



PHOTOGRAPH BY MARCIO ISENSE/ISTOCK

A photograph of a forest with a large pile of cut logs in the foreground, symbolizing deforestation. The logs are stacked in a neat pile, and the forest behind them is dense with tall trees. The sky is blue with some clouds.

GETTING BACK TO NATURE

Stakeholders are starting to pay attention to humanity's role in the destruction of nature. But for many boards, oversight of biodiversity is uncharted terrain, Prasanthi Vasanthakumar writes

IMAGINE A LITTLE BIRD. The bird scatters seeds that grow into a Douglas fir, an evergreen tree native to British Columbia. This tree is processed into one of the finest timbers for construction and used to build a house. That house is then marketed, sold, heated, furnished and insured. But none of this would be possible if it weren't for the little bird.

From the builder and furniture maker to the realtor and insurance provider, "that whole value chain is sustained by those birds," says Megan Leslie, CEO of World Wildlife Fund Canada. "We need to make sure that bird has a home. When we think about nature and how connected we are to it, it's amazing."

The challenge for many businesses is connecting the dots between nature and their activities. Some connections are obvious. For example, natural disasters like landslides, forest fires, drought and floods can disrupt markets and supply chains: crops are damaged, trucks can't carry products across the country, employees can't get to work, and customers aren't out and about shopping.

Other links are less apparent but financially substantial nonetheless, says Leslie, such as when extensive use of pesticides and herbicides kills pollinators, leading to reduced agricultural yields and higher prices for grocers and customers. That is one of the reasons the Taskforce on Nature-related Financial Disclosures (TNFD) is being developed.

About the TNFD

The TNFD, which builds on the Taskforce on Climate-related Financial Disclosures (TCFD), consists of 40 international members representing financial institutions, corporations and market service providers with over US\$20-trillion in assets. It is finalizing a framework that businesses can use to identify and communicate their effects and dependencies on nature, and the associated risks and opportunities. The goal is to reduce nature loss and integrate nature-positive strategies into decision-making.

"What [the TNFD is] doing is trying to quantify that [economic risk] for you, when it's not just the landslide that you can see, but maybe the impacts you can't see," Leslie says. "So, what is the financial risk to you that comes from nature not being healthy? The way that nature impacts business is everywhere and everything, and what the Taskforce on Nature-related Financial Disclosures is trying to do is show business how integrated it is."

According to a report from PricewaterhouseCoopers (PwC), more than half of the world's gross domestic product – or US\$58-trillion – depends on nature. Yet global wildlife populations have declined by nearly 70 per cent in the past five decades, and more than a million species face extinction owing to human activity.

"These are key indicators that these systems are at tipping points," says Daniel O'Brien, a TNFD member and registered professional biologist. "If we move beyond these [planetary] boundaries, then things start to break down. So, there's a real sense of urgency, but there's also uncertainty, right? ... But we can't not do anything. So, the guidance and framework is really about taking those initial first steps to map out where your business is operating."

As a first step, O'Brien, who is a partner at PwC Canada and leads

its ESG and sustainability practice, advises organizations to closely examine their business activities. Where do you source your inputs? Where do your products end up downstream? What are the nature impacts and dependencies in your business operations, and along your value chain? The TNFD offers guidelines to help organizations assess their impact and their risks.

Everything is connected

With biodiversity and climate change making their way onto the business agenda, boards have a lot to make sense of today – and biodiversity is a particularly complicated subject.

"Biodiversity and climate change are linked together in complex and dynamic ways," says Robert Walker, a climate governance expert for the Canada Climate Law Initiative. "But what's important to wrap your mind around is that biodiversity is not the same as climate change, and in many ways, is a more complex issue, is more locally based, more ecosystem-based, as compared to climate, which – it's hard to believe – is relatively simple in terms of having one number to look for, and that is emissions to the atmosphere."

The link between climate change and biodiversity means that solving for one problem can sometimes exacerbate the other, says Walker, who serves on the boards of the International Institute for Sustainable Development (IISD) and TreebuddyEarth, a technology service that supports the planting and care of trees.

The hunt for critical minerals like cobalt – a "miracle metal" in the clean energy transition – is a perfect example of this Catch-22. In addition to the widespread use of child labour, the cobalt rush in the Democratic Republic of the Congo has led to toxic dumping, which harms human health and devastates landscapes, water and crops.

