
ISSB meeting

Date	June 2026
Project	Nature-related Disclosures
Topic	First application of the IFRS Practice Statement and statement of compliance
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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*.

Purpose of this paper

1. This paper follows the tentative decision of the International Sustainability Standards Board (ISSB) at its April 2026 meeting to propose requirements for nature-related disclosures in the form of an IFRS Practice Statement.
2. This paper includes staff analysis and recommendations about:
 - (a) the first application of the IFRS Practice Statement on nature-related disclosures (also referred to as the IFRS Practice Statement in this paper); and
 - (b) the statement of compliance with the IFRS Practice Statement.
3. The IFRS Practice Statement would be non-mandatory in the sense that an entity would not be required to comply with the IFRS Practice Statement to assert compliance with IFRS Sustainability Disclosure Standards. However, if an entity chooses—or is required by a jurisdiction—to apply the IFRS Practice Statement and wishes to assert compliance with it, the entity would be *required* to comply with all requirements in the IFRS Practice Statement. The staff analysis in this paper considers requirements for an entity in such a context.

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4. Agenda Paper 3 *Cover note* for this meeting provides background information about the project and a summary of the ISSB's decisions to date.

Structure of this paper

5. This paper includes:
- (a) a summary of staff recommendations (paragraph 7)
 - (b) staff analysis and recommendations about the first application of the IFRS Practice Statement:
 - (i) date of first application and eligible entities (paragraphs 8–19);
 - (ii) comparative information (paragraphs 20–25);
 - (c) staff analysis and recommendations about the statement of compliance:
 - (i) background information about the statement of compliance with IFRS Sustainability Disclosure Standards (paragraphs 26–32); and
 - (ii) statement of compliance with the IFRS Practice Statement (paragraphs 33–53).
6. Appendix A to this paper illustrates a possible drafting of the requirements to propose in the Draft IFRS Practice Statement based on the staff recommendations in this paper.

Summary of staff recommendations

7. The staff recommends the ISSB propose that:
- (a) the IFRS Practice Statement would be available for application from the date of its issuance only for entities applying IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*.
 - (b) an entity would not be required to provide the disclosures specified in the IFRS Practice Statement for any period before the date of initial application of the IFRS Practice Statement. Accordingly, an entity would not be required to disclose comparative information for the disclosures specified in the IFRS Practice Statement in the first annual reporting period in which the entity applies the IFRS Practice Statement.
 - (c) an entity whose sustainability-related financial disclosures comply with all the requirements in IFRS Sustainability Disclosure Standards and all the requirements in the IFRS Practice Statement would be required to make an explicit and unreserved statement of compliance with IFRS Sustainability Disclosure Standards and the IFRS Practice Statement.
 - (d) an entity applying the IFRS Practice Statement would be prohibited from describing sustainability-related financial disclosures as complying with the IFRS Practice Statement unless the entity complies with all the requirements in the IFRS Practice Statement and all the requirements in IFRS Sustainability Disclosure Standards.
 - (e) an entity would be permitted to use the same exemptions as in paragraph 73 of IFRS S1 in relation to information that is otherwise required by the IFRS Practice Statement.

First application of the IFRS Practice Statement

Date of first application

8. The staff notes that it is important to distinguish between the effective date of IFRS Sustainability Disclosure Standards and the date of application of IFRS Practice Statements.
9. The effective date for IFRS Sustainability Disclosure Standards is relevant to entities applying IFRS Sustainability Disclosure Standards because—to assert compliance with IFRS Sustainability Disclosure Standards—an entity is required to apply all requirements in IFRS Sustainability Disclosure Standards and therefore must comply with all Standards in effect in accordance with the effective date requirements established by the ISSB.¹
10. In contrast, entities applying IFRS Sustainability Disclosure Standards would not be required to comply with the IFRS Practice Statement to assert compliance with IFRS Sustainability Disclosure Standards. Therefore, an effective date has a different role than it would be in the case of a Standard. However, the staff thinks it is important for the ISSB to specify the application date of the IFRS Practice Statement to provide clarity about its availability for use by an entity and availability for adoption by a jurisdiction that chooses to require the use of the IFRS Practice Statement.²

¹ In relation to new IFRS Standards, to *continue* to assert compliance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and/or with IFRS Sustainability Disclosure Standards as issued by the International Sustainability Standards Board (ISSB), an entity is required to apply new IFRS Standards in accordance with the effective date requirements established by the IASB and by the ISSB.

