

## DOCUMENT COVER SHEET

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Reference:	BBOP-AWG-PCI-GN-20-5-11
Date:	20/05/2011
Title:	<b>BBOP Principles with Draft Criteria and Indicators, and draft Guidance Notes</b>
Abstract:	<p>Subsidiary to the BBOP Principles, draft Criteria and Indicators (PCI), this draft document provides notes for auditors to assist with the assessment of whether an offset has been designed and subsequently implemented in conformance with the PCI. This version presents draft Guidance Notes for selected Indicators under the BBOP Principles 1, 2, 3, 4, 6, 7 and 8, by way of illustration of the proposed structure and method. Guidance Notes for the remaining Principles will be prepared in the coming months.</p> <p>The document is in two parts:</p> <p>Part 1 is an introduction, explaining the concept of Guidance Notes for the Principles, Criteria and Indicators; discussing the intended audience and introducing related documents (particularly the Glossary, explained below). The introduction also explains the assessment process envisaged and a chronological view of the PCIs considering typical stages of offset implementation and design. It briefly discusses the distinction between biodiversity offsets (that meet all the PCI) and compensation, and the implications for developers if their conservation measures don't meet all the PCIs. Finally, it describes the manner in which these PCIs were developed and the present process of trialling and consultation (with which we'd welcome your help). (Note: This document contains the same introductory information as in the PCI document, and some additional material highlighted in grey.)</p> <p>Part 2 Presents the Guidance Notes, principle by principle. (For a more chronological order, tracking likely stages in offset design and implementation, readers can refer to the flow diagram on page 6.) The document offers an interpretation of each Indicator covered; key questions for assessment; factors to consider in assessing conformance (conformance requirements and situations that are likely to represent causes of non-conformance); as well as related activities from other Indicators.</p> <p><b>Please also see three accompanying documents:</b></p> <ul style="list-style-type: none"> <li>• <b>Principles with draft Criteria and Indicators (PCIs):</b> The PCIs are identical to those in this document, but presented in brief form (6 pages) without the longer, accompanying Guidance Notes. The document also has a more detailed explanatory introduction than this Guidance Notes document. Available at: <a href="http://www.bbopconsultation.org/pci/BBOP-PCI">http://www.bbopconsultation.org/pci/BBOP-PCI</a></li> <li>• <b>Glossary:</b> A glossary of the terms found in this PCI document, the accompanying Guidance Notes, BBOP methodologies, resource papers and case studies. This document covers terms common in methodologies and guidelines related to the application of the mitigation hierarchy including biodiversity offset design and implementation. Available at: <a href="http://www.bbopconsultation.org/pci/Glossary">http://www.bbopconsultation.org/pci/Glossary</a></li> <li>• <b>Questions for reviewers of the draft PCIs:</b> A set of five questions (part multiple choice and part open-ended) to gather reviewers' opinions on the content, practicability and utility of the draft PCI and Guidance Notes. Available at: <a href="http://www.bbopconsultation.org/pci/Questions">http://www.bbopconsultation.org/pci/Questions</a></li> </ul>

## Draft Guidance Notes to support the draft Criteria and Indicators beneath each BBOP Principle

**A tool to assess adherence to the BBOP Principles  
in biodiversity offset design and implementation.**

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**NOTE:**

*Part 1 of this document includes the text that appears in Part 1 of the PCI document. Additional information that is only in this document is **highlighted in grey**.*

#### Part 1: Introduction

##### About this document

Subsidiary to the BBOP Principles, draft Criteria and Indicators (PCI), this draft document provides notes for auditors to assist with the assessment of whether an offset has been designed and subsequently implemented in conformance with the PCI. This version presents draft Guidance Notes for selected Indicators under the BBOP Principles 1, 2, 3, 4, 6, 7 and 8, by way of illustration of the proposed structure and method. Guidance Notes for the remaining Principles will be prepared in the coming months.

‘Principles’ are interpreted as the fundamental statements about a desired outcome. ‘Criteria’ are the conditions that need to be met in order to comply with a Principle. ‘Indicators’ are the measurable states which allow the assessment of

whether or not a particular Criterion has been met. After trialling and consultation, the PCI will be published as a draft standard on biodiversity offsets. All the Criteria and Indicators are an essential part of the whole, and all need to be met for a biodiversity offset to meet the draft standard.

The issue of conformance with the PCI (in other words, the level of compliance with the PCI needed for a particular biodiversity offset to 'meet' the draft standard) is still under development while the PCI is trialled and improved. The present intention is that assessors and auditors will not insist on perfection in satisfying the Principles, Criteria and Indicators. However, major failures in any individual Principle or Criterion would disqualify a biodiversity offset from meeting the draft standard.

To guide assessors and auditors through the process of determining compliance with the PCIs, the draft Guidance Notes are organized in the following fashion: Each Indicator (with associated Principle and Criterion) is first set out in a text box. The Guidance Notes for that indicator follow, with an explanation or interpretation of the Indicator that defines terms used in the Indicator and provides some examples or descriptions to illustrate characteristics of the Indicator. The interpretation also offers guidance on the kinds of evidence or factors to be considered in evaluating the Indicator and what constitutes good practice in a particular area (for instance, suitable metrics, or what to look for in plans). Following the interpretation of indicator, key questions are listed that need to be answered for assessors to be satisfied that the Indicator has been met, with related conformance requirements for each key question. As a corollary, footnotes to the conformance requirements offer examples of the circumstances that would likely constitute non-conformance. Finally, related activities from other indicators are noted, since this could help coordinate the assessment process and also evaluation of the indicators.

The Guidance Notes are not intended to provide a prescriptive or complete set of targets to be met in order for a given offset to satisfy the PCI, but rather to offer indicative information to guide assessors and auditors in reviewing and evaluating evidence for conformance. It is impossible to predict an appropriate approach to offset design and implementation for every case, and assessors may find it helpful to consider a 'comply or explain' philosophy to the more detailed conformance requirements in these draft Guidance Notes, so that if a particular suggestion is inapplicable, the developer can explain why this is the case and offer an alternative approach to satisfying the Principle concerned.

The Guidance Notes can be read in conjunction with other technical documents related to the design and implementation of biodiversity offsets (such as the BBOP Handbooks on Offset Design, Cost Benefit Assessment and Offset Implementation, Resource Papers on Offsets and Impact Assessment, Offsets and Stakeholder Engagement, and papers still under development on Loss-Gain calculations and on impacts that are difficult to offset. These are available at: <http://bbop.forest-trends.org/guidelines/index.php>).

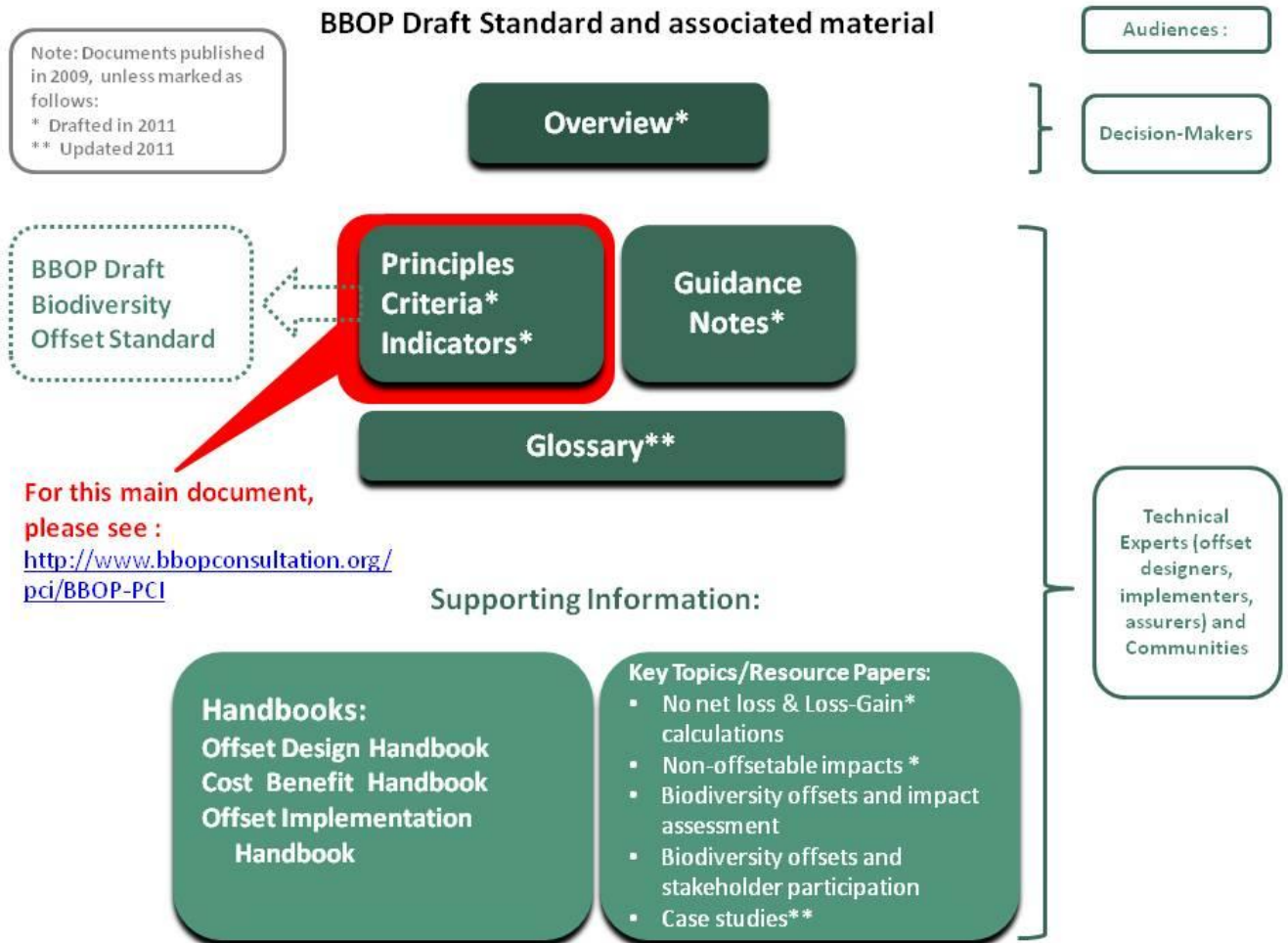
Some assessors may not have specific expertise in the emerging and quite detailed scientific and technical aspects of biodiversity offset design and implementation. And they may well not have the time to undertake detailed research to establish whether the selection by the developer of a particular approach or methodology is appropriate. Consideration of peer review (for instance, the establishment by the developer of a panel of experts or steering committee) may help assessments. By way of illustration, two examples of issues on which such expert opinion may be valuable are in the ranking of biodiversity components according to conservation priority (Indicator 1-1-2) and in determining adequate provision for risk and uncertainty (Indicator 1-1-5). With such situations in mind, Indicator 9-1-2 also makes provision for an independent review panel or steering committee.

One feature of biodiversity offsets is that their implementation, and even their design, can be a long-term project. Assessors may find it helpful to consider two stages of assessment:

- **'Validation' of biodiversity offset design**, when a Biodiversity Offset Management Plan has been prepared that describes a biodiversity offset which, if satisfactorily implemented, should satisfy the PCI; and
- **'Verification' of biodiversity offset implementation**, with period assessments over time.

### Audience, users and related documents

The BBOP Principles, and now the draft Criteria, Indicators and accompanying Guidance Notes, are the core of BBOP's work to develop best practice for biodiversity offsets. Since BBOP was established at the end of 2004, it has also produced a number of other tools and products. The relationship between these is illustrated simply in the following diagram:



All the documents from 2009 listed in the diagram above are available on <http://bbop.forest-trends.org/guidelines/index.php>. The other documents (such as this one) are under development, and once finalised in 2011 or 2012 will be available on the same website.

Among the documents mentioned in the diagram, two are particularly relevant to people reading this Draft Guidance Notes document. They are:

- **Glossary:** A glossary of the terms found in the PCI and Guidance Notes and also common in methodologies and guidelines related to biodiversity offset design and implementation. This is Available at: <http://www.bbopconsultation.org/pci/Glossary>
- **Principles with draft Criteria and Indicators (PCIs):** The PCIs are identical to those in this document, but presented in brief form (15 pages) without the longer, accompanying Guidance Notes. Available at: <http://www.bbopconsultation.org/pci/BBOP-PCI>

Finally, there is a set of five questions (part multiple choice and part open-ended) to gather reviewers' opinions on the content, practicability and utility of the draft PCI and Guidance Notes. This '**Questions for Reviewers of the Draft PCIs**' is available at: <http://www.bbopconsultation.org/pci/Questions>. We would be grateful to any readers of this document prepared to send us a response to these five questions.

There are two principal intended users of the Guidance Notes:

- **Assessors and Auditors:** The PCI have been prepared to enable auditors and assessors to determine whether an offset has been designed and subsequently implemented in accordance with the BBOP Principles. Assessment could be undertaken by a variety of people. An assessor could be an employee of a company designing a biodiversity offset, a member of an NGO that is a company's partner, or a third party verifier and auditor. Consequently, the principal audience for the PCI and Guidance Notes is the set of individuals assessing biodiversity offsets against the

PCI. Assessment takes place once a biodiversity offset has been designed and continues through the implementation stage. (See chronology diagram on page 6.)

- **Offset designers:** Since biodiversity offsets are likely to be assessed against the PCI, it will be useful for individuals designing biodiversity offsets to refer to the PCI as they design the biodiversity offset so they can plan the offset in such a way that it will meet the draft standard. The PCI could thus provide guidance for offset design and implementation, when used with other tools for offset design and implementation, such as BBOP's Handbooks.

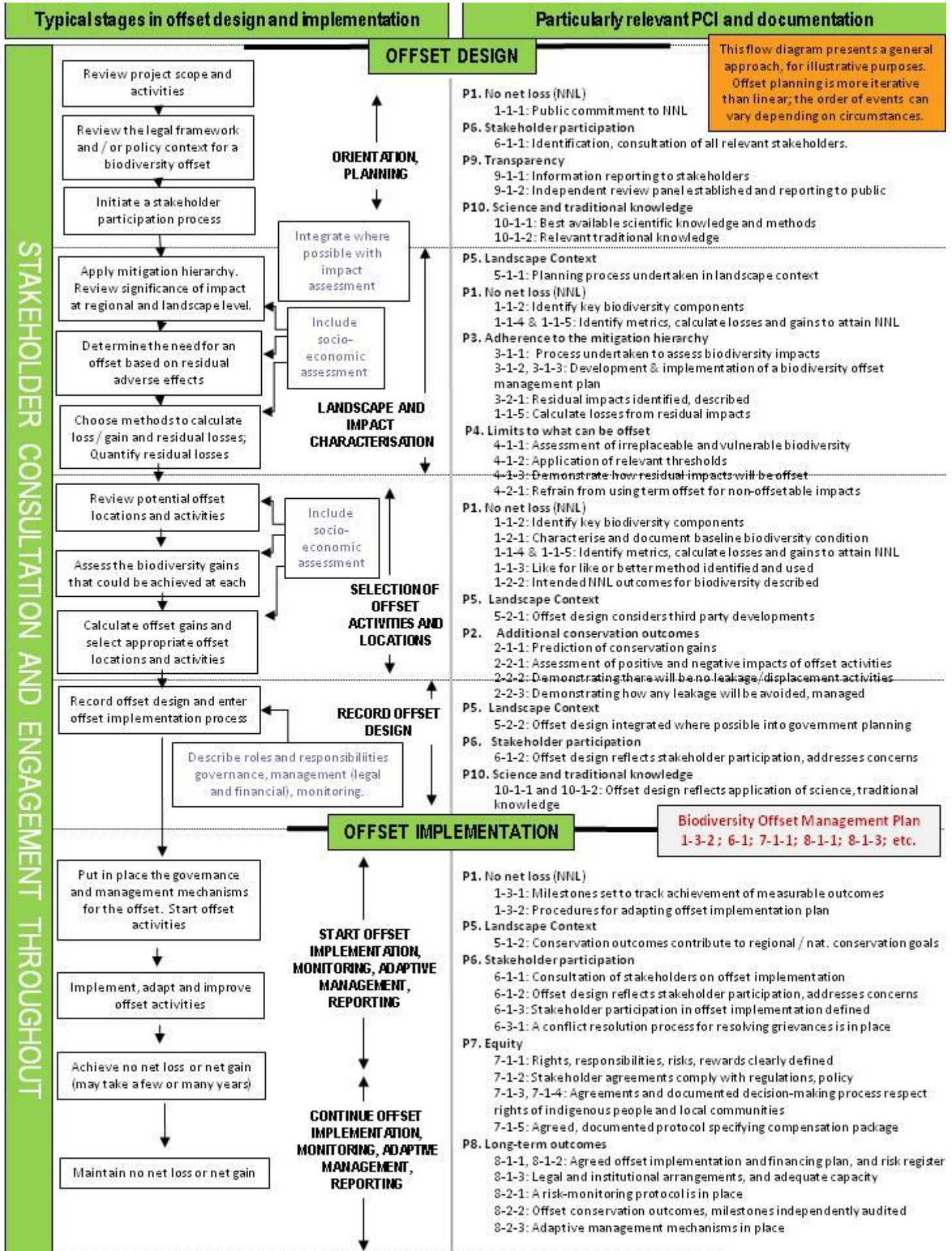
In addition, there are other potential audiences for the Guidance Notes:

- **Policy-makers:** Those involved in developing and administering policy on the mitigation hierarchy and biodiversity offsets (whether they work for governments, individual companies or industry associations), may also find the PCI and Guidance Notes useful as they capture international best practice on the subjects covered in these documents.
- **Civil society:** Similarly, representatives from local communities, indigenous peoples and civil society organisations such as NGOs may find the PCI and Guidance notes helpful if they are affected by, or interested in, a project or biodiversity offset. The documents could help inform their dialogue with developers.

### The Assessment Process and a Chronological View of the PCI

The Principles, Criteria and Indicators are presented in this document according to the **order of the BBOP Principles** (eg from Principle 1, Criterion 1, Indicator 1 through to Principle 10, Criterion 1, Indicator 2). However, to see them presented in a **putative chronological order**, typical of the stages involved in biodiversity offset design and implementation, please see the flow diagram on the next page.

There is mixed opinion among BBOP members as to the value of attempting to present a chronological approach to the PCI, and we would be interested in your views. On the one hand, a process-based approach which sets out the PCI in an order in which an assessor is likely to tackle an assessment would help the assessor and also offset planners, and many BBOP members are very enthusiastic about a chronological presentation. On the other hand, the chronology of offset design and implementation varies enormously according to whether the offset is prospective (planned prior to impacts taking place) or retrospective (planned once some impacts have already started), and according to the scale of the project and even the geographical location and industry sector concerned. There was a concern among some members that readers might feel we were presenting a unique, prescriptive view of the offset design process, whereas the process might be very different in different settings. In addition, offset design is a more iterative than a simply linear process. Consequently, the flow diagram overleaf is purely illustrative, and offers just one possible approach to the process.



