Asking Better Questions on Nature

For Canadian Board Directors

Canada Climate Law Initiative

Chapter Zero Canada
The Directors' Climate Forum

CCLI Commonwealth Climate and Law Initiative

INSTITUTE OF CORPORATE DIRECTORS
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TNFD Taskforce on Nature-related Financial Disclosures

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How to use this guide

This Asking Better Questions on Nature guide is an adaptation of the original version published in May 2025, tailored to the Canadian context. The guide is prefaced with a summary of a seminal legal opinion, *Nature-related risks and the duties of directors of Canadian corporations*, outlining what directors' duties require in respect to nature-related risks.

The guide is then structured around 12 questions that boards may wish to consider during meetings and ask organization executives, along with the type of information they should expect in response. It is designed to help board members surface the decision-useful information they need to ensure that nature-related issues are appropriately incorporated into the organization's governance, strategy, risk management and capital allocation. Doing so may assist Canadian directors in demonstrating compliance with their legal duties concerning nature-related risks.

A glossary of key terms is included on page 36.

Dotted throughout this guide are case studies demonstrating how nature-related issues are being managed by two Canadian organizations.

- **Organization A:** A multinational forest products organization that manages large areas of timberland and produces wood, pulp and paper products for global construction and packaging markets.
- **Organization B:** A Canadian multinational investment management firm specializing in global infrastructure and real assets.

Disclaimer

The Canadian legal opinion referred to in this document was commissioned by the Commonwealth Climate and Law Initiative (CCLI) and authored by Resilient LLP, a leading Canadian climate and energy law firm. The section related to Directors' duties and nature-related risks and Question 12 have been summarized by CCLI only. It is not a comprehensive analysis of all the relevant issues. For detailed legal insights, we recommend a full reading of the legal opinion.

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About the authors

The **Commonwealth Climate and Law Initiative** (CCLI) is an independent non-profit that connects climate science and economics with existing law to clarify what corporate and investment governance requires in practice. Founded by the University of Oxford's Smith School of Enterprise and the Environment, ClientEarth, and Accounting for Sustainability, CCLI brings together academia, lawyers, industry, and civil society in a uniquely multidisciplinary collaboration. Through rigorous legal research and practical tools, CCLI examines the legal duties of directors, officers, trustees and investor fiduciaries – across more than 34 jurisdictions – to consider, manage, and report on climate change and nature-related risks, opportunities and impacts, and the circumstances in which there may be liability for failing to do so.

The **Canada Climate Law Initiative** provides businesses and regulators with climate governance guidance so they can make informed decisions towards a net-zero economy. Powered by the nation's top expertise, we engage with boards of directors and trustees to ensure businesses understand their legal duties with respect to climate change. Our legal research allows us to stay one step ahead in a rapidly transforming policy landscape.

The **Institute of Corporate Directors** (ICD) is a not-for-profit, member-based association with over 18,000 members and a network of 11 regional chapters. ICD members across all sectors of the economy oversee well in excess of CAD 1 trillion in market capitalization and institutions that impact the lives of virtually every Canadian. Its purpose is to improve trust and confidence in Canadian organizations by developing and activating directors. The ICD hosts **Chapter Zero Canada**, the Canadian chapter of the **Chapter Zero** Alliance, a global network that equips and inspires directors to effectively oversee climate and nature.

PwC Canada helps clients build trust and reinvent so they can turn complexity into competitive advantage. It is a tech-forward, people-empowered network with more than 6,500 partners and staff in offices across the country. Across audit and assurance, tax and legal, deals and consulting, PwC Canada helps build, accelerate and sustain momentum, including supporting clients to understand, assess and effectively manage climate, nature risks and opportunities. PwC refers to the Canadian member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.

This resource is adapted from the original 'Asking Better Questions on Nature for Board Directors' created by the Taskforce on Nature-related Financial Disclosure (TNFD) in partnership with Chapter Zero – the Director's Climate Forum based in the UK and other associated partners, including the Green Finance Institute (GFI), Competent Boards and the Commonwealth Climate and Law Institute (CCLI).

This resource has been adapted from the original by the authors to make it relevant for users in Canada. These changes have been made without any further oversight from the originators of the resource, other than CCLI, and therefore users of the amended version do not have recourse to the original authors of the material.

Contents

Introduction

Canada is one of the most naturally endowed countries on Earth – it is recognized as one of five countries that, together, host 70% of the world's remaining untouched wilderness areas. It holds 24% of the world's boreal forest, 37% of its lakes, 25% of its wetlands, and approximately 80,000 species.[1] These landscapes have shaped the country's identity and underpin its prosperity — from the mines and fisheries that built its economy, to the farms and forests that feed and shelter its people, to the rivers and coastlines that draw millions of visitors each year. In 2024 alone, tourism generated CAD 104.4 billion in revenues, surpassing pre-pandemic levels for the first time.[2] The economic value of ecosystem services in Canada is estimated to be at least USD 3.6 trillion per year, more than double Canada's GDP in 2018.[3]

Yet Canadian ecosystems are under increasing strain.[4] The resources and services that nature provides, such as soil quality regulation, pollination, climate regulation, storm and flood are degrading. As they do, resource-intensive industries such as mining, oil and gas, agriculture, fishing and forestry become increasingly exposed to nature risks. But these risks extend far beyond resource-intensive sectors and will impact the entire Canadian economy.

Nature-related disruptions can ripple through supply chains, affect asset values and lead to credit, market and operational risks across the financial system.[5] An analysis revealed approximately USD 259 billion of Canada's GDP (roughly 11%) is at risk due to ecosystem degradation, with fishing and forestry most exposed (e.g., from pests and pathogens), and manufacturing, wholesale and retail trade also significantly affected.[6]

These risks are recognized by the Government. Through its 2030 Nature Strategy, the Government of Canada has committed CAD 3.8 billion to protect and restore habitats, align industrial strategies with conservation goals, and mobilize capital for nature – warning that delayed or inadequate action risks reduced productivity, weakened competitiveness and lost investment opportunities in a nature-positive, net-zero economy. In March 2026, Prime Minister Carney released *A Force of Nature: Canada's Strategy to Protect Nature,* which explicitly recognizes that Canada's natural capital represents both a responsibility to steward and a competitive advantage to leverage.[7]

Yet many Canadian businesses today remain inadequately prepared to address nature-related risks and opportunities in core decision-making, at a time of growing nature-related regulatory scrutiny, litigation exposure, and investor action. Directors can no longer treat nature as an externality. Integrating nature-related risks and opportunities into governance is now central to safeguarding and growing competitiveness and long-term value.

Defining nature

Nature consists of four realms: land, freshwater, ocean and atmosphere. Climate is a subset of nature, considered part of the atmosphere realm.[8]

Ecosystem services, the contributions of ecosystems to the benefits that are used in economic and other human activity, can be divided into:

- provisioning services (for example, water supply, genetic material and biomass provision);
- regulating and maintenance services (like flood mitigation, pollination and global climate system regulation); and
- cultural services (like recreational and spiritual services).[9]

What is the Taskforce on Nature-related Financial Disclosures (TNFD)?

TNFD is a global, market-led, science-based and government-supported initiative to help companies and financial institutions factor nature into corporate decision-making. The Taskforce consists of 40 senior executives from companies and financial institutions globally representing over USD 20 trillion in assets under management (AUM) with operations and value chains in over 180 countries.

Directors' duties and nature-related risks

In July 2025, an independent legal opinion commissioned by the Commonwealth Climate and Law Initiative on *Nature-related risks and the duties of directors of Canadian corporations* (Canadian Legal Opinion) found that:

- **Directors are permitted, and in some cases are required, to identify their companies'** nature-related dependencies and impacts and to **consider** material nature-related risks.
- **Directors' duty of care requires reasonable and prudent action regarding nature-related risks.** Directors should be informed and have sufficient knowledge of nature-related risks to their business. They should have governance and risk management processes to identify nature-related dependencies and impacts and assess their materiality. Oversight systems should capture emerging nature-related risks.
- **Directors may face legal action for failing to consider and manage nature-related risks.** Claims may be initiated against the corporation and personally against directors, under the *Canada Business Corporations Act (CBCA)* or common law.

See Annex 1: Directors' duty of care and loyalty and applicability to nature-related risks for further information.

What protection does the law afford directors?

Directors are not held to a standard of perfection in their decisions and in discharging their duties. They are protected by the **'business judgment rule'**. This rule shields directors from liability where a decision was made in good faith, with reasonable diligence and within the directors' authority, even if the decision resulted in negative outcomes.

The courts will likely not defer to the judgment of the directors where, for example, decision cannot be attributed to a rational business purpose, the directors have been unduly passive towards nature-related risks and/or failed to engage in a reasoned process to identify, analyze and oversee nature-related risks.

For Canadian boards, managing nature-related risks is both a legal duty and a strategic imperative. Ignoring nature-related risks is not reasonable, prudent or diligent.

What happens if a director breaches their legal duties?

The success of any legal claim will be highly contingent on the specific facts and circumstances surrounding the director's conduct and decisions and the applicability of the business judgment rule.

In regard to the duty of loyalty, the court will look at the director's purpose and motivation in attempting to make decisions in the best interests of the company. In regard to the duty of care, the court will consider the context and factual circumstances surrounding the actions of the director.

Claims related to a breach of a director's duty of loyalty and/or the duty of care may take the form of direct or accessorial claims. These may include:

- Derivative actions brought against a board (or individual director) by a shareholder or another person acting on behalf of the corporation.
- Oppression actions against a board (or individual director) alleging that the corporation's decision was oppressive, unfairly prejudicial or unfairly disregarded the interests of a security holder, creditor, director or officer.
- Disclosure-related complaints and claims against companies and/or directors, where a breach of the duty of care leads to a breach of disclosure obligations.[10]
- Tort claims in negligence or potentially nuisance against a board (or individual director), where a breach of the duty of care is the cause of harm to a stakeholder.
- Injunctions against companies for failures to perform any delegated duty to consult and accommodate Indigenous rightsholders.