² Proposing an application date for the IFRS Practice Statement on nature-related disclosures would also be consistent with previous practice. IFRS Practice Statements issued by the IASB specify the application date or effective date (for example, an effective date is specified for when an amendment to an IFRS Practice Statement goes into effect). Paragraph 89 of IFRS Practice Statement 2 *Making Materiality Judgements* specifies that an entity that chooses to apply the guidance in the Practice Statement is permitted to apply it to financial statements prepared from 14 September 2017 (date of issuance of IFRS Practice Statement 2). Paragraph 1.8 of revised Practice Statement 1 *Management Commentary* specifies that it supersedes IFRS Practice Statement 1 *Management Commentary* issued in December 2010 for annual reporting periods beginning on or after 23 June 2025 (date of issuance of revised Practice Statement 1) and that earlier application is permitted.

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11. Although an entity applying IFRS S1 is already required to provide material information about all sustainability-related risks and opportunities—including nature-related risks and opportunities—that could reasonably be expected to affect the entity’s prospects, the IFRS Practice Statement will define nature-related risks and opportunities and specify aspects of material information about them for the entity to disclose.
 12. Entities that choose to apply the IFRS Practice Statement or are required to do so by their jurisdictions would need time to review the content of the IFRS Practice Statement and to adjust their internal procedures to ensure that they identify nature-related risks and opportunities and provide material information about those risks and opportunities in accordance with the IFRS Practice Statement. The time needed would depend on an entity’s facts and circumstances, such as its size, industry and resources available to the entity, as well as its current approach to identifying nature-related risks and opportunities and reporting of information on these risks and opportunities.
 13. In mandating the application of the IFRS Practice Statement a jurisdiction will need to determine the date from which entities would be required to apply the IFRS Practice Statement, taking into consideration jurisdictional circumstances, including:
 - (a) costs and benefits associated with the application of the IFRS Practice Statement; and
 - (b) the time needed for entities in the jurisdiction to ensure the provision of comparable information on nature-related risks and opportunities.
 14. In the staff’s view, making the IFRS Practice Statement available for application at its issuance date would enable entities that are more advanced in disclosing information about nature-related risks and opportunities—such as those with prior experience reporting using the recommendations of the Taskforce on Nature-related Financial

Paragraph 41 of IFRS Practice Statement 1 (now superseded) specified that an entity might apply the Practice Statement to management commentary presented prospectively from 8 December 2010 (date of issuance of IFRS Practice Statement 1).

Disclosures (TNFD) on which the ISSB is drawing in developing the IFRS Practice Statement—to choose to apply the IFRS Practice Statement to develop sustainability-related financial information from the date of issuance of the IFRS Practice Statement. This would help to reduce diversity and fragmentation of reporting, and improve decision-usefulness and cost-effectiveness of disclosures sooner. For example, if the IFRS Practice Statement is issued on 28 February 20X1, an entity that is preparing sustainability-related financial disclosures for a 31 December 20X0 reporting date would be able to apply the IFRS Practice Statement to report information for the annual reporting period ending 31 December 20X0.

