

Nature-based Solutions & Biodiversity

CBSR Roundtable



CBSR

Today's Subject Matter Expert: **David Photiadis**



- David supports and manages client projects for Delphi's Sustainability Services and Greenhouse Gas Management Services. David helps clients translate energy, carbon, and sustainability information into strategic decisions to advance corporate sustainability programming and carbon management.
- David has an interdisciplinary educational background in environmental resource management and a Master of Arts degree, with a concentration in business and sustainability, from the University of Toronto.
- In his spare time, David is an outdoor enthusiast, foodie, hockey lover, and wannabe traveler. He is also committed to creating a sustainable world outside of Delphi and is a member of the executive team for Connecting Environmental Professionals Toronto.

Definitions: Biodiversity

Biodiversity is all the different kinds of life you'll find in one area—the variety of animals, plants, fungi, and even microorganisms like bacteria that make up our natural world.



Definitions: Biodiversity

Canada is home to:

- 24% of the world's boreal forests
- 25% of the world's temperate forests
- 25% of the world's wetlands
- 2 million lakes
- The world's longest coastline, and,
- The 3rd largest area of glaciers in the world.



Passenger pigeon
EXTINCT (1985)



Blanding's turtle,
Great Lakes population
ENDANGERED (2016)



Atlantic salmon,
Lake Ontario population
EXTINCT (2010)



Atlantic cod,
Newfoundland and Labrador
population
ENDANGERED (2003)

Definitions: Nature-based Solution

The International Union for Conservation of Nature defines nature-based solution (NbS) as **solutions that leverage nature and the power of healthy ecosystems to protect people, optimize infrastructure and safeguard a stable and biodiverse future.**



Examples of Nature-based Solutions include:

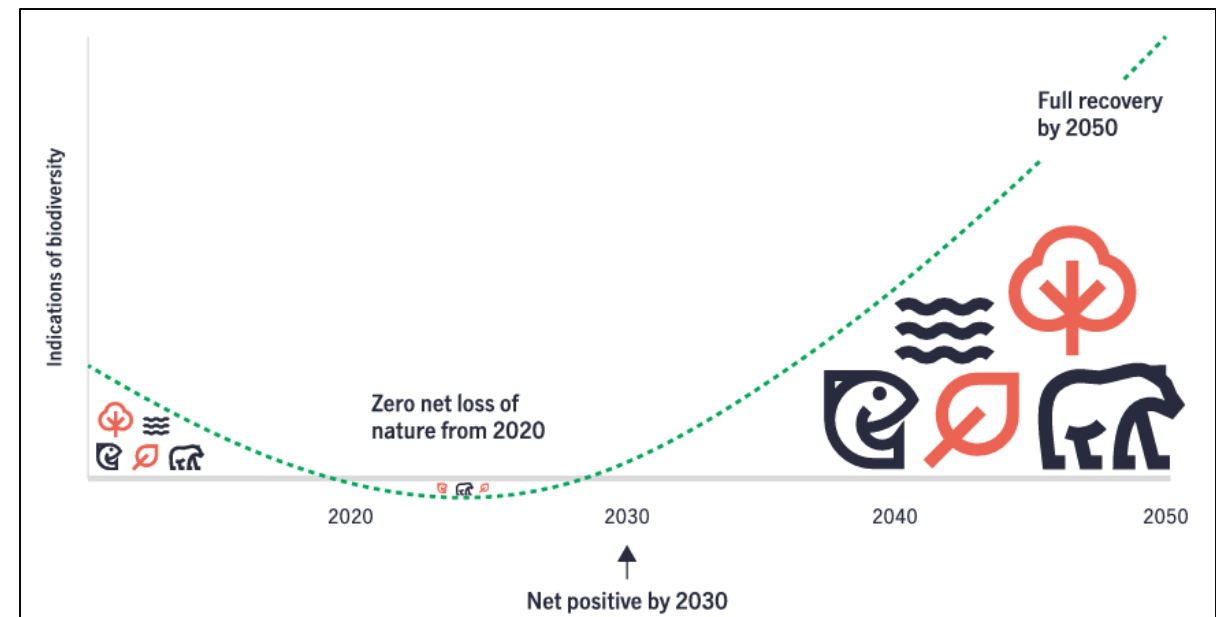
- Restoring & protecting forests and wetland catchments
- Bringing nature into cities
- Coastal habitat restoration

Definitions: Nature Positive

Nature Positive is defined as: **Enhancing the resilience of our planet to halt and reverse nature loss.**

The concept encourages that we go beyond damage litigation to optimize the ecosystems we utilize. In exchange for enhancing our ecosystems, businesses receive benefits in return:

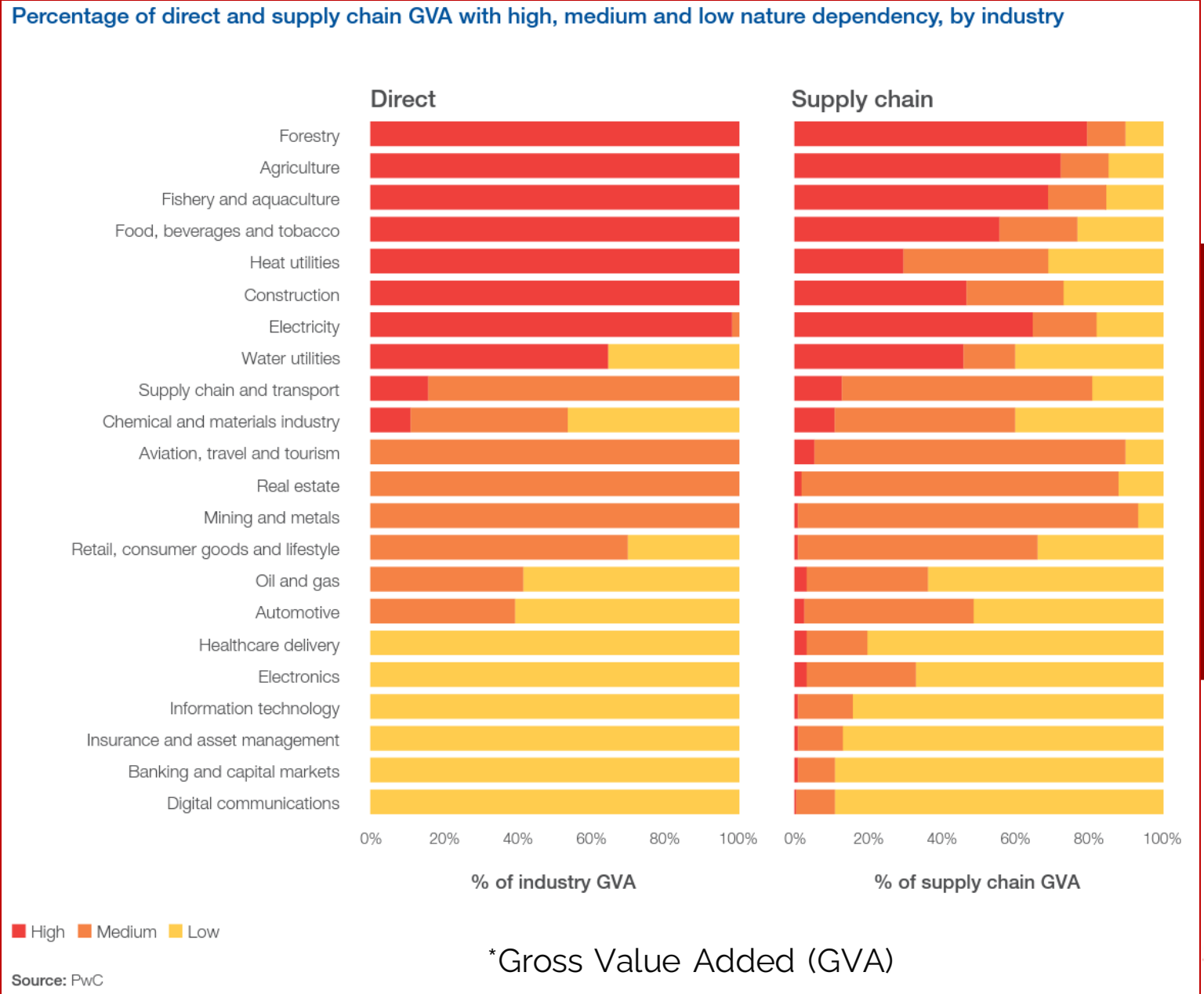
- Enriched biodiversity
- Stored carbon
- Increased supply chain security
- Reduced pandemic risk
- Purified water
- Over \$10 trillion in business opportunities



The global goal for nature is to be nature positive by 2030.

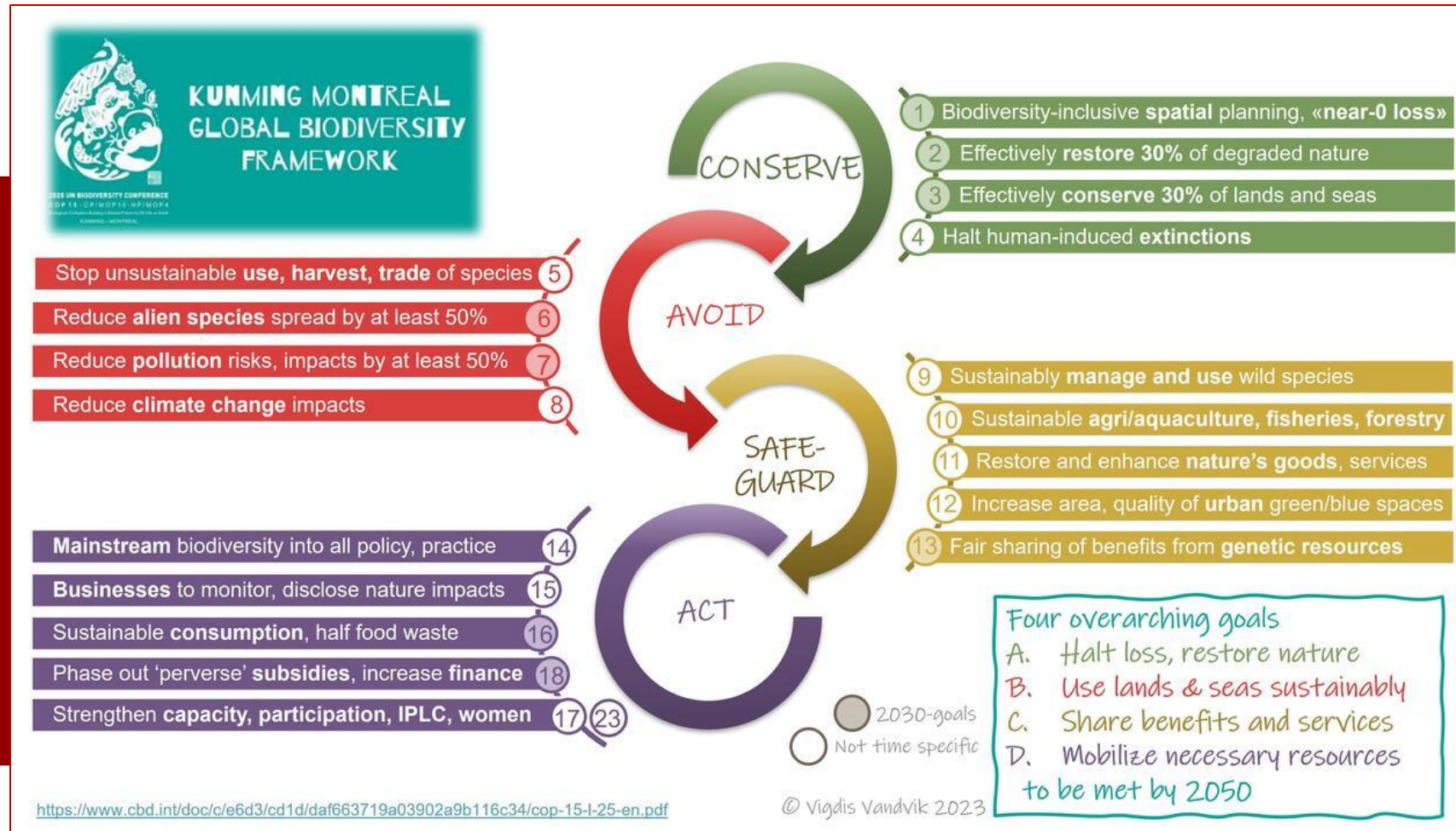
Canadian & Global Context: Why does it matter?

A 2020 report from the World Economic Forum found that 52% of global industries are either highly or moderately dependent on nature.



Canadian & Global Context: Outcomes from COP15

The most notable outcome of the Conference of the Parties to the United Nations Convention on Biological Diversity (COP15) was the adoption of the **Kunming-Montreal Global Biodiversity Framework** (GBF) to guide global action on nature through to 2030.



