Staff paper

Agenda reference: 3B

ISSB meeting

Date	**July 2026**
Project	**Nature-related Disclosures**
Topic	**Overview of the likely effects of the proposed Practice Statement**
Contacts	Claire Goydan (claire.goydan@ifrs.org) Roberta Ravelli (rravelli@ifrs.org)

Purpose of the paper

1. This paper provides an overview of the likely effects of the proposed IFRS Sustainability Disclosure Practice Statement 1 Nature-related Disclosures (Practice Statement). The paper summarises the due process requirements in the *IFRS Foundation Due Process Handbook* (Handbook) for an effects analysis, followed by staff analysis of the costs and benefits (collectively referred to as 'effects') of the proposed requirements in the Practice Statement in the light of these due process requirements. Although entities and jurisdictions will need to consider the costs and benefits applicable to their specific circumstances when deciding whether to apply, or mandate application of, the Practice Statement, the consideration by the International Sustainability Standards Board (ISSB) of likely effects of the proposed requirements can support global implementation.

2. This paper should be read in conjunction with Agenda Paper 3A for this meeting. Agenda Paper 3A *Due process steps and permission to ballot* summarises the due process steps in the Handbook that the ISSB has undertaken in the development of the Practice Statement.

3. In this paper, the staff does not ask the ISSB to make decisions but asks the ISSB for comments.

Structure of the paper

4. This paper is structured as follows:
   (a) background information (paragraphs 5–20);
      (i) due process requirements (paragraphs 6–12);
      (ii) entities affected (paragraphs 13–16);
      (iii) overview of the proposed requirements (paragraphs 17–20);
      (iv) current status of nature-related disclosures (paragraphs 21–23);
   (b) likely effects of the proposed Practice Statement (paragraphs 25–56);
      (i) likely benefits
         1. improvements to the quality of financial reporting (paragraphs 25–28);
         2. benefits for assessments and decision-making for users of general purpose financial reports (paragraphs 29–36);
         3. benefits for preparers applying the Practice Statement in conjunction with IFRS S1 and IFRS S2 (paragraphs 37–40);
         4. benefits for jurisdictions adopting the Practice Statement (paragraphs 41–43);
      (ii) likely costs
         1. costs for preparers (paragraphs 44–45);
         2. cost mitigations for preparers (paragraphs 48–53);
         3. costs of analysis for users of general purpose financial reports (paragraphs 54–56);

(c) overall assessment of likely costs compared to likely benefits (paragraphs 57–61); and

(i) conclusion and question for the ISSB (paragraphs 62–65).

Background information

5. This section provides an overview of the due process steps for analysing the likely costs and benefits associated with new requirements and background information on the new requirements proposed in the Practice Statement.

Due process requirements

6. In accordance with the Handbook, the ISSB is committed to assessing and explaining its views about the likely costs of implementing new requirements and the likely ongoing costs and benefits associated with the new requirements. The extent of the analysis is tailored to the nature of the proposed change to financial reporting. The format of the analysis is tailored to the type of due process document being published.

7. The Handbook does not specifically require an effects analysis to be provided for practice statements. However, the Handbook states that in developing and publishing non-mandatory practice guidance, the ISSB follows the same procedures used for the development of a Standard.[1]

8. The ISSB gains insight into the likely effects of new requirements through its formal exposure of proposals and through its fieldwork, analysis and consultations with stakeholders. Therefore, feedback from respondents on the Exposure Draft of the Practice Statement will provide additional information about the likely costs and benefits of the proposals.

[1] See paragraph 6.42 of the Handbook.

9. In accordance with paragraph 3.78 of the Handbook, likely effects are assessed in relation to:

   (a) the ISSB's objective of improving transparency in financial reporting; and

   (b) the existing financial reporting requirements.

10. Therefore, in assessing the likely costs and benefits of the Practice Statement, the staff has considered:

    (a) the likely effects if entities were to apply the Practice Statement compared to applying IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* (that is, the application of IFRS S1 and IFRS S2 versus the application of IFRS S1, IFRS S2 *and* the Practice Statement); and

    (b) existing nature-related voluntary frameworks and requirements in other standards and the current state of disclosures.

11. Paragraphs 3.79–3.83 of the Handbook explain that:

    (a) in assessing the likely effects, the ISSB focuses on assessing how sustainability-related financial disclosures are likely to change because of the new requirements, whether those changes will improve the quality of general purpose financial reports and whether those changes are justifiable considering those effects. The ISSB considers matters such as how the new requirements are likely to affect:

        (i) the reporting of activities in the general purpose financial reports of those applying the ISSB Standards;

        (ii) the comparability of information between periods and between entities;

        (iii) the ability of a user of general purpose financial reports to assess the future cash flows of an entity;

        (iv) economic decision-making;

(v) compliance costs for preparers of sustainability-related financial disclosures, both on initial application and on an ongoing basis; and

(vi) the costs of analysis for users of general purpose financial reports.

