

---

## ISSB Meeting

Date	<b>February 2026</b>
Project	<b>Biodiversity, ecosystems and ecosystem services</b>
Topic	<b>Essential terms and concepts for standard-setting on nature-related disclosure requirements</b>
Contacts	<b>Mirieli Iputo (<a href="mailto:miriel.iputo@ifrs.org">miriel.iputo@ifrs.org</a>), Himani Phadke (<a href="mailto:himani.phadke@ifrs.org">himani.phadke@ifrs.org</a>)</b>

This paper has been prepared for discussion at a public meeting of the International Sustainability Standards Board (ISSB). This paper does not represent the views of the ISSB or any individual ISSB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS<sup>®</sup> Sustainability Disclosure Standards. The ISSB's technical decisions are made in public and are reported in the ISSB *Update*.

---

## Purpose

1. The purpose of this paper is to ask the ISSB to:
  - (a) confirm the set of terms and concepts that are essential to understanding the scope of standard-setting on nature ('essential terms and concepts'), and support understanding of nature-related disclosure requirements and comparability of disclosures. These essential terms and concepts would be included in the exposure draft for standard-setting on nature and used to articulate its scope;<sup>1</sup>
  - (b) confirm whether to define the term or concept or whether to describe the term or concept;
  - (c) provide feedback on the staff's analysis and preliminary views on how to define or otherwise describe the term or concept; and
  - (d) confirm whether to change the title of the standard-setting project.
2. At this meeting, the ISSB will be asked to vote on the staff recommendations.

---

<sup>1</sup> We note that other terms and concepts might be essential in other ways, such as for explaining particular disclosure requirements or for providing guidance. This paper does not address such terms and concepts, but these will be considered in next steps (see paragraph 65).

---

## Structure

3. This paper is organised as follows:
  - (a) background (paragraphs 4–6);
  - (b) summary of staff recommendations and preliminary views (paragraphs 7–9);
  - (c) staff analysis (paragraphs 10–51);
  - (d) staff recommendations and preliminary views (paragraphs 52–63);
  - (e) next steps and questions for the ISSB (paragraphs 64–65);
  - (f) appendix A: TNFD fundamental concepts; and
  - (g) appendix B: Essential terms and concepts identified by the staff.

## Background

4. In prior meetings, the ISSB decided to move this project from research to standard-setting in its work plan, to develop disclosure requirements to respond to the needs of primary users of general purpose financial reports for information on nature-related risks and opportunities. Standard-setting will supplement the requirements in IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* and complement guidance on nature-related risks and opportunities in the SASB Standards and the IFRS S2 *Industry-based Guidance on implementing Climate-related Disclosures*. The ISSB also decided that standard-setting will draw on the Taskforce on Nature-related Financial Disclosures (TNFD) framework.
5. At its January 2026 meeting, the ISSB decided to proceed with nature-related standard-setting on the basis that the work would cover material information on all nature-related risks and opportunities that could reasonably be expected to affect an entity's prospects instead of limiting the scope. The ISSB also decided to proceed with standard-setting assuming that an entity is applying IFRS S1 and IFRS S2 and

therefore disclosure requirements or guidance on nature-related risks and opportunities would supplement those requirements.

6. In the January 2026 [Agenda Paper 3](#), the staff identified the need to define essential terms and concepts as a key information area because investors had cited the various terms that preparers use in current nature-related disclosures and because different terms are used in various nature-related disclosure standards and frameworks. These differences in terminology make comparability, understandability, and use in investor decisions more difficult. Thus, there is a need for consistent understanding of terms used in nature-related disclosures. Additionally, ISSB Standards do not address explicitly standardised nature-related terminology. Standardised terminology is relevant for clarifying the scope of disclosure, to understand entities' risks and opportunities and to aid preparers' understanding when using ISSB materials. Standardised terminology is also important in the context of information that is subject to assurance. In the January paper, we highlighted key questions to address about terminology, concepts and the scope for standard-setting on nature. This paper begins to address some of those questions:
- (a) What defined terms and concepts are necessary to establish a clear scope for nature-related disclosures, to aid understanding of the requirements and to improve comparability of disclosures?
  - (b) Are there particular considerations from IFRS S1 and IFRS S2 including our learnings from application that are relevant to consider?
  - (c) To what extent can we draw on TNFD terminology and definitions?

## Summary of staff recommendations and preliminary views

7. The staff recommends that these terms and concepts are essential to understanding the scope of the ISSB's nature-related disclosure requirements and be addressed by the ISSB by:

- 
- (a) defining ‘nature-related risks’, ‘nature-related physical risks’, ‘nature-related transition risks’, and ‘nature-related opportunities’, which together constitute the scope of the project;
  - (b) describing ‘dependencies on nature’ and ‘impacts on nature’, that is, the channels through which nature-related risks and opportunities arise, including impact drivers; and
  - (c) describing ‘nature’ and ‘ecosystems’, and defining ‘ecosystem services’ and the concept of ‘environmental assets’. These terms describe the types of resources and relationships an entity interacts with throughout its value chain that it would assess in identifying its nature-related risks and opportunities.
8. The staff’s views are that nature-related risks and opportunities, nature-related physical risks, nature-related transition risks, ecosystem services, and the concept of environmental assets should be defined in the prospective exposure draft. The other terms mentioned in paragraph 7 are important to understand scope and to aid understanding of nature-related disclosure requirements, but the staff’s view is that the ISSB should describe these terms when explaining the scope of disclosure requirements or in related guidance (such as in application guidance).
9. The staff also recommend changing the project title to ‘Nature-related Disclosures’.

## Staff analysis

### ***Understanding the scope of standard-setting for nature-related disclosures***

10. In this section of the analysis, we aim to identify a set of terms and concepts that would be essential to understanding the scope of sustainability-related risks and opportunities to which an entity would need to apply requirements for nature-related disclosures. Put differently, in this section we aim to answer the question ‘what is a nature-related risk or opportunity?’ To answer this question, we considered:

- (a) how this scoping would build on the objective and scope of IFRS S1; and
- (b) terms and concepts highlighted in chapter two of the TNFD recommendations, ‘Foundations for understanding nature and business’.<sup>2</sup>

11. We then analyse the definitions of these essential terms and concepts with reference to the TNFD and other materials, in the next section of the analysis—see *Assessing whether to define terms and concepts*.

### *How IFRS 1 explains sustainability-related risks and opportunities*

12. Paragraph 1 of IFRS S1 states the objective of the Standard. Paragraphs 2 and B2 of the Standard then explain why and how information about sustainability-related risks and opportunities is useful to primary users of general purpose financial reports (primary users) [emphasis added]:

1 The objective of IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information is to require an entity to disclose information about its **sustainability-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.

2 Information about sustainability-related risks and opportunities is useful to primary users because an **entity’s ability to generate cash flows** over the short, medium and long term is inextricably linked to the **interactions between the entity** and its stakeholders, society, the economy and the **natural environment** throughout the entity’s **value chain**. Together, the entity and the **resources and relationships** throughout its value chain form an interdependent system in which the entity operates. The entity’s **dependencies** on those resources and relationships and its **impacts** on those resources and relationships give rise to sustainability-related risks and opportunities for the entity.

...

