Comments on the Draft Canadian Sustainable Finance Taxonomy Methodology Report

Wildlife Conservation Society (WCS) Canada

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1. Introduction

This document constitutes the comments of Wildlife Conservation Society (WCS) Canada conservation scientists and policy specialists related to the **Draft Methodology Report for Canada's Sustainable Finance Taxonomy**.

Our comments focus specifically on opportunities to strengthen the treatment of biodiversity and ecosystem integrity within the methodology, drawing on our more than four decades of collective experience in conservation science and environmental policy in Canada. We have targeted our comments to areas most directly related to technical biodiversity and ecosystem protection considerations and have not addressed numerous other aspects of the proposed methodology. Our silence on those aspects should not be interpreted as implied support.

To begin, **we strongly support the development of a Sustainable Finance Taxonomy for Canada and its objective of directing capital toward activities that make a meaningful contribution to Canada's**

sustainability goals. The taxonomy has the potential to better align Canada's economic, climate, and nature agendas. However, if biodiversity is not adequately integrated from the outset, the taxonomy risks directing investment toward activities that undermine species recovery, ecosystem integrity, resilience, and ultimately long-term climate outcomes.

Canada has an opportunity to build on leading international approaches while reflecting its unique ecological context and responsibility for some of the world's largest remaining high-integrity ecosystems. Our recommendations are intended to strengthen the taxonomy's credibility, consistency, and long-term effectiveness as a tool for directing investment toward a sustainable Canadian economy.

2. Overarching Recommendations for Taxonomy Design

1. Maintain a practical, risk-based taxonomy while ensuring biodiversity safeguards remain scientifically credible.

We do not view practicality and scientific rigour as competing objectives and commend the Taxonomy and Transition Planning Council for advancing a framework that emphasizes scientific credibility. To support broad uptake while preserving the integrity and credibility of the taxonomy, **we support a risk-based approach in which the level of scrutiny and evidence required – and the subsequent stringency of outcome that must be met – is proportionate to biodiversity risk**. The most stringent biodiversity safeguards should apply where activities pose the greatest risk to irreplaceable biodiversity values. Careful attention to biodiversity safeguards will also contribute to investment and governance certainty. Investors who wish to achieve strong environmental outcomes will benefit from a taxonomy that has reliable safeguards in place.

2. Prioritize avoidance of significant harm to biodiversity and ecosystem integrity.

The taxonomy should reinforce the sequential application of the mitigation hierarchy[1] by prioritizing avoidance before minimization, restoration, and offsets.

Avoidance should be the primary expectation where impacts cannot realistically be reversed within ecologically relevant timescales and activities that would result in significant harm to irreplaceable, high-integrity, highly intact, or ecologically sensitive ecosystems should not be considered taxonomy-aligned. These sorts of ecosystems in the Canadian context include peatlands, old-growth forests, intact native grasslands, critical habitat for species at risk, ecological corridors, climate refugia, and other ecosystems whose ecological functions cannot readily be restored.

[1] For more information on the mitigation hierarchy and its steps please see https://wcscanada.org/newsroom/stories/demystifying-the-mitigation-hierarchy/.

Biodiversity safeguards should also consider the full project lifecycle and footprint, including cumulative effects caused directly by the activity and indirectly by other induced activities, ecosystem function and condition, landscape connectivity, and long-term ecological resilience.

3. Emphasize ecological outcomes rather than process completion.

We understand that, as a voluntary sustainable finance tool, the taxonomy is not meant to replace or elevate legal standards. While Canadian law should provide the foundation for biodiversity-related do-no-significant-harm (DNSH) and technical screening criteria, Canada's fragmented and increasingly weak environmental protection regimes mean strong additional biodiversity safeguards will be essential to provide confidence that taxonomy-aligned activities are not contributing to continued declines in species populations or to the degradation of high-integrity ecosystems.

