Key Biodiversity Areas (KBAs) and free-flowing rivers, where impacts are irreversible and cannot be meaningfully offset.

- **Institutional capacity.** The IFC has acknowledged that past offsets have often been ineffective, and that their success depends on clients having sufficient institutional, financial, and technical capacity to design, implement, and sustain them. Even where PS6 requires clear, upfront evidence of such capacity, this alone is not sufficient to ensure outcomes consistent with “no loss.” Offsets remain at risk of being poorly implemented, underfunded, or deprioritized once project approval is secured.
- **Lack of robust monitoring systems.** The IFC has not established sufficiently robust mechanisms to verify whether implemented offset projects deliver measurable positive outcomes. Without systematic monitoring, verification, and accountability, it is not possible to demonstrate that offsets achieve outcomes consistent with “no loss.” While IFC has indicated a need to better communicate successful cases, this does not address these underlying gaps.

2. Expand and strengthen No Go and critical areas

The IFC should expand and strengthen the definition and scope of [No Go areas](#) and critical areas under PS6. This should be based on ecological value, normative protection, and the rights of Indigenous Peoples, ensuring that high-value and irreplaceable ecosystems are not exposed to project-related impacts. **A clearer and more comprehensive definition of No Go areas is essential to ensure that high-value ecosystems are not exposed to project-related impacts.** This should include KBAs, protected areas, and OECMs, as well as United Nations Educational, Scientific and Cultural Organization (UNESCO) World Heritage sites, Alliance for Zero Extinction (AZE) sites, and areas under private protection, with language aligned to the Habitat Directive’s “no significant harm” principle. Given the demonstrated limitations and frequent failure of biodiversity offsets and mitigation hierarchies to prevent irreversible ecological loss, particularly in critical habitats and culturally significant landscapes, PS6 should adopt a precautionary approach that prioritizes impact avoidance over compensation or substitution.

Free-flowing rivers (FFRs) and their valleys are ecologically irreplaceable and constitute critical life-support systems. They sustain rich aquatic biodiversity and provide a wide range of ecosystem services. Larger (longer) FFRs within each basin or region should therefore be exempt from infrastructure development or anthropogenic modification. In fact, [85% of monitored populations of riverine species are declining](#) and freshwater biodiversity in many developing countries remains poorly studied. FFRs may therefore serve as a reliable proxy for safeguarding well-preserved ecosystems with intact biodiversity. [Global analyses](#) further support [basin-level identification of rivers for protection](#), and similar approaches have been reflected in [European Union strategies](#) and [recommendations](#) from the Banks and Biodiversity Initiative.

[No Go areas must also include those defined under Indigenous Peoples’ customary law](#), consistent with the linkages between PS6 and PS7 on Indigenous Rights. This includes intangible zones and territories of

Indigenous Peoples in voluntary isolation. Indigenous Peoples are critical stewards of biodiversity, and respecting their rights, including the [right to grant, withhold, or withdraw Free, Prior, and Informed Consent \(FPIC\)](#), is essential for both human rights and conservation outcomes. FPIC should be recognized as a substantive right rather than a procedural consultation requirement, and should apply throughout the full project lifecycle, including associated facilities, supply chains, biodiversity offsets, and financial intermediary-supported subprojects. Where FPIC is not obtained, projects should not proceed. Such areas, including those of cultural, spiritual, subsistence, and governance significance, should be explicitly recognized as No Go areas.

The updated PS6 should also address historical and ongoing harms associated with projects approved without FPIC or involving unresolved land conflicts, deforestation, biodiversity loss, or violations of Indigenous Peoples' rights. This should include requirements for remedy, restitution, and rights-based remediation frameworks where past or ongoing impacts remain unresolved. IFC should further ensure that No Go area protections and FPIC obligations apply consistently across clients, financial intermediaries, advisory services, contractors, and supply chains, including in sectors associated with indirect land use change and ecosystem conversion, such as mining, industrial agriculture, forestry, and hydropower development. The use of conservation offsets, nature-based solutions, or protected-area models should not be used to override or weaken Indigenous rights, restrict customary governance systems, or justify impacts in areas that would otherwise qualify as No Go areas.

3. Explicit alignment with the CBD and GBF

The revised Sustainability Framework should align with the Convention on Biological Diversity (CBD) and the GBF, which provides the most current and operational framework for biodiversity action. While the IFC has suggested that alignment with the CBD alone is sufficient, on the basis that the GBF is a temporary instrument, we disagree. Although adopted under the CBD, the GBF sets out more specific, implementation-oriented commitments that are directly relevant to IFC's operations. **PS6 should explicitly reference the GBF**, while clarifying that IFC will align with any future framework that may supersede it.