**Biodiversity Offset Management Plan**  
1-3-2; 6-1; 7-1-1; 8-1-1; 8-1-3; etc.

## Key documents in biodiversity offset design and implementation

Naturally, there are many documents (including corporate environmental policies, site management plans, Environmental Impact Assessments, records of meetings with various stakeholders, and others) which are relevant to the design and implementation of biodiversity offsets. However, a number of key documents are referred to throughout the PCI and are likely to offer especially useful evidence to assessors that particular PCIs have been satisfied. These include:

- **Environmental and Social Impact Assessment (ESIA):** Many projects require a formalised process, including public consultation, in which all relevant environmental consequences of the project are identified and assessed before authorisation is given. The application to biodiversity of the mitigation hierarchy (avoidance, minimisation, rehabilitation/restoration and offsets), can be integrated into ESIA. ESIA are thus mentioned in several of the BBOP Principles, Criteria and Indicators.
- **The Biodiversity Offset Management Plan (BOMP) and other management plans:** Developers typically adopt some form of management plan (often called a Biodiversity Action Plan) to address the mitigation measures set out in the EIA and then developed as part of the project’s environmental management plan to ensure their implementation. Biodiversity may be integrated throughout the environmental management plan, or may form a discrete component. Such documents may also incorporate biodiversity offsets, but they are generally more focussed on project sites (and managing impacts on-site) rather than on offset areas and activities.

The BBOP Principles, Criteria and Indicators (PCI) require a plan that addresses the full set of issues involved in design and implementation of a biodiversity offset, although the PCI are flexible as to what the plan is called and what form it takes. The plan for addressing offset issues is referred to throughout the BBOP PCI document as the **Biodiversity Offset Management Plan**. Offset activities may be physically separate from companies’ on-site biodiversity management, broader in scope, and involve more detailed and longer-term roles, responsibilities and legal, institutional and financial arrangements, so the Biodiversity Offset Management Plan may integrate a site-based Biodiversity Action Plan, or they may be two separate documents.

The BBOP PCIs require the **Biodiversity Offset Management Plan to** capture the offset’s management objectives and the essence of biodiversity offset design (including application of the mitigation hierarchy, checking that residual impacts can be offset, calculating loss and gain, landscape level planning and offset site selection, definition of the planned conservation outcomes of the offset, identification of the corresponding offset activities, assumptions and rationale for choices made). The BOMP document should also describe the main elements of offset implementation (including a description of roles and responsibilities for implementation, the long-term legal, institutional and financial arrangements for offset implementation, monitoring, evaluation and adaptive management).

### Offset or compensation? What if my project does not satisfy all the PCIs?

BBOP defines a biodiversity offset as a no net loss (or net gain) conservation outcome (see the Box to the right). Consequently, to meet the standard that will be described in the revised PCI, all the Principles and Criteria need to be satisfied, as evidenced by conformance with all the Indicators, unless the developer can justify that a given Indicator is inapplicable in its particular setting. While assessors will not insist on perfection in satisfying the Principles, Criteria and Indicators, major failures in any individual Principle or Criterion would disqualify a biodiversity offset from meeting the draft standard.

However, we recognise that the PCI represents new and emerging best practice, and many conservation projects are either not designed to meet all the PCI, or for a variety of reasons, are simply unable to do so.

#### Definition of Biodiversity Offsets

Biodiversity offsets are measurable conservation outcomes resulting from actions designed to compensate for significant residual adverse biodiversity impacts arising from project development\* after appropriate prevention and mitigation measures have been taken.

The goal of biodiversity offsets is to achieve no net loss and preferably a net gain of biodiversity on the ground with respect to species composition, habitat structure, ecosystem function and people’s use and cultural values associated with biodiversity.

\* While biodiversity offsets are defined here in terms of specific development projects (such as a road or a mine), they could also be used to compensate for the broader effects of programmes and plans.

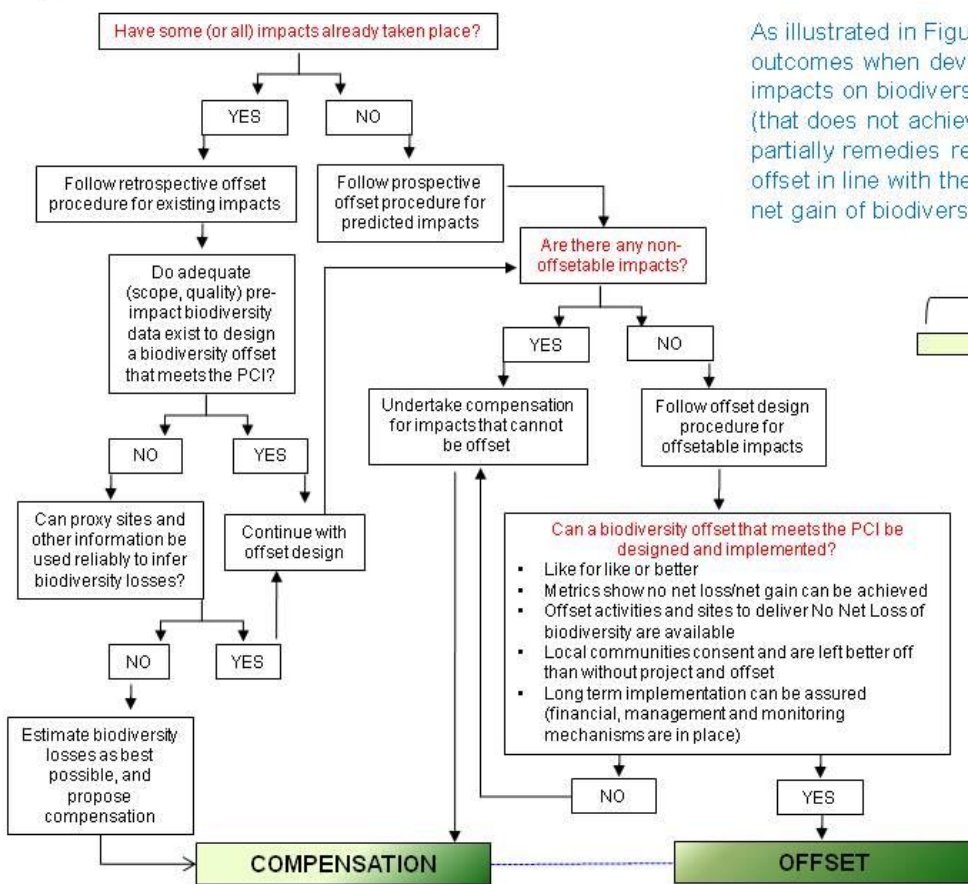
Typical reasons why it may not be possible for a project to conform to all the PCIs include the following:

- The conservation actions were not planned to achieve no net loss.
- The residual losses of biodiversity caused by the project and gains achievable by the offset are not quantified.
- No mechanism for long term implementation has been established.
- It is impossible to offset the impacts (for instance, because they are too severe or pre-impact data are lacking, so it is impossible to know what was lost as a result of the project).
- The compensation is through payment for training, capacity building, research or other outcomes that will not result in measurable conservation outcomes on the ground.

Figure 1 shows a flow diagram that can be used to consider whether the outcome in a given setting is a biodiversity offset, or compensation.

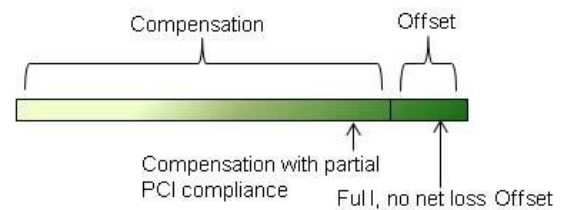
**DISTINGUISHING A BIODIVERSITY OFFSET FROM COMPENSATION**

Figure 1:



As illustrated in Figure 2, there is a spectrum of possible outcomes when developers endeavour to address residual impacts on biodiversity. These range from basic compensation (that does not achieve no net loss of biodiversity and only partially remedies residual impacts) through to a full biodiversity offset in line with the BBOP PCI, which achieves no net loss or a net gain of biodiversity.

Figure 2:



The decision tree in Figure 1 assumes a binary 'yes/no' answer at various steps, although in reality there can often be a continuum of responses. For instance, for a single project the answer may be 'yes' for some impacts, and 'no' for others. However, even in situations where compensation rather than an offset is undertaken, developers are encouraged to get as close as possible to a no net loss outcome, so as best to manage their biodiversity risks.

Figure 2 shows a continuum from a very basic form of compensation, through compensation which is close to an offset, to a full offset that can realistically expect to achieve no net loss or a net gain. BBOP members spend most time working on biodiversity offsets, and have yet to discuss compensation in much detail. In the coming months, the group may be able to offer ideas on different kinds and qualities of compensation, and we would be interested to hear your views.<sup>1</sup>

<sup>1</sup> If you have views on whether BBOP should define different levels of compensation and address the issue of partial offsets, and how this could be done, please let us know by contacting [info@bbop.forest-trends.org](mailto:info@bbop.forest-trends.org)

## History, Trialling and Consultation on the PCIs

The BBOP Principles were developed by members of the BBOP Advisory Group between 2006 and 2009, and agreed by all Advisory Group members in February 2009. The draft Criteria and Indicators in this document have been developed since the BBOP7 meeting in September 2009; during discussions at the Assurance Working Group (AWG) teleconference in January 2010; in the combined Assurance and Guidelines Working Group meeting in Cambridge from 15–18 March 2010; during the AWG teleconference in July 2010; at BBOP's eighth meeting in Paris in September 2010; and in a meeting of BBOP's Assurance and Guidelines Working Groups in London on 31 March and 1 April 2011. The current version has also benefitted from input and comments from the Assurance Working Group, the Guidelines Working Group and external experts.

Between the end of May 2011 and 15 July 2011, we will consult on this draft version of the PCI and Guidance Notes. Based on the feedback and on practical trials of the PCI at a number of sites up to February 2012, BBOP intends to publish a draft standard on biodiversity offsets in July 2012. This first draft standard will be improved in the following eighteen months, resulting in a revised standard some time in 2014 or 2015.

To improve the current draft of the Guidance Notes and ensure they are helpful for assessors and those designing and implementing biodiversity offsets, we would welcome your review and suggestions for improving this document.

We would be grateful if you could use this document to trial the PCI in one of two ways:

- A **rapid assessment** by completing the 5 questions (multiple choice, with room for respondents to add any additional suggestions they are prepared to do) (The **Questions for Reviewers of the Draft PCIs** is available at: <http://www.bbopconsultation.org/pci/Questions>; and/or
- A fuller **field-trial** of the PCI, with an assessor applying the PCI to a specific biodiversity offset.
- In addition, we will be glad to receive any other comments on this document by 15 July 2011. Please send them to [info@bbop.forest-trends.org](mailto:info@bbop.forest-trends.org)

## Part 2: The Framework of Principles and draft Criteria and Indicators with Guidance Notes

Biodiversity offsets are measurable conservation outcomes resulting from actions designed to compensate for significant residual adverse biodiversity impacts arising from project development<sup>2</sup> after appropriate prevention and mitigation measures have been taken. The goal of biodiversity offsets is to achieve no net loss and preferably a net gain of biodiversity on the ground with respect to species composition, habitat structure, ecosystem function and people's use and cultural values associated with biodiversity.

These principles establish a framework for designing and implementing biodiversity offsets and verifying their success. Biodiversity offsets should be designed to comply with all relevant national and international law, and planned and implemented in accordance with the Convention on Biological Diversity and its ecosystem approach, as articulated in National Biodiversity Strategies and Action Plans.

<b>PRINCIPLE 1</b>	<b>No net loss: A biodiversity offset should be designed and implemented to achieve in situ, measurable conservation outcomes that can reasonably be expected to result in no net loss and preferably a net gain of biodiversity.</b>
<b>CRITERION 1-1</b>	<b>The biodiversity offset shall be designed to achieve no net loss and preferably a net gain of all biodiversity components affected by the development project<sup>2</sup>, with confidence for this outcome confirmed by sound planning for no net loss of key biodiversity components affected.</b>
<b>INDICATOR 1-1-1</b>	The commitment to a no net loss or a net gain biodiversity offset is stated by the project developer in a public document, or in the case of a government department or agency, in a public policy document or on a government website.

### GUIDANCE NOTES FOR AUDITORS FOR INDICATOR 1-1-1

#### Interpretation of Indicator:

- No net loss is a target for a development project in which the impacts on biodiversity caused by the project are balanced or outweighed by measures taken to avoid and minimise the project's impacts, to undertake on-site restoration and finally to offset the residual impacts, so that no overall biodiversity loss results. Where the gain exceeds the loss, the term 'net gain' may be used instead of no net loss.
- Biodiversity offsets are measurable conservation outcomes resulting from actions designed to compensate for significant residual adverse biodiversity impacts arising from project development after appropriate prevention and mitigation measures have been taken. The goal of biodiversity offsets is to achieve no net loss and preferably a net gain of biodiversity on the ground with respect to species composition, habitat structure and ecosystem function and people's use and cultural values associated with biodiversity.
- Much of this PCI and Guidance Notes document is phrased in terms of evaluating a biodiversity offset developed by a company to address the impacts of a particular development project. However, while the document refers to offsets at the 'project' level (for instance, a specific development such as a road or a mine), biodiversity offsets can also be used to address the broader effects of programmes, plans and schemes that have wider-scale impacts on biodiversity. This PCI and Guidance Notes document can also be used to assess the nature of government schemes and offsets developed at the level of policies and plans (such as a national offset scheme or no net loss planning in the context of a regional development plan).
- In the case of a developer, a suitable public document for the purpose of this Indicator is a document issued or published by an authorized and responsible representative of the project developer, and readily available and accessible to the public (for example, the Biodiversity Offset Management Plan, if this is made public, corporate policies and reports in the public domain, and information published by developers on their websites.). It will include language that can be understood by local and national stakeholders.
- In the case of a government department or agency, suitable public documents include policy documents or web pages describing policy on biodiversity offset.

<sup>2</sup> While the term used here is 'project' (suggesting a specific development such as a road or a mine), biodiversity offsets can also be used to address the broader effects of programmes, plans, policies and schemes that have larger-scale, on-the-ground impacts on biodiversity. A regional development plan, SEA or national offset scheme could be examples.

**Factors to consider in assessing conformance:**

**Key question:** Has a commitment to achieve no net loss been published?

**Conformance requires:**<sup>3</sup>

1. Commitment to achieve a no net loss or a net gain to be set out in a suitable public document.

(For related activities from other indicators, see footnote<sup>4</sup>.)

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<sup>2</sup> **Non-conformance** may be caused by, for example:

- No public commitment made
- The commitment is overly qualified
- The commitment is too vague and not clearly applicable to the project being audited

<sup>4</sup> **Related activities** from other indicators:

1. Demonstrate that the project will achieve a no net loss or a net gain through a biodiversity offset (see Indicator 1-1-5)

<b>PRINCIPLE 1</b>	<b>No net loss: A biodiversity offset should be designed and implemented to achieve in situ, measurable conservation outcomes that can reasonably be expected to result in no net loss and preferably a net gain of biodiversity.</b>
<b>CRITERION 1-1</b>	<b>The biodiversity offset shall be designed to achieve no net loss and preferably a net gain of all biodiversity components affected by the development project<sup>5</sup>, with confidence for this outcome confirmed by sound planning for no net loss of key biodiversity components affected.</b>
<b>INDICATOR 1-1-2</b>	The key biodiversity components affected by the development project shall be identified, and reflected in the offset design.

### GUIDANCE NOTES FOR AUDITORS FOR INDICATOR 1-1-2

#### Interpretation of Indicator:

- The purpose of a biodiversity offset is to deliver no net loss of all the biodiversity offset components affected by the project.
- The BBOP definition of an offset states that: ‘The goal of biodiversity offsets is to achieve no net loss and preferably a net gain of biodiversity on the ground with respect to species composition, habitat structure, ecosystem function and people’s use and cultural values associated with biodiversity’. The definition tries to capture the breadth of the term ‘biodiversity’ by listing some important aspects in non- technical language, and all of these need to be addressed to demonstrate no net loss.
- However, while all these aspects can be covered by a good biodiversity offset, it is impossible to identify and measure the loss and gain of every single biodiversity component affected by a project or conserved through an offset. Consequently, identifying the subset of ‘key biodiversity components’ which experts would agree characterise and distinguish the biodiversity concerned is a useful approach to ensure rigour in biodiversity offset planning. Checking explicitly that the offset design and implementation will deliver no net loss of these components is one good way to be confident that the offset is capable of delivering no net loss of biodiversity as a whole.
- Key biodiversity components (KBCs) are the units of biodiversity of the highest conservation importance of those affected by the project and also most characteristic of the ecotypes impacted by the development. The key components may be at the species, ecological community/assemblage or ecosystem level. Their importance may be due to their intrinsic, use or cultural values.
- The terminology used throughout the BBOP PCIs refers to ‘development projects’. While the term used here is ‘project’ (suggesting a specific development such as a road or a mine), biodiversity offsets can also be used to address the broader effects of programmes and plans that have impacts on the ground at a larger scale, such as regional development plans. Consequently, the term ‘development project’ should be understood throughout this document to embrace programmes, plans, systems and policies, where no net loss is planned for those.
- The impacts to biodiversity components may be direct, indirect or cumulative. Once identified, these impacts should be the basis for the application of the mitigation hierarchy and the offset design.
- Suitable evaluation and ranking schemes that help identify the key biodiversity components are science-based and include international, national, and/or regional schemes that identify priority conservation targets (e.g., IUCN red lists, national or regional inventories and conservation targets). Schemes can also include identification of ecological processes or critical ecosystem functions or services, assessments of ecological integrity, habitat quality or condition, and evaluations of use and cultural values. More information on the identification of key biodiversity components may be found in BBOP’s Offset Design Handbook, available at [www.forest-trends.org/biodiversityoffsetprogram/guidelines/odh.pdf](http://www.forest-trends.org/biodiversityoffsetprogram/guidelines/odh.pdf) and the accompanying Cost Benefit Handbook, available at [www.forest-trends.org/biodiversityoffsetprogram/guidelines/cbh.pdf](http://www.forest-trends.org/biodiversityoffsetprogram/guidelines/cbh.pdf).

#### Factors to consider in assessing conformance:

##### Key questions:

1. Have the key biodiversity components been identified?
2. Have the KBCs been reflected in the offset design?

<sup>5</sup> While the term used here is ‘project’ (suggesting a specific development such as a road or a mine), biodiversity offsets can also be used to address the broader effects of programmes, plans, policies and schemes that have larger-scale, on-the-ground impacts on biodiversity. A regional development plan, SEA or national offset scheme could be examples.

**Key question 1:** Have the key biodiversity components been identified?

**Conformance requires:**<sup>6</sup>

1. Key biodiversity components have been identified and are listed in the Biodiversity Offset Management Plan.
2. The Biodiversity Offset Management Plan describes the best available science, information and methods available and used to evaluate and rank (in terms of conservation significance) biodiversity components affected by the project. (Information that can be used to rank biodiversity components according to their conservation priority, includes reports on conservation status and quality of biodiversity, scope of international treaties, national and international red-list databases, etc.).
3. The chosen approaches to ranking have been applied to the biodiversity components impacted, and the use and cultural values affected identified.
4. All areas affected by the development (including associated facilities) have been included.

