IFRS Sustainability

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Exposure Draft

IFRS® Sustainability Disclosure Practice Statement

Basis for Conclusions on IFRS Sustainability Disclosure Practice Statement 1 *Nature-related Disclosures*

Comments to be received by 19 February 2027



International Sustainability Standards Board

ISSB/ED/2026/1

Basis for Conclusions on Exposure Draft

IFRS Sustainability Disclosure Practice Statement 1

Nature-related Disclosures

Comments to be received by 19 February 2027

The Basis for Conclusions accompanies Exposure Draft ISSB/ED/2026/1 (published October 2026: see separate booklet). It is published by the International Sustainability Standards Board (ISSB) for comment only. Comments need to be received by **19 February 2027** and should be submitted by email to commentletters@ifrs.org or online at https://www.ifrs.org/projects/open-for-comment/.

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Basis for Conclusions on [Draft] IFRS Sustainability Disclosure Practice Statement 1 *Nature-related Disclosures*

This Basis for Conclusions accompanies, but is not part of, the Exposure Draft IFRS Sustainability Disclosure Practice Statement 1 *Nature-related Disclosures, published October 2026. It summarises the considerations of the International Sustainability Standards Board (ISSB) when developing the Exposure Draft. Individual ISSB members gave greater weight to some factors than to others.*

Introduction

BC1 The Exposure Draft *IFRS Sustainability Disclosure Practice Statement 1* Nature-related Disclosures (Exposure Draft) sets out proposed requirements for an IFRS Practice Statement on nature-related disclosures. The proposals would require an entity to disclose particular information about nature-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term.[1] The proposals are designed and required to be applied with IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*.

BC2 Consistent with the objective of IFRS S1, the proposed requirements are intended to result in the disclosure of information about nature-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions related to providing resources to an entity.[2]

The need for the project

Consultation on Agenda Priorities

BC3 In 2022, as part of its Consultation on Agenda Priorities (agenda consultation), the ISSB determined that users of general purpose financial reports need information about nature-related risks and opportunities. However, the ISSB also identified challenges in meeting this need, including:

(a) difficulty in defining, organising and categorising nature-related topics and subtopics in the context of sustainability-related disclosures, and a lack of consensus on the aspects of nature to be prioritised for standard-setting;

(b) overlap with other sustainability-related risks and opportunities—for example, those related to greenhouse gas emissions or community access to water and land; and

(c) the extent to which nature-related risks and opportunities are specific to geographical locations and business models.

1 Throughout this document, these risks and opportunities are collectively referred to as 'nature-related risks and opportunities that could reasonably be expected to affect an entity's prospects'.

2 Throughout this document, the terms 'primary users' and 'users' are used interchangeably, with the same meaning.

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BC4 In the Request for Information published as part of its agenda consultation, the ISSB proposed a research project on information about risks and opportunities related to biodiversity, ecosystems and ecosystem services to inform potential future standard-setting.

BC5 Feedback on the Request for Information showed significant and growing interest among users in improved disclosures about nature-related risks and opportunities that could reasonably be expected to affect an entity's prospects. In particular, users identified a need for more consistent, comparable and verifiable information. Users stated that the lack of a globally recognised and widely accepted framework for such disclosures was one of the main reasons for the low quality, availability and comparability of nature-related information.

BC6 Respondents suggested that the ISSB consider in any research project on this topic how nature-related risks and opportunities vary across industries, sectors and locations, as well as throughout an entity's value chain. At the same time, some respondents emphasised the importance of developing standardised metrics that could be applied consistently across industries and regions.

BC7 Respondents also noted the importance of building on internationally recognised materials to develop a global baseline for nature-related financial disclosures. In particular, respondents recommended that the ISSB build on its own materials, including the SASB Standards and Climate Disclosure Standards Board (CDSB) Framework, as well as the materials published by the Taskforce on Nature-related Financial Disclosures (TNFD) to inform the research project.

Research phase of the project

BC8 In April 2024, based on the feedback on its agenda consultation, the ISSB decided to add a research project on Biodiversity, Ecosystems and Ecosystem Services to its 2024–2026 work plan. The ISSB decided to take a comprehensive approach to its research on nature-related subtopics, without prioritising a single subtopic or a subset of subtopics. Consistent with the IFRS Foundation *Due Process Handbook* (*Due Process Handbook*), the ISSB's research project sought to assess:

(a) *the necessity of standard-setting*—by evaluating whether users have common information needs regarding nature-related risks and opportunities that could reasonably be expected to affect an entity's prospects; and

(b) *the feasibility of standard-setting*—by evaluating the most practical and efficient approach to developing disclosure requirements, including whether other disclosure standards and frameworks could be drawn on to address user information needs, and by considering how entities currently disclose information that addresses those needs.

BC9 The ISSB's research found that users of general purpose financial reports need information about an entity's nature-related risks and opportunities to inform decisions relating to providing resources to the entity, but face challenges in obtaining decision-useful information. The research also found that nature-related risks and opportunities can affect an entity's cash flows, access to finance and cost of capital in a variety of ways, and that these effects vary by industry and occur over different timeframes. In assessing the necessity of standard-setting, the ISSB identified areas of common user information need regarding nature-related risks and opportunities for which there was both clear evidence of user interest and evidence of effects on an entity's prospects.

BC10 Consistent with the *Conceptual Framework for Financial Reporting* (*Conceptual Framework*) issued by the International Accounting Standards Board (IASB), the project considered the needs that are common to each of the three types of primary users of general purpose financial reports. That is, it considered the information needs of existing and potential investors, lenders and other creditors, instead of the specialised information needs that are unique to a specific subset of users within each of the three types of primary users. Consistent with IFRS S1, the project considered information related to the range of time horizons—short, medium or long term—over which the effects of nature-related risks and opportunities could reasonably be expected to occur, instead of focusing only on short- or long-term risks and opportunities.

BC11 The research identified the following categories of information about an entity's nature-related risks and opportunities as being common to each of the three types of primary users:

(a) *governance*—for example, its oversight structure, nature-related policies and nature-related commitments;

(b) *strategy*—for example, information on current and anticipated financial effects as well as information about an entity's transition plans related to nature;

(c) *risk management*—for example, processes for identifying, assessing, prioritising and monitoring nature-related risks and opportunities, including an entity's use of scenario analysis in identifying risks; and

(d) *metrics and targets*—for example, quantitative information related to topics such as water, land-use change, biodiversity loss and pollution, with the relevance of these topics, and the type of information most relevant to users, varying by industry.

BC12 The research identified several features of information that address common user needs. Specifically, users need information that is:

(a) reflective of how the location of assets and activities is relevant to nature-related risks and opportunities;

(b) reflective of risks and opportunities throughout an entity's value chain;

(c) contextual—that is, narrative disclosures that provide context to disclosures about an entity's nature-related risks and opportunities;

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(d) connected with information about climate-related risks and opportunities;

(e) industry-specific—that is, connected to dependencies and impacts associated with typical resource use, activities and business models in an industry; and

(f) based on standardised terminology.

BC13 The ISSB also identified the potential relevance of information on:

(a) the ways in which nature-related international policies and jurisdictional regulation inform an entity's governance and strategy; and

(b) an entity's engagement strategy and process, including in relation to Indigenous Peoples and Local Communities.

BC14 The ISSB compared these common user information needs with the requirements in IFRS Sustainability Disclosure Standards. It concluded that many of the identified areas are addressed by the general requirements and core content areas in IFRS S1 that are applicable to all sustainability-related risks and opportunities. For example, IFRS S1 already requires that an entity provide material information about its governance of sustainability-related risks and opportunities and about metrics and targets that enables users to understand its performance in relation to sustainability-related risks and opportunities. Such information includes material information about those sustainability-related risks and opportunities which are related to nature. The ISSB also noted that IFRS S2 requires information be provided on nature-related aspects of climate-related risks and opportunities, and that the SASB Standards include nature-related disclosure topics and metrics for specific industries. However, IFRS Sustainability Disclosure Standards do not provide requirements specific to nature-related disclosures.

The decision to undertake standard-setting

BC15 The ISSB considered two approaches to addressing common user information needs regarding nature-related risks and opportunities:

(a) developing educational material with explanations and illustrations to show how IFRS S1 and IFRS S2 can be applied in the context of nature-related risks and opportunities.

(b) undertaking standard-setting to develop, where necessary, requirements for nature-related disclosures that are incremental to those in IFRS S1 and IFRS S2. The ISSB noted that such standard-setting could take different forms, and that materials could be made available on a non-mandatory basis (for example, by issuing a Standard without an effective date) or with a distant effective date to minimise disruption to the implementation of IFRS S1 and IFRS S2 (see paragraphs BC35–BC47).

BC16 The ISSB noted that requirements that introduce additional specificity in relation to disclosures about nature-related risks and opportunities would enable entities to address the information needs of users of general purpose financial reports. Such requirements would also improve the consistency and comparability of nature-related disclosures provided by entities applying IFRS Sustainability Disclosure Standards. Additional specificity through requirements incremental to IFRS S1 would be necessary, for example, to address the common user information needs regarding the location-related aspects of nature-related risks and opportunities (see paragraphs BC104–BC120). The ISSB also noted that educational materials cannot add to or change requirements in IFRS Sustainability Disclosure Standards and so concluded that it was necessary to develop disclosure requirements to support the provision of particular information to meet common user information needs. Accordingly, it decided to move the project from research to standard-setting in its work plan. In the ISSB's view, educational materials could be developed after the standard-setting work, if necessary, to support high-quality application of the requirements.

BC17 The ISSB decided that its standard-setting would build on the conceptual foundations and general requirements in IFRS S1 and the climate-related disclosure requirements in IFRS S2 and noted that it would not duplicate content from those Standards. The ISSB also decided to draw on the TNFD framework because it provides a practical and efficient approach to addressing common user information needs (see paragraphs BC58–BC62).

BC18 The ISSB considered whether it was necessary to publish a discussion paper before adding a standard-setting project to the work plan that would result in the publication of an exposure draft.[3] It was satisfied that it had sufficient information and understanding of the problem and the potential solutions to omit this step and proceed to developing an exposure draft.

BC19 The ISSB also assessed the costs of preparing and reporting information in general purpose financial reports as part of its decision to undertake standard-setting. Overall, the ISSB concluded that the expected benefits of introducing incremental disclosure requirements to address common user information needs about nature-related risks and opportunities are likely to outweigh the associated costs of preparing that information.

BC20 Separately, the ISSB decided to change the project title to Nature-related Disclosures to appropriately reflect the scope of the project (see paragraphs BC69–BC73).

3 Paragraph 5.7 of the IFRS Foundation *Due Process Handbook* sets out the considerations for the International Sustainability Standards Board (ISSB) in deciding whether a discussion paper is necessary.

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Project objective

BC21 The objective of this project is to undertake standard-setting to develop requirements that build on the requirements in IFRS S1 and IFRS S2 to address the common information needs of users of general purpose financial reports regarding nature-related risks and opportunities that could reasonably be expected to affect an entity's prospects.

BC22 The incremental requirements are designed to:

(a) establish the scope of nature-related financial disclosures. For example, Appendix A of the Exposure Draft defines the terms that are relevant to providing material information about nature-related risks and opportunities that could reasonably be expected to affect an entity's prospects.

(b) specify how to apply particular requirements in IFRS S1 in the context of nature-related risks and opportunities. For example, the proposed requirements specify location-related considerations in identifying and disclosing information about nature-related risks and opportunities.

(c) set out new requirements for an entity to disclose particular information about nature-related risks and opportunities that could reasonably be expected to affect its prospects. For example, the requirement to disclose the amount and percentage of assets or business activities vulnerable to nature-related risks and those aligned with nature-related opportunities.

Approach to standard-setting

Relationship to IFRS Sustainability Disclosure Standards

BC23 The proposals in the Exposure Draft are designed to complement the requirements in IFRS S1 and IFRS S2 and are to be applied together with IFRS Sustainability Disclosure Standards.

BC24 As explained in paragraphs BC11–BC14, the ISSB identified areas of common user information need regarding nature-related risks and opportunities that are not specifically addressed by the requirements in IFRS S1 and IFRS S2. The proposals in the Exposure Draft build on IFRS S1 and IFRS S2, adding specificity and supplementary requirements to support nature-related disclosures that address user information needs in the identified areas. Such areas include nature-specific definitions, nature-related scenario analysis, location-related information about nature-related risks and opportunities, and metrics that provide information about the vulnerability of assets or business activities to nature-related risks or their alignment with nature-related opportunities. This relationship is similar to that between IFRS S1 and IFRS S2, in that IFRS S2 builds on IFRS S1 to add specificity for reporting on climate-related risks and opportunities (for example, IFRS S2 sets out supplementary requirements related to disclosures on climate-related risks and opportunities).

BC25 In developing IFRS S2, the ISSB concluded that repeating requirements from IFRS S1 would support timely delivery, promote continuity with the work of the Task Force on Climate-related Financial Disclosures and facilitate the transition to IFRS Sustainability Disclosure Standards. IFRS S2 therefore repeats many of the requirements in IFRS S1 in addition to setting out supplementary requirements that relate to climate-related risks and opportunities. However, the ISSB decided not to duplicate requirements from IFRS S1 in the Exposure Draft. This decision is intended to facilitate greater efficiency in standard-setting and reduce complexity for entities applying IFRS Sustainability Disclosure Standards and the proposed nature-specific requirements. The proposed requirements are therefore designed to be applied with IFRS S1.

BC26 IFRS S1 requires an entity to provide material information about its sustainability-related risks and opportunities, including those related to nature, encompassing information about governance, strategy, risk management, and metrics and targets in relation to those risks and opportunities. It serves as a foundational standard establishing conceptual foundations and overarching requirements applicable to all sustainability-related risks and opportunities (which include those related to nature) that could reasonably be expected to affect an entity's prospects. The proposals in the Exposure Draft build on and complement these conceptual foundations and overarching requirements in IFRS S1 by specifying nature-related concepts, definitions and requirements where necessary to address common user information needs regarding nature-related risks and opportunities.

BC27 All entities applying IFRS Sustainability Disclosure Standards are required to provide material information about climate-related risks and opportunities in accordance with IFRS S2. If an entity identifies climate-related risks and opportunities that have aspects related to nature, the requirements in IFRS S2 are applicable to providing information about the nature-related aspects of those risks and opportunities. (This requirement was reinforced by educational materials published by the IFRS Foundation in December 2023.)[4] Accordingly, the ISSB decided that the proposals in the Exposure Draft would assume that an entity would be applying both IFRS S1 and IFRS S2. Therefore, the proposals build on and complement the requirements in IFRS S1 and IFRS S2. The proposals support disclosure of connected information in accordance with paragraph 21 of IFRS S1, which requires information to be provided in a manner that enables users of general purpose financial reports to understand the connections between sustainability-related risks and opportunities. In particular, the proposals do so by specifying disclosure requirements related to the connections between an entity's climate-related and nature-related risks and opportunities.

4 IFRS Foundation, *Nature and social aspects of climate-related risks and opportunities* (educational material), December 2023, issb-naturesocialaspectsofclimate-relatedrisks-dec2023.pdf.

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BC28 An entity asserting compliance with IFRS Sustainability Disclosure Standards and applying the proposed requirements for nature-related disclosures can, therefore, provide comparable and high-quality disclosures about nature-related risks and opportunities that address common user information needs. Appendix B of the Exposure Draft specifies the relationship of the [draft] IFRS Sustainability Disclosure Practice Statement 1 *Nature-related Disclosures* (Practice Statement) to IFRS Sustainability Disclosure Standards to aid an entity applying IFRS Sustainability Disclosure Standards with its application of the Practice Statement (paragraphs BC35–BC47 explain the proposed form of the proposals as an IFRS Practice Statement).

ISSB industry-based guidance

BC29 IFRS Sustainability Disclosure Standards require an entity to disclose industry-specific information associated with its identified sustainability-related risks and opportunities.[5] However, the Standards do not specify the industry-specific information an entity is required to disclose; instead, the Standards require an entity to refer to and consider the SASB Standards or the *Industry-based Guidance on Implementing IFRS S2*.[6] The ISSB industry-based guidance is intended to assist an entity in disclosing industry-specific information that is relevant to users by setting out disclosure topics and metrics typically applicable to entities with the business models and associated activities of specific industries. By providing entities with a structured basis for identifying sustainability-related risks and opportunities —including those related to nature—and associated metrics, the ISSB industry-based guidance supports the efficient application of IFRS Sustainability Disclosure Standards by all entities.

BC30 The ISSB's research identified that users need information on nature-related risks and opportunities that is industry-specific. However, the proposals in the Exposure Draft do not add industry-specific requirements or industry-based guidance specific to nature. The ISSB determined that additional industry-based requirements or guidance specific to nature were not required at this time because IFRS S1 requires that industry-specific information be provided for all sustainability-related risks and opportunities that could reasonably be expected to affect an entity's prospects, and nature-specific guidance is already available in the ISSB industry-based guidance (see paragraphs BC179–BC205).

BC31 Nature-related disclosure topics and associated metrics—such as those addressing risks and opportunities associated with air quality, ecological impacts, water management and environmental supply chain management—appear throughout the SASB Standards, and many of these are also present in the *Industry-based Guidance on Implementing IFRS S2*. As part of its 2024–2026 work plan, the ISSB is enhancing its industry-based guidance, which includes

5 Paragraph 48 of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* states that an entity 'shall include metrics associated with particular business models, activities or other common features that characterise participation in an industry.'

6 Throughout this document, the SASB Standards and *Industry-based Guidance on Implementing IFRS S2* are collectively referred to as the 'ISSB industry-based guidance'.

aligning the proposed amendments to nature-related topics and metrics in the SASB Standards with the project on Nature-related Disclosures.

BC32 In accordance with the requirement in paragraph 58(a) of IFRS S1, entities are required to refer to and consider the applicability of the disclosure topics and metrics in the SASB Standards for their nature-related disclosures.[7] The ISSB expects the industry-based guidance to remain complementary to IFRS Sustainability Disclosure Standards and, together with the proposals in the Exposure Draft, to support their consistent application.[8]

Connections to information in financial statements

BC33 Users of general purpose financial reports consistently emphasise the importance of connections between an entity's financial statements and sustainability-related financial disclosures. IFRS S1 requires an entity to provide connected information, including to enable users to understand the connections between its sustainability-related financial disclosures and other general purpose financial reports, such as its related financial statements. Because the requirements proposed in the Exposure Draft are designed to be applied with IFRS S1, an entity applying the Practice Statement would be required to disclose information in a manner that enables users to understand the connections between its nature-related financial disclosures and financial statements, regardless of which generally accepted accounting principles or practices the entity uses in preparing those financial statements.

BC34 In deciding how to help entities provide connected information to users, the ISSB considered how the proposed requirements relate to information in financial statements, focusing on the requirements in IFRS Accounting Standards. In particular, the ISSB considered how information about nature-related matters might be presented or disclosed in financial statements prepared in accordance with IFRS Accounting Standards. The ISSB also considered the terms and concepts used in IFRS Accounting Standards in defining terms and concepts for nature-related disclosures, including, notably, in proposing the definition of environmental resources (see paragraph BC85). The ISSB also considered information disclosed in financial statements when discussing requirements for nature-related disclosures on particular matters. For example, in its discussions about the location-related aspects of nature-related risks and opportunities, the ISSB noted that entities might disclose information in different types of reports about where their activities

7 Although IFRS Sustainability Disclosure Standards require an entity to consider the applicability of the ISSB industry-based guidance, application itself is not required. In other words, an entity might determine that the disclosure topics and associated metrics in the ISSB industry-based guidance are not applicable to its circumstances. In this situation, the entity is not relieved from meeting the requirement in IFRS Sustainability Disclosure Standards to provide decision-useful information—including industry-based metrics—about its identified sustainability-related risks and opportunities.

8 Respondents to the ISSB's consultation on the proposed amendments to the SASB Standards agreed that the proposals support application of IFRS S1 and IFRS S2 Climate-related Disclosures by helping entities identify, and provide material information about, their sustainability-related risks and opportunities. See Agenda Paper 6A *Feedback summary—Questions 1–5 in the SASB Exposure Draft*, March 2026, https://www.ifrs.org/content/dam/ifrs/meetings/2026/march/issb/ap6a-feedback-summary-questions-1-5-sasb-ed.pdf.