15. Similar to the requirements in paragraph E2 of IFRS S1 and paragraph C2 of IFRS S2, the beginning of the annual reporting period in which an entity first applies the IFRS Practice Statement would be the date of initial application of the IFRS Practice Statement. For example, for the entity in the example discussed in paragraph 14 of this paper, the date of initial application of the IFRS Practice Statement would be 1 January 20X0.³

Eligible entities

16. The staff notes that the ISSB is developing the IFRS Practice Statement assuming that:
- (a) an entity is applying IFRS S1 and IFRS S2;⁴ and
 - (b) disclosure requirements on nature-related risks and opportunities will supplement the requirements in IFRS S1 and IFRS S2.

³ Following the identification of the date of initial application, the entity would continue to apply the IFRS Practice Statement in subsequent periods.

⁴ This assumption simply reflects application of the IFRS Sustainability Disclosure Standards. An entity asserting compliance with IFRS Sustainability Disclosure Standards is required to apply both IFRS S1 and IFRS S2, although—in the first annual reporting period in which an entity applies IFRS S1—the entity is permitted to disclose information on only climate-related risks and opportunities in accordance with IFRS S2 (see paragraph E5 of IFRS S1).

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17. This means that the IFRS Practice Statement would be available for application by entities that either:
- (a) already apply IFRS S1 and IFRS S2 when they first apply the IFRS Practice Statement; or
 - (b) will first apply IFRS S1 and IFRS S2 and the IFRS Practice Statement at the same time and have not elected to limit reporting to climate-related risks and opportunities in the first annual reporting period in which they apply IFRS S1.
18. The IFRS Practice Statement builds on IFRS S1 and IFRS S2 and is structured with the assumption that the requirements in IFRS S1 and IFRS S2 are also being applied. Therefore, the staff thinks that it is important to specify that an entity would be permitted to apply the IFRS Practice Statement only together with IFRS S1 and IFRS S2 so that it is clear that:
- (a) an entity would not be permitted to apply the IFRS Practice Statement *before* it applies IFRS S1 and IFRS S2; and
 - (b) an entity would not be permitted to apply the IFRS Practice Statement in isolation of IFRS S1 and IFRS S2.⁵

Staff recommendation

19. The staff recommends the ISSB propose that the IFRS Practice Statement would be available for application:
- (a) from the date of its issuance; and
 - (b) by entities applying IFRS S1 and IFRS S2.⁶

⁵ [Agenda Paper 3 Objective and scope of standard-setting on nature-related risks and opportunities](#) of the January 2026 ISSB meeting provides information regarding the rationale for developing the IFRS Practice Statement assuming that an entity is applying IFRS S1 and IFRS S2. The requirement that IFRS S2 is applied in addition to IFRS S1 reflects that all entities applying IFRS Sustainability Disclosure Standards are required to provide climate-related disclosures since they first apply IFRS S1.

⁶ The date of initial application of the IFRS Practice Statement would be the beginning of the annual reporting period in which an entity first applies the IFRS Practice Statement (see paragraph 15 of this paper).

Questions 1–2 for the ISSB

1. Does the ISSB agree to propose that the IFRS Practice Statement would be available for application from the date of its issuance?
2. Does the ISSB agree to propose that the IFRS Practice Statement would only be available for application by entities applying IFRS S1 and IFRS S2?

Comparative information

20. Unless another IFRS Sustainability Disclosure Standard permits or requires otherwise, paragraph 70 of IFRS S1 requires an entity to disclose:
 - (a) comparative information in respect of the preceding period for all amounts disclosed in the reporting period; and
 - (b) comparative information for narrative and descriptive sustainability-related financial information, if such information would be useful for an understanding of the sustainability-related financial disclosures for the reporting period.
21. In the staff's view, this means that, without specific requirements in the IFRS Practice Statement, an entity applying the IFRS Practice Statement for the first time would be required to disclose:
 - (a) comparative information in respect of the preceding period for all amounts disclosed in the reporting period applying the IFRS Practice Statement, such as the amount and percentage of assets or business activities vulnerable to the nature-related risks it has identified (see example in paragraph 34 of this paper); and
 - (b) comparative information for narrative and descriptive sustainability-related financial information applying the IFRS Practice Statement, if such information would be useful for an understanding of the sustainability-related financial disclosures for the reporting period.

