
ISSB meeting

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Project	Nature-related Disclosures
Topic	Supplement to AP3A—Illustrative drafting of defined terms and application guidance on nature-related risks and opportunities
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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[®] Sustainability Disclosure Standards. The ISSB's technical decisions are made in public and are reported in the ISSB *Update*.

Introduction

1. This paper accompanies Agenda Paper 3A *Update on terms and concepts essential to standard-setting on nature*, which presents staff analysis and recommendations on terms and concepts to be defined in the proposed IFRS Practice Statement on nature-related disclosures and asks the International Sustainability Standards Board (ISSB) to make decisions.
2. This paper presents illustrative drafting of extracts from the proposed IFRS Practice Statement, in particular:
 - (a) extract from Appendix A provides illustrative drafting of the defined terms. The extracts do not illustrate the terms already defined in IFRS Sustainability Disclosure Standards that would be included in the proposed IFRS Practice Statement with the same meaning.

- (b) extracts from Appendix B provide illustrative drafting of the application guidance on nature-related risks and opportunities. They illustrate how the defined terms and other terms could be used in this guidance.¹
3. This paper is for reference only. The staff invites ISSB members' questions and comments on the illustrative drafting presented in this paper. The illustrative drafting is subject to change.

¹ At the February 2026 meeting, the ISSB tentatively decided to describe the terms 'dependencies on nature', 'impacts on nature', 'nature' and 'ecosystems'. As noted in paragraph 61 of [Agenda Paper 3A of February 2026](#), the meaning of the term 'nature' can be made clear indirectly, for example through defining particular terms such as 'nature-related risks and opportunities' and 'environmental resources'.

[Draft] Appendix A—Extract

Defined terms

This appendix is an integral part of IFRS Sustainability Disclosure Practice Statement 1 and has the same authority as the other parts of the Practice Statement.

ecosystem services	The contributions of ecosystems to the benefits that are used in economic and other human activity. An entity might depend on or impact ecosystem services.
environmental resources	The naturally occurring living and non-living components of the natural environment, together constituting the biophysical environment, that have the potential to produce benefits. Environmental resources are natural resources, ecosystems and atmospheric systems.
nature-related physical risks	<p>Risks resulting from degradation or depletion of environmental resources or ecosystem services that the entity depends upon. These risks can be acute or chronic. Acute physical risks result from event-driven changes, such as storms, floods, droughts or heatwaves, forest fires or oil spills. Chronic physical risks result from longer-term changes, such as a gradual decline in pollinator species diversity resulting in reduced crop yields, or reduced water availability.</p> <p>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 environmental resources or ecosystem services.</p>
nature-related risks and opportunities	<p>Nature-related risks refer to the potential negative effects of changes in nature on an entity. These risks are categorised as nature-related physical risks and nature-related transition risks.</p> <p>Nature-related opportunities refer to the potential positive effects on an entity that arise from changes in nature. Efforts to mitigate and adapt to changes in nature—for example, efforts to protect, restore or reduce negative impacts on nature—can produce nature-related opportunities for an entity.</p>
nature-related transition risks	Risks that arise from efforts to protect, restore, or reduce negative impacts on nature. 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 nature-related regulations.

[Draft] Appendix B—Extracts Application guidance

This appendix is an integral part of IFRS Sustainability Disclosure Practice Statement 1 and has the same authority as the other parts of the Practice Statement.