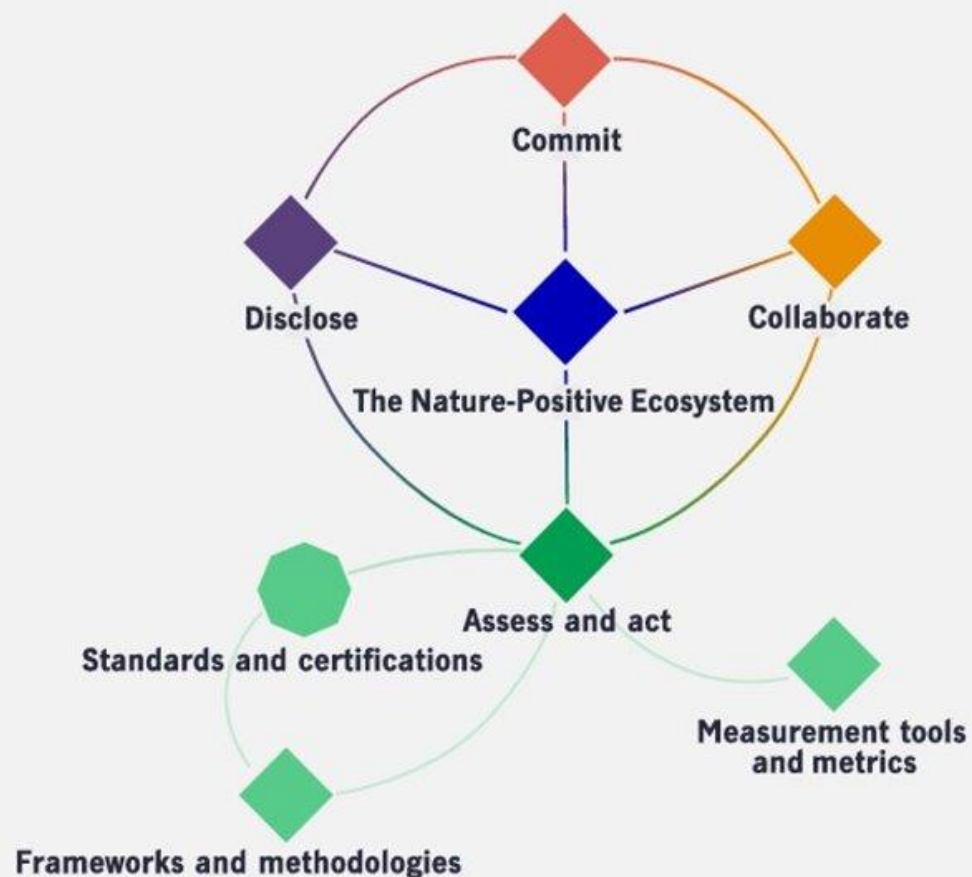
Breakout #1: Discussion Questions

20 minutes



- 1) Share your name, title and organization
- 2) What is your earliest memory of being in nature, and why is nature & biodiversity important to you as an individual?
- 3) Where is your organization at when thinking about biodiversity & nature?

Moving Towards Action: The Nature-Positive Ecosystem



Source: Manulife Investment Management and Delphi Group, 2022.

The Nature-Positive Ecosystem report:

- Guides businesses through the nature-positive initiative creation process
- Identifies important resources & tools needed for those initiatives to be successful
- Increases understanding of the evolving nature landscape

Moving Towards Action: Commit

These resources also provide guidance on how businesses should structure their approach toward nature-positive agendas.

These voluntary commitments include:

- Science Based Targets for Nature
- Post 2020 Global Biodiversity Framework UNEP
- Global Goal for Nature
- Act4nature
- Finance for Biodiversity Pledge
- UN Sustainable Development Goals



Moving Towards Action: Collaborate

The Nature-Positive report provides a fantastic list of associations and groups designed to bring organizations together that are focused on similar goals so that they may collaboratively find solutions:

- [One Planet for Business for Biodiversity \(OP2B\)](#)
- [Business for Nature](#)
- [WBCSD Food & Nature Program](#)
- [We Value Nature](#)
- [Finance for Biodiversity](#)
- [Le Club B4B+](#)