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and assets are located, and considered the example of disclosure of information about an entity's operating segments by geography in its financial statements. The ISSB noted that such disclosures are often provided to meet other objectives and not to provide information about an entity's nature-related risks and opportunities.

The proposed form of standard-setting

BC35 The ISSB proposes that requirements for nature-related disclosures be set out in an IFRS Practice Statement. An IFRS Practice Statement is an established form of standard-setting for the IFRS Foundation to issue requirements and guidance. Projects to develop IFRS Practice Statements are categorised as standard-setting projects on the ISSB and IASB work plans.[9] As set out in the *Due Process Handbook*, the process for developing an IFRS Practice Statement is the same as that for developing an IFRS Standard, including the publication of an exposure draft and the required period for consultation. However, because an IFRS Practice Statement is not an IFRS Standard, entities are not required to comply with IFRS Practice Statements to state compliance with IFRS Accounting Standards or IFRS Sustainability Disclosure Standards.

BC36 The ISSB decided that an IFRS Practice Statement designed for application with IFRS Sustainability Disclosure Standards is the most appropriate form through which to issue requirements for nature-related disclosures at this stage. An IFRS Practice Statement allows the ISSB to specify nature-related disclosure requirements to address the needs of users of general purpose financial reports, while minimising disruption to the global implementation and adoption of IFRS S1 and IFRS S2. The ISSB noted that many entities and jurisdictions are in the process of implementing IFRS S1 and IFRS S2, and that it was necessary to consider the benefits of supporting high-quality reporting on nature-related risks and opportunities, while considering the risk of disruption to that implementation. The decision to propose an IFRS Practice Statement at this time reflects the timing of the publication of the proposals.

BC37 The Practice Statement would support entities applying IFRS Sustainability Disclosure Standards in the context of nature-related disclosures without changing the requirements in IFRS S1 and IFRS S2. IFRS S1 already requires an entity to provide material information about all sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects, including material information about nature. By adding nature-related specificity and including incremental requirements for nature-related disclosures that build on IFRS S1 and IFRS S2, the Practice Statement would assist entities in meeting the requirement in IFRS S1 to provide material information, while minimising disruption.

BC38 A jurisdiction would not be required to adopt the Practice Statement to be described as an adopter of IFRS Sustainability Disclosure Standards. However, jurisdictions adopting IFRS Sustainability Disclosure Standards or otherwise using IFRS Sustainability Disclosure Standards to develop national standards

9 For example, in November 2017, the International Accounting Standards Board decided to add a project to its standard-setting agenda to revise and update IFRS Practice Statement 1 *Management Commentary*.

could include the Practice Statement in their national materials and make it available for use, consistent with the status of the Practice Statement relative to IFRS Sustainability Disclosure Standards. Jurisdictions could also determine whether and when to require use of the Practice Statement, taking into account the risk of disruption to adoption of IFRS S1 and IFRS S2 in their circumstances. Including the proposed disclosure requirements in an IFRS Practice Statement—instead of in an IFRS Sustainability Disclosure Standard or an amendment to IFRS S1 or IFRS S2—would therefore allow jurisdictions to decide how best to use the Practice Statement to support nature-related disclosures based on their own circumstances.

BC39 Similarly, an entity would not be required to apply the Practice Statement to state compliance with IFRS Sustainability Disclosure Standards. However, an entity can choose to apply it. Doing so would help the entity to provide high-quality, decision-useful information about nature-related risks and opportunities in a more comparable and consistent manner than would be the case in the absence of its application.

BC40 The Practice Statement would be a stand-alone document, designed to be applied with IFRS Sustainability Disclosure Standards. This form enables the ISSB to clearly specify disclosure requirements to address the common information needs of users for nature-related financial information and to communicate the connections between these requirements and the requirements in both IFRS S1 and IFRS S2.

BC41 Furthermore, providing requirements in the form of an IFRS Practice Statement enables the ISSB to assess developments in nature-related disclosures and consider the design of IFRS Sustainability Disclosure Standards in due course. An IFRS Practice Statement is an initial step. After issuance of an IFRS Practice Statement, the ISSB could subsequently decide to issue nature-related content as a Standard (stand-alone or in another form, such as an appendix to IFRS S1). In doing so, the ISSB would consider experience from application of the Practice Statement, including any feedback on market practice. Any such subsequent proposal to advance from an IFRS Practice Statement to issue nature-related content as a Standard would be subject to public consultation in accordance with the *Due Process Handbook*.

BC42 The ISSB considered the risks associated with proposing requirements for nature-related disclosures in the form of an IFRS Practice Statement, including:

(a) the risk that achieving more comparable information on nature-related risks and opportunities would depend on entities applying the Practice Statement—whether voluntarily, including in response to encouragement from users of general purpose financial reports or regulators, or because its application is required by regulatory authorities or jurisdictions.

(b) the risk of confusion about the status of the Practice Statement and its relationship to IFRS S1, IFRS S2, the SASB Standards and the *Industry-based Guidance on Implementing IFRS S2*. The proposed requirements in the Exposure Draft explain this relationship,

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including how the requirements in IFRS S1 and IFRS S2 are relevant to providing material information about nature-related risks and opportunities (see also paragraphs BC23–BC28).

(c) the risk of market misunderstanding about the status of reporting on nature. IFRS S1 already requires the disclosure of material information about all sustainability-related risks and opportunities that could reasonably be expected to affect an entity's prospects, including those related to nature. The status of the Practice Statement may incorrectly imply that reporting about nature is non-mandatory for entities applying IFRS Sustainability Disclosure Standards.

(d) the risk of creating a mistaken impression that information on nature-related risks and opportunities is less important to users than information on climate-related risks and opportunities (which is the subject of IFRS S2). Such an outcome would be inconsistent with the objective of IFRS S1, which does not prioritise some sustainability-related risks and opportunities over others.

BC43 The ISSB considered other forms through which to issue requirements for nature-related disclosures, such as:

(a) amending IFRS S1;

(b) amending IFRS S2; and

(c) developing a new stand-alone IFRS Sustainability Disclosure Standard about nature-related risks and opportunities.

BC44 Amending IFRS S1 or IFRS S2 to include nature-specific content would more clearly signal both the relevance of the requirements in those Standards to nature-related disclosures and that disclosures about nature-related risks and opportunities can be considered together with disclosures about other sustainability-related risks and opportunities. Compared to setting out nature-specific content in a stand-alone document, the ISSB noted that amending IFRS S1 or IFRS S2 could reduce the risk of creating complexity or misunderstanding that particular considerations (such as the relevance of location) are only relevant in the context of nature-related risks and opportunities. Setting out nature-specific content in a stand-alone document could also imply that nature-related risks and opportunities are distinct from other sustainability-related risks and opportunities and, therefore, could result in siloed reporting. However, the ISSB concluded that amending IFRS S1 or IFRS S2 to include nature-specific content would pose a significant risk to the adoption and implementation of those Standards.

BC45 The ISSB noted that if it were to develop a new stand-alone IFRS Sustainability Disclosure Standard with a mandatory effective date, it would need to set a distant date to reduce disruption to the ongoing implementation and adoption of IFRS S1 and IFRS S2. Even with a distant effective date, however, the issuance of a new IFRS Sustainability Disclosure Standard would require jurisdictions and entities to consider the implications for their implementation of IFRS Sustainability Disclosure Standards, and could, therefore, disrupt ongoing jurisdictional processes and entities' efforts to

implement IFRS S1 and IFRS S2. Depending on the circumstances of a particular jurisdiction, preparing for a new Standard could overwhelm capacity-building efforts and potentially delay implementation and adoption of IFRS S1 and IFRS S2. This risk would be heightened for the many jurisdictions that are still in the early stages of sustainability reporting. The ISSB concluded that there was almost no practical difference, in the interim, between a Standard in place that is not in effect and an IFRS Practice Statement, except, importantly, for the flexibility offered by an IFRS Practice Statement at this time to accommodate jurisdictions' particular circumstances and minimise disruption to implementation and adoption of IFRS S1 and IFRS S2. The ISSB also considered developing a non-mandatory Standard; however, initial feedback suggested that this approach was likely to cause confusion about its status because Standards typically have a mandatory effective date.

BC46 On balance, for the reasons set out in paragraphs BC36–BC41, the ISSB decided that an IFRS Practice Statement would be the most appropriate form through which to issue requirements for nature-related disclosures at this time. The ISSB is seeking stakeholder feedback on the proposed form of standard-setting. The ISSB will evaluate stakeholder feedback on the Exposure Draft in considering the appropriate form through which to issue nature-related disclosure requirements.

BC47 The content of the proposed nature-related disclosure requirements is not affected by the form of standard-setting. Importantly, an entity that asserts compliance with the Practice Statement would be required to provide all material information required by the Practice Statement, consistent with the requirements set out in an IFRS Sustainability Disclosure Standard. The ISSB proposes that the Practice Statement be available for application from the date of its issuance for entities applying IFRS S1 and IFRS S2 (see paragraph BC227), which means that entities and jurisdictions that want to adopt the Practice Statement would be able to realise its benefits immediately.

Proportionality in disclosures

BC48 When developing the proposed disclosure requirements, the ISSB engaged with stakeholders to assess the range of capabilities and preparedness of entities to disclose information about nature-related risks and opportunities. Specifically, the ISSB considered:

(a) *resource constraints*—systems and resources available to collect information about an entity's impacts and dependencies on nature to inform the assessment of nature-related risks and opportunities will vary between entities;

(b) *lack of data*—entities can face challenges in data collection relevant to disclosures about nature-related risks and opportunities, particularly in the value chain; and

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(c) *lack of specialist expertise*—the breadth of nature-related impacts and dependencies and the interconnectedness of nature-related risks and opportunities mean that collecting and disclosing nature-related information might require skills or expertise that are less available to some entities and in some jurisdictions.

Proportionality mechanisms in IFRS Sustainability Disclosure Standards

BC49 IFRS S1 states that 'an entity shall use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort' when:[10]

(a) identifying sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects (paragraph B6(a) of IFRS S1);

(b) determining the scope of its value chain, including its breadth and composition, in relation to each of those sustainability-related risks and opportunities (paragraph B6(b) of IFRS S1); and

(c) preparing disclosures about the anticipated effects of sustainability-related risks and opportunities on its financial position, financial performance and cash flows over the short, medium and long term, taking into consideration how sustainability-related risks and opportunities are included in the entity's financial planning (anticipated financial effects) (paragraph 37(a) of IFRS S1).

BC50 IFRS S1 provides an additional proportionality mechanism for an entity disclosing the anticipated financial effects of a sustainability-related risk or opportunity. The mechanism requires that the entity use an approach commensurate with the skills, capabilities and resources available to the entity for preparing those disclosures (paragraph 37(b) of IFRS S1).[11] Furthermore, an entity need not provide quantitative information about the anticipated financial effects of a sustainability-related risk or opportunity if the entity does not have the skills, capabilities or resources to provide that quantitative information (paragraph 39 of IFRS S1). An entity cannot avoid providing quantitative information for anticipated financial effects because it lacks the skills or capabilities to do so, if it has the resources available to obtain or develop these skills or capabilities. However, in the absence of such resources, the proportionality mechanisms seek to accommodate the development of skills or capabilities over time.

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10 Paragraphs BC10–BC17 of the *Basis for Conclusions on IFRS S1* General Requirements for Disclosure of Sustainability-related Financial Information provide more detail on the concept of 'all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort' in IFRS S1.

11 Paragraph 38 of IFRS S1 also specifies that an entity need not provide quantitative information about the current or anticipated financial effects of a sustainability-related risk or opportunity if the entity determines that those effects are not separately identifiable or the level of measurement uncertainty involved in estimating those effects is so high that the resulting quantitative information would not be useful.

BC51 IFRS S1 also sets out the circumstances in which an entity is required to reassess the scope of sustainability-related risks and opportunities arising throughout its value chain, limiting them to the occurrence of a significant event or a significant change in circumstances (paragraph B11 of IFRS S1). This requirement acknowledges that the costs an entity would incur to reassess the scope of each sustainability-related risk or opportunity throughout its value chain at each reporting date would outweigh the benefit to users of general purpose financial reports. Users typically benefit from a scope reassessment only if a significant change has occurred.

BC52 The reliefs in IFRS S1 would be available when an entity applies the Practice Statement to disclose information about its nature-related risks and opportunities. The reliefs would be available because an entity applying the Practice Statement would also be applying IFRS S1 and IFRS S2, and because the requirements in the Exposure Draft are related to requirements in IFRS S1, such as those related to an entity identifying nature-related risks and opportunities in its own operations and throughout its value chain.

BC53 IFRS S2 includes additional reliefs to address proportionality for specific requirements. For example, it requires an entity to use 'all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort' in providing information about climate-related cross-industry metrics (paragraph 30 of IFRS S2). These reliefs are available to an entity reporting on the nature-related aspects of its climate-related risks and opportunities.

Additional proportionality mechanisms introduced in the Practice Statement

BC54 The ISSB has introduced specific proportionality mechanisms for the proposed disclosure requirements in the Exposure Draft that are incremental to those in IFRS S1 and IFRS S2. The ISSB decided that it would be beneficial to align the reliefs provided in the Exposure Draft with those in IFRS S2, including to support what could be common disclosures given the connections between climate-related and nature-related risks and opportunities. The proportionality mechanisms introduced in the Exposure Draft encompass:

(a) preparing disclosures to meet the requirements related to use of nature-related scenario analysis in providing information about the resilience of the entity's strategy and business model to uncertainties arising from nature-related risks (paragraphs BC172–BC173); and

(b) providing information about the amount and percentage of assets or business activities vulnerable to nature-related risks and aligned with nature-related opportunities (paragraph BC194).

BC55 The proposals also include a transition relief from disclosing comparative information in the first annual reporting period in which an entity applies the Practice Statement. This relief is consistent with that provided by paragraph E3 of IFRS S1.

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BC56 The proportionality mechanisms applicable to the requirements proposed in the Exposure Draft are summarised in Table 1 and described in more detail in this document where relevant. The proportionality mechanisms are intended to address the types of challenges identified in paragraph BC48.

BC57 In addition to the proportionality mechanisms available to an entity in applying the Practice Statement, other aspects of the Exposure Draft are intended to mitigate those challenges. For example, the proposed form of standard-setting will allow jurisdictions and entities to consider the relative costs and benefits of applying the incremental nature-related disclosure requirements as well as their preparedness to do so (see paragraph BC38). Furthermore, the disclosure topics and metrics in the SASB Standards can help entities to identify their nature-related risks and opportunities and disclose material information about them in an efficient manner. Paragraphs BC255–BC260 explain how the proposed requirements in the Exposure Draft have been designed to address common information needs of users in a practical and efficient way.

Table 1—Summary of proportionality mechanisms that assist with application of the proposed requirements

Area	Mechanisms to address proportionality challenges[(a)]		Transition relief
	Concept of 'reasonable and supportable information … without undue cost or effort'	Consideration of skills, capabilities and resources	
IFRS S1			
Identification of risks and opportunities	X		
Anticipated financial effects	X	X	
Determination of the scope of the value chain	X		
Other areas—for example, timing of reporting and providing comparative information in first annual reporting period IFRS S1 is applied			X

continued...

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Area	Mechanisms to address proportionality challenges[a]		Transition relief
	Concept of 'reasonable and supportable information … without undue cost or effort'	Consideration of skills, capabilities and resources	
IFRS S2			
Climate-related scenario analysis	X	X	
Preparing disclosure of particular cross-industry metrics	X		
[Draft] IFRS Sustainability Disclosure Practice Statement 1 *Nature-related Disclosures*			
Nature-related scenario analysis	X	X	
Preparing disclosure of the amount and percentage of assets or business activities vulnerable to nature-related risks and aligned with nature-related opportunities	X		
Providing comparative information in first annual reporting period the Practice Statement is applied			X

(a) In addition to providing proportionality mechanisms, the ISSB has published educational material to facilitate application of IFRS Sustainability Disclosure Standards.

Drawing on the TNFD framework

BC58 To develop the proposals in the Exposure Draft, the ISSB has drawn on the TNFD framework, including its recommendations, metrics and additional guidance, to help address the common information needs of users of general purpose financial reports regarding nature-related risks and opportunities. This work reflects the March 2025 Memorandum of Understanding signed by the IFRS Foundation and the TNFD, which committed both parties to building

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on the TNFD framework to advance nature-related financial disclosures for capital markets.[12]

BC59 The ISSB's decision to draw on the TNFD framework was based on its assessment of the framework's scope, content and suitability for addressing common user information needs regarding nature-related risks and opportunities. Beginning in 2021, the TNFD framework was developed over several years and has benefited from extensive thematic expertise. The ISSB decided that the framework is well suited to meeting the identified common user information needs because it:

(a) includes all aspects of nature, providing a comprehensive and integrated basis for considering disclosure of information about nature-related risks and opportunities consistent with the scope of the Exposure Draft.

(b) sets out conceptual foundations for nature-related disclosures and nature-related terminology and definitions. These conceptual foundations and related terminology and definitions are based on scientific evidence and informed by the work of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services, the Natural Capital Protocol and the International Union for Conservation of Nature.

(c) seeks to identify and recommend disclosures that would be decision-useful for users of general purpose financial reports. In developing the framework, the TNFD engaged with users represented on its Taskforce and with a wider group of other users.

(d) builds on IFRS Sustainability Disclosure Standards and includes concepts, definitions and materials from the Standards—for example, it has a disclosure structure based on core content areas in IFRS S1 and includes IFRS S1's definition of material information as a baseline.

(e) has seen growing adoption, with more than 800 organisations globally in a majority of industries having adopted it, as of September 2026.[13]

BC60 The TNFD framework has also been developed to inform and be applied alongside other materials, including the requirements in the Global Reporting Initiative Standards (GRI Standards) and the European Sustainability Reporting Standards (ESRS), and therefore can support efficiency of reporting.

BC61 In drawing on the TNFD framework, the ISSB has focused on those aspects that address the common user information needs identified through its research and areas in which the TNFD recommendations introduce nature-specific aspects not addressed by the requirements in IFRS S1. The ISSB

12 See IFRS Foundation, 'IFRS Foundation and TNFD formalise collaboration to provide capital markets with high-quality nature-related information', April 2025, https://www.ifrs.org/news-and-events/news/2025/04/ifrs-foundation-tnfd-formalise-collaboration/.

13 Taskforce on Nature-related Financial Disclosures (TNFD), 'Market momentum on nature accelerates as TNFD-aligned reporting doubles worldwide', September 2026, https://tnfd.global/market-momentum-on-nature-accelerates-as-tnfd-aligned-reporting-doubles-worldwide/. Updates on the progress in market adoption of the TNFD recommendations can be found in TNFD, 'TNFD adopters', https://tnfd.global/engage/tnfd-adopters/.

noted that, although the TNFD framework has considered the information needs of users of general purpose financial reports, they have not been its exclusive focus, and the recommendations have been designed to be applied using different approaches to materiality.[14] Accordingly, the ISSB has sought to ensure that the proposals drawn from the TNFD framework are consistent with meeting the objective of IFRS S1. Furthermore, it has only drawn on aspects that result in disclosure of information about an entity's nature-related risks and opportunities that could reasonably be expected to affect the entity's prospects, which includes information related to dependencies and impacts on nature that give rise to such risks and opportunities.

BC62 The Practice Statement draws on many aspects of the TNFD framework and its recommendations. However, the proposals will be applied in the context of IFRS Sustainability Disclosure Standards. Therefore, the concepts in IFRS S1, such as those related to materiality, aggregation and disaggregation, and proportionality mechanisms, will apply. These concepts sometimes differ from guidance on corresponding matters in the TNFD recommendations. Furthermore, the Practice Statement introduces explicit proportionality mechanisms that have been designed to be consistent with reliefs provided in IFRS S1 and IFRS S2. The ISSB has also drawn on the TNFD framework in developing the proposed amendments to the nature-related metrics in the SASB Standards, with the same considerations described in paragraph BC61.