(b) the ISSB is not required to make a quantitative assessment of the overall effect of new requirements—initial and ongoing costs and benefits are likely to affect different parties in different ways.

(c) the ISSB explains its views on the likely effects at each stage of the development of new requirements. In the standard-setting phase, the ISSB explains why it is proposing a particular change to financial reporting requirements, including referring to the evidence it has collected, in the basis for conclusions accompanying the exposure draft.

12. The ISSB therefore needs to assess whether the proposed requirements in the Practice Statement will improve the quality of general purpose financial reports, result in improved transparency compared to existing financial reporting requirements and whether those changes are justifiable considering the likely effects.

Entities affected

13. The ISSB has decided to propose that entities applying the Practice Statement would need to do so in conjunction with applying IFRS S1 and IFRS S2. Therefore, the new requirements would affect only entities that apply IFRS S1 and IFRS S2 that also choose to apply the Practice Statement or that would be required to apply the Practice Statement by their jurisdiction.

14. Based on jurisdictional plans for the adoption of ISSB Standards at the time of drafting this paper, entities in more than 40 jurisdictions would apply IFRS S1 and IFRS S2 or standards based on IFRS S1 and IFRS S2 by 2030. Since 2024, more than 200 reports have been published referencing ISSB Standards as the basis of

preparation or asserting compliance with ISSB Standards.[2] These statistics can give an initial indication of the number of entities likely to be affected by the publication of the Practice Statement. However, the number of entities affected is not expected to be constrained to these numbers, as over time other entities and jurisdictions may use the ISSB Standards and the Practice Statement even if they do not do so currently.

15. A Practice Statement, as a non-mandatory form of standard-setting, does not *require* entities and jurisdictions to assess and prepare for its implementation. Therefore:

    (a) a jurisdiction adopting or otherwise using ISSB Standards would not be required to adopt the Practice Statement to be described as an adopter of ISSB Standards. However, the Practice Statement would be available for jurisdictions to support high-quality, decision useful information about nature-related risks and opportunities.

    (b) an entity would not be required to apply the Practice Statement in order to state compliance with ISSB Standards. The Practice Statement would be available if an entity chooses to apply it and would provide nature-specific considerations in preparing disclosures (including what nature-related risks and opportunities are and their identification for the purposes of reporting using ISSB Standards) and specify incremental nature-related information to disclose.

16. Individual jurisdictions would determine whether to require entities within the jurisdiction to comply with the Practice Statement. Entities may choose to comply even if they are not required to do so. By publishing a Practice Statement, the ISSB intends that entities and jurisdictions would choose to use the Practice Statement to support disclosure of high-quality nature-related information in accordance with ISSB Standards. Consequently, this analysis focuses on how the quality of general purpose

[2] This number is based on information available at the time of drafting this paper. The IFRS Foundation collected, categorised and analysed references to ISSB Standards in a sample of reports published by entities in the first half of 2026. The review of the references is an analysis of references entities made about their use of ISSB Standards rather than an analysis of information provided by entities. An entity asserting compliance is a self-made statement that has not been independently verified by the IFRS Foundation.

financial reports will improve with the application of the Practice Statement *in conjunction with* IFRS S1 and IFRS S2.

Overview of the proposed requirements

17. The proposed Practice Statement includes requirements that are *incremental* to IFRS S1 and IFRS S2 regarding:

    (a) **what nature-related information** to disclose; and

    (b) **how to consider aspects specific to nature** in preparing disclosures when applying IFRS S1, IFRS S2 and the Practice Statement.

18. Therefore, both an entity's sustainability-related financial disclosures, and the considerations in preparing its disclosures, are expected to be affected if an entity applies the Practice Statement. The Practice Statement also includes a list of defined nature-related terms essential to the scope of the requirements when reporting on nature-related risks and opportunities.

19. Incremental requirements regarding **what nature-related information** to disclose specify particular information that an entity must disclose that is not otherwise specified in the requirements in IFRS S1 and IFRS S2. For example, the proposed requirements state an entity shall use nature-related scenario analysis to provide information about the entity's resilience to nature-related risks. As another example of information not specified in IFRS S1 or IFRS S2, the proposed Practice Statement would require an entity to disclose the amount and percentage of assets or business activities that are vulnerable to the nature-related risks it has identified and aligned with the nature-related opportunities it has identified.

20. Incremental requirements regarding **how to consider aspects specific to nature** specify what an entity must consider, or is permitted to consider, in preparing material information to disclose about nature-related risks and opportunities. These requirements are designed to support disclosures when applying the Practice Statement and when applying existing requirements in IFRS S1 and IFRS S2. For

example, the proposed requirements state an entity shall consider what level of granularity and type of location-specific information is appropriate to its circumstances to identify a nature-related risk or opportunity and to provide material information about that risk or opportunity.

