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## ISSB Meeting

Date	<b>June 2026</b>
Project	<b>Nature-related Disclosures</b>
Topic	<b>Update on terms and concepts essential to standard-setting on nature</b>
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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*.

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## Purpose and structure

1. This paper discusses terms and concepts that are essential to understanding the scope of standard-setting on nature ('essential terms and concepts'), and that support understanding of nature-related disclosure requirements and comparability of disclosures. This discussion relates to essential terms and concepts that would be included in the proposed IFRS Practice Statement on nature-related disclosures (the IFRS Practice Statement).
2. This paper builds on Agenda Paper 3A for the February 2026 meeting of the International Sustainability Standards Board (ISSB) and the tentative decisions of the ISSB regarding the definitions and descriptions of essential terms and concepts.<sup>1</sup> It provides an update on the defined terms proposed to be included in the IFRS Practice Statement, presents the staff's analysis and recommendations and asks the ISSB for decisions.

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<sup>1</sup> See Agenda Paper 3A [Essential terms and concepts for standard-setting on nature-related disclosure requirements](#), February 2026.

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3. This paper is structured as follows:
- (a) purpose and structure (paragraphs 1–5);
  - (b) background (paragraphs 6–8);
  - (c) staff recommendations (paragraph 9);
  - (d) findings and staff analysis (paragraphs 10–45):
    - (i) introduction (paragraph 10);
    - (ii) the concept of environmental assets (paragraphs 11–26); and
    - (iii) nature-related transition risks and physical risks (paragraphs 27–45);  
and
  - (e) questions for the ISSB.
4. This paper should be read in conjunction with the illustrative drafting in Agenda Paper 3B *Supplement to AP3A—Illustrative drafting of defined terms and application guidance on nature-related risks and opportunities*. Agenda Paper 3B:
- (a) provides a full list of the defined terms<sup>2</sup> to be included in the proposed IFRS Practice Statement<sup>3</sup> based on the ISSB tentative decisions at the February 2026 ISSB meeting, the tentative decisions made in subsequent ISSB meetings<sup>4</sup> and the staff recommendations in this paper; and
  - (b) illustrates how these and other terms could be used in the application guidance on nature-related risks and opportunities in the proposed IFRS Practice Statement.

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<sup>2</sup> Agenda Paper 3D *Supplement to AP3C—Consideration of the TNFD framework in standard-setting on nature-related disclosures* outlines how the International Sustainability Standards Board (ISSB) has considered the TNFD framework—including the TNFD Glossary—in its deliberations, including on essential terms and concepts and related illustrative drafting.

<sup>3</sup> Agenda Paper 3B *Supplement to AP3A—Illustrative drafting of defined terms and application guidance on nature-related risks and opportunities* does not illustrate the terms already defined in other IFRS Sustainability Disclosure Standards that would be included in the proposed IFRS Practice Statement with the same meaning.

<sup>4</sup> Agenda Paper 3 *Cover note* sets out ISSB's tentative decisions in this project to date. In the deliberations of the information areas for standard-setting, no additional terms have been identified to be defined beyond those covered at the February 2026 ISSB meeting.

5. The staff does not ask the ISSB to vote on the draft language in Agenda Paper 3B but invites ISSB members' questions and comments on the illustrative drafting.

## Background

6. At its January 2026 meeting, the ISSB decided to proceed with nature-related standard-setting assuming that an entity is applying IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate related Disclosures*. In the January 2026 Agenda Paper 3 [\*Objective and scope of standard-setting on nature-related risks and opportunities\*](#), the staff identified several information areas for possible nature-related standard-setting. These areas included terms and concepts essential to nature-related standard-setting, which included determining what defined terms are necessary to establish a clear scope for nature-related disclosures.
7. In February 2026, the ISSB tentatively decided—subject to further discussion [emphasis added]:
  - (a) to define the terms 'nature-related risks', 'nature-related opportunities', '**nature-related transition risks**', '**nature related physical risks**' and 'ecosystem services';
  - (b) to describe the terms 'dependencies on nature', 'impacts on nature', 'nature' and 'ecosystems';
  - (c) to define the concept of '**environmental assets**' (with revised wording); and
  - (d) to include the terms in (a)–(b) and the concept in (c) in the exposure draft.
8. During the February 2026 meeting, ISSB members specifically noted an intention to discuss and confirm in future meetings:
  - (a) what alternative term to use in the exposure draft in defining the concept of environmental assets; and

- (b) whether it is feasible and necessary to define nature-related transition risks, and consequently, whether there is a need to define nature-related physical risks.