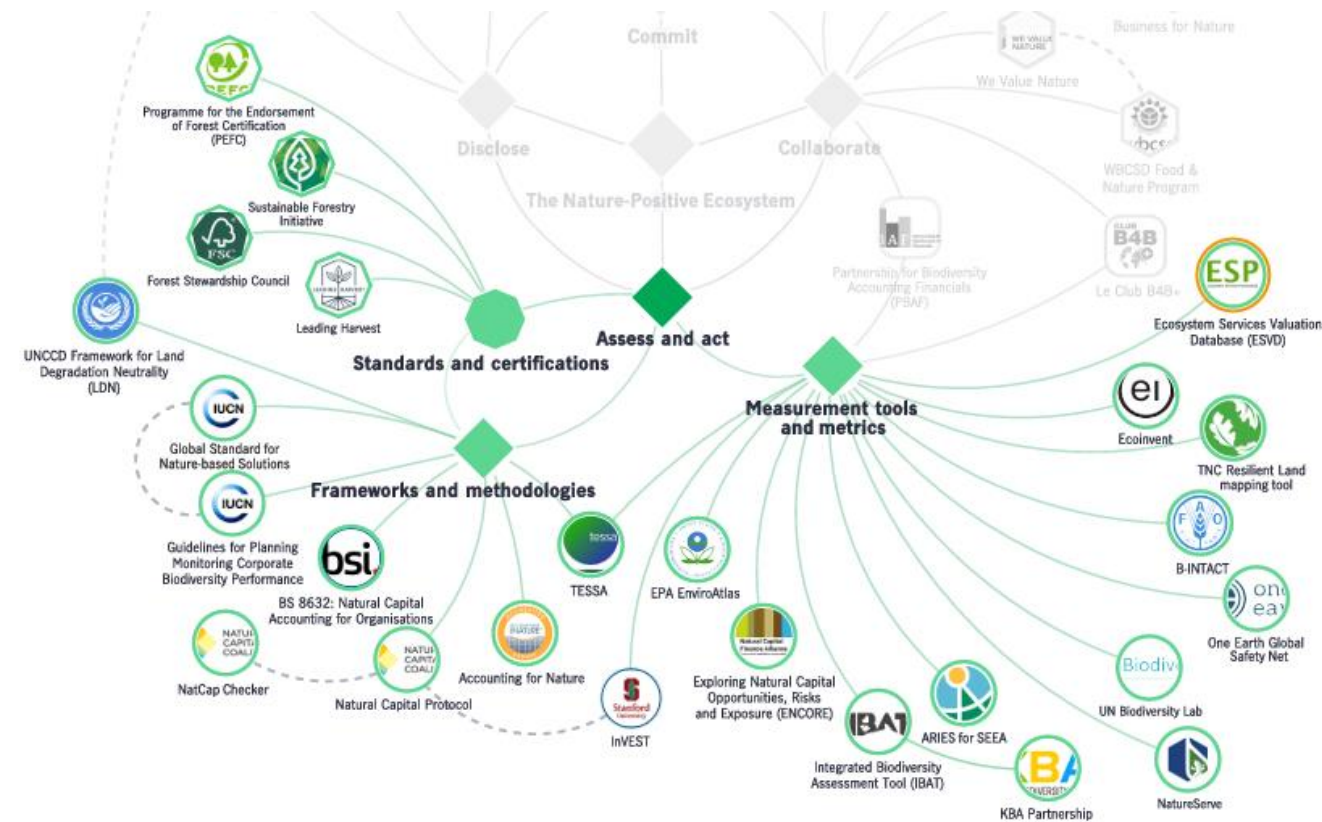
Moving Towards Action: Assess & Act

This stage outlines:

- standards and certifications,
- frameworks and methodologies, and
- measurement tools and metrics,

that are meant to guide the action your organization takes and ensure that implementation is credible.

Pages 24 – 26 provide links, descriptions and context for use of all the resources listed on this slide.



Canadian & Global Context: The Role of Business

Business has many ways it can contribute to the protection of biodiversity. This list is not exhaustive, but rather a potential starting point or brainstorm.

Investments	Strategy	Data & Tech	Collaboration
Nature-related offsets	Sustainable procurement policy	Nature-related data collection & monitoring	Canadian Business and Biodiversity Council (CBBC)
Conservation	Biodiversity policy	Nature-focused materiality assessment	Business for Nature
Nature-based solutions	Environmental assessment	Increasing reusability & recycled content	Partnerships with Indigenous communities

Sources:
<https://www.weforum.org/agenda/2023/02/5-ways-businesses-can-implement-the-new-global-biodiversity-framework/>
<https://www.businessfornature.org/>
<https://www.weforum.org/communities/champions-for-nature>
<https://www.cbd.int/business/nri/can.shtml>

A scenic landscape of rolling mountains at sunset. The sun is low on the horizon, casting a warm orange and yellow glow across the sky. The mountains are layered, with the closest ones in dark blue and the distant ones fading into a hazy blue. In the foreground, a wooden deck is visible, suggesting a viewing platform.

GUEST SPEAKER



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▶ **Nature is capital.**

Presentation to CBSR

June 2023

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The value of investments and any income from them can go down as well as up and investors may not get back the amount originally invested.

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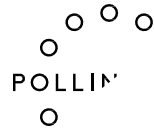
► Climate Asset Management

A specialist asset management company focused on natural capital

A partnership between:



HSBC, one of the world's top banks²
for sustainable finance



Pollination, a global climate
investment and advisory firm

► **We aim to deliver impactful and profitable
natural climate solutions at scale** ◄

Climate Asset Management Limited is authorised and regulated by the Financial Conduct Authority.

1) Climate Asset Management, January 2023. 2) Euromoney Awards for Excellence winner for "World's Best Bank for Sustainable Finance" in 2019 & 2020"; shortlisted in 2021 & 2022.

Climate Asset Management

A partnership of



► **More than \$650m of commitments¹** ◄

► Climate Asset Management's Solution Suite

We have two investment strategies focussed on natural capital assets and nature-based carbon projects

Natural Capital Strategy (NCS)

Access to natural capital assets that provide returns and impact at scale

Product Overview

Investing in land based assets in developed markets to improve utilisation, deliver returns and provide measurable positive impact

Target Investors

Insurance companies, pension funds, family offices, foundations and other asset managers



Nature Based Carbon Strategy (NBCS)

Access to investments in nature based carbon projects that deliver high-impact carbon credits¹

Product Overview

Investing globally to deliver high impact carbon credits from nature based solutions

Target Investors

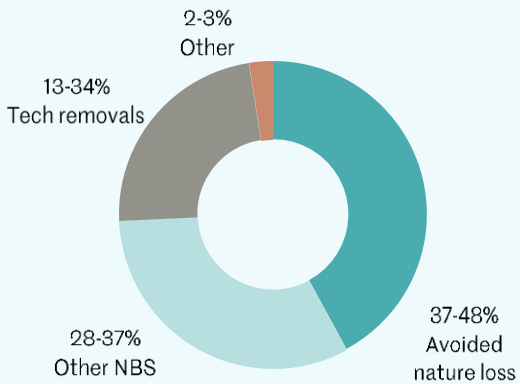
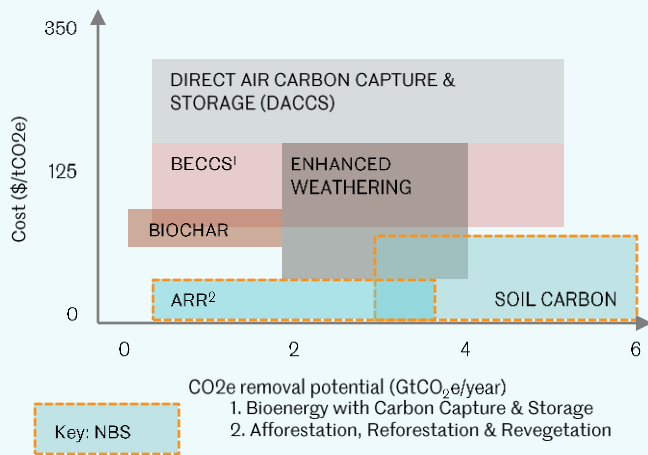

Net zero companies



Source: Climate Asset Management, 2023. 1) Carbon credits are generated in compliance with approved methodologies that confirm the reduction of carbon emissions into the atmosphere. Once generated, these credits, like other ecosystem credits, can be monetised by sale into regulated or voluntary markets.

► Why Nature Based Solutions?