Interoperability with other sustainability-related standards and frameworks

BC63 The overall objective of achieving interoperability between IFRS Sustainability Disclosure Standards and other sustainability-related standards and frameworks is to improve the efficiency of reporting. This objective is achieved by reducing duplication in sustainability reporting in a manner that addresses the information needs of users of general purpose financial reports. This work is focused on the GRI Standards in view of the Memorandum of Understanding between the IFRS Foundation and the GRI, and on the ESRS because of their mandatory status for entities based in, or with significant operations in, the European Union.

BC64 In developing the proposed disclosure requirements, the ISSB explored opportunities to enable entities providing nature-related disclosures using IFRS Sustainability Disclosure Standards and the GRI Standards or the ESRS to do so without duplication of effort or added complexity where possible. This document explains how, in proposing specific disclosure requirements, the

14 For example, the TNFD notes: 'The TNFD's recommendations have been designed to accommodate the different materiality preferences and requirements of a range of report preparers across jurisdictions. The TNFD recommends that organisations 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.' See TNFD, *Taskforce on Nature-related Financial Disclosures (TNFD) Recommendations*, 2023, 'Section 3.1 Conceptual foundations for disclosure', https://tnfd.global/publication/recommendations-of-the-taskforce-on-nature-related-financial-disclosures/#publication-content.

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ISSB has considered the requirements in the GRI Standards and the ESRS, where relevant.

BC65 The Exposure Draft proposes continuing to allow an entity to refer to and consider the applicability of the GRI Standards and the ESRS to identify relevant nature-related information, to the extent that these sources assist the entity in meeting the objective of IFRS S1 and do not conflict with IFRS Sustainability Disclosure Standards. Because of this proposal, and because the Practice Statement only introduces targeted additional disclosures, the ISSB does not expect the Practice Statement to have a significant effect on interoperability with the GRI Standards or the ESRS. The ISSB is continuing to consider interoperability with the GRI Standards and the ESRS in its project on enhancing the SASB Standards.

Overview of the proposed requirements

BC66 The Exposure Draft sets out proposed requirements to assist an entity to disclose information about its nature-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity. The proposals would require an entity to disclose information about all nature-related risks and opportunities that could reasonably be expected to affect its prospects.

BC67 All the requirements in IFRS S1 are applicable to disclosing information about nature-related risks and opportunities (see paragraph BC26). The Exposure Draft refers to particular paragraphs from IFRS S1 where relevant to contextualise the proposed requirements on nature-related risks and opportunities.

BC68 The Exposure Draft is structured according to the core content areas in IFRS S1 and sets out requirements for an entity to disclose information about its governance, strategy, risk management, and metrics and targets in relation to nature-related risks and opportunities. Appendix B of the Exposure Draft specifies the information an entity would be required to consider in disclosing information about its nature-related risks and opportunities.

Scope

BC69 All entities depend on or impact nature to some extent and these dependencies and impacts can give rise to various nature-related risks and opportunities throughout an entity's value chain. However, the ISSB's research found that the particular types of risks and opportunities, whether they could reasonably be expected to affect an entity's prospects and whether information about them is material vary by the resource use, activities and business models associated with an entity's industry, and the locations of its operations and value chain. The corresponding user information needs encompass various nature-related subtopics, but the specific information required varies depending on an entity's industry and locations.[15]

15 Nature-related subtopics are particular topics, such as water, pollution, biodiversity, soil health, land use or resource extraction, associated with an entity's nature-related risks and opportunities.

BC70 In determining the scope of the proposals, the ISSB considered whether to include all nature-related risks and opportunities or to limit the scope to particular nature-related subtopics. The ISSB also considered whether to focus on developing requirements for entities in particular industries.

BC71 The ISSB decided to proceed with disclosures that encompass material information on all nature-related risks and opportunities that could reasonably be expected to affect an entity's prospects, while also considering how an entity's industry affects its nature-related risks and opportunities. This decision reflects the common user information needs identified in the ISSB's research. The proposed requirements cover risks and opportunities that arise in an entity's own operations or elsewhere in its value chain that could reasonably be expected to affect its prospects over the short, medium or long term. This scope is consistent with the scope of IFRS S1.

BC72 Different nature-related impacts and dependencies can give rise to risks and opportunities that are closely connected. An approach that encompasses all nature-related risks and opportunities, instead of being limited to particular subtopics, supports disclosure of connected information and consideration of related trade-offs consistent with the requirements in IFRS S1 (paragraphs B39–B44 of IFRS S1). It also avoids the risk of gaps or overlaps that might arise if an entity were to consider particular nature-related risks and opportunities separately. This scope is also consistent with the approach taken in the TNFD recommendations. Although the scope of the project encompasses all nature-related risks and opportunities, an entity would only be required to provide information about those risks and opportunities that could reasonably be expected to affect its prospects and only if that information is material in accordance with IFRS Sustainability Disclosure Standards.

BC73 Paragraphs 4–7 of the Exposure Draft set out the proposed scope of the Practice Statement, following the approach in paragraphs 3–4 of IFRS S2. The Exposure Draft states that the proposed requirements would apply to all nature-related risks and opportunities that could reasonably be expected to affect an entity's prospects, and that nature-related risks encompass both nature-related physical risks and nature-related transition risks. Paragraphs BC82–BC93 explain the definitions of the terms in Appendix A of the Exposure Draft that are relevant to understanding the scope of nature-related risks and opportunities.

What are nature-related risks and opportunities?

BC74 The Exposure Draft explains how an entity's, and other parties', impacts and dependencies on nature can give rise to nature-related risks and opportunities that could reasonably be expected to affect the entity's prospects. Specifically, it explains that nature-related risks and opportunities arise from an entity's, and other parties', impacts and dependencies on environmental resources and their associated benefits, such as those provided by ecosystem services.

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BC75 The proposals in paragraphs B8–B23 and Appendix A of the Exposure Draft address the common need of users of general purpose financial reports for information based on standardised nature-specific terminology. The ISSB's research surfaced the various terms that preparers use in nature-related disclosures and several closely related but distinct terms that are used in various nature-related disclosure standards and frameworks. These differences in terminology can result in information that is difficult to understand, compare and consider in making decisions about providing resources to an entity. Therefore, there is a need for a consistent understanding of the terms used in nature-related disclosures. Standardised terminology is relevant to specifying the scope of disclosure, helps users to understand an entity's disclosures about its risks and opportunities, and helps entities to understand the requirements in IFRS Sustainability Disclosure Standards. Standardised terminology is also important for information that is subject to assurance.

BC76 IFRS S1 and IFRS S2 do not specify standardised nature-related terms or explain how nature-related risks and opportunities arise. However, IFRS S1 sets out key concepts underpinning all sustainability-related risks and opportunities, including how these risks and opportunities arise, and their potential to affect an entity's prospects:

> An entity's sustainability risks and opportunities *arise out of the interactions between the entity and its stakeholders, society, the economy and the natural environment* throughout the entity's value chain. … These interactions take place within an interdependent system in which an entity both *depends on resources and relationships* throughout its value chain to generate cash flows and *affects those resources and relationships* through its activities and outputs (paragraph B2 of IFRS S1) [emphasis added].

BC77 IFRS S1 also sets out defined terms relevant to the scope of disclosures about sustainability-related risks and opportunities, including those related to nature. Similarly, IFRS S2 sets out defined terms relevant to climate-related risks and opportunities that are also relevant to preparing nature-related disclosures because of the close connections between climate- and nature-related risks and opportunities.

BC78 Paragraphs B8–B23 of the Exposure Draft provide nature-specific context that builds on the requirements in paragraphs B1–B5 of IFRS S1. These paragraphs of the Exposure Draft are related to the terms defined in Appendix A of the Exposure Draft, which the ISSB identified as essential to understanding the scope of nature-related risks and opportunities and the proposed requirements. These terms are not defined in IFRS S1 or IFRS S2 but build on and complement the defined terms in those Standards.

BC79 In distinguishing nature-related risks and opportunities from the broader category of sustainability-related risks and opportunities, the ISSB considered how to draw on core nature-specific concepts from the TNFD framework that the TNFD considers foundational to nature-related disclosures, based on scientific evidence and market feedback. The framework explains that an entity's activities 'depend on reliable and cost-effective access to ecosystem

services', 'have impacts on ecosystems and their provision of ecosystem services' which might be positive or negative, and that dependencies and impacts on nature give rise to nature-related risks and opportunities.[16] The TNFD framework includes definitions and additional explanations of the terms 'ecosystems' and 'ecosystem services', and the broader concept of 'environmental assets'[17] of which ecosystems are a part.

BC80 The TNFD framework also identifies 'dependency pathways'. This term describes how actual or potential changes to stocks of environmental assets and flows of ecosystem services on which a particular activity depends affect the costs and benefits of doing business. Regarding impacts on nature, the TNFD framework explains that 'impact pathways' describe how activities can lead to changes—which might be positive or negative—in the stocks of environmental assets or the flows of ecosystem services and how these changes give rise to risks and opportunities for an entity.

BC81 The proposals in the Exposure Draft draw on these TNFD terms and concepts, and build on the foundational concepts applicable to all sustainability-related risks and opportunities specified in IFRS S1. For example, the proposed requirements describe the importance of the quality, availability and affordability of environmental resources and their associated benefits, including the benefits provided by ecosystem services. This description is based on the explanation in paragraph B3 of IFRS S1. The Exposure Draft uses examples from the TNFD framework to illustrate nature-related risks arising from changes in the availability, quality or affordability of environmental resources and associated benefits that an entity depends on—that is, its nature-related physical risks—as a result of an entity's activities and outputs, the activities and outputs of other parties, natural factors and cyclical variability (paragraphs B14–B20 of the Exposure Draft). Paragraphs B21–B23 of the Exposure Draft provide examples of how efforts to mitigate and adapt to changes in the quality, availability or affordability of environmental resources and associated benefits can give rise to nature-related transition risks and nature-related opportunities for an entity. Such efforts include efforts to conserve, restore or regenerate those resources and associated benefits. These examples show how an entity can depend on and impact a variety of environmental resources and associated benefits such as those provided by ecosystem services, how dependencies and impacts interact and amplify each other over time, and how the particular dependency or impact and resulting risks or opportunities are influenced by location, industry and the type of activities carried out by an entity.

Defined terms

BC82 Appendix A of the Exposure Draft proposes definitions for:

(a) ecosystem services;

16 TNFD, *Taskforce on Nature-related Financial Disclosures (TNFD) Recommendations*, 2023, 'Section 2.2 Nature-related dependencies and impacts', https://tnfd.global/publication/recommendations-of-the-taskforce-on-nature-related-financial-disclosures.

17 See paragraphs BC85–BC86 on use of the term 'environmental assets'.

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(b) environmental resources;

(c) nature-related risks;

(d) nature-related physical risks;

(e) nature-related transition risks; and

(f) nature-related opportunities.

BC83 For each term or concept that the ISSB considered defining, the ISSB evaluated:

(a) whether the term or concept is already used in IFRS S1 or IFRS S2, or whether it is similar to other terms and concepts used in those Standards;

(b) whether any relevant definitions in the TNFD framework could be used in the Practice Statement without modification or would need to be adapted to be compatible with IFRS Sustainability Disclosure Standards; and

(c) whether a term or concept might be ambiguous or result in conflicts with other sustainability-related standards (specifically, the GRI Standards or the ESRS) or with definitions or terms used in IFRS Accounting Standards.

BC84 The ISSB decided that the terms 'ecosystem services' and 'environmental resources' were necessary to provide a common basis for identifying an entity's nature-related risks and opportunities. The proposed definitions of both terms have been adapted from those used in the TNFD recommendations to ensure alignment with the objective and terminology in IFRS Sustainability Disclosure Standards. In defining environmental resources, the ISSB concluded that the TNFD definition of 'environmental assets' appropriately reflects the components of nature the Practice Statement is intended to address. However, the term 'asset' was not being used in a manner consistent with its use in IFRS Accounting Standards.

BC85 An asset is defined in the *Conceptual Framework* as an economic resource that is controlled by an entity. However, the ISSB does not intend an entity to consider only the items it controls in identifying its nature-related risks and opportunities. For example, an entity's operations might depend on the pollination services of bees or on access to a body of water that is not controlled by the entity. In both cases, nature-related risks and opportunities could arise in relation to such items. In contrast, the term 'resource' is used in IFRS Accounting Standards in a way that appropriately describes the concept of a potential to produce benefits, which the term 'environmental assets' is intended to convey in the context of nature-related disclosures. The Exposure Draft therefore uses the term 'environmental resources' to specify the types of resources to be included within the scope of nature-related disclosures, thereby avoiding confusion with the term 'asset' used in applying standards to prepare an entity's related financial statements. Throughout its work, the ISSB is committed to ensuring that it considers the work of the IASB and to avoiding inconsistencies in terminology where possible. The ISSB noted that,

although changing language in the TNFD recommendations risks creating confusion among entities already applying those recommendations, it was important to avoid conflict with terms used in IFRS Accounting Standards.

BC86 Paragraphs B8–B13 of the Exposure Draft further describe environmental resources and associated benefits to support an entity's understanding of the proposed requirements. For example, the paragraphs describe the natural resources and ecosystems that, together with atmospheric systems, are categories of environmental resources, and explain the relationships among them. The proposals also describe the benefits that come from ecosystems (received through ecosystem services) in combination with other resources and relationships, and the benefits that environmental resources other than ecosystems have the potential to produce.

BC87 Informed by its assessment of the interactions between an entity and nature that can give rise to nature-related risks and opportunities, the ISSB decided that the categories of 'nature-related physical risks' and 'nature-related transition risks' in the TNFD recommendations are relevant to nature-related disclosures.[18] In particular, the ISSB concluded that it is important that both of these aspects of nature-related risks that could reasonably be expected to affect an entity's prospects are clearly understood to be within the scope of nature-related disclosures.

BC88 The ISSB considered whether the label of 'transition' is useful and clear in the context of disclosures about nature-related risks and opportunities. The ISSB noted that climate-related transition is associated with a single driver, reducing greenhouse gas emissions in the transition towards a lower carbon economy, whereas nature-related transition involves shifts related to a diverse set of drivers. For example, such shifts could relate to regulatory efforts to reduce plastic pollution or to changes in consumer demand related to conservation of a specific ecosystem. These drivers are often interdependent and can require responses that are more multi-faceted—depending on an entity's industry and the location of assets and activities throughout its value chain—than responses in the context of climate-related transition. These characteristics make the term 'nature-related transition risks' difficult to define.

BC89 Some ISSB members gave greater weight than other ISSB members to the fact that the diverse set of interconnected drivers involved in nature-related transition and the lack of generally understood end states could mean that any definition of 'nature-related transition risk' might not be sufficiently precise to support disclosure of decision-useful information about an entity's nature-related risks. However, on balance, the ISSB concluded that the term 'transition risks' is useful to distinguish physical risks from non-physical risks, both in the case of climate change and nature. Like climate-related transition

18 The TNFD includes 'nature-related systemic risk' as a third category of nature-related risks, which it explains can affect entity prospects through physical or transition risks. For example, the TNFD explains that systemic risk can include the risk of the destabilisation of a critical natural system such that it can no longer provide ecosystem services in the same manner as before. As a result, a tipping point might be reached leading to ecosystem collapse, which could generate forms of physical or transition risk.

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risks, nature-related transition risks are themselves composed of underlying policy, legal, technological, market and reputational risks, with consequences for an entity's business model and activities throughout its value chain. In both cases, the risks are related to the notion of transition and shifting external conditions, which in the case of nature encompasses efforts to mitigate and adapt to changes in the quality, availability or affordability of environmental resources and associated benefits. Mitigation and adaptation in this context include, for example, efforts to conserve, restore or regenerate those resources and associated benefits. Paragraphs B22–B23 of the Exposure Draft provide examples to show how efforts to mitigate and adapt to changes in environmental resources and associated benefits might give rise to nature-related transition risks for the entity. The ISSB noted that the differences in how nature-related physical and transition risks arise and manifest mean that an entity might have distinct approaches to managing these types of nature-related risks. The ISSB concluded that separately defining nature-related physical and transition risks would ensure both aspects are considered in providing nature-related disclosures, ensuring that necessary information is provided about nature-related risks. This approach of defining the two aspects of nature-related risks would also align with the approach to climate-related risks in IFRS S2.

BC90 In defining nature-related physical risks, the ISSB considered the definitions in the TNFD framework and in the ESRS, which focus on risks related to nature degradation and consequential loss of ecosystem services. However, the ISSB noted that physical risks from an entity's dependencies on nature can relate to the quality, availability or affordability of environmental resources and associated benefits, even without a change in an environmental resource or associated benefits having occurred (such as when there is greater demand for a resource), and that the risks can also relate to cyclical changes. These considerations are reflected in the definitions in Appendix A of the Exposure Draft.

BC91 The proposed definitions of nature-related physical risks and nature-related transition risks explain the nature-related risks within the scope of the Practice Statement. However, the ISSB has not proposed that the Practice Statement require an entity to explain, for each nature-related risk it has identified, whether the entity considers the risk to be a nature-related physical risk or a nature-related transition risk. This approach differs from paragraph 10(b) of IFRS S2, which requires an entity to explain, for each climate-related risk it has identified, whether it considers the risk to be a climate-related physical risk or a climate-related transition risk. In the ISSB's view, the categories of nature-related physical and transition risks are interconnected to the extent that requiring an entity to separately disclose each type could be complex and would not support users' understanding of the nature-related risks that could reasonably be expected to affect the entity's prospects or its responses to those risks.

BC92 The proposed definition of nature-related opportunities reflects the approach in IFRS S2, by defining nature-related opportunities in terms of potential positive effects for an entity. This definition is modified from the definition in the TNFD framework and is consistent with IFRS S1, which requires information to be provided that enables users of general purpose financial reports to understand the effects of sustainability-related risks and opportunities on an entity's prospects.

BC93 Other terms and concepts are used in the Exposure Draft to support understanding of the proposed requirements. These terms and concepts include 'nature', 'ecosystems', 'dependencies on nature' and 'impacts on nature'. Although the scope of the Practice Statement encompasses nature-related risks and opportunities, information about dependencies and impacts might be relevant to meeting the proposed requirements (see, for example, paragraph 17(a) of the Exposure Draft). This is because impacts and dependencies give rise to nature-related risks and opportunities that could reasonably be expected to affect an entity's prospects. Therefore, information about those impacts and dependencies relevant to an entity's nature-related risks and opportunities can be useful to users in understanding an entity's nature-related risks and opportunities, and in making decisions related to providing resources to the entity. This focus is consistent with the objectives of IFRS Sustainability Disclosure Standards and with the metrics set out in the ISSB industry-based guidance. For example, the SASB Standards include metrics related to water withdrawals from water-stressed locations in some industries that are typically water-intensive. These metrics can give users insight into an entity's dependency on water and exposure to nature-related risks and opportunities as a result of that dependency. Users can assess this information in the context of other information disclosed by the entity, such as the entity's strategy and risk management related to those water withdrawals.

Identifying nature-related risks and opportunities

BC94 To disclose material information about nature-related risks and opportunities, an entity is required to identify those risks and opportunities that could reasonably be expected to affect its prospects. The requirements in the Practice Statement are designed to support understanding and identification of those risks and opportunities, thereby improving the quality and consistency of disclosures about nature-related risks and opportunities.

BC95 An entity's nature-related risks and opportunities can arise from its, and other parties', impacts or dependencies on a broad range of environmental resources (for example, plants, animals, minerals and water) and associated benefits, such as those provided by ecosystem services (for example, pollination, climate regulation and cultural services). They can also arise from an entity's interactions with Indigenous Peoples, Local Communities and affected stakeholders in the context of these environmental resources and associated benefits. Furthermore, an entity's nature-related risks and opportunities can be connected to its climate-related risks and opportunities. These resources and relationships are often connected in complex ways, which might give rise

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to interconnected nature-related risks and opportunities that often vary by location. Therefore, to identify nature-related risks and opportunities, it is important for an entity to consider the breadth and complexity of its interactions with its stakeholders, society, the economy and the natural environment throughout its value chain.