## Staff recommendations

9. The staff recommends that in the proposed IFRS Practice Statement on nature-related disclosures the ISSB:
  - (a) use the term ‘environmental resources’ in place of the term ‘environmental assets’; and
  - (b) define nature-related transition risks and nature-related physical risks.

## Findings and staff analysis

### *Introduction*

10. During the February 2026 ISSB meeting, ISSB members discussed the importance of definitions and descriptions, and the roles they play in standard-setting. The following summarises the key points discussed:
  - (a) terms used in definitions appear in an appendix of defined terms within an IFRS Foundation due process document. Definitions are often used to state the boundaries of a population that is in scope of requirements, and to support assurance assessment and regulatory supervision of the disclosures. Defined terms are also used in explanations or in specifying requirements. Defined terms are italicised when first used in a document to emphasise the need to refer to the definition. When that term is used throughout the document it is with the meaning defined.
  - (b) terms used in descriptions do not necessarily appear in a single section of an IFRS Foundation due process document. Such terms are typically part of explanations or context used to support the requirements.

### ***The concept of environmental assets***

11. In the February 2026 Agenda Paper 3A, the staff explained that the concept of environmental assets (as used in nature-related frameworks such as the Taskforce on Nature-related Financial Disclosures (TNFD) framework) is essential to understanding the scope of standard-setting on nature and the resulting disclosure requirements. Collectively, the concepts of environmental assets and ecosystem services are useful in identifying an entity's nature-related risks and opportunities that arise from the entity's dependencies and impacts on resources and relationships that the entity interacts with throughout its value chain. The ISSB agreed that both concepts are important to define because they support clear communication of the scope of nature-related disclosure requirements.
12. However, the ISSB also agreed with the staff recommendation not to use the term 'environmental assets', because the items this term is intended to capture do not necessarily meet definitions of assets in generally accepted accounting principles and practices (GAAP). For example, to meet the definition of an asset in accordance with the IFRS *Conceptual Framework for Financial Reporting (Conceptual Framework)*, a present economic resource must be controlled by an entity as a result of past events (see paragraph 4.3 of the *Conceptual Framework*).

### ***Alternatives considered***

13. Since the February 2026 ISSB meeting, the staff have used the term 'natural resources and ecosystems' as a working alternative term for environmental assets pending the resolution of this issue.
14. The staff have considered two broad approaches to address this issue:
  - (a) identifying an alternative term to use in place of the term 'environmental assets'; and

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- (b) describing, rather than defining, the concept of environmental assets, if an appropriate term to replace the term ‘environmental assets’ cannot be identified.
15. The staff notes that although the key consideration is the clarity of the definition rather than the ‘label’ used, the following factors are important in identifying a replacement term for the concept of environmental assets:
- (a) the term should not suggest a scope that is different from what the ISSB intends for standard-setting on nature;
  - (b) the term should avoid creating confusion, including confusion about whether the concept that is defined in the IFRS Practice Statement is different from the concept of ‘environmental assets’ used in the [Recommendations of the Taskforce on Nature-related Financial Disclosures](#) (TNFD recommendations) especially if entities were to refer to TNFD materials for support in applying the IFRS Practice Statement; and
  - (c) the term should be consistent with terms and concepts used in IFRS literature.
16. As one input into this consideration, in May 2026 the staff asked members of the Sustainability Standards Advisory Forum (SSAF)<sup>5</sup> for their observations on this matter (see May 2026 SSAF AP4 [Terms and concepts for standard-setting on nature related disclosures](#)).
17. SSAF members expressed mixed views on whether the concept of environmental assets should be defined or described, and how. Many SSAF members were comfortable with a description. They noted that there is a precedent in IFRS Foundation’s literature for describing essential terms and argued that this approach would:

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<sup>5</sup> The SSAF is a group of nominated members from jurisdictional and regional authorities with standard-setting expertise involved in sustainability-related reporting. It provides an advisory forum where members share their understanding of jurisdictional and regional developments related to the ISSB’s work.

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- (a) reduce the risk of inadvertently narrowing the intended scope of the concept; and
  - (b) avoid creating a terminology difference with TNFD, which would be confusing for entities already using the TNFD recommendations.
18. SSAF members who supported defining the concept of environmental assets stated that it is important to define this concept because:
- (a) it is key to understanding dependencies and impacts on nature that give rise to nature-related risks and opportunities; and
  - (b) there is a conceptual link between environmental assets as the stocks of resources and the flows of ecosystem services and therefore both concepts need to be considered in identifying an entity's nature-related risks and opportunities.
19. SSAF members suggested various alternative terms that could be used as a replacement term for 'environmental assets', including 'environmental resources' and 'natural resources and ecosystems' as options.