Nature Based Solutions (NBS) can help reduce global greenhouse gas (GHG) emissions at scale and address many market concerns

PROJECT AND CARBON CREDIT AVAILABILITY	RISING COSTS PER CARBON CREDIT	IMPACT AND QUALITY
<p>Carbon credits from NBS could account for up to 85% of the total carbon credit supply potential by 2030 and can generate removal and avoidance carbon credits</p>	<p>NBS projects are readily available and are the lowest cost alternative GHG emission removal activity</p>	<p>NBS provide many other important co-benefits that extend beyond mitigating climate change</p>
<p>Total abatement potential of GHG emissions reduction required by 2030</p>  <p>Source: McKinsey 2021</p>	<p>Costs and potential of emission removal technologies by 2050</p>  <p>Source: Vivid Economics 2021</p>	<p>UN Sustainable Development Goals (SDGs) impacted by NBS</p>  <p>Source: Climate Asset Management</p>

For illustrative purposes only.

► Sourcing High Quality NBS Carbon Projects

Combining impact with quality

Key project sourcing criteria



High impact thresholds aim to ensure quality of carbon project and credits

- 1 Additionality¹
- 2 Conservative estimates of GHG emissions
- 3 Strong contractual structure, safeguard & sharing mechanisms
- 4 Governmentally aligned to avoid double claiming and counting
- 5 Developed in accordance with leading standards
- 6 Ongoing impact monitoring, management & reporting



QUALITY

Additional biodiversity & social impacts



Sourcing projects with potential for long-lasting benefits beyond climate

- 1 Restoring and/or conserving landscapes to enhance resilience
- 2 Creating social impact & on-the-ground support to communities
- 3 Creating sustainable livelihoods and boosting development
- 4 Protecting species from extinction and boosting biodiversity
- 5 Restoring soil health, water filtration and flood buffering
- 6 Avoiding leakage through large landscape approach



LONG-LASTING BENEFITS

1. Additionality refers to whether the emissions reductions credited to the project would have occurred in the absence of the project

► Benefit Sharing Mechanisms

In addition to the carbon benefit, investing in NBS can provide positive and long lasting impacts to local communities

Examples of benefit sharing

- ▢ Carbon revenue share
- ▢ Income diversification
- ▢ Access to jobs
- ▢ Improved yields and higher incomes
- ▢ Climate resilience (adaptation and mitigation)
- ▢ Increased certainty and security over food and water
- ▢ Access to local supply chains
- ▢ Improved knowledge through education and training
- ▢ Reinstatement or enhancement of cultural / traditional practices
- ▢ Access to safe drinking water



Managing benefit sharing

- ▢ Carbon revenue share allocated to communities in documentation
- ▢ Obligations on the Project Partner to achieve fair credit pricing
- ▢ Communities identify activities to finance from carbon revenues
- ▢ Appropriate entity administers community benefits for program
- ▢ Transparent monetization and distribution model with safeguards
- ▢ Activities subject to an independent financial audit

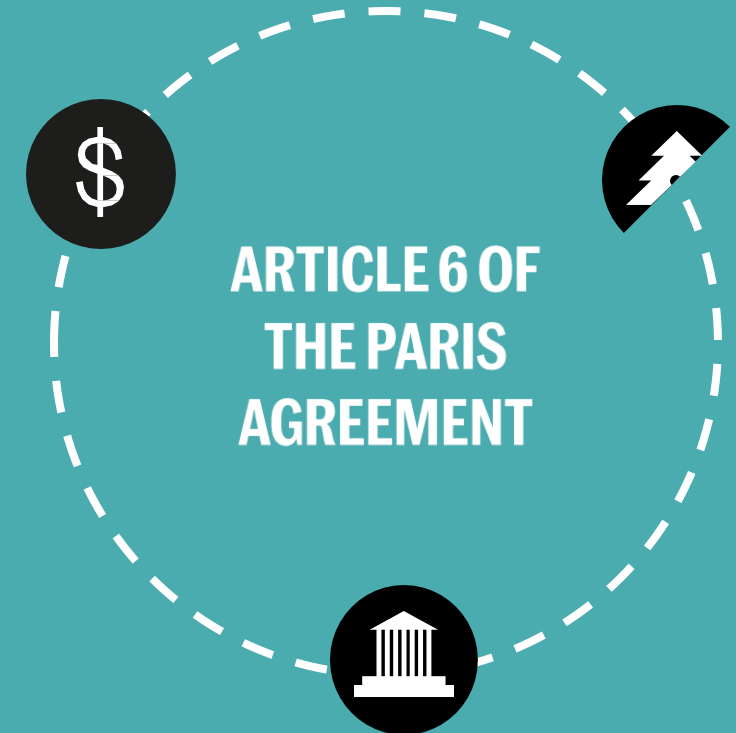


► Structuring to Overcome Regulatory Uncertainty

Focus on projects with long-term alignment with key stakeholders' and governments' priorities to enhance value for investors















- ▮ Working in collaboration with host governments
- ▮ Accommodating and optimising national NDC¹ priorities
- ▮ Identifying the best option for each project
- ▮ Aiming to obtain host country authorization (i.e., project approval with a commitment to account for carbon credits) under Article 6
- ▮ Working with experts to address key risks such as governmental approval, nesting, and methodology risk

1. Nationally Determined Contributions.



► Case Study– Kajiado Rangelands Carbon Project

Sustainable Grazing in Kenya

 US\$50m Investment size	 Kenya Southern rangelands	 Co-benefits Improved productivity & income, capacity building, resilience
 Sustainable grazing Rotational herding regimes by pastoralists	 1m hectares Of degraded grasslands targeted for restoration	     
 Removal carbon credits Soil carbon sequestration	 36,500 Households Across 28 Group Ranches	 VERRA + CCBA² Third party certified, high impact, high quality carbon credits



Source: Climate Asset Management, December 2022. Any forecast, projection or target contained in this presentation is for information purposes only and is not guaranteed in any way. Neither HSBC nor Climate Asset Management accepts liability for any failure to meet such forecasts, projections or targets. There is no guarantee that this transaction will occur. 1) Each number represents one of the 17 [United Nations Sustainable Development Goals](#) (SDGs). 2. Climate, Community & Biodiversity Alliance

Key Risks

Investors in alternatives products should bear in mind that these products can be highly speculative and may not be suitable for all clients. Investors should ensure they understand the features of the products and fund strategies and the risks involved before deciding whether or not to invest in such products. Such investments are generally intended for investors who are willing to bear the risks associated with such investments, which can include: loss of all or a substantial portion of the investment, lack of liquidity in that there may be no secondary market for the fund and none may be expected to develop; volatility of returns; prohibitions and/or material restrictions on transferring interests in the fund; absence of information regarding valuations and pricing; delays in tax reporting; key man and adviser risk; limited or no transparency to underlying investments; limited or no regulatory oversight and less regulation and higher fees than mutual funds.