(For related activities from other indicators, see footnote<sup>7</sup>.)

**Key question 2:** Have the Key Biodiversity Components been reflected in the offset design?

**Conformance requires:**<sup>8</sup>

1. All the KBCs affected by the project have been considered in the mitigation hierarchy.
2. The Biodiversity Offset Management Plan shows how:
  - a. EITHER all the KBCs affected by the project will be covered by the offset activities (i.e. the offset is designed on a 'like for like' basis);
  - b. OR the offset provides gains instead to biodiversity components of higher conservation value than those affected by the project (ie. the offset is designed on a 'like for like or better' basis), **provided** the impacts on the KBCs affected but not offset are not highly vulnerable or irreplaceable and the rationale for 'trading up' is justified<sup>9</sup>.

(For related activities from other indicators, see footnote<sup>10</sup>.)

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<sup>6</sup> **Non-conformance** may be caused by, for example:

- No suitable approach to ranking biodiversity components in terms of conservation significance has been identified or systematically applied
- Some values have not been ranked
- No, or inadequate, reference in the Biodiversity Offset Management Plan to how biodiversity components were identified and ranked, and how impacts have been determined.

<sup>7</sup> **Related activities** from other indicators:

1. Biodiversity data relevant to the project from existing sources including scientific papers, research institutions, government and non-government organisations and community have been collated through a desk top review (see 1-2-1)
2. Biodiversity surveys of the project area have been conducted (see 1-2-1)
3. Government authorities and key non-government organisations have been consulted to confirm best data has been collated (see 1-2-1)
4. The biodiversity components, including use and cultural values, impacted by the development project have been identified (see 3-1-2)

<sup>8</sup> **Non-conformance** may be caused by, for example:

- Biodiversity Offset Management Plan does not show how a like-for-like-or-better approach has led to all key biodiversity components, or other components of higher conservation priority, being conserved through the offset activities.
- Some key biodiversity components that are highly vulnerable or irreplaceable and affected by the project are not conserved through the offset.

<sup>9</sup> Most offset schemes establish a basis for trading up to 'better', by listing conservation priorities hierarchically. Where no such clear system exist, a clear justification that 'trading up' is required.

<sup>10</sup> **Related activities from other indicators:**

1. A method for defining like for like/like for like or better has been identified and used in the offset design (1-1-3)
2. Metrics that identify losses/gains of biodiversity have been identified (1-1-4)
3. Losses/gains have been calculated to demonstrate no net loss or net gain (1-1-5)

<b>PRINCIPLE 1</b>	<b>No net loss: A biodiversity offset should be designed and implemented to achieve in situ, measurable conservation outcomes that can reasonably be expected to result in no net loss and preferably a net gain of biodiversity.</b>
<b>CRITERION 1-1</b>	<b>The biodiversity offset shall be designed to achieve no net loss and preferably a net gain of all biodiversity components affected by the development project<sup>11</sup>, with confidence for this outcome confirmed by sound planning for no net loss of key biodiversity components affected.</b>
<b>INDICATOR 1-1-3</b>	A method for assessing a 'like for like' or 'like for like or better' approach to equivalence of losses and gains shall be identified and used for the offset design.

### GUIDANCE NOTES FOR AUDITORS FOR INDICATOR 1-1-3

#### Interpretation of Indicator:

- 'Like-for-like' refers to the ecological equivalence of biodiversity losses and gains due to conservation actions. It means the conservation (through the biodiversity offset) of the same type of biodiversity as that affected by the project. It is sometimes referred to as in-kind. 'Like-for-like or better' is a variation under which the offset alternatively comprises biodiversity of higher priority for conservation than the biodiversity impacted. For example, in certain situations, the biodiversity to be impacted by the project may be neither a national nor a local priority, and there may be other areas of biodiversity that are a higher priority for conservation and sustainable use and under imminent threat or need of protection or effective management. In these situations, it may be appropriate to consider an 'out-of-kind' offset that involves 'trading up'; i.e. where the offset targets biodiversity of higher priority than that affected by the development project.
- The principal elements of like-or-like methods are to:
  - Classify biodiversity components according to local and national conservation priority, into different 'priority classes'.
  - Seek a reasonable balance between the number of priority classes and the feasibility and practicality of finding offsets.
  - Exclude 'trading down' between priority classes.
  - Specify the basis for 'trading up'.
  - Define geographic regions within which related impacts and offsets can be located.

#### Factors to consider in assessing conformance:

##### Key questions:

1. Has a like-for-like (or like-for-like-or- better) method been identified?
2. Has the like-for-like (or like-for-like-or- better) method been applied in the offset design?

**Key question 1:** Has a like-for-like (or like-for-like-or- better) method been identified?

**Conformance requires:**<sup>12</sup>

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<sup>11</sup> While the term used here is 'project' (suggesting a specific development such as a road or a mine), biodiversity offsets can also be used to address the broader effects of programmes, plans, policies and schemes that have larger-scale, on-the-ground impacts on biodiversity. A regional development plan, SEA or national offset scheme could be examples.

<sup>12</sup> **Non-conformance** may be caused by, for example:

- National policy adopted not suitable (see list of elements)
- Project method used instead of national policy not acceptable (see list of elements)

1. Like-for like (or like-for-like-or- better) methods contained in the national/state biodiversity offset policy (if available) have been adopted.

If no national/state method is available:

2. A like-for-like or (or like-for-like-or- better) method for the specific context of the project has been developed.
3. The like-for-like (or like-for-like-or- better) method has been documented.

(No related activities from other indicators.)

**Key question 2:** Has the like-for-like (or like-for-like-or- better) method been applied in the offset design?

**Conformance requires:**<sup>13</sup>

1. The like-for-like (or like-for-like-or- better) criteria have been applied to all biodiversity components impacted.
2. Variations from like-for-like (namely trading up to 'better') are justified and documented.

(No related activities from other indicators.)

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<sup>13</sup> **Non-conformance** may be caused by, for example:

- Key biodiversity components omitted
- Variations from like for like/or better not justified or not based on suitable methods (see list of elements)

<b>PRINCIPLE 1</b>	<b>No net loss: A biodiversity offset should be designed and implemented to achieve in situ, measurable conservation outcomes that can reasonably be expected to result in no net loss and preferably a net gain of biodiversity.</b>
<b>CRITERION 1-1</b>	<b>The biodiversity offset shall be designed to achieve no net loss and preferably a net gain of all biodiversity components affected by the development project<sup>14</sup>, with confidence for this outcome confirmed by sound planning for no net loss of key biodiversity components affected.</b>
<b>INDICATOR 1-1-4</b>	Metrics that address the losses and gains of biodiversity shall be identified and used in the loss-gain calculations.

### GUIDANCE NOTES FOR AUDITORS FOR INDICATOR 1-1-4

#### Interpretation of Indicator:

- Metrics are the unitary measures of biodiversity lost, gained or exchanged. Metrics vary from very basic measures such as area, to sophisticated quantitative indices of multiple biodiversity components that may be variously weighted.
- Since it is impossible to identify and quantify every component of biodiversity, many metrics select and quantify loss and gain of a number of components of biodiversity as surrogates for biodiversity in its entirety.
- Suitable forms of metrics:
  - Adequately quantify the losses and gains at the species, communities and assemblages, habitats, and ecosystem levels within the specific context of the project;
  - Are clearly documented (e.g., assumptions, methodology used)
  - May use components of biodiversity to quantify loss and gain as surrogates for biodiversity in its entirety; and
  - Enable the calculation of residual losses and gains of use and cultural values of biodiversity.
- Further information on metrics can be found in BBOP's Offset Design Handbook (available at [www.forest-trends.org/biodiversityoffsetprogram/guidelines/odh.pdf](http://www.forest-trends.org/biodiversityoffsetprogram/guidelines/odh.pdf)); the Cost Benefit Handbook (available at [www.forest-trends.org/biodiversityoffsetprogram/guidelines/cbh.pdf](http://www.forest-trends.org/biodiversityoffsetprogram/guidelines/cbh.pdf)) and in the forthcoming Resource Paper on Loss-Gain calculations.

#### Factors to consider in assessing conformance:

##### Key questions:

1. Have metrics for the calculation of the residual losses of biodiversity caused by the project and the gains to be achieved through the offset been identified? Do they include metrics for dealing with biodiversity-related socioeconomic and cultural losses and gains?
2. Have the metrics been used in the loss-gain calculation?

##### Key question 1: Have metrics for the key biodiversity components been identified?

##### Conformance requires:<sup>15</sup>

1. A metric or set of metrics that addresses the loss and gain of biodiversity, particularly the key biodiversity components, has been determined (see above).
2. A metric or set of metrics that addresses the use and cultural values to be determined.
3. The choice of these metrics has been documented in the Biodiversity Offset Management Plan.  
(For related activities from other indicators, see footnote<sup>16</sup>.)

<sup>14</sup> While the term used here is 'project' (suggesting a specific development such as a road or a mine), biodiversity offsets can also be used to address the broader effects of programmes, plans, policies and schemes that have larger-scale, on-the-ground impacts on biodiversity. A regional development plan, SEA or national offset scheme could be examples.

<sup>15</sup> **Non-conformance** may be caused by, for example:

- KBCs not covered by metrics
- Important use or cultural values not covered by metrics
- Metrics methodology not clearly documented

<sup>16</sup> **Related activities** from other indicators:

1. The biodiversity components impacted by the development project have been adequately identified (see Indicator 3-1-1, 3-1-2)

**Key question 2:** Have the metrics been used in the loss-gain calculation?

**Conformance requires:**<sup>17</sup>

1. The metrics identified above have been used in the loss-gain calculation, and this use has been documented in the Biodiversity Offset Management Plan.

(No related activities from other indicators.)

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2. The use and cultural values of the biodiversity impacted by the project have been adequately identified (see Indicator 3-1-1)

<sup>17</sup> **Non-conformance** may be caused by, for example:

- Identified metrics not applied in loss/gain calculation
- Loss/gain calculations not clearly documented in the Biodiversity Offset Management Plan

<b>PRINCIPLE 1</b>	<b>No net loss: A biodiversity offset should be designed and implemented to achieve in situ, measurable conservation outcomes that can reasonably be expected to result in no net loss and preferably a net gain of biodiversity.</b>
<b>CRITERION 1-1</b>	<b>The biodiversity offset shall be designed to achieve no net loss and preferably a net gain of all biodiversity components affected by the development project<sup>18</sup>, with confidence for this outcome confirmed by sound planning for no net loss of key biodiversity components affected.</b>
<b>INDICATOR 1-1-5</b>	The anticipated residual losses of biodiversity due to the development project and the anticipated gains from the offset shall be calculated to demonstrate 'no net loss' (or 'net gain'), and shall include explicit provisions for risk and uncertainty.

#### GUIDANCE NOTES FOR AUDITORS FOR INDICATOR 1-1-5

##### Interpretation of Indicator:

- The residual losses are the remaining adverse impacts on biodiversity after appropriate avoidance, minimisation and rehabilitation/restoration measures have been taken according to the mitigation hierarchy.
- Metrics are the unitary measures of biodiversity lost, gained or exchanged. Metrics vary from very basic measures such as area, to sophisticated quantitative indices of multiple biodiversity components that may be variously weighted.
- Since it is impossible to identify and quantify every component of biodiversity, many metrics select and quantify loss and gain of a number of components of biodiversity as surrogates for biodiversity in its entirety.
- Suitable forms of metrics:
  - Adequately quantify the losses and gains at the species, communities and assemblages, habitats, and ecosystem levels within the specific context of the project;
  - May use components of biodiversity to quantify loss and gain as surrogates for biodiversity in its entirety; and
  - Enable the calculation of residual losses and gains of use and cultural values of biodiversity.
- Further information on metrics can be found in BBOP's Offset Design Handbook, and its Appendices (available at [www.forest-trends.org/biodiversityoffsetprogram/guidelines/odh.pdf](http://www.forest-trends.org/biodiversityoffsetprogram/guidelines/odh.pdf) and [www.forest-trends.org/biodiversityoffsetprogram/guidelines/odh-appendices.pdf](http://www.forest-trends.org/biodiversityoffsetprogram/guidelines/odh-appendices.pdf)); for socioeconomic and cultural values in the Cost Benefit Handbook (available at [www.forest-trends.org/biodiversityoffsetprogram/guidelines/cbh.pdf](http://www.forest-trends.org/biodiversityoffsetprogram/guidelines/cbh.pdf)) and in the forthcoming Resource Paper on Loss-Gain calculations.<sup>19</sup>
- Forms of gain that count towards measurable conservation outcomes for the purposes of achieving no net loss include:
  - Positive management interventions to improve the biodiversity of an area through restoration or reconstruction (including addressing residual losses of use and cultural values of biodiversity for local people).
  - Averted risk / arrested or retarded degradation include:
    - Interventions to avert risk of future degradation or biodiversity loss by for example, protecting areas of biodiversity where there is imminent or projected loss of that biodiversity; or entering into agreements such as contracts or covenants with individuals and/or communities in which they give up formal or informal rights to degrade or convert habitat; undertake a switch to sustainable agricultural practices, or take on protection activities such as active patrolling, in return for financial or in-kind compensation.

<sup>18</sup> While the term used here is 'project' (suggesting a specific development such as a road or a mine), biodiversity offsets can also be used to address the broader effects of programmes, plans, policies and schemes that have larger-scale, on-the-ground impacts on biodiversity. A regional development plan, SEA or national offset scheme could be examples.

<sup>19</sup> Handling loss/gain calculations when the offset is 'out of kind', and 'better' rather than 'like for like' is a special case that needs particular attention, since the losses and gains being compared are of different kinds of biodiversity. Provided this exchange is always 'trading up' (towards biodiversity that is of a higher conservation priority) a comparable approach to amounts of losses and gains can be taken, but a number of more nuanced approaches can be taken to quantifying 'out of kind' exchanges. Some more information on loss-gain calculations can be found in the BBOP Offset Design Handbook: [www.forest-trends.org/biodiversityoffsetprogram/guidelines/odh.pdf](http://www.forest-trends.org/biodiversityoffsetprogram/guidelines/odh.pdf) and in the forthcoming Resource Paper on Calculating Loss and Gain of biodiversity.

- Interventions to arrest, or reduce the rate of degradation by removing existing sources of degradation.
- Good metrics for calculating loss and gain of biodiversity do so relative to the background rates of loss/gain: i.e. they enable the losses caused by the project (rather than other causes of loss of biodiversity) and gains caused by the offset (rather than conservation outcomes caused by other interventions) to be calculated.
- Risks that the gains predicted by the offset are not achieved in practice could arise in a number of ways. For instance, these risks could be due to the offset using management interventions of untried or unknown effectiveness. Or they could stem from the offset failing to account for external (or landscape scale) factors.
- Provisions for risk and uncertainty include:
  - Use of multipliers, where the ratio of offset area to the affected area is increased to improve the chances of achieving no net loss.
  - Pre-existing gains, where successful steps have been taken to achieve gains prior to impacts taking place.
  - Bonds and insurance.
  - Use of discounting to address temporal losses of biodiversity.

**Factors to consider in assessing conformance:**

**Key questions:**

1. Has a 'no net loss' or 'net gain' calculation been done and does it demonstrate a 'no net loss' or 'net gain' outcome?
2. Has provision for risk and uncertainty been factored into the plan for the 'no net loss' or 'net gain' outcome?

**Key question 1:** Has the calculation to demonstrate no net loss or net gain been done?

**Conformance requires:**<sup>20</sup>

1. All residual losses have been quantified within each 'like for like' category.
2. Biodiversity data relevant to the project area have been collated from existing sources including scientific papers, research institutions, government and non-government organisations and community, and are sufficient to enable the offset planners to:
  - a. be able to determine whether impacts are capable of being offset (see Indicator 4-1-1 and 4-1-2);
  - b. determine the basis for like-for-like and better (see Indicator 1-1-3); and
  - c. to select and use appropriate metrics for calculating loss and gain (see Indicator 1-1-4).
3. Metrics which capture quality and condition of biodiversity affected as well as area, and which are representative of all key biodiversity components (including people's use and cultural values), have been identified and selected for the loss/gain calculations.
4. The magnitude of gains needed within each 'like for like' category have been calculated, using the selected metrics.
5. The forms of gain used for each gain calculation is acceptable (see above); rationale for determining forms of gain are acceptable is documented.
6. The gain calculations are based on established ecosystem responses to the conservation interventions proposed, or on reasonable predictions of these responses.
7. The magnitude of gains of biodiversity (e.g., species, habitats, ecosystems) gains achievable at the offset site(s) to be calculated for each like-for-like category. The magnitude of gains for use and cultural value of biodiversity at the offset site(s) to be determined using clearly defined and documented equivalence measures.
8. A comparison of the achievable gains within each like-for-like category and the residual losses in the respective category to demonstrate no net loss for each category. Alternatively, a justification made for 'trading up' and a comparison of gains to losses to demonstrate no net loss using a 'better than like-for-like' approach.
9. The manner in which these questions have been answered has been documented in the Biodiversity Offset

<sup>20</sup> **Non-conformance** may be caused by, for example:

- Major losses not quantified
- Inappropriate metrics
- Metrics not properly applied
- Minor/major deficiency of gain
- Mitigation hierarchy not thoroughly considered
- Evidence or reasoned estimates of gain not provided
- One or more unacceptable forms of gain (e.g., claiming averted risk gains for an area where biodiversity is protected and not under imminent threat, or claiming that sponsoring workshops or capacity building is in itself a measurable outcome)

Management Plan.

(For related activities from other indicators, see footnote<sup>21</sup>.)

**Key question 2:** Has adequate provision for risk and uncertainty been factored into the plan for the 'no net loss' or 'net gain' outcome?

**Conformance requires:**<sup>22</sup>

1. The risks of the conservation interventions achieving less than the predicted gains have been assessed.
2. Measures to mitigate the risk that the gains predicted for the offset will not be achieved have been determined and applied (e.g., use of ratios or multipliers; addressing external threats through protective buffers, etc.).

(No related activities from other indicators.)

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<sup>21</sup> **Related activities from other indicators:**

1. Residual losses that remain after following the mitigation hierarchy have been identified and described in the Biodiversity Offset Management Plan (see Indicator 3-2-1).
2. Adherence to the mitigation hierarchy (see Indicator 3-2-1).

<sup>22</sup> **Non-conformance** may be caused by, for example:

- Major risks not identified
- Methods or approach for assessing risk not documented
- Risks not mitigated

<b>PRINCIPLE 1</b>	<b>No net loss: A biodiversity offset should be designed and implemented to achieve <i>in situ</i>, measurable conservation outcomes that can reasonably be expected to result in no net loss and preferably a net gain of biodiversity.</b>
<b>CRITERION 1-2</b>	<b>Measurable <i>in situ</i> conservation outcomes that are reasonably expected to result in no net loss or a net gain are defined.</b>
<b>INDICATOR 1-2-1</b>	The baseline condition of biodiversity to be affected by the development project has been identified, characterised and documented prior to any impacts associated with the development project.