BC96 Identifying nature-related risks and opportunities can be challenging due to difficulties in data collection and the variety and evolution of methodologies available to determine how impacts and dependencies give rise to risks and opportunities. This challenge is particularly relevant in considering risks and opportunities arising throughout an entity's value chain and across the various locations of assets or activities.[19]

BC97 Furthermore, providing information about nature-related risks and opportunities that could reasonably be expected to affect an entity's prospects is a relatively new practice for many entities. The ISSB's research found that often nature-related information that is disclosed is focused on dependencies and impacts, with less useful information being disclosed about risks and opportunities arising from those dependencies and impacts. Most disclosures on both nature-related risks and nature-related opportunities were focused on an entity's own operations rather than risks and opportunities arising throughout the value chain, limiting the information provided to users of general purpose financial reports. Accordingly, entities might need support in identifying nature-related risks and opportunities in a manner that facilitates high-quality application of IFRS Sustainability Disclosure Standards.

BC98 IFRS Sustainability Disclosure Standards, sources of guidance and educational materials set out requirements and guidance related to identifying sustainability-related risks and opportunities, of which nature-related risks and opportunities are a subset. Paragraphs B1–B5 of IFRS S1 set out how sustainability-related risks and opportunities arise and their potential to affect an entity's prospects. Paragraph 54 of IFRS S1 requires an entity to apply IFRS Sustainability Disclosure Standards in identifying sustainability-related risks and opportunities that could reasonably be expected to affect its prospects. Paragraph 55 of IFRS S1 refers to sources of guidance that support an entity in identifying such sustainability-related risks and opportunities, in addition to applying IFRS Sustainability Disclosure Standards. In relation to these sources of guidance, IFRS S1 includes the requirement that an entity refer to and consider the SASB Standards, which set out disclosure topics relevant to identifying nature-related risks and opportunities that are typically applicable for entities with the business model and associated activities of specific industries (see paragraph BC31). This industry-based approach is useful because, as noted in paragraph BC9, nature-related risks and opportunities and their effects on an entity's prospects can vary by industry. Paragraph 12 of IFRS S2 requires an entity identifying its climate-related risks and opportunities to refer to and consider the applicability of the industry-based

19 See paragraphs BC48–BC56 for how the ISSB has identified particular challenges around disclosing information about nature-related risks and opportunities, and the proportionality mechanisms available in IFRS Sustainability Disclosure Standards and proposed to be introduced in the Practice Statement to address those challenges.

disclosure topics in the *Industry-based Guidance on Implementing IFRS S2*. The IFRS Foundation has also published educational materials relevant to identifying sustainability-related risks and opportunities.[20]

BC99 As noted in paragraph BC49, IFRS S1 includes proportionality mechanisms specific to the identification of sustainability-related risks and opportunities that could reasonably be expected to affect an entity's prospects and to determining the scope of an entity's value chain in relation to each of those risks and opportunities. IFRS S1 states that 'an entity shall use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort' in meeting these requirements.

BC100 The ISSB decided that the particular characteristics of nature-related risks and opportunities, and their complexity and breadth, warrant specific requirements to complement the requirements in IFRS S1 and IFRS S2 related to the identification of risks and opportunities. Therefore, the proposals in the Exposure Draft explain how an entity's, and other parties', impacts and dependencies can give rise to nature-related risks and opportunities for an entity and their potential to affect its prospects (see paragraphs BC79–BC81). Paragraph 10 of the Exposure Draft also sets out the particular considerations relevant to an entity in identifying its nature-related risks and opportunities, and disclosing material information about them. In specifying the considerations for an entity to identify its nature-related risks and opportunities, paragraph 10 of the Exposure Draft also specifies that the proportionality mechanism in IFRS S1 related to identification of sustainability-related risks and opportunities applies (see paragraph BC99).

BC101 Although the ISSB identified practical challenges in identifying nature-related risks and opportunities related to inconsistent and evolving methodologies and processes, the Exposure Draft does not prescribe a specific assessment methodology to identify nature-related risks and opportunities. Such a requirement would go beyond the role of IFRS Sustainability Disclosure Standards, which is to specify disclosure requirements and not to prescribe the use of assessment methodologies. However, the ISSB observed that the TNFD's *Guidance on the identification and assessment of nature-related issues: The LEAP approach* version 2.0 (LEAP approach) might be helpful to support an entity in identifying the nature-related risks and opportunities that could reasonably be expected to affect its prospects. It therefore decided to include this observation in the Practice Statement (see paragraphs 11–12 of the Exposure Draft).[21] The TNFD developed the LEAP approach in response to market need

20 For example: IFRS Foundation, *Nature and social aspects of climate-related risks and opportunities* (educational material), December 2023, https://www.ifrs.org/content/dam/ifrs/supporting-implementation/ifrs-s2/issb-naturesocialaspectsofclimate-relatedrisks-dec2023.pdf; IFRS Foundation, *Sustainability-related risks and opportunities and the disclosure of material information* (educational material), November 2024, https://www.ifrs.org/content/dam/ifrs/supporting-implementation/issb-standards/issb-materiality-education-material.pdf; and IFRS Foundation, *Using ISSB Industry-based Guidance when applying ISSB Standards* (educational material), July 2025, https://www.ifrs.org/content/dam/ifrs/supporting-implementation/issb-standards/issb-industry-based-guidance-applying-issb-standards.pdf.

21 TNFD, *Guidance on the identification and assessment of nature-related issues: The LEAP approach* version 2.0, 2026, https://tnfd.global/publication/additional-guidance-on-assessment-of-nature-related-issues-the-leap-approach/.

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for guidance to support identification, with analysis of market uptake showing substantive application of the approach. The observation related to the usefulness of the LEAP approach is also consistent with the reference to the LEAP approach in the ESRS. *GRI 101: Biodiversity 2024* also allows entities to use the LEAP approach to identify their biodiversity impacts. The proposal would therefore support interoperability with the ESRS and the GRI Standards.

BC102 However, the proposals specify that an entity is not required to use the LEAP approach in order to assert compliance with the Practice Statement or IFRS Sustainability Disclosure Standards. The ISSB noted that the LEAP approach is not wholly aligned with the terms and concepts in IFRS Sustainability Disclosure Standards or those in the Exposure Draft. Therefore, it decided to propose that if an entity uses the LEAP approach to support it in identifying nature-related risks and opportunities, the entity is required to do so in accordance with the objective and requirements in IFRS S1 and the proposed requirements in the Practice Statement. For example, the 'P' phase of the LEAP approach ('prepare to respond to, and report on, material nature-related issues, aligned with the TNFD's recommended disclosures') is unlikely to be relevant to an entity applying the Practice Statement because it would be required to provide information about its nature-related risks and opportunities in accordance with the proposed requirements rather than aligned with the TNFD's recommended disclosures.

BC103 Together with the requirements in IFRS Sustainability Disclosure Standards and related guidance, the aspects of the Exposure Draft considered in paragraphs BC100–BC102 are intended:

(a) to support an entity's understanding and identification of nature-related risks and opportunities; and

(b) to support the provision of decision-useful information about the nature-related risks and opportunities that could reasonably be expected to affect an entity's prospects.

Location-related considerations

BC104 The Exposure Draft would specifically require an entity to consider the location of assets and activities throughout its value chain in identifying its nature-related risks and opportunities, and disclosing material information about them. The proposals also set out relevant aspects of location that an entity would be required to consider.

BC105 The ISSB's research showed that an entity's dependencies and impacts on environmental resources and associated benefits often vary depending on the location of assets and activities throughout the value chain. Nature-related physical and transition risks—and nature-related opportunities—arising from those dependencies and impacts are often connected to the characteristics of those locations. These characteristics include the physical attributes of the location (such as soil quality or biodiversity), as well as social and regulatory factors. Nature-related risks and opportunities could therefore correspond to a jurisdictional boundary or span several jurisdictional boundaries. Ultimately,

location is an important consideration in identifying nature-related risks and opportunities that could reasonably be expected to affect an entity's prospects, and in disclosing decision-useful information about those risks and opportunities, because the characteristics of particular locations affect whether an entity is exposed to nature-related risks and opportunities and the magnitude of such exposures.

BC106 For example, characteristics of a location can affect the quality and availability of environmental resources and ecosystem services, and the affordability of natural resources. These effects can give rise to nature-related risks and opportunities that could reasonably be expected to affect an entity's prospects in the short, medium and long term.

BC107 Users of general purpose financial reports have stated that location-related information is necessary to assess an entity's nature-related risks and opportunities for these reasons and that the information they need can vary by industry. Users observed that such information is largely absent from entities' reports, and, where such information is available, users cited gaps in disclosures about location related to value chains or particular types of ecosystems. They noted difficulties in understanding connections between the information an entity provides about location-related aspects and the entity's strategy for managing nature-related risks and opportunities. They also noted difficulties in comparing information across entities.

BC108 Although users noted that both narrative and quantitative information about location is useful, they stated that such information should be sufficiently detailed to understand an entity's exposure to nature-related risks and opportunities. For example, if information about a particular asset is material in an entity's circumstances, they noted that geospatial data about the location of that asset would be useful, as well as information on the type of asset and activities at the location that are associated with nature-related risks and opportunities that could affect the entity's prospects. However, users also noted that unduly detailed information could obscure material information and that the appropriate geographical scale would vary by entity. Users also noted that aggregated information, as opposed to information disaggregated by location, might be appropriate depending on an entity's facts and circumstances.

BC109 Consideration of location in identifying nature-related risks and opportunities is consistent with the requirements in IFRS S1, but IFRS S1 does not specify that an entity considers the location of assets and activities throughout the value chain in identifying its sustainability-related risks and opportunities.

BC110 The ISSB was of the view that location-related information could be relevant across all core content areas of disclosure outlined in IFRS S1, in particular for disclosures about strategy, risk management, and metrics and targets. IFRS S1 does not specifically require information to be disclosed about the location-related aspects of sustainability-related risks and opportunities. However, disclosing such information is relevant to meeting several of the requirements in IFRS S1. In particular, IFRS S1 requires:

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(a) a description of where in an entity's business model and value chain sustainability-related risks and opportunities are concentrated—for example, geographical areas, facilities and types of assets (paragraph 32(b) of IFRS S1);

(b) information about trade-offs between sustainability-related risks and opportunities that an entity considered—for example, in making a decision on the location of new operations, an entity might have considered the environmental impacts of those operations and the employment opportunities they would create in a community (paragraph 33(c) of IFRS S1);

(c) disclosure of metrics an entity uses to measure and monitor a sustainability-related risk or opportunity and its performance in relation to that risk or opportunity (paragraph 46(b) of IFRS S1); and

(d) an entity to consider how it aggregates and disaggregates information —for example, an entity might need to disaggregate information by geographical location to ensure material information is not obscured (paragraphs B29–B30 of IFRS S1).

BC111 The ISSB noted that providing information about location-related aspects of nature-related risks and opportunities might also be necessary to meet other requirements in IFRS S1, including requirements for information that enables users to understand:

(a) the sustainability-related risks and opportunities that could reasonably be expected to affect an entity's prospects (paragraph 30 of IFRS S1); and

(b) the effects of sustainability-related risks and opportunities on an entity's business model and value chain (paragraph 32 of IFRS S1).

BC112 The SASB Standards also include disclosure topics and metrics associated with location-related aspects of nature-related risks and opportunities. These include metrics in the proposed enhancements to the SASB Standards on the topics of Water Management (for example, the percentages of water withdrawn or consumed from water-stressed areas) and Ecological Impacts (for example, the spatial footprint of operations in or near environmentally sensitive locations).

BC113 The ISSB noted that the need to consider location is not unique to nature-related risks and opportunities. However, given the importance of location and associated environmental characteristics in understanding nature-related risks and opportunities, and the need to support entities in identifying those risks and opportunities for the purposes of disclosure (see paragraphs BC96–BC97), the ISSB decided to propose specific considerations related to location when an entity is identifying nature-related risks and opportunities for disclosure.

BC114 Paragraphs B27–B35 of the Exposure Draft describe the characteristics of location that can be relevant to understanding nature-related risks and opportunities arising from dependencies and impacts on environmental resources and associated benefits, which can facilitate an entity's identification of those risks and opportunities and assist in its materiality judgements. A particular consideration addressed in the Practice Statement is the concept of sensitive locations. The concept of sensitive locations is based on the TNFD recommendations, which describe these areas as those that meet one or more of five criteria for ecological sensitivity. The proposals would require an entity to consider the proximity of assets or activities throughout the value chain to sensitive locations in identifying nature-related risks and opportunities that could reasonably be expected to affect its prospects. *GRI 101: Biodiversity 2024* also requires an entity to use the five criteria in the TNFD recommendations to define its sites with the most significant impacts on biodiversity. The TNFD's LEAP approach notes that such locations 'may expose the organisation to elevated risks (both physical and transition) and opportunities that may not yet be captured by standard risk management processes'. The proposed disclosure requirements do not propose a definition of sensitive locations. Instead, the proposals describe this concept by providing examples of locations that an entity would be required to consider in identifying nature-related risks and opportunities. The proposed amendments to the SASB Standards, noted in paragraph BC31, also provide guidance on sensitive locations in the context of industry-specific metrics on risks and opportunities arising from an entity's ecological impacts, drawing from the TNFD recommendations.[22]

BC115 The proposals also specify that in identifying its nature-related risks and opportunities, an entity considers the location of its dependencies and impacts beyond the immediate sites of assets or activities throughout its value chain. This requirement is consistent with concepts already included in IFRS S1. The specific wording and emphasis of the Practice Statement is drawn from the TNFD's LEAP approach, which uses the concept of an entity's 'area of influence' to describe how an entity's impacts on nature can occur beyond the immediate site of its activities. Paragraph B33 of the Exposure Draft describes this concept without introducing a new term.

BC116 Paragraph B36 of the proposed requirements also specifies that in applying paragraph B6 of IFRS S1 to identify nature-related risks and opportunities, an entity shall use all reasonable and supportable information that is available to it without undue cost or effort.

22 The ISSB noted that in the proposed amendments to the SASB Standards, the definition of 'environmentally sensitive locations' does not align with the description in the TNFD framework. The definition does not include 'areas of high physical water risks' and does not refer to 'benefits to Indigenous Peoples, Local Communities and stakeholders' within the Ecological Impacts disclosure topic. However, information related to such locations is covered by other SASB disclosure topics, such as Water Management and Community Relations and Rights of Indigenous Peoples. Therefore, the scope of information disclosed is expected to be the same.

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BC117 The ISSB also decided to specify requirements for an entity to include location-related information in the information it discloses about its governance, strategy, risk management, and metrics and targets related to nature-related risks and opportunities in accordance with the relevant paragraphs of IFRS S1 (see the explanation of the requirements for location-related information for each of these core content areas in the 'Core content' section of this document).

BC118 The proposals also specify the location-related aspects of an entity's nature-related risks and opportunities that it would be required to consider in preparing disclosures and determining the appropriate geographical scale and level of aggregation for that information in its disclosures (see paragraphs B39–B42 of the Exposure Draft). The ISSB noted that an entity will need to apply judgement in determining the appropriate geographical scale at which to disclose such information, which will vary by entity and risk or opportunity. The proposed aggregation requirements in the Practice Statement draw on the TNFD framework and would support an entity's application of the requirements on aggregation and disaggregation in paragraphs B29–B30 of IFRS S1. These additional requirements are intended to support an entity's materiality judgements and improve consistency in disclosures.

BC119 For information to be material and useful, it needs to be provided at a scale that enables users of general purpose financial reports to understand the attributes of a location that are relevant to a risk or opportunity. In some cases, site-specific information will be material (for example, geospatial data). In other cases, more general information about activities in a geographical region might be more appropriate. Therefore, the ISSB decided it was not appropriate to require disclosure of information at a specific geographical scale or prescribe how an entity disaggregates information about nature-related risks and opportunities by location. Similarly, the appropriate approach to scale and disaggregation, whether jurisdictional or ecological, depends on the type of nature-related risk or opportunity, among other factors. In some circumstances, aggregated information could be more useful than disaggregated information. For example, information about the portion of an entity's revenue or assets exposed to a particular risk could be more useful than a list of affected sites. This approach to the geographical scale and disaggregation of information is consistent with that in the ESRS. The ESRS environmental standards on topics beyond climate change refer to the level of disaggregation by location as a key consideration in disclosing information about risks and opportunities. The ESRS also provide guidance on when to disaggregate information and how to do so, but do not require a particular geographical scale or level of disaggregation in the information disclosed. The Accompanying Guidance on IFRS Sustainability Disclosure Practice Statement 1 *Nature-related Disclosures* (paragraphs IE6–IE28) also provides an example to illustrate how an entity might determine the appropriate geographical scale and level of aggregation to disclose material information about a nature-related risk.

BC120 The disclosures resulting from the proposed requirements for location-related information are intended to support users' understanding of an entity's exposure to nature-related risks and opportunities and its responses to them. This information can ultimately inform users' assessment of the actual or potential effects of those risks and opportunities on the entity's prospects over the short, medium and long term.

Interactions with Indigenous Peoples, Local Communities and affected stakeholders

BC121 Nature-related risks and opportunities can arise if an entity's interactions with environmental resources throughout its value chain affect other parties that depend on, have rights to or interests in those same resources and their benefits. Therefore, in identifying its nature-related risks and opportunities and disclosing material information about them, an entity would be required to consider its interactions with such parties. In describing such interactions and their relevance to nature-related risks and opportunities, paragraphs B44 and B46 of the Exposure Draft describe categories of society and stakeholders comprising Indigenous Peoples, Local Communities and affected stakeholders. The descriptions of these categories are drawn from the TNFD framework.

BC122 According to the ISSB's research, most users of general purpose financial reports identified material information about an entity's interactions with Indigenous Peoples, Local Communities and affected stakeholders throughout its value chain as being relevant in assessing the effects of nature-related risks and opportunities on an entity's prospects and useful in their decision-making. In particular, users emphasised the importance of this information in cases in which interactions with these parties might affect an entity's ability to access land or obtain permits, which can directly influence cash flows and project timelines.

BC123 The types of information that users stated were relevant to their decision-making include:

(a) the exposure of an entity to nature-related risks and opportunities due to the location of operations or assets in, or in proximity to, Indigenous Peoples' or Local Communities' land. This information can offer insight into an entity's exposure to nature-related risks and opportunities associated with access to environmental resources and associated benefits if Indigenous Peoples or Local Communities hold territorial rights or customary tenure of those same resources and associated benefits.

(b) the presence and quality of an entity's engagement with Indigenous Peoples, Local Communities and affected stakeholders, including whether the entity includes the principle of Free, Prior and Informed Consent, if relevant, and any process in place to assess the effectiveness of its engagement.

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(c) the processes an entity uses to identify and manage related risks, including how those processes are integrated into the entity's broader risk management framework and governance structures, as well as related supply chain due diligence. Users also noted that information about human rights policies can be relevant to understanding how an entity manages its nature-related risks and opportunities; however, they emphasised that useful information should include evidence of how an entity has implemented these policies.

(d) the way in which an entity integrates the outcomes of its engagement into its response to nature-related risks and opportunities, including whether its engagement has reduced the entity's risk exposure or improved its resilience.

BC124 Users also explained that nature-related risks and opportunities arising from these interactions are context-dependent, and that the relevance of information and appropriate type of disclosure vary depending on factors such as the location of assets and activities throughout the value chain, the characteristics of the communities an entity interacts with throughout the value chain and the dependencies or impacts on environmental resources that are typical for the industry in which the entity is involved. Ultimately, effects on an entity's prospects arising from these interactions can occur due to a combination of factors, including those related to social or cultural impacts.

BC125 The ISSB noted that the requirements in IFRS S1 offer a basis for an entity to disclose nature-related information about its interactions and engagement with Indigenous Peoples, Local Communities and affected stakeholders. Many of the requirements in IFRS S1 are relevant to the disclosure of information on such interactions that addresses the identified user needs. For example, the requirements in IFRS S1 are relevant to the disclosure of information about the governance of processes to manage interactions with such parties and the policies and processes used to engage with such parties to identify and manage nature-related risks and opportunities.