Please note that alternatives related investments are generally illiquid, long term investments that do not display the liquid or transparency characteristics often found in other investments (e.g. listed securities). It can take time for money to be invested and for investments to produce returns after initial losses. As such alternatives related investments should be considered as a very high risk investment and are only suitable as part of a diversified portfolio. Before making such investments, prospective investors should carefully consider the risks set forth in the relevant investment documents.

Any fund or potential fund alluded to herein has not been registered under the U.S. Securities Act of 1933, as amended (the “Act”). As such, interests in such vehicle may not be offered or sold in the United States other than pursuant to exemption from the requirements of the Act.

General

There is no assurance that the fund will achieve its investment objective. The value of investments can go down as well as up and investors may not get back the amount originally invested. Income from investments is not guaranteed.

Liquidity risk

Investors should expect to be locked-in for the full term of the fund, which is subject to extensions. There may be restrictions on the transfer, assignment or sale of interests in the fund, there is no established secondary market.

Unpredictable cash flows

Capital may be called and distributed at short notice. There is no guarantee of distributions.

Risks specific to the asset class

Including but not limited to: i) physical factors (such as climate and ecosystem risks) may impact the quantity and quality of production and any other value derived from the asset (such as carbon credits) ii) adverse changes in market prices of the product, land or any other assets or services provided by the asset iii) financial risk iv) government actions and v) changes in policy, law, regulations and tax laws.

Liquidity of investments

The fund's investments are expected to be illiquid and there can be no assurance that the fund will be able to realise investments at attractive prices or otherwise be able to effect a successful realisation or exit strategy. Furthermore, it may not be possible to establish their current value at any particular time. The lack of liquidity in the fund's asset portfolio may significantly impede the fund's ability to respond to adverse

changes in the performance of its assets and may adversely affect the value of an investment in the fund.

Exchange rate risk

Changes in currency exchange rates could reduce or increase investment gains or investment losses, in some cases significantly.

Counterparty risk

The possibility that the counterparty to a transaction may be unwilling or unable to meet its obligations.

Operational risk

May subject the fund to errors affecting transactions, valuation, accounting, and financial reporting, among other things.

Emerging markets risk

Emerging markets are less established, and often more unpredictable than developed markets and involve higher risks, particularly political, legal, economic, market, liquidity and currency risks.

Investment opportunities

The activity of identifying, completing, and realising attractive investments is highly competitive and involves a significant degree of uncertainty.

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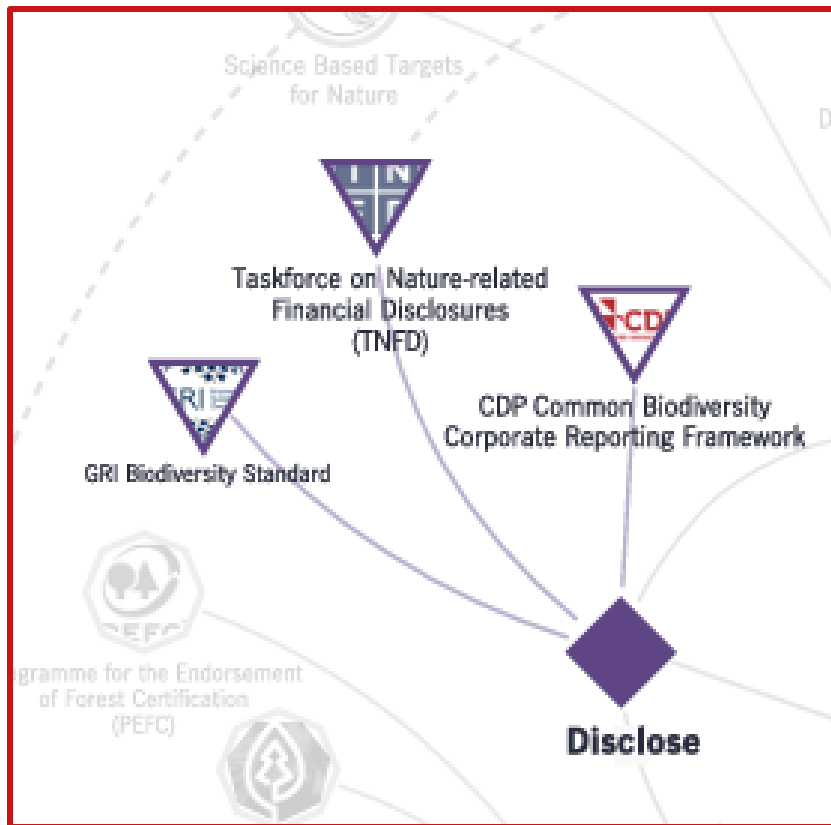
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Moving Towards Action: Disclose



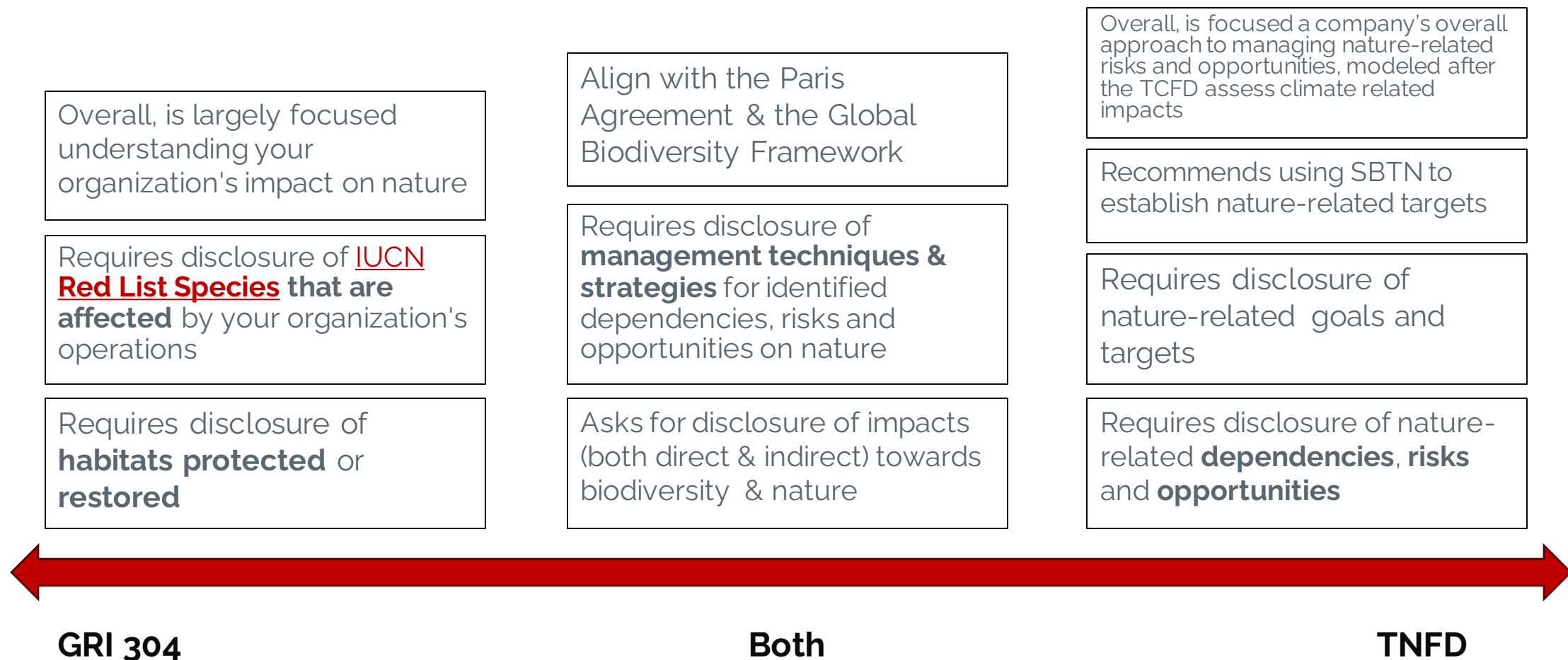
These disclosure frameworks work together to have standardized nature-related disclosures. The comparability of reports and data is a key aspect to measuring progress and holding organizations accountable

