

Getting Nature into Financial Reporting: Natural Asset Disclosures for Local Governments

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[Webinar Recording](#)

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Natural assets are increasingly recognized as infrastructure that provides financially valuable ecosystem services to Canadian communities. Integrating these assets into financial reporting can help local governments demonstrate effective management of these valuable services. The new Intact Centre guide *Getting Nature into Financial Reporting*, developed for Standards Council of Canada, with KPMG LPP, the Natural Assets Initiative and over 120 contributors, outlines metrics that can be reported as part of a stepwise approach to more complete natural asset reporting, no matter where your community is starting from. In this webinar, Joanna Eyquem, Managing Director of Climate-Resilient Infrastructure, Intact Centre on Climate Adaptation, discussed the step-by-step guide to disclosures and City of Calgary presented on their efforts to integrate natural asset-related disclosures into financial reporting.

Presenters

- Joanna Eyquem, Managing Director of Climate-Resilient Infrastructure, Intact Centre on Climate Adaptation
- Jillian Prosser, Climate Adaptation Specialist, City of Calgary

Key Findings

- Municipalities are on the front lines of managing climate and nature-related risks, and these need to be tackled together. Nature is key to reducing climate risk and local action is key.
- Natural assets can be used to address climate change both through adaptation and mitigation. Natural assets have a key role to play storing carbon, but they can also maximize benefits to communities by maintaining ecosystem services and hopefully improving them over time or restoring where those assets have been degraded.
- Integrating natural assets into financial reporting could help us make better informed economic decisions. Excluding natural assets excludes services that are financially valuable.
- Integrating natural assets into financial reporting can demonstrate accountability. Public accountability is a key purpose of financial statements in the public sector. Municipalities need to be accountable for how they manage natural assets as a key public resource.

Presentation Overview

Joanna Eyquem, Managing Director of Climate-Resilient Infrastructure, Intact Centre on Climate Adaptation

- Nature based solutions are actions that protect, manage and restore natural or modified ecosystems that address societal challenges.
- Natural infrastructure (or natural assets) is the use of preserved, restored, or enhanced elements or combinations of vegetation, associated biology, land water naturally occurring ecological processes to meet targeted infrastructure outcomes.
- Natural assets provide services to people. The three services are: Provisioning services; regulation and maintenance services; and cultural services. They are typically not included in financial reporting beyond potentially some of those provisioning services that are sold in traded markets.
- Statistics Canada is working on national natural capital accounts (Census of the Environment). There are data sets, and the resolution of the data can be usable by municipalities. The system that is being used is the United Nations System of Environmental-Economic Accounting
- In Ontario, asset management is regulated and needs to include green infrastructure which includes natural assets.
- In the guide, there are examples of current financial reporting on natural assets (about 6 or 7).
- The guide is guidance on unaudited natural asset disclosures (these are disclosures that you would not make in your actual financial statements).
- ICCA identified 6 recommended disclosures. Natural asset types and classes, extent, condition, ecosystem services, financial valuation of ecosystem services and natural assets, disclosure of change (the disclosure of change will be important moving forward because we want to reverse biodiversity loss, or we want to maintain the services to our communities).
- For each disclosure ICCA have recommended information to be disclosed, and analysis of the existing sources that are available with links (e.g., GRI Biodiversity Standards, NAI's publications, National Standard of Canada).

Jillian Prosser, Climate Adaptation Specialist, City of Calgary

- City of Calgary is using the climate, sustainability, and nature related financial disclosures to help enable uses of general purpose financial reports, Council investment insurance, real estate, etc. to help these sectors better understand governance processes, controls, and procedures that manage and oversee climate, related risks and opportunities.
- Through their work, City of Calgary has developed an understanding of most classes of natural assets and are working to better understand risk. They have completed several climate risk assessments, looking at how while the natural environment and natural areas are at risk, they also support climate risk reduction.
- In 2023, City of Calgary used TCFD for their climate related financial disclosure. This year, they shifted to the International Financial Reporting Standards (IFRS).
- Bill C. 59 is the Federal Government's anti greenwashing bill, which may impact reporting. Calgary has flagged this to their legal department and climate environment team that language must be carefully selected and precise to avoid making claims that could be considered greenwashing. They are still disclosing and preparing information to support these very important reporting statements.

- City of Calgary has also been including natural assets in a more fulsome context within their infrastructure reporting processes. They have worked cross corporately to identify which natural areas which fall within which department's natural assets, and which business units manage those assets, and are working to build that greater understanding together.
- Calgary has significant flood risk. The City experienced over nearly \$6 billion of insurable losses from floods in 2013.
- One of the key adaptation related performance metrics used by City of Calgary is the community climate risk index. Urban tree canopy health, the natural environment, and natural area parks in communities, are included within this community climate risk index.

Discussion

- Encouraging buy-in is an ongoing process. There is always a challenge to get past business-as-usual mindsets. However, support is growing.
- A Federal Statistics Canada Survey was conducted asking City of Calgary questions about natural assets, including what they have, what have they been valued at, and infrastructure gaps. This indicates a growing attention to natural asset valuation.
- To generate buy-in, it's helpful to leverage others in the industry doing this – It's not only an environmentalist idea but has financial and corporate-wide implications.
- The first step to natural asset valuation is determining what data you have available. Therefore, engaging with those who use spatial data in your organization early on is key, as is engaging with asset management (to integrate natural infrastructure into the same process) and finance departments (those who are responsible for reporting).

Additional Resources

- [Getting Nature into Financial Reporting: Natural Assets Disclosures for Local Governments \(Report\)](#)
- [Getting Nature on the Balance Sheet: Recognizing the Financial Value Provided by Natural Assets in a Changing Climate \(Report\)](#)
- [City of Calgary - Climate and Environment Progress Tracking](#)
- [Statistics Canada, Census of the Environment](#)
- [IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information](#)
- [IFRS S2 Climate-related Disclosures](#)
- [Bill C-59](#)
- [System of Environmental Economic Accounting](#)

Contact Information

Please reach out to us at any time with questions, input, or for additional information.

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