BC126 The ISSB also noted that the SASB Standards are relevant to providing information in this area to address the identified user needs. The SASB Standards include industry-specific guidance, including metrics, to provide information about an entity's exposure to risks and opportunities arising from its interactions with Indigenous Peoples and 'local communities', and the presence and characteristics of engagement.[23] The ISSB noted that the related metrics include, but are not limited to, interactions in the context of nature.

BC127 However, the ISSB decided that it was necessary to complement the requirements in IFRS S1 to specify the relevance of an entity's interactions with Indigenous Peoples, Local Communities and affected stakeholders for its identification of nature-related risks and opportunities and the disclosure of

23 Associated disclosure topics and metrics in the SASB Standards refer to Indigenous Peoples and to 'communities' or 'local communities' and relate to risks and opportunities associated with community rights and interests. The ISSB is considering the findings of the project on Nature-related Disclosures as part of its work on enhancing the SASB Standards, including the types of stakeholders and communities covered by the metrics and the consistency of the language and terminology, if relevant.

material information about them. This additional specificity would be introduced in the proposals to support an entity in providing consistent and comparable disclosures that address common user information needs on nature-related risks and opportunities. In deciding to include the particular terminology of 'Local Communities' and 'affected stakeholders' in the proposals (instead of, for example, the term 'local communities' or 'communities' as used in the SASB Standards), the ISSB noted that these groups have been included by the TNFD in its framework based on extensive engagement and consultation, and are relevant to information about nature-related risks and opportunities. For example, the term 'Local Communities' is based on the Convention on Biological Diversity and refers to particular groups of people with a strong link with the environmental resources and ecosystem services present in their territories, as described in paragraph B44 of the Exposure Draft.[24]

BC128 Accordingly, paragraph 10(b) of the Practice Statement specifies that an entity considers its interactions—including engagement—with Indigenous Peoples, Local Communities and affected stakeholders in identifying its nature-related risks and opportunities that could reasonably be expected to affect its prospects. Paragraphs B44–B47 of the proposals explain how an entity's interactions with Indigenous Peoples, Local Communities and affected stakeholders can give rise to nature-related risks and opportunities, and how an entity's engagement with such parties could affect the entity's prospects. According to the ISSB's research, the presence and quality of engagement with such parties can affect an entity's understanding of the risks and opportunities that can arise from its impacts and dependencies on nature. By specifying the potential relevance of engagement with such parties to an entity's nature-related risks and opportunities and prospects, the proposals aim to support an entity in identifying nature-related risks and opportunities. Consistent with the proportionality mechanism in relation to considering location in identifying nature-related risks and opportunities, paragraph B48 specifies that an entity shall use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort to apply the requirement in paragraph 10(b).

BC129 An entity's interactions—including engagement—with Indigenous Peoples, Local Communities and affected stakeholders in the context of nature-related risks and opportunities have connections and potential overlaps with other sustainability-related risks and opportunities. Some members of the ISSB gave greater weight than others to the existing core content requirements in IFRS S1 and the topics and metrics in the SASB Standards related to such interactions and whether these requirements and guidance might be sufficient for an entity to disclose information about such interactions, without further specification in the Practice Statement, including using the

24 Use of the term 'Local Communities' in the TNFD framework is based on Article 8(j) of the Convention on Biological Diversity, which refers to 'local communities embodying traditional lifestyles relevant for the conservation and sustainable use of biological diversity'. The TNFD framework notes the characteristics potentially useful in identifying such communities. See TNFD, *Glossary* version 6.0, 2026, https://tnfd.global/wp-content/uploads/2023/09/TNFD-Glossary-of-terms-V6-January-2026.pdf?v=1767713104.

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terminology of Local Communities and affected stakeholders in the proposals. On balance, however, the ISSB decided to specify that an entity include information about these interactions in the information it discloses in accordance with the relevant paragraphs of IFRS S1 related to an entity's governance, strategy and risk management of nature-related risks and opportunities (see the 'Core content' section of this document), to address the identified common user information needs on nature-related risks and opportunities.

BC130 A particular item of information that the ISSB decided to propose requiring an entity to disclose in the context of its nature-related disclosures is to identify the groups of people covered by disclosures about its interactions—including engagement—with Indigenous Peoples, Local Communities and affected stakeholders in the core content areas (paragraph 17(b) of the proposals). The ISSB decided to propose this requirement because this information has been identified as useful for users' decision-making, if information about an entity's interactions—including engagement—in the context of nature is material for its circumstances. The information is particularly useful because there can be a variety of legal protections, customary rights and traditional links with nature for groups of people an entity interacts with depending on the location of those interactions, which can affect its nature-related risks and opportunities and its prospects. However, an entity would not be required to disaggregate disclosures under these categories or to use the terminology of Indigenous Peoples, Local Communities and affected stakeholders—rather, these categories are intended to support the provision of material information regarding the groups affected by its interactions with nature (see paragraph BC148).

Nature-related and climate-related risks and opportunities

BC131 Paragraph 13 of the Practice Statement specifies that an entity would be required to provide information in a manner that enables users of general purpose financial reports to understand connections between an entity's nature-related and climate-related risks and opportunities in accordance with paragraph 21 of IFRS S1. The proposals also specify that information about these connections might be relevant when an entity discloses information about its strategy and risk management in relation to climate-related and nature-related risks and opportunities in accordance with IFRS S2 and the Practice Statement. Paragraphs B24–B25 describe the connections between climate and nature, including how each can drive changes in the other. The proposals explain that an entity's impacts and dependencies, and resulting risks and opportunities, can have both climate- and nature-related aspects, which can affect how the entity identifies, assesses and manages those risks and opportunities.

BC132 The ISSB's research identified that users need connected information about an entity's climate- and nature-related risks and opportunities. In particular, users stated that information about climate and nature is most useful when disclosed in an integrated way, avoiding siloed disclosure. Many users seek to understand whether, and how, an entity integrates climate- and

nature-related considerations into its strategy and risk management, including in developing climate-related transition plans.

BC133 It is not always possible to identify clear boundaries between climate- and nature-related risks and opportunities. For example:

(a) some nature-related risks are also climate-related risks—such as risks associated with water scarcity driven by both climate change and associated changes in nature;

(b) climate change can accelerate the degradation of ecosystems, affecting nature-related risks;

(c) nature degradation is a source of greenhouse gas emissions and can increase an entity's vulnerability to extreme weather events;

(d) an entity's responses to climate- and nature-related risks and opportunities might involve trade-offs; and

(e) nature-based solutions can support an entity's climate adaptation, mitigation and resilience.

BC134 These connections can affect an entity's risks and its overall risk profile (for example, they might affect the magnitude or likelihood of the effects of risks). An entity might also consider trade-offs and synergies that have both climate- and nature-related aspects in determining its governance, strategy and risk management.

BC135 Paragraph 21 of IFRS S1 requires an entity to provide information in a manner that enables users of general purpose financial reports to understand the connections between sustainability-related risks and opportunities and the connections between disclosures provided by the entity.[25] IFRS S1 also requires an entity to disclose:

(a) how trade-offs between sustainability-related risks and opportunities have been considered in an entity's governance, strategy and decision-making (paragraphs 27(a)(iv) and 33(c) of IFRS S1); and

(b) the extent to which, and how, an entity's processes for identifying, assessing, prioritising and monitoring sustainability-related risks and opportunities are integrated into and inform the entity's overall risk management process (paragraphs 43 and 44(c) of IFRS S1).

BC136 Information about nature is relevant in applying IFRS S2—for example, climate-related opportunities might have nature-related aspects (such as an opportunity to grow crops that the effects of climate change have made viable). IFRS S2 also includes references to nature (for example, an entity is required to disclose whether carbon credits are nature-based). The relevance of nature-related information in applying IFRS S2 was emphasised in the educational material *Nature and social aspects of climate-related risks and*

25 IFRS Practice Statement 1 *Management Commentary* and the Integrated Reporting Framework also emphasise the importance of explaining the connections in the information provided by an entity. This principle also applies to information about nature-related risks and opportunities.

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opportunities.[26] Furthermore, as noted in paragraph BC31, the *Industry-based Guidance on Implementing IFRS S2* includes disclosure topics and metrics that have nature-related aspects.

BC137 The ISSB assessed the extent to which the requirements in IFRS Sustainability Disclosure Standards address the information needs of users regarding the connections between an entity's climate- and nature-related risks and opportunities. The requirements in IFRS S1 and IFRS S2 require the disclosure of information about such connections. However, the ISSB concluded that incremental requirements, building on IFRS S1, that specifically address the connections between climate and nature would support the provision of information that enables users to understand the effects of these connections on an entity's strategy and risk management. In the ISSB's view, these requirements were necessary because the connections between climate and nature are dynamic and complex, with the potential to influence an entity's risks and opportunities in ways that could reasonably be expected to affect its prospects.

BC138 User feedback throughout the ISSB's stakeholder engagement consistently emphasised the importance of information about the connections between an entity's climate- and nature-related risks and opportunities, particularly in the context of an entity's response to such risks and opportunities. The Exposure Draft specifies the types of information about connections between climate- and nature-related risks and opportunities that might be relevant for an entity to disclose. In particular, the proposals specify the relevance of:

(a) the trade-offs in how the entity responds to or manages its climate- and nature-related risks and opportunities; and

(b) the synergies the entity might realise in managing climate- and nature-related risks and opportunities.

BC139 The proposals would require an entity to disclose this information in relation to:

(a) whether any nature-related risks assessed in the entity's nature-related scenario analysis have synergies or trade-offs with climate-related risks and opportunities considered in its climate resilience assessment; and

(b) whether and how the entity considers synergies and trade-offs associated with nature-related and climate-related risks and opportunities to identify, assess, prioritise and monitor nature-related risks and opportunities.

BC140 The proposals would also support interoperability between the Practice Statement and the GRI Standards. *GRI 101: Biodiversity 2024* requires an entity to describe how it enhances synergies and reduces trade-offs between actions to manage its biodiversity and climate change impacts, and *GRI 102: Climate Change 2025* requires an entity to describe the impacts on biodiversity from implementing its climate-related transition plan. The proposed requirements,

26 IFRS Foundation, *Nature and social aspects of climate-related risks and opportunities* (educational material), December 2023, https://www.ifrs.org/content/dam/ifrs/supporting-implementation/ifrs-s2/issb-naturesocialaspectsofclimate-relatedrisks-dec2023.pdf.

therefore, reduce duplication of reporting for entities using IFRS Sustainability Disclosure Standards and the GRI Standards, to the extent that information about the trade-offs and synergies in relation to its nature- and climate-related impacts constitutes material information in accordance with the objective of IFRS S1.

BC141 The proposed requirements also note that IFRS S1 requires an entity to avoid unnecessary duplication of information, particularly if IFRS Sustainability Disclosure Standards require the disclosure of common items of information (paragraph B42(b) of IFRS S1). Furthermore, in applying IFRS S1, an entity is required to present sustainability-related financial information in a clear and concise manner (paragraphs D26–D33 of IFRS S1).

BC142 An entity applying IFRS S1, IFRS S2 and the Practice Statement would provide connected information about both the nature-related aspects of its climate-related risks and opportunities *and* the climate-related aspects of its nature-related risks and opportunities. The ISSB noted that information about the nature-related aspects of an entity's climate-related disclosures is required by IFRS S2 and that the Practice Statement does not change those requirements. The proposed requirements avoid duplicating or creating silos of information. Instead, the proposals are intended to ensure users are provided with an integrated depiction of the connections between an entity's climate- and nature-related risks and opportunities. Such information will facilitate users' assessment of an entity's risk profile, the trade-offs the entity considered when responding to those risks and opportunities, and any co-benefits or synergies that it might realise through its responses.

BC143 The proposed requirements specify the information to be disclosed about the connections between an entity's nature-related and climate-related risks and opportunities to address common user information needs. In addition, the ISSB noted that, in applying the Practice Statement, an entity would be required to apply paragraph 21 of IFRS S1. Therefore, an entity would be required to provide information in a manner that enables users to understand the connections between nature-related risks and opportunities and other sustainability-related risks and opportunities, beyond climate, that could reasonably be expected to affect its prospects.

Core content

BC144 The Exposure Draft addresses the core content areas of governance, strategy, risk management, and metrics and targets.

Governance

BC145 The Exposure Draft specifies disclosures that are relevant to meeting the objective of information related to governance set out in paragraph 26 of IFRS S1.

BC146 The proposals specify the information an entity would be required to include in providing information to meet the requirements in paragraph 27 of IFRS S1, for its disclosures about nature-related risks and opportunities. In accordance with paragraph 15 of the Exposure Draft, an entity would be required to

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include material information about whether and how the oversight of its nature-related risks and opportunities takes into account:

(a) location-related considerations associated with the entity's nature-related risks and opportunities—as explained in paragraphs BC105–BC106, an entity's nature-related risks and opportunities are often connected to the characteristics of specific locations and such characteristics include the physical attributes of the location as well as social and regulatory factors. Therefore, an entity would be required to include information about whether and how location-related considerations are reflected in its governance of nature-related risks and opportunities. For example, an entity might implement specific governance processes to oversee compliance risks that arise from regulation to protect biodiversity in a jurisdiction.

(b) the entity's interactions—including engagement—with Indigenous Peoples, Local Communities and affected stakeholders—as explained in paragraphs BC123(c) and BC129, users of general purpose financial reports identified such information as relevant to their decision-making and the ISSB decided that it was necessary to specify that an entity would be required to include this information in its disclosures about governance of nature-related risks and opportunities.

Strategy

Nature-related risks and opportunities

BC147 Paragraph 17 of the Exposure Draft introduces requirements to support application of paragraph 30(a) of IFRS S1 for an entity applying the Practice Statement. In providing material information to meet the requirements in paragraph 30(a) of IFRS S1, an entity would be required to explain the location-related considerations relevant to understanding the nature-related risk or opportunity and the connections between its nature-related and climate-related risks and opportunities.

BC148 The proposals also include the requirement explained in paragraph BC130 for an entity to identify the groups of people covered by disclosures about its interactions—including engagement—with Indigenous Peoples, Local Communities and affected stakeholders in the context of nature-related risks and opportunities. The proposal requires an entity to identify the groups of people covered not only by disclosures related to strategy, but also by disclosures across other core content areas. This disclosure is intended to enable users of general purpose financial reports to understand the populations covered by the entity's disclosures. The proposals provide examples of the types of information about such groups that might be included, such as the name and location of these groups, as well as the laws, regulations or customary rights that are relevant to the entity's interactions with these groups. This information is important because terminology and legal protections and rights differ by jurisdiction and region (as explained in paragraph BC130).

Business model and value chain

BC149 Paragraph 18 of the Practice Statement sets out the material information an entity would be required to include in providing information to meet the requirements in paragraph 32 of IFRS S1. An entity applying the Practice Statement would be required to include information that enables users of general purpose financial reports to understand how location-related considerations affect where in its business model and value chain nature-related risks and opportunities are concentrated (see paragraphs BC107–BC108 and paragraph BC110). It is noted that *ESRS E4 Biodiversity and Ecosystems* and *GRI 101: Biodiversity 2024* require disclosure of location-related information regarding location of an entity's impacts on biodiversity and ecosystem change. The proposals would also require an entity to include material information that enables users to understand whether and how the connections between climate- and nature-related risks and opportunities affect the current and anticipated effects of those risks and opportunities on the entity's business model and value chain. As explained in paragraph BC134, these connections can affect the magnitude or likelihood of the effects of risks and the entity may face trade-offs or realise synergies when responding to nature- or climate-related risks and opportunities, such that the effects of nature- and climate-related risks and opportunities on an entity's business model or value chain can offset or amplify each other. Such information is intended to support users' understanding of how the interactions between climate- and nature-related risks and opportunities affect the characteristics of an entity's risks and opportunities and its overall risk profile.

BC150 In addition, paragraph 18(c) would require an entity to include material information that enables users of general purpose financial reports to understand how the outcomes of its engagement—if any—with Indigenous Peoples, Local Communities and affected stakeholders relate to the current and anticipated effects of nature-related risks and opportunities on the entity's business model and value chain. The ISSB's research found that the effectiveness of an entity's engagement with these groups can influence an entity's understanding of the range of risks and opportunities arising from its impacts and dependencies on nature, potentially affecting how it manages those risks and opportunities. If this information is material in relation to a particular nature-related risk or opportunity, it can support users' understanding of how an entity's engagement with these groups forms part of its strategy to mitigate that risk or realise that opportunity. The ISSB noted that the type of information an entity discloses about its engagement is likely to vary depending on the entity's circumstances, including the location of assets and activities throughout its value chain, its industry and the type of communities it engages with (see paragraphs BC123–BC124 and BC130).

Strategy and decision-making

BC151 Paragraph 19 of the Exposure Draft specifies aspects of nature-related information that an entity would be required to include in providing information to meet the requirements in paragraph 33 of IFRS S1. Applying these requirements, the entity would provide material information about how

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it has responded to, and plans to respond to, nature-related risks and opportunities in its strategy and decision-making.

BC152 The ISSB identified a clear user need for forward-looking information about an entity's strategy to manage nature-related risks and opportunities that could reasonably be expected to affect its prospects. This information includes an entity's nature-related targets, the financial implications of the strategy, its performance against the strategy and any nature-related transition plan the entity might have developed. Such information enables users to assess how the entity is positioning its business model in response to the anticipated effects of nature-related risks and opportunities on its prospects.

BC153 The ISSB acknowledged that an entity might or might not organise its response to, and plans to respond to, nature-related risks and opportunities in the form of a transition plan. Developing and disclosing information about nature-related transition plans is a relatively new practice among entities compared to climate-related transition plans. The ISSB's research suggests that entities tend to consider nature-related issues as part of a broader transition plan—for example, as part of an integrated transition plan that considers both climate- and nature-related risks and opportunities.

BC154 IFRS S1 requires an entity to disclose information that enables users of general purpose financial reports to understand the effects of sustainability-related risks and opportunities on the entity's strategy and decision-making. This information includes how the entity has responded to, and plans to respond to, sustainability-related risks and opportunities in its strategy and decision-making (paragraph 33(a) of IFRS S1). However, IFRS S1 does not specifically refer to an entity's 'transition' or 'transition plans' or information about the nature-related aspects of an entity's response.

BC155 IFRS S2 builds on the requirements in IFRS S1 by requiring an entity to explain its response to climate-related risks and opportunities (paragraph 14 of IFRS S2), specifically:

(a) current and anticipated changes to the entity's business model and how the entity plans to resource these activities;

(b) the entity's mitigation and adaptation efforts;

(c) the entity's plans to achieve any climate-related targets, including its greenhouse gas emissions targets; and

(d) any climate-related transition plan the entity has, including information about key assumptions used in developing the plan and dependencies on which the plan relies.

BC156 The information about an entity's climate-related transition plans might have nature-related aspects (the connections between nature- and climate-related risks and opportunities are explained in paragraph BC133).

BC157 The ISSB concluded that incremental requirements, building on IFRS S1, specifying aspects of nature-related information to be disclosed would help ensure more consistent and useful disclosures are provided on an entity's response to, and plans to respond to, nature-related risks and opportunities.

BC158 Specific and comparable forward-looking information about how an entity is responding to, and plans to respond to, its nature-related risks and opportunities and the financial implications of those actions is necessary to support users in making decisions relating to providing resources to the entity. However, the ISSB concluded that its research did not support developing disclosure requirements narrowly referencing information about 'nature-related transition plans' or nature-related aspects of broader 'transition plans' at this time. In the ISSB's view, it is important that the requirements result in information being provided about an entity's plans irrespective of how those plans are described or structured. It noted that disclosure requirements that apply specifically to information about nature-related transition plans could be too narrow and result in an entity not providing information if it were to conclude that its response to, and plans to respond to, nature-related risks and opportunities do not constitute a transition plan.