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22. IFRS S1 and IFRS S2 do not require an entity to provide the disclosures specified in the Standards for any period before the date of initial application of the Standards. Accordingly, an entity is not required to disclose comparative information in the first annual reporting period in which it applies the Standards. The staff thinks it would be consistent to propose similar requirements for the first application of the IFRS Practice Statement because considerations similar to those the ISSB took into account when developing IFRS S1 and IFRS S2 would apply.⁷
23. Paragraph BC165 of the Basis for Conclusions on IFRS S2 explains that the ISSB decided to provide relief for an entity from the requirement to disclose comparative information in the first annual reporting period in which it applies IFRS S2. The rationale provided is that permitting an entity to report on only that period enables the entity to provide users of general purpose financial reports with the information they need sooner. This relief therefore allows the requirements to become effective sooner than if comparative information were required.
24. The staff thinks similar considerations apply to the IFRS Practice Statement on nature-related disclosures. Providing relief for an entity from the requirement to disclose comparative information in the first annual reporting period in which the entity applies the IFRS Practice Statement would enable an entity to report in accordance with the IFRS Practice Statement on only that period, providing users of general purpose financial reports with the information they need sooner than if comparative information were required. If an entity were required to disclose comparative information in the first annual reporting period it applies the IFRS Practice Statement it may result in entities delaying application of the IFRS Practice Statement to enable time to collect the necessary information.

⁷ In addition, as noted in paragraph 17(b) of this paper, it is possible that some entities first apply IFRS S1 and IFRS S2 and the IFRS Practice Statement at the same time. Having consistent requirements for comparative information on the first application of IFRS S1, IFRS S2 and the IFRS Practice Statement would ensure that comparative information on the first application of those materials is provided on a consistent basis.

Staff recommendation

25. The staff recommends the ISSB propose that an entity would:
- (a) not be required to provide the disclosures specified in the IFRS Practice Statement for any period before the date of initial application of the IFRS Practice Statement;⁸ and
 - (b) accordingly, not be required to disclose comparative information for the disclosures specified in the IFRS Practice Statement in the first annual reporting period in which the entity applies the IFRS Practice Statement.

Question 3 for the ISSB

3. Does the ISSB agree to propose that an entity would not be required to provide the disclosures specified in the IFRS Practice Statement for any period before the date of initial application of the IFRS Practice Statement and, accordingly, that an entity would not be required to disclose comparative information for the disclosures specified in the IFRS Practice Statement in the first annual reporting period in which the entity applies the IFRS Practice Statement?

⁸ The date of initial application of the IFRS Practice Statement would be the beginning of the annual reporting period in which an entity first applies the IFRS Practice Statement (see paragraph 15 of this paper).

Statement of compliance

Background information about the statement of compliance with IFRS Sustainability Disclosure Standards

26. The statement of compliance is part of the sustainability-related financial disclosures. It informs users of general purpose financial reports about the basis of preparation of sustainability-related financial information, by identifying IFRS Sustainability Disclosure Standards as the basis an entity uses to prepare the information. The disclosure of the basis of preparation of the information is foundational to assurance as assurance is typically provided against those Standards (or other standards or frameworks if the entity uses a different set of standards or a framework to prepare the information).
27. In accordance with paragraph 72 of IFRS S1:
- (a) an entity whose sustainability-related financial disclosures comply with all the requirements of IFRS Sustainability Disclosure Standards is required to make an explicit and unreserved statement of compliance with IFRS Sustainability Disclosure Standards; and
 - (b) an entity is prohibited from describing sustainability-related financial disclosures as complying with IFRS Sustainability Disclosure Standards unless they comply with all the requirements of IFRS Sustainability Disclosure Standards.⁹