B2 An entity’s sustainability-related 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—which can be direct and indirect—result from operating an entity’s **business model** in pursuit of the entity’s strategic purposes and from the **external environment** in which the entity operates. These interactions take

---

<sup>2</sup> See pages 24–39 of *Recommendations of the Taskforce on Nature-related Financial Disclosures* (TNFD recommendations), 2023, <https://tnfd.global/wp-content/uploads/2023/08/Recommendations-of-the-Taskforce-on-Nature-related-Financial-Disclosures.pdf?v=1734112245>.

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**—contributing to the **preservation, regeneration and development** of those resources and relationships or to their **degradation and depletion**. These dependencies and impacts might give rise to sustainability-related risks and opportunities that could reasonably be expected to affect an entity's cash flows, its access to finance and cost of capital over the short, medium and long term.

13. IFRS S1 requires an entity to provide information about sustainability-related risks and opportunities and to prepare sustainability-related financial disclosures. Sustainability-related financial disclosures are defined in IFRS S1 as ‘a particular form of general purpose financial report[s] that ‘provide[s] information about the reporting entity’s sustainability-related risks and opportunities...’ Accordingly, we frame the scope of prospective ISSB requirements for disclosing nature-related information in terms of ‘nature-related risks and opportunities’, thus a subset of ‘sustainability-related risks and opportunities’ used in the objective and scope of IFRS S1 and consistent with the ISSB’s decisions in January 2026. We also note that this framing is consistent with the objective and scope of IFRS S2, which requires information about a subset of sustainability-related risks and opportunities, namely climate-related risks and opportunities—see Table 1 in Appendix B. The TNFD also refers to nature-related risks and nature-related opportunities, which is useful for the ISSB’s approach in drawing on the work of the TNFD.

*How the TNFD explains the relationship between business and nature*

14. The staff then considered what distinguishes nature-related risks and opportunities from the broader category of sustainability-related risks and opportunities. In the context of a business, the TNFD explains that nature-related risks and opportunities arise from a business’ dependencies on nature and impacts on nature.<sup>3</sup> The TNFD goes on to explain that [emphasis added]:

---

<sup>3</sup> The TNFD framework uses the terms ‘business’ and ‘organisation’ where the ISSB Standards would use ‘entity’. In this paper, we retained the use of ‘business’ to accurately reflect how the TNFD explains concepts and terms before assessing how the ISSB might adapt any terms drawn from the TNFD for the purposes of standard-setting for nature-related disclosures.

---

Organisations' business activities **depend on reliable and cost-effective access to ecosystem services**. This dependence in turn affects investors' perceptions of the business's value. Organisations also have **impacts on ecosystems and their provision of ecosystem services**. These impacts may be positive or negative. Dependencies and impacts interact and compound over time, as negative impacts undermine the availability of ecosystem services on which organisations may also depend.

15. The TNFD uses the term 'ecosystem services' to describe the flow of benefits that people receive from environmental assets. The TNFD describes 'environmental assets' as natural resources which may be living or non-living, renewable or non-renewable, and include ecosystems themselves. They note that both environmental assets and ecosystem services are diverse. Environmental assets are described as including an array of *ecosystems* and stocks of resources that span what the TNFD refers to as the four realms of nature, namely the atmosphere, land, ocean and freshwater. Examples of ecosystem services include the provision of timber from a forest, pollination of crops, recreational and tourism opportunities of a forest or coral reef. Refer to Appendix A for visual representations of these concepts.
16. The TNFD framework describes a 'dependency pathway' as identifying how actual or potential changes to stocks of environmental assets and flows of ecosystem services on which a particular business activity depends affect the costs and benefits of doing business. For example, consider a coffee production company that depends on both pollination by a wild bee population that lives around its suppliers' coffee farms and the forest that provides a habitat for those bees. The bee population and the pollination service it provides are affected by land-use change, as neighbouring farmers expand their fields (external factor). This land-use change reduces the forest and number of bees (change in state of nature), which reduces the pollination service the company depends on (change in availability of ecosystem services). This could lead to a fall in supplier yields and increased costs from finding new suppliers or paying a higher price of coffee.<sup>4</sup>

---

<sup>4</sup> The example is adapted from page 21 of the TNFD's *Guidance on the identification and assessment of nature-related issues: The LEAP approach*, accessible at [Guidance on the identification and assessment of nature-related issues The TNFD LEAP approach V1.1 October2023.pdf](#).

- 
17. Regarding impacts on nature, the TNFD explains how business activities can lead to changes—which might be positive or negative—in the stocks of environmental assets or the flows of ecosystem services that can give rise to risks and opportunities for a business. The TNFD categorises *drivers of nature change* as: land, freshwater or ocean use change; resource use or replenishment; pollution or pollution removal; invasive alien species introduction or removal; and climate change. An example of such an ‘impact pathway’ is where a company extracts water from a river catchment to cool machinery (impact driver resulting from its business activity) and climate change increases the frequency of droughts (external factor). The impact driver and external factors lead to a reduction in the flow of water in the river, leading to increased sediment load and concentration of pollutants (change in state of nature). This then leads to a decline in water flow and quality, reducing the availability of clean water for the business and local communities (change in availability of ecosystem services). The business might face operational, reputational and regulatory risks as a result of its impacts and its dependence on the availability of ecosystem services. This in turn could give rise to risks and opportunities that could reasonably be expected to affect the entity’s prospects.
  18. These examples are useful when considering the scope of nature-related disclosure requirements. They illustrate how an entity can depend on and impact a variety of environmental assets and ecosystem services, how dependencies and impacts can interact and compound over time and therefore cannot be considered in isolation, and how the particular dependency or impact and resulting risks or opportunities are influenced significantly both by location and the type of activity or industry the business operates in. The examples also highlight what the TNFD categorises as ‘*nature-related physical risks*’ (for example, the reduced availability of clean water to the entity illustrated above) and ‘*nature-related transition risks*’ (for example, the regulatory or reputational risks illustrated above as local communities push back on water use by the business leading to a need to change the way in which the business uses water) that are relevant to consider.

---

*Concepts essential to understanding the scope of nature-related risks and opportunities that could reasonably be expected to affect entity prospects*

19. To consider the scope of the ISSB's work, we can consider how to draw on core concepts from the TNFD in the context of the objectives and terminology in IFRS S1 that describes the usefulness of information about sustainability-related risks and opportunities for primary users—see paragraph 12. We applied this integration of TNFD core concepts and IFRS S1 objectives and terminology in paragraphs 20–23.
20. *Nature-related risks and opportunities* arise from interactions between an entity and its natural environment throughout its value chain. These interactions take place within an interdependent system, in which the entity depends on resources and relationships throughout its value chain to generate cash flows and affects those resources and relationships through its activities and outputs. In the context of sustainability-related risks and opportunities that would be in the scope of an entity's nature-related disclosures (i.e., nature-related risks and opportunities), the resources and relationships referred to are the entity's *dependencies and impacts on environmental assets and ecosystem services*. The entity's activities and outputs might contribute to the preservation, regeneration, development, degradation or depletion of environmental assets and ecosystem services. It is essential for an entity to understand these interactions in order to identify nature-related risks and opportunities that arise from its dependencies and impacts on environmental assets and ecosystem services.
21. An entity would need to assess whether there are nature-related risks and opportunities that could reasonably be expected to affect its prospects.<sup>5</sup> If so, the entity would provide material information about those nature-related risks and opportunities.<sup>6</sup> Nature-related risks and opportunities that could not reasonably be expected to affect an entity's prospects would be outside the scope of prospective requirements for nature-related disclosures, consistent with IFRS S1 paragraph 6.