### *Staff view*

20. This section discusses why it is appropriate to define, rather than to describe, the concept of environmental assets, which replacement term should be used and how that term should be defined.
21. The staff continues to think that it is appropriate to define rather than to describe the concept of environmental assets. Therefore, the staff is not seeking to recommend changes to the decision the ISSB made in February 2026 to define this concept (see paragraph 7(c)).
22. The concepts of ecosystem services and environmental assets are interrelated, as also noted by some SSAF members (see paragraph 18(b)). Natural resources, ecosystems and atmospheric systems constitute the concept of environmental assets. Ecosystem

services are the contributions of ecosystems to the benefits that are used in economic and other human activity. Together these concepts help explain what resources and relationships are nature-related, which is relevant to understanding the scope of disclosures.<sup>6</sup>

23. Defining a term in the appendix of defined terms gives it prominence. Defining ecosystem services but not environmental assets can give unequal levels of prominence to these closely related concepts, potentially also leading to misunderstandings of the scope of disclosures. Because market understanding of nature as a topic is relatively nascent, a well-defined scope serves to provide clarity about the boundaries of the population that is in scope of the requirements.<sup>7</sup> The staff thinks that the risk of not defining a term that is as important to the scope of the IFRS Practice Statement as the term ecosystem services—simply because the label ‘asset’ has a particular meaning in IFRS Standards, and that meaning is not appropriate in this situation—is not justified.
24. The staff think that an appropriate replacement term is the term ‘environmental resources’ because:
- (a) the term ‘resource’ is used in IFRS Foundation’s literature in a way that appropriately describes the concept of a potential to produce benefits, which is what the term ‘environmental assets’ intends to convey in the context of nature-related disclosures.<sup>8</sup> Paragraph 4.4 of the *Conceptual Framework* defines an economic resource as a right that has the potential to produce economic benefits. In contrast, as noted in paragraph 12, the term ‘asset’ is used in IFRS Foundation’s literature to refer to a present economic resource that an entity controls as a result of past events. Paragraph B4 of IFRS S1 states that ‘resources and relationships include, but are not limited to, the

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<sup>6</sup> See discussion in Agenda Paper 3A [Essential terms and concepts for standard-setting on nature-related disclosure requirements](#), February 2026, for why these concepts are relevant to understanding scope.

<sup>7</sup> If included in the appendix of defined terms, both terms can also be used elsewhere in the IFRS Practice Statement to provide context for or explain the requirements. See Agenda Paper 3B for this meeting for illustrative drafting of how the defined terms could be used in the application guidance describing nature-related risks and opportunities.

<sup>8</sup> The TNFD glossary defines the term ‘environmental assets’ as the naturally occurring living and non-living components of the Earth, together constituting the biophysical environment, which may provide benefits to humanity.

resources and relationships recognised as assets in the entity's financial statements'. Similarly, paragraph 10.3 of IFRS Practice Statement 1 *Management Commentary* states that resources include, but are not restricted to, those recognised as assets in the entity's financial statements. Therefore, referring to 'environmental resources' instead of environmental assets appropriately captures what this term is intended to capture—a broad population of resources capable of producing benefits rather than just a subset of those resources that an entity controls.

- (b) it is a close analogue of the TNFD term 'environmental assets' rather than an entirely different term.
  - (c) it is not used in TNFD materials, which would help to avoid creating conflict with existing TNFD definitions.
  - (d) it is a concise, non-compound term—unlike, for example, the term 'natural resources and ecosystems,' which the staff have been using as a working replacement term—which would be simple to use in the proposed IFRS Practice Statement and would facilitate clarity of the proposed requirements.
25. The staff think that it is feasible to define the term 'environmental resources' and that it should be defined in a way that:
- (a) is conceptually consistent with the TNFD definition of environmental assets;
  - (b) specifies explicitly the types of resources included within the scope of the term—namely, natural resources, ecosystems and atmospheric systems; and
  - (c) refers to their potential to produce benefits.
26. The accompanying Agenda Paper 3B provides an illustrative definition of the term 'environmental resources'.