The GBF sets out clear, implementation-oriented expectations for avoiding, minimizing, and mitigating negative impacts on biodiversity, directly supporting project-level decision-making under PS6. It also strengthens monitoring and accountability through provisions on reporting and indicators, enabling more measurable and verifiable outcomes. In addition, the GBF supports the identification and prioritization of areas for conservation, including KBAs and OECMs, which are directly relevant to IFC's approach to risk categorization, impact assessment, and the designation of No Go areas.

4. Strengthen and align sectoral exclusions

The IFC should strengthen and align its sectoral exclusions in the new Sustainability Framework. An integrated approach would ensure that activities fundamentally incompatible with biodiversity objectives are clearly excluded, **including industrial-scale agriculture, industrial livestock production, industrial forestry, deep-sea mining, up-mid-downstream fossil fuels, radioactive materials, and hydropower dams.**

Industrial-scale agriculture, particularly livestock production, is a major driver of biodiversity loss. It drives land-use change through pasture expansion and feed production, contributes to pollution and eutrophication from fertilizers, pesticides, and manure, and generates significant greenhouse gas emissions that exacerbate climate-related biodiversity impacts. It also creates conditions for zoonotic disease emergence. IFC's sector-neutral approach underestimates these risks and should be strengthened to explicitly address industrial-scale agriculture and its value chain. This should include comprehensive assessments of upstream and downstream biodiversity impacts.

Similarly, activities such as deep-sea mining and the use of radioactive materials pose significant and often irreversible risks to ecosystems, with limited scope for prevention, mitigation, or compensation. These characteristics are incompatible with a "no loss" approach and justify their inclusion in IFC's exclusion lists.

5. Identifying and managing indirect impacts

The IFC should adopt a holistic approach to impact assessment that fully accounts for indirect impacts and supply chain effects. This includes upstream and downstream impacts, which should be systematically identified, assessed, and integrated into decision-making, rather than treated as externalities.

Indirect land use change: project impacts often extend beyond their immediate physical boundaries. While a project may not directly cause deforestation or biodiversity loss on-site, it can displace existing activities and drive these impacts elsewhere, for example, by pushing agricultural expansion (commonly livestock production) into forest frontiers. These indirect effects can be significant and undermine the objectives of PS6 if not properly accounted for.

The revised Sustainability Framework should address this gap by clarifying IFC's responsibility for identifying and managing indirect impacts. While current provisions require clients to assess operational risks, stronger and more explicit requirements are needed to ensure that all material impacts are considered. The IFC has acknowledged the limitations in assessing indirect impacts in past cases, such as projects in Brazil linked to displacement-driven deforestation.

6. Update the supply chain requirements to better track indirect suppliers

The lack of clarity around the definition of primary suppliers, which lacks detail and is open to interpretation, and the extent of the client's responsibility for supply chain oversight has contributed to challenges in project implementation and oversight. For example, this ambiguity creates loopholes in the Environmental and Social Management System (ESMS). Lack of supply chain controls in certain projects has exacerbated risks of deforestation and direct negative impacts on Indigenous territories (e.g. IFC project Aperam and Minerva). To achieve full traceability of suppliers, IFC must strengthen the Performance Standards by: a) clarifying the definition of "primary supplier" to make it clearer to whom the client must apply the supply chain risk assessment and management, as required under PS1; b) clarifying that the primary supplier E&S commitments apply by extension to the supplier's subcontractors.

7. Strong requirements for financial intermediaries and advisory services

The IFC should strengthen and clarify requirements for financial intermediaries (FIs) and advisory services, particularly for high-risk projects impacting biodiversity. FI investments now comprise over half of IFC's portfolio and frequently support Public-Private Partnerships (PPPs) and infrastructure in biodiversity hotspots. Clear, enforceable requirements are needed to ensure that Performance Standards are consistently applied across all investment channels.

Financial intermediaries should be required to fully comply with the IFC's Performance Standards in all their financial services.

Financial intermediaries should also be required to fully disclose all sub-projects financed with IFC support, as transparency is essential for effective monitoring and accountability. Gaps in disclosure and oversight limit the ability to assess biodiversity impacts and ensure compliance. Evidence from civil society monitoring and the Compliance Advisor Ombudsman (CAO) shows that IFC has not consistently ensured that FI clients apply the Performance Standards in sub-projects.¹ The revised framework should therefore require that Performance Standards are embedded in legally binding agreements between IFC and its clients, and between clients and sub-projects, to ensure enforceability.

Similarly, IFC's advisory services often facilitate PPPs and infrastructure projects with significant biodiversity impacts, yet the application of Performance Standards in these cases remains unclear. Evidence from the CAO demonstrates that advisory services can contribute to adverse impacts when standards are not clearly and consistently applied.² The revised Sustainability Framework should therefore explicitly require that Performance Standards apply to advisory services, ensuring that all advice is consistent with IFC requirements and does not enable projects that undermine biodiversity or Indigenous rights.