#### GUIDANCE NOTES FOR AUDITORS FOR INDICATOR 1-2-1

##### Interpretation of Indicator:

- '*In situ*' refers to on-the ground conservation outcomes as opposed to less direct outcomes such as awareness-raising, training and capacity building. The Convention on Biological Diversity defines '*in situ* conservation' as 'the conservation of ecosystems and natural habitats and the maintenance and recovery of viable populations of species in their natural surroundings and, in the case of domesticated or cultivated species, in the surroundings where they have developed their distinctive properties'. In the context of biodiversity offsets, the term '*in situ*' does not imply that the offset will be undertaken 'on site' within the area affected by the project, but rather that the conservation outcomes must be generated in natural conditions, rather than *ex situ* in a botanical garden or zoo, for instance. The baseline condition is the condition before the intervention concerned (whether the development project or the offset activities). In the context of this indicator, baseline condition refers to the existing state of biodiversity prior to impacts brought about by the development project. The condition of biodiversity is not static over time. For instance, there may be an underlying cause of loss of biodiversity in the area where the project will take place, due to deforestation, for instance. Such trends are an important part of the baseline condition and can be factored into calculations about the (relative) loss of biodiversity caused by a project, and equally, the (relative) gains of biodiversity brought about by the offset.
- A prospective offset is one where, prior to any impacts associated with the development project, the baseline condition of biodiversity and conditions influencing biodiversity in the area to be affected by the development project have been identified, characterised and documented.
- A retrospective offset is one where the impacts associated with the development project have occurred prior to the decision to undertake a biodiversity offset. It may be that the biodiversity in the areas affected by the project were identified, characterized and documented prior to the project in years gone by, for instance, as part of an Environmental Impact Assessment. In this case, it may be possible to read earlier baseline studies in order know what biodiversity was present prior to the impact. This could satisfy the present Indicator, and make it possible to consider a biodiversity offset (which requires an estimation of the losses caused by the project, even if these happened in the past). On the other hand, it could be that little or no biodiversity data for the area concerned were gathered prior to the project's impacts. In such a case, in order to satisfy this Indicator, the developer would need to demonstrate plausibly, using the best available data, that it is possible to infer the pre-project biodiversity baseline. (For instance, it may be possible to use historical biodiversity data for the region concerned and show its similarity with the precise area affected by the project. It may also be possible to supplement this with additional data collected now from ecologically equivalent proxy sites nearby.) Where, despite such efforts, it is not possible to ascertain the biodiversity baseline prior to the project and thus impossible to calculate biodiversity losses with any accuracy, compensation will still be possible, even if a full biodiversity offset that complies with these Principles, Criteria and Indicators is not.

##### Factors to consider in assessing conformance:

**Key question:** Has the biodiversity in the project area been identified, characterised and documented?

**Conformance requires:**<sup>23</sup>

<sup>23</sup> **Non-conformance** may be caused by, for example:

- Major sources of data omitted
- Major source of advice on data not consulted
- Baseline biodiversity condition prior to impacts occurring not understood
- Surveys not commensurate with conservation status of area
- Key biodiversity components not identified

For a prospective offset, prior to any project impacts occurring:

1. Biodiversity data relevant to the project area has been collated from existing sources including scientific papers, research institutions, government and non-government organisations and community, and is sufficient to enable the offset planners to:
  - a. be able to determine whether impacts are capable of being offset (see Indicator 4-1-1 and 4-1-2);
  - b. determine the basis for like-for-like and better (see Indicator 1-1-3); and
  - c. to select and use appropriate metrics for calculating loss and gain (see Indicator 1-1-4).
2. The appropriate government authorities and key non-government organisations have been contacted to confirm the best available data has been collated.
3. Necessary biodiversity surveys of the project area have been conducted.
4. The baseline condition identified in the above steps has been documented.

For a retrospective offset:

1. Relevant historical biodiversity data for the project area have been collated from all available sources including scientific papers, research institutions, government and non-government organisations and community, and are adequate to characterise the pre-impact biodiversity baseline.
2. The appropriate government authorities and key non-government organisations have been engaged to confirm best data has been collated.
3. When necessary, biodiversity surveys of areas judged to contain biodiversity similar to the project area have been conducted, and the reasons why these areas were chosen as appropriate proxies is documented.
4. The baseline condition identified by the above steps has been documented.

(For related activities from other indicators, see footnote<sup>24</sup>.)

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• Basis for choosing proxy or similar areas for retrospective offsets not documented

<sup>24</sup> **Related activities** from other indicators:

1. The biodiversity components impacted by the development project have been adequately identified (see Indicator 1-1-2)

<b>PRINCIPLE 1</b>	<b>No net loss: A biodiversity offset should be designed and implemented to achieve in situ, measurable conservation outcomes that can reasonably be expected to result in no net loss and preferably a net gain of biodiversity.</b>
<b>CRITERION 1-2</b>	<b>Measurable in-situ conservation outcomes that are reasonably expected to result in no net loss or a net gain are defined.</b>
<b>INDICATOR 1-2-2</b>	Conservation outcomes intended to result from the offset, especially for key biodiversity components, are explicitly described in the Biodiversity Offset Management Plan.

**GUIDANCE NOTES FOR AUDITORS FOR INDICATOR 1-2-2**

**Interpretation of Indicator:**

- A conservation outcome is the result of a conservation intervention aimed at addressing threats to biodiversity or their underlying socio-political, cultural and / or economic causes. Conservation outcomes are typically in the form of: (a) extinctions avoided (i.e. outcomes that lead to improvements in a species’ national or global threat status); (b) sites protected (i.e. outcomes that lead to designation of a site as a formal or informal protection area, or to improvement in the management effectiveness of an existing protected area); and (c) corridors created (i.e. outcomes that lead to the creation of interconnected networks of sites at the landscape scale, capable of maintaining intact biotic assemblages and natural processes, and, thereby, enhancing the long-term viability of natural ecosystems). Conservation outcomes also include any other intervention that leads to conservation gains.
- In order to provide assessors with assurance about the assumption that the biodiversity offset planned can achieve no net loss, it is good practice for the Biodiversity Offset Management Plan to describe in some detail the offset activities proposed, the predicted conservation outcomes including the timeframe within which these outcomes are anticipated, and the basis for confidence that the predictions are realistic. Implementation can then be monitored periodically to check whether the conservation outcomes are being achieved as planned, or whether adaptive management is needed.
- ‘*In situ*’ refers to on-the-ground conservation outcomes as opposed to less direct outcomes such as awareness-raising, training and capacity building. The Convention on Biological Diversity defines ‘*in situ* conservation’ as ‘the conservation of ecosystems and natural habitats and the maintenance and recovery of viable populations of species in their natural surroundings and, in the case of domesticated or cultivated species, in the surroundings where they have developed their distinctive properties’. In the context of biodiversity offsets, the term ‘*in situ*’ does not imply that the offset will be undertaken ‘on site’ within the area affected by the project, but rather that the conservation outcomes must be generated in natural conditions, rather than *ex situ* in a botanical garden or zoo, for instance.

**Factors to consider in assessing conformance:**

**Key question:** Have conservation outcomes planned for the offset, particularly for the key biodiversity components, been described?

**Conformance requires:**<sup>25</sup>

1. Offset activities and their intended conservation outcomes for biodiversity, particularly for key biodiversity components have been described in the Biodiversity Offset Management Plan.
2. The description of the offset activities and intended conservation outcomes in the Biodiversity Offset Management Plan includes the timeframe within which the outcomes are anticipated.
3. The Biodiversity Offset Management Plan sets out the rationale for assuming that the expected conservation outcomes can reasonably be expected to occur within the timeframe predicted.
4. The predicted conservation outcomes are quantified.

(For related activities from other indicators, see footnote<sup>26</sup>.)

<sup>25</sup> **Non-conformance** may be caused by, for example:

- Biodiversity components omitted
- Conservation outcomes poorly described or not described in the Biodiversity Offset Management Plan
- Conservation outcomes not quantified

<sup>26</sup> **Related activities** from other indicators:

- 
1. The biodiversity components impacted by the development project have been adequately identified (see Indicator 1-1-2)
  2. The legal and financial commitments for achieving the conservation outcomes have been assured (see Indicator 8-1-3)

<b>PRINCIPLE 1</b>	<b>No net loss: A biodiversity offset should be designed and implemented to achieve in situ, measurable conservation outcomes that can reasonably be expected to result in no net loss and preferably a net gain of biodiversity.</b>
<b>CRITERION 1-3</b>	<b>Implementation milestones for achieving the offset’s conservation outcomes are specified, and adaptive management is in place to ensure that conservation outcomes are achieved.</b>
<b>INDICATOR 1-3-1</b>	Milestones shall be developed to track progress towards achieving the offset’s measurable conservation outcomes.

**GUIDANCE NOTES FOR AUDITORS FOR INDICATOR 1-3-1**

**Interpretation of Indicator:**

- A milestone signifies the completion of a major deliverable or a set of related deliverables. It is a flag in the workplan to signify some work has been completed. Usually a milestone is used as a project checkpoint to validate how the project is progressing and to revalidate work.

**Factors to consider in assessing conformance:**

**Key question:** Have milestones for the conservation outcomes been developed and means of tracking milestones identified and/or implemented?

**Conformance requires:**<sup>27</sup>

1. Milestones are developed for all conservation outcomes.
2. A means of tracking achievement of milestones has been identified in the Biodiversity Offset Management Plan.
3. Milestones are tracked and progress evaluated against them.

(For related activities from other indicators, see footnote<sup>28</sup>.)

<sup>26</sup> **Non-conformance** may be caused by, for example:

- No milestones developed
- No system established for tracking milestones
- No tracking or reporting on progress towards milestones

<sup>28</sup> **Related activities** from other indicators:

1. Conservation outcomes have been adequately described for the biodiversity components (see Indicator 1-2-2)
2. The legal and financial commitments for achieving the conservation outcomes have been assured (see Indicator 8-1-3)

<p><b>PRINCIPLE 1</b></p> <p><b>CRITERION 1-3</b></p>	<p><b>No net loss: A biodiversity offset should be designed and implemented to achieve in situ, measurable conservation outcomes that can reasonably be expected to result in no net loss and preferably a net gain of biodiversity.</b></p> <p><b>Implementation milestones for achieving the offset’s conservation outcomes are specified, and adaptive management is in place to ensure that conservation outcomes are achieved.</b></p>
<p><b>INDICATOR 1-3-2</b></p>	<p>Procedures shall be documented on how the offset management plan will be adapted in the event of changing or unpredictable circumstances likely to affect the ability of the offset to meet the conservation outcomes.</p>

**GUIDANCE NOTES FOR AUDITORS FOR INDICATOR 1-3-2**

**Interpretation of Indicator:**

- Changing circumstances are those that can be predicted to occur and provisions to deal with these should be included in the Biodiversity Offset Management Plan (as part of the adaptive management component). Examples of changing circumstances that can be predicted include climate change, likely trends in land use change in areas adjacent to the offset, etc.
- Unpredictable circumstances mean that some turns of event could not reasonably be anticipated in the offset risk analysis; the adaptive management component of the Biodiversity Offset Management Plan needs to include provisions for addressing these risks when they arise. Examples of unpredictable changes include the exact details of climate change in a particular locality (e.g., the timing and/or magnitude of events associated with climate change); emergence of an entirely new invasive species that poses risks to the offset, etc.
- The elements of a good practice procedure are consistent with standard approaches (e.g., Plan – Do – Check – Act for continuous improvement). Once milestones have been developed and the project is being implemented:
  - Monitor the progress for the conservation outcomes against the documented milestones.
  - Identify any instances of failure to achieve of milestones and the consequences of non-achievement.
  - Identify and analyse the causes of failure to achieve of milestones.
  - Develop and implement actions or strategies to address the causes of non-achievement.

Revise the Biodiversity Offset Management Plan in response to the unpredicted circumstances and continue the adaptive management cycle.

**Factors to consider in assessing conformance:**

**Key question:** Have procedures to deal with changing and/or unpredicted circumstances been documented?

Conformance requires:<sup>29</sup>

1. Acceptable procedures to deal with changing and/or unpredictable circumstances for the specific context of the project have been developed (for instance a regular audit cycle is built into the management plan).
2. Responsibilities for the initiation and implementation of the procedures are clearly allocated
3. The contingency procedures are documented in the biodiversity offset management plan

(No related activities from other indicators.)

<sup>28</sup> **Non-conformance** may be caused by, for example:

- No procedures for contingencies developed
- Procedures documented but not implemented
- Procedures not clearly documented
- Responsibilities not allocated within the Biodiversity Offset Management Plan

<b>PRINCIPLE 2</b>	<b>Additional conservation outcomes: A biodiversity offset should achieve conservation outcomes above and beyond results that would have occurred if the offset had not taken place. Offset design and implementation should avoid displacing activities harmful to biodiversity to other locations.</b>
<b>CRITERION 2-1</b>	<b>The biodiversity offset shall demonstrate 'additionality'.</b>
<b>INDICATOR 2-1-1</b>	Conservation gains at the offset site(s) shall be predicted for a specified, long-term period, and are defined as the difference between the conservation outcome with and without the proposed offset activities.

**GUIDANCE NOTES FOR AUDITORS FOR INDICATOR 2-1-1**

**Interpretation of Indicator:**

- Additionality is a property of a biodiversity offset, such that the conservation outcomes it delivers are demonstrably new and would not have resulted without the offset.
- Conservation gains are indicated by increased probability of persistence of species populations (as quantified in terms of distribution, abundance, relative density, mortality rates, reproductive success or statistical measures of population viability), improved condition of impacted community types, or a greater area occupied by either species populations or community types. Any increased area (e.g., of species or community types) needs to occur without reducing the probability that these gains will persist in the future. For example, a management intervention could increase the area of habitat available to a particular species, but if that larger area is subject to increased threats (e.g., invasive species), then the species' long-term persistence may be threatened even though it has access to more habitat..
- The kinds of factors to consider in evaluating additionality include the level of probability or certainty that the offset gains will be achieved, risks associated with achieving the offset and cumulative impacts from other sources that will affect both the 'no-offset' projection and the 'with offset' scenario.
- It is good practice to be explicit about the projected timespan within which it is estimated that the conservation gains will be achieved, including when it is anticipated that no net loss can be accomplished, and to substantiate this with information on the assumptions involved, and the methods used to make the projections and gain calculations.

**Factors to consider in assessing conformance:**

**Key question:** Is the predicted gain additional?

**Conformance requires:**<sup>30</sup>

1. An analysis of the future trajectory of biodiversity both with, and without, the conservation interventions of the offset.
2. Documentation of the assumptions and methods used for the analysis of the future trajectory of biodiversity and the calculations of the conservation gain to be delivered by the offset
3. Time-frame used in the analysis is based on, or consistent with, the time-frame of expected ecosystem responses to the conservation interventions of the offset.

(For related activities from other indicators, see footnote<sup>31</sup>.)

<sup>29</sup> **Non-conformance** may be caused by, for example:

- Additionality analysis not undertaken
- Assumptions about conservation gains that will be attained by the offset appear unrealistic in the light of the available information.
- Time-frame for analysis not based on, or inconsistent with, the time frame of expected ecosystem responses

<sup>31</sup> **Related activities** from other indicators:

1. Suitable metrics, which capture quality and condition of biodiversity affected, as well as area, and which are representative of all key biodiversity components, to have been identified and selected for the loss/gain calculations. (see Indicator 1-1-4)
2. The magnitude of gains needed within each 'like for like' category to have been calculated, using the selected metrics. (see Indicator 1-1-5)
3. The forms of gain used for each gain calculation to be acceptable. (see Indicator 1-1-5)

<b>PRINCIPLE 2</b>	<b>Additional conservation outcomes: A biodiversity offset should achieve conservation outcomes above and beyond results that would have occurred if the offset had not taken place. Offset design and implementation should avoid displacing activities harmful to biodiversity to other locations.</b>
<b>CRITERION 2-2</b>	<b>The offset shall avoid leakage.</b>
<b>INDICATOR 2-2-1</b>	An assessment should be undertaken to determine the most likely potential negative and positive impacts (direct and indirect) on biodiversity (including communities' socioeconomic and cultural uses of biodiversity) of the offset activities at all offset sites.

Guidance Notes are not yet available for 2-2-1

<b>PRINCIPLE 2</b>	<b>Additional conservation outcomes: A biodiversity offset should achieve conservation outcomes above and beyond results that would have occurred if the offset had not taken place. Offset design and implementation should avoid displacing activities harmful to biodiversity to other locations.</b>
<b>CRITERION 2-2</b>	<b>The offset shall avoid leakage.</b>
<b>INDICATOR 2-2-2</b>	It should be demonstrated that the offset activities will not, or are highly unlikely to, shift the causes of biodiversity loss at the offset site to another location

Guidance Notes are not yet available for 2-2-2

<b>PRINCIPLE 2</b>	<b>Additional conservation outcomes: A biodiversity offset should achieve conservation outcomes above and beyond results that would have occurred if the offset had not taken place. Offset design and implementation should avoid displacing activities harmful to biodiversity to other locations.</b>
<b>CRITERION 2-2</b>	<b>The offset shall avoid leakage.</b>
<b>INDICATOR 2-2-3</b>	It should be demonstrated how any potential displacement impacts and leakage would be prevented or managed.

Guidance Notes are not yet available for 2-2-3

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4. The gain calculations to be based on established ecosystem responses to the conservation interventions proposed, or on reasonable predictions of these responses. (see Indicator 1-1-5)

<b>PRINCIPLE 3</b>  <b>CRITERION 3-1</b>	<b>Adherence to the mitigation hierarchy: A biodiversity offset is a commitment to compensate for significant residual adverse impacts on biodiversity identified after appropriate avoidance, minimization and on-site rehabilitation measures have been taken according to the mitigation hierarchy.</b>  <b>Impact avoidance, minimisation and on-site rehabilitation/restoration measures that are appropriate for the direct, indirect and cumulative negative impacts of the development project shall be identified and implemented by the developer.</b>
<b>INDICATOR 3-1-1</b>	A process that includes stakeholder participation shall be undertaken to assess the project's impacts on biodiversity.