Where appropriate, the taxonomy should supplement domestic requirements with internationally recognized standards, such as IFC Performance Standard 6, together with measurable ecological outcomes that can be applied consistently across Canada. Environmental assessments, permits, and approvals should not automatically be treated as evidence that good biodiversity outcomes will be achieved.

Outcome-based criteria will strengthen the taxonomy's credibility, provide greater consistency across jurisdictions, and help ensure taxonomy-aligned activities are not contributing to further declines in species and degradation of high-integrity ecosystems. Evidence supporting taxonomy alignment should be transparent and independently verifiable.

4. Continue to strengthen biodiversity criteria through iterative, science-based development.

Many of the taxonomy's most important biodiversity decisions will be made during development of the detailed DNSH criteria and sector-specific technical screening criteria. We support an iterative approach that continues to engage conservation scientists, Indigenous knowledge holders, and other experts as these criteria evolve. This will help ensure the taxonomy remains scientifically robust, interoperable with leading international frameworks, and responsive to emerging knowledge and best practices.

3. Responses to Consultation Questions

Taxonomy objectives (Section 2.1)

Question for public comment related to taxonomy objectives:

1. *The first phase of taxonomy development will focus on climate mitigation. In subsequent phases of the Canadian taxonomy, which objectives should be prioritized: climate change adaptation*

and/or resilience, protection of biodiversity and healthy ecosystems, water and marine resource conservation, pollution prevention and control, circular economy, or other objectives?

We support the decision to focus the first phase of taxonomy development on climate mitigation, in recognition that this objective benefits from relatively mature international methodologies and established technical screening criteria. However, **the sequencing of taxonomy development should not be interpreted as a ranking of environmental importance or urgency**, as is potentially implied by the following statement on page 9 of the draft report: "However, the vast majority of taxonomies focus, initially, on climate mitigation—reflecting both the urgency of this issue and the risks climate change presents to global economies".

We recommend that protection of biodiversity and healthy ecosystems be prioritized in the next phase of taxonomy development, alongside climate adaptation and resilience. These two priority objectives are inherently interconnected and should be developed in a coordinated manner. Healthy, functioning ecosystems underpin climate resilience by regulating water, reducing exposure to floods, wildfire, erosion, and extreme heat, supporting species adaptation, and maintaining the ecological functions upon which communities and economies depend. Adaptation criteria developed without strong attention to biodiversity protection and ecosystem integrity risk directing capital toward measures that protect individual assets in the short term while reducing resilience at landscape and watershed scales.

Prioritizing both biodiversity and climate adaptation/resilience would also reflect Canada's unique responsibility as steward of some of the world's largest remaining high-integrity and carbon-rich ecosystems – including Canada's peatlands, which contain the world's largest soil carbon stock – and align the taxonomy with the objectives of *A Force of Nature: Canada's Strategy to Protect Nature*. Developing robust biodiversity criteria early in the taxonomy's evolution will help ensure that climate and nature objectives are advanced together, rather than creating unintended trade-offs between them.

Do-no-significant-harm core elements (Section 2.5)

Questions for public comment related to DNSH core elements:

1. *Do you agree or disagree with the proposed partial alignment approach, which would require entities to disclose the extent to which DNSH/MSS criteria are or are not met rather than requiring full alignment with all DNSH/MSS criteria?*

We do not support partial alignment as the preferred long-term approach. To preserve the credibility of the taxonomy, activities should ultimately be required to meet all applicable DNSH criteria in order to claim taxonomy alignment. This is particularly important for biodiversity and ecosystem protection,

where some forms of harm are fundamentally incompatible with classification as contributing to sustainability. Our concern is not with disclosure itself, which is important. Our concern is that disclosure of a failed biodiversity-related DNSH criterion could still allow an activity to be treated as taxonomy-aligned. In those cases, partial alignment would risk providing confidence where the ecological evidence does not support good outcomes and could have the unintended consequence of greenwashing projects that do significant harm.