Current status of nature-related disclosures

21. Project findings emphasise how nature-related disclosures are evolving and indicate the availability and quality of current disclosures. This can provide a useful baseline to consider whether and how the Practice Statement would improve the quality of financial reporting and what additional costs it might impose compared to current practice. Entities of all sizes and in different sectors and jurisdictions are likely to face nature-related risks and opportunities that could reasonably be expected to affect their prospects.[3] However, entities commonly disclose nature-related information focused on dependencies and impacts, with less useful information disclosed about associated risks and opportunities. Entities can face difficulties in identifying nature-related risks and opportunities, particularly in being able to determine how impacts and dependencies translate to specific, quantifiable risks and opportunities.[4]

22. Research on the state of disclosures on nature-related risks and opportunities showed that entities of all sizes, in all regions and in all sectors commonly disclose nature-related information of various types and many entities described how the risks could affect the entity's prospects.[5] Staff noted that the content and presentation of such disclosure varies significantly, including between sectors. This is supported by a preliminary analysis of reports that reference the ISSB Standards, which similarly demonstrates disclosure of nature-related information. For example, an analysis of 1,300 reports found that most reports included location-specific information about nature-related risks or opportunities. However, the level of detail and focus of the

[3] See Agenda Paper 3 *Summary of common investor information needs and comparison to ISSB materials* of the September 2025 ISSB meeting.

[4] See Agenda Paper 3C *Identification of nature-related risks and opportunities* of the May 2026 ISSB meeting.

[5] See Agenda Paper 3C *Current state of disclosure of BEES-related information* of the March 2025 ISSB meeting.

disclosures varied widely, with disclosures ranging from site-specific assessments for natural disasters to general sustainability-related commitments and high-level descriptions.[6] The lack of standardised nature-related disclosures in current practice could affect the decision-usefulness of information for investors. According to project findings, investors highlighted the need to improve the quality of nature-related information available to them, noting the lack of comparability in current disclosures, the primarily qualitative nature of such disclosures and gaps in information available to them. As a result, investors currently use multiple sources of information, including several third-party data providers, and rely on estimates to fill data gaps.[7]

23. Some entities have prior experience reporting nature-related information using the TNFD framework, which the ISSB has drawn on in developing the Practice Statement. Based on information at the time of drafting this paper, more than 800 entities in various sectors have disclosed information in line with the TNFD recommended disclosures, while more than 730 entities have committed to adopt the TNFD recommendations. This statistic also indicates growing interest among entities undertaking different types of business activities in disclosing information on nature-related risks and opportunities. Other entities have experience in providing nature-related information by reporting using the European Sustainability Reporting Standards (ESRS) and/or Global Reporting Initiative (GRI) Standards or by providing information via disclosure platforms.

Likely effects of the proposed Practice Statement

24. The following sections provide an analysis of the likely effects (costs and benefits) of the proposed Practice Statement. This analysis is of the *likely* effects of the proposed

[6] The sample of entities analysed consisted of entities, both listed and private, available within data providers' platforms that referenced the ISSB between February 2026 and June 2026. This sample consists of reports that make any reference to the ISSB, as compared to the statistic in paragraph 14 that consists of reports that reference ISSB Standards as the basis of preparation or assert compliance with ISSB Standards.

[7] See Agenda Paper 3A *Evidence of investor interest in BEES-related risks and opportunities* of the January 2025 ISSB meeting.

Practice Statement rather than the actual effects, because the actual effects cannot be known prior to application of the Practice Statement.

Likely benefits

Improvements to the quality of financial reporting

25. Under IFRS S1, entities are already required to provide material information about nature-related risks and opportunities, as IFRS S1 covers all sustainability-related risks and opportunities that could reasonably be expected to affect an entity's prospects. IFRS S1 also already enables entities to use sources of guidance, including the SASB Standards and other materials, to provide metrics to explain their performance in relation to their sustainability-related risks and opportunities, including progress towards any targets an entity has set, and any targets it is required to meet by law or regulation. Such disclosures would include information about an entity's nature-related risks and opportunities when material. Furthermore, when applying IFRS S2, an entity's reporting on climate-related risks and opportunities is expected to include nature-related aspects when relevant, as illustrated in *Educational material: Nature and social aspects of climate-related risks and opportunities* (December 2023).

26. Therefore, in some cases application of IFRS S1 and IFRS S2 together with the use of a source of guidance (such as the SASB Standards) might result in disclosure of nature-related information that is similar to information disclosed when applying IFRS S1, IFRS S2 and the Practice Statement. However, entities applying IFRS S1, IFRS S2 and the Practice Statement would be *required to* provide particular information and consider particular nature-specific aspects when preparing disclosures, which are both specified in an incremental manner in the Practice Statement to support high-quality nature-related disclosures. This would not otherwise be the case for entities stating compliance with only ISSB Standards rather than compliance with ISSB Standards and the Practice Statement. The Practice Statement would also clarify the particular scope of nature-related risks and opportunities for

which information must be provided when material. In addition, compared to the application of IFRS S1 only, the Practice Statement would permit an entity to use TNFD disclosure metrics as an additional source of guidance.

27. As a result, the requirements in the Practice Statement would support consistency and comparability in disclosures on nature-related risks and opportunities and help address some of the deficiencies in current reporting highlighted in paragraphs 21 and 22.