---

<sup>5</sup> Its cash flows, its access to finance and cost of capital over the short, medium and long term.

<sup>6</sup> The entity would have available to it the reliefs and proportionality mechanisms set out in IFRS S1 paragraph B6 related to identifying nature-related risks and opportunities and to determine the scope of its value chain.

- 
22. Tables 1 and 2 in Appendix B list the terms and concepts that the staff view as essential for the ISSB to explain the scope of prospective requirements for nature-related disclosures based on the analysis in paragraphs 13–21.<sup>7</sup> We include the definitions of the terms as they appear in the TNFD’s Glossary of Terms (TNFD glossary) along with relevant extracts from the TNFD recommendations that further describe these terms.<sup>8,9</sup> We have also presented analogous terms from IFRS S2 alongside these terms and concepts where applicable.
23. We note that based on the TNFD conceptual foundations, the climate is part of nature and there are connections between climate-related risks and opportunities and nature-related risks and opportunities. For example, climate change is a driver of nature change. However, nature-related disclosures are not intended to replace requirements for disclosing material information about climate-related risks and opportunities. An entity would continue to refer to IFRS S2 for requirements to disclose material information about climate-related risks and opportunities. The prospective requirements for nature-related disclosures are intended to be supplemental to existing requirements in ISSB Standards—see paragraph 4. Where climate-related information is also connected to information about other nature-related risks and opportunities, an entity will need to consider the requirement in IFRS S1 paragraph 21(b) in the context of any prospective requirements for nature-related disclosures. Refer to the February 2026 Agenda Paper 3B for further staff analysis of connections between climate-related information and nature-related information.

---

<sup>7</sup> See *italicised* words in those paragraphs for context. We also include the term ‘nature’ in Table 2 in Appendix B because of its use in describing nature-related risks and opportunities and for the reasons outlined in the section *Assessing whether to change the project title*.

<sup>8</sup> 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>.

<sup>9</sup> We note that terms in the TNFD glossary come from other well-established sources, for example the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services and the Natural Capital Protocol. We refer to the definitions in the TNFD glossary as ‘TNFD definitions’ for brevity. Refer to the TNFD glossary for the source of each term.

---

**Assessing whether to define terms and concepts***Analytical approach*

24. In this section of the analysis, we discuss the approach we used to assess whether it would be necessary for the ISSB to define the proposed essential terms and concepts. In other words, we assessed whether these terms or concepts would need to be included in an appendix of defined terms. An alternative to defining these terms and concepts would be to simply describe them to improve understandability of the scope of disclosures. As a comparison, IFRS S1 describes but does not define sustainability-related risks and opportunities whereas IFRS S2 defines climate-related risks and opportunities.
25. For each essential term or concept, the staff reviewed its definition in the TNFD glossary and considered whether it is already used in IFRS S1 or IFRS S2, or is similar to other terms or concepts used in these Standards. We expect that it might not be necessary for the ISSB to define a term or concept if it is already used in these Standards in a way that is sufficiently clear and appropriate given the intended understanding of that term.
26. We also considered the extent to which the ISSB might need to adapt the definition from the TNFD glossary to be compatible with ISSB Standards. We anticipate that some terms or concepts drawn from the TNFD might only require minor changes so that the definitions would be more consistent with terminology in IFRS S1 and IFRS S2. An example of this would be replacing terms such as ‘an organisation’ with ‘an entity’. We assessed whether more substantial changes could be needed when drawing on a definition from the TNFD glossary by considering whether the definition is aligned with the perspective of the primary users of general purpose financial reports. In other words, if there are indications that a definition in the TNFD glossary is designed to meet a multi-stakeholder objective that goes beyond the objectives and scope of ISSB Standards—or might easily be perceived to go beyond the scope of ISSB Standards—the ISSB would need to carefully consider how to draw on that

definition. Similarly, we also assessed whether the definitions in the TNFD glossary are framed in a policy-neutral manner, which would be consistent with ISSB Standards. Consideration is also given to whether the terminology is capable of being readily understood and applied by those who are not nature subject-matter experts.

27. We also considered whether there is a risk that the term or concept is ambiguous or could result in conflicts from an interoperability or connectivity perspective. This could be due to, for example:
- (a) similar terms or concepts being used in other sustainability reporting standards—such as the Global Reporting Initiative (GRI) Standards and the European Sustainability Reporting Standards (ESRS)—that might have definitions that differ from the TNFD, which might affect interoperability if the ISSB were to use the definition.<sup>10</sup>
  - (b) whether similar terms or concepts are used in generally accepted accounting principles or practices (GAAP) that are used to prepare an entity’s related financial statements, but might have a different meaning in an accounting context.<sup>11</sup>
  - (c) the terms or concepts being confused with—or are perceived as interchangeable with—other terms or concepts. This is a particular concern for nature-related terms that might be used colloquially but have nuance in their meaning that might not be familiar to primary users or preparers of general purpose financial reports.
28. The staff expect to use the approach described in paragraphs 25–27 to assess other terms and concepts in our analysis of other information areas for standard-setting on nature-related disclosures if that need arises. These other terms and concepts would be discussed in future ISSB meetings. Refer to the next steps in paragraph 64-65.

---

<sup>10</sup> We referred to the Draft Simplified ESRS and the related amended glossary dated November 2025 available at <https://www.efrag.org/en/draft-simplified-esrs>.

<sup>11</sup> This consideration builds on the February 2025 [Agenda Paper 3A & Agenda Paper 4 IFRS Accounting Standards—Presentation or disclosure on BEES and human capital-related matters](#) which included analysis of accounting standards that include requirements about nature-related matters.

---

*Analysis of each essential term or concept**'nature'*

29. Nature is a concept that is already referred to in ISSB Standards.<sup>12</sup> Although ISSB Standards do not define nature, it is used in a manner that seems to be compatible with the definition in the TNFD glossary. For example, paragraphs B2–B4 of IFRS S1 use the terms ‘natural environment’ and ‘natural resource’. We note that the TNFD’s explicit inclusion of people in the definition of nature might lead to confusion. For example, if the ISSB were to include people in a definition of nature for nature-related disclosures, it might cause confusion about whether other sustainability-related matters that more directly focus on people are in scope. An example of this would be the research project on human capital.
30. The term nature is also used in GAAP. This word is used in accounting standards to refer to a means of distinguishing between types of expenses in order to provide a disaggregation based on the ‘nature of the economic resources consumed’<sup>13</sup>. The term is also used in a manner closer to the focus of this paper. For example, the *Amendments to IFRS 9 Financial Instruments* and *IFRS 7 Financial Instruments: Disclosures* address contracts related to nature-dependent electricity. Those amendments do not define ‘nature-dependent electricity’. However, paragraph 2.3A of the amendments describes the scope. That description appears to be compatible with the TNFD framework, with IFRS 7 and IFRS 9 referring to electricity generation ‘from natural conditions (such as the weather)’.