If directors are **unduly passive** toward material nature-related risks, do not engage in a **reasoned process** to identify and analyze them, and have no **governance processes** to oversee them, they are likely to **attract claims**. In such circumstances, directors are unlikely to benefit from the business judgment rule.

Questions for boards to ask on nature

QUESTION 01

How and where does our business depend and impact on nature?

Why ask?

Fulfilling your director's duties to manage your organization's nature-related issues starts with pinpointing *how* the business relies on nature's services, *how* it impacts on nature, and *where* this is happening.[11] Identifying the geographic locations of your organization's interfaces with nature, including across your value chains, is essential. Nature in one location differs from nature in another location, which means the same dependency or impact on nature in location A can create different risks and opportunities to your business than if it was occurring in location B.[12] Nature-related dependencies and impacts will also vary between sectors and companies.

Guidance and tools exist to support mapping of dependencies and impacts for your organization. As a starting point, the TNFD provides sector-specific guidance that sets out dependencies and impacts by sector.

What to look for in management's response:

Location-specificity

Consider whether management provides information about the location of the organization's nature-related dependencies and impacts, including insights about any particular concentration in a specific location. This information is typically most useful as a map leveraging geospatial data. In some cases, your nature-related issues will cover multiple ecosystems and locations, as both nature and impact drivers can be mobile—for example, in the case of migratory species (e.g., caribou) and the spread of pollutants (e.g., Persistent Organic Pollutants).

Negative and positive impacts

Impacts on nature can be both negative (degradation) and positive (enhancement). Look for insights about both negative and positive impacts your organization could be having on nature in specific locations of interest. Assessments should consider Canadian regulations (e.g., information aligned to the *Impact Assessment Act,* which requires evaluation of major projects for potential significant adverse impacts and the *Species at Risk Act,* which is designed to protect listed species and their critical habitat, supporting recovery strategies and action plans).[14]

Interactions over time

A robust mapping should consider both current and potential future dependencies and impacts. Dependencies and impacts can interact and compound over time, as negative impacts undermine the availability of ecosystem services on which organizations may also depend (and conversely, positive impacts may improve ecosystem functioning and reduce the organization's own dependencies in that location).[15] Consider whether your organization's analysis looks across time horizons and considers the dynamic interaction between dependencies and impacts.

CASE STUDY

As a global sector-specialist investor, **Organization B's** primary exposure to nature-related risks is through its investment activities. Organization B's approach to identifying and assessing nature-related dependencies, impacts, risks and opportunities is sector- and geography-specific, reflecting the different ways each investment vertical (e.g., agriculture value chain) interacts with natural capital and biodiversity. This approach enables the organization to develop a more robust understanding of nature-related risks (e.g., agricultural land suitability) and opportunities (e.g., drip feed irrigation) across portfolios.

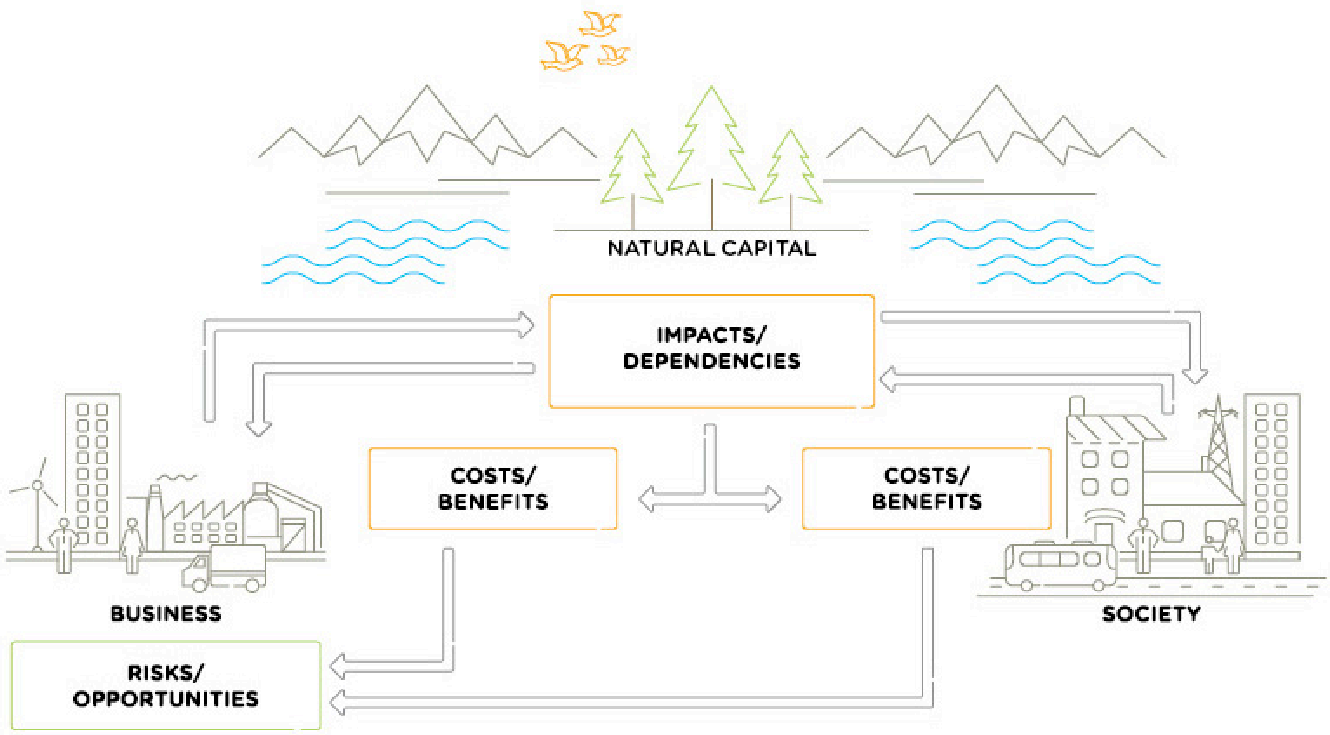
QUESTION 02

How do our dependencies and impacts on nature give rise to potential financial and non-financial risks?

The TNFD's LEAP assessment guidance can help organizations and boards work through a stepwise process to identify potential risks.

Why ask?

Dependencies and impacts on nature from your organization's operations can create material risks for your business, shareholders and stakeholders, including as the business grows (see Figure below).[16] For example, a mining company highly dependent on purified freshwater is exposed to financial risks if the supply of water becomes diminished or disrupted, potentially limiting future expansion or increasing costs. Similarly, a mining operation located near sensitive boreal forest may face project delays, regulatory restrictions, or rising remediation and engagement costs if biodiversity impacts are not adequately managed, affecting asset valuation and long term project viability. Business growth (e.g., operational expansion; increased production) may also be impacted due to resource scarcity, evolving regulatory requirements, and stakeholder scrutiny.



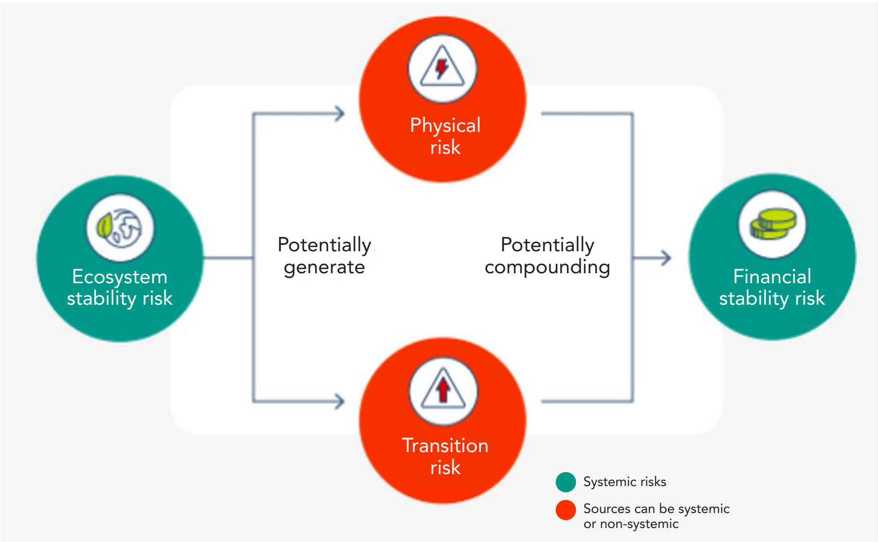
QUESTION 02
(Cont'd).

What to look for in management's response:

Types of risk

Nature-related risks can be divided into physical risk,[17] transition risk and systemic risk. Boards should be equipped with a list of these three types of potential nature-related risks to the organization, and a proposed incorporation of these into the organization's risk matrix, considering how nature-related risks could interact with other risks identified to elevate materiality.

Figure: Types of nature-related risks and their interplay



Physical risk: e.g., lack of clean water due to water quality issues resulting from eutrophication of lakes

Ecosystem stability risk: e.g., oxygen depletion in marine waters create dead zones where aquatic life cannot survive, destabilizing the entire ecosystem's food web

Financial stability risk: e.g., negatively impacts fishing yields and tourism revenue while imposing costly cleanup expenses

Transition risk: e.g., Increasing stringency of nature policies related to pollutants

QUESTION 02
(Cont'd).

Concentrations of potential risks

Consider whether management provides insights about any particularly significant risks, or areas of risk concentration within specific business operations and assets, geographies, revenue lines and cashflow and capital expenditure.