Nature-related risks and opportunities

Interactions between an entity and nature

- B1 This Practice Statement applies to disclosure of information about nature-related risks and opportunities that could reasonably be expected to affect an entity's cash flows, its access to finance or cost of capital over the short, medium or long term (referred to as 'nature-related risks and opportunities that could reasonably be expected to affect the entity's prospects') (see paragraph X).
- B2 Consistent with paragraph B2 of IFRS S1, an entity's nature-related risks and opportunities arise out of the interactions between the entity and its natural environment throughout its value chain. These include an entity's interactions with Indigenous Peoples, Local Communities and affected stakeholders in the context of the entity's interactions with the natural environment (see paragraphs BX–BX). These interactions take place within an interdependent system, in which the 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 their preservation, regeneration and development or to their degradation and depletion.
- B3 In the context of an entity's interactions with the natural environment, the entity's dependencies and impacts relate to *environmental resources* and *ecosystem services*. Environmental resources encompass living and non-living components of nature on land, in the atmosphere, freshwaters and oceans, together constituting the biophysical environment. Environmental resources are natural resources, ecosystems and atmospheric systems. Natural resources can be renewable or non-renewable. Examples of natural resources are plants, animals, air, water, soil, minerals and oil. Ecosystems are categorised into biomes, which are global-scale zones, generally determined 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. Ecosystems contribute to benefits used in economic and other human activity. These contributions to benefits are ecosystem services.
- B4 Ecosystem services fall into three categories—provisioning services, regulating and maintenance services and cultural services. Provisioning services contribute to benefits that are extracted or harvested from ecosystems such as crops, wood or water. Cultural services provide experiential and intangible benefits to human well-being and culture, such as recreation, a tourism opportunity, or use of a natural resource in cultural or traditional practices. Regulating and maintenance services are ecosystem services that provide benefits by regulating processes which maintain environmental conditions that benefit society. Examples of regulating and maintenance services are air filtration, pollination, water flow regulation and climate regulation.
- B5 Changes in nature comprise changes in the quantity and quality of natural resources—which can affect the availability and affordability of these resources—and in the extent and condition of ecosystems—which can affect the availability and quality of ecosystem services. Drivers of nature change are categorised as land, freshwater or ocean use change, resource use or replenishment, pollution or pollution removal, invasive alien species introduction or removal and climate change. If an entity depends on an environmental resource or ecosystem service, the entity could be affected by such changes. Similarly, an entity's activities or outputs can contribute to such changes, affecting the quality, availability and affordability of an environmental resource and ecosystem services that the entity itself or other parties depend on. Such dependencies and impacts can give rise to nature-related risks and opportunities for the entity.
- B6 As an example of nature-related risk arising from dependencies, consider a coffee production entity 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. This land-use change reduces the extent of the forest and the number of bees, which reduces the pollination service the company depends on. This could lead to a fall in supplier yields and increased costs from finding new suppliers or result in a higher price of coffee.

- B7 As an example of nature-related risks arising from impacts, consider an entity that extracts water from a river catchment to produce bottled beverages. The company's extraction of water could lead to a reduction in the flow of water in the river, leading to increased sediment load and concentration of pollutants downstream. This could reduce the availability of clean water for communities living downstream of its operations. The entity might face operational disruption due to litigation or other legal claims from the affected stakeholders or be exposed to the risk of regulation limiting the entity's access to water.

[...]

Transition in the context of nature

- BX1 Nature-related risks and opportunities arise due to physical changes in nature and nature-related transition that affect an entity's business. In the context of nature, transition refers to shifts in policy, legislation, technology, market and societal expectations related to protecting or restoring nature, or reducing negative impacts on nature.
- BX2 Nature-related transition has common characteristics with climate-related transition, particularly the need for an entity to adapt its strategy and business model to shifting external conditions and to support the entity's resilience. However, while climate-related transition is focused on reducing greenhouse gas emissions, nature-related transition involves shifts related to a broader and more diverse set of drivers of nature change (see paragraph B5). These drivers of nature change are often interdependent and can require responses that are more multi-faceted—depending on an entity's industry and location of its assets and activities (see paragraphs BX–BX)—than responses in the context of climate-related transition, where entities in many industries and locations focus on reducing their greenhouse gas emissions.
- BX3 An entity might need to respond to shifts in its external environment related to changes in nature—or risks of changes in nature—in order to manage its nature-related transition risks and physical risks and nature-related opportunities. An entity's response to nature-related risks and opportunities might include plans to adjust its strategy and business model, including plans set out in an entity's formal transition plan. The ways an entity responds to nature-related risks and opportunities can differ depending on various factors, for example:
- (a) whether they relate to nature-related physical risks or transition risks or nature-related opportunities.
 - (b) the driver of nature change linked to the nature-related risk or opportunity. For example, an entity's response to land-use change (such as restoration activities) might be different from its response to pollution (such as substitution of materials).
 - (c) the type of environmental resources or ecosystem services affected by the nature change.
- BX4 An entity's responses to nature-related risks and opportunities can interact with each other, or with responses to climate-related risks and opportunities (see paragraph BX).
- BX5 An entity might respond to changes in its external environment that are localised (for example, municipal or regional regulatory changes regarding water use) or to changes resulting from global coordinated policy efforts. An entity's responses might relate to nature-related targets the entity has set or is required to meet by law or regulation. An entity might use different approaches to assessing progress against targets depending on the target set (for example, measuring reductions in freshwater withdrawals by the entity or the extent to which the entity's supply chain is deforestation-free).
- BX6 Information about how an entity responds—or plans to respond—to nature-related risks and opportunities over the short, medium and long term can support users' understanding of the effects of these risks and opportunities on the entity's strategy and decision-making.