---

<sup>12</sup> The staff considered the term ‘natural capital’ as an alternative to using the term ‘nature’. This term is used both in the TNFD glossary and the Integrated Reporting Framework, and is defined similarly in these sources. However, the staff note that the term ‘natural capital’ is not explicitly mentioned in ISSB Standards. ‘Capital’, as used in both the TNFD framework and IR Framework, effectively refers to what the ISSB calls ‘resources and relationships’. IFRS S1 refers to resources and relationships in the context of sustainability-related risks and opportunities broadly—see paragraph 12 above—and specifically acknowledges natural resources and relationships (paragraph B4 of IFRS 1). Similarly, IASB’s IFRS Practice Statement 1 *Management Commentary* also refers to resources and relationships in a manner consistent with IFRS S1—including providing examples of natural resources—and does not use the term ‘capital’ in this manner. In contrast, in accounting standards, capital is broadly used with a different meaning unrelated to natural capital—to refer to net assets or equity of an entity.

<sup>13</sup> For example IFRS 18 *Presentation and Disclosure in Financial Statements* requires information to be provided disaggregated either by the nature or the function of the expense and refers to expenses disaggregated by nature as ‘nature expenses’.

- 
31. Other sustainability reporting standards such as ESRS and the GRI Standards mention nature but do not include it in their glossaries as a standalone defined term. The staff note that the absence of definitions of nature in IFRS S1, IFRS S2 and other sustainability standards and frameworks might trigger the question of whether it is necessary for the ISSB to define nature. ‘Climate’ and ‘climate change’ are not defined in IFRS S2. The staff believe that there are particular aspects of this term that might warrant defining nature even though the ISSB did not define climate because *not* defining nature might lead to misunderstandings about what nature-related risks and opportunities are and thus the scope of reporting. For instance, it might not be clear whether nature-related risks and opportunities include both living and non-living aspects of nature. Also, colloquially, the term ‘biodiversity’ is sometimes perceived as being interchangeable with the term nature. However, biodiversity is a term that refers to a specific quality of nature and does not necessarily capture the breadth of information relevant for nature-related disclosures.<sup>14</sup> A simple example of this is that water-related risks and opportunities will not always be related to the biodiversity of species.
32. Refer to paragraph 61 for the staff view on whether the ISSB should define nature.
- ‘nature-related risks and opportunities’***
33. Climate-related risks and opportunities are analogous with the TNFD’s use of nature-related risks and opportunities as shown in Table 1 in Appendix B. However, the staff note that the structures of these definitions are not wholly aligned. The TNFD definitions explicitly mention that nature-related risks and opportunities arise from dependencies and impacts on nature. The definition of climate-related risk and opportunities in IFRS S2 does not explicitly refer to the potential negative or positive effects of climate change on an entity arising from impacts and dependencies on climate. Instead, the ISSB describes the link between sustainability-related risks and

---

<sup>14</sup> The TNFD glossary defines biodiversity as the variability among living organisms from all sources, including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems.

opportunities and dependencies and impacts in IFRS S1 requirements and application guidance, with IFRS S2 being applied with IFRS S1, thus creating a link to these concepts—see paragraph 12.

34. Regarding nature-related risks, the definition in the TNFD glossary does not explicitly mention the subcategories of these risks. On the other hand, IFRS S2 defines climate-related risks as being categorised into climate-related physical and transition risks. The reference to ‘wider society’ in the definition of nature-related risks in the TNFD glossary is another notable difference in the risk definitions. Although wider society can be relevant to an entity considering its impacts on nature and related risks, the prominence of this phrase in the definition of nature-related risks might cause some stakeholders to be unsure of whether the scope is broader than providing information about risks that could reasonably be expected to affect an *entity*’s prospects.
35. Regarding the definition of climate-related opportunities, IFRS S2 is policy neutral and focuses on effects on an entity’s prospects. Thus, IFRS S2 is clearly focused on the consequences for investment decision making. The Standard defines opportunities in terms of positive effects *for an entity*. Although the Standard notes the possibility that mitigation and adaptation efforts *can* produce climate-related opportunities for an entity, it is policy-neutral because it does not limit the definition to only cases in which the entity creates positive impacts on the climate or mitigates negative impacts on the climate. Based on the IFRS S2 definition, any circumstances related to climate change that create positive effects for an entity might be climate-related opportunities. In many cases positive effects on the entity and climate will align, but that might not always be the case. For example, an entity that has an opportunity to sell more of a product for which there will be demand due to climate change would be considered to have a climate-related opportunity irrespective of the effect of that product or its use on climate change. In contrast, the TNFD definition states that a nature-related opportunity is an activity that creates positive outcomes for both organisations *and* nature. Essentially the TNFD definition limits the definition to activities that create positive impacts on nature or mitigate negative impacts on nature. The IFRS S2 definition mentions both climate change mitigation *and* adaptation as leading to

potential positive effects on the entity. If the ISSB limited nature-related opportunities to those with a positive effect on nature, information about opportunities that could positively affect an entity's prospects but not nature would be out of scope.

36. The TNFD glossary defines subcategories of nature-related risks, including nature-related physical risks and nature-related transition risks.<sup>15</sup> IFRS S2's definitions of climate-related physical and transition risks include examples of these types of risks with a level of detail similar to that in the TNFD definitions of nature-related physical and transition risks. The IFRS S2 definitions of climate-related physical and transition risks go a step further than their analogous definitions in the TNFD glossary by referring to the financial implications of these risks for an entity. Including examples of financial implications in the context of nature-related risks might facilitate a more tangible understanding of these risks in the context of the ISSB's focus on decision-useful information for investors.<sup>16</sup>
37. The staff note that there is some overlap between the definitions of climate-related physical risks and nature-related physical risks. This suggests that this is an area in which there are likely to be connections between climate-related and nature-related information. Refer to the February 2026 Agenda Paper 3B for further discussion of such connections. However, a key difference in the physical risk definitions is that the TNFD highlights the location-specificity of nature-related physical risks whereas IFRS S2 does not mention this point from a climate perspective. The staff propose that this particular aspect of the definition be considered in the context of the ISSB's discussions on location-specific information and whether and how to address this in the project.

---

<sup>15</sup> The TNFD includes nature-related systemic risk as a third category of nature-related risks. As explained in Agenda Paper 3 in September 2025, some investors expressed interest in information on whether and how an entity considers the implications for its prospects of nature-related systemic risks in its risk management process and when identifying and assessing their own nature-related risks and opportunities. However, more research is needed before conclusions can be drawn on whether this is a common investor information need related to *entity-specific* nature-related risks and opportunities. Therefore, the staff have not analysed nature-related systemic risk in this paper.

<sup>16</sup> See section 2.4 *Financial effects* on page 39 of the TNFD recommendations.