Prioritization criteria

Your organization will likely already have criteria for assessment and prioritization of potential risks. As your organization begins to incorporate nature into its existing enterprise risk management processes (or portfolio risk management frameworks), look for evidence that management has considered the following prioritization criteria: magnitude of risks and opportunities, likelihood of risks and opportunities, vulnerability, speed of onset, severity of impacts on nature (including scale and scope for positive impacts) and implications for society of those nature impacts.[18] Look for evidence of stakeholder and Indigenous rightsholder engagement to understand and prioritize potential risks across the value chain. Consider regular stress-testing or scenario-testing of these prioritization criteria, given that nature-related risks are fast-evolving.

CASE STUDY

Organization A uses ENCORE's explore tool to identify dependencies and impact drivers that are material to the industry groups of silviculture and logging and sawmilling and wood planning. An ecosystem dependency score is calculated for each forest management area and mill site following the UNEP Nature Risk Profile methodology's approach. Priority dependencies and impact drivers are then used to identify potential corresponding nature-related business risks, leveraging the TNFD's risk and opportunity registers and additional guidance for the forestry, pulp, and paper sector. These risks are further categorized based on the TNFD's physical, transition and systemic risk categories.

As a multinational forest products company, biodiversity conservation and regional species-at-risk considerations can directly influence Organization A's forest harvesting decisions, including harvest timing, access and silvicultural practices, with implications for fiber availability, operational costs and long-term planning. These factors are closely linked to Organization A's social license to operate and can give rise to potential financial and non-financial risks where not adequately managed.

QUESTION 03

How do our dependencies and impacts on nature generate potential opportunities for the organization?

Why ask?

Every business should consider efforts to improve the resilience of nature, particularly in the locations where it has key dependencies and impacts on nature. Increasing the resilience of nature, and therefore your organization's future business resilience, should include both reducing negative impacts on nature and contributing positively to nature's restoration through activities such as conservation and regeneration. Avoiding or reducing negative impacts on nature, or contributing to the regeneration of nature through business innovation, may present commercial opportunities.

It is equally important that directors consider nature-related commercial opportunities as well as risks.[19]

What to look for in management's response:

Types of opportunities

Nature-related opportunities can be divided into two main categories:

i) **Avoiding, reducing, mitigating or managing nature-related risks.** For example, a chemicals organization may implement closed-loop water systems that use less water.

ii) **Strategic transformation of business models, products, services, markets and investments that actively work to halt or reverse the loss of nature.** For example, the same chemicals organization can develop sustainable agrochemical innovations for fertilizers that results in access to new markets and increased revenues.

Look for identification and evaluation of both types of nature-related opportunities. Consider whether any opportunities arise from the 2030 Canada Nature Strategy areas of activity e.g., (a) reducing threats to biodiversity; (b) meeting people's needs; and (c) deploying tools and solutions such as sustainable financing opportunities.

QUESTION 03
(Cont'd).

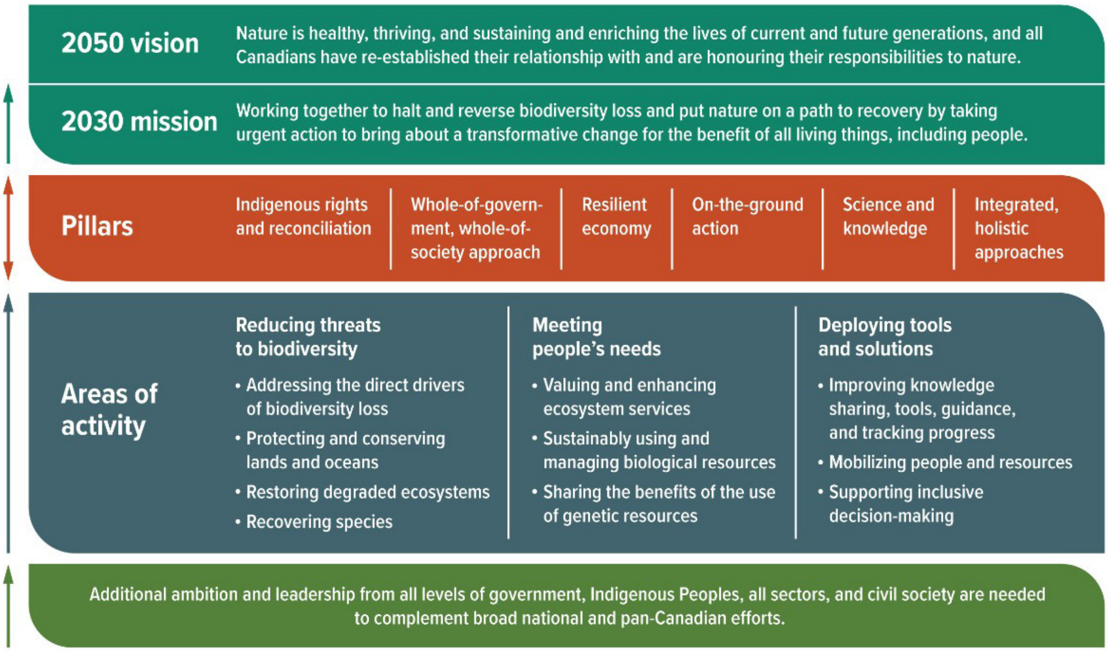


Figure: Elements of Canada's 2030 Nature Strategy[20]

Integration with existing business processes

As with nature-related risks, potential nature-related opportunities should be integrated into existing business processes for identifying and evaluating commercial opportunities. Look for evidence that management is integrating nature-related opportunities within the business and across its supply chain.

Nature positive – a Canadian and global goal:

Nature positive is a global societal goal defined as 'halt and reverse nature loss by 2030 on a 2020 baseline, and achieve full recovery by 2050'.[21] The goal is intended to be the nature equivalent of the global climate target of keeping global warming below 1.5C. The world's governments adopted the Kunming-Montreal Global Biodiversity Framework in 2022, which aligns with the nature positive ambition.

Nature positive is not a term that applies at the level of individual businesses, products or services. However, Canada's 2030 Nature Strategy highlights that *"The private sector has an important responsibility and there is an increasing recognition of its role in sustainably managing natural resources, stewarding private lands, minimizing its own impacts on biodiversity, and helping to advance, finance, and mobilize knowledge and action."*

CASE STUDY

Where opportunities exist to mitigate negative impacts or enhance positive outcomes for nature, **Organization B** incorporates specific, time-bound actions into an Environmental and Social Action Plan (ESAP) for portfolio companies.

For example, Organization B is working closely with one portfolio company to monitor an initiative that is supporting a reforestation project surrounding its farms, contributing to the protection of one of the last remaining Atlantic cloud forests in Peru. Over time, this project will strengthen long-term water security and climate resilience for both the local region and the company's operations. This illustrates the alignment between nature protection and long-term asset resilience.

QUESTION 04

What is the interplay between our nature- and climate-related dependencies, impacts, risks and opportunities?

Why ask?

While boards have built significant competence over the last decade around the science and commercial implications of climate change, our planetary systems are deeply interconnected and require an integrated approach across all four realms of nature—atmosphere, land, oceans and freshwater. Climate change is identified by scientists as one of the five drivers of nature change, alongside land/freshwater/ocean use change, resource use/replenishment, pollution/pollution removal and invasive alien species introduction/removal. These other drivers of potential risk and opportunity to business are currently invisible to most organizations, creating potential risks to revenues, cashflows and balance sheets unattended to and potential commercial opportunities not realized.

In May 2025, commentary was published discussing the importance of Canadian businesses not overlooking nature risks, noting businesses should take a holistic risk mitigation approach to these interconnected issues.[22] The imperative for companies now is to broaden the aperture of their understanding of climate-related risks and opportunities to incorporate nature-related issues beyond greenhouse gas (GHG) emissions. Directors' duties span both climate and nature-related issues,[23] and they need to be understood and managed in an integrated fashion. The Canadian government has stated it will invest over CAD 5 billion from 2021 to 2031 to address climate change and biodiversity loss, [24] whilst 15% of Canadian institutional investors, representing a combined CAD 4.3 trillion in AUM are prioritizing the interconnectivity between climate and biodiversity as a dual solution.[25]

What to look for in management's response:

Consideration of the relevance of nature to climate risk and opportunity assessments

Look for evidence that management is reconsidering any previous assessments of your organization's exposure to physical climate risk and assessing how nature loss may exacerbate this risk and, conversely, how the pursuit of nature-based solutions could help mitigate assessed physical climate risk.[26] If you have not yet completed climate risk and opportunity assessments, ensure nature is integrated from the beginning.

Identification of new commercial opportunities

Look for evidence that management is considering new opportunities that create value for the organization and for nature, climate and society as a whole. Opportunities can include new technologies, like agricultural companies employing new regenerative agricultural solutions, or nature-based solutions, like financial institutions integrating nature in product lines to enhance business resilience and drive decarbonization objectives. Nature should be viewed as an ally.

CASE STUDY

Operational divisions in **Organization A** conduct regional fiber-supply assessments to identify and manage landscape-level pressures such as wildfires, pests and long-term timber availability. Climate adaptation considerations are also embedded into forest management area plans, ensuring that shifting climate conditions inform harvest sequencing, silviculture prescriptions and investment decisions.

QUESTION 05

How are we assessing and measuring our potentially material nature-related issues across different time horizons? What data are we using and generating?

Why ask?

The concept of materiality sits at the centre of your director's duty to manage nature-related issues. Different organizations take different approaches to materiality for nature-related issues based on applicable regulatory requirements, the vision and values of the organization and the informational demands of their shareholders. Managing material nature-related risks and opportunities requires a robust assessment process for determining the potential financial implications of the dependencies, impacts, risks and opportunities your organization has identified.