28. The staff notes that if an entity chooses, or is required by its lawmakers or regulators, to apply the Practice Statement and wishes to assert compliance with it, the entity would be required to comply with all the requirements in the Practice Statement. As a result, when the Practice Statement is applied, the effect will be the same as the application of an ISSB Standard. The incremental requirements in the Practice Statement are therefore expected to result in improvements to the quality of financial reporting on nature-related risks and opportunities, including the verifiability of the information, compared to current requirements in ISSB Standards as well as current disclosures using voluntary standards and frameworks.

Benefits for assessments and decision-making for users of general purpose financial reports

Designed to address investor needs

29. The Practice Statement is designed to be responsive to investor information needs. Investors are expected to receive higher quality, more complete and more decision-useful nature-related disclosures from entities applying the Practice Statement with IFRS S1 and IFRS S2 as compared to entities applying IFRS S1 and IFRS S2 only. Disclosures provided in accordance with the Practice Statement would consist of material information about an entity's nature-related risks and opportunities (including those that arise from its nature-related impacts and dependencies) that could reasonably be expected to affect its prospects. While other standards and frameworks including the TNFD framework, GRI Standards and ESRS are designed to meet the needs of investors amongst other users of information, only the ISSB

Standards and the Practice Statement are designed exclusively with the purpose of meeting the decision-making needs of users of general purpose financial reports, with information designed to connect with the related financial statements. Entities applying the ISSB Standards and also asserting compliance with the Practice Statement are therefore expected to be best placed to meet investors' information needs on nature-related risks and opportunities.

Content that supports investor decisions

30. The different types of content in the Practice Statement supplement requirements in IFRS S1 and IFRS S2 to support economic decision-making and investors' assessments of an entity's prospects. The scope of the requirements proposed in the Practice Statement, which focuses on all nature-related risks and opportunities, rather than on a particular nature-related topic or industry, clarifies the range of material information to be disclosed to inform investor decision-making. For example, requirements to consider the breadth of what nature-related targets could relate to (such as land, freshwater and ocean use change and pollution reduction) supports the disclosure of material information on relevant nature-related targets to investors.

31. New requirements for nature-related disclosures in the Practice Statement not otherwise specified in ISSB Standards support the disclosure of high-quality and consistent information on nature-related risks and opportunities that is useful to investors in making decisions about providing resources to an entity. For example, the new proposed metrics in the Practice Statement on the amount and percentage of assets or business activities that are vulnerable to nature-related risks and aligned with nature-related opportunities support investors in comparing information between periods and between entities. The proposed requirements are responsive to investor demands to provide structured, forward-looking information on how entities are identifying, assessing and responding to nature-related risks and opportunities that could affect their prospects. For example, an entity disclosing information about how it is responding or plans to respond to nature-related risks and opportunities in accordance with the Practice Statement will enable investors to directly evaluate the

potential effects on an entity's future cash flows and overall financial resilience (for example, including effects on revenues, operating costs and supply chain stability).

32. The Practice Statement builds on the IFRS S1 requirement for an entity to provide information in a manner that enables users of general purpose financial reports to understand the connections between various sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects. It does so by specifying requirements related to the connections between climate- and nature-related risks and opportunities, which addresses an important area of common investor need for connected information identified in the context of nature-related risks and opportunities. These incremental requirements would ensure that the connections between those risks and opportunities and the associated information that is likely to be decision-useful to investors are well understood. In particular, such requirements are important to prevent siloed reporting of nature- and climate-related risks and opportunities. Disclosures resulting from the proposed requirements would support investors in better understanding how such connections affect trade-offs and synergies in an entity's responses to climate- and nature-related risks and opportunities.

Improved comparability

33. Application of the Practice Statement is expected to reduce fragmentation in the nature-related disclosure landscape[8] and facilitate comparison of information for users of general purpose financial reports compared to the current state of disclosure. Comparability is supported by the incremental requirements in the Practice Statement particularly with regards to information about strategy and risk management and based on an improved understanding of the scope of the requirements (for example, through definitions of essential terms and concepts). The Practice Statement will also refer entities to the SASB Standards (which IFRS S1 requires entities to refer to and consider) for the disclosure of nature-related metrics as well as permit use of TNFD disclosure metrics, both of which can aid consistency in the information provided.

[8] The proposed requirements draw on the TNFD framework and build on IFRS S1 and IFRS S2 and the nature-related content in the industry-based SASB Standards. Attention has also been paid to interoperability with the GRI Standards and ESRS.

34. The staff notes that improvements in comparability for investors will be subject to the application of the Practice Statement given its non-mandatory nature. Greater comparability benefits will arise when jurisdictions require use of the Practice Statement and the greater the number of entities that choose to apply the Practice Statement. Given the quality and comparability of information relevant to investment decision making expected from the application of the Practice Statement, investors will have an important role in encouraging entities to apply the Practice Statement in their disclosures and in explaining the benefits of application to those making decisions about jurisdictional application.