- 
38. Nature-related and climate-related transition risks are defined similarly to some degree. The TNFD refers to ‘changes in regulation and policy, legal precedent, technology, or investor sentiment and consumer preference’ which is similar to IFRS S2’s reference to ‘policy, legal, technological, market and reputational risks’. There is one notable difference between the structure of these definitions. IFRS S2 defines climate-related transition risks in terms of efforts to achieve a particular objective, namely a transition to a lower carbon economy. In contrast, the TNFD glossary defines nature-related transition risks in much broader terms because it does not refer to a singular outcome that is more specific than ‘protecting, restoring or reducing the negative impacts to nature’. This difference reflects that nature is a broader topical area than climate change. However, a possible result of this broader framing is that the definition of nature-related transition risks might not be as easily understood as the definition of climate-related transition risks. It is also unclear what the phrase ‘misalignment with economic actors’ means and how readily this term would be understood and whether it implies that there is a policy-orientation to the definition of nature-related transition risks.
39. From a GAAP perspective, although accounting standards do not use the term nature-related risks and opportunities, there are aspects of the definitions of these terms in the TNFD glossary that are conceptually similar to words used in accounting standards, particularly terms that refer to positive or negative effects on nature. For example, in IFRS Accounting literature, IAS 37 and IFRIC 1 use (but do not define) the term ‘environmental damage’, which is similar to terms such as ‘degradation of nature’ used in the TNFD’s definition of nature-related physical risks. Other examples are IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities* and IFRIC 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*, which refer to restoration of environmental damage, similar to the use of restoration or regeneration in the TNFD definition of nature-related opportunities.
40. The requirements in ESRS and the GRI Standards frequently refer to more granular terms such as biodiversity-related risk or ecosystem-related risk, which are related to

what the TNFD defines as nature-related risks and opportunities. However, those standards don't refer to nature-related risks and opportunities specifically. Their approaches are consistent with standard-setting at topical levels that are more granular than the TNFD's recommendations. Neither GRI nor ESRS include a standard on 'nature', but they include topical standards that fall under that umbrella. However, the simplified ESRS glossary includes the term nature-related physical risk within its definition of physical risk – the description of nature-related physical risk within that definition is consistent with the TNFD glossary.<sup>17,18</sup>

41. Refer to paragraph 57 for the staff's views on whether the ISSB should define nature-related risks, nature-related physical and transition risks, and nature-related opportunities.

***'dependencies on nature' and 'impacts on nature'***

42. As the staff noted in paragraph 12, IFRS S1 explains that an entity's dependencies and impacts on resources and relationships throughout its value chain can give rise to sustainability-related risks and opportunities. This explanation includes specific references and examples related to nature.<sup>19</sup> The ISSB's educational material that supports the application of materiality in ISSB Standards explains this concept further.<sup>20</sup>
43. Aspects of the definitions of dependencies and impacts on nature per the TNFD glossary could be perceived as going beyond the objective and scope of the ISSB Standards. Firstly, the inclusion of parties other than an organisation within these definitions—such as 'a person' or 'another party's actions'—goes beyond IFRS S1's focus on an *entity's* dependencies and impacts in considering sustainability-related

---

<sup>17</sup> Refer to *ANNEX II Aggregated acronyms and glossary of terms, Draft Simplified ESRS, November 2025* at <https://www.efrag.org/en/draft-simplified-esrs>

<sup>18</sup> Refer to GRI Standards Glossary, published in 2021 at <https://www.globalreporting.org/how-to-use-the-gri-standards/gri-standards-english-language/>.

<sup>19</sup> See paragraphs B2-B5 of IFRS S1, which include references to nature resources and relationships, with paragraph B3 providing a specific example of water as a natural resource.

<sup>20</sup> See chapter 2 of *Sustainability-related risks and opportunities and the disclosure of material information* which can be accessed at <https://www.ifrs.org/content/dam/ifrs/supporting-implementation/issb-standards/issb-materiality-education-material.pdf>.

risks and opportunities that could reasonably be expected to affect the entity's prospects.

44. IFRS S1 and IFRS S2 do not define dependencies and impacts even though those concepts are in the ISSB Standards. They are instead described, building on concepts from the Integrated Reporting Framework.<sup>21</sup> The Application Guidance to IFRS S1 already clearly intends that impacts and dependencies include those related to natural resources. Thus, it might not be necessary to define dependencies and impacts on nature, particularly if we assume these concepts to be well understood when applied in the context of sustainability-related risks and opportunities more broadly. In contrast, the ESRS and GRI standards— which focus on ‘double materiality’ or ‘impact materiality’—define either one or both terms. Thus, there is a risk that if the ISSB were to decide to expressly define dependencies and impacts on nature, one could misinterpret such an action as broadening the scope of ISSB Standards to meet the needs of an audience broader than primary users, especially as these terms are not otherwise defined in IFRS S1 and IFRS S2. Additionally, we note that the definitions of dependencies and impacts on nature use other terms and concepts that are also analysed in this paper and are technical. For example, the definitions include ‘environmental assets’ and ‘ecosystem services’. Thus, standalone definitions for dependencies and impacts on nature might not be as useful without definitions for such other technical terms.
45. Refer to paragraph 59 for the staff's views on whether to define dependencies on nature and impacts on nature.

***‘environmental assets’, ‘ecosystems’ and ‘ecosystem services’***

46. Collectively, environmental assets, ecosystems and ecosystem services are terms and concepts that are useful in describing the types of resources and relationships an entity interacts with in its value chain when considering an entity's nature-related risks and opportunities. These terms are also inter-related. The TNFD defines and further

---

<sup>21</sup> See IFRS S1 paragraph BC46.

explains these terms as shown in Table 2 in Appendix B. ISSB Standards do not use those terms. The absence of these terms in ISSB Standards reflects the comparatively broader and narrower scopes of IFRS S1 and IFRS S2 respectively, with neither Standard focused on nature-related risks in particular.

47. Considering interoperability, the GRI glossary doesn't include these terms. The simplified ESRS glossary includes the terms ecosystems and ecosystem services, and these definitions are aligned with the definitions in the TNFD glossary.
48. From a GAAP perspective, the term 'environmental asset' is not used but 'biological asset' is defined in IFRS 41 *Agriculture*. The definition of biological asset is 'a living animal or plant' whereas the TNFD definition of an environmental asset includes both living and non-living organisms. Thus, environmental asset is a broader term. However, an asset is a fundamental accounting concept with precise definitions in GAAP. For instance, the IFRS *Conceptual Framework for Financial Reporting* defines an asset as 'a present economic resource controlled by the entity as a result of past events.' Thus, it is possible that while some environmental assets might meet the definition of an asset from an accounting perspective, other environmental assets will not. Because of this distinction, this could confuse understanding of the connections between information in sustainability-related financial disclosures and the financial statements. For example, it might be confusing for a primary user to see items that are not assets in an entity's financial statements referred to as an environmental asset within the entity's general purpose financial reports. In accordance with accounting concepts, meeting the definition of an asset is an important consideration in determining whether an item is recognised on the statement of financial position or whether information about an item is relevant to the notes to the financial statements. Accordingly, use of the term 'environmental asset' could give rise to expectations or misunderstandings about the relevance of an item for an entity's financial statements. Nevertheless, we acknowledge that the use of the term 'environmental asset' in the context of nature-related reporting is becoming well-established. Therefore, use of an alternative term in ISSB's nature-related disclosure requirements might be confusing.

- 
49. Refer to paragraphs 62–63 for the staff’s views on whether the ISSB should define this collection of terms and concepts.