### GUIDANCE NOTES FOR AUDITORS FOR INDICATOR 3-1-1

#### Interpretation of Indicator:

- Please see also the interpretation of indicator 3-1-2, which discusses the mitigation hierarchy.
- Impact assessment processes can take a number of forms. The formal process in most countries is the Environmental Impact Assessment (EIA), Environmental and Social Impact Assessment (ESIA) or Social and Environmental Impact Assessment (SEIA). The EIA (or ESIA or SEIA) is a tool primarily for examining the environmental (and social) effects of an activity through the systematic identification, prediction and evaluation, mitigation and management of impacts from a proposed development and its reasonable alternatives prior to a decision being made, or resources being committed to that activity. A second objective of EIA is to inform and influence the proposal itself through the identification and mitigation of likely significant impacts. Depending on the regulatory context, certain projects do not require a formal impact assessment to be undertaken. In addition, a biodiversity offset may sometimes be planned following completion of the EIA (and sometimes even retrospectively once impacts have started). In these cases a separate impact assessment exercise will be needed. However, the preferred method for undertaking impact assessment for a biodiversity offset is as part of a best practice EIA. Useful guidance on best practice in impact assessment and biodiversity offsets can be found in BBOP's Resource Paper on The Relationship between Biodiversity Offsets and Impact Assessment, available at [www.forest-trends.org/biodiversityoffsetprogram/guidelines/eia.pdf](http://www.forest-trends.org/biodiversityoffsetprogram/guidelines/eia.pdf). This includes reference to several sources of guidance for impact assessment with respect to biodiversity. The elements of a good assessment process are as follows:
  1. The **need and purpose** for the proposed activity, and its context.
  2. A description of the **nature, scale and location of the activity and feasible alternatives**. This description should cover the project's main inputs and outputs, as well as any production processes.
  3. A description of the **affected environment** and its key characteristics and values. The description should include any trends that would influence impact significance.
  4. A description of the **policy and planning framework**, any legal requirements, environmental quality standards and/or performance targets (e.g. conservation targets or priorities) that would have a bearing on the activity.
  5. A description of the **stakeholder engagement process**, and of the main issues and concerns associated with the proposed activity, as expressed by stakeholders, including its likely impacts on the intrinsic, socioeconomic and cultural values of biodiversity
  6. An **assessment of the potentially significant impacts and risks** associated with the proposed activity and any feasible alternatives. The assessment should look at direct and indirect impacts and at cumulative impacts where possible. It should also describe the parties who would be affected by these impacts, paying particular attention to vulnerable persons.
  7. Description of any changes to the location, design, siting and/or phasing of the proposal in response to significant impacts and risks.
  8. A summary of the **adequacy of information** used in the EIA and implications for decision making of any gaps, uncertainties, unprecedented effects and assumptions.
  9. **Sources of information**, consultants/ specialists' qualifications
- The extent of the assessment process should be commensurate with the size of the project and its biodiversity impact.
- Direct impacts: This is an outcome directly attributable to a defined action or project activity (often also called primary

- impact).
- Indirect impacts: Indirect impacts (sometimes called secondary impacts or induced impacts), are impacts triggered in response to the presence of the project, rather than being directly caused by the project's own operations. For instance, the presence of a project such as an oil and gas facility may lead to an increased local workforce and associated increases in demand for food. This may have knock-on effects on biodiversity, for example due to increased land conversion for farming or increased levels of hunting. Indirect impacts may reach outside project boundaries and may begin before or extend beyond a project's lifecycle.
  - Cumulative impacts: These represent the total impact arising from the project (under the control of the developer); other activities (that may be under the control of others, including other developers, local communities, government) and other background pressures and trends that may be unregulated. The project's impact is therefore one part of the total cumulative impact on the environment. The analysis of a project's incremental impacts combined with the effects of other projects can often give a more accurate understanding of the likely results of the project's presence than just considering its impacts in isolation.
  - Stakeholder participation: Considerable experience on best practice for stakeholder involvement and participation has been built up and published over the last couple of decades. There are several authoritative guidelines on how to undertake best practice stakeholder engagement, and these are referenced in BBOP's Resource Paper on Biodiversity Offsets and Stakeholder Participation, which can be found at: [www.forest-trends.org/biodiversityoffsetprogram/guidelines/participation.pdf](http://www.forest-trends.org/biodiversityoffsetprogram/guidelines/participation.pdf). See the discussion of this topic under Principle 6, below.

**Factors to consider in assessing conformance:**

**Key question:** Has an assessment process involving a review of the project's biodiversity impacts been undertaken?

**Conformance requires:**<sup>32</sup>

1. An impact assessment for the specific context of the project has been undertaken that contains elements similar to those listed above.
2. The assessment process has been fully documented in the EIA or an equivalent document.  
(No related activities from other indicators.)

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<sup>32</sup> **Non-conformance** may be caused by, for example:

- No or inadequate stakeholder participation
- Critical element of impact assessment process omitted
- Major impact omitted or inadequately considered

<b>PRINCIPLE 3</b>	<b>Adherence to the mitigation hierarchy: A biodiversity offset is a commitment to compensate for significant residual adverse impacts on biodiversity identified after appropriate avoidance, minimization and on-site rehabilitation measures have been taken according to the mitigation hierarchy.</b>
<b>CRITERION 3-1</b>	<b>Impact avoidance, minimisation and on-site rehabilitation/restoration measures that are appropriate for the direct, indirect and cumulative negative impacts of the development project shall be identified and implemented by the developer using a participatory and transparent process.</b>
<b>INDICATOR 3-1-2</b>	The Biodiversity Offset Management Plan shall be developed to address impacts to biodiversity, and to identify, manage, and monitor measures for avoiding and minimising the development project's impacts on biodiversity, and undertaking on-site rehabilitation.

### GUIDANCE NOTES FOR AUDITORS FOR INDICATOR 3-1-2

#### Interpretation of Indicator:

- The mitigation hierarchy is defined as:
  - a. Avoidance: measures taken to avoid creating impacts from the outset, such as careful spatial or temporal placement of elements of infrastructure, in order to completely avoid impacts on certain components of biodiversity.
  - b. Minimisation: measures taken to reduce the duration, intensity and / or extent of impacts that cannot be completely avoided, as far as is practically feasible.
  - c. Rehabilitation / restoration: measures taken to rehabilitate degraded ecosystems or restore cleared ecosystems following exposure to impacts that cannot be completely avoided and / or minimised.
  - d. Offset: measures taken to compensate for any residual significant, adverse impacts that cannot be avoided, minimised and / or rehabilitated or restored, in order to achieve no net loss or a net gain of biodiversity. Offsets can take the form of positive management interventions such as restoration of degraded habitat, arrested degradation or averted risk, protecting areas where there is imminent or projected loss of biodiversity.
- Good practice on the application of the mitigation hierarchy is to place even greater emphasis on the avoidance (rather than minimisation, restoration/rehabilitation and offset) of impacts on highly irreplaceable and/ or vulnerable biodiversity. The appropriate emphasis to be placed on each step in the mitigation hierarchy is relevant also to Principle 4 (impacts which cannot be offset), and is discussed in BBOP's Offset Design Handbook (available at [www.forest-trends.org/biodiversityoffsetprogram/guidelines/odh.pdf](http://www.forest-trends.org/biodiversityoffsetprogram/guidelines/odh.pdf)) and Resource Paper on impacts which it is difficult to offset (forthcoming).
- Developers typically adopt some form of management plan (often called a Biodiversity Action Plan) to address the mitigation measures set out in the EIA and then developed as part of the environmental management plan to ensure their implementation. Biodiversity may be integrated throughout the environmental management plan, or may form a discrete component. Such documents may also incorporate biodiversity offsets, but they are generally more focussed on project sites (and managing impacts on-site) rather than on offset areas and activities. The BBOP PCI are flexible as to what form and name it takes, but require a plan that addresses the full set of issues involved in design and implementation of a biodiversity offset. This is referred to throughout this document as the Biodiversity Offset Management Plan. Offset activities may be physically separate from companies' on-site biodiversity management, broader in scope and involve more detailed and longer-term roles, responsibilities and legal, institutional and financial arrangements, so the Biodiversity Offset Management Plan may integrate a site-based Biodiversity Action Plan, or they may be two separate documents. If the latter, they should be closely coordinated. Elements of a good Biodiversity Offset Management Plan that address measures taken to avoid and minimise impacts on biodiversity and to rehabilitate/restore biodiversity components affected by project impacts are as follows:
  - Identify the project impacts on specific components of biodiversity, and to include consideration of impacts on the intrinsic, socioeconomic and cultural values of these biodiversity components.
  - Identify the measures for avoidance, including those taken to avoid impacts and risks to highly irreplaceable and/or vulnerable biodiversity.
  - Identify the measures for minimisation.
  - Identify the measures for rehabilitation and restoration.
  - Provisions for managing and monitoring the measures defined for avoiding and minimising the development project's impacts on biodiversity.

- Provisions for managing and monitoring the measures defined for rehabilitation and restoration.
- Provisions for reporting on the implementation of the measures defined in the plan.
- Identify the resources required to implement the defined measures .

**Factors to consider in assessing conformance:**

**Key question:** Does the Biodiversity Offset Management Plan thoroughly document the application of the mitigation hierarchy, including the measures that have and continue to be taken to avoid and minimise impacts, and to undertake rehabilitation/restoration measures?

**Conformance requires:**<sup>33</sup>

1. A Biodiversity Offset Management Plan which documents the application of the mitigation hierarchy, containing elements similar to those listed above.
2. In particular, the Biodiversity Offset Management Plan sets out the measures that have and continue to be taken to avoid and minimise impacts, and to rehabilitate/restore biodiversity.

(For related activities from other indicators, see footnote<sup>34</sup>.)

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<sup>33</sup> **Non-conformance** may be caused by, for example:

- Significant project impacts omitted
- Management provisions omitted
- Important avoidance, minimization or restoration/rehabilitation measures not included
- Inadequate resources identified in the Biodiversity Offset Management Plan to implementing the mitigation hierarchy

<sup>34</sup> **Related activities** from other indicators: Involve stakeholders in the development of the biodiversity management plan (see Indicator 3-1-1)

<b>PRINCIPLE 3</b>	<b>Adherence to the mitigation hierarchy: A biodiversity offset is a commitment to compensate for significant residual adverse impacts on biodiversity identified after appropriate avoidance, minimization and on-site rehabilitation measures have been taken according to the mitigation hierarchy.</b>
<b>CRITERION 3-1</b>	<b>Impact avoidance, minimisation and on-site rehabilitation/restoration measures that are appropriate for the direct, indirect and cumulative negative impacts of the development project shall be identified and implemented by the developer using a participatory and transparent process.</b>
<b>INDICATOR 3-1-3</b>	Measures defined in the Biodiversity Offset Management Plan shall be implemented, monitored and adaptively managed.

**GUIDANCE NOTES FOR AUDITORS FOR INDICATOR 3-1-3**

**Interpretation of Indicator:**

- Assessment of this Indicator depends on the regular reporting on the implementation, management and monitoring of the measures in the Biodiversity Offset Management Plan.
- Performance reports on the measures defined in the Biodiversity Offset Management Plan should be produced and reviewed on a regular (e.g. annual) basis and should be in a form that enables ready comparison of the objectives of the measures and the actual results achieved over time.
- Adaptive management is a continuous process of revising management plans to take results to date into consideration. Objectives are set, actions to manage natural resources are taken, monitoring and evaluation of the affected ecosystem and human responses are assessed at suitable intervals, results are compared against expectations, and future actions are adjusted, with each iteration of activity based on past experience. Such management is adaptive, because lessons learned are put in practice in the next cycle. Adaptive management is also an important element of Indicator 8-1-2. Assessors will need to determine whether they believe the intervals at which the management plan is reviewed are appropriate. An appropriate interval will be a sufficiently long period that it is possible to assess whether the plan is on track to achieve its desired objectives, but not so long that opportunities to take any corrective action are missed.

**Factors to consider in assessing conformance:**

**Key question:** Are measures in the Biodiversity Offset Management Plan being implemented, managed and monitored?

**Conformance requires:**<sup>35</sup>

1. Regular performance reports on the implementation, management and monitoring of measures in the Biodiversity Offset Management Plan are prepared.
2. Performance reports to be made available to stakeholders.
3. Defined measures are implemented, managed and monitored in accordance with the Biodiversity Offset Management Plan.

(No related activities from other indicators.)

<sup>35</sup> Non-conformance may be caused by, for example:

- Implementation reports not available
- Implementation not being monitored
- No evidence that defined measures have been implemented

<p><b>PRINCIPLE 3</b></p> <p><b>CRITERION 3-2</b></p>	<p><b>Adherence to the mitigation hierarchy: A biodiversity offset is a commitment to compensate for significant residual adverse impacts on biodiversity identified after appropriate avoidance, minimization and on-site rehabilitation measures have been taken according to the mitigation hierarchy.</b></p> <p><b>The biodiversity offset shall only address the residual impacts of the development project, namely those impacts left after all the appropriate avoidance, minimisation, and rehabilitation/restoration actions have been identified.</b></p>
<p><b>INDICATOR 3-2-1</b></p>	<p>Any residual losses of biodiversity that may exist following avoidance, minimisation and rehabilitation/restoration shall be identified and described in the Biodiversity Offset Management Plan.</p>

**GUIDANCE NOTES FOR AUDITORS FOR INDICATOR 3-2-1**

**Interpretation of Indicator:**

- The residual losses are the remaining adverse impacts on biodiversity after appropriate avoidance, minimisation and rehabilitation measures have been taken according to the mitigation hierarchy.
- The potentially significant biodiversity impacts and risks should be evaluated in the project’s assessment process under 3-1-1.
- The residual losses are initially anticipated through the impact assessment process, and can later be verified once the impacts have actually taken place.
- In assessing the residual impacts, it is good practice to evaluate and take into account the risks that the minimisation and restoration activities may not succeed, and thus that the residual impacts for which an offset is needed are greater than those originally planned for. Monitoring the success of the mitigation measures set out in the Biodiversity Offset Management Plan, and adaptive management, can help tackle this.
- The measures for avoidance, minimisation, rehabilitation and restoration should be identified and documented in the Biodiversity Offset Management Plan. Where an EIA and resulting environmental management plan is established, these mitigation measures, including a description of the residual impacts and how they will be addressed through an offset, should be included. Please see the discussion of this subject under the interpretation of Indicators 3-1-1- and 3-1-2.

**Factors to consider in assessing conformance:**

**Key question:** Have the residual losses been identified and described?

**Conformance requires:**<sup>36</sup>

1. The residual impacts have been identified taking into account the measures for avoidance, minimisation, rehabilitation and restoration.
2. The residual losses have been specified by properly applying the metrics to the residual impacts. (See also Indicator 1-1-5)

(For related activities from other indicators, see footnote<sup>37</sup>.)

<sup>36</sup> **Non-conformance** may be caused by, for example:

- Residual losses not identified
- Residual losses not identified for all key biodiversity components
- Metrics not applied to losses (In assessing whether the residual losses have been identified, appropriate metrics selected and accurately applied, an Assessor may find recourse to BBOP’s Offset Design Handbook (available at [www.forest-trends.org/biodiversityoffsetprogram/guidelines/odh.pdf](http://www.forest-trends.org/biodiversityoffsetprogram/guidelines/odh.pdf), and Resource Paper on Loss-Gain calculations (forthcoming) of assistance.)
- Residual losses not quantified

<sup>37</sup> **Related activities from other indicators:**

1. Undertake an acceptable planning process for the specific context of the project (assess the significant biodiversity impacts) (see Indicator 3-1-1).
2. Develop an acceptable biodiversity management plan for the specific context of the project (identify the measures for avoidance, minimisation, rehabilitation and restoration (see Indicator 3-1-2).

<b>PRINCIPLE 4</b>	<b>Limits to what can be offset: There are situations where residual impacts cannot be fully compensated for by a biodiversity offset because of the irreplaceability or vulnerability of the biodiversity affected.</b>
<b>CRITERION 4-1</b>	<b>The risk of non-offsetable project impacts on biodiversity shall be assessed and measures taken to minimise this risk.</b>
<b>INDICATOR 4-1-1</b>	An assessment shall be undertaken to determine whether, and if so which, highly vulnerable and irreplaceable biodiversity components are predicted to be affected by the development project.

#### GUIDANCE NOTES FOR AUDITORS FOR INDICATOR 4-1-1

##### Interpretation of Indicator:

- Non-offsetable impacts refer to a level of severity beyond which impacts on biodiversity by a development project may no longer be capable of being offset. To give an extreme example, it is not possible to offset the global extinction of a species. Levels of irreplaceability and vulnerability of the biodiversity components to be affected by the project, and the degree of uncertainty with respect to severity of impacts and the probability of success of a biodiversity offset, are all likely to be material factors in determining whether impacts on biodiversity can be offset.
- Irreplaceability (or uniqueness) reflects the number of additional spatial options available for conservation if the biodiversity affected by the project were irreversibly lost. High irreplaceability generally indicates high risk that some impacts may be non-offsetable. Where biodiversity occurs at many sites (low irreplaceability), many options exist for conservation, whereas where biodiversity is restricted to one or few sites (high irreplaceability), few options exist for conservation elsewhere. Measures of irreplaceability must be clearly referenced to geographic scale. Something is considered irreplaceable if conservation goals for that component cannot be achieved without it.
- Vulnerability indicates the likelihood or imminence of biodiversity loss (e.g. of a particular species or ecosystem) due to current or impending threats). These threats may be habitat loss, degradation, or fragmentation, over-harvesting or hunting, etc. The conservation significance of a component of biodiversity (be it a species, community or ecological process) is influenced by its vulnerability to threats. High vulnerability (e.g. critically endangered or endangered status on the IUCN Red List) means higher risk that impacts on this biodiversity may be non-offsetable, but vulnerability also indicates opportunity for adding conservation value through an appropriate, successful offset
- Key biodiversity components affected by the project are identified under Indicator 1-1-2.
- The irreplaceability and vulnerability assessment can be undertaken as part of an Environmental Impact Assessment (EIA) or similar process. (See also the discussion of environmental assessment under the Guidance Notes for Indicator 3-1-1.)
- Key characteristics of a comprehensive assessment are:
  - It is undertaken at a specified scale (resolution, extent of information) that is detailed and extensive enough to enable decision-making relevant to the development project and to the affected biodiversity in its ecological context. For biodiversity, it is usually important that the regional/national context are considered, as well as the global context.
  - All potentially affected biodiversity has been considered, including ecological processes that may support other vulnerable or irreplaceable biodiversity components.
  - The measures used and steps taken to assess vulnerability, irreplaceability, conservation status and / or significance of affected biodiversity have been clearly defined and documented, and any applicable thresholds identified (see 4-1-2)
  - Viable populations of species (or other measures of key biodiversity components) both outside the area affected by the development project and at the potential offset site(s) have been identified and other measures taken so the project developer can demonstrate that the project's residual impacts are capable of being offset.
  - The level of risk associated with potentially non-offsetable impacts has been clearly assessed (see also 4-1-2).
  - Commitments and responses that will be implemented to limit and/or eliminate this risk are defined (see also 4-1-3)
  - Suitably qualified, specialist expertise has been used to complete the assessment.

**Factors to consider in assessing conformance:**

**Key question:** Has an assessment been undertaken by qualified expert/s to determine any vulnerable and irreplaceable biodiversity components in the project area?

**Conformance requires:**<sup>38</sup>

1. An assessment of any vulnerable and irreplaceable biodiversity components predicted to be affected by the development project has been undertaken, and the assessment has characteristics similar to those listed above.
2. The assessment has been fully documented.

(For related activities from other indicators, see footnote <sup>39</sup>.)