Identifying and measuring select qualitative and quantitative indicators over time is an essential foundational step to enable you to assess, evaluate and manage nature-related risks. Documenting this process can provide evidence that your decision-making was robust and help demonstrate that you are fulfilling your director's duties.[27] The TNFD guidance provides both a recommended assessment methodology—the LEAP approach—and a recommended set of metrics for both assessment and disclosure. In Canada, where disclosure of material risks is required under existing securities laws and disclosure frameworks, this is inclusive of material nature-related risks.[28]

While board members will typically want to see a quantification of key nature-related risks and opportunities in financial terms, methodologies are still under development. While some guidance is available and select large companies and financial institutions are quantifying their nature-related risks and opportunities, qualitative evaluations of financial implications—such as classifying a risk or opportunity as high, medium or low—are more feasible for most companies at this time. The Audit Committee's remit could be expanded to provide oversight of nature-related indicators and metrics

What to look for in management's response:

Assessing financial implications

Broadly, financial implications can occur through a range of channels, including changes to revenue, expenses and capital expenditure; access to and cost of capital (e.g., re-ratings of its credit risk or insurance premiums and attracting capital); and carrying amount of assets and liabilities on the balance sheet.[29]

Determining the financial implications of nature-related risks and opportunities generally involves an organization assessing its i) potential for losses, costs or benefits from identified risks and opportunities; ii) planned responses; and iii) response effectiveness. Identify whether management has considered all of these aspects in their analysis and whether they have made reasonable efforts with the data they have available or can reasonably procure to look beyond the short term and consider forward-looking scenario analysis in their assessment.[30]

QUESTION 05
(Cont'd).

Clear application of the organization's approach to materiality

Look for evidence that management has considered and developed an appropriate methodology to define and assess materiality, and that the agreed approach to materiality has been clearly and consistently applied.

Irrespective of your organization's approach to materiality, ensuring a robust understanding of dependencies and impacts on nature will be necessary to ensure an adequate understanding, management and potential disclosure of material risks and opportunities.[31]

While the Canadian Sustainability Disclosure Standards (CSDS) adopt a financial materiality approach, the Canadian Legal Opinion highlights that both financial *and* impact materiality are relevant to investors and other stakeholders since they are intrinsically inter-related – the impacts of the corporation on nature may be financially material where they affect a company's financial performance, business reputation, cash flows or cost of capital. Impacts may be financially material immediately (e.g., a breach of a tailings pond that harms a watershed and municipal drinking water) and/or over a corporation's longer term (e.g., cumulative nature impacts which result in legal claims and/or harm to Indigenous rightsholders).

Leveraging existing data

When undertaking an internal assessment of nature-related issues, many organizations discover they have more relevant environmental data than they first thought. This includes climate-related data, asset location data and data gathered from supply chain surveys to support compliance with existing Canadian legislation (e.g., for provincial environmental permits, the *Modern Slavery Act, Environmental Protection Act or Fisheries Act*).

Leveraging existing data

Nature-related issues cannot be summarized in a single metric like CO_2-equivalents for GHG emissions in the climate space. As the board, you can play a useful role in working with management—and experts, if required—to define a small number of the most decision-useful metrics for your organization, and identify which of these are appropriate to voluntarily disclose. The number of metrics should be sufficient to provide adequate insights for you as the board to assess and manage nature-related issues in compliance with your duties, and for the purposes of adequate disclosure to shareholders and other external stakeholders.

Selection of a manageable number of decision-useful metrics

Nature-related issues cannot be summarized in a single metric like CO2-equivalents for GHG emissions in the climate space. As the board, you can play a useful role in working with management—and experts, if required—to define a small number of the most decision-useful metrics for your organization, and identify which of these are appropriate to voluntarily disclose. The number of metrics should be sufficient to provide adequate insights for you as the board to assess and manage nature-related issues in compliance with your duties, and for the purposes of adequate disclosure to shareholders and other external stakeholders.

The TNFD's recommendations on nature-related metrics

The TNFD has recommended a set of 14 'core global' indicators for all organizations to measure and disclose, supplemented with appropriate sector metrics depending on their industry.

Organizations should also consider collecting data across a broader set of metrics to inform assessment and monitoring of nature-related issues.

When selecting metrics for your organization, choose metrics that enable comparability across time, as well as with peers in the same industry. Consider the credibility of your metrics, such as by using science-based frameworks.

For the metrics you choose to disclose externally, consider securing third-party assurance on an annual basis.[32]

QUESTION 05
(Cont'd).

CASE STUDY

Organization B employs the TNFD LEAP approach to identify the most material nature-related impacts and dependencies across existing assets. As part of this approach, Organization B focuses on:

- **Geospatial screening,** notably mapping assets located in or near Key Biodiversity Areas (KBAs) as identified by the KBA Partnership. This occurred in 2024 and 2025 (for FY 2023 and 2024).
- **The ENCORE Heatmap database,** to identify and evaluate key dependencies and impacts relevant to focus sectors and targeted assets.
- **Regular and direct engagement** with its portfolio companies. Its annual **ESG monitoring questionnaire** includes targeted questions on biodiversity and nature, covering risk identification, mitigation measures and management practices. This helps Organization B understand how portfolio companies identify and manage nature-related risks and opportunities and therefore enables it to assess its own exposure through the companies in which it invests.

Nature-related risks and opportunities are also assessed as part of Organization B's **ESG due diligence** process for prospective investments. This aims to determine if prospective investees have a material impact on biodiversity and if so, whether they are: (a) adequately mitigating financially material risks; and (b) identifying opportunities to enhance resilience and deliver positive nature-related outcomes.

QUESTION 06

How are we engaging with our value chain and Indigenous Peoples and Local Communities (IPLCs), affected and other stakeholders to understand their views with respect to our nature-related issues?

Why ask?

Because nature-related issues are location-specific, engaging with stakeholders and Indigenous rightsholders in those locations is central to effectively identify, assess and manage nature-related dependencies, impacts, risks and opportunities. The Canadian Legal Opinion confirms that nature-related risks may arise from Indigenous rights and land claims. The quality of the organization's stakeholder engagement can have a direct, and sometimes immediate, impact on the financial prospects of the organizations. Stakeholders and Indigenous rightsholders may help identify and close blind spots in your understanding and management of nature-related issues, including opportunities for value creation (e.g., by benefitting from customary and traditional knowledge of ecosystems).

Given the relational nature of many stakeholder engagement processes, it is important to start with stakeholder engagement as early as possible and sustain that engagement in a meaningful and authentic way. Broad stakeholder engagement also helps organizations to meet expectations under international standards of responsible business practice and the growing range of related legislation in Canada (see further below), as well as reporting requirements and investor expectations.[33]

What to look for in management's response:

A broad understanding of stakeholder

Evaluate whether management has considered the broad array of your organization's key stakeholders, including your financial institutions (such as investors, other capital providers and insurers), government agencies, policy makers and regulatory authorities, intergovernmental organizations, scientists, consumers, landowners, IPLCs, civil society organizations and other businesses and local communities interacting with the same ecosystems. Consider how management is proposing to prioritize stakeholder engagement efforts, and their rationale for the proposed prioritization. Management should also understand which other stakeholder groups who may become key stakeholders over time.

Particular attention to IPLCs

Indigenous Peoples are stewards of 80% of the world's remaining biodiversity, and together with Local Communities, they have proven highly effective in the protection of ecosystems, giving them a uniquely important role in halting and reversing nature loss which is now recognized in international law.[34] Where relevant, look for evidence that management is giving sufficient attention to engaging with IPLCs in key locations, noting that effective engagement needs to be consistent, not transactional, and with a long-term view. Also look for references to the Canadian guidance on Indigenous participation in impact assessments related to the *Impact Assessment Act* (e.g., guidance on how to develop an Indigenous Engagement and Partnership Plan).

The TNFD's guidance on Engagement with Indigenous Peoples, Local Communities and Affected Stakeholders provides a comprehensive overview of expectations based on international law and established business principles.

QUESTION 06
(Cont'd).

Leveraging existing initiatives and supply chain relationships

As with data collection, look for evidence that management is leveraging existing stakeholder engagement initiatives, including established channels with value chain partners.[35] Consider the quality of engagement by your major value chain partners as well as your direct engagement. The quality of their engagement can create reputational risks for your organization. You may also want to consider opportunities to de-risk the organization's exposure to poor practices through your supply chains and/or enhance positive engagement with your supply chain partners through collaborative initiatives with partners and credible third-party convenors.

SPOTLIGHT: The integral role of Indigenous Rightsholders and Rights of Nature

Aboriginal and treaty rights of Indigenous Peoples are unique rights connected to the land and nature. These rights are constitutionally protected by section 35 of the Canadian Constitution and the common law.

As outlined in the Legal Opinion, the constitutional rights are grounded in the 'honour of the Crown' and impose on governments a duty to consult (DTC) and accommodate Indigenous Peoples for any potential adverse effects of government action on Aboriginal rights. The DTC must be informed by the application of the principles of the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP). UNDRIP is an international instrument that sets out the rights of Indigenous Peoples, including the right to self-determination, cultural preservation, and control over lands, territories and natural resources. In 2021, the Canadian government enacted the *United Nations Declaration on the Rights of Indigenous Peoples Act,* committing to align Canadian laws with UNDRIP principles.

UNDRIP articulates the principle of Free, Prior, and Informed Consent (FPIC), which, at minimum, requires Indigenous communities to be meaningfully consulted and to consent before activities affecting their lands and resources are approved by governmental authorities.