### ***Assessing whether to change the project title***

50. During the research phase of the Biodiversity, Ecosystems and Ecosystem Services (BEES) project, we received feedback that the project title caused some confusion about the project’s intended scope. We also observed that the phrase ‘Biodiversity, ecosystems and ecosystem services’ and its acronym BEES are not terms commonly used or well-understood by stakeholders.
51. Further, we noted that stakeholders responded to the term ‘nature’ more positively because it is more commonly used and understood than ‘BEES’ in the context of sustainability-related disclosures. Additionally, use of the term ‘nature’ would align with how the TNFD frames its work. The term ‘nature’ encompasses a more holistic set of closely-related concepts than the terms used in the title ‘Biodiversity, ecosystems, and ecosystem services’ and our research showed investor interest in understanding an entity’s ‘nature-related’ risks and opportunities. For these reasons, the staff believe that there would be benefits in changing the project title to ‘Nature-related Disclosures’. This change would help further clarify the scope and signal alignment with the focus of IFRS S2 *Climate-related Disclosures*.

## **Staff recommendations and preliminary views**

### ***Recommendations***

52. The staff recommends that the ISSB address these terms and concepts because they are essential to clarify the scope of nature-related disclosures, to support understanding the ISSB’s nature-related disclosure requirements and to support comparability of disclosures:

- 
- (a) nature-related risks—comprising nature-related physical and transition risks—and nature-related opportunities, which together constitute the scope of the project;
  - (b) dependencies on nature and impacts on nature, that is, the channels through which nature-related risks and opportunities arise, including impact drivers; and
  - (c) nature, ecosystems, and ecosystem services, and the concept of environmental assets, that is, terms and concepts describing the types of resources and relationship an entity interacts with throughout its value chain that give rise to nature-related risks and opportunities.
53. The staff recommends that the ISSB should define nature-related risks and opportunities, nature-related physical risks, nature-related transition risks, ecosystem services, and the concept of environmental assets. The other terms mentioned in paragraph 52 are important to understand scope and to aid understanding of nature-related disclosure requirements, but the staff recommends that the ISSB should describe these terms when explaining the scope of disclosure requirements or in related guidance (such as in application guidance).
54. The staff’s preliminary views on the approach to take in defining or describing these concepts are set out below.
55. The staff also recommend that the ISSB change the project title to ‘Nature-related Disclosures’. This change would support a clearer understanding of the scope of the project.

***Preliminary views on the approach the ISSB can take in defining or describing these essential terms and concepts***

56. In paragraphs 57–63, the staff first confirm our recommendation on whether the ISSB should define or describe each essential term or concept (reflected in the recommendation in paragraph 53 above). We then provide our preliminary views on

how we think each essential term or concept should be defined or described and are seeking feedback from the ISSB on this approach. In particular, if the ISSB supports defining these terms or concepts according to the recommendations in paragraphs 52 and 53 above, we present draft language of the definition for discussion and feedback. We are not asking the ISSB to vote on the draft language of the definition.

*‘nature-related risks and opportunities’*

57. We think that that the ISSB should define ‘nature-related risks’, ‘nature-related opportunities’, ‘nature-related physical risks’ and ‘nature-related transition risks’. The ISSB could draw on the TNFD definition of nature-related risks and adapt it to align more closely with the definition of climate-related risks in IFRS S2. See the following table with illustrative definitions marked up against analogous IFRS S2 definitions.

Illustrative definitions for risk-related terms in the prospective exposure draft

Essential term or concept related to scope	Illustrative definition for the prospective exposure draft
nature-related risks	<del>Climate related risks refers to the potential</del> <u>Potential</u> negative effects of <del>climate change</del> on an entity <u>that arise from its dependencies or impacts on nature</u> . These risks are categorised as <del>climate-related</del> <u>nature-related</u> physical risks and <del>climate-related</del> <u>nature-related</u> transition risks.
nature-related physical risks	Risks resulting from <del>climate change that can be event driven (acute physical risk) or from longer term shifts in climatic patterns (chronic physical risk)</del> <u>degradation of nature and the consequential loss of ecosystem services that an entity’s business activities depend upon</u> . <u>Degradation of nature includes, for example, changes in ecosystem equilibria, including soil quality and species composition.</u> <u>Nature-related physical risks are usually location-specific.</u> <u>These risks can be acute or chronic. Acute physical risks arise from weather-related events such as storms, floods, drought or heatwaves, which are increasing in severity and frequency result from event-driven changes, such as natural disasters, forest fires or oil spills.</u> <u>Chronic physical risks arise from longer-term shifts in climatic patterns including changes in precipitation and temperature which could lead to sea level rise, result from longer-term changes, such as a gradual decline in pollinator species diversity resulting in reduced crop yields (examples of biodiversity loss and changes in soil productivity), and reduced water availability, biodiversity loss and changes in soil productivity.</u>

Essential term or concept related to scope	Illustrative definition for the prospective exposure draft
	These risks could carry financial implications for an entity, such as costs resulting from direct damage to assets or indirect effects of supply-chain disruption. The entity's financial performance could also be affected by changes in the availability, sourcing and quality of natural resources; <del>and extreme temperature changes affecting the entity's premises, operations, supply chains, transportation needs and employee health and safety.</del>
nature-related transition risks	Risks that arise from efforts to transition to <u>protect, restore or reduce negative impacts on nature</u> <del>to transition to a lower carbon economy</del> . Transition risks include policy, legal, technological, market and reputational risks. These risks could carry financial implications for an entity, such as increased operating costs or asset impairment due to new or amended <del>climate-nature-related</del> regulations. <del>The entity's financial performance could also be affected by shifting consumer demands and the development and deployment of new technology.</del>
nature-related opportunities	<del>Climate-related opportunities refers to the potential</del> <u>Potential positive effects arising from climate change</u> for an entity <u>that arise from its dependencies or impacts on nature</u> . Efforts to <del>mitigate and adapt to climate change</del> <u>protect, restore or reduce negative impacts on nature</u> can produce <del>climate-related</del> <u>nature-related</u> opportunities for an entity.

*'dependencies on nature' and 'impacts on nature'*

59. We do not think it would be necessary for the ISSB to define 'dependencies on nature' and 'impacts on nature', because the concepts are already used in IFRS S1 in the context of describing sustainability-related risks and opportunities in general. However, the ISSB could consider drawing from the TNFD to provide additional explanatory information such as in application guidance or illustrative examples. Nature is a complex and comparatively nascent topical area; therefore, it might be useful to have guidance that facilitates an understanding of how dependencies and impacts on nature are linked to nature-related risks and opportunities, including a discussion of drivers of nature change. For example, we could use this as part of application guidance for nature-related risks and opportunities that would serve a

similar purpose to paragraphs B1–B12 of IFRS S1 for sustainability-related risks and opportunities.

60. For instance, the examples of dependencies in the TNFD definition might provide helpful context. Similarly, examples of impacts on nature—which aren't mentioned in the TNFD definition—could also be useful. Further, explicit mention of the five drivers of nature change discussed in paragraph 17 would be helpful because they facilitate an understanding of the variety of ways in which an entity's activities and outputs create impacts and the variety of external forces that affect dependencies, which could give rise to nature-related risks and opportunities. Additional guidance would be especially helpful because, as noted in paragraph 38, nature as a topical area is much broader than climate change. The ISSB could also consider noting the additional information available that could aid understanding, such as by referring to relevant TNFD materials through an observation in the application guidance or in the Basis for Conclusions.