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<sup>38</sup> **Non-conformance** may be caused by, for example:

- Vulnerability and irreplaceability not defined
- Presence of viable populations at the offset site(s) not determined
- Vulnerability and irreplaceability not applied to biodiversity components
- No or unclear documentation of the analysis

<sup>39</sup> **Related activities from other indicators:**

1. Identify the key biodiversity components affected by the development project (see Indicator 1-1-2).

<b>PRINCIPLE 4</b>	<b>Limits to what can be offset: There are situations where residual impacts cannot be fully compensated for by a biodiversity offset because of the irreplaceability or vulnerability of the biodiversity affected.</b>
<b>CRITERION 4-1</b>	<b>The risk of non-offsetable project impacts on biodiversity shall be assessed and measures taken to minimise this risk.</b>
<b>INDICATOR 4-1-2</b>	Where national/regional/international thresholds are applicable the assessment shall: (a) Identify and highlight where there is a risk that the project's impacts will cross these thresholds, and (b) Contain measures and commitments from the project developers to ensure these thresholds will not be crossed, and thus allow the delivery of a biodiversity offset. In the absence of applicable national or international guidance, provide evidence showing that impacts can be offset.

#### GUIDANCE NOTES FOR AUDITORS FOR INDICATOR 4-1-2

##### Interpretation of Indicator:

- National, regional and international thresholds include those indicated for critical habitat by IFC Performance Standard 6 (2011), based on the International Union for the Conservation of Nature (IUCN) globally recognised, standardised thresholds for species extinction risk, and thresholds developed as part of relevant national or regional guidelines and policies.
- If no existing national, regional or international thresholds have been identified or required for the project, the project developer, advised by relevant qualified specialists, can identify and apply relevant (e.g. internationally recognised) thresholds as a guide for the project.
- The level of risk that some impacts may be non-offsetable depends on the specific project context, and is influenced by ecological, technical, financial, legal and other factors. The burden of proof rests with the developer to demonstrate that a reliable no net loss outcome can be achieved through a proposed offset. In situations where affected biodiversity is highly restricted in its distribution, highly threatened throughout its range, has very exacting ecological requirements and is poorly understood, strong evidence will be needed to show that risks of irreversible loss can be avoided. A lighter burden of proof may be required where affected biodiversity is widespread, largely unthreatened and easy to manage and restore using well-established techniques.

##### Factors to consider in assessing conformance:

###### Key questions:

1. Has the assessment applied thresholds?
2. Have measures and commitments to avoid thresholds been included in the assessment?

###### Key question 1: Has the assessment applied thresholds?

###### Conformance requires:<sup>40</sup>

1. Relevant regional, national and international thresholds that apply to the area affected by the project identified.
2. Thresholds identified in 1. have been used. OR Relevant (e.g. internationally recognised) thresholds have been used.
3. Project's impacts have been analysed to identify any residual losses where there is a risk that thresholds will be crossed.
4. An appropriate degree of risk has been applied in the analysis of impacts and thresholds.

(No related activities from other indicators.)

###### Key question 2: Have measures and commitments to avoid crossing thresholds been included in the assessment?

###### Conformance requires:<sup>41</sup>

1. Specific measures and commitments to be identified to ensure these thresholds will not be crossed.
2. The measures and commitments are clearly documented.

(For related activities from other indicators, see footnote<sup>42</sup>.)

<sup>40</sup> **Non-conformance** may be caused by, for example:

- Existing or relevant thresholds not identified
- Impacts not analysed with regard to thresholds

<sup>41</sup> **Non-conformance** may be caused by, for example:

- Measures and commitments not identified or documented
- Measures and commitments not adequate to mitigate risks

<sup>42</sup> **Related activities** from other indicators:

<b>PRINCIPLE 4</b>	<b>Limits to what can be offset: There are situations where residual impacts cannot be fully compensated for by a biodiversity offset because of the irreplaceability or vulnerability of the biodiversity affected.</b>
<b>CRITERION 4-1</b>	<b>The risk of non-offsetable project impacts on biodiversity shall be assessed and measures taken to minimise this risk.</b>
<b>INDICATOR 4-1-3</b>	The vulnerability and irreplaceability assessment shall demonstrate how the project’s residual impacts can be offset through specific measures and commitments, taking into account the level of risk associated with: <ol style="list-style-type: none"> <li>a) The specific ecological context and the ecological processes, such that the offset substitutes these effectively</li> <li>b) The reliability and proven success of the proposed offset techniques</li> <li>c) Any insurmountable impediments, that prevent access to suitable offset sites</li> <li>d) The implications for biodiversity persistence of any temporal residual losses of biodiversity</li> </ol>

**GUIDANCE NOTES FOR AUDITORS FOR INDICATOR 4-1-3**

**Interpretation of Indicator:**

- Ecological context and ecological processes are usually dealt with through the like-for-like provisions (see Principle 1). For vulnerable and irreplaceable biodiversity components in particular it would be expected that the application of like-for-like provisions would lead to a high degree of similarity between the impact area and the offset site.
- Offset techniques include actions to restore, rehabilitate, and/or protect biodiversity. For many biodiversity components there is limited experience with successful restoration. Measures aimed at avoiding future additional losses at the offset site can sometimes offer more reliable outcomes.
- Situations can arise where suitable potential offset sites are identified but cannot be secured for offsetting. This may be because the landowner does not consent or the land is used or zoned for an incompatible use.
- Temporal residual loss of biodiversity occurs where there is a time lag between the impact and the offset achieving its objectives. Time lags can result from delayed commencement of the conservation interventions at the offset site and from the time taken for natural systems to fully respond to interventions (such as improved management or rehabilitation). Impacts on a species or community may not be satisfactorily offset for a number of reasons including natural rarity, high depletion and the temporary deficiency of essential habitat or processes.

**Factors to consider in assessing conformance:**

**Key question:** Has the assessment demonstrated that the residual impacts can be offset?

**Conformance requires:**<sup>43</sup>

1. Specific measures and commitments to ensure that the residual impacts on biodiversity can be offset, have been documented. These measures are linked to the level of risk associated with potentially non-offsetable impacts.
2. Offsets are not proposed for impacts on highly irreplaceable biodiversity that needs to be maintained in its original setting to ensure its persistence. Instead, no net loss is assured through the following measures:
  - a. A set-aside to conserve this biodiversity has been implemented on the project site; and/or
  - b. An effective offset for this biodiversity has been provided in advance (for example, through a conservation bank).
3. Rigorous evidence is provided to demonstrate that the impacts on highly irreplaceable biodiversity can and will be offset given its specific ecological context and the ecological opportunities that exist to substitute it elsewhere.
4. A high degree of equivalence has been verified between the ecological context and the ecological processes at the impact site and the offset site.
5. The proposed offset techniques are reliable and proven for the biodiversity affected.

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A Biodiversity Offset Management Plan shall be prepared and implemented (see Indicator 8-1-1)

<sup>43</sup> **Non-conformance** may be caused by, for example:

- Low equivalence between impact area and offset site
- Lack of evidence that proposed offset techniques will be successful
- Offset sites not secured or highly unlikely to be secured
- Lack of evidence that temporary deficiencies can be offset

6. Offset sites are available and have been secured, or shown to have no impediment to being secured.
7. Evidence that any temporary deficiencies of essential habitat or processes at the offset site would not compromise the persistence and resilience of affected biodiversity and thus would not result in non-offsetable impacts.
8. The assessment is adequately documented, reflecting compliance with the requirements under Principle 4, and enabling key questions in these guidance notes to be answered.

(For related activities from other indicators, see footnote<sup>44</sup>.)

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<sup>44</sup> **Related activities from other indicators:**

A method for assessing a 'like for like or better' approach to equivalence of losses and gains shall be identified and used for the offset design (see Indicator 1-1-3).

<b>PRINCIPLE 4</b>	<b>Limits to what can be offset: There are situations where residual impacts cannot be fully compensated for by a biodiversity offset because of the irreplaceability or vulnerability of the biodiversity affected.</b>
<b>CRITERION 4-2</b>	<b>Measures to address residual impacts on biodiversity that cannot be fully compensated by a biodiversity offset shall not be termed a 'biodiversity offset'</b>
<b>INDICATOR 4-2-1</b>	If there are significant residual impacts on biodiversity that have been assessed under this principle as not capable of being offset, the project developer acknowledges this and shall not refer to any measures to address them as a 'biodiversity offset'.

### GUIDANCE NOTES FOR AUDITORS FOR INDICATOR 4-2-1

#### Interpretation of Indicator:

- The term 'significant residual impacts' refers to the impacts remaining after the application of the avoidance, minimisation and rehabilitation/restoration steps where it has been assessed that there is a greater than acceptable risk that an applicable threshold will be crossed. The significant residual impacts are identified in the assessment conducted under Indicator 4-1-3.
- An acceptable public document is a document issued or published for public knowledge by an authorized by a responsible office-holder of the project developer. It will include language appropriate for local and national stakeholders.

#### Factors to consider in assessing conformance:

##### Key questions:

1. Has the project developer acknowledged that some or all impacts are non-offsettable?
2. Have measures for non-offsettable impacts been referred to as a biodiversity offset?
3. **Key question 1:** Has the project developer acknowledged that some or all impacts are non-offsettable?

##### Conformance requires:<sup>45</sup>

1. If these arise, a clear acknowledgment that specific impacts are non-offsettable is made in the developer's documentation related to the impact assessment process, such as the EIA or Biodiversity Action Plan. (For related activities from other indicators, see footnote<sup>46</sup>.)

##### Key question 2: Have measures for non-offsettable impacts been referred to as a biodiversity offset?

##### Conformance requires:<sup>47</sup>

No public claims (for instance in the EIA, Biodiversity Management Plan or other public communications) for a biodiversity offset for non-offsettable impacts. (No related activities from other indicators.)

<sup>45</sup> **Non-conformance** may be caused by, for example:

- Non-offsettable impact not acknowledged
- Acknowledgement not published

<sup>46</sup> **Related activities** from other indicators:

1. Identify the significant residual impacts that cannot be offset (see Indicator 4-1-2)

<sup>47</sup> **Non-conformance** may be caused by, for example:

- Public claims of a biodiversity offset for non-offsettable impacts

<p><b>PRINCIPLE 5</b></p> <p><b>CRITERION 5-1</b></p>	<p><b>Landscape context: A biodiversity offset should be designed and implemented in a landscape context to achieve the expected measurable conservation outcomes taking into account available information on the full range of biological, social and cultural values of biodiversity and supporting an ecosystem approach.</b></p> <p><b>The biodiversity offset shall be designed and implemented to contribute to biodiversity conservation priorities [and complement other land uses (current and proposed)] at the landscape<sup>i</sup>, eco-regional and national levels</b></p>
<p><b>INDICATOR 5-1-1</b></p>	<p>The identification of potential offset locations shall be undertaken in the context of a landscape level analysis, and the ecosystem approach used to plan the offset.</p>

Guidance Notes not yet available for 5-1-1.

<p><b>PRINCIPLE 5</b></p> <p><b>CRITERION 5-1</b></p>	<p><b>Landscape context: A biodiversity offset should be designed and implemented in a landscape context to achieve the expected measurable conservation outcomes taking into account available information on the full range of biological, social and cultural values of biodiversity and supporting an ecosystem approach.</b></p> <p><b>The biodiversity offset shall be designed and implemented to contribute to biodiversity conservation priorities [and complement other land uses (current and proposed)] at the landscape<sup>ii</sup>, eco-regional and national levels</b></p>
<p><b>INDICATOR 5-1-2</b></p>	<p>The offset gains and conservation outcomes contribute to regional and national conservation goals, where these exist.</p>

Guidance Notes not yet available for 5-1-2

<p><b>PRINCIPLE 5</b></p> <p><b>CRITERION 5-2</b></p>	<p><b>Landscape context: A biodiversity offset should be designed and implemented in a landscape context to achieve the expected measurable conservation outcomes taking into account available information on the full range of biological, social and cultural values of biodiversity and supporting an ecosystem approach.</b></p> <p><b>The biodiversity offset shall be designed and implemented to succeed in the long term taking into consideration other likely developments (e.g. competing land use pressures) within the landscape.</b></p>
<p><b>INDICATOR 5-2-1</b></p>	<p>The biodiversity offset planning process shall consider reasonably foreseeable developments proposed by third parties when specifying the offset design.</p>

Guidance Notes not yet available for 5-2-1

<p><b>PRINCIPLE 5</b></p> <p><b>CRITERION 5-2</b></p>	<p><b>Landscape context: A biodiversity offset should be designed and implemented in a landscape context to achieve the expected measurable conservation outcomes taking into account available information on the full range of biological, social and cultural values of biodiversity and supporting an ecosystem approach.</b></p> <p><b>The biodiversity offset shall be designed and implemented to succeed in the long term taking into consideration other likely developments (e.g. competing land use pressures) within the landscape.</b></p>
<p><b>INDICATOR 5-2-2</b></p>	<p>The biodiversity offset shall be incorporated, where possible, into local, regional and national government landuse plans or other appropriate planning processes.</p>

Guidance Notes not yet available for 5-2-2

<b>PRINCIPLE 6</b>	<b>Stakeholder participation: In areas affected by the development project and by the biodiversity offset, the effective participation of stakeholders should be ensured in decision-making about biodiversity offsets, including their evaluation, selection, design, implementation and monitoring.</b>
<b>CRITERION 6-1</b>	<b>Consultation and participation of relevant stakeholders shall be integrated into the decision-making process for offset design and implementation, and documented in the Biodiversity Offset Management Plan.</b>
<b>INDICATOR 6-1-1</b>	Relevant stakeholders shall be identified, informed, and consulted about both project and offset design and implementation, and invited to participate in public forums and decision-making processes so their understanding of, and agreement with, the offset can be confirmed .

**GUIDANCE NOTES FOR AUDITORS FOR INDICATOR 6-1-1**

**Interpretation of Indicator:**

- Relevant stakeholders are those people, groups, or organizations who have an interest in, or are affected or impacted by, the project and who need to participate in the design and implementation of a project or offset for its success. Stakeholder participation is deemed crucial to the success of any project and should be undertaken from an early stage in the project development process.
- ‘Participation’ is the active involvement in decision-making of those with an interest in or affected by important decisions. It refers to a process through which stakeholders influence and share control over development initiatives and the decisions and resources which affect them. In terms of offset design and implementation, the consultation process is intended to encourage active stakeholder participation in planning and decision-making.
- BBOP’s Resource Paper on Biodiversity Offsets and Stakeholder Participation describes several authoritative best practice guidelines on how to identify and engage stakeholders in participatory processes. It can be found at: [www.forest-trends.org/biodiversityoffsetprogram/guidelines/participation.pdf](http://www.forest-trends.org/biodiversityoffsetprogram/guidelines/participation.pdf).
- The public consultation process is a key part of stakeholder engagement and participation. The goal of consultation is to obtain public feedback on analysis, alternatives and/or decisions. The process of dialogue between individuals or groups should be based upon a genuine exchange of views, and normally with the objective of influencing decisions, policies or programmes of action<sup>48</sup>. That process typically involves the following steps:
  1. Information giving – letting the relevant people know what the project is planning and keeping people informed throughout the process.
  2. Soliciting Input– inviting people to have a say before a decision is taken so that peoples’ issues are addressed appropriately.
  3. Acting together – involving people in the decision making process, and coming to a joint decision (s).
  4. Supporting actions – helping stakeholders to define their roles and responsibilities vis a vis others involved in the process
- Documentation that demonstrates that stakeholder consultation has taken place typically includes:
  - meeting minutes or notes.
  - minutes from or recordings of workshops.
  - signed agreements.
  - other documentation that demonstrates that a consultation process has taken place, that issues have been identified and discussed, and that agreements reflect decisions taken during the consultation process.

**Factors to consider in assessing conformance:**

**Key questions:**

1. Have relevant stakeholders been identified?
2. Is there, or has there been, an established, well-publicised participatory public consultation process as part of project development and offset design that included relevant stakeholders?

<sup>48</sup> UK Consultation Institute

**Key question 1:** Have relevant stakeholders been identified?

**Conformance requires:**<sup>49</sup>

1. Evidence that agencies, civil society organisations and people who might be affected by the project or the offset have been identified through a systematic process.
  2. An established and well-publicised consultation process.
  - 3.
  4. Identified stakeholders are aware of the project and the plans for an offset.
- (For related activities from other indicators, see footnote<sup>50</sup>.)

**Key question 2:** Is there, or has there been, a participatory public consultation process as part of project development and offset design that included relevant stakeholders?

**Conformance requires:**<sup>51</sup>

1. A participatory public consultation process has been established and implemented throughout the development of the biodiversity offset management plan
2. The project developer can demonstrate that relevant stakeholders have been consulted and participated actively in decision-making process for development of the biodiversity offset management plan .

(For related activities from other indicators, see footnote<sup>52</sup>.)

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<sup>49</sup> **Non-conformance** may be caused by, for example:

- No evidence of a systematic approach to identify potential stakeholders.
- Failure to invite one or more relevant stakeholders whose involvement could determine the success of the offset to participate in discussions about offset design and implementation.

<sup>50</sup> **Related activities** from other indicators:

1. Planning process includes stakeholder participation: Indicator 3-1-1
2. Stakeholders participate in a comprehensive assessment to determine existence of highly vulnerable and/or irreplaceable biodiversity: Indicator 4-1-1
3. The offset development process takes into account social, cultural, as well as biological values to determine the contribution of the offset to landscape level conservation outcomes: Indicator 5-1-1; 6-1-2

<sup>51</sup> **Non-conformance** may be caused by, for example:

- No evidence of public consultation or evidence indicates an inadequate public consultation process
- Failure to invite relevant stakeholders whose involvement could determine the success of the offset to participate

<sup>52</sup> **Related activities** from other indicators:

1. A transparent and documented decision-making process that ensures community participation and recognizes the rights of indigenous peoples is established as part of the design and implementation processes: Indicator 7-1-4
2. The biodiversity offset planning process has adequately considered foreseeable developments of third parties when identifying offset objectives: Indicator 5-2-1

<b>PRINCIPLE 6</b>	<b>Stakeholder participation: In areas affected by the development project and by the biodiversity offset, the effective participation of stakeholders should be ensured in decision-making about biodiversity offsets, including their evaluation, selection, design, implementation and monitoring.</b>
<b>CRITERION 6-1</b>	<b>Consultation and participation of relevant stakeholders shall be integrated into the decision-making process for offset design and implementation, and documented in the Biodiversity Offset Management Plan.</b>
<b>INDICATOR 6-1-2</b>	The process of stakeholder engagement shall be documented to demonstrate that the offset design reflects stakeholder participation and addresses concerns related to the impacts of the project and offset.