As outlined in the enclosed ***Appendix A: WCS Canada's Recommended Do No Significant Harm Criteria***, we recommend distinguishing between **exclusion criteria** that operate as mandatory eligibility conditions and **minimum DNSH conditions** that apply to activities not otherwise excluded. Certain biodiversity values - including irreplaceable, highly intact, or ecologically sensitive ecosystems - should function as mandatory eligibility thresholds. Where an activity fails one of these exclusion criteria, it should not be considered taxonomy-aligned. Transparent disclosure of failure is important, but it should not substitute for avoiding the harm. For these biodiversity values, the issue is necessarily pass/fail: the activity either avoids significant harm or it does not. **We have provided suggestions for those exclusion criteria and minimum conditions in Appendix A**.

We recognize, however, that immediate implementation of mandatory DNSH alignment may present practical challenges. Biodiversity protections and regulatory requirements vary considerably across Canadian jurisdictions, and many market participants will require time to develop the systems, evidence, and expertise needed to demonstrate full DNSH alignment. However, the difficulty of operationalizing biodiversity-related DNSH should not lead to biodiversity safeguards being delayed, weakened, or treated as optional. Biodiversity and ecosystem harm are complex because the systems themselves are connected, cumulative, and context-dependent. The remedy is to make the complexity usable: define when a simple screen is enough, when deeper assessment is required, what evidence must be provided, and which harms are incompatible with taxonomy alignment.

As a second-best implementation pathway, we support a **time-limited phased approach** in which partial alignment with full disclosure is permitted during an initial implementation period, provided that:

- a clear transition to mandatory full DNSH alignment is established from the outset;
- the timeline for increasing stringency is specified;
- activities that fail the biodiversity exclusion criteria set out in Appendix A are **not** eligible for taxonomy alignment after the transition period; and
- entities transparently and publicly disclose which DNSH criteria have not yet been met, the associated risks, and their plan for achieving full alignment.

A phased approach maintains the accessibility of the taxonomy during its early implementation while preserving a clear long-term expectation that taxonomy alignment requires avoiding forms of biodiversity harm that are fundamentally inconsistent with environmental sustainability.

2. *Do you agree or disagree with the proposed scope of objectives to be covered under the DNSH and MSS frameworks?*

We agree with the proposed scope of environmental objectives, primarily due to their alignment with those included in existing leading international taxonomies. However, we emphasize that **the objectives must be developed as an integrated framework** rather than as a series of independent categories.

Biodiversity, climate adaptation, water conservation, pollution prevention, and circular economy outcomes are inherently interconnected. Assessing them in isolation risks reproducing the fragmentation that already characterizes many environmental regulatory frameworks across Canada, where impacts on one objective may be overlooked because they fall outside the scope of another. While the objectives should remain distinct for reporting purposes, the assessment of significant harm should recognize the ecological connections between them.

An integrated approach would strengthen the scientific credibility of the taxonomy while helping ensure that activities identified as environmentally sustainable do not inadvertently undermine other environmental objectives. Specifically, we recommend that **the DNSH framework incorporate a cross-objective assessment principle requiring activities to consider connected ecological impacts across all relevant objectives**. This would better reflect how ecosystems function in practice. It would also encourage consideration of the full project footprint, associated infrastructure, hydrological connections, cumulative effects, and the role of ecosystems in supporting biodiversity, water regulation, climate resilience, and pollution buffering.

3. *Do you agree or disagree with the proposed approach to grounding the DNSH/MSS frameworks in Canadian legislation and going beyond existing laws and standards where necessary?*

We agree with the proposed approach of grounding the DNSH framework in Canadian legislation while going beyond existing laws and standards where necessary. Canadian environmental legislation and regulatory processes should provide the foundation for the taxonomy, and we recognize that the taxonomy is not intended to establish new legal requirements or replace existing environmental regulation.