"It's hard to talk about either biodiversity loss or climate change without sounding completely alarmist," Walker says. "And it can be a bit depressing because we're human ... [But] there's no shortage of ideas. There's no shortage of technologies. It's a matter of awareness, strategy, capital allocation. Let's get going."

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On the bright side, ecosystems and their biodiversity can act as carbon sinks to mitigate climate change. According to the UN Environment Program, about one-third of the greenhouse gas emission reductions needed in the next decade could come from improving nature’s ability to absorb emissions.

“That’s 13 times greater than if we were to electrify the entire transportation sector,” O’Brien says. “So, we already have the mechanisms to abate or reduce carbon emissions. We just need to protect it and nurture it. We need to ensure that we’re not degrading those systems. And there’s also a lot of potential economic activities associated with those so-called nature-based solutions.”

A world of opportunity

Improving our relationship with the natural world can seem daunting, but has enormous potential. Investors are certainly paying close attention. A study of Canadian institutional investors finds that nearly half placed biodiversity as a top-three ESG (environmental, social and governance) focus area, up from 16 per cent six months earlier. Banks are making lofty, sustainable finance commitments and will need places to put that money, observes O’Brien. Companies that show they are moving the needle through nature-positive business models will have access to low-cost credit and debt.

Consumer preferences are shifting, too, he says. As customers look for brands that are reducing their impact on the planet, nature-positive business models will command a larger market share.

Reducing our impact on nature also makes sense from a dollars-and-cents perspective. When you decrease the use of resources, make processes more efficient and cut waste, you can often save a lot of money, O’Brien adds.

For Megan Leslie, nature-based solutions can be an opportunity to marry climate and nature goals with Indigenous reconciliation. In addition to acting as carbon sinks, restored landscapes can be rich ecosystems that are less likely to flood, catch fire or turn into landslides, she says. When you restore the land around Indigenous priorities, it can be an act of reconciliation.

“There’s a lot of opportunity here,” Leslie says. “What better [means of] reconciliation than righting the wrongs of destroying the land?”

Robert Walker also sees immense potential for technology and innovation in mitigating damage to our environment. Thousands of companies are establishing technologies to address the 17 Sustainable Development Goals (SDGs), which include halting biodiversity loss.

For example, a robot technology in agriculture can plant seeds and apply pesticides in an ecosystem-specific way that limits knock-on effects, he says. To stay on top of these emerging technologies, investors are building tools and using machine-learning techniques to identify the companies they want to back.

“There’s a whole world out there of opportunity that is going to come as this ecological transition happens,” Walker says. “A lot of companies can be and are positioning themselves to ignite that transition.”

The legal landscape

Not everyone is inventing new technologies to support nature, but Liane Langstaff is noticing a shift in many organizations. As an environmental lawyer at Gowling WLG (Canada) LLP, Langstaff helps clients obtain permits to build projects and comply with chemical and waste management regulations.

“Up until now, we’ve been looking at biodiversity on a project-by-project basis,” Langstaff says. “And what we’re seeing is greater attention to strategic biodiversity risk, and not just on a project-by-project basis, and not just in those typical sectors.”

‘We’ve always focused on, ‘Thou shalt not kill’ a species, but I think the next stage is a recognition that we’ve lost a lot of species and habitats already, so what are you doing as a business to restore, to be a good corporate steward, but also, to think strategically so that you are furthering the ecosystem services you need for your business?’

—Liane Langstaff, Gowling WLG

So, I think this is where Canadian business is going. We’re starting to look at material biodiversity impacts and dependencies on other sectors that we wouldn’t have typically considered in the past.”

For example, she said, construction companies look at where they purchase wood, battery businesses consider where their minerals come from, and food and beverage producers check to see whether their palm oil is causing deforestation.

There’s a good reason to ask these questions. Langstaff expects the next frontier of biodiversity litigation to focus on business supply chains.

Board action

In this rapidly evolving landscape, boards will have to do their homework. As a first order of business, boards should question their capacity to understand biodiversity issues, Walker says. This means assessing board composition, and gaining access to skills and expertise, whether through board recruitment, training or outside consulting.

“Having their own independent advice on biodiversity risks would be critical,” he says.