BC159 Therefore, the proposals do not explicitly refer to disclosing information about an entity's nature-related transition plan. Instead, the proposed requirements are intended to provide users with information about the effects of nature-related risks and opportunities on an entity's strategy and decision-making. This information includes the entity's response to, and plans to respond to, nature-related risks and opportunities, regardless of whether those actions form part of a transition plan. The ISSB noted that this approach is consistent with the guidance provided in *Disclosing information about an entity's climate-related transition, including information about transition plans, in accordance with IFRS S2*, which explains that IFRS S2 requires an entity to disclose information about its plans to improve its resilience to climate-related physical risks or to reduce greenhouse gas emissions.[27]

BC160 Paragraph 19(c)–19(d) of the proposals also specify the information an entity would be required to include related to trade-offs and synergies between its nature-related and climate-related risks and opportunities (building on paragraph 33(c) of IFRS S1) and how its interactions—including engagement—with Indigenous Peoples, Local Communities and affected stakeholders affect its response to, and plans to respond to, nature-related risks and opportunities. These requirements are consistent with the common user information needs and ISSB decisions explained in paragraphs BC121–BC143.

Resilience

BC161 Paragraph 20 of the Exposure Draft proposes a requirement for an entity to disclose information that enables users of general purpose financial reports to understand the resilience of its strategy and business model to uncertainties arising from nature-related risks and to use nature-related scenario analysis to assess its resilience in preparing this disclosure. The proposals would require an entity to use an approach to nature-related scenario analysis that is commensurate with the entity's circumstances and enables it to consider all

27 IFRS Foundation, *Disclosing information about an entity's climate-related transition, including information about transition plans, in accordance with IFRS S2* (guidance document), June 2025, https://www.ifrs.org/content/dam/ifrs/supporting-implementation/ifrs-s2/transition-plan-disclosure-s2.pdf.

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reasonable and supportable information that is available to it at the reporting date without undue cost or effort. The proposals also specify particular information that an entity would be required to disclose about its resilience assessment and its nature-related scenario analysis informing those disclosures.

BC162 Through its research, the ISSB identified a common user need for quantitative information about nature-related risks and opportunities, including information about the financial effects of those risks and opportunities under various scenarios. The ISSB's research showed that the application of nature-related scenario analysis is not widespread, but there are indications that more entities are using or planning to use nature-related scenario analysis. At the same time, methodologies are evolving, with entities combining nature-related and climate-related considerations into a single scenario analysis and combining qualitative and quantitative methods.

BC163 The ISSB's research found that a small number of entities conduct nature-related scenario analysis to assess their resilience to nature-related risks and disclose information about that assessment. The number is small, particularly relative to the number of entities conducting climate-related scenario analysis or those using nature-related scenario analysis for risk identification and risk assessment.

BC164 Nonetheless, users noted that information about whether and how an entity uses scenario analysis in assessing the resilience of its business model and strategy to uncertainties arising from nature-related risks would be useful to their decisions about providing resources to an entity. The low prevalence of disclosures about an entity's resilience to nature-related risks using scenario analysis presents a challenge to users both for their decision-making and for them to assess the specific types of information that are likely to be most useful to them. Users cited examples of useful information, including information about inputs (such as the model used in the analysis and whether both nature-related transition and physical risks were considered) and key assumptions (such as regulatory developments). Information about the outcomes of nature-related scenario analysis and how it informs an entity's actions, including implications for its strategy, was also identified as being useful.

BC165 Paragraph 41 of IFRS S1 requires an entity to disclose a qualitative and, if applicable, quantitative assessment of the resilience of its strategy and business model in relation to its sustainability-related risks, to enable users of general purpose financial reports to understand its capacity to adjust to the uncertainties arising from sustainability-related risks. This required disclosure includes information about how the assessment was carried out and its time horizon. Such information might include use of nature-related scenario analysis if an entity uses such analysis in the assessment of its resilience to nature-related risks. However, IFRS S1 does not specify the type of information an entity is required to disclose and does not require an entity to use scenario analysis in preparing this disclosure.

BC166 Paragraph 42 of IFRS S1 also specifies that IFRS Sustainability Disclosure Standards may provide additional requirements for the type of information to be disclosed about an entity's resilience to specific sustainability-related risks and how the entity prepares such disclosures, including whether a scenario analysis is required. IFRS S2 sets out such additional requirements. It builds on the resilience requirements in IFRS S1 and requires an entity to disclose information about the resilience of its strategy and business model to climate-related changes, developments and uncertainties, taking into consideration its identified climate-related risks and opportunities. It requires an entity to use climate-related scenario analysis to assess its climate resilience in preparing its disclosures, specifies the type of information an entity is required to disclose and sets out requirements about how to conduct the scenario analysis. If an entity considers nature-related aspects as part of its climate-related scenario analysis in conducting its resilience assessment, information about that scenario analysis would need to be provided in accordance with paragraph 22 of IFRS S2. However, the focus of that analysis would be on climate-related risks and opportunities, and therefore an entity would not be required to consider all of its nature-related risks and opportunities that could reasonably be expected to affect its prospects.

BC167 The ISSB decided on balance that the proposals in the Exposure Draft would require an entity to use nature-related scenario analysis for its assessment of its resilience to nature-related risks and specify the information an entity is required to disclose about its resilience assessment (including particular information about how and when the nature-related scenario analysis was carried out). In the ISSB's view, the proposed requirements would provide users of general purpose financial reports with decision-useful information about the entity's resilience to uncertainties arising from the nature-related risks that could reasonably be expected to affect its prospects. This disclosure would enable users to understand the basis of the resilience assessment, key areas of uncertainty, the implications for the entity's strategy and business model, and its capacity to adjust to those uncertainties. The ISSB emphasised that an entity would not be required to disclose the results of its scenario analysis but would instead be required to disclose its interpretation of those results for its resilience.

BC168 This proposal builds on the general requirement on resilience in IFRS S1 and adds more specific requirements related to nature-related scenario analysis and resilience assessments based on the needs of users. The proposal is consistent with the intention set out in paragraph 42 of IFRS S1 and with paragraph 22 of IFRS S2. Aligning the proposed requirements with the equivalent requirements in IFRS S2 emphasises the close connection between an entity's climate- and nature-related risks and its resilience to those risks. This consistency is important also because an entity's resilience assessment might be carried out in combination with climate-related scenario analysis and assessment of its climate resilience (see paragraph 24(c) of the Exposure Draft).

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BC169 However, the proposals also require an entity to disclose information that is specific to nature-related risks. The characteristics of nature-related risks affect both how an entity assesses its resilience to those risks and the information about that assessment that is useful to users. For example, because nature-related risks are often influenced by the characteristics of particular locations, an entity's resilience assessment might necessarily place greater emphasis on location- and asset-specific factors than a climate-resilience assessment. Accordingly, the proposal would require disclosure of information such as the key assumptions made for variables linked to the locations included in the analysis and their associated geographical scale.

BC170 In deciding to propose incremental requirements for information about an entity's resilience assessment, including use of nature-related scenario analysis, the ISSB took into account that scenario analysis can include qualitative approaches and can be a particularly useful approach for resilience assessment and related disclosures. The ISSB noted that many entities already use scenario analysis in some form and to varying degrees of complexity, often referring to it by other names or as part of other activities, such as stress-testing or planning.

BC171 In making this decision, the ISSB acknowledged that the practice of nature-related scenario analysis is still emerging, and entities might have a limited ability to carry out such analyses in a systematic manner because of various challenges. These challenges include modelling many drivers of nature change that interact; capturing heterogeneous features of particular locations and incorporating them into entity-level judgements related to resilience; considering tipping points and feedback loops; modelling many nature-related local, national and global goals, targets and indicators; and lacking consistent and reliable data to underpin quantitative analysis.

BC172 Therefore, to support entities in meeting the proposed requirements in paragraphs 20–24, the ISSB has proposed using proportionality mechanisms related to the entity's use of nature-related scenario analysis consistent with the mechanisms that are available in IFRS S2. The proposals would require an entity to use an approach commensurate with its skills, capabilities and resources at the time the scenario analysis is undertaken and considering its exposure to nature-related risks. This proportionality mechanism is intended to enable entities to use an approach commensurate with their circumstances. An entity's circumstances are likely to change over time. For example, it is expected that the entity will be able to develop its skills, capabilities and resources available to it for scenario analysis. Therefore, paragraph B51 of the Exposure Draft would require an entity to assess its circumstances each time it carries out its nature-related scenario analysis. Considering some of the challenges in obtaining consistent and reliable data to underpin nature-related scenario analysis, the proportionality mechanisms enable an entity to consider all reasonable and supportable information that is available to it at the reporting date without undue cost or effort.

BC173 Paragraphs B49–B66 of the Exposure Draft elaborate on these proportionality mechanisms, including how an entity uses nature-related scenario analysis for preparing disclosures on resilience assessment. Those paragraphs specify the type of circumstances in which an entity would use a qualitative or a quantitative approach to scenario analysis. Consistent with the proportionality mechanisms that are available in IFRS S2, an entity would also be permitted to carry out nature-related scenario analysis to coincide with a multi-year strategic planning cycle rather than updating the analysis at every reporting date. However, the information required by paragraph 20 of the Exposure Draft would be required to be disclosed annually.

BC174 During the ISSB's deliberations, individual ISSB members gave greater weight than others to the nascency and complexity of the practice of nature-related scenario analysis, particularly for resilience assessments, and the uncertainty about the specific type of information that might represent a common user information need. These members also noted that IFRS S1 already requires an entity to provide information about resilience and that IFRS S2 includes specific requirements on resilience that would cover nature-related aspects of climate-related risks and opportunities. In relation to these requirements in IFRS S2, they also noted that the ISSB is not yet able to assess whether those requirements would meet user information needs in relation to an entity's resilience to nature-related risks. However, on balance, the ISSB decided that introducing incremental requirements, together with the associated proportionality mechanisms and related guidance, is expected to provide benefits in the form of improved quality of reporting and decision-useful information to meet the needs of users, that would outweigh the likely costs. In making this decision, the ISSB noted that it was important to ensure that it clearly communicated the proportionality mechanisms available to support entities to undertake nature-related scenario analysis for the purposes of this disclosure and that depending on an entity's circumstances it could be appropriate for an entity to undertake a qualitative assessment.

Risk management

BC175 The proposed requirements specify aspects of nature-related information that an entity would be required to include in providing information to meet the requirements in paragraph 44 of IFRS S1. Applying these requirements, an entity would disclose material information about the processes and related policies it uses to identify, assess, prioritise and monitor nature-related risks and opportunities. Such information supports users' understanding of an entity's risk management processes and informs users' assessment of its overall risk profile. Paragraph 26 of the Exposure Draft would require an entity to include information about whether and how the entity:

(a) considers the synergies and trade-offs associated with nature-related and climate-related risks and opportunities to identify, assess, prioritise and monitor nature-related risks and opportunities; and

(b) considers the location of assets and activities to identify, assess, prioritise and monitor nature-related risks and opportunities.

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BC176 In addition, paragraph 26(c) would require an entity to include material information about whether and how it engages with Indigenous Peoples, Local Communities and affected stakeholders, for example, in relation to identifying nature-related risks and opportunities. As stated in paragraph BC128, an entity's engagement with these groups can affect its prospects. Therefore, such information can enable users of general purpose financial reports to understand the role of engagement in an entity's processes to identify, assess, prioritise and monitor nature-related risks and opportunities, including whether and how those processes are integrated into and inform the entity's overall risk management processes. This information can also support users' assessment of the entity's overall risk profile, its risk management processes and the effectiveness of its engagement practices in managing relevant nature-related risks. The requirement in paragraph 26(c) of the Exposure Draft supports interoperability with *ESRS S3 Affected Communities* and *GRI 101: Biodiversity 2024*, which require disclosure of information about an entity's engagement with affected communities and stakeholders.

BC177 In providing information to meet the requirements in paragraph 44(a)(iii) of IFRS S1, paragraph 27 of the Exposure Draft proposes that an entity would be required to include information about whether and how the entity uses nature-related scenario analysis to inform its assessment of the nature, likelihood and magnitude of the effects of nature-related risks. This information includes the inputs used, key assumptions made and the part of the entity or the location to which the scenario analysis applies. The ISSB's research showed that the use of scenario analysis in assessing nature-related risks and opportunities is a relatively common use case for nature-related scenario analysis among entities, but that such analyses range from complex quantitative methodologies to qualitative approaches. When an entity carries out nature-related scenario analysis, information about the form and scope of the analysis is particularly useful to support users' understanding of an entity's assessment of the effects of its nature-related risks, especially in relation to the location of assets and activities throughout the value chain associated with those risks.

BC178 Paragraph 28 of the Exposure Draft also proposes a requirement for an entity to include information about whether and how the entity uses nature-related scenario analysis to inform its identification of nature-related opportunities, in providing information to meet the requirements in paragraph 44(b) of IFRS S1. This proposed requirement mirrors paragraph 44(a)(ii) of IFRS S1, which requires an entity to disclose information about whether and how scenario analysis is used to inform its identification of sustainability-related risks. This proposal reflects entities' use of scenario analysis and is proposed to be consistent with the requirement in paragraph 25(b) of IFRS S2 in the context of identifying climate-related opportunities.

Metrics and targets

Nature-related metrics

BC179 The Exposure Draft proposes requirements for the disclosure of two additional nature-related metrics applicable to all entities if the information is material, representing an entity's vulnerability to nature-related risks and alignment with nature-related opportunities. An entity would be required to disclose these metrics in addition to applying the requirements in paragraphs 46–47 of IFRS S1 to identify applicable metrics. The Exposure Draft proposes a proportionality mechanism requiring an entity to use all reasonable and supportable information that is available to it at the reporting date without undue cost or effort in preparing disclosures related to the additional metrics.

BC180 To support entities in their disclosure of nature-related metrics, the Exposure Draft proposes introducing a new permitted source of guidance—TNFD disclosure metrics—specifically for disclosing information about nature-related risks and opportunities, to the extent that this source assists the entity in meeting the objective of IFRS S1 and does not conflict with IFRS Sustainability Disclosure Standards or the Practice Statement. Existing sources of guidance in IFRS S1 would continue to be applicable, including the SASB Standards.

BC181 The ISSB identified a common user information need for standardised quantitative, decision-useful information focused on an entity's nature-related risks and opportunities, including those arising in its value chain. Commonly cited nature-related matters on which users of general purpose financial reports seek comparable information include risks and opportunities arising from water use, land use change, pollution and waste, as well as standardised information regarding assets vulnerable to nature-related risks.

BC182 Other standards and frameworks include a wide range of nature-related metrics, resulting in varied and disparate information that is disclosed. Different methodologies are used in practice to calculate particular nature-related metrics and these methodologies are evolving as the practice of nature-related disclosures matures. Reporting entities often face challenges in collecting the necessary data to report on the available metrics and to implement advanced methodologies. Furthermore, many metrics focus on information on dependencies and impacts without clear links to nature-related risks and opportunities that could reasonably be expected to affect an entity's prospects. Although the TNFD framework has made progress in consolidating disparate nature-related metrics, challenges remain with market familiarity, measurement methods and data systems related to those metrics.

BC183 Standardised, comparable metrics on nature-related topics can refer to both cross-industry metrics and industry-based metrics. Industry-based metrics are those that are associated with particular business models, activities or other common features that characterise participation in an industry. They enable comparability of information among peers within an industry, and to the extent there are metrics in common among industries, enable cross-industry comparison. The ISSB found that users primarily engage with nature-related

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metrics from an industry-specific perspective, assessing the specific risks and opportunities arising from nature-related dependencies and impacts associated with an industry's typical resource use, activities and business models. The ISSB's research found that effects on an entity's prospects from nature-related risks and opportunities are highly dependent on an entity's sector or industry, influenced by differing extents and types of nature-related dependencies and impacts. Based on its research, the ISSB identified a common user information need for industry-based nature-related metrics.

BC184 The ISSB found mixed evidence at this time for a common user information need for cross-industry metrics—that is, metrics that are applicable and relevant to most entities irrespective of their industry and therefore support cross-industry comparability of information. Evidence was also mixed on the specific cross-industry metrics that would enable an entity to provide decision-useful information on nature-related risks and opportunities that could reasonably be expected to affect the entity's prospects, regardless of its industry. Some users noted a lack of market experience with implementing cross-industry nature-related metrics and the need for further assessment across sectors and regions to ensure that using them is feasible. Some users noted that the TNFD's 'core global metrics', which are included in the TNFD framework as cross-industry metrics, present a useful starting point for analysis but cited their limited uptake in disclosures to date and therefore limited use in the decisions of users, as well as the need for industry-specificity.

BC185 The ISSB noted that an entity is already required to disclose metrics related to nature when applying IFRS S1. Paragraph 45 of IFRS S1 sets out the objective of sustainability-related financial disclosures on metrics and targets. An entity applying IFRS S1 in relation to nature is required to meet this objective by providing information that will enable users to understand its performance in relation to its nature-related risks and opportunities, including its progress towards any targets it has set, and any targets it is required to meet by law or regulation.

BC186 Specifically, applying the requirements in IFRS S1 for its nature-related risks and opportunities, an entity is required:

(a) to disclose metrics required by an applicable IFRS Sustainability Disclosure Standard (paragraph 46(a) of IFRS S1) for each nature-related risk and opportunity that could reasonably be expected to affect the entity's prospects. An entity applying IFRS S2 would also be required to disclose metrics set out in IFRS S2 in accordance with this requirement where those metrics have nature-related aspects (for example, for the cross-industry metric categories in paragraph 29 of IFRS S2). An entity applying IFRS S2 is required to refer to and consider the *Industry-based Guidance on Implementing IFRS S2,* which includes climate-related metrics that are also nature-related, in determining the industry-based metrics it discloses.

(b) to disclose, for each nature-related risk and opportunity that could reasonably be expected to affect the entity's prospects, the metrics it uses to measure and monitor that nature-related risk or opportunity and its performance in relation to that risk or opportunity, including progress towards any targets it has set and is required to meet by law or regulation (paragraph 46(b) of IFRS S1).

(c) to include industry-based metrics (paragraph 48 of IFRS S1).

(d) in the absence of an IFRS Sustainability Disclosure Standard that specifically applies to a nature-related risk or opportunity, to apply judgement to identify information that is relevant to user decision-making and that faithfully represents that nature-related risk or opportunity (paragraphs 47 and 57 of IFRS S1). In making this judgement, an entity:

(i) is required to refer to and consider the applicability of the metrics associated with the disclosure topics included in the SASB Standards (paragraph 58(a) of IFRS S1). The SASB Standards are industry-based guidance and include metrics that are nature-related;

(ii) may refer to and consider the applicability of the CDSB Framework Application Guidance, the most recent pronouncements of other standard-setting bodies whose requirements are designed to meet the information needs of users of general purpose financial reports, and the information that entities operating in the same industry or geographical region disclose (paragraph 58(b) of IFRS S1); and

(iii) may refer to and consider the applicability of the GRI Standards and the ESRS, to the extent that these sources assist the entity in meeting the objective of IFRS S1 and do not conflict with IFRS Sustainability Disclosure Standards (paragraph 58(b) and Appendix C to IFRS S1).

BC187 Accordingly, the requirements in IFRS S1 and IFRS S2 and the industry-based guidance referenced in those Standards help address the common user information need that the ISSB identified through its research for standardised, quantitative information focused on an entity's nature-related risks and opportunities, including those arising in its value chain, and for the related metrics to be industry-based. Metrics associated with nature-related risks and opportunities—such as those related to air quality, ecological impacts, water management and environmental supply chain management—appear throughout the industry-based guidance referenced in IFRS Sustainability Disclosure Standards. The guidance helps an entity identify when those nature-related risks and opportunities and the associated metrics might be applicable.

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BC188 Given the requirements related to metrics in IFRS S1 and IFRS S2 and the associated industry-based guidance, the ISSB decided to take a focused approach to proposing any additional metrics that an entity is required to disclose. Therefore, the Exposure Draft only proposes two additional metrics applicable to all entities regardless of industry if the information is material, where the ISSB has identified a clear user need for additional standardised information focused on nature-related risks and opportunities. These metrics are intended to provide users with quantitative information to support their assessment of an entity's vulnerability to nature-related risks and ability to realise nature-related opportunities, including how these could vary by location. Furthermore, to supplement the sources of guidance available to the entity in the context of nature-related disclosures, the ISSB decided that an entity would be permitted to refer to and consider the applicability of the TNFD disclosure metrics. IFRS S1 does not currently refer to these metrics. The ISSB was of the view that the availability of these metrics would promote efficiencies by enabling entities already using the TNFD recommendations to build on their existing nature-related reporting efforts to apply the Practice Statement, supporting use of the Practice Statement and reducing fragmentation in reporting of nature-related metrics.