However, legal compliance should not automatically be treated as conclusive evidence that significant harm has been avoided. The purpose of environmental regulation is to determine whether an activity

may proceed under applicable legal requirements. The purpose of the taxonomy is different: to identify activities that can credibly be classified as environmentally sustainable. These are related, but distinct, objectives.

This distinction is particularly important for biodiversity and ecosystem protection. Across Canada, biodiversity safeguards vary considerably between federal, provincial, and territorial jurisdictions and are often distributed across multiple statutes, permitting regimes, land-use planning processes, and sector-specific regulatory frameworks.[2] In these circumstances, legal compliance alone may not provide a sufficiently consistent or outcome-based benchmark for assessing whether an activity has avoided significant harm. Moreover, although reliance on provincial systems may be of interest to provinces themselves, it comprises the taxonomy's compatibility with international frameworks and complicates investment for international investors and promoters. Ideally, and from a biodiversity risk perspective, the taxonomy will lean more on international standards and interprovincial harmonization than provincial systems themselves.

We therefore support going beyond existing laws and standards where domestic frameworks do not provide consistent biodiversity outcomes. In these cases, the taxonomy should incorporate additional outcome-based criteria and internationally recognized standards, such as IFC Performance Standard 6, together with requirements for application of the mitigation hierarchy, full-project-footprint and lifecycle assessment, cumulative effects assessment, and enhanced safeguards for irreplaceable or highly intact ecosystems.

This approach would strengthen the credibility and interoperability of the taxonomy while reducing greenwashing, reputational, and transition risks for participating businesses and financial institutions. At the same time, we recognize the importance of maintaining a practical and usable framework. Additional biodiversity requirements should therefore be targeted to areas where existing legal frameworks do not provide a sufficiently robust or consistent basis for demonstrating that significant harm has been avoided. We look forward to working with the Canadian Climate Institute and the Council further to undercover and address these specific areas (partly discussed next).

4. *In which areas, if any, is it necessary to go beyond existing laws and standards for the DNSH/MSS framework?*

Biodiversity and ecosystem protection is the area where we see the strongest case for going beyond existing laws and standards. Canadian law should remain the foundation of the DNSH framework, but

[2] Justina C. Ray, Jaime Grimm, and Andrea Olive. 2021. The biodiversity crisis in Canada: failures and challenges of federal and sub-national strategic and legal frameworks. *FACETS*. 6: 1044-1068. https://doi.org/10.1139/facets-2020-0075

it does not provide a consistent national benchmark for biodiversity outcomes. Most biodiversity-related decisions - including land use, wildlife management, and habitat protection - are made by provinces and territories, while federal legislation operates through more limited jurisdictional triggers and backstop authorities. Although this shared governance model is not unique to Canada, it creates particular challenges for a national taxonomy because biodiversity protections, permitting requirements, and ecological outcomes vary substantially across jurisdictions.

This lack of consistency is especially clear in the area of species-at-risk (SAR) protection. Across Canada, SAR laws vary substantially; only some provinces and territories have dedicated SAR legislation. Where dedicated legislation is absent, habitat protection for at-risk species is generally left to broader wildlife, land-use, natural-resource, planning, or permitting statutes, rather than a comprehensive SAR-specific habitat protection regime.[3] Even where dedicated SAR laws exist, they differ in listing, habitat protection, permitting, exemptions, recovery planning, timelines, transparency, and enforcement. Federal implementation of the *Species at Risk Act* (SARA) has also highlighted these differences in provincial habitat protection. Federal assessments supporting caribou protection orders evaluated whether provincial legal frameworks provided effective protection for critical habitat and concluded that, in some cases, they did not.[4] Similarly, SARA annual reports assess progress in protecting species and habitat across jurisdictions, illustrating both the variability of provincial approaches and the absence of a comprehensive national benchmark for biodiversity protection. These examples demonstrate that compliance with provincial legislation cannot automatically be assumed to provide an equivalent level of biodiversity protection.