Failure to properly undertake the DTC and adequate FPIC can present significant nature-related risks for Canadian corporations. Canadian courts have found that the DTC was engaged by government actions that adversely impacted nature-related Aboriginal rights. This had consequences for Canadian corporations, including the transfer of tree licences which would have permitted the cutting of old-growth forest, as well as structural changes to resource management.[36]

Indigenous Peoples in Canada have also been at the forefront of the rights of nature movement, which may create further nature-related risks for Canadian corporations. This movement has led to the recognition of the rights and legal personality of the Magpie River (Muteshekau-shipu) in northern Québec.[37] The Assembly of First Nations Québec-Labrador also passed a resolution in 2023 regarding the legal personhood of the St. Lawrence River.[38]

Considerations

Organizations—especially those with significant nature-related dependencies and impacts —that fail to respect and facilitate Indigenous rights are likely to encounter financial and reputational risks, community opposition, project delays and legal challenges. A fundamental component of Canada's 2030 Nature strategy is an increase in the funding of Indigenous-Led Area-Based Conservation (ILABC) across Canada. ILABC includes establishment of Indigenous Protected and Conserved Areas (IPCA): 'Lands and waters where Indigenous governments have the primary role in protecting and conserving ecosystems through Indigenous laws, governance and knowledge systems.' The increased funding of IPCAs highlights the need for Canadian organizations to directly engage with Indigenous Peoples throughout key decision-making processes to ensure reputational, policy and legal risks are effectively mitigated and managed.

Directors may need to account for Indigenous rights and consider rights of nature in their risk assessments and planning, especially as Indigenous rightsholders exercise legal authority over land use, planning and assessment decisions.

QUESTION 06
(Cont'd).

CASE STUDY

Organization A has implemented a board-approved Indigenous Peoples' Policy which aims to generate mutual economic benefits and improve social and environmental outcomes for communities. Indigenous Relations was one of the top material topics resulting from a double materiality assessment which was completed in 2025.

Organization A has Indigenous Relations leads in British Columbia (BC) and Alberta. These individuals are responsible for engagement and consultation with many Indigenous Communities where the company manages forestlands. Consultation is integrated into forest management planning, biodiversity conservation, water stewardship, employment, employee engagement and training, business opportunities, harvesting and replanting decisions. Organization A signed joint development and relations agreements in 2024 and in 2025 to show its mutual respect and exploration of shared-forestry related opportunities in BC and in Alberta with Indigenous Communities.

Organization A also employs wildlife experts who guide forestry operations by shaping broad strategic plans, providing species-specific management tools where needed, and leading stewardship activities that advance long-term conservation goals. Their work ranges from integrating biodiversity needs into large-scale land-management planning to developing habitat models, monitoring programs and designing best practices for species at regional scales. They also direct applied research programs and support conservation actions, such as habitat restoration, with external partners. Together, these efforts create a science-informed framework for land management, reinforced by conservation action and biodiversity monitoring at multiple spatial scales.

QUESTION 07

How does management integrate nature into short- and long-term decision-making when:

- Reviewing and revising strategy and business plans, including transition plans.
- Drafting and implementing risk management policies.
- Setting organizational KPIs and incentive plans.
- Considering annual budgets.
- Overseeing major capital expenditures, acquisitions and divestitures.

Why ask?

Nature, including climate change, is a strategic management issue that must be integrated in core business processes and decisions.[39] Nature-related risks fall within existing financial risk categories and are not new categories of risk. Nature risks can augment exposure to other sustainability-related risks, thereby increasing overall financial risks. Nature-related opportunities can also span the full breadth of the organization's operations, from procurement and sourcing, to product design and financing arrangements.

What to look for in management's response:

Interconnected governance

Consider whether management is involving all relevant functions, departments and experts in integrating nature-related risks and opportunities into business processes and decisions.

Temporal orientation

Assess whether management is giving due consideration to short-, medium- and long-term timeframes, as well as natural variability (e.g. seasonality). Note that the long-term timeframe for many business-relevant nature-related dependencies and impacts may be longer than your organization's traditional planning horizons and require a mindset shift to accommodate.

Proportionality and trade-offs

Evaluate whether management is treating nature-related risks and opportunities proportionately to other types of risk and opportunity, based on their materiality, and anticipate potential trade-offs and conflicts.

Building on integration of climate

If you have already integrated climate into your core business processes, look for evidence that management has considered how to leverage this for nature. For example, many leading organizations are now adapting their climate governance arrangements and transition plans to include nature-related issues beyond climate change.[40] According to PwC's 27th Annual Global CEO survey, 57% of organizations have committed to investing in nature-based solutions, with some investments already underway or completed.[40] The TNFD provides guidance on how to create transition plans for nature that builds on best practices for climate transition plans.

CASE STUDY

Organization B has several processes to integrate nature-related risks and opportunities into governance, strategy and decision making over the short- and long-term. Organization B has a Responsible Investment Policy, which is reviewed and approved annually by the board. The Policy:

- informs the organization's strategy and approach to investing, including consideration of nature-related topics; and
- includes an exclusion list, which prohibits investments in projects or companies involved in net deforestation or activities that would result in significant adverse impacts in KBAs.

Organization B executives are integrated into relevant committees to further integrate nature-related risks within governance, strategy and decision-making. For example, board members serve on Investment Committees, which review material risks for investment decisions, including nature-related risks and opportunities. Moreover, members of senior management, including the CEO, are represented on the firm's Sustainability Committee which oversees the firm's responsible investment strategy.

QUESTION 08

How do we expect nature-related issues to change over time in our sector, and in the markets and locations in which we operate?

Why ask?

As the consequences of climate change and nature loss escalate and the financial implications for companies and financial institutions become more evident and significant, the external market context companies operate within is changing. Regulatory requirements, consumer expectations and investor risk management requirements are shifting. The science related to how ecosystems operate is also constantly evolving. It is therefore critical that management teams and boards build their capacity for 'nature intelligence' as part of their broader business intelligence.

What to look for in management's response:

Capacity for scenario thinking

Look for evidence that management has considered whether the organization has the capacity to incorporate a wider set of nature-related considerations into its medium- and long-term strategy formulation processes by working with scenario analysis, in the same fashion that you may already be working with climate-related scenarios. Scenario analysis should be reviewed and refreshed regularly in light of the latest scientific thinking. The TNFD provides guidance on nature-related scenario analysis.

Awareness of technology innovations

Probe whether management is sufficiently aware of nature-based or nature-related technology developments to seize the possible commercial opportunities. Opportunities can be as diverse as biomimicry-inspired product innovation, new bio-based and bio-produced materials capable of replacing synthetic component parts and new green finance innovations such as parametric insurance.

Proportionality and trade-offs

The type and speed of nature-related innovation varies significantly across markets, partially driven by differences in green business and green finance incentives. Canada has announced for Clean Economy Investment Tax Credits (CAD 93 billion),[42] a Nature Smart Climate Solutions Fund (CAD 1.4 billion)[43] and a CAD 3.2 billion program aimed at planting 2 Billion Trees.[44] Government incentives for business and consumers in China, Europe and the US have also led to some rapid shifts in product innovation and consumer purchasing decision (e.g., electric vehicles). Consider whether management has adequate business intelligence resources and networks in place to stay abreast of fast-moving dynamics in relevant markets and sectors, across both source markets for business inputs upstream and end customer markets downstream.

CASE STUDY

Organization B has an ESG and Impact Team which tracks industry standards, best practices and investor expectations through a combination of **direct investor engagement, participation in industry initiatives and ongoing review of market and regulatory trends** related to nature, biodiversity and sustainability more broadly. The overarching objective of this process is to increase understanding of nature-related issues, assess asset resilience and ensure appropriate risk mitigation measures are in place.

QUESTION 09

Are we up to date with shifting regulatory developments, both voluntary and mandatory, industry standards and investor expectations across the jurisdictions in which we operate?

Why ask?

Nature-related industry standards and regulatory requirements beyond climate are emerging quickly. Nature-related assessment and reporting has been advanced by the TNFD and is already covered in the European Corporate Sustainability Reporting Directive (CSRD), Global Reporting Initiative (GRI) impact reporting standards, IFRS sustainability reporting standards, and CSDS.

More broadly and more importantly, even where no disclosure regulation for nature exists in relevant jurisdictions, directors must consider disclosing material nature-related risks to comply with their general duties of disclosing material risks.[45] Investors may have additional expectations beyond current voluntary and mandatory requirements. Forty-four per cent of Canadian investors highlighted biodiversity as a key ESG topic in 2025,[46] and 68% of global asset managers and owners have an investment policy which considers nature.[47] Investor coordination initiatives on nature, such as Nature Action 100 and the PRI Spring Initiative, signal growing investor interest and sophistication on these issues.

What to look for in management's response:

Capacity to anticipate and prepare for growing regulatory requirements and investor interest

Given the constantly changing landscape, look for evidence that management has an understanding of both existing and emerging frameworks, standards and regulated requirements, with processes to support this understanding. Look for evidence that management is looking ahead, including anticipating the growing sophistication of investors' nature-related information requests and expectations of active management of nature-related issues beyond climate change.

Internal engagement

Ensure adequate monitoring and responding to existing and emerging standards, regulatory developments and investor expectations through broad involvement across the organization. Canadian companies are mandated to comply with nature-related regulation (e.g., *Environmental Protection Act*), and should ensure the right people are at the table to enable decision-useful insights are provided to the board. Consider to what extent management is engaging with relevant teams to gather information and respond accordingly, including legal, risk, sustainability, investor relations and operations.