### ***Nature-related transition risks and physical risks***

27. During the February 2026 ISSB meeting the ISSB discussed:

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- (a) whether it would be sufficient to define nature-related risks; or
  - (b) whether it would be necessary and feasible to also define subcategories of nature-related risks, namely nature-related transition risks and nature-related physical risks.
28. Much of the discussion was about whether the label of ‘transition’ is useful and clear in the context of discussing nature-related risks and opportunities. The ISSB discussed whether and how the notion of transition is different in the context of nature compared to climate:
- (a) for climate, ‘transition risks’ are framed in the context of transition towards a lower carbon economy. While this transition can have many pathways, the end state is generally understood in the context of lower greenhouse gas emissions. This is reflected in the climate-related transition risks definition in IFRS S2 which is consistent with the definition used in the TCFD recommendations. Nature relates not only to atmospheric systems but to a range of environmental resources and ecosystem services—it is therefore a broader category than climate with a multi-dimensional end state (e.g. across species populations, extinction risks, the extent and condition of ecosystems, availability of ecosystem services).
  - (b) greenhouse gas emissions occur across all sectors, due to which transition in the context of climate has widespread relevance to many companies, especially given international climate change agreements and goals related to greenhouse gas emissions. Similarly, all sectors have dependencies and impacts on nature, but the specific impact drivers—and environmental resources and ecosystem services affected—differ among sectors and locations. There are cross-cutting, international nature-related treaties and agreements, notably the Convention on Biological Diversity (CBD) Kunming-Montreal Global Biodiversity Framework. Other complementary nature-related treaties and agreement focus

on specific pollutants or governance of specific resources.<sup>9</sup> This means that the transition in the context of nature, while relevant to many companies, is more multifaceted across sectors and locations.

29. There was also a question raised at the February 2026 ISSB meeting about whether there would be a need to define nature-related physical risks if the ISSB were not to define nature-related transition risks.

### *Transition in the context of nature*

30. In order to consider whether it is necessary and feasible to define subcategories of nature-related risks, the staff think that it is useful to consider how nature-related risks and opportunities arise and their relationship to nature change and the notion of transition.
31. An entity—and other parties—have dependencies and impacts on nature. Impacts on nature result in changes to it.
32. When negative changes in nature—degradation or depletion of environmental resources or ecosystem services—have potential negative effects on the entity these give rise to nature-related physical risks.
33. Transition in the context of nature is about efforts to protect, restore or reduce negative impacts on nature. When changes in aspects of an entity’s external environment—technology, policy, markets, consumer or community responses and preferences, legislation—arise in response to actual or potential changes in nature and have potential negative effects on the entity, these are nature-related transition risks.<sup>10</sup>

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<sup>9</sup> For example, the Ramsar Convention on Wetlands, which is formally designated by the CBD as the lead partner for implementing wetland-related nature goals.

<sup>10</sup> When changes in nature have a positive effect on the entity or changes in the entity’s external environment have a positive effect on the entity in relation to changes in nature these are called nature related opportunities. Efforts to mitigate or adapt to changes in nature can give rise to nature related opportunities for an entity.

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34. Increasingly rapid changes in nature<sup>11</sup> are resulting in emergence of globally coordinated policy action like the Kunming-Montreal Global Biodiversity Framework, nature-related legislation and regulations in different jurisdictions, the use of new technologies (for example, replacing plastic materials with biodegradable materials), and change in consumer or community behaviour (for example, community opposition to data centre development that could degrade local natural resources). These changes in an entity's external environment in response to changes in nature or the risk of changes in nature might necessitate responses by an entity in order to manage the related transition and physical risks and opportunities, respectively. An entity's response to nature-related risks and opportunities might be in the form of an explicit transition plan or form part of another aspect of the entity's strategy.
35. An entity's responses to nature-related risks and opportunities:
- (a) can interact with each other, or with climate-related risks and opportunities, and the entity's responses to climate-related risks and opportunities;
  - (b) can take different approaches depending on:
    - (i) whether they are related to physical or transition risks (e.g., adaptation responses primarily associated with physical risks vs mitigation responses primarily associated with transition risk); or
    - (ii) the type of driver of nature change or type of environmental resources or ecosystem services affected by nature change (e.g., responses related to land use change such as restoration activities vs responses related to pollution such as substitution of materials);

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<sup>11</sup> For example, the [Final Report – The Economics of Biodiversity: The Dasgupta Review](#) notes that from 1970 to 2016, there has on average been a 68% decline in the populations of mammals, birds, fish, reptiles, and amphibians, mostly in the tropics, and that current extinction rates are around 100 to 1,000 times higher than the baseline rate over the past several million years—and they are accelerating.