The same challenge has arisen in impact assessment. Provincial assessment processes do not always fully consider federal responsibilities or permitting requirements related to matters such as migratory birds, SAR, fish and fish habitat, marine impacts, or other areas of federal jurisdiction.[5] As a result, proponents may satisfy provincial requirements only to encounter additional biodiversity assessments and mitigation requirements later in the federal process. This reflects differences in legal scope and standards rather than project-specific shortcomings, but it illustrates why completion of a provincial regulatory process should not, by itself, be treated as sufficient evidence that significant harm has been avoided.

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[3] See Susan C.C. Gordon et al., "Assessing species at risk legislation across Canadian provinces and territories" (2024), FACETS / Royal Society of Canada; Wildlife Conservation Society Canada, SHAPE of Nature: Provincial and Territorial Species at Risk Laws (2022); and Jordyn M. Bogetti and Courtney W. Mason, "To protect or forget? Comparing species at risk legislation across Canada's common-law provinces" (2025), FACETS.

[4] See, for example, the Government of Canada's July 2023 statement "Statement: Government of Canada's approach to addressing the protection of critical habitat for boreal caribou in Quebec and Ontario".

[5] Doelle, M., & Sinclair, A. J. (2018). Jurisdictional Cooperation Under the Proposed Federal Impact Assessment Act (IAA). https://blogs.dal.ca/melaw/2018/03/10/jurisdictional-cooperation-under-the-proposed-canadian-impact-assessment-act-ciaa/

These differences extend beyond process to substantive biodiversity outcomes. Recovery objectives and habitat protection measures for SAR may differ between jurisdictions, reflecting different legislative mandates and policy approaches. The long-standing challenges associated with substitution and equivalency under federal impact assessment legislation similarly demonstrate the difficulty of assuming that different regulatory frameworks necessarily produce equivalent biodiversity outcomes.

For these reasons, we recommend that the taxonomy supplement domestic legal requirements with additional outcome-based biodiversity criteria where necessary.

In particular, **additional safeguards should be considered in the following areas:**

- **Species-at-risk and critical habitat**, where legal protections and recovery requirements differ significantly across jurisdictions.
- **High-integrity, sensitive, and irreplaceable ecosystems**, including peatlands, old-growth forests, intact native grasslands, ecological corridors, and other ecosystems for which existing legal protections are incomplete or inconsistent.
- **Cumulative effects, habitat fragmentation, and ecosystem connectivity**, which are not consistently addressed through project-based regulatory processes.
- **Application of the mitigation hierarchy**, including clear expectations that avoidance precedes minimization, restoration, and offsets or other forms of compensation, and that offsets are not used to justify significant harm to irreplaceable ecosystems.
- **Full project footprint and lifecycle effects**, including associated infrastructure, induced development, closure, and long-term ecological outcomes.

Where Canadian law does not provide a sufficiently consistent or outcome-based benchmark, the taxonomy should rely on internationally recognized standards, such as IFC Performance Standard 6, together with the biodiversity-related DNSH criteria proposed in *Appendix A*. This will contribute to credibility and interoperability of the taxonomy while reducing greenwashing, reputational, and transition risks for participating businesses and financial institutions.

5. *Do you agree or disagree that different DNSH/MSS standards should apply to projects or entities of different sizes? E.g. more comprehensive disclosures required for larger projects and/or entities, with more streamlined disclosures for smaller projects and/or entities?*

We agree that disclosure requirements should be proportionate to the scale and complexity of an activity. More streamlined reporting may be appropriate for smaller or less complex activities, provided this does not reduce the ability to identify and assess material environmental risks.

However, **we do not support applying different substantive DNSH criteria solely on the basis of project or entity size**. Ample experience demonstrates that project size is a poor proxy for biodiversity risk. A relatively small activity may cause significant harm if it occurs in an intact landscape, affects sensitive ecosystems or species, creates new access, or contributes to cumulative or induced effects. Conversely, a larger activity in an already disturbed setting may present comparatively lower biodiversity risk if it avoids sensitive ecological features and demonstrates that significant harm has been avoided.