Approach to external reporting

Nature-related disclosure can be divided into what must be legally disclosed and voluntary reporting. When defining what must be legally disclosed, look for evidence that management is considering relevant nature-related disclosure regulations (e.g., Canada's *Environmental Protection Act, Species at Risk Act*). Canada does not have any disclosure rules specifically relating to nature-related risks. However, the Canadian Legal Opinion highlights that existing securities laws and disclosure frameworks require disclosure of material risks, which is inclusive of material nature-related risks. For example, identification of nature-related risks that would reasonably be expected to have a significant effect on the market price or value of the securities of a corporation with a continuous disclosure obligation is a material fact that must be disclosed through the regular provision of documents such as proxy circulars and financial statements.

QUESTION 09
(Cont'd).

Canadian Sustainability Disclosure Standards (CSDS)

CSDS 1 and CSDS 2 are Canada's baseline, principles-based sustainability disclosure standards aligned with the International Sustainability Standards Board (ISSB)'s global standards. They have been adapted for the Canadian context and issued by the Canadian Sustainability Standards Board (CSSB). Both CSDS 1 and CSDS 2 are designed to be interoperable with nature frameworks such as the TNFD recommendations.

In alignment with the ISSB Standards, the CSDS focuses on financial materiality, defined as: *"Whether information could reasonably be expected to influence decisions of primary users of general-purpose financial reports (investors, lenders, and creditors)."*

CSDS 1: General Requirements for Disclosure of Sustainability-related Financial Information

CSDS 1 requires organizations to consider nature-related issues where they are financially material. Disclosure on issues such as biodiversity, water management, land use and ecosystem services is required when such issues can reasonably affect cash flows, asset values or access to capital. Where financially material, nature-related information should be disclosed across four pillars: governance, strategy, risk management and metrics and targets.

CSDS 2: Climate-related Disclosures

CSDS 2 considers nature through the interconnections between climate and natural systems, such as how physical climate risks affect ecosystems, and in turn, business operations and supply chains. CSDS 2 requires disclosure of nature-related information to the extent that it is relevant to climate-related financial impacts, scenario analysis, transition planning, and long-term viability. In this way, nature is incorporated through a climate-risk and resilience lens, complementing the broader sustainability coverage provided under CSDS frameworks require disclosure of material risks, which is inclusive of material nature-related risks. For example, identification of nature-related risks that would reasonably be expected to have a significant effect on the market price or value of the securities of a corporation with a continuous disclosure obligation is a material fact that must be disclosed through the regular provision of documents such as proxy circulars and financial statements.

Relevance of ISSB standards to nature

In April 2026 the ISSB voted to develop an "IFRS Practice Statement" on nature rather than a standalone mandatory standard.[48] The ISSB's position is that IFRS S1 already requires disclosure of material nature-related information — meaning that boards in jurisdictions that have adopted ISSB standards must already be assessing and disclosing material nature-related risks. An exposure draft of the Practice Statement is targeted for COP17 in October 2026.

For any additional voluntary disclosure, look for references to voluntary frameworks, in particular the TNFD's recommended disclosures, which are being drawn upon by standards organizations, such as the ISSB and GRI, and regulators. The Canadian government has previously expressed its commitment to positioning Canada as a leader in sustainability reporting, indicating its endorsement of the TNFD in public statements by the then-incumbent Minister for the Environment and Climate Change.[49] As of [May] 2026, there are 12 organizations headquartered in Canada that have committed to start making disclosures aligned with the TNFD Recommendations.[50] Consider how voluntary disclosures can help you to achieve your strategic ambitions, such as investor confidence.

QUESTION 09
(Cont'd).

CASE STUDY

Organization A stays up to date with evolving regulatory requirements, industry standards and investor expectations on nature through active C-suite engagement and cross-functional governance. Its Sustainability Steering Committee – comprised of senior executives from operations, fiber management, environment, finance and strategy – provide oversight on emerging nature-related issues. The Sustainability Steering Committee receives ongoing updates from the sustainability team, covering information on regulatory changes, new frameworks, shifting investor expectations and other external developments across Canada, the U.S. and Europe.

As a forestry company, Organization A's executives already have a strong foundational understanding of fiber supply dynamics and nature-related risks, which helps ensure that new requirements are interpreted within the context of the organization's operating environment.

Organization A's Biodiversity Centre of Excellence (BCOE) provides centralized, science-based expertise across the organization. The BCOE supports the interpretation of emerging guidance (including TNFD-related developments), strengthens the rigour of technical assessments and aims to promote consistent application of best practices across regions. This structure endeavors to ensure that external expectations are translated into informed, practical decision-making and embedded into broader governance and sustainability processes.

In addition, Organization A actively participates in industry committees and collaborations, such as the National Council for Air and Stream Improvement and Forest Products Association of Canada, where it contributes to and learns from the development of sector-wide nature-related programs and best practices. This helps the organization remain ahead of evolving industry expectations and standards.

QUESTION 10

Does the board and senior management team have the requisite skills and experience to adequately manage the organization's nature-related issues?

Why ask?

Following the precedent set by expectations of climate competence at board and management levels, organizations are increasingly expected or required to explain their governance of nature-related issues beyond climate change. This is propelled by global standards like the IFRS S1 sustainability reporting standard and select jurisdictions, like the EU with the Corporate Sustainability Reporting Directive, putting in place regulation to this extent.

More generally, as organization directors, board members are permitted to delegate but must properly supervise the discharge of any delegated functions (see further in question 12). The board and management therefore need a collective level of functional fluency on nature-related issues to adequately manage nature-related risks and opportunities.[51] They must know what to ask their teams and independent advisors for, when to obtain expert advice and understand what satisfactory responses and deliverables look like.

Where the board and management already have a solid current understanding of nature-related issues, ongoing capacity-building initiatives remain necessary given the rapidly changing landscape of science, regulatory and voluntary frameworks and stakeholder expectations. Building such capacity can also ensure that boards can go beyond functional fluency and use their knowledge and understanding to harness the strategic opportunities of acting on nature.

What to look for in management's response:

Shared understanding of the basics on nature and business

Boards and management teams can build familiarity with natural capital in the same way they have developed understanding of climate science and GHG emission scopes over the past decade. This shared knowledge base enables more informed and productive engagement on nature-related issues. Evaluate whether you have a base-level understanding of nature itself, as well as the links between nature, climate, business and society—in particular, how nature-related issues influence an organization's current or future financial position; relevant legal, regulatory and voluntary nature-related frameworks; and an understanding of stakeholders' expectations.

QUESTION 10
(Cont'd).

Essential nature-related curriculum for board members and management

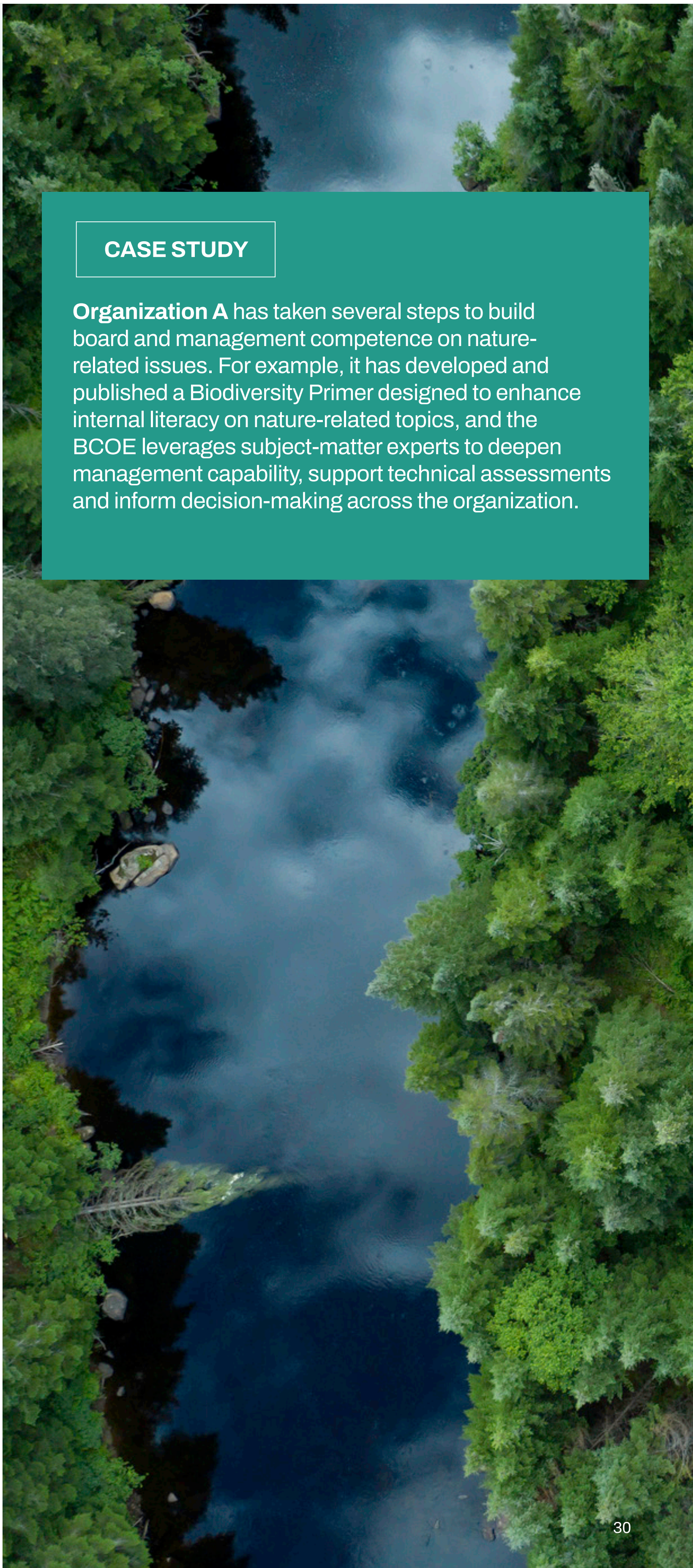
- The conceptual foundations of nature provided in the Recommendations of the Taskforce on Nature-related Financial Disclosures
- TNFD in a Box: Board level overview
- Taking TNFD to Your Board - Chapter Zero and GFI
- Nature for boards: A primer - Chapter Zero
- Biodiversity Risk: Legal Implications for Companies and their Directors - CCLI
- Guiding Principles for Climate and Nature Governance

Expert advisory support

Depending on the needs of the organization and the level of internal expertise, independent expert advice can play an important complementary role to support board and management level assessments and discussions. External third-party expertise cannot be an alternative for board and management decision-making, and should not be seen as a substitute for internal familiarity and capacity. Consider whether management is pursuing the right balance between internal capacity building and the use of external expert advice. Consider whether management has proposed a sound process for reviewing and implementing external advice.[52]

Learning from other competence building

Consider whether you and management are incorporating learnings from previous competence-building initiatives on issues like artificial intelligence, cyber risk and climate change when developing your nature-related competence building.