From there, he advises boards to ask management how the company identifies and addresses biodiversity risks. What tools

does it use? Does it anticipate disclosure to the TNFD? Is it on top of stewardship initiatives like the Nature Action 100 (a group of institutional investors pushing for corporate action on biodiversity decline)? What questions on nature loss does it expect from investors?

Directors should also ensure the organization has the right structures in place, so biodiversity isn’t fenced-off in a sustainability-focused department. Instead, the functional units responsible for biodiversity issues should be integrated with other parts of the business, such as corporate risk, compliance and finance, so it’s considered with other enterprise risks, O’Brien says.

Many boards can take comfort in knowing they may have done much of the leg-work already.

“This topic is often overwhelming,” O’Brien says. “A lot of companies are like, ‘Oh, we’re just getting our heads wrapped around climate, and now you want us to look at nature and biodiversity.’ But what I would say is, the TNFD and many of these frameworks are designed to integrate. If you’re already looking at climate-related disclosures and risks, then you probably have most of the governance and structures in place to adopt nature-related risks. And then if you look at the two frameworks, they deliberately line up almost exactly, with a few exceptions.”

O’Brien also reminds directors that companies aren’t expected to be “100-percent ready” to report on climate and nature any time soon. There’s an understanding it will be a gradual progression as frameworks are adopted. But instead of waiting for regulatory requirements to be finalized, he urges boards and companies to get a handle now on their impact and dependencies on nature.

“A lot of these risks are pretty significant and things are getting worse,” O’Brien says. “They’re not getting better in terms of the severity and frequency of extreme weather events, for example. ... There’s that expression, ‘You can’t let perfect be the enemy of the good.’ You have to take those initial steps. Otherwise, you’re always going to be in the analysis stage and never putting anything into motion.”

Shifting tides

After the UN biodiversity conference COP15 in Montreal late last year, Liane Langstaff noticed a greater emphasis on biodiversity enhancement versus preservation.

“We’ve always focused on, ‘Thou shalt not kill’ a species, but I think the next stage is a recognition that we’ve lost a lot of species and habitats already, so what are you doing as a business to restore, to be a good corporate steward, but also, to think strategically so that you are furthering the ecosystem services you need for your business?”

This concept is what O’Brien refers to as “nature-positive.” For many companies in high-impact sectors like mining, biodiversity and nature-related disclosures are part and parcel of business. But na-

ture-positive solutions go beyond avoiding, reducing or neutralizing environmental impacts to “trying to do more good than harm.” It means looking beyond your own business footprint to how you can contribute to larger conservation priorities within the region.

“That’s a real shift and you’re starting to see commitments that companies are making about becoming nature-positive by 2030 or 2050,” he says. [DJ](#)

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INVESTMENTS IN BIODIVERSITY

As CEO of World Wildlife Fund Canada, Megan Leslie helps corporations invest in nature. Here are some examples:

AVIVA

Aviva Canada Inc. is restoring landscapes in Canada. This investment makes business sense for the U.K.-based insurance company that insures communities against floods and fires. But while doing this work, Aviva is also looking at restoring wildlife habitat, sequestering carbon and supporting Indigenous communities. The company published its first biodiversity policy in 2021.

MAPLE LEAF FOODS

Maple Leaf Foods Inc. is investing in the science needed to measure and monitor carbon in landscapes. With a commitment to net zero, the company is looking at the effect of its farming practices on landscapes.

LOBLAW

As part of its biodiversity goals, Loblaw’s garden centres ensure a certain percentage of plants sold are native to the area, which helps pollinators like birds and bees. In urban spaces, plants within a neighbourhood can create a corridor of native habitat. By selling these native plants, Loblaw Cos. Ltd. has also strengthened the local grassroots industry, which includes Indigenous-owned nurseries.

Boards can empower management to pursue biodiversity initiatives by unlocking the funds to do this work, Leslie says. It also means linking performance goals with nature-related objectives. “That shows commitment from the top,” she says.

NATURAL ASSETS



48%

Investors who placed biodiversity in their top three ESG focus areas in December 2022 – up from 16 per cent six months earlier.



US\$10-trillion

New annual business value created by nature-positive solutions by 2030.



395 million

Jobs created by 2030 from nature-positive solutions.

Sources: PwC, World Economic Forum, Millani