We therefore recommend a **risk-based, context-sensitive approach**. The level of disclosure and evidence required should be proportionate to the activity's potential environmental risk, not simply its size. Streamlined disclosure may be appropriate for activities that are demonstrably low risk, located outside ecologically sensitive areas, do not create new access or induce further development, and have no credible pathway to significant harm. More comprehensive disclosure and assessment should be required where activities occur in or near high-integrity ecosystems, areas already experiencing significant cumulative pressures, or other contexts where biodiversity risks are inherently greater.

6. *Are there any gaps in the proposed DNSH/MSS framework that could result in unintended environmental or social harms?*

At this stage, the proposed DNSH framework appears conceptually sound, but there are several areas where additional consideration will be important to avoid unintended environmental outcomes as the framework is further developed.

First, the framework should ensure that **cumulative and induced effects** are adequately addressed. An entity- or project-level focus may overlook broader landscape-scale impacts arising from multiple activities, associated infrastructure, habitat fragmentation, or growth-inducing effects. Activities that appear to avoid significant harm in isolation may nevertheless contribute to unacceptable cumulative degradation when considered in their broader ecological context.

Second, the framework should avoid creating incentives for a **"race to the bottom,"** whereby taxonomy alignment is achieved primarily through compliance with provincial jurisdictions that have less comprehensive environmental requirements. As noted elsewhere in our submission, over-reliance on existing legal standards could result in inconsistent biodiversity outcomes and expose the taxonomy to greenwashing and reputational risks. Where domestic legal frameworks do not provide a sufficiently consistent benchmark, additional outcome-based biodiversity criteria or internationally recognized standards should be applied.

Finally, we encourage the Council to continue developing the DNSH framework as an **integrated assessment**, rather than as a series of independent environmental objectives. Biodiversity, climate

adaptation, water, and pollution are closely interconnected, and assessing them in isolation risks overlooking important ecological interactions and trade-offs. An integrated approach will better reflect ecosystem function while strengthening the overall credibility and effectiveness of the taxonomy.

4. Conclusion

We appreciate the opportunity to comment on the Draft Methodology Report and strongly support the continued development of a credible, practical, and science-based Sustainable Finance Taxonomy for Canada.

We offer these recommendations in the spirit of constructive partnership and look forward to continued engagement as the methodology evolves. Many of the most consequential decisions for biodiversity - including the development of biodiversity-related DNSH criteria, quantitative thresholds, ecosystem considerations, and sector-specific technical screening criteria - are still to come. We believe these next stages present an important opportunity to ensure the taxonomy reflects robust, outcome-based biodiversity safeguards while remaining practical and accessible. We would welcome the opportunity to contribute our expertise, particularly in the development of biodiversity-related criteria for the mining, agriculture and forestry sectors, as well as biodiversity- and ecosystem-related DNSH criteria more broadly.

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Appendix A - WCS Canada's Recommended Do No Significant Harm Criteria

A. Exclusion criteria (i.e., activities that fail DNSH outright)

Category 1. Absolute exclusion zones ("red list")

An activity must not operate within, or cause any alteration to:

- a national park, national wildlife area, marine protected area,
- an Indigenous Protected and Conserved Area, where the governing framework is incompatible with the activity type,

- critical habitat designated under the *Species at Risk Act,* or
- any other legally designated protected or conserved area in which biodiversity conservation, ecological integrity, or habitat protection is a primary objective and the activity type is prohibited or incompatible with that designation,

unless the activity is specifically and exclusively dedicated to the conservation or restoration of that area.