CASE STUDY

Organization A has taken several steps to build board and management competence on nature-related issues. For example, it has developed and published a Biodiversity Primer designed to enhance internal literacy on nature-related topics, and the BCOE leverages subject-matter experts to deepen management capability, support technical assessments and inform decision-making across the organization.

QUESTION 11

Are the organization's skills and capabilities on nature-related issues, including assessment and learning, being institutionalised for the long term?

Why ask?

With the planet set to exceed the Paris Agreement target and nature loss accelerating at an unprecedented rate, nature-related issues, including climate, will continue to rise further up the business, finance and policy agendas. For your organization to remain resilient and competitive in the long term, it is critical that efforts to assess and manage nature-related issues are institutionalized, and not overly reliant on individual champions at the management or board level. Ensuring that organizational capabilities, management decision-making systems and board competence on nature-related issues beyond climate change are built and sustained for the long term is now a core part of the fiduciary duty of company directors.

Consider the board's own knowledge development requirements on nature-related issues beyond climate change, and ensure you develop processes for selection of future board directors who are both climate and nature literate. Consider establishing a schedule for discussing nature-related issues in the boardroom. The frequency of discussions should be determined by the materiality of nature-related risks and opportunities to your organization.

QUESTION 011
(Cont'd).

What to look for in management's response:

Institutionalization of monitoring and assessment of nature-related issues

Consider whether your organization's capacity to assess nature-related issues, including the monitoring and reporting data systems that support risk management, have been adequately institutionalized into the organization's enterprise and/or portfolio risk management standard operating procedures. If not, probe for management's plan to embed these capabilities and processes in the short to medium term.

Training on nature-related issues

Consider whether adequate training and capacity-building resources have been allocated to upskill current and future leaders of the organization, including business unit leaders and site managers. Training should include nature-related issues as well as stakeholder management soft skills to appropriately manage the location-specific context of current and future nature-related issues. Training should be recurring or updated regularly, to ensure decision-makers are kept up to date in a rapidly evolving landscape of science, standards, regulations and investor expectations. The TNFD Trainer Portal includes materials for boards and Chapter Zero Alliance's Knowledge Hub hosts a range of key resources for non-executive directors relating to nature and climate capacity building and board leadership. Chapter Zero Canada, the ICD-hosted Canadian chapter of the Chapter Zero Alliance, shares thought leadership pieces and upcoming events and webinars related to the board oversight of climate and nature.

CASE STUDY

Nature-related capabilities are institutionalized at the board and senior management level at **Organization A**. This is achieved through regular Sustainability Steering Committee updates, integration of nature-related content into sustainability disclosures and ongoing engagement between executives and the board. This includes annual executive strategy updates to the board covering TNFD developments, nature-related risk assessments and the incorporation of nature-related priorities into goal-setting and strategic planning processes.

Organization A has also embedded nature-related responsibilities into its core processes to ensure long-term continuity: management systematically identifies, monitors, and addresses nature-related risks via Environmental Management Systems, with supporting KPIs and monitoring programs, and the board regularly reviews the enterprise risk management framework to ensure that nature-related risks are recognized and managed alongside other key business risks.

QUESTION 12

Are we confident that we are fulfilling our legal duties in relation to nature across the jurisdictions in which we operate? What evidence do we have that we are doing so?

Why ask?

The Canadian Legal Opinion confirms that in light of the plethora of global and Canadian reports highlighting the materiality of nature-related risks, such risks are not far-fetched, but are real risks that are known, well-documented and reasonably foreseeable at this time.

The Canadian Legal Opinion confirms that nature-related risks fall within directors' existing duties under Canadian law. Canadian corporate boards are expected to consider how their companies depend on, impact and are exposed to nature. Directors' duties are often informed by reference to the market, social and regulatory context. Given the dynamic evolution in nature-related regulations in Canada, international voluntary frameworks and standards, stakeholder expectations and an increase in nature-related litigation, directors should fulfil their duties with a forward-looking strategic lens.

Directors may be liable for failing to consider financially material nature-related risks, and be held accountable for their organization's impact on nature.

Boardroom reflection

Knowledge of legal duties concerning nature-related issues

Simply ignoring the class of wide reaching and potentially material nature-related risks is not reasonable, prudent or diligent. Assess your confidence that you understand your legal duties and what they require regarding nature-related issues and disclosure. If you are unclear on what your duties are regarding nature-related risks, consult the Canadian Legal Opinion and engage internal or external legal advisers.

Understanding of broader nature-related context

Nature-related issues may be of higher relevance for directors of businesses with significant dependencies and impacts on nature or in jurisdictions with high nature-related consumer awareness; significant nature- or climate-related litigation; or regulators or banks actively considering nature-related risks.[53] A 2024 study found that 42% of the Toronto stock exchange is moderately to highly dependent on nature[54] and in May 2024, the Governor of the Bank of Canada noted that the bank is *"considering international recommendations for reporting and acting on evolving nature-related risks which affect the ecosystems that societies and economies rely on"*.[55]

QUESTION 012
(Cont'd).

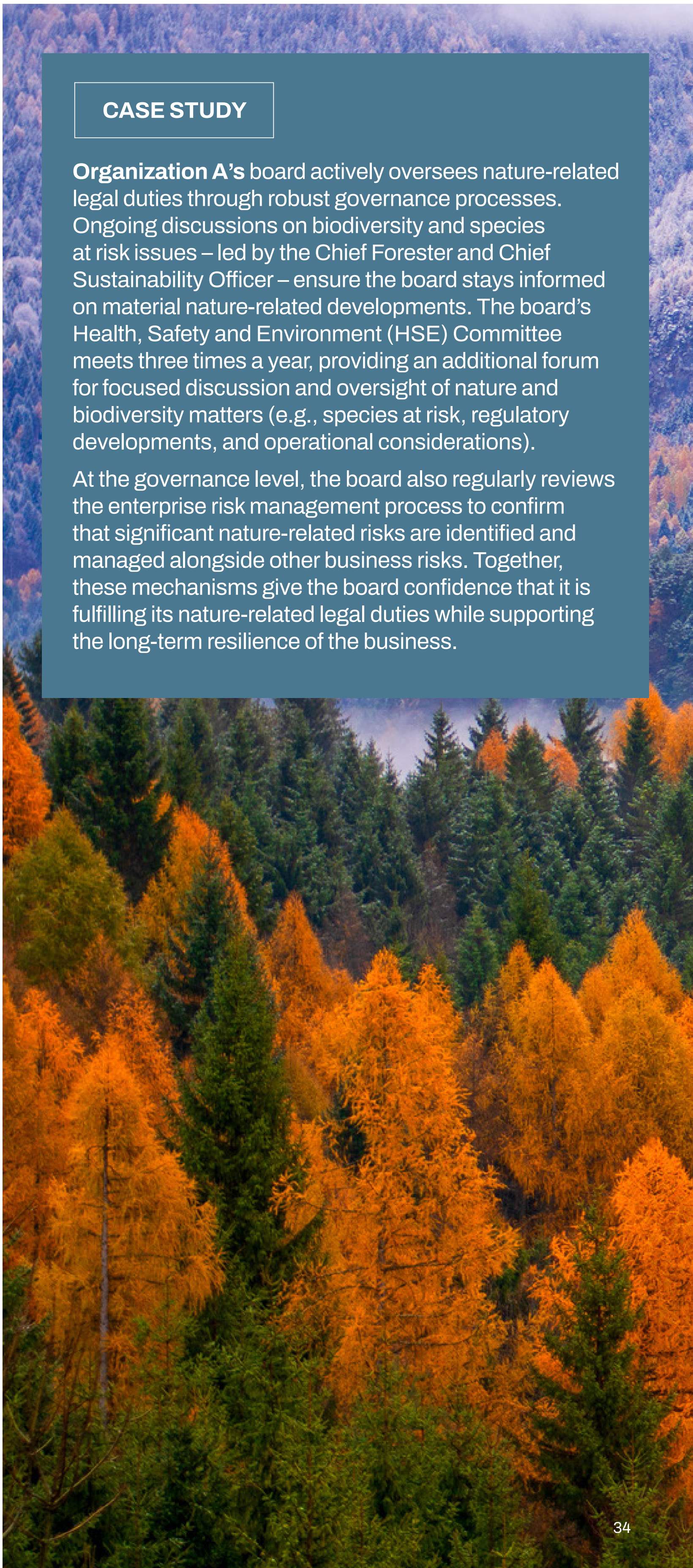
Level of oversight

Board members in Canada are permitted to delegate many functions,[56] but their duty to ensure that their duty of care has been met for such functions remains their own. Directors retain responsibility for the business through their duty to oversee management's discharge of the authority delegated to it.[57] In discharging the duty of care, directors are entitled to rely on management and their reports, where they are satisfied that they have the information they need to perform their oversight responsibilities.[58]

Consider whether the processes are in place to ensure board members have sufficient oversight of management in relation to nature-related issues facing the organization.