*'nature', 'environmental assets', 'ecosystems' and 'ecosystem services'*

61. We do not think it is necessary for the ISSB to include nature as a defined term, despite the staff observations about possible ambiguity of this term mentioned in paragraph 31. Instead, the ISSB could consider drawing on the TNFD definition of nature to describe the concept. For example, we could describe nature within application guidance or address potentially ambiguous aspects of the term by defining other essential terms such as 'nature-related risks and opportunities' or the concept of 'environmental assets'.
62. We think it would be beneficial for the ISSB to define the concept of 'environmental assets' and define the term 'ecosystem services'. Given the technical nature of these terms this would help to support a common understanding of terms and concepts that may be new to many users and preparers of general-purpose financial reports. However, the staff think that the ISSB would need to consider modifying the terminology of 'assets' due to the potential conflict with the particular meaning of that

term in financial accounting, as discussed in paragraph 48. If the ISSB agrees with defining the concept of environmental assets, the staff will perform further research to identify a suitable term to refer to this concept in ISSB Standards. An example of an alternative would be to use the term ‘natural resources and ecosystems’ instead of ‘environmental assets’.<sup>22</sup> If these terms and concepts were to be defined, the ISSB could draw on the TNFD definitions and adapt them by:

- (a) aligning them with the ISSB’s focus on information about sustainability-related risks and opportunities that could reasonably be expected to affect *an entity’s* prospects;
- (b) using terms more aligned with ISSB terminology where necessary;
- (c) using less technical terms where feasible; and
- (d) emphasising relationships with other essential concepts and terms.

63. See the following table with illustrative definitions adapted from the TNFD. Regarding ‘ecosystems’, we think it might not be necessary to define this term, especially if we could incorporate a description of this concept into definitions of related terms and concepts such as ‘environmental assets’ and ‘ecosystem services’, thus highlighting the relationships between these terms.

Illustrative definitions for other terms and concepts in the prospective exposure draft

Essential term or concept related to scope	Illustrative definition for the prospective exposure draft
environmental assets	<p>The naturally occurring living and non-living components of the natural environment that can provide benefits to an entity.</p> <p>Environmental assets include ecosystems. Ecosystems are organised into biomes (types of ecosystems), which are global-scale zones, generally defined by the type of plant life that they support in response to average rainfall and temperature patterns. Examples of biomes include tundra, coral reefs and savannas.</p>

<sup>22</sup> We note that environmental assets include atmospheric systems which are not resources and are similar to—but not technically—ecosystems. Thus, further work would be required to determine whether ‘natural resources and ecosystems’ is a suitable alternative to the term ‘environmental assets’.

Essential term or concept related to scope	Illustrative definition for the prospective exposure draft
ecosystem services	<p>The flows of benefits produced by ecosystems. An entity’s business activities might depend on or impact ecosystem services.</p> <p>Ecosystem services fall into three categories: provisioning services, such as the provision of crops, wood or water; regulating and maintenance services, such as water flow regulation and climate regulation services; and cultural services, such as recreation and tourism opportunities.</p>

### Next steps and questions for the ISSB

64. The staff plan to analyse other terms or concepts within the context of our analysis of other information areas for potential standard-setting on nature-related disclosures. The staff plan to use the approach described in paragraphs 25-27 to analyse these other terms and concepts, subject to the ISSB’s feedback on this approach.
  
65. In a subsequent meeting, the staff plan to present a paper to the ISSB that will recommend additional terms and concepts to include in the ‘defined terms’ section of the prospective exposure draft, based on the other information areas the staff will analyse in upcoming ISSB meetings. We will ask the ISSB to vote on a final set of defined terms at that time. The staff will also bring analysis to a later board meeting about whether there is a need or benefit to include a reference to the TNFD glossary for guidance on definitions and concepts that we do not propose to be directly incorporated in the exposure draft.

#### Questions for the ISSB

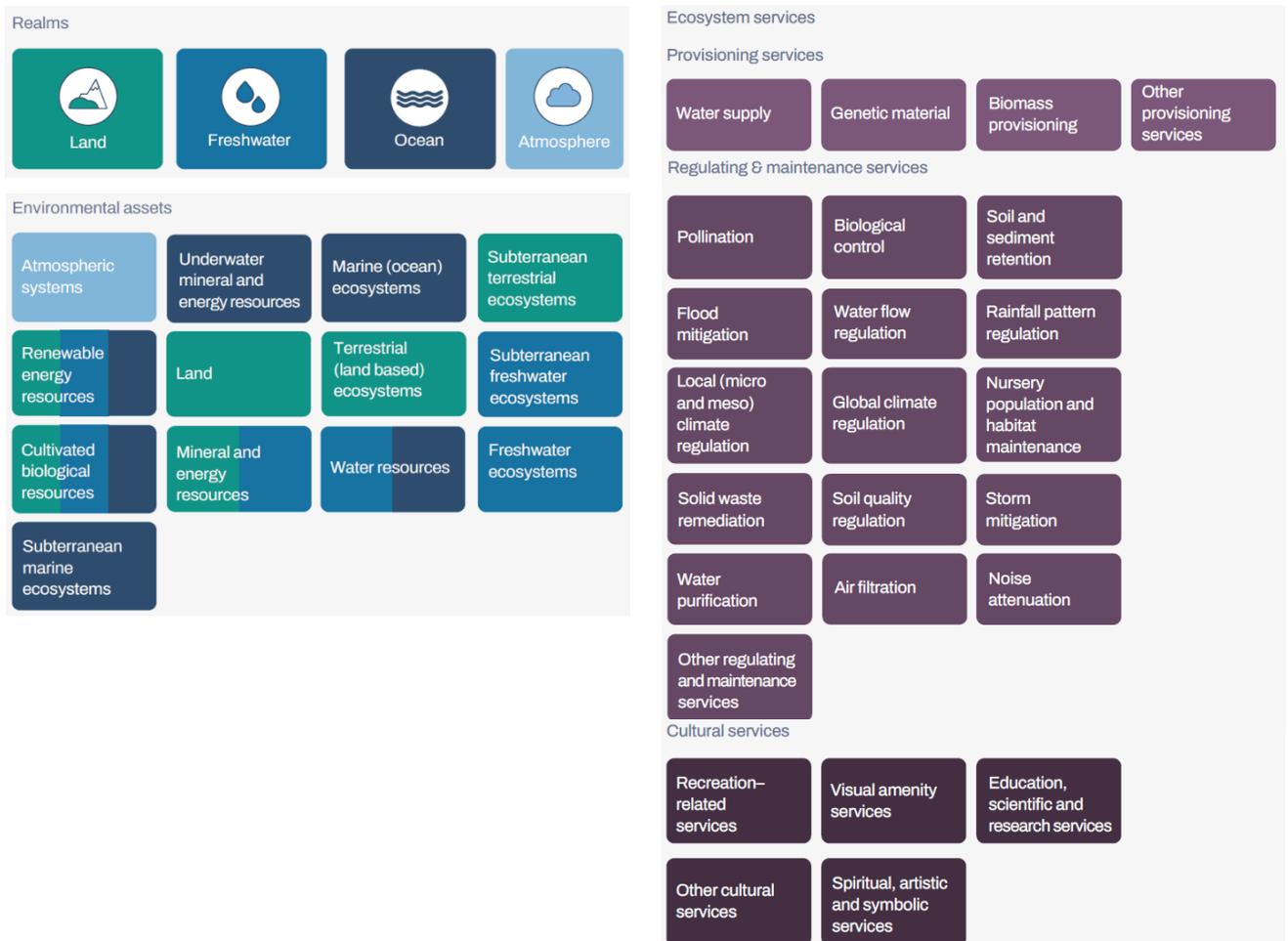
1. Does the ISSB have any questions on the matters discussed in the paper?
2. Does the ISSB agree with the staff recommendation in paragraph 52 that the ISSB should address in the exposure draft the terms and concepts listed in that paragraph because they are essential to clarify the scope of nature-related disclosures, to support understanding the ISSB’s nature-related disclosure requirements and to support comparability of disclosures?
3. Does the ISSB agree with the staff recommendation in paragraph 53 that the ISSB should:

#### Questions for the ISSB

- a. define the terms 'nature-related risks', 'nature-related physical risks', 'nature-related transition risks', and 'nature-related opportunities';
  - b. describe 'dependencies on nature', 'impacts on nature', 'nature' and 'ecosystems' in explaining the scope of the nature-related disclosure requirements;
  - c. define the concept of 'environmental assets' and
  - d. define the term 'ecosystem services'?
4. Do you agree with the changing the title of the project to 'Nature-related Disclosures'?
  5. Do you have feedback or questions on the staff's analysis and preliminary views on the approach to take in defining the essential terms and concepts discussed in this paper?
  6. Do you have feedback on the staff's approach to analysing whether to define the essential terms and concepts?

## Appendix A

A1. The following are extracts from Figure 10 of the TNFD recommendations,  
*Fundamental concepts for understanding nature: Realms, biomes, assets and services.*



## Appendix B

B1. Tables 1 and 2 include a list of essential terms and concepts identified by the staff.

Table 1: Risk-related essential terms and concepts from the TNFD glossary and analogous terms in IFRS S2

Essential term or concept related to scope	Definition in the TNFD glossary [emphasis added]	Analogous term and definition in Appendix A of IFRS S2
nature-related risks	In line with ISO, the TNFD defines nature-related risks as potential threats (effects of uncertainty) posed to an organization that arise from its and <b>wider society's</b> dependencies and impacts on nature.	climate-related risks: Climate-related risks refers to the potential negative effects of climate change on an entity. These risks are categorised as climate-related physical risks and climate-related transition risks.
nature-related physical risks	Nature-related physical risks are risks resulting from the <b>degradation of nature</b> (such as changes in ecosystem equilibria, including soil quality and species composition) and consequential loss of <b>ecosystem services</b> that economic activity depends upon. These risks can be chronic (e.g. a gradual decline of species diversity of pollinators resulting in reduced crop yields, or water scarcity) or acute (e.g. natural disasters or forest spills). Nature-related physical risks arise as a result of changes in the biotic (living) and abiotic (non-living) conditions that support healthy, functioning ecosystems. These risks are usually <b>location-specific</b> .	climate-related physical risks: Risks resulting from climate change that can be event-driven (acute physical risk) or from longer-term shifts in climatic patterns (chronic physical risk). Acute physical risks arise from weather-related events such as storms, floods, drought or heatwaves, which are increasing in severity and frequency. Chronic physical risks arise from longer-term shifts in climatic patterns including changes in precipitation and temperature which could lead to sea level rise, reduced water availability, biodiversity loss and changes in soil productivity. These risks could carry financial implications for an entity, such as costs resulting from direct damage to assets or indirect effects of supply-chain disruption. The entity's financial performance could also be affected by changes in water availability, sourcing and quality; and extreme temperature changes

Essential term or concept related to scope	Definition in the TNFD glossary [emphasis added]	Analogous term and definition in Appendix A of IFRS S2
		affecting the entity’s premises, operations, supply chains, transportation needs and employee health and safety.
nature-related transition risks	Nature-related transition risks are risks to an organization that stem from a <b>misalignment of economic actors</b> with actions aimed at protecting, restoring, and/or reducing negative impacts on nature. These risks can be prompted, for example, by changes in regulation and policy, legal precedent, technology, or investor sentiment and consumer preferences. They can also arise from activities aimed at restoring nature that no longer align with, for example, revised policies.	climate-related transition risks: Risks that arise from efforts to transition to a lower-carbon economy. Transition risks include policy, legal, technological, market and reputational risks. These risks could carry financial implications for an entity, such as increased operating costs or asset impairment due to new or amended climate-related regulations. The entity’s financial performance could also be affected by shifting consumer demands and the development and deployment of new technology.
nature-related opportunities	Activities that create <b>positive outcomes for organizations and nature</b> by creating positive impacts on nature or mitigating negative impacts on nature. Nature-related opportunities are generated through impacts and dependencies on nature, and can occur: <ul style="list-style-type: none"> <li>• When organizations avoid, reduce, mitigate or manage nature-related risks, for example, connected to the loss of nature and ecosystem services that the organization and society depend on;</li> </ul>	climate-related opportunities: Climate-related opportunities refers to the potential positive effects arising from climate change for an entity. Efforts to mitigate and adapt to climate change can produce climate-related opportunities for an entity.

Essential term or concept related to scope	Definition in the TNFD glossary [emphasis added]	Analogous term and definition in Appendix A of IFRS S2
	<ul style="list-style-type: none"> <li>• Through the strategic transformation of business models, products, services, markets and investments that actively work to reverse the loss of nature, including by restoration, regeneration of nature and implementation of nature-based solutions.</li> </ul>	

Table 2: Other terms and concepts from the TNFD glossary identified as essential by staff

Essential term or concept related to scope	Extracts from the TNFD glossary and the TNFD recommendations [emphasis added]
nature	<p>TNFD glossary: The natural world, emphasising the diversity of living organisms, <b>including people</b>, and their interactions with each other and their environment.</p> <p>TNFD recommendations, pg. 24: [Nature] is made up of four realms: land, ocean, freshwater and atmosphere (Figure 8). These are major components of the natural world that differ fundamentally in their organisation and function.</p>
dependencies on nature	<p>TNFD glossary: Dependencies <b>are aspects of environmental assets and ecosystem services</b> that a person or an organisation relies on to function. A company's business model, for example, may be dependent on the ecosystem services of water flow, water quality regulation and the regulation of hazards like fires and floods; provision of suitable habitat for pollinators, who in turn provide a service directly to economies; and carbon sequestration.</p>
environmental assets	<p>TNFD glossary: The naturally occurring living and non-living components of the Earth, together constituting the biophysical environment, which may provide <b>benefits to humanity</b>.</p>
ecosystems	<p>TNFD glossary: A dynamic complex of plant, animal and microorganism communities and the non-living environment, interacting as a functional unit.</p> <p>TNFD recommendations, pg. 25: Ecosystems are organised into biomes, which can be thought of in simple terms as types of ecosystem. They are global-scale zones, generally defined by the type of plant life that they support in response to average rainfall and temperature patterns. Examples are tundra, coral reefs and savannas.</p>
ecosystem services	<p>TNFD glossary: The contributions of ecosystems to the benefits that are used in <b>economic and other human activity</b>.</p>

Essential term or concept related to scope	Extracts from the TNFD glossary and the TNFD recommendations [emphasis added]
	<p>TNFD recommendations, pg. 26: Ecosystem services fall into <b>three categories</b>: provisioning services, such as the provision of crops, wood or water; regulating and maintenance services, such as water flow regulation and climate regulation services; and cultural services, such as recreation and tourism opportunities.</p>