Category 2. Significant-harm exclusions

An activity must not cause significant harm to the values for which any of the following areas was identified:

- UNESCO Natural and Mixed World Heritage Areas[6];
- Ramsar wetlands[7];
- Key Biodiversity Areas[8];
- Ecologically or Biologically Significant Marine Areas; or
- migratory bird areas designated under the Migratory Birds Convention Act.

Significant harm means any alteration to the ecological, biological, or cultural values for which the area was identified that cannot be reversed within a timeframe relevant to biodiversity and climate targets.

A completed environmental impact assessment does not by itself demonstrate that significant harm has not occurred; the applicant must demonstrate directly that the activity does not meet the significant harm threshold.

Category 3. Ecosystem-function exclusions

A3(a). Peatlands and peat-forming wetlands

An activity must not result in conversion of an intact peat-forming system, including through persistent drainage, dewatering, or material lowering of water tables that sustain peat accumulation.

A commitment to restore or rehabilitate a peatland does not satisfy this criterion, given the irrecoverable nature of peatland carbon and the timescales required for peat formation.

A3(b). High-carbon stock land, excluding peatlands

An activity must not result in any of the following:

[6] Canadian Sites on the World Heritage List: https://parks.canada.ca/culture/spm-whs/sites-canada
[7] Ramsar wetland sites in Canada: https://www.ramsar.org/country-profile/canada
[8] Key Biodiversity Areas are sites that contribute to the persistence of biodiversity (both species and ecosystems) and represent areas of concentration of at-risk and geographically restricted biodiversity, large aggregations of species during particular moments in their life cycles, and ecosystems of the highest ecological integrity. See kbaCanada.org for national and global KBAs in Canada.

- conversion of intact old-growth or primary forest;
- conversion of intact native grassland;
- conversion of permafrost-associated systems in ways that cause irreversible thaw or surface destabilization; or
- any action that causes a significant and measurable reduction in the carbon stocks or sequestration capacity of the above ecosystems.

For the purposes of this criterion, "high-carbon stock land" is defined consistently with the EU Renewable Energy Directive (RED II) Article 29(4), adapted to the Canadian context to include: continuously forested areas with old-growth or primary forest characteristics; native grasslands with intact soil carbon profiles; and permafrost-associated systems. Where there is uncertainty about whether land meets this definition, the precautionary principle applies and the land is to be treated as high-carbon stock.

A3(c). Wetlands other than peatlands

An activity must not result in any of the following:

- permanent drainage, filling, or conversion of a wetland;
- alteration of hydrological conditions that sustain wetland function, including water table levels, seasonal flooding patterns, or surface-water connectivity, in ways that are not reversible within a short timeframe; or
- fragmentation of wetland complexes in ways that disrupt hydrological connectivity or ecological function across the broader landscape.

A3(d). Ecological corridors and climate refugia

An activity must not result in any of the following:

- construction of roads, access corridors, fences, or other linear infrastructure through an identified connectivity-critical ecological corridor in ways that demonstrably fragment wildlife movement or ecological connectivity;
- creation of access infrastructure in an intact landscape that demonstrably induces wider land-use change, resource extraction, or fragmentation beyond the project footprint; or,
- any action within an identified climate refugium that reduces the capacity of that area to support species persistence or range shifts under changing climatic conditions.

For the purposes of this criterion, identified ecological corridors and climate refugia include those recognized in federal, provincial, or territorial land-use plans, those identified in published national datasets, and those identified through Indigenous knowledge processes. In assessing whether a corridor is connectivity-critical, relevant considerations include its scarcity within the region, the availability of functionally equivalent alternative pathways, the width and integrity of the corridor, the species or ecological processes dependent on it, and the degree to which surrounding landscapes remain intact.

Where corridor or refugium status is uncertain, the applicant bears the burden of demonstrating that connectivity and refugium function will not be materially impaired.

B. Minimum eligibility conditions for non-excluded activities

Ideally, an activity that does not cross a red-line threshold should not automatically be treated as DNSH-compliant. It should still be required to satisfy the following minimum conditions.