Currently, there are three recommended resources to inform nature-related disclosures:

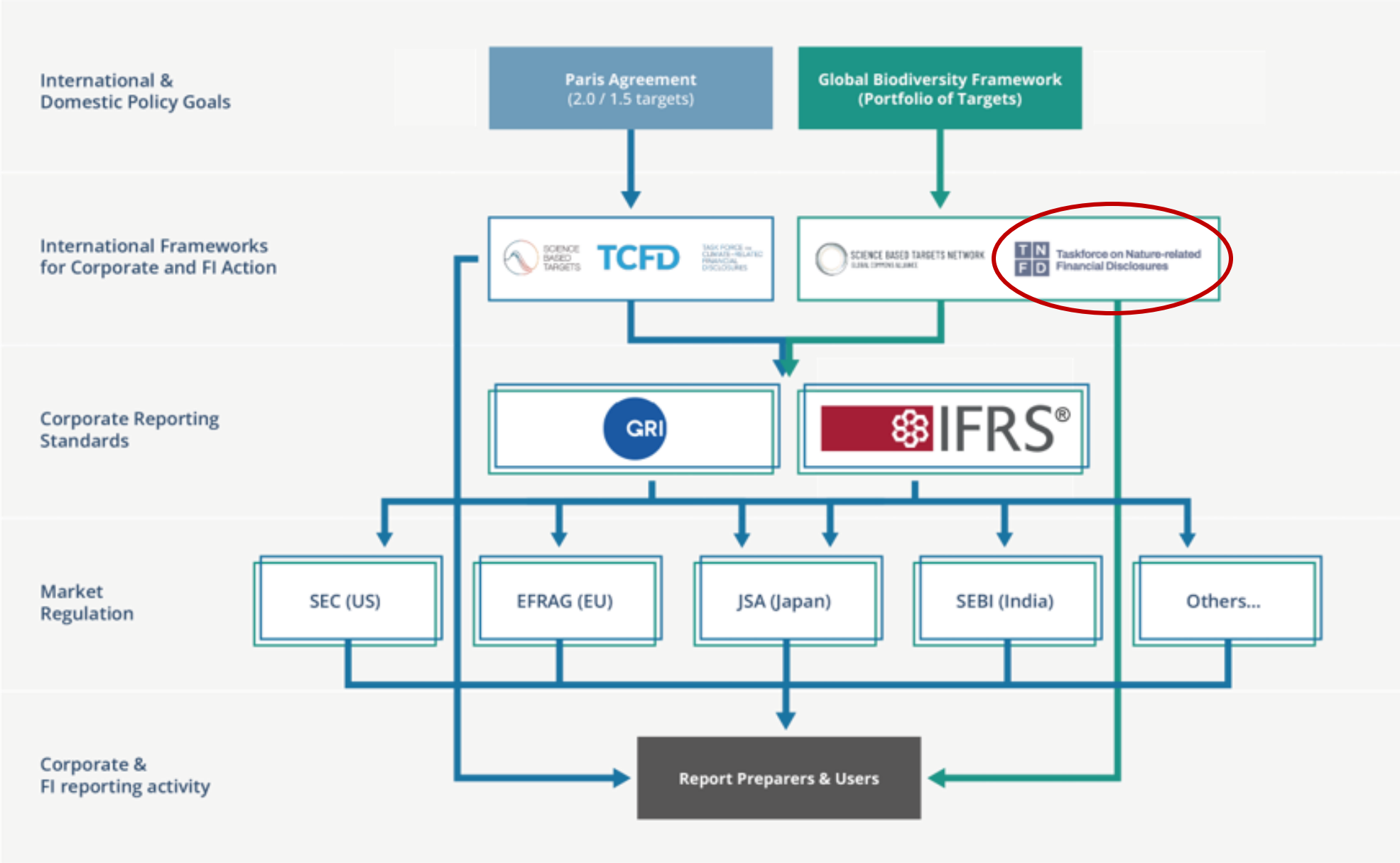
- [Taskforce on Nature-related Financial Disclosures \(TNFD\)](#)
- Global Reporting Initiative (GRI) [Biodiversity Standard](#)
- *Coming Soon:* CDP [Common Biodiversity Corporate Reporting Framework](#)