35. It is noted that in principle if the same content were included in an ISSB Standard that was subject to mandatory application, this would improve comparability relative to proposing a Practice Statement. However, the staff notes that the ISSB would still need to consider an appropriate date to require preparers to apply a Standard at the time when many entities are in the process of their initial or early application of IFRS S1 and IFRS S2, and in turn jurisdictions would need to consider the appropriate timing of required application. Given these considerations, if the Practice Statement is adopted by jurisdictions and entities are encouraged to apply it, the practical difference on comparability of proposing an ISSB Standard or a Practice Statement may not be significant.

Confidence in the information provided

36. The ISSB decided to propose that the Practice Statement would be available for application from the date of its issuance for entities applying IFRS S1 and IFRS S2, and that entities with sustainability-related financial disclosures that comply with all the requirements in ISSB Standards and all the requirements in the Practice Statement would be required to make an explicit and unreserved statement of compliance. By entities providing this statement of compliance, investors will be able to understand when an entity is reporting in accordance with the Practice Statement, which is expected to facilitate better investor analysis.

Benefits for preparers applying the Practice Statement in conjunction with IFRS S1 and IFRS S2

37. The Practice Statement is expected to support entities in preparing nature-related disclosures in accordance with IFRS S1 and IFRS S2. The Practice Statement is designed to provide incremental, targeted requirements that in many cases specify, rather than expand the scope of, information required by IFRS S1 and IFRS S2, including to meet the objectives of those Standards. Therefore, entities applying the Practice Statement together with IFRS S1 and IFRS S2 are expected to benefit from additional clarity regarding material information to disclose on nature-related risks and opportunities that will enhance the quality of their disclosures. For example, definitions of essential terms and concepts will support preparer understanding of the scope of nature-related disclosures relevant to meeting the objectives of IFRS S1.

38. The Practice Statement is expected to support preparers in their ability to identify nature-related risks and opportunities that could reasonably be expected to affect their prospects, addressing the difficulties preparers currently face as discussed in paragraph 21. For example, the ISSB decided to propose that the Practice Statement include requirements to support the identification of nature-related risks and opportunities considering location-specificity and an entity's interactions with Indigenous Peoples, Local Communities and affected stakeholders in the context of nature. The ISSB also decided to propose that the Practice Statement note that the TNFD *Guidance on identification and assessment of nature-related issues: The LEAP approach* might be relevant in providing nature-related disclosures, supporting an entity's identification of nature-related risks and opportunities, in accordance with the objective of IFRS S1.

39. The Practice Statement is expected to enable preparers to focus on information about nature-related risks and opportunities that is relevant for investors. This is due to the focus of the Practice Statement on investor needs and disclosure of material information about nature-related risks and opportunities for investor decision-making, and its application together with IFRS S1 and IFRS S2. As a result of the investor

focus and reduced fragmentation of nature-related disclosure requirements as compared to current practice, the Practice Statement would enable preparers to streamline their reporting processes for nature-related information.

40. Preparers could also potentially benefit from improvements in the quality of financial reporting and benefits for investors described in paragraphs 24-36. For example, investors that might otherwise rely on estimates or third-party data to obtain information about an entity's nature-related risks and opportunities and responses to those risks and opportunities would be able to use information that the entity directly provides, potentially benefiting an entity's access to finance or its cost of capital.

Benefits for jurisdictions adopting the Practice Statement

41. The improvements in the quality of financial reporting expected with the use of the Practice Statement would be beneficial for jurisdictions, particularly when exposures to nature-related risks and opportunities are important to a jurisdiction's economy or trade relationships.

42. As noted in paragraph 25 of this paper, IFRS S1 (which is being adopted by jurisdictions around the world) already requires disclosure of information about sustainability-related risks and opportunities, including information about nature-related risks and opportunities that could reasonably be expected to affect an entity's prospects. The Practice Statement will provide incremental requirements about nature-related disclosures, thus supporting enhanced and more comparable reporting among entities in jurisdictions applying the Practice Statement. The increased transparency and better quality of financial reporting resulting from application of the Practice Statement can better support investor decisions in providing resources to entities in those jurisdictions.

43. The non-mandatory status of the Practice Statement enables jurisdictions to assess the appropriate timing for adoption of the Practice Statement given ongoing implementation of IFRS S1 and IFRS S2. By not developing a new ISSB Standard on nature-related disclosures—which would be required to be applied by an entity to

assert compliance the ISSB Standards—and instead proposing a Practice Statement, the ISSB aims to make available materials, when of interest to a jurisdiction, to support the provision of high-quality, decision-useful information about nature-related risks and opportunities without disrupting implementation of IFRS S1 and IFRS S2. In cases in which a jurisdiction introduces climate-only reporting initially, it may be relevant for a jurisdiction to require that the Practice Statement be used at the time that reporting on topics beyond climate is introduced. Entities would benefit from the additional specificity provided by the Practice Statement when they first develop their nature-related disclosures.