BC189 More specifically, regarding the two additional cross-industry metrics, paragraph 30(a) of the Exposure Draft proposes a requirement for an entity to disclose:

(a) the amount and percentage of assets or business activities vulnerable to nature-related risks; and

(b) the amount and percentage of assets or business activities aligned with nature-related opportunities.

BC190 These metrics are based on the requirements in paragraph 29(b)–(d) of IFRS S2. The ISSB noted that there could be connections between this proposed disclosure requirement in the Practice Statement and the requirement in IFRS S2—for example, a nature-related vulnerability could also be climate-related if an entity's activities are exposed to water stress as a result of climate change. The ISSB emphasised the importance of avoiding duplication of information if an entity's nature- and climate-related risks and opportunities overlap.

BC191 The proposed disclosure requirement also draws on TNFD core global metrics C7.0 and C7.1, which refer to the total and proportion of assets, liabilities, revenue and expenses that an entity identifies as vulnerable to nature-related transition risks and nature-related physical risks. The ISSB considered whether to require an entity to provide these metrics separately for nature-related transition risks and nature-related physical risks, which would be consistent with IFRS S2 and the TNFD core global metrics. The ISSB concluded that such disaggregation should not be required. This is because, in practice, there are often interactions between an entity's nature-related transition risks and nature-related physical risks, such that it might not be possible to separately identify such risks, and, as a result, disaggregation might not provide decision-useful information (see paragraph BC88).

BC192 Instead, an entity would apply the requirements on aggregation and disaggregation set out in paragraphs B29–B30 of IFRS S1. An entity might determine that it is appropriate to present these metrics by the type of risk or opportunity, by location of assets or activities, or in other ways. The proposed requirements in paragraphs 31–32 and B41–B42 of the Exposure Draft, as well as the Accompanying Guidance on IFRS Sustainability Disclosure Practice Statement 1 *Nature-related Disclosures*, would support the entity in identifying relevant assets and business activities, and in determining whether and how to disaggregate this information. The Accompanying Guidance on IFRS Sustainability Disclosure Practice Statement 1 *Nature-related Disclosures* (Example 2, paragraphs IE29–IE56) provides an example to illustrate how an entity might prepare disclosures that would be required by paragraph 30 of the Exposure Draft and how to aggregate and disaggregate that information, in this case by location, in accordance with paragraphs 31–32 of the Exposure Draft.

BC193 Disaggregation by location, if the information is material, would enable users to understand how an entity's exposure to nature-related risks and opportunities varies by location, supporting the common user information need for location-related information (see paragraph BC119). The ISSB noted that for disaggregation based on location of assets or business activities to be decision-useful, the entity need not provide separate information about each of its locations. Such disaggregation might include, for example, location-related information about a critical facility in one location, or the amount and percentage of assets near or within sensitive locations (such as areas important for biodiversity). For both these metrics, while they are applicable for all entities and standardise the type of information required to be disclosed, the ISSB noted that to be decision-useful, the information provided is expected to vary depending on an entity's activities and circumstances.

BC194 The proposals also include a proportionality mechanism for the proposed disclosure about assets or business activities vulnerable to nature-related risks and aligned with nature-related opportunities. This mechanism would require an entity to use all reasonable and supportable information that is available to it at the reporting date without undue cost or effort. This proportionality mechanism is consistent with that set out in paragraph 30 of IFRS S2 for corresponding climate-related disclosures and is also reflected in paragraphs B8–B10 of IFRS S1. It reflects the fact that information might be difficult to obtain, particularly in the value chain, and that the information available without undue cost or effort is likely to vary between entities. Providing relief consistent with the related disclosure in IFRS S2 also reflects the potential overlap in disclosures on nature-related aspects of climate-related risks and opportunities.

Sources of guidance

BC195 The two additional cross-industry metrics are proposed to be applied in addition to paragraphs 46–47 of IFRS S1. The requirements in paragraphs 46–47 of IFRS S1 are also applicable for entities using the Practice Statement, because entities would also be required to apply IFRS Sustainability Disclosure

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Standards (see paragraph BC218). The sources of guidance set out in paragraph 58 of IFRS S1—for an entity to refer to for the disclosure of information in the absence of an IFRS Sustainability Disclosure Standard that specifically applies to a sustainability-related risk or opportunity—also continue to apply, because the Practice Statement is not an IFRS Sustainability Disclosure Standard.

BC196 These paragraphs include the requirement to refer to and consider the applicability of the metrics associated with the disclosure topics in the SASB Standards. The ISSB decided not to introduce nature-specific materials replicating nature-related content in the SASB Standards and presenting it as part of the Practice Statement or as a separate industry-based guidance on implementing the Practice Statement (similar to the *Industry-based Guidance on Implementing IFRS S2*) as this would add complexity. In the ISSB's view, an entity can use the SASB Standards to disclose decision-useful information about nature-related risks and opportunities and to meet the requirement to include industry-based metrics in accordance with paragraph 48 of IFRS S1.

BC197 The nature-related disclosure topics and metrics in the SASB Standards are consistent with the scope the ISSB decided to use in standard-setting on nature-related disclosures to cover all nature-related risks and opportunities that could reasonably be expected to affect an entity's prospects. Furthermore, in relation to nature-related risks and opportunities, the metrics in the SASB Standards support disclosure of:

(a) location-related information—for example, an entity in the processed foods industry is required to consider the applicability of a SASB metric that specifies disclosure of water withdrawal and consumption from water-stressed locations;

(b) information about the entity's interactions with Indigenous Peoples, Local Communities and affected stakeholders in the context of nature —for example, an entity in the coal operations industry is required to consider the applicability of a SASB metric that specifies disclosure of assets in or near Indigenous Peoples' land; and

(c) connected information—enabling users to understand the connections between an entity's nature-related risks and opportunities and other sustainability-related risks and opportunities (such as climate-related), as well as connections to financial statements (for example, metrics that relate to the effects of a nature-related risk or opportunity on an entity's revenues or assets).

BC198 In accordance with paragraph 58(b)–(c) of IFRS S1, an entity may refer to and consider the applicability of the ESRS and the GRI Standards to the extent that these sources assist the entity in meeting the objective of IFRS S1 and do not conflict with IFRS Sustainability Disclosure Standards. In the ISSB's view, this continued reference is important to support reporting efficiency for entities applying IFRS Sustainability Disclosure Standards and the ESRS or the GRI Standards.

BC199 As is the case for the use of the ESRS and the GRI Standards, it is proposed that an entity would be permitted to refer to and consider the applicability of the TNFD disclosure metrics for its disclosures about nature-related risks and opportunities to the extent that they assist the entity in meeting the objective of IFRS S1 to provide material information about its sustainability-related risks and opportunities that could reasonably be expected to affect its prospects.

BC200 This decision:

(a) allows the proposed requirements to benefit from the work carried out by the TNFD, including its engagement with users; and

(b) is consistent with the ISSB's decision to draw on the TNFD recommendations in undertaking standard-setting for nature-related disclosures.

BC201 The ISSB decided to propose that an entity 'may refer to' instead of 'shall refer to' and consider the applicability of the TNFD disclosure metrics, because the TNFD recommendations and metrics have been designed to be applied using different approaches to materiality and are not solely focused on addressing the common information needs of users of general purpose financial reports. For this reason, the Exposure Draft also proposes specifying that an entity may refer to and consider the applicability of the TNFD disclosure metrics to the extent that this source assists the entity in meeting the objective of IFRS S1 and does not conflict with IFRS Sustainability Disclosure Standards or the Practice Statement. For the avoidance of doubt, it is noted that the reference to the TNFD disclosure metrics is proposed to be included in the Practice Statement and is not an amendment to IFRS S1.

BC202 The reference in the Exposure Draft to all TNFD disclosure metrics allows an entity to refer to and consider the full set of TNFD metrics that are focused on disclosures (the TNFD framework also includes metrics for assessment, which are not referenced in the proposals), instead of a limited set of those metrics. This approach supports an entity in identifying metrics applicable to its nature-related risks and opportunities. The TNFD disclosure metrics comprise core global metrics that apply to all sectors, core sector disclosure metrics and additional disclosure metrics that are recommended for disclosure, where relevant to best represent an entity's specific circumstances. The TNFD disclosure metrics are set out in the TNFD recommendations and in TNFD sector guidance.

BC203 The ISSB acknowledges that, in implementing the requirements related to metrics, an entity will need to apply judgement to determine which metrics are applicable to its circumstances and constitute material information, and therefore enable it to meet the objective for disclosures on metrics set out in paragraph 45 of IFRS S1. An entity using the TNFD disclosure metrics as a source of guidance, for example, will need to use judgement to select metrics appropriate for its circumstances from the metrics available within the TNFD framework. Similarly, an entity will need to apply judgement in disclosing the additional cross-industry metrics proposed in the Exposure Draft, including how best to aggregate or disaggregate the information. The SASB Standards can help support an entity's judgement in identifying applicable metrics, but

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ultimately an entity may conclude that the metrics in the SASB Standards are not applicable to its circumstances. Paragraph 74 of IFRS S1 requires an entity to disclose information related to the judgements that it has made.

BC204 Further to the proposals in the Exposure Draft, the ISSB noted that its ongoing work to enhance the SASB Standards is also a means of enhancing nature-related disclosures, including metrics. In the Project on Enhancing the SASB Standards, for example, the ISSB is considering whether the metrics in the SASB Standards address industry-specific risks and opportunities arising from agricultural entities' dependencies on land use or soil condition in different geographies. The ISSB is drawing from the TNFD disclosure metrics where relevant in this project to address common user information needs.

BC205 In the light of differing views on users' information needs related to cross-industry metrics, the ISSB considered the evidence of common user need to be inconclusive and decided not to propose further nature-related metrics that might be applicable to all entities regardless of industry at this time. However, the ISSB will continue to monitor the need for such metrics, benefiting from application of the proposed requirements, maturation of market practice, increased data availability and quality, and further experience with TNFD disclosure metrics. The ISSB's focused approach related to proposals for metrics in this Exposure Draft is aimed at facilitating timely improvements to nature-related disclosures and reducing fragmentation of disclosure requirements on nature-related risks and opportunities.

Nature-related targets

BC206 Paragraph 34 of the Exposure Draft specifies the information about nature-related targets that an entity would be required to include in the information it provides to meet the requirements in paragraph 51 of IFRS S1. Targets allow an entity to quantify and communicate its actions and degree of ambition for its response to, and plans to respond to, nature-related risks and opportunities. According to the ISSB's research, users of general purpose financial reports identified information on an entity's nature-related targets as essential in assessing its progress and performance towards operational, strategy and risk management goals. Information about targets, and performance against those targets, provides users with important information about an entity's nature-related risks and opportunities and the likely effect on its prospects.

BC207 There is a variety of types of nature-related targets an entity might set, depending on the nature-related risk or opportunity in question and the entity's degree of control over the chosen indicator. Nature-related targets might include targets relating to an entity's impacts and dependencies on nature that are sources of its risks and opportunities (for example, targets associated with land use or waste production) or targets relating to changes to an entity's business model to respond to nature-related risks and opportunities (for example, the proportion of the supply chain that is certified as deforestation-free). Because nature-related risks and opportunities are associated with particular locations, nature-related targets might also be tied

to those locations, reflecting the relevant characteristics of nature in that location.

BC208 Nature-related international agreements and related jurisdictional commitments can be a relevant factor in developing an entity's response to its nature-related risks and opportunities and setting relevant targets. The Convention on Biological Diversity, and the Kunming-Montreal Global Biodiversity Framework adopted under that Convention, are the most prominent international agreements. The Convention on Biological Diversity frames actions covered by other agreements applied to particular nature-related matters or particular ecosystems. Other regional, national and local policies and regulations can also affect activity in the locations associated with an entity's business model and value chain and might play a role in informing an entity's nature-related targets. According to the ISSB's research, understanding whether and how an entity's targets are informed by international agreements or by law or regulation relevant to the entity is useful to the decisions of users.

BC209 Paragraph 51 of IFRS S1 sets out the information an entity is required to disclose about the targets it has set to monitor progress towards achieving its strategic goals, and any targets it is required to meet by law or regulation. The information required to be disclosed about the targets includes the specific quantitative or qualitative target the entity has set or is required to meet, the entity's performance against each target and any revisions to the target.

BC210 Paragraphs 33–35 of IFRS S2 build on these requirements in the context of climate-related targets, including the requirements for an entity to disclose the objective of each target (for example, mitigation, adaptation or conformance with science-based initiatives) and how the latest international agreement on climate change (including jurisdictional commitments that arise from that agreement) has informed each target. This requirement regarding the latest international agreement on climate change is intended to help users understand whether and why the entity's climate-related targets deviate from international goals and commitments. Paragraph 36 of IFRS S2 also requires an entity to disclose specific information about its greenhouse gas emissions targets.

BC211 In accordance with IFRS S1, therefore, an entity is already required to provide information about targets that it has in place. Some ISSB members gave greater weight to the requirements already in IFRS S1 regarding targets and noted that those requirements might be sufficient for an entity to provide decision-useful information about nature-related targets to users. Nevertheless, on balance, the ISSB was of the view that nature-related targets have particular features, information about which would support user understanding of an entity's approach to managing its nature-related risks and opportunities. Information about such features is not specifically addressed in IFRS S1. Paragraph 34 of the Exposure Draft specifies particular items of information related to these features that an entity would be required to include in the information it would otherwise provide according to paragraph 51 of IFRS S1.

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BC212 The proposed items of information build on the requirement in IFRS S1 to reflect the breadth of what nature-related targets could relate to and the location-related information associated with nature-related targets. The proposals also address the role of laws and regulations in influencing an entity's nature-related targets, including laws and regulations resulting from international agreements.

BC213 The ISSB considered whether it was necessary to introduce a requirement on how specific international agreements and jurisdictional commitments arising from those agreements have informed an entity's targets, as is required to be disclosed by paragraph 33(h) of IFRS S2 for climate. For climate change, there is a common international agreement and nationally defined contributions that arise from that agreement. In contrast, there is a range of nature-related agreements, and jurisdictional commitments, laws and regulations resulting from them, that might be relevant to entities and that might give rise to nature-related risks and opportunities.

BC214 Information about compliance with nature-related laws and regulations, including those resulting from any international agreements and jurisdictional commitments, is relevant to users' understanding of the effects of nature-related risks and opportunities on the entity's prospects. But rather than focusing only on international agreements and related jurisdictional commitments and whether and how they inform an entity's nature-related target, paragraph 34(c) of the Exposure Draft proposes a requirement for an entity to include information about whether and how a nature-related target has been informed by law or regulation more broadly. This approach is conceptually consistent with the approach in IFRS S2—which requires an entity to disclose specific information about climate-related targets in addition to the general requirements in IFRS S1—but the language of the proposed requirement is specific to the context of nature-related targets, in that they can be informed by a variety of laws and regulations, including those related to different environmental resources and associated benefits.

BC215 The ISSB also considered whether to propose requirements for an entity to disclose information about targets related to particular nature-related impacts and dependencies that give rise to an entity's nature-related risks and opportunities. Such requirements would be consistent with the approach in IFRS S2 that focuses on an entity's greenhouse gas emissions targets. However, in contrast to climate, nature-related targets are a broad category, reflecting the different aspects of nature, an entity's dependencies and impacts related to these aspects, and the nature-related risks and opportunities that could reasonably be expected to affect its prospects. Therefore, the ISSB decided not to propose disclosure requirements on targets specific to some aspects of nature, but instead to specify the type of information to be disclosed about nature-related targets, including a description of what the target relates to and information about location-specific aspects of the target and its objective.

BC216 The ESRS environmental standards on topics beyond climate change require an entity to disclose similar information about its targets in relation to pollution, water, and biodiversity and ecosystems. The proposals would therefore support interoperability with the ESRS, improving efficiency for entities applying the Practice Statement and those standards.

BC217 The proposed requirements are intended to provide information about nature-related targets that address common user information needs. The requirements reflect the importance of information about nature-related targets, including how these are informed by law or regulation, in assessing an entity's nature-related risks and opportunities. At the same time, the proposals recognise that nature-related risks and opportunities might arise from a range of laws, regulations and agreements, and that related targets might address a broad spectrum of nature-related matters. The proposals are therefore designed to enable application in a variety of circumstances.

Statement of compliance

BC218 The ISSB proposes that an entity whose sustainability-related financial disclosures comply with all the requirements of IFRS Sustainability Disclosure Standards and all the requirements of the Practice Statement would be required to make an explicit and unreserved statement of compliance with IFRS Sustainability Disclosure Standards and the Practice Statement. This proposed requirement is relevant for an entity wanting to assert compliance with the Practice Statement.

BC219 As explained in paragraph BC39, an entity applying IFRS Sustainability Disclosure Standards would not be required to comply with the Practice Statement to assert compliance with IFRS Sustainability Disclosure Standards.

BC220 The ISSB noted that an entity's considerations in preparing its sustainability-related financial disclosures and the information it disclosed could differ depending on whether it applied IFRS Sustainability Disclosure Standards with or without the Practice Statement. For example, the proposed requirements in the Exposure Draft emphasise particular considerations not specified in IFRS Sustainability Disclosure Standards to support an entity in identifying nature-related risks and opportunities. The Exposure Draft also proposes that an entity would be required to disclose the amount and percentage of assets or business activities vulnerable to nature-related risks. An entity applying IFRS S1, IFRS S2 and the Practice Statement would be required to disclose that information if it is material. However, if that entity applied only IFRS S1 and IFRS S2, it would not be required to disclose such information. Although the provision of such information is consistent with the objective and requirements in IFRS Sustainability Disclosure Standards, it is not specifically required by these Standards. In these two cases, the entity would be unlikely to provide the same disclosures but would be able to assert compliance with IFRS Sustainability Disclosure Standards.

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BC221 Therefore, the ISSB concluded that it would be useful for users of general purpose financial reports to know whether an entity has complied with the Practice Statement to understand the basis of preparation of the entity's sustainability-related financial disclosures. Such information would also ensure that if information is subject to assurance there is a clear basis of preparation to support the assurance assessment and regulatory supervision of disclosures. A statement of compliance also enables an entity to explain that its disclosures benefit from the requirements in the Practice Statement that are designed to ensure nature-related disclosures are decision-useful and comparable.

BC222 The ISSB is also proposing that an entity preparing its sustainability-related financial disclosures applying the Practice Statement would be prohibited from describing disclosures as complying with the Practice Statement unless the entity complies with all the requirements of the Practice Statement and all the requirements of IFRS Sustainability Disclosure Standards. In the ISSB's view, requiring an unreserved statement of compliance and preventing an entity from asserting partial compliance with the Practice Statement is necessary to:

(a) provide clarity about how an entity's sustainability-related financial information is prepared;

(b) avoid costs for entities related to explaining which requirements of the Practice Statement the entity's sustainability-related financial disclosures do not comply with (if any), and the reasons for not complying with those requirements, as part of a statement of compliance; and

(c) enable users to compare two main categories of entities (that is, entities applying IFRS Sustainability Disclosure Standards only and entities applying both IFRS Sustainability Disclosure Standards and the Practice Statement) without the need to consider possible variations in the degree of application of the proposed requirements.

BC223 Nevertheless, the ISSB noted that as long as an entity does not assert compliance with the Practice Statement, the entity could choose to start applying some aspects of the Practice Statement. The ISSB also noted that in applying the Practice Statement, consistent with applying IFRS Sustainability Disclosure Standards, information is only required if material. Consequently, if an entity applies the Practice Statement and determines that application of particular requirements would not result in material information, the entity could assert compliance with the Practice Statement without disclosing that information.

BC224 The proposals also specify exemptions that an entity would be permitted to use in relation to information that is otherwise required by the Practice Statement and specify that use of the exemptions would not prevent an entity from asserting compliance with the Practice Statement. The Practice Statement would relieve entities from disclosing information otherwise required by the Practice Statement if law or regulation prohibits the entity from disclosing that information. It would also relieve an entity from

disclosing information about a nature-related opportunity otherwise required by the Practice Statement if that information is commercially sensitive as described in paragraph B35 of IFRS S1.