⁹ The requirements in paragraph 72 of IFRS S1 mirror the requirements in paragraph 6B of IAS 8 *Basis of Preparation of Financial Statements* regarding the statement of compliance with IFRS Accounting Standards. Paragraph 6B of IAS 8 states that ‘An entity whose financial statements comply with IFRS Accounting Standards shall make an explicit and unreserved statement of such compliance in the notes. An entity shall not describe financial statements as complying with IFRS Accounting Standards unless they comply with all the requirements of IFRS Accounting Standards.’ Similarly, the revised IFRS Practice Statement 1 *Management Commentary* issued by the IASB in June 2025 requires an entity to include an explicit and unqualified statement of compliance in its management commentary if the management commentary complies with all of the requirements of the revised IFRS Practice Statement 1.

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28. Paragraph 73 of IFRS S1 relieves an entity from disclosing:
- (a) information otherwise required by an IFRS Sustainability Disclosure Standard if law or regulation prohibits the entity from disclosing that information (see paragraph B33 of IFRS S1); and
 - (b) information about a sustainability-related opportunity otherwise required by an IFRS Sustainability Disclosure Standard if that information is commercially sensitive as described in IFRS S1 (see paragraphs B34–B37 of IFRS S1).
29. An entity using the exemptions in paragraph 73 of IFRS S1 is not prevented from asserting compliance with IFRS Sustainability Disclosure Standards.
30. Paragraph BC156 of the Basis for Conclusions on IFRS S1 explains that ‘Qualified statements of compliance with IFRS Sustainability Disclosure Standards are prohibited. This requirement reflects the importance of communicating to users of general purpose financial reports whether the entity has been selective in its approach to reporting sustainability-related financial information or whether the entity has applied all the requirements.’
31. The first statement of compliance with IFRS Sustainability Disclosure Standards provided by an entity identifies the first annual reporting period in which the entity applies IFRS Sustainability Disclosure Standards and, therefore, identifies the timing of application of transition reliefs that are available to the entity in the first annual reporting period it applies the Standards. For example, as a transition relief, an entity is not required to disclose comparative information in the first annual reporting period in which the entity applies IFRS S1 (see paragraph E3 of IFRS S1).¹⁰

¹⁰ See the response to submission #7 to the Transition Implementation Group on IFRS S1 and IFRS S2, September 2024: <https://www.ifrs.org/groups/tig-ifrs-s1-and-ifrs-s2/responses-to-questions-submitted/>.

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32. IFRS Sustainability Disclosure Standards do not specify particular wording an entity uses when making the statement of compliance with IFRS Sustainability Disclosure Standards required by paragraph 72 of IFRS S1.¹¹

Statement of compliance with the IFRS Practice Statement

33. As noted in paragraph 10 of this paper, an entity applying IFRS Sustainability Disclosure Standards would not be required to comply with the IFRS Practice Statement to assert compliance with IFRS Sustainability Disclosure Standards. This aspect was a consideration for the ISSB in deciding to propose an IFRS Practice Statement as the form of standard-setting for nature-related disclosures.
34. The staff notes that an entity's considerations in preparing its sustainability-related financial disclosures and the disclosures provided could be different depending on whether the entity applied IFRS Sustainability Disclosure Standards with or without the IFRS Practice Statement. For example, the Draft IFRS Practice Statement will emphasise particular considerations to support identification of nature-related risks and opportunities that are not addressed in the IFRS Sustainability Disclosure Standards. In addition, the Draft IFRS Practice Statement will propose that an entity would be required to disclose the amount and percentage of assets or business activities vulnerable to the nature-related risks it has identified. An entity applying IFRS S1, IFRS S2 and the IFRS Practice Statement would be required to disclose that information when it is material, whereas if that entity was applying only IFRS S1 and IFRS S2 it would not. The entity would be unlikely to provide the same disclosures in the two scenarios but would still be able to assert compliance with IFRS Sustainability Disclosure Standards in both scenarios.

¹¹ See the response to submission #29 to the Transition Implementation Group on IFRS S1 and IFRS S2, November 2025: <https://www.ifrs.org/groups/tig-ifrs-s1-and-ifrs-s2/responses-to-questions-submitted/>.