Likely costs

Costs for preparers

44. As noted in Agenda Paper 3 *Moving the BEES research project to a standard-setting project in the ISSB work plan* of the December 2025 ISSB meeting,[9] staff research found that biodiversity and broader nature-related disclosure is currently a resource-intensive area of sustainability reporting.[10] Major cost drivers for providing nature-related disclosures include data acquisition, collection, specialised tools, internal systems and capacity, external advisory services and assurance processes. Initial and recurring costs for preparers vary by sector, geography, reporting maturity and value chain complexity. A 2025 survey showed that 35% of preparers spend under US$ 50,000 annually to report on nature-related information using the TNFD framework, while around 10% spend more than US$ 250,000.[11]

45. Many entities currently report nature-related information as discussed in paragraphs 21–23. It is expected that preparers would leverage to some extent their existing systems, processes and practices to feasibly provide information required in the

[9] This project was initially titled 'Biodiversity, Ecosystems and Ecosystem Services' and used the acronym 'BEES'. In February 2026, the ISSB decided to change the project title to 'Nature-related Disclosures'.

[10] KPMG The advantages of corporate biodiversity management implementation (October 2024).

[11] Survey results from the TNFD 2025 Status Report (September 2025). The TNFD Secretariat collected over 800 responses to a survey of market participants issued in June-July 2025.

Practice Statement. The additional costs introduced by the Practice Statement are therefore likely to be limited compared to what an entity might spend anyway on nature-related disclosures, particularly for those already providing nature-related disclosures.

46. However, current nature-related disclosures are often provided using voluntary frameworks and standards. Information required to be disclosed because of incremental requirements when the Practice Statement is applied or mandated could therefore create some additional costs associated with data collection, assurance and compliance processes. Even in such cases, it is expected that an entity would bear at least some of these costs in any case if providing nature-related disclosures applying the requirements in IFRS S1 and IFRS S2.

47. The ISSB has undertaken standard-setting in a manner designed to be practical and efficient to meet investor information needs. There are important mitigants in the proposed approach such as the proportionality mechanisms available for an entity to use. Cost mitigations resulting from the design of the Practice Statement and the proportionality mechanisms that an entity can use when applying the Practice Statement and ISSB Standards are described below.

Cost mitigations for preparers

48. The form of a Practice Statement, as compared to a standalone Standard, is expected to mitigate costs for preparers. As application of the Practice Statement would not be required for entities to assert compliance with ISSB Standards, entities and jurisdictions would be able to assess its relevance and applicability considering their own circumstances and related costs and benefits. This approach is expected to reduce overall implementation burden and mitigate compliance costs for preparers. In effect, unless a jurisdiction requires entities to apply the Practice Statement, a preparer would be able to assess the costs and benefits of application of the Practice Statement in its own circumstances.

49. The proposed requirements are designed to be incremental to IFRS S1 and IFRS S2 to limit additional compliance burden, prevent duplication of reporting processes and reduce costs of establishing new disclosure systems. In addition, the ISSB has limited the number of new disclosures specified in the proposed Practice Statement. Only a few, intentionally focused requirements are specified for disclosure of particular nature-related information beyond that which is required by IFRS S1. Where relevant, these additional disclosures are modelled after similar requirements in IFRS S2 for climate-related risks and opportunities and draw on the TNFD framework. It is noted that the proposed Practice Statement in large part provides additional materials to aid understanding of the scope of nature-related risks and opportunities and important considerations in identifying material information such as explaining the relevance of the location of an entity's assets or activities (including in its value chain).

50. Particular content in the proposed Practice Statement is designed to mitigate costs for preparers. For example:

(a) the ISSB proposes to maintain references to the sources of guidance referenced in IFRS S1, including but not only the SASB Standards, for nature-related disclosures. In accordance with IFRS S1, an entity would be required to refer to and consider the applicability of the nature-related metrics in the SASB Standards. The ISSB decided not to create additional industry-based guidance for nature-related disclosures, which would have created duplication and added complexity to the requirements. The SASB Standards provide an efficient and cost-effective way for an entity to disclose industry-specific nature-related metrics, as required by IFRS S1.

(b) the ISSB proposes to maintain the references to the ESRS and GRI Standards as sources of guidance to identify information to disclose, to the extent that these sources assist the entity in meeting the objective of IFRS S1. This provision prevents a disruption to interoperability and would allow an entity to continue to apply the ESRS or GRI Standards when applying the Practice Statement, where relevant to meet the objective of IFRS S1.

(c) the ISSB proposes to introduce the TNFD disclosure metrics as a source of guidance in the Practice Statement to enable entities to provide information to meet the objective of IFRS S1 for nature-related risks and opportunities. By referencing the TNFD disclosure metrics, the Practice Statement would enable entities using the TNFD framework to more readily apply the Practice Statement. This approach is expected to reduce the incremental cost of application of the Practice Statement while enabling disclosure to improve over time.