BC225 The ability to assert compliance with the Practice Statement when using these exemptions is consistent with paragraph 73 of IFRS S1. The proposals would also require an entity to disclose specific information if it applies the exemptions and specifies the circumstances in which the exemption related to commercially sensitive information would be permitted to be used, consistent with the requirements in paragraphs B33–B37 of IFRS S1.

BC226 The ISSB decided to specify these exemptions in the Practice Statement because the exemptions in paragraph 73 of IFRS S1 apply to the disclosure of information required by an IFRS Sustainability Disclosure Standard and therefore would not apply to information required by the Practice Statement. The ISSB noted that the same rationale for the exemptions in IFRS S1 applies to the Practice Statement (see paragraphs BC76–BC84 of the Basis for Conclusions on IFRS S1).

Application date and transition

BC227 The ISSB proposes that the Practice Statement would be available for use from the date of its issuance, and the proposals specify that the date when an entity first applies the Practice Statement would be the date of initial application of the Practice Statement. The proposals specify that the date of initial application must be the beginning of an annual reporting period.

BC228 For example, if the IFRS Practice Statement is issued on 28 February 20X1, an entity that is preparing sustainability-related financial disclosures for a 31 December 20X0 reporting date would be able to apply the IFRS Practice Statement to report information for the annual reporting period ending 31 December 20X0. In this case, the date of initial application of the IFRS Practice Statement would be 1 January 20X0.

BC229 In the ISSB's view, it is important to specify the date when the Practice Statement would be available for use by an entity and available for adoption by a jurisdiction that chooses to allow, or require use of, the Practice Statement. Such a date would provide clarity about when the Practice Statement can first be applied. In requiring use of the Practice Statement, a jurisdiction would need to determine the date from which entities would be required to apply the requirements, considering jurisdictional circumstances, including the time necessary for entities in the jurisdiction to prepare information in accordance with the Practice Statement and the urgency of users' need for comparable information about nature-related risks and opportunities.

BC230 The ISSB acknowledged that entities that choose to apply the Practice Statement, or are required to do so, would need time to adjust their internal procedures to ensure that they are able to comply with the requirements in the Practice Statement. The time needed would depend on an entity's facts and circumstances, such as its size, industry and resources available to the entity, as well as its current approach to nature-related disclosures. The ISSB

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also noted that the Exposure Draft proposes proportionality mechanisms to support entities in applying the Practice Statement.

BC231 However, the ISSB decided to propose that the Practice Statement be available for use at its issuance date, including in preparing sustainability-related financial disclosures for reporting periods beginning before the issuance date (see the example in paragraph BC228). Making the Practice Statement available for use at its issuance date would mean that entities that are prepared and want to apply the Practice Statement upon its issuance could do so at that time. Such entities might include those that are more advanced in nature-related disclosures or those already preparing nature-related disclosures in compliance with the requirements in IFRS S1, with these latter entities applying the incremental requirements in the Practice Statement to support the provision of high-quality information. The ISSB noted that this approach is preferable to setting a distant application date for the Practice Statement and that availability of the Practice Statement for use upon issuance would not disrupt implementation of IFRS S1 and IFRS S2 because an entity is not required to apply it to assert compliance with IFRS Sustainability Disclosure Standards. Making the Practice Statement available from its issuance date would also help to reduce fragmentation of reporting and enable more timely improvements in the decision-usefulness and cost-effectiveness of nature-related disclosures.

BC232 The proposals also specify that an entity would be permitted to apply the Practice Statement if the entity applies IFRS S1 and IFRS S2 at or before the date of initial application of the Practice Statement. The Practice Statement builds on IFRS S1 and IFRS S2 and is structured with the assumption that the requirements in those Standards are also being applied (see paragraph BC27). The proposals therefore provide clarity that an entity would not be permitted to apply the Practice Statement before it applies IFRS S1 and IFRS S2 or in isolation of those Standards.

BC233 The proposed requirement that IFRS S2 would be applied in addition to IFRS S1 reflects that all entities applying IFRS Sustainability Disclosure Standards are required to disclose information about climate-related risks and opportunities in accordance with IFRS S2 from when they first apply IFRS S1. The Exposure Draft proposes that entities that have elected to limit reporting to climate-related risks and opportunities in the first annual reporting period in which they apply IFRS S1 would not be permitted to apply the Practice Statement for that reporting period. This proposal is necessary because such entities would be applying the requirements in IFRS S1 only to the extent that these requirements relate to the disclosure of information on climate-related risks and opportunities. (See paragraph E5 of IFRS S1.)

BC234 The ISSB also proposes that an entity would not be required to provide the disclosures specified in the Practice Statement for any period before the date of initial application of the Practice Statement. Accordingly, an entity would not be required to disclose comparative information for the disclosures specified in the Practice Statement in the first annual reporting period in which the entity applies the Practice Statement.

BC235 IFRS S1 and IFRS S2 also do not require an entity to provide the disclosures specified in the Standards for any period before the date of the initial application of the Standards. In the ISSB's view, the proposal to provide a similar relief for an entity applying the Practice Statement builds on considerations similar to those the ISSB took into account in developing IFRS S1 and IFRS S2.

BC236 This relief would enable an entity to report in accordance with the Practice Statement for the first annual reporting period in which it applies the requirements without including comparative information from prior reporting periods. An entity applying this relief would instead include comparative information in applying the Practice Statement starting from subsequent reporting periods. If an entity were required to disclose comparative information in the first annual reporting period it applies the Practice Statement, the requirement might result in entities delaying application to enable time to collect the necessary information. The relief would therefore enable earlier application of the Practice Statement and therefore provide users of general purpose financial reports with the information they need sooner than if comparative information were required in the first annual reporting period.

BC237 The Exposure Draft specifies that this relief would apply only to disclosure of comparative information that would be provided in accordance with the Practice Statement and not to disclosure of comparative information required by IFRS Sustainability Disclosure Standards.

Expected effects of the proposed requirements

BC238 The ISSB is committed to assessing and explaining its views about the likely costs of implementing new requirements and the likely ongoing application costs and benefits of the new requirements.

BC239 After making its decisions on technical matters, the ISSB considered the likely costs and benefits (collectively referred to as 'effects') associated with the proposed requirements. This approach is consistent with the requirement in paragraph 6.7 of the *Due Process Handbook*. Analysis of the effects is mainly qualitative, instead of quantitative, because of the challenges and subjective nature of quantifying costs or benefits in this type of analysis. Initial and ongoing costs and benefits are likely to affect different parties in different ways. This analysis is of the likely effects of the proposed requirements, because the actual effects cannot be known before entities apply the Practice Statement. Feedback from respondents on the Exposure Draft will provide additional information about the likely costs and benefits.

Likely effects on the quality of sustainability-related financial reporting

BC240 In assessing how the proposed requirements are likely to affect the quality of sustainability-related financial reporting, the ISSB identified these expected improvements:

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(a) enhanced specificity of disclosures (see paragraphs BC241–BC242);

(b) improved understanding of scope and completeness of disclosures (see paragraph BC243);

(c) provision of more connected information (see paragraph BC244); and

(d) confidence in the information provided (see paragraph BC245).

Enhanced specificity of disclosures

BC241 Users of general purpose financial reports have expressed a need for specific information on nature-related risks and opportunities that could reasonably be expected to affect an entity's prospects. The Practice Statement supports an entity in providing information about its nature-related risks and opportunities through proposed requirements that are incremental to the requirements in IFRS S1 and IFRS S2. In many cases, the proposed requirements specify how to apply particular requirements in IFRS S1 in the context of nature-related risks and opportunities, without expanding the scope of the information required by that Standard. The ISSB expects the application of the Practice Statement to enhance comparability and specificity in nature-related financial disclosures compared to voluntary frameworks. In addition, compared to an entity that applies IFRS S1 and IFRS S2 alone, application of IFRS S1, IFRS S2 and the Practice Statement is expected to result in the disclosure of particular, material information about its nature-related risks and opportunities. However, the ISSB noted that improvements to the comparability of information might be greater if the requirements for nature-related disclosures were issued through an IFRS Sustainability Disclosure Standard with a mandatory effective date.

BC242 To promote comparability across entities and reporting periods, the proposals require particular metrics to be disclosed—such as the amount and percentage of assets or business activities vulnerable to nature-related risks or aligned with opportunities—in addition to referring entities to sources of guidance, including the SASB Standards, and permitting the use of TNFD disclosure metrics. Although aspects of the Exposure Draft might involve trade-offs between entity-specific relevance and standardisation of information that could create some variability in disclosures, the proposed requirements (with the potential for jurisdictions to mandate the Practice Statement) support greater overall specificity, consistency and reporting rigour.

Improved understanding of scope and completeness of disclosures

BC243 Current disclosures of nature-related risks and opportunities vary significantly in the content and presentation of information under multiple standards and frameworks. The Practice Statement encompasses all nature-related risks and opportunities instead of particular nature-related topics or disclosures limited to particular industries. Any entity applying the Practice Statement would provide information about all nature-related risks and opportunities that could reasonably be expected to affect its prospects if that information is

material, rather than the proposed requirements resulting in information from entities in specific industries or information about nature-related risks and opportunities related to specific topics. An entity that asserts compliance with the Practice Statement would be required to comply with all requirements and disclose all material information, preventing the selective disclosure often seen in accordance with voluntary reporting. The ISSB expects that the proposed requirements and defined terms and concepts will support entities in understanding the scope of all nature-related risks and opportunities for disclosure that meets the objectives of IFRS S1.

The provision of more connected information

BC244 Users emphasised the need for connected disclosures, including information enabling users to understand connections between climate-related and nature-related risks and opportunities. By building on IFRS S1 and IFRS S2, the proposed requirements reduce fragmentation and support the provision of connected information between nature-related risks and opportunities and other sustainability-related matters. The Practice Statement also specifies disclosure of particular information that can enable users to understand the connections between an entity's climate- and nature-related risks and opportunities. This approach would facilitate an entity assessing and providing connected information for all its sustainability-related risks and opportunities in a single report, prepared in accordance with IFRS Sustainability Disclosure Standards.

Confidence in the information provided

BC245 Current disclosures of nature-related information often lack characteristics of useful sustainability-related financial information such as verifiability. Entities would be required to apply all the requirements in IFRS S1, IFRS S2 and the Practice Statement to make an explicit, unreserved statement of compliance. Disclosures that include this statement of compliance would provide users with confidence in the completeness of information, which is expected to facilitate better analysis. The proposed requirements are structured to be capable of being subject to assurance, supporting the quality of the information provided.

Likely benefits

Likely benefits for users of general purpose financial reports

BC246 Overall, the Practice Statement is designed to address the common information needs of users of general purpose financial reports regarding an entity's nature-related risks and opportunities, identified through the ISSB's research. Information disclosed in accordance with the Practice Statement is therefore expected to support users' assessment of an entity's prospects and better inform decision-making about providing resources to the entity. Unlike standards and frameworks developed for multi-stakeholder information needs, IFRS Sustainability Disclosure Standards and the Practice Statement focus exclusively on the common information needs of users and are designed for the disclosure of information in connection with the related financial

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statements. The Practice Statement, designed to be applied together with IFRS Sustainability Disclosure Standards, includes requirements for the disclosure of information subject to the concepts in IFRS S1, such as materiality and the qualitative characteristics of useful sustainability-related financial information.

Likely benefits for entities

BC247 The proposed requirements would address known challenges for entities in providing nature-related financial information by setting out the aspects of nature-related risks and opportunities relevant to identifying those risks and opportunities and disclosing material information about them. The Practice Statement is designed to be applied together with IFRS Sustainability Disclosure Standards, supporting entities in streamlining their reporting processes and resulting disclosures.

BC248 Most jurisdictions requiring sustainability reporting require the provision of information about all sustainability-related risks and opportunities, not only climate-related risks and opportunities, either now or at a future date. Accordingly, if nature-related risks and opportunities could reasonably be expected to affect an entity's prospects, entities are required to provide material information about those risks and opportunities to comply with IFRS Sustainability Disclosure Standards. The Practice Statement, therefore, would support entities to meet such reporting requirements.

Likely benefits for jurisdictions

BC249 The improvements in the quality of financial reporting expected to result from the use of the Practice Statement would:

(a) better inform decision-making by users related to providing resources to entities in those jurisdictions where the Practice Statement is mandated or voluntarily applied;

(b) be particularly beneficial for jurisdictions if entities' exposure to nature-related risks and opportunities is important to a jurisdiction's economy or trade relationships; and

(c) provide a basis for mandating the use of the Practice Statement and could encourage local regulators to do so.

BC250 The Practice Statement's non-mandatory status would allow jurisdictions to adopt it at an appropriate time alongside implementation of IFRS S1 and IFRS S2 (see paragraph BC38). Compared to a new Standard that was mandatory and which an entity would be required to apply to assert compliance with IFRS Sustainability Disclosure Standards, the Practice Statement would support high-quality, decision-useful nature-related disclosures without disrupting ongoing jurisdictional implementation efforts. Although the ISSB has not proposed mandating use of the Practice Statement to assert compliance with IFRS Sustainability Disclosure Standards, it has been designed to be suitable for mandatory application. The effect of application of a Practice Statement for an entity's financial reporting is the same as application of an IFRS Sustainability Disclosure Standard.

BC251 The Practice Statement also sets out proportionality mechanisms (described in paragraphs BC54–BC57) to support the application of the proposed requirements in different jurisdictions, considering the range of capabilities and preparedness of entities around the world.

Likely costs

Likely costs for entities

BC252 Surveys show that providing information about nature-related risks and opportunities can be resource-intensive for entities, with major cost drivers including data acquisition, collection, specialised tools, internal systems and capacity, external advisory services and assurance processes.[28] Initial and recurring costs for entities vary by sector, geography, reporting maturity and value chain complexity.

BC253 Entities already disclosing information about nature-related risks and opportunities, particularly those applying IFRS S1 and IFRS S2, are expected to leverage existing systems and processes, resulting in limited additional costs from application of the Practice Statement. Entities new to nature-related disclosures might face higher upfront costs for collecting data, building internal capability and assessing value chains. If an entity plans to or is required to assure its disclosures, additional costs may also arise, including because of the new aspects of the requirements or local limitations of assurance capabilities.

BC254 For all entities applying the Practice Statement, and particularly to support those new to disclosing nature-related information, proportionality mechanisms are set out for specific requirements for an entity to use all reasonable and supportable information that is available to it at the reporting date without undue cost or effort. Proportionality mechanisms for specific requirements would also require an entity to apply the requirements in a manner commensurate with its skills, capabilities and resources. These proportionality mechanisms recognise that an entity's circumstances may change over time and enable an entity to continue to improve its capabilities and strengthen its reporting.

BC255 Furthermore, the Practice Statement is designed to leverage sources of guidance to mitigate the initial and ongoing costs entities might incur. The references to these sources of guidance are expected to reduce the additional cost of applying the Practice Statement relative to applying IFRS Sustainability Disclosure Standards without the Practice Statement. This is because, in applying the Practice Statement, entities would be able to continue using metrics they might already be using as long as the disclosures comply with all the requirements in the Practice Statement and in IFRS Sustainability Disclosure Standards. For example:

28 V Moll, 'Assessing what matters: The advantages of corporate biodiversity management implementation', KPMG and Naturalis, 2024, https://assets.kpmg.com/content/dam/kpmgsites/nl/pdf/2024/services/thoughtleadership-reporting-biodiversity-kpmg-naturalis.pdf.coredownload.inline.pdf.

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(a) entities would continue to be required to refer to and consider the applicability of relevant nature-related disclosure topics and metrics in the SASB Standards to identify nature-related risks and opportunities and provide material industry-specific information about them, thereby avoiding duplication of information and additional complexity;

(b) entities would continue to be permitted to refer to and consider the ESRS and the GRI Standards as sources of guidance to the extent that they assist an entity in meeting the objective of IFRS S1 and their use does not conflict with IFRS Sustainability Disclosure Standards, thereby supporting continued interoperability and reducing fragmentation; and

(c) entities would newly be permitted to refer to and consider the TNFD disclosure metrics as a source of guidance to the extent that they assist an entity in meeting the objective of IFRS S1 and their use does not conflict with IFRS Sustainability Disclosure Standards or the Practice Statement, thereby enabling entities that already use the TNFD framework to build from their current reporting practices when applying the Practice Statement.

BC256 Taken together, the requirements in IFRS S1 and the Practice Statement share many features with the TNFD recommendations. Therefore, the ISSB expects that entities that already apply the TNFD recommendations will be particularly well prepared to apply the Practice Statement.

BC257 The ISSB expects many of the costs of applying the Practice Statement would also arise in applying IFRS Sustainability Disclosure Standards, which already encompass nature-related risks and opportunities. Over time, these costs are expected to be offset by long-term benefits such as enhanced access to capital. The Practice Statement is expected to reduce variable costs in reporting information about nature-related risks and opportunities by providing structured, targeted requirements that focus on the information relevant for disclosure.

BC258 The costs of applying the proposed requirements would vary depending on the nature of the proposal. Some proposals require an entity to disclose more complex information, such as the proposed metrics and requirements on an entity's use of scenario analysis. These requirements would be more costly for an entity to apply than the proposed requirements that support application of requirements in IFRS S1 and IFRS S2. However, the existing proportionality mechanisms in IFRS S1 that are applicable in applying the Practice Statement and the proportionality mechanisms included in the Practice Statement—including for disclosure of the proposed metrics and the use of scenario analysis—are expected to mitigate such costs and support application in a manner proportionate to an entity's circumstances.

BC259 The Practice Statement need not be applied to assert compliance with IFRS Sustainability Disclosure Standards. Accordingly, subject to jurisdictional requirements, entities can decide whether to apply the Practice Statement after considering the costs and benefits of application in their own circumstances.

BC260 Overall, although the proposed requirements might result in additional costs for entities, they have been designed to address common information needs of users in a practical and efficient way.

Likely costs for users of general purpose financial reports

BC261 Application of the Practice Statement together with IFRS S1 and IFRS S2 is expected to provide users of general purpose financial reports with comparable, high-quality information on sustainability-related risks and opportunities, including specific information on nature-related risks and opportunities. Primary users might experience short-term costs in setting up new data collection or analytical systems, to use this information in their decision-making, especially if they do not already assess information on nature-related risks and opportunities.

BC262 On the other hand, users would have access to timely, comparable disclosures prepared in accordance with the Practice Statement in general purpose financial reports. This access would reduce the cost or time necessary to obtain or adjust information from disparate third-party sources or from different types of reports. The benefits of readily accessible and comparable data might not be fully realised in the short term as entities build capacity and implement the Practice Statement. In the medium and long term, however, the requirements are expected to reduce user search costs and improve capital market efficiency.

Overall assessment of the likely benefits compared to the likely costs

BC263 In the ISSB's view, the likely benefits from expected improvements to sustainability-related financial reporting are expected to outweigh the likely costs of implementing and applying the Practice Statement. Although some entities might incur initial and ongoing costs, the ISSB took a measured approach to standard-setting, including by setting out proportionality mechanisms that reflect the range of capabilities and preparedness of entities to disclose information about nature-related risks and opportunities (as described in paragraphs BC49–BC57). Entities can also realise cost efficiencies by using data, systems and processes developed for climate-related disclosures or other nature-related information disclosed in accordance with the TNFD framework, the ESRS or the GRI Standards. Jurisdictions are expected to benefit from the option to require use of the Practice Statement at an appropriate time alongside implementation of IFRS S1 and IFRS S2. For users, although they might experience initial costs in analysis, these costs are expected to lessen over time as application continues.

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BC264 The proposed requirements are consistent with the scope and objective of IFRS S1 and specify considerations for, and information to be disclosed about, nature-related risks and opportunities. The proposed requirements build on IFRS S1 and IFRS S2 to minimise reporting burden, avoid duplication and reduce the need for new disclosure processes. The Exposure Draft proposes to introduce only a limited number of additional disclosure requirements, designed to address specific nature-related common information needs of users identified through the ISSB's research. The ISSB expects that the proposed requirements will result in more specific, complete and connected disclosures about nature-related risks and opportunities that could reasonably be expected to affect an entity's prospects.



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