Documentation

Consider whether you are recording your decision-making process to identify, assess and manage nature-related risks and opportunities, for example in board minutes, agendas, memoranda and reports.[59] Consider whether you should establish a single repository for this information.



CASE STUDY

Organization A's board actively oversees nature-related legal duties through robust governance processes. Ongoing discussions on biodiversity and species at risk issues – led by the Chief Forester and Chief Sustainability Officer – ensure the board stays informed on material nature-related developments. The board's Health, Safety and Environment (HSE) Committee meets three times a year, providing an additional forum for focused discussion and oversight of nature and biodiversity matters (e.g., species at risk, regulatory developments, and operational considerations).

At the governance level, the board also regularly reviews the enterprise risk management process to confirm that significant nature-related risks are identified and managed alongside other business risks. Together, these mechanisms give the board confidence that it is fulfilling its nature-related legal duties while supporting the long-term resilience of the business.

Annex 1: Directors' duty of care and loyalty and applicability to nature-related risks

Legal Duty	Applicability to nature
Duty of loyalty: Directors have a fiduciary duty to *"act honestly and in good faith with a view to the best interests of the corporation"* (s.122(1)(a), CBCA). From an economic perspective, the "*best interests of the corporation"* means the maximization of the value of the corporation. However, *"value"* is not confined to shareholder value. Directors may therefore be required to consider factors beyond shareholder profits. While the duty is expressly owed to the corporation, a director may consider broader stakeholder interests, such as the environment and the long-term interests of the corporation.	Nature-related risks fall squarely within the *"environment"*. It follows that they should be identified and considered by directors as part of their fiduciary duty. The fiduciary duty permits, and may require, directors to identify nature-related dependencies and impacts, and consider material nature-related risks in the context of the best interests of the company. This is particularly the case for directors in sectors known to be highly dependent on nature or have significant impacts on nature. The duty does not require directors to elevate nature-related risks above all other interests
Duty of care: Directors have a duty to *"exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances"* (s.122(1)(b), CBCA). This addresses the competence of directors to supervise and manage the company's affairs. Director decisions must be reasonable considering the circumstances the directors knew or ought to have known. Directors should: • Make appropriate inquiries to identify and assess risks, particularly those which are material. • Recognize whether information provided was understated, incomplete or misleading. • Implement appropriate risk management practices. • Plan for foreseeable worst-case scenarios. Unlike the fiduciary duty, the duty of care does not specify to whom the duty is owed. Directors may therefore owe a duty of care to stakeholders beyond the corporation, such as corporate stakeholders and Indigenous rightsholders.	A court or regulator will likely consider the following factors when determining whether the duty of care has been breached concerning nature-related risks: • The extensive and readily available information on the materiality of nature-related risks. • The process directors followed relating to nature-related-risks to be reasonably informed. • What inquiries were made, and how stakeholders (e.g., experts) were engaged to support the identification, assessment and management of nature-related risks. • Whether directors sought training on nature-related risks. • Whether relevant guidance and frameworks were considered or used (e.g., the TNFD recommendations and sector standards). • Whether there were any risk management and reporting systems in place to alert directors to arising nature-related risks and enable oversight of their management (e.g., scenario analysis, Environmental Management Systems). • The comparable circumstances of other Canadian corporations and the processes and actions taken by such corporations regarding nature-related risks. The actions taken to balance and manage identified material nature-related risks.

Glossary

Biodiversity (or biological diversity)

The variability among living organisms from all sources, including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems.[60]

Drivers (of biodiversity loss)

All the factors that, directly or indirectly, cause changes in nature, anthropogenic assets, nature's contributions to people and a good quality of life.

Direct drivers include, inter alia, climate change, pollution, land use change, invasive alien species and zoonoses, including their effects across regions.[61]

Ecosystem services

The contributions of ecosystems to the benefits that are used in economic and other human activity.[62] Ecosystem services fall into three categories:

- provisioning services, such as the provision of crops, wood or water;
- regulating and maintenance services, such as water flow; regulation and climate regulation services; and
- cultural services, such as recreation and tourism opportunities.[63]

Nature

The natural world, with an emphasis on the diversity of living organisms (including people) and their interactions among themselves and with their environment.[64]

Nature loss

The loss and/or decline of the state of nature. This includes, but is not limited to, the reduction of any aspect of biological diversity e.g., diversity at the genetic, species and ecosystem levels in a particular area through death (including extinction), destruction or manual removal.[65]

Nature-related dependencies ("Dependencies (on nature)")

Aspects of environmental assets and ecosystem services that a person or an organization relies on to function. A company's business model, for example, may be dependent on the ecosystem services of water flow, water quality regulation and the regulation of hazards like fires and floods; provision of suitable habitat for pollinators, who in turn provide a service directly to economies; and carbon sequestration.[66]

Nature-related impacts ("Impacts (on nature)")

Changes in the state of nature (quality or quantity), which may result in changes to the capacity of nature to provide social and economic functions. Impacts can be positive or negative. They can be the result of an organization's or another party's actions and can be direct, indirect or cumulative. A single impact driver may be associated with multiple impacts.[67]

Nature-related legal risks (often referred to as 'liability risks')

Risks that arise from mismanagement of physical or transition risks that may lead to legal cases related to nature loss, which could arise if parties that suffer loss or damage from the effects of environmental change seek compensation from those they hold responsible. These losses or damages can include *"potential pay-outs, fines, legal and administrative costs, insurance costs, financing costs, and reputational costs".*

Legal risk in relation to climate has also been described as a subset of:

- transition/physical risks;
- a transmission channel between transition/ physical risks and financial risks; or
- a subset of operational risks within financial system risks.[68]

Nature-related opportunities

Activities that create positive outcomes for organizations and nature by creating positive impacts on nature or mitigating negative impacts on nature. Nature-related opportunities are generated through impacts and dependencies on nature, and can occur:

- when organizations avoid, reduce, mitigate or manage nature-related risks, for example, connected to the loss of nature and ecosystem services that the organization and society depend on; and
- through the strategic transformation of business models, products, services, markets and investments that actively work to reverse the loss of nature, including by restoration, regeneration of nature and implementation of nature-based solutions.[69]

Nature-related physical risks

Risks resulting from the degradation of nature (such as changes in ecosystem equilibria, including soil quality and species composition) and consequential loss of ecosystem services that economic activity depends upon. These risks can be chronic (e.g., a gradual decline of species diversity of pollinators resulting in reduced crop yields or water scarcity) or acute (e.g., natural disasters or forest spills). Nature-related physical risks arise as a result of changes in the biotic (living) and abiotic (non-living) conditions that support healthy, functioning ecosystems. These risks are usually location-specific.[70]

Nature-related risks

Potential threats (effects of uncertainty) posed to an organization that arise from its and wider society's dependencies and impacts on nature.

Nature-related systemic risks

Risks that arise from the breakdown of the entire system, rather than the failure of individual parts. Characterised by modest tipping points combining indirectly to produce large failures and cascading interactions of physical and transition risks. One loss triggers a chain of others and stops systems from recovering their equilibrium after a shock. It covers risks to financial systems (i.e., financial stability risk) and risks from the breakdown of natural systems (i.e., ecosystems).[71]

Nature-related transition risks

Risks to an organization that stem from a misalignment of economic actors with actions aimed at protecting, restoring and/or reducing negative impacts on nature. These risks can be prompted, for example, by changes in regulation and policy, legal precedent, technology, or investor sentiment and consumer preferences. They can also arise from activities aimed at restoring nature that no longer align with, for example, revised policies.[73]

Endnotes

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3 Government of Canada, Canada in a Changing Climate: National Issues Report – Ecosystem Services (2021) 271.

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7 Government of Canada, News release: A Force of Nature: Canada's Strategy to Protect Nature (April 2026)

8 The TNFD, Recommendations of the Taskforce on Nature-related Financial Disclosures (2023)

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10 Directors face significant penalties for authorizing and permitting misleading statements to be made in disclosure documents. For example, s. 122(3) of Ontario's Securities Act provides that every director of a company who authorizes, permits or acquiesces in the making of a misleading statement by the company or person is guilty of an offence and is liable on conviction to a fine of not more than CAD 10 million or to imprisonment for a term of not more than five years less a day, or to both.

11 The TNFD Recommendations of the Taskforce on Nature-related Financial Disclosures (2023) (the TNFD Recommendations); legal opinions in England and Wales (2024), Australia (2023), New Zealand (2023).

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13 The TNFD Recommendations.

14 The Bill C-5 and the Building Canada Act may accelerate approvals and streamline review processes for projects deemed to be in the national interest such as infrastructure and energy. While the Impact Assessment Act and Species at Risk Act remain in force, if a project deemed of national interest is also designated a project under the Impact Assessment Act, it is not subject to sections 9 to 17 and subsections 18(3) to (6) of the Act. Expedited projects may affect how nature-related risks and biodiversity impacts are assessed and managed.

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29 TNFD in a Box for Boards.

30 TNFD in a Box: TNFD LEAP approach.

31 The TNFD Recommendations recommend that organizations apply the ISSB's approach to identifying information that is material for users of general purpose financial reports as a baseline. Report preparers who want or need to report to a different materiality approach may apply an impact materiality approach to identify information in addition to the ISSB's baseline.

32 The TNFD Recommendations recommend adopting a small set of core metrics that apply to all sectors, as well as 'core sector metrics' for each sector. In addition, your business may select additional metrics.

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