B1. Full-footprint assessment and disclosure

The activity must identify, assess, disclose, manage, and monitor biodiversity- and ecosystem-related risks and impacts across the full project footprint and lifecycle, including associated facilities, induced infrastructure, waste facilities, water management systems, closure, and post-closure obligations.

Completion of a provincial or federal environmental assessment should not be treated as sufficient in itself. The applicant should demonstrate that biodiversity and ecosystem risks have been assessed to at least a standard equivalent to International Finance Corporation Performance Standard 6 (IFC PS6 - see next section for more detail), with publicly available baseline information, explicit treatment of associated facilities and area of influence, and clear identification of residual risks.

B2. Strict mitigation hierarchy

The activity must demonstrate strict application of the mitigation hierarchy, with clear prioritization of avoidance, then minimization, then remediation, and only then, where appropriate and strictly limited, compensation for residual impacts through offsetting. For biodiversity and ecosystem risk, this hierarchy should be operationalized to a standard no weaker than IFC PS6. In particular, for irreplaceable, highly intact, or ecologically sensitive systems, avoidance must be the governing expectation.

B3. Cumulative effects demonstration

Cumulative effects must be explicitly identified, assessed, and managed. An activity should not be treated as DNSH-compliant solely because its direct footprint appears manageable in isolation. The relevant question is whether, in the context of existing conditions and reasonably foreseeable development, the activity would contribute to cumulative ecological degradation that is already high or becoming unacceptable.

B4. Peatland hydrology and induced effects

Where an activity is proposed in the vicinity of peatlands or peat-forming wetlands not already excluded under Section A, the applicant must demonstrate that the activity will not materially impair peat-forming hydrology, induce drainage, fragment peatland complexes, or trigger wider access-driven

land-use change beyond the immediate project footprint. This is particularly important for activities claiming to substantially contribute to the priority objective of climate mitigation.

B5. Water, waste, and tailings safeguards

The activity must demonstrate that it will not cause significant harm to biodiversity and ecosystems through waste storage, tailings management, contaminated seepage, hydrological alteration, acid rock drainage, metal leaching, or catastrophic failure pathways. For taxonomy purposes, no activity should qualify where it depends on disposal of waste into natural water bodies, poorly characterized long-term waste behaviour, or design choices that create risk of irreversible harm to sensitive aquatic ecosystems or cultural values.

B6. Closure, reclamation, and financial assurance

Where applicable to the activity type (e.g., mining), the activity must demonstrate credible closure, reclamation, long-term monitoring, and post-closure management, supported by hard financial assurance sufficient to cover foreseeable obligations. An activity should not be treated as DNSH-compliant where closure success depends on speculative future restoration of irrecoverable systems, prolonged public assumption of liability, or under-secured obligations for water treatment, remediation, or catastrophic failure. In this respect, biodiversity and ecosystem DNSH cannot be separated from long-term liability design.

B7. Independent review, monitoring, and adaptive response

The activity must be subject to independent scrutiny, with monitoring, reporting, and verification sufficient to detect emerging biodiversity and ecosystem harms and trigger timely corrective action.

Key environmental data, including baseline studies, monitoring results, and the rationale for DNSH conclusions, should be publicly accessible unless confidentiality is clearly justified and narrowly limited. Internal company management plans or aggregate lender reporting are not sufficient substitutes for independent, transparent review.

B8. Indigenous rights, governance, and knowledge

The activity must demonstrate that Indigenous rights, governance processes, and Indigenous knowledge have been meaningfully incorporated into biodiversity and ecosystem risk assessment and decision-making. For Canada-based operations in particular, affected Indigenous Nations must not be treated merely as consultees within a pre-set regulatory pathway. Where biodiversity and ecosystem values are inseparable from Indigenous territorial governance, land-use priorities, and cultural use, those considerations should be treated as material to DNSH rather than external to it.