8. Integrating animal welfare into PS6

The IFC should integrate animal welfare into PS6 through clear definitions, enforceable requirements, and a precautionary, risk-based approach. While the IFC's inclusion of animal welfare is welcome, it

¹ See e.g., "CAO Investigation of IFC Environmental and Social Performance in Relation to Rizal Commercial Banking Corporation in the Philippines", Compliance Advisor Ombudsman, November 19, 2021, available at: https://www.cao-ombudsman.org/sites/default/files/downloads/CAO%20Compliance%20Investigation_RCBC-01_Philippines_Nov%202021.pdf (finding non-compliance in appraisal and supervision, with sub-projects proceeding without assurance of compliance and causing environmental and social harm); "Watchdog slams World Bank Group for helping bankroll Philippines coal boom", Recourse, April 8, 2022, available at: <https://re-course.org/newsupdates/watchdog-slams-world-bank-group-for-helping-bankroll-philippines-coal-boom/>.

² See e.g., "Panama: PL IV-01 / Multi-locations", Compliance Advisor Ombudsman, available at: <https://www.cao-ombudsman.org/case/panama-pl-iv-01-multi-locations> (finding that IFC's advice was only partially consistent with the Performance Standards, including shortcomings in the design and implementation of FPIC); "Nepal: Pathivara cable car case, IFC advisory project threatens Indigenous rights", Recourse, available at: <https://re-course.org/wp-content/uploads/2026/04/Pathivara-Cable-Car-Case-Digital.pdf>.

must strengthen, rather than dilute, PS6's biodiversity objectives. Animal welfare should be formally defined in line with the World Organisation for Animal Health (WOAH) [Terrestrial Animal Health Code](#). It should be treated as a distinct social and governance issue, implemented in a way that preserves conceptual clarity and avoids substitution between welfare and biodiversity safeguards. IFC should also explicitly recognize animal welfare as a distinct environmental and social risk requiring assessment, monitoring, supervision, and disclosure within Environmental and Social Management Systems (ESMS).

PS6 should establish welfare-based exclusions for inherently harmful production systems that cause severe, unavoidable suffering and lack a credible pathway to acceptable outcomes under Good International Industry Practice (GIIP). Such exclusions should apply to new construction, expansion, and major refurbishment, and IFC financing should not support the maintenance or expansion of these systems. At a minimum, this should include cages for egg-laying hens and other poultry, gestation and farrowing crates, veal crates, and the keeping of animals for fur or wild skin production. These systems raise intrinsic welfare concerns and are frequently associated with cumulative environmental, biodiversity, climate, and public health risks that cannot be meaningfully mitigated or offset. IFC should also ensure that exclusions apply consistently across financial intermediary investments and associated supply chains.

For animal-related activities that remain eligible, PS6 should establish clear, science-based minimum welfare requirements that are globally applicable, measurable, auditable, and enforceable. These should address housing systems and space allowances that enable species-specific behavior, routine access to outdoor environments and provision of environmental enrichment, avoidance of or effective pain mitigation for invasive procedures, and humane handling, transport, stunning, and slaughter. Species-specific technical thresholds should be set out in supporting Guidance Notes, drawing on authoritative scientific frameworks rather than embedded directly in the Performance Standard text.³ These should include, among others, the WOAH standards, EFSA scientific opinions, and other internationally recognized scientific guidance relevant to animal welfare and biodiversity risk management.

For existing facilities that do not meet minimum welfare standards and are not subject to exclusion, IFC financing should be conditional on time-bound transition plans implemented through Environmental and Social Action Plans (ESAPs). These should include clear milestones and timelines, independent verification, public reporting where appropriate, and binding contractual covenants, and should prohibit the use of IFC funds to maintain or expand excluded practices. IFC should also explicitly define GIIP for animal welfare and provide detailed operational guidance through a Good Practice Note, ensuring consistent implementation across regions. Certification schemes may be used as supplementary evidence where scientifically robust, but should not replace IFC due diligence or minimum requirements.⁴ The IFC should further ensure that animal welfare-related disclosure requirements apply at both the project and portfolio level, including for financial intermediary sub-projects, in order to support transparency, accountability, and effective biodiversity risk management.

³ "Animal welfare", efsa, February 26, 2026, available at: <https://www.efsa.europa.eu/en/topics/topic/animal-welfare>.

⁴ "Responsible Minimum Standards (RMS)", Farms Initiative, available at: <http://www.farmsinitiative.org/safeguardwelfare>.