Moving Towards Action: Comparing Disclosures

- CDP to be announced



Moving Towards Action: Reporting Architecture



Moving Towards Action: Comparing TCFD & TNFD

Watch for significant changes here

	Governance	Strategy	Risk (& Impact) Management	Metrics & Targets
TCFD	a) Describe the board's oversight of climate-related risks and opportunities b) Describe management's role in assessing and managing climate-related risks and opportunities	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning. c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	a) Describe the organization's processes for identifying and assessing climate-related risks. b) Describe the organization's processes for managing climate-related risks. c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process. b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.
TNFD	Same as TCFD, with slightly adjusted wording: "...of nature-related dependencies, impacts, risks and opportunities." <small>Sources: https://framework.tnfd.global/introduction-to-the-framework/executive-summary/v04-beta-release/ https://framework.tnfd.global/draft-recommended-disclosures/ https://assets.bbhub.io/company/sites/60/2021/10/FINAL-2017-TCFD-Report.pdf </small>	Same as TCFD for a-c with adjusted wording & one additional recommendation: d) Disclose the locations where there are assets and/or activities in the organization's direct operations, and upstream and/or downstream and/or financed, where relevant, that are in: <ul style="list-style-type: none"> • High integrity ecosystems • Areas of rapid decline in ecosystem integrity • Areas of water stress • Areas where the organization is likely to have significant potential dependencies and/or impacts 	This pillar has the most adjustments: "b)" is expanded to include... "managing nature-related dependencies, impacts, risks and opportunities and actions taken in light of these processes." Describe the organization's approach to identifying nature-related dependencies, impacts, risks and opportunities in its upstream and downstream value chain(s) and financed activities and assets for assessment. Describe how affected stakeholders are engaged by the organization in its assessment of, and response to, nature-related dependencies impacts, risks and opportunities.	"a)" is the same as TCFD, the following amendments are present: b) Disclose the metrics used by the organization to assess and manage dependencies and impacts on nature. c) Describe the targets and goals used by the organization to manage nature-related dependencies , impacts, risks and opportunities and its performance against these.



GUEST SPEAKER



GUEST SPEAKER

Alex Portman, Head of Corporate Partnerships



Breakout #2: Discussion Questions

20 minutes

- 1) What dependencies does your organization have on nature? Identify a risk and an opportunity.
- 2) How might your organization bridge environmental management, compliance and conservation initiatives to enable an organizational nature and biodiversity strategy?



Key Takeaways: What's Next?

1: Build Awareness

Understand the issues and growing importance of nature to learn where your company can take action.

2: Assess your Nature Impacts

Know your impact by conducting a nature-focused materiality assessment.

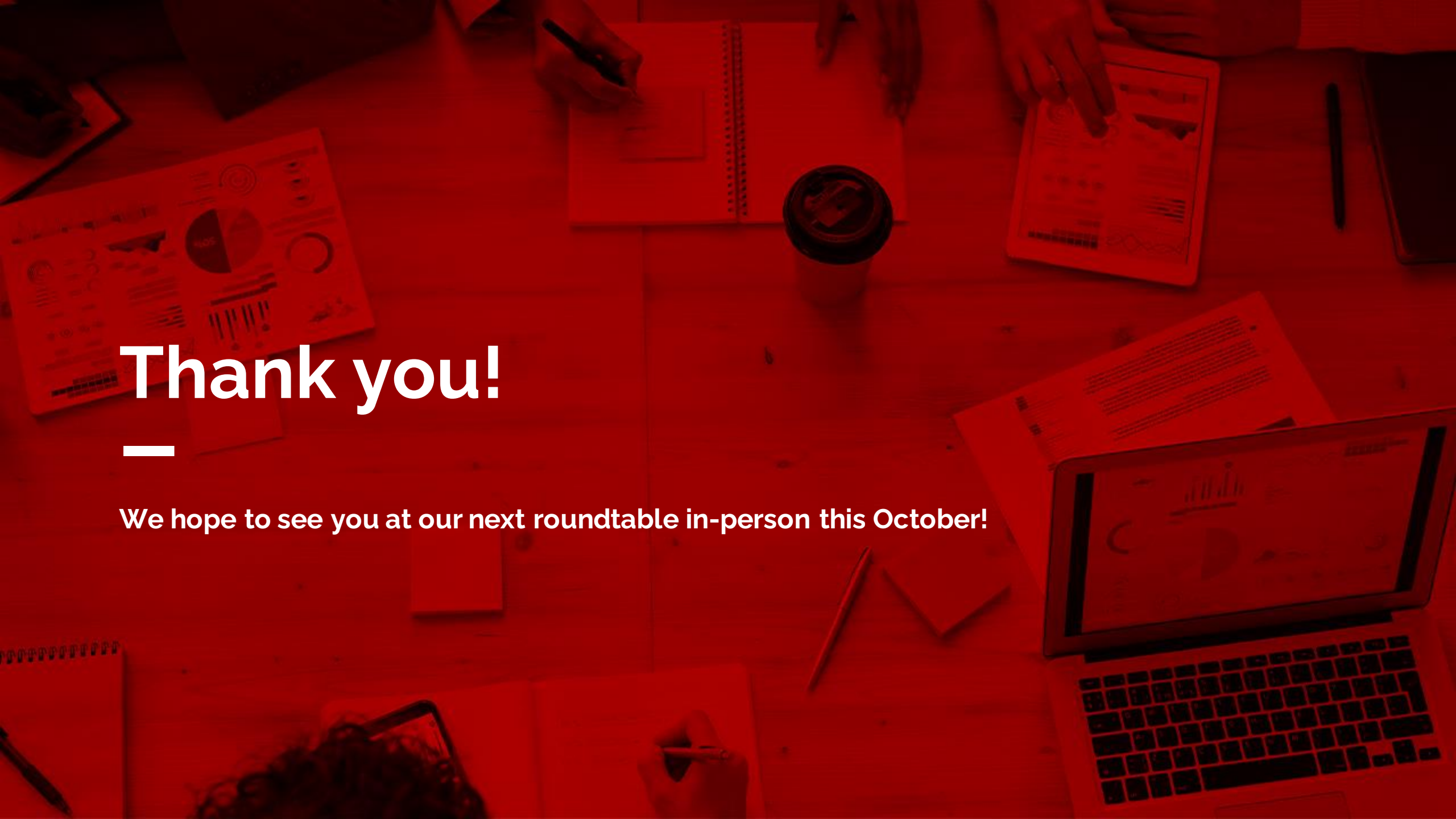
3: Make a Commitment to Nature

Make an internal company commitment to develop a nature strategy. Consider joining an external pledge such as the [Finance for Biodiversity Pledge](#).

Upcoming Programming

- **Member Call on ISSB Standard Update**
 - June 2023
- **CBSR Toronto Member's Check-in**
 - June 22, 2023, from 2:30 – 4:30 PM ET
 - In-person at the Sunlife Office in Toronto

- **Q3 Roundtable: Mobilizing Sustainable Finance**
 - October 12, 1:00 – 3:00 PM ET
 - In-person in Calgary, details TBA
- **Next Net Zero Working Group Session**
 - October 26, 1:30 – 3:30 PM ET
 - Topic TBA



Thank you!

We hope to see you at our next roundtable in-person this October!