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35. Therefore, the staff thinks that it would be useful for users of general purpose financial reports to know whether an entity has applied the IFRS Practice Statement, to understand the basis of preparation of the entity's sustainability-related financial disclosures—for example, to understand whether sustainability-related financial disclosures have been prepared:
- (a) applying all the requirements in IFRS S1 and IFRS S2; or
 - (b) applying all the requirements in IFRS S1, IFRS S2 *and the IFRS Practice Statement on nature-related disclosures*.
36. Information about the basis of preparation of an entity's sustainability-related financial disclosures would also ensure that when information is subject to assurance there is a clear basis of preparation to support the assurance assessment and regulatory supervision of the disclosures.
37. The staff notes that requiring an entity to make a statement of compliance with the IFRS Practice Statement would be consistent with the requirements in paragraph 72 of IFRS S1, in paragraph 6B of IAS 8 *Basis of Preparation of Financial Statements* and in the revised IFRS Practice Statement 1 *Management Commentary* (see paragraph 27 of this paper and relevant footnote).
38. The staff thinks that providing a statement of compliance with the IFRS Practice Statement together with the statement of compliance with IFRS Sustainability Disclosure Standards would:
- (a) aid comparability and understandability about how an entity's sustainability-related financial information is prepared; and
 - (b) result in information about the basis of preparation of sustainability-related financial disclosures being located in the same section of those disclosures.

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39. The staff thinks the ISSB could require an entity to provide an explicit and unreserved statement of compliance with the IFRS Practice Statement if the entity's sustainability-related financial disclosures comply with all the requirements in the IFRS Practice Statement *and* consider whether:
- (a) to prohibit an entity from providing a qualified statement of compliance with the IFRS Practice Statement; or
 - (b) to permit an entity to provide a qualified statement of compliance with the IFRS Practice Statement (partial compliance with the IFRS Practice Statement), subject to specified conditions such as requiring that it is clear to the reader of the entity's sustainability-related financial disclosures that the IFRS Practice Statement has not been applied in its entirety and that the entity explains:
 - (i) which requirements of the IFRS Practice Statement the entity's sustainability-related financial disclosures do not comply with; and
 - (ii) the reasons for the departure from some of the requirements in the IFRS Practice Statement.

Prohibit qualified statements of compliance

40. The staff thinks that prohibiting an entity from describing its sustainability-related financial disclosures as complying with the IFRS Practice Statement unless the entity complies with *all* the requirements in the IFRS Practice Statement would:
- (a) help reduce diversity and fragmentation of reporting, in line with the objective of the Nature-related Disclosures project; and
 - (b) be consistent with the requirements in paragraph 72 of IFRS S1 (see paragraph 27 of this paper).

Permit qualified statements of compliance

41. The staff notes that, in addition to requiring an explicit and unqualified statement of compliance if the management commentary complies with all of the requirements of the revised IFRS Practice Statement 1 (see footnote to paragraph 27 of this paper), the revised IFRS Practice Statement 1 issued by the International Accounting Standards Board (IASB) also permits an entity to include a qualified statement of compliance provided that:
- (a) the entity's management commentary identifies the departures from the requirements of the revised IFRS Practice Statement 1; and
 - (b) gives reasons for those departures.
42. Paragraph BC50 of the Basis for Conclusions on the revised IFRS Practice Statement 1 explains that, in the IASB's view, this approach:
- (a) could encourage voluntary application of the revised IFRS Practice Statement 1. Permitting only an unqualified statement of compliance could set a high hurdle for reporting and a barrier to adopting the revised IFRS Practice Statement 1. For example, some entities might want to comply with the revised IFRS Practice Statement 1 to improve the quality and credibility of information in their management commentary but might not be able to fully comply with it because they need time to work towards full compliance.
 - (b) would allow entities to apply the revised IFRS Practice Statement 1 alongside local requirements. For example, the approach would allow entities to make a qualified statement of compliance if they comply with most requirements in the revised Practice Statement 1.
 - (c) would provide clear and specific requirements for making qualified statements of compliance. These requirements could lead to better disclosure of the basis of preparation in cases of qualified compliance, and in those cases improve the usefulness of information in management commentary.