51. The ISSB also considered the range of capabilities and preparedness of entities to disclose information about nature-related risks and opportunities. Existing proportionality mechanisms in IFRS S1 and IFRS S2 would be available to an entity when providing information in accordance with the Practice Statement and ISSB Standards.

52. In cases in which the Practice Statement specifies particular information to disclose beyond that required by IFRS S1 and IFRS S2, the ISSB has decided to propose proportionality mechanisms that are incremental to IFRS S1 and IFRS S2. These mechanisms are designed to enable entities to use an approach that is suitable for their capabilities, resources and available information in applying the Practice Statement at the reporting date, while supporting improvements in reporting over time. These proportionality mechanisms include the following:

(a) in calculating the amount and percentage of assets or business activities that are vulnerable to nature-related risks and aligned with nature-related opportunities, the proposed requirements introduce a proportionality mechanism requiring an entity to use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort. This proportionality mechanism is aligned with that in paragraph 30 of IFRS S2 to reflect the similarity between the disclosures and enable disclosure of connected information about nature- and climate-related risks and opportunities.

(b) in preparing disclosures to meet the requirements about the entity's use of scenario analysis, the proposed requirements introduce a proportionality mechanism that an entity shall use an approach that enables it to consider the skills, capabilities and resources available to the entity for the nature-related scenario analysis. This proportionality mechanism is aligned with paragraph B2(b) of IFRS S2 for the disclosure of climate-related scenario analysis.

53. Synergies or cost efficiencies may also be realised from existing reporting efforts associated with IFRS S1 and IFRS S2 or other sustainability-related disclosure requirements such as the ESRS and GRI Standards. For example, there is potential for shared data, systems and expertise in applying climate-related disclosure requirements and nature-related disclosure requirements. The staff also notes that TNFD has published correspondence or interoperability mappings showing consistency between the TNFD core global disclosure metrics and the related metrics in the GRI Standards and in ESRS.[12] This consistency should also provide a source of cost mitigation for entities using those sources of guidance in applying the Practice Statement.

Costs of analysis for users of general purpose financial reports

54. As discussed in paragraph 33 of this paper, application of the Practice Statement in conjunction with IFRS S1 and IFRS S2 is expected to reduce fragmentation of reporting and provide investors with comparable, high-quality disclosures of material information on sustainability-related risks and opportunities, including specific information on nature-related risks and opportunities. Investors would have access to timely disclosures in general purpose financial reports, decreasing the cost or time needed to obtain or adjust information from disparate third-party sources or from different types of reports.

55. The Practice Statement also standardises terminology and builds on IFRS S1 and IFRS S2, reducing analysis and data-acquisition costs for investors. Establishing

[12] See Agenda Paper 3C *Sources of guidance for metrics* of the June 2026 ISSB meeting.

requirements and defined terms is expected to reduce the discrepancies and inconsistencies currently observed in nature-related reporting.

56. Investors would also benefit from information provided by entities that use the SASB Standards as a source of guidance to disclose nature-related metrics and opt to use TNFD disclosure metrics as an additional source of guidance. Leveraging existing resources in the proposed requirements is expected to enable more efficient analysis of nature-related disclosures, allowing investors to readily evaluate connected risks and opportunities and integrate information into their assessments without incurring costs to analyse a large volume of new nature-related metrics. These existing resources are anticipated to minimise initial costs for many investors; however, some investors without familiarity with these resources who seek to analyse disclosures resulting from the Practice Statement may experience initial costs to analyse new information.

Overall assessment of likely costs compared to likely benefits

57. In analysing the likely costs and benefits of the proposed requirements, the staff considered how sustainability-related financial disclosures are likely to change because of the proposed requirements, whether those changes will improve the quality of general purpose financial reports and whether those changes are justifiable considering the likely effects.

58. The staff notes two general standard-setting considerations that are likely to limit the costs and enhance the benefits of the proposed requirements. In developing the proposed requirements, the ISSB decided:

   (a) to build on IFRS S1 and IFRS S2 to be specific to nature-related risks and opportunities and incremental relative to the requirements in IFRS S1 and IFRS S2. IFRS S1 already requires the disclosure of material information for all sustainability-related risks and opportunities (requiring reporting about governance, strategy, risk management and metrics and targets), including nature-related risks and opportunities. The ISSB's stakeholders supported the use of this structure for application across topics in responding to the exposure draft that led to IFRS S1. The staff thinks this approach will have a mitigating effect on costs for preparers and the structure of the Practice Statement being analogous to IFRS S1 and IFRS S2 will be familiar for preparers and support understanding of the proposed requirements. There are several benefits for investors and preparers from this approach, as noted in paragraphs 25–28.

(b) to draw on the TNFD framework throughout standard-setting. The proposed Practice Statement is designed to draw on the aspects of the TNFD that address the common information needs of investors and those that enable disclosure of information that meets the objective of IFRS S1. The approach to standard-setting also considered interoperability with GRI Standards and ESRS where relevant (see considerations in paragraph 50(b) of this paper). This approach benefits from existing market practice and preparer familiarity with the TNFD framework, enabling those already reporting in accordance with this framework to build on that work. This approach can also reduce fragmentation of nature-related disclosure requirements, alleviating the reporting burden for preparers. Especially for entities reporting in multiple jurisdictions, there are anticipated benefits of having a single global system for reporting that would reduce the actual or potential costs of fragmentation.