**GUIDANCE NOTES FOR AUDITORS FOR INDICATOR 6-1-2**

**Interpretation of Indicator:**

- It is good practice for the developer to compile and summarise the issues raised by stakeholders through a systematic process of consultation and participation and then to explain how these issues have been dealt with in the offset design. Issues and suggestions raised by stakeholders may not necessarily be accepted but in each case a response should be documented and explained in terms of the specific circumstances related to the design and the implementation of the project.
- The documentation should also consider any stakeholder concerns or perceptions about potential adverse impacts of the offset itself and ensure that the Biodiversity Offset Management Plan addresses those concerns. As indicated in the BBOP Cost Benefit Handbook (see [www.forest-trends.org/biodiversityoffsetprogram/guidelines/cbh.pdf](http://www.forest-trends.org/biodiversityoffsetprogram/guidelines/cbh.pdf)), stakeholder participation should help ensure that local people are not worse off because of the project’s impacts on biodiversity related livelihoods and as a result of the biodiversity offset.
- The Biodiversity Offset Management Plan should be developed with the participation of relevant stakeholders and based on decisions reached with them. It should:
  - Ensure the offset design adequately addresses any concerns or issues related to impacts on stakeholders and loss of cultural values, ecosystem services, and access to resources in general both from the project and the offset.
  - Demonstrate that the benefits from the offset are not less than or greater than the costs of the residual project impacts as well as the cost of offset impacts.
  - Help create an understanding among stakeholders of the concept of no net loss, and the importance of putting in place mechanisms to achieve long-term stakeholder benefits from improved resource management;
  - Ensure that stakeholders agree to and are committed to any roles and responsibilities outlined for them in the management plan, particularly with regard to offset implementation and monitoring, and that they understand how the costs of these roles and responsibilities will be financed.
  - Identify the need for any necessary written agreements and commitments from stakeholders regarding those roles and responsibilities.
  - Identify any technical gaps or needs and outline plans to increase stakeholder capacity to implement the Biodiversity Offset Management Plan.

**Factors to consider in assessing conformance:**

**Key question:** Is there documentation that demonstrates that the development of the biodiversity offset management plan reflects stakeholder participation and input and addresses their concerns?

**Conformance requires:**<sup>53</sup>

<sup>53</sup> **Non-conformance** may be caused by, for example:

- The project developer has not indicated the manner in which it has responded to public comment in determining offset design. Stakeholders have not been informed or updated on the project design in public forums or documents.
- Opportunities and mechanisms for stakeholder contributions to the decision making process have been insufficient or inadequate.

1. The project developer has taken into account the input received from stakeholders and included relevant issues in the offset design and implementation and captured these in the Biodiversity Offset Management Plan.
2. The project developer has published an explanation of the responses to the issues raised through the stakeholder participation process and how they were addressed as part of the final Biodiversity Offset Management Plan.

(For related activities from other indicators, see footnote<sup>54</sup>.)

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<sup>54</sup> **Related activities** from other indicators:

1. Rights, responsibilities, risks, and rewards are clearly defined, agreed, and documented amongst stakeholders both for the development project and the offset: Indicator 7-1-1.
2. The agreements with stakeholders regarding offset design and implementation address internationally and nationally recognized rights of indigenous peoples and local communities and respect both legal and customary arrangements: Indicator 7-1-3.

<b>PRINCIPLE 6</b>	<b>Stakeholder participation: In areas affected by the development project and by the biodiversity offset, the effective participation of stakeholders should be ensured in decision-making about biodiversity offsets, including their evaluation, selection, design, implementation and monitoring.</b>
<b>CRITERION 6-1</b>	<b>Consultation and participation of relevant stakeholders shall be integrated into the decision-making process for offset design and implementation, and documented in the Biodiversity Offset Management Plan.</b>
<b>INDICATOR 6-1-3</b>	Participation and roles of stakeholders in the implementation of the Biodiversity Offset Management Plan, including required monitoring, shall be clearly defined and established.

### GUIDANCE NOTES FOR INDICATOR 6-1-3

#### Interpretation of Indicator:

- The roles and responsibilities of stakeholders in implementing and monitoring of the offset should be defined in the Biodiversity Offset Management Plan (BOMP). The provisions in the BOMP should include:
  - A) Clear identification of the roles and responsibilities of the stakeholders, along with the benefits from that participation; and
  - B) Clear monitoring protocols and approaches so that stakeholder participation in the monitoring process is relevant and useful.

The BBOP Biodiversity Offset Implementation Handbook offers a number of suggestions on the roles and responsibilities of stakeholders in the implementation (including monitoring) of a biodiversity offset, and is available at: [www.forest-trends.org/biodiversityoffsetprogram/guidelines/oih.pdf](http://www.forest-trends.org/biodiversityoffsetprogram/guidelines/oih.pdf)

#### Factors to consider in assessing conformance:

**Key question:** Are there clearly defined and established and agreed stakeholder roles in the implementation of the biodiversity offset management plan and monitoring of the offset?

##### Conformance requires:<sup>55</sup>

1. Clear definition of the roles and responsibilities of the stakeholders in offset implementation and monitoring.
2. Evidence of active participation of stakeholders in defining their roles in the implementation of the biodiversity offset management plan and long-term monitoring.

(For related activities from other indicators, see footnote<sup>56</sup>.)

<sup>55</sup> **Non-conformance** may be caused by, for example:

- No documentation of stakeholders' roles and responsibilities.
- No evidence of stakeholder involvement in offset implementation and monitoring.

<sup>56</sup> **Related activities** from other indicators:

1. Procedures shall be documented on how the offset management plan will be adapted in the event of changing or unpredictable circumstances likely to affect the ability of the offset to meet the conservation outcomes: Indicator 1-3-2
2. A documented biodiversity management plan that addresses the impacts on specific components of biodiversity and establishes mechanisms to manage and monitor the measures defined for avoiding and minimising the development project's impacts on biodiversity, and for undertaking on-site rehabilitation is in place: Indicator 3-1-2
3. The biodiversity offset planning process has adequately considered foreseeable developments of third parties when identifying offset objectives within the management plan. Indicator 5-2-1
4. Information has been made available to stakeholders and the public in appropriate media on the design and implementation of the offset: Indicator 9-1-1

<b>PRINCIPLE 6</b>	<b>Stakeholder participation: In areas affected by the development project and by the biodiversity offset, the effective participation of stakeholders should be ensured in decision-making about biodiversity offsets, including their evaluation, selection, design, implementation, and monitoring.</b>
<b>CRITERION 6-2</b>	<b>A clear process shall be in place for handling conflicts and grievances that arise during project planning and implementation.</b>
<b>INDICATOR 6-2-1</b>	A conflict resolution process for hearing, responding to and resolving stakeholder conflict and grievances, is in place.

**GUIDANCE NOTES FOR AUDITORS FOR INDICATOR 6-2-1**

**Interpretation of Indicator:**

- Processes for resolving conflicts that arise between the project developer and stakeholder groups throughout the design and implementation phases of the project and the development of the offset usually involve:
  - Definition of clear and understandable procedures to resolve conflicts
  - Provisions to ensure that the conflict resolution procedures are fair and reasonable
  - Mechanisms to ensure adequate access for stakeholder groups to the process. In particular these mechanisms should address issues of cost, timeliness and representation.

In some areas the process for resolving conflicts may be mandated by law; in other places traditional mechanisms may be in place to resolve stakeholder conflicts and could be employed. Finally, in some places it may be necessary to establish an appropriate structure. All stakeholders need to be aware of the approach to be employed and accept those terms.

**Factors to consider in assessing conformance:**

**Key question:** Does a process for conflict resolution exist, and do stakeholders have ready access to it?

**Conformance requires:**<sup>57</sup>

1. A process known to all stakeholders exists to resolve stakeholder conflicts arising from the project or the offset.

(For related activities from other indicators, see footnote<sup>58</sup>.)

<sup>57</sup> **Non-conformance** may be caused by, for example:

1. No conflict resolution mechanism or process exists.
2. Process established for conflict resolution not followed.

<sup>58</sup> **Related activities** from other indicators:

1. An agreed and documented protocol exists for determining the level of compensation for impacts on people’ biodiversity uses and values resulting from the development project and offset: Indicator 7-1-5
2. Information on offset design and implementation reported and available to public. Indicator: 9-1-1
3. An independent review panel / steering committee (or such like) has been established to oversee the offset design and implementation process; they report regularly and are publicly available: Indicator 9-1-2.

<b>PRINCIPLE 7</b>	<b>Equity: A biodiversity offset should be designed and implemented in an equitable manner, which means the sharing among stakeholders of the rights and responsibilities, risks and rewards associated with a development project and offset in a fair and balanced way, respecting legal and customary arrangements. Special consideration should be given to respecting both internationally and nationally recognised rights of indigenous peoples and local communities.</b>
<b>CRITERION 7-1</b>	<b>Rights, responsibilities, risks and rewards shall be clearly identified and mechanisms to share these fairly amongst stakeholders shall be included in the Biodiversity Offset Management Plan.</b>
<b>INDICATOR 7-1-1</b>	The Biodiversity Offset Management Plan shall document the manner in which rights, responsibilities, risks, and rewards have been defined and agreed amongst relevant stakeholders, for the biodiversity impacts of the development project and of the offset.

#### GUIDANCE NOTES FOR AUDITORS FOR INDICATOR 7-1-1

##### Interpretation of Indicator:

- As explained in Principle 6, relevant stakeholders are those people, groups, or organizations who have an interest in, or are affected or impacted by, the project, and who need to participate in the design and implementation of a project or project offset for its success. Stakeholder participation is deemed crucial to the success of any project and should be undertaken from an early stage in the project development process.
- 'Participation' is the active involvement in decision-making of those with an interest in or affected by important decisions. It refers to a process through which stakeholders influence and share control over development initiatives and the decisions and resources which affect them. In terms of offset design and implementation, the consultation process is meant to encourage active stakeholder participation in planning and decision-making.
- A transparent and participatory process would include steps to ensure that rights, responsibilities and rewards (or benefits) have been determined and agreed by the stakeholders as part of the design and implementation for both the development project and the offset
- BBOP's Resource Paper on Biodiversity Offsets and Stakeholder Participation describes several authoritative best practice guidelines on how to identify and engage stakeholders in participatory processes. It can be found at: [www.forest-trends.org/biodiversityoffsetprogram/guidelines/participation.pdf](http://www.forest-trends.org/biodiversityoffsetprogram/guidelines/participation.pdf).
- 'Equity' is a notoriously difficult goal to attain, since there is no single right answer to what is equitable in a particular setting, and different individuals will hold a variety of views as to what is fair and equitable. The assessor can examine:
  - The openness and rigour of the participatory processes involved in determining the offset provisions and the roles, responsibilities and benefits of various stakeholders in the plan for implementation set out in the Biodiversity Offset Management Plan.
  - Evidence that there has been an estimation of the costs and benefits associated with the offset, including roles and responsibilities for its implementation.
    - Some best practice methods for assessment of costs and benefits in offset design are set out in the BBOP Cost Benefit Handbook, available at: [www.forest-trends.org/biodiversityoffsetprogram/guidelines/cbh.pdf](http://www.forest-trends.org/biodiversityoffsetprogram/guidelines/cbh.pdf).
    - Evidence from the use of methods such as these that local stakeholders will at a minimum not be made worse off by the offset activities and the residual biodiversity impacts of the development project, can help establish that the offset is fair.
    - Similarly, the use of such methods to show that the level of financial and in-kind compensation for the various local affected stakeholders incorporated in the offset design adequately addresses the negative effect of the development project and/or offset on their livelihoods and values can also help establish that the offset is fair.
  - Evidence that the stakeholders have agreed with the outcome and were provided with information on its implications so their decision was informed.
- Agreements and other evidence that stakeholders were adequately informed and are content with the offset provisions offer a good basis for making an assessment of the apparent equity of the arrangements.

##### Factors to consider in assessing conformance:

##### Key question:

1. Has the project achieved an agreement with all relevant stakeholders, including indigenous peoples and local communities, with regard to peoples' rights, responsibilities related to the offset, and sharing of rewards from the offset.

**Key question:** Has the project achieved an agreement with all relevant stakeholders, including indigenous peoples and local communities, with regard to peoples' rights and responsibilities related to the offset, and sharing of rewards, or benefits from the offset?

**Conformance requires:**<sup>59</sup>

1. Agreements exist (e.g. contracts, MoUs) between the project developer and all relevant stakeholder groups regarding rights, responsibilities and rewards (benefits)
2. The Biodiversity Offset Management Plan describes the roles, responsibilities, rights and benefits involved in the implementation of the biodiversity offset
3. The Biodiversity Offset Management Plan addresses rights, responsibilities, risks and rewards and was developed through transparent with open consultation of all relevant stakeholders.
4. The Biodiversity Offset Management Plan contains or refers to agreements between developer and stakeholders concerning their respective roles, responsibilities, rights and benefits associated with the implementation of the biodiversity offset, offering evidence that the parties have mutually agreed these matters and are satisfied with the terms of the agreement.
5. Over the course of implementation of the biodiversity offset, minutes of meetings showing that the stakeholders are satisfied that the Biodiversity Offset Management Plan and associated agreements are being implemented.
6. The project developer has published materials recognising the rights of indigenous peoples affected by the project. (For related activities from other indicators, see footnote<sup>60</sup>.)

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<sup>59</sup> **Non-conformance** may be caused by, for example:

- Agreements have not been put in place regarding rights, responsibilities, and rewards of the stakeholders vis a vis the offset
- Rights of indigenous peoples have not been recognised

<sup>60</sup> **Related activities** from other indicators:

1. Offset plans demonstrate the use and application of best available scientific approaches, providing evidence of consultation with scientific experts, and where appropriate, input from experts in traditional knowledge in design and implementation plans: Indicator 10-1-1
2. A comprehensive assessment has been undertaken (involving stakeholders) to determine whether, and if so which, highly vulnerable and irreplaceable biodiversity components are present in the area affected by the development project: Indicator 4-1-1
3. Loss/gains shall be calculated to demonstrate no net loss (or net gain) of biodiversity, including people's use and cultural values (1-1-5)
4. Relevant stakeholders shall be identified, informed, and consulted in public forums about the project and offset design and implementation and understand the purpose of the offset program: Indicators 6-1-1 and 6-2-1

<b>PRINCIPLE 7</b>	<b>Equity: A biodiversity offset should be designed and implemented in an equitable manner, which means the sharing among stakeholders of the rights and responsibilities, risks and rewards associated with a development project and offset in a fair and balanced way, respecting legal and customary arrangements. Special consideration should be given to respecting both internationally and nationally recognised rights of indigenous peoples and local communities.</b>
<b>CRITERION 7-1</b>	<b>Rights, responsibilities, risks and rewards shall be clearly identified and mechanisms to share these fairly amongst stakeholders shall be included in the Biodiversity Offset Management Plan.</b>
<b>INDICATOR 7-1-2</b>	At a minimum, all stakeholder agreements associated with the biodiversity offset comply with any relevant regulatory and policy requirements.

Guidance Notes are not yet available for 7-1-2

<b>PRINCIPLE 7</b>	<b>Equity: A biodiversity offset should be designed and implemented in an equitable manner, which means the sharing among stakeholders of the rights and responsibilities, risks and rewards associated with a development project and offset in a fair and balanced way, respecting legal and customary arrangements. Special consideration should be given to respecting both internationally and nationally recognised rights of indigenous peoples and local communities.</b>
<b>CRITERION 7-1</b>	<b>Rights, responsibilities, risks and rewards shall be clearly identified and mechanisms to share these fairly amongst stakeholders shall be included in the Biodiversity Offset Management Plan.</b>
<b>INDICATOR 7-1-3</b>	Agreements regarding offset design and implementation address internationally and nationally recognized rights of indigenous peoples and local communities and respect both legal and customary arrangements.

Guidance Notes are not yet available for 7-1-3

<b>PRINCIPLE 7</b>	<b>Equity: A biodiversity offset should be designed and implemented in an equitable manner, which means the sharing among stakeholders of the rights and responsibilities, risks and rewards associated with a development project and offset in a fair and balanced way, respecting legal and customary arrangements. Special consideration should be given to respecting both internationally and nationally recognised rights of indigenous peoples and local communities.</b>
<b>CRITERION 7-1</b>	<b>Rights, responsibilities, risks and rewards shall be clearly identified and mechanisms to share these fairly amongst stakeholders shall be included in the Biodiversity Offset Management Plan.</b>
<b>INDICATOR 7-1-4</b>	A transparent and documented decision-making process that recognizes the rights of indigenous peoples and local communities, shall be established for both design and implementation of the offset.

Guidance notes are not yet available for 7-1-4

<b>PRINCIPLE 7</b>	<b>Equity: A biodiversity offset should be designed and implemented in an equitable manner, which means the sharing among stakeholders of the rights and responsibilities, risks and rewards associated with a development project and offset in a fair and balanced way, respecting legal and customary arrangements. Special consideration should be given to respecting both internationally and nationally recognised rights of indigenous peoples and local communities.</b>
<b>CRITERION 7-1</b>	<b>Rights, responsibilities, risks and rewards shall be clearly identified and mechanisms to share these fairly amongst stakeholders shall be included in the Biodiversity Offset Management Plan.</b>
<b>INDICATOR 7-1-5</b>	An agreed and documented protocol is in place for determining the level of compensation for impacts on people's biodiversity uses and values resulting from the biodiversity impacts of the development project and offset.

Guidance notes are not yet available for 7-1-5

<b>PRINCIPLE 8</b>	<b>Long-term outcomes: The design and implementation of a biodiversity offset should be based on an adaptive management approach, incorporating monitoring and evaluation, with the objective of securing outcomes that last at least as long as the development project's impacts and preferably in perpetuity.</b>
<b>CRITERION 8-1</b>	<b>Mechanisms shall be in place to ensure that the measurable conservation outcomes from the offset will last at least as long as the development project's impacts, and preferably in perpetuity.</b>
<b>INDICATOR 8-1-1</b>	A Biodiversity Offset Management Plan has been agreed by all relevant stakeholders, which clearly sets out roles, responsibilities and milestones for implementation and includes a financial plan for the duration of the offset activities.

#### GUIDANCE NOTES FOR AUDITORS FOR INDICATOR 8-1-1

##### Interpretation of Indicator:

- A Biodiversity Offset Management Plan should include provisions that establish specific goals and objectives for the offset, identify commitments and offset activities, and clearly assign roles and responsibilities for the developer and stakeholders involved in offset implementation.
- The Biodiversity Offset Management Plan should include, or be accompanied by, a financial plan that includes a budget to cover the costs of activities required in the Biodiversity Offset Management Plan over the period for which the offset is designed to operate, along with an indication of the source of the funds available for this purpose.
- The resources required to implement the defined measures are identified in the Biodiversity Management Offset Plan.
- Good financial plans also include reference to the financial mechanisms created and put in place to guarantee offset financing for as long as the offset operates. One possible such mechanism is the Conservation Trust Fund.
- In some situations conservation trust funds may be established to secure funding for measures to be implemented in the future (e.g., for rehabilitation and restoration measures). Situations suitable for a trust fund include when it is possible to capitalise the trust fund (e.g., for large extractive projects) and when the legal framework allows a trust fund to be established.
- A conservation trust fund is a long-term funding mechanism or financial asset that is legally restricted to a specific purpose or set of objectives (e.g. conservation of biodiversity) and is managed by an independent board or trustees or board of directors. Trust funds can be set up as foundations, non-profit corporations, or other type of institution depending on the legal system in place, and considerations of risk. A number of mechanisms are possible: endowments, sinking funds, revolving (recurrent) funds or a combination approach.
- Information on conservation trust funds and alternative approaches to trust funds exist for funding biodiversity offsets and are discussed in BBOP's Offset Implementation Handbook, available at [www.forest-trends.org/biodiversityoffsetprogram/guidelines/oih.pdf](http://www.forest-trends.org/biodiversityoffsetprogram/guidelines/oih.pdf)
- Stakeholder agreements would usually be indicated through some form of documentation that outlines expectations, understandings and commitments.