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43. The staff acknowledges that entities may choose to apply *some* of the requirements in the IFRS Practice Statement on nature-related disclosures, similar to entities that—if permitted by jurisdictions—choose to apply only some of the requirements in IFRS Sustainability Disclosure Standards, as they proceed in phases for the preparation of their first report complying with IFRS Sustainability Disclosure Standards. However, unless an entity applies all the requirements in IFRS Sustainability Disclosure Standards, an entity’s sustainability-related financial disclosures do not comply with IFRS Sustainability Disclosure Standards.
44. The staff notes that it is not necessary to permit entities to assert partial compliance with the IFRS Practice Statement on nature-related disclosures for such entities to choose to disclose some of the information required by the IFRS Practice Statement. Similar to what the ISSB expected when developing IFRS S2 (see paragraph BC164 of the Basis for Conclusions on IFRS S2), the staff acknowledges that there will be a learning curve for many entities when they apply the IFRS Practice Statement for the first time. A requirement for an entity to comply with all requirements in the IFRS Practice Statement would reflect the importance of communicating to users of general purpose financial reports whether the entity has applied all of the requirements. As long as compliance with the IFRS Practice Statement is not asserted, an entity could start applying some aspects of the IFRS Practice Statement.
45. In the staff’s view, prohibiting entities that choose to apply only *some* of the requirements in the IFRS Practice Statement on nature-related disclosures from asserting compliance with the IFRS Practice Statement would be beneficial, without preventing an entity from explaining whether it has applied some aspects of the IFRS Practice Statement and stating that its disclosures are not prepared in accordance with the IFRS Practice Statement. In the staff’s view, prohibiting a qualified statement of compliance with the IFRS Practice Statement on nature-related disclosures would:

- (a) provide clarity about how an entity's sustainability-related financial information is prepared;
 - (b) avoid costs for entities of explaining which requirements of the IFRS Practice Statement the entity's sustainability-related financial disclosures do not comply with and the reasons for the departure from some of the requirements in the IFRS Practice Statement;
 - (c) facilitate comparability between two categories of entities (that is, entities applying just IFRS Sustainability Disclosure Standards and entities applying both IFRS Sustainability Disclosure Standards and the IFRS Practice Statement on nature-related disclosures); and
 - (d) enable users of general purpose financial reports to compare these two categories of entities, without the need to consider possible variations in the degree of application of the IFRS Practice Statement.
46. In contrast, in the staff's view, permitting a qualified statement of compliance with the IFRS Practice Statement on nature-related disclosures might pose assurance challenges, increase complexity in understanding which elements of an entity's nature-related financial disclosures comply with aspects of the IFRS Practice Statement and for what reasons other elements of the disclosures do not comply with other aspects of the IFRS Practice Statement.

Exemptions from disclosing particular information

47. As noted in paragraph 28 of this paper, IFRS S1 relieves an entity from disclosing:
- (a) information otherwise required by an IFRS Sustainability Disclosure Standard if law or regulation prohibits the entity from disclosing that information (see paragraph 33 of IFRS S1); and
 - (b) information about a sustainability-related opportunity otherwise required by an IFRS Sustainability Disclosure Standard if that information is commercially sensitive as described in IFRS S1 (see paragraphs B34–B37 of IFRS S1).