- (c) can have different approaches to assessing progress (e.g., measuring reduction in freshwater withdrawals vs tracking the extent to which a supply chain is deforestation-free);
- (d) can relate to targets an entity has set for itself or is required to meet by law or regulation;
- (e) can stem from changes in the external environment that are localised (e.g., municipal or regional regulatory changes regarding water use) or stem from global coordinated policy efforts (e.g., goals associated with the Kunming-Montreal Global Biodiversity Framework).

#### *Alternatives considered*

36. In May 2026 the staff sought SSAF members' views on whether to define nature-related physical risks and nature-related transition risks in the IFRS Practice Statement and, if so, how to define nature-related transition risks.
37. SSAF members who commented on nature-related physical risks all supported defining the term. They noted that physical risks are conceptually distinct—resulting from different drivers that are clearly distinct from non-physical risks—and a definition of this term would both support providing clarity about the scope of nature-related disclosures and support comparability of disclosures.
38. SSAF members had mixed views on the necessity of defining nature-related transition risks, with most members suggesting that a description would be sufficient. Those members observed that unlike in the context of climate, the concept of transition is not as clear or well-suited to nature due to there being no singular 'end state' of transition. They suggested that a description that makes use of examples might be more helpful and practical than a definition.
39. Other SSAF members supported defining nature-related transition risks. They noted that a definition could support completeness of nature-related risk identification, support risk assessment by having an organised structure of risks that have distinct

drivers (physical and non-physical), and support interoperability with European Sustainability Reporting Standards (ESRS) which define transition risks as well as physical risks in relation to nature.

40. Some SSAF members also provided drafting suggestions, including that it would be helpful for the IFRS Practice Statement to reflect the breadth and diversity of transition in the context of nature and avoid strict alignment with the structure and language of the IFRS S2 definition of climate-related transition risk where it is not as well-suited to the nature-related context.

#### *Staff view*

41. The staff thinks that it would be preferable to address both types of nature-related risks in the same way and recommend defining *both* nature-related transition risks and nature-related physical risks.
42. As noted in paragraph 28, while there are some differences in the notion of transition in the context of nature compared to climate, such as the ‘transition’ being broader and more multifaceted in the case of nature, the notion of transition is still relevant in the context of nature. Like climate-related transition risks, nature-related transition risks are themselves composed of underlying policy, legal, technological, market and reputational risks with consequences for an entity’s business model and activities throughout its value chain. In both cases, there is a relationship to the notion of transition. The term ‘transition risks’ therefore serves as a useful term to distinguish physical risks from non-physical risks, both in the case of climate change and nature and to ensure all these types of risks are in scope both for climate-related disclosures and nature-related disclosures.
43. Differences in how nature-related physical and transition risks arise and manifest mean that an entity might have distinct approaches to responding to and managing these respective types of nature-related risks (see paragraphs 34–35). These differences can mean that the information that is likely to be material for strategy and risk management disclosures is distinct for these respective risks. It is necessary

to be clear that both types of nature-related risks are in scope, to ensure that material information is provided about the different aspects of nature-related exposures. Articulating that nature-related risks are constituted by physical and transition risks helps to clarify the scope of nature-related risks clearly in a structure that is recognisable and analogous to IFRS S2.

44. This clarification in the context of nature can support entities with:
- (a) understanding these risks and the scope of the IFRS Practice Statement;
  - (b) identifying these risks;
  - (c) identifying material information about these risks.
45. Besides including the definition of nature-related transition risks, the IFRS Practice Statement can also use this term in explaining how nature-related risks and opportunities arise and how they can affect an entity's prospects (see illustrative drafting in Agenda Paper 3B for this meeting) to further aid understanding of nature-related risks and opportunities and how to identify and disclose material information about them.

## Questions for the ISSB

### Questions for the ISSB

1. Do ISSB members have any other questions or comments on the discussion and analysis in this paper?
2. Does the ISSB agree with the staff recommendations in paragraph 9:
  - a. to use the term 'environmental resources' in place of the 'environmental assets' in the proposed IFRS Practice Statement on nature-related disclosures; and
  - b. to define nature-related physical risks and nature-related transition risks in the proposed IFRS Practice Statement on nature-related disclosures?
3. Do ISSB members have questions or comments on the illustrative drafting of the defined terms and application guidance on nature-related risks and opportunities provided in accompanying Agenda Paper 3B?