##### Factors to consider in assessing conformance:

###### Key questions:

1. Does a Biodiversity Offset Management Plan exist that establishes clear roles and responsibilities for all stakeholders involved in implementation?
2. Does the Biodiversity Offset Management Plan, include a financial plan (or is there a separate financial plan) that clearly outlines the financial mechanism and commits the financial resources needed to ensure the successful implementation of the offset?

**Key question 1:** Does an offset management plan exist that establishes clear roles and responsibilities for all stakeholders involved in implementation?

**Conformance requires:**<sup>61</sup>

<sup>61</sup> **Non-conformance** may be caused by, for example:

1. Absence of a Biodiversity Offset Management Plan with clear goals, objectives and activities;

1. The existence of a Biodiversity Offset Management Plan that has been developed with stakeholder input and endorsement.
2. A Biodiversity Offset Management Plan with clearly established goals and objectives along with commitments and measures that specify how those objectives will be achieved and risks that must be addressed.
3. Documented roles and responsibilities for the implementation of commitments and measures by the company and the stakeholders.

(For related activities from other indicators, see footnote<sup>62</sup>.)

**Key question 2:** Does the Biodiversity Offset Management Plan include a financial plan (or is there a separate financial plan) that clearly outlines and commits the financial resources necessary to ensure the success of the offset implementation?

**Conformance requires:**<sup>63</sup>

1. A budget exists that includes all investment and operational costs required to meet the objectives outlined in the Biodiversity Offset Management Plan for at least as long as the development project's impacts will last.
2. The financial plan identifies the source(s) of revenue to cover the offset management plan requirements and contains commitments to provide those financial resources.

(No related activities from other indicators.)

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2. Biodiversity Offset Management Plan not agreed with stakeholders;
  3. Roles and responsibilities for carrying out commitments and measures do not exist or are poorly articulated

<sup>62</sup> **Related activities** from other indicators:

1. Participation and roles of stakeholders in offset implementation and monitoring shall be clearly defined and established : Indicator 6-2-3
2. A planning process which includes stakeholder participation shall be undertaken for project development: Indicator 3-1-1

<sup>63</sup> **Non-conformance** may be caused by, for example:

1. Non existing or poorly developed budget for the offset management plan
2. Financial plan does not project recurrent and investment cost for the time horizon over which the offset will be implemented
3. Sources of the long-term financing are unclear or not committed

<b>PRINCIPLE 8</b>  <b>CRITERION 8-1</b>	<b>Long-term outcomes: The design and implementation of a biodiversity offset should be based on an adaptive management approach, incorporating monitoring and evaluation, with the objective of securing outcomes that last at least as long as the development project's impacts and preferably in perpetuity.</b>  <b>Mechanisms shall be in place to ensure that the measurable conservation outcomes from the offset will last at least as long as the development project's impacts, and preferably in perpetuity.</b>
<b>INDICATOR 8-1-2</b>	The Biodiversity Offset Management Plan includes a risk register that identifies associated anticipated risks and sets out responses to mitigate the risks.

### GUIDANCE NOTES FOR AUDITORS FOR INDICATOR 8-1-2

#### Interpretation of Indicator:

- A risk register is a means of recording the project's identified risks to biodiversity, their severity, and the actions required to mitigate them.
- The elements of a risk register are generally:
  - **Dates:** Record the dates on which the risks are identified or modified. The register could also include the risk mitigation target and completion dates.
  - **Description of the Risk:** Include a short descriptive phrase
  - **Risk type (business, project, stage):** Classify the risk: business risks relate to delivery of achieved benefits, and the project risks related to the management of the project such as timeframes, resources, availability of land for the offset site, external factors that affect management, socio-economic issues and biodiversity concerns.
  - **Likelihood of Occurrence:** Provide an assessment of how likely it is that this risk will occur over a specific time period (short term up to one year; medium term up to five years; long-term beyond 5 years). Examples of classifications are: L-Low (<30%), M-Medium (31-70%), H-High (>70%).
  - **Severity of effect:** Assess the impact that the occurrence of this risk would have on the aspects of the project – on biodiversity or ecosystem service protection, on stakeholder livelihoods, on other components or aspects of the project).
  - **Counter Measures:** Identify actions to be taken to prevent, reduce or transfer the risk.
  - **Responsibility:** Identify who is responsible for the ensuring this risk is appropriately managed and counter measures are undertaken.
  - **Status:** Indicate whether this is a current risk or if risk can no longer arise and impact the project. Classification system could be employed to determine if on-going/current, or ended.

#### Factors to consider in assessing conformance:

##### Key questions:

Does a risk register that outlines and assesses the project risk exist?

Is the register being used as part of the project implementation plan with periodic review and update?

##### Key question 1: Does a risk register that outlines and assesses the project risk exist?

###### Conformance requires:<sup>64</sup>

1. The existence of a risk register that includes the elements such as those listed above to ensure that the project developer adequately understands and is addressing risk.  
(For related activities from other indicators, see footnote<sup>65</sup>.)

<sup>64</sup> **Non-conformance** may be caused by, for example:

1. Absence of a risk register that adequately assesses and addresses how the project will deal with risk to biodiversity

<sup>65</sup> **Related activities** from other indicators:

- The anticipated residual losses of biodiversity due to the development project and the anticipated gains in the offset shall be calculated to demonstrate 'no net loss' (or 'net gain'), and shall include explicit provisions for risk and uncertainty: Indicator 1-1-5
- Procedures shall be documented on how the offset management plan will be adapted in the event of changing or unpredictable circumstances likely to affect the ability of the offset to meet the conservation outcomes. Indicator: 1-3-2

**Key question 2:** Is the register being used as part of the implementation plan with periodic review and update?

**Conformance requires:**<sup>66</sup>

1. Established time frame for assessing risks in place (identified risk and time frame for assessment).
2. Evidence that stakeholder participation has been sought in the creation of the risk register
3. Evidence (through evaluation or audit) that the risk register is periodically reviewed and updated.

(For related activities from other indicators, see footnote<sup>67</sup>.)

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- Where national/regional/international thresholds are applicable (e.g. critical habitat as defined by IFC Performance Standard 6, and High Conservation Value Forest as defined by HCV Resource Network and national interpretations of high conservation value), a comprehensive assessment will be carried out to: (a) Identify and highlight where there is a risk that the project's impacts will cross these thresholds, and (b) Contain sufficient measures and commitments from the project developers to ensure these thresholds will not be crossed, and thus allow the delivery of a biodiversity offset: Indicator 4-1-2

<sup>66</sup> **Non-conformance** may be caused by, for example:

1. No evidence that measures have been implemented in response to risk events
2. No mechanism or audit in place to indicate that the risk register is updated to indicate progress or new threats.

<sup>67</sup> **Related activities from other indicators: 1.** Procedures shall be documented on how the offset management plan will be adapted in the event of changing or unpredictable circumstances likely to affect the ability of the offset to meet the conservation outcomes. Indicator: 1-3-2

<b>PRINCIPLE 8</b>  <b>CRITERION 8-1</b>	<b>Long-term outcomes: The design and implementation of a biodiversity offset should be based on an adaptive management approach, incorporating monitoring and evaluation, with the objective of securing outcomes that last at least as long as the development project's impacts and preferably in perpetuity.</b>  <b>Mechanisms shall be in place to ensure that the measurable conservation outcomes from the offset will last at least as long as the development project's impacts, and preferably in perpetuity.</b>
<b>INDICATOR 8-1-3</b>	Legal and institutional arrangements and adequate capacity exist to ensure the effective management of the offset for at least as long as the project's impacts will last.

### GUIDANCE NOTES FOR AUDITORS FOR INDICATOR 8-1-3

#### Interpretation of Indicator:

It is important for the project developer to determine the capacity of the various implementing partners of the Biodiversity Offset Management Plan. This will enable the developer to understand how effective the management of the offset is likely to be and whether the management mechanisms chosen will be able to deliver the no net loss results desired. As part of this assessment the project developer can:

1. Ensure an understanding of the organizational profile of the various players to determine the ability of the lead agency/manager to effectively coordinate among the various stakeholders and ensure compliance with agreed roles and responsibilities.
2. Assess the roles and responsibilities of key constituents and understand their ability to meet obligations.
3. Ensure that the management plan includes a financial plan that lays out the costs for each of the activities required to meet the obligations calculated over time.
4. Check the institutional and legal agreements that establish fiduciary responsibility for ensuring the permanent financing of the offset
5. Check whether Legal agreements exist that ensure the permanence of the offset including assurances that legal commitments transfer with project ownership

#### Factors to consider in assessing conformance:

##### Key Questions

1. Have institutions, organizations, civil society groups been identified, and their roles established in management plan implementation?
2. Has the capability of each party to the offset been assessed and effective capacity building opportunities identified to fill any identified gaps?
3. Are the legal and institutional structures in place to ensure that all responsibilities related to managing and financing the offset are tied to the offset, and will transfer with any change of ownership.

**Key question 1:** Have the roles of the organizations and civil society groups to be involved in offset implementation been agreed and set out in the Biodiversity Offset Management Plan?

##### Conformance requires:<sup>68</sup>

1. Assurance that the key institutions, organizations, and other stakeholders required for the success of project implementation have been identified.
2. That management roles and responsibilities for the offset have been clearly identified, agreed by stakeholders involved and captured in the Biodiversity Offset Management Plan.

(For related activities from other indicators, see footnote<sup>69</sup>.)

<sup>68</sup> **Non-conformance** may be caused by, for example:

- Key institutions, organizations, and other stakeholders required for the success of project implementation have not been identified
- Lack of a clear definition of stakeholder roles and responsibilities for the management of the offset.

<sup>69</sup> **Related activities** from other indicators:

**Key question 2:** Has the capability of each organisation involved in implementation of the offset been assessed and effective capacity building opportunities identified to fill any identified gaps?

**Conformance requires:**<sup>70</sup>

1. The existence of a stakeholder capability assessment.
2. Development of a capacity building plan to address any deficiencies identified as part of the capability assessment.

(For related activities from other indicators, see footnote<sup>71</sup>.)

**Key question 3. Are the legal structures and institutional arrangements in place to ensure that all responsibilities related to managing and financing the offset are tied to the offset, and will transfer with any change of ownership?**

**Conformance requires:**

1. Legal agreements in place that ensure the long term management of protection of the offset, including provisions for the transfer of responsibility in case of transfer to project ownership.
2. Institutional arrangements are well-defined, in place, and have legal standing to ensure long-term management of the offset.

(For related activities from other indicators, see footnote<sup>72</sup>.)

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1. The biodiversity offset is incorporated (or there are plans to incorporate) into national or regional government priority plans or other appropriate planning processes: Indicator 5-2-2
  2. Agreements regarding offset design and implementation address internationally and nationally recognized rights of indigenous peoples and local communities and respect both legal and customary arrangements. Indicator 7-1-3
  3. An independent review panel / steering committee (or such like) has been established to oversee the offset design and implementation process; they report regularly and are publicly available. Indicator 9-1-2

<sup>70</sup> **Non-conformance** may be caused by, for example:

- No assessment has been made of the capability of each actor intended to be involved in offset implementation.
- No plan has been made to fill any gaps in the capacity of actors intended to be involved in offset implementation.

<sup>71</sup> **Related activities** from other indicators: 1. Procedures shall be documented on how the offset management plan will be adapted in the event of changing or unpredictable circumstances likely to affect the ability of the offset to meet the conservation outcomes. Indicator 7-1-3

<sup>72</sup> **Related activities** from other indicators:

Resources shall be allocated to implement the Biodiversity Offset Management Plan. Indicator 8-1-1

<p><b>PRINCIPLE 8</b></p> <p><b>CRITERION 8-2</b></p>	<p><b>Long-term outcomes: The design and implementation of a biodiversity offset should be based on an adaptive management approach, incorporating monitoring and evaluation, with the objective of securing outcomes that last at least as long as the development project’s impacts and preferably in perpetuity.</b></p> <p><b>Adaptive monitoring and evaluation approaches shall be integrated into the Biodiversity Offset Management Plan to ensure regular feedback and allow management to adapt to changing conditions and achieve conservation outcomes on the ground.</b></p>
<p><b>INDICATOR 8-2-1</b></p>	<p>A risk-monitoring protocol is in place and followed to identify any risks (such as climate change, population pressure, land-use change) that could affect achievement of proposed conservation outcomes</p>

**GUIDANCE NOTES FOR AUDITORS FOR INDICATOR 8-2-1**

**Interpretation of the Indicator:**

- This indicator is the companion to indicator 8-1-2 that outlines the importance of establishing a risk register. The risk monitoring process involves continuous monitoring and updating in order to:
  1. Systematically track the identified risks
  2. Identify any new risks
  3. Effectively manage for any contingencies and ensure that adequate funding is available to address them
  4. Capture lessons-learned to inform risk assessment s undertaken in the future
  5. Fund implementation of risk monitoring efforts
- Risk monitoring must continue for the life of the offset because risks are dynamic. The list of risks, and associated risk management strategies, will likely change during the life of the offset, as new risks develop or anticipated risks disappear. Periodic risk review helps identify, assess, analyze, and mitigate risks, and prepare for any anticipated contingencies. In this way the application of the risk monitoring protocol is adaptive: it builds on lessons learned from past assessments and applies these to subsequent risk assessments and plans to address them.

**Factors to consider in assessing conformance:**

**Key Question**

1. Does the offset monitoring program include a risk monitoring protocol that allows the offset managers periodically to assess risk and develop risk response?

**Conformance requires:<sup>73</sup>**

1. Existence of a risk monitoring protocol
2. Evidence that the risk monitoring protocol is employed to assess risk related to the management and implementation of the offset.

<sup>73</sup> Non-conformance may be caused by:

- A risk monitoring protocol is not in place
- Lack of documentation or evidence risk monitoring has occurred/is occurring



<p><b>PRINCIPLE 8</b></p> <p><b>CRITERION 8-2</b></p>	<p><b>Long-term outcomes: The design and implementation of a biodiversity offset should be based on an adaptive management approach, incorporating monitoring and evaluation, with the objective of securing outcomes that last at least as long as the development project’s impacts and preferably in perpetuity.</b></p> <p><b>Adaptive monitoring and evaluation approaches shall be integrated into the Biodiversity Offset Management Plan to ensure regular feedback and allow management to adapt to changing conditions and achieve conservation outcomes on the ground.</b></p>
<p><b>INDICATOR 8-2-3</b></p>	<p>Monitoring and evaluation protocols provide regular feedback on implementation progress and results and are used to document, correct and learn from problems (e.g. adaptive management).</p>

**GUIDANCE NOTES FOR AUDITORS FOR INDICATOR 8-2-3**

**Interpretation of Indicator:**

- Adaptive management is a continuous process of revising management plans to take results to date into consideration. Objectives are set, actions to manage natural resources are taken, monitoring and evaluation of the affected ecosystem and human responses are assessed at suitable intervals, results are compared against expectations, and future actions are adjusted, with each iteration of activity based on past experience. Such management is adaptive, because lessons learned are put in practice in the next cycle. Assessors will need to determine whether they believe the intervals at which the management plan is reviewed are appropriate. An appropriate interval will be a sufficiently long period that it is possible to assess whether the plan is on track to achieve its desired objectives, but not so long that opportunities to take any corrective action are missed.
- In developing monitoring and evaluation protocols, the offset managers will need to focus on success criteria for the biodiversity offset. Ideally the management and implementation of the offset will be monitored at two levels, implementation as well as impact performance. Specific information about monitoring implementation and impact performance is available in the Biodiversity Offset Implementation Handbook ([www.forest-trends.org/biodiversityoffsetprogram/guidelines/oih.pdf](http://www.forest-trends.org/biodiversityoffsetprogram/guidelines/oih.pdf))

**Factors to consider in assessing conformance:**

**Key Questions**

1. Are there monitoring protocols in place for the offset to measure both implementation and impact performance?
2. Does the design of the monitoring and evaluation protocols ensure that assessments occur at suitable time levels to allow for taking corrective actions as needed?

**Conformance requires<sup>75</sup>:**

1. Existence of monitoring protocols that are used to measure performance and impact of the offset management
2. Evidence that a monitoring and evaluation plan exists and is being followed by the offset managers and that lessons learned from the monitoring and evaluation process is being fed back into offset management.

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<sup>75</sup> **Non-conformance would include:**

- Lack of monitoring protocols
- No evidence that monitoring is being undertaken
- If monitoring is undertaken, no evidence that results are applied in adaptive management

<b>PRINCIPLE 9</b>	<b>Transparency: The design and implementation of a biodiversity offset, and communication of its results to the public, should be undertaken in a transparent and timely manner.</b>
<b>CRITERION 9-1</b>	<b>The developer responsible for designing and implementing the biodiversity offset shall ensure that clear, up to date, and easily accessible information is provided to stakeholders and the public on the offset design and implementation, including outcomes to date.</b>
<b>INDICATOR 9-1-1</b>	Information on baseline findings, impact assessment, as well as offset design and implementation, shall be reported to stakeholders and the public in appropriate media on the offset design and implementation.

Guidance notes are not yet available for 9-1-1

<b>PRINCIPLE 9</b>	<b>Transparency: The design and implementation of a biodiversity offset, and communication of its results to the public, should be undertaken in a transparent and timely manner.</b>
<b>CRITERION 9-1</b>	<b>The developer responsible for designing and implementing the biodiversity offset shall ensure that clear, up to date, and easily accessible information is provided to stakeholders and the public on the offset design and implementation, including outcomes to date.</b>
<b>INDICATOR 9-1-2</b>	An independent review panel / steering committee should be established and work transparently to oversee the offset design and implementation process and report regularly to the public on their assessment of progress.

Guidance notes are not yet available for 9-1-2

<b>PRINCIPLE 10</b>	<b>Science and traditional knowledge: The design and implementation of a biodiversity offset shall be a documented process informed by sound science, including an appropriate consideration of traditional knowledge.</b>
<b>CRITERION 10-1</b>	<b>Scientific information, and, where applicable, traditional knowledge, shall be utilised when designing and implementing the offset.</b>
<b>INDICATOR 10-1-1</b>	The Biodiversity Offset Management Plan shall describe how the best available scientific knowledge and methods have been used in offset design and implementation, providing evidence of consultation with scientific experts.

Guidance notes are not yet available for 10-1-1

<b>PRINCIPLE 10</b>	<b>Science and traditional knowledge: The design and implementation of a biodiversity offset shall be a documented process informed by sound science, including an appropriate consideration of traditional knowledge.</b>
<b>CRITERION 10-1</b>	<b>Scientific information, and, where applicable, traditional knowledge, shall be utilised when designing and implementing the offset.</b>
<b>INDICATOR 10-1-2</b>	The Biodiversity Offset Management Plan shall describe how relevant traditional knowledge has been used in offset design and implementation, with the involvement of local communities and indigenous peoples, as appropriate and with their prior approval, and of relevant experts.

Guidance notes are not yet available for 10-1-2

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