59. Given that market practice and sophistication of nature-related disclosures is still evolving, the ISSB has considered how proportionality mechanisms are useful to support entities with different levels of capability and preparedness to apply the Practice Statement. An entity applying the Practice Statement in conjunction with ISSB Standards would benefit from the availability of all relevant proportionality mechanisms as discussed in paragraph 52 of this paper.

60. By taking a measured approach to introducing new disclosures including metrics, by continuing to rely on existing sources of guidance and by proposing to include the TNFD disclosure metrics as an additional source of guidance, the Practice Statement is designed to enable entities to build on existing nature-related disclosures in the transition to application of the Practice Statement.

61. The Practice Statement would support entities in understanding how to provide high-quality nature-related disclosures in the context of applying the ISSB Standards. An entity applying ISSB Standards and the Practice Statement would be reporting on nature-related risks and opportunities in the context of its reporting in accordance with ISSB Standards. This means that the reporting would be connected to reporting on other risks and opportunities, including climate-related risks and opportunities. Such reporting would be part of the general purpose financial reporting package, with connections to the financial statements and subject to the concepts in IFRS S1 such as materiality and the qualitative characteristics of useful sustainability-related financial information. An entity that chooses to apply and assert compliance with the Practice Statement would be required to comply with all the requirements in the Practice Statement. This would signal to investors the completeness and 'quality' of the entity's nature reporting, being consistent with the requirements set out in the ISSB Standards, with nature content in particular consistent with the Practice Statement.

Conclusion

62. Sustainability-related financial disclosures about nature-related risk and opportunities are expected to change to be more specific, comparable and complete as a result of the proposed requirements in the Practice Statement. By applying the proposed Practice Statement, entities will be required to disclose specific information about nature-related risks and opportunities. Entities will also need to incorporate nature-specific considerations in preparing disclosures when applying the Practice Statement and when applying existing requirements in IFRS S1 and IFRS S2. The standardised terms, concepts and requirements proposed by the Practice Statement would provide a consistent basis for disclosure and change sustainability-related financial disclosures to include more decision-useful and comparable information about nature-related risks and opportunities. The Practice Statement, applied in conjunction with IFRS S1 and IFRS S2, would also discourage siloed reporting, including by specifying the connections between climate- and nature-related risks and opportunities. Entities applying the Practice Statement and wishing to assert compliance with it would be

required to comply with all the requirements in the Practice Statement, resulting in changes to information disclosed throughout all core content areas set out by IFRS S1, IFRS S2 and the Practice Statement.

63. These changes are expected to improve the quality of general purpose financial reports by enhancing the quality, comparability and decision-usefulness of nature-related disclosures. The Practice Statement addresses investor demand for robust, forward-looking information on nature-related risks and opportunities that could reasonably be expected to affect an entity's prospects to support better economic decision-making. The Practice Statement would improve understanding of how to apply ISSB Standards to provide nature-related disclosures, supporting better application practice for entities and greater transparency in disclosures as compared to applying IFRS S1 and IFRS S2 alone. The Practice Statement is expected to reduce the fragmentation currently observed in nature-related reporting establishing clear, investor-focused requirements for nature-related reporting available for those applying ISSB Standards, including by drawing on or referencing the TNFD framework within its requirements.

64. These changes are anticipated to be justified when considering the balance of costs and benefits associated with the Practice Statement. While establishing nature-related disclosures can require initial and ongoing costs, the Practice Statement is designed to mitigate these burdens. The approach to developing new requirements for specific information to disclose has been intentionally measured, and such requirements are not likely to give rise to significant incremental costs to preparers. The Practice Statement proposes explicit proportionality mechanisms in addition to applicable mechanisms already available in IFRS S1 and IFRS S2. Preparers can also realise cost efficiencies by leveraging existing data, systems, and processes developed for climate disclosures or other nature-related disclosures in applying the TNFD framework, ESRS, GRI Standards or SASB Standards. Because the Practice Statement is non-mandatory, entities and jurisdictions retain the option to evaluate its applicability in their own circumstances, mitigating unnecessary implementation cost and burden. The staff thinks that the expected benefits of introducing incremental requirements to

address nature-specific investor needs are likely to outweigh the associated costs of preparing that information in sustainability-related financial disclosures.

65. In the forthcoming Exposure Draft for the proposed Practice Statement, the accompanying Basis for Conclusions will describe the rationale for the proposed requirements and will summarise the assessment of the likely effects of the proposed requirements. The ISSB will have the opportunity to gather additional evidence and assess likely effects further through the public consultation on the proposed Practice Statement.

Question for the ISSB
1. Does the ISSB have any comments or questions on the likely effects of the proposed Practice Statement discussed in this paper?