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48. The staff notes that the exemptions in paragraph 73 of IFRS S1 apply to the disclosure of information required by an IFRS Sustainability Disclosure Standard. Therefore, they would not apply to information required by the IFRS Practice Statement because it is not an IFRS Sustainability Disclosure Standard. However, the staff notes that the rationale for providing these exemptions for information required by an IFRS Sustainability Disclosure Standard equally applies to information required by the IFRS Practice Statement (see paragraphs BC76–BC85 of the Basis for Conclusions on IFRS S1).
49. Accordingly, to provide clarity that the same exemptions would be available to an entity providing information in accordance with the IFRS Practice Statement, the staff thinks the Draft IFRS Practice Statement should propose to specify that an entity would be permitted to use the same exemptions as in paragraph 73 of IFRS S1 when providing information in accordance with the IFRS Practice Statement.

Staff recommendations

50. The staff recommends the ISSB propose that:
- (a) an entity whose sustainability-related financial disclosures comply with all the requirements in IFRS Sustainability Disclosure Standards and all the requirements in the IFRS Practice Statement would be required to make an explicit and unreserved statement of compliance with IFRS Sustainability Disclosure Standards and the IFRS Practice Statement;
 - (b) an entity applying the IFRS Practice Statement would be prohibited from describing sustainability-related financial disclosures as complying with the IFRS Practice Statement unless the entity complies with all the requirements in the IFRS Practice Statement and all the requirements in IFRS Sustainability Disclosure Standards; and
 - (c) an entity would be permitted to use the same exemptions as in paragraph 73 of IFRS S1 in relation to information that is otherwise required by the IFRS Practice Statement.

Implications of the staff recommendations

51. The IFRS Practice Statement would be non-mandatory in the sense that an entity would not be required to prepare nature-related financial information that complies with the IFRS Practice Statement for the entity's sustainability-related financial information to comply with IFRS Sustainability Disclosure Standards. However, if an entity wishes to assert that its nature-related financial information complies fully with the IFRS Practice Statement, the entity would be required to comply with all requirements in the IFRS Practice Statement from the date of first application and subsequently.¹²
52. If the entity's sustainability-related financial disclosures comply with all the requirements in the IFRS Practice Statement and with all the requirements in IFRS Sustainability Disclosure Standards, as a consequence of application of the IFRS Practice Statement in combination with IFRS S1 an entity would be required to make an explicit and unreserved statement of compliance with both the IFRS Practice Statement and IFRS Sustainability Disclosure Standards.
53. Table 1 illustrates possible examples of wording that an entity could use when asserting compliance with IFRS Sustainability Disclosure Standards, with or without applying the IFRS Practice Statement on nature-related disclosures, based on the staff recommendations in paragraph 50 of this paper.

¹² Paragraph BC40 of the Basis for Conclusions on the revised IFRS Practice Statement 1 *Management Commentary* includes similar explanations to clarify the status of revised IFRS Practice Statement 1 and reduce the confusion related to the use of terms like 'non-binding', 'non-mandatory' or 'voluntary' when referring to an IFRS Practice Statement.

Table 1—Illustration of possible wording that an entity could use when asserting compliance with IFRS Sustainability Disclosure Standards, with or without applying the IFRS Practice Statement on nature-related disclosures

Scenario	Example of statement of compliance (for illustration purposes only)	Information provided (via the statement of compliance) about the basis of preparation of sustainability-related financial information
1—Application of IFRS Sustainability Disclosure Standards, <i>without</i> application of the IFRS Practice Statement on nature-related disclosures	The entity’s sustainability-related financial disclosures have been prepared in accordance with IFRS Sustainability Disclosure Standards as issued by the ISSB.	The entity’s sustainability-related financial disclosures comply with <i>all</i> the requirements in IFRS S1 and IFRS S2. ¹³
<p><i>Note: If the entity’s sustainability-related financial disclosures do not comply with all the requirements in IFRS Sustainability Disclosure Standards, the disclosure would be adjusted to explain, for example, that ‘the entity’s sustainability-related financial disclosures have been prepared considering IFRS Sustainability Disclosure Standards; however, the disclosures are not prepared in accordance with IFRS Sustainability Disclosure Standards.’</i></p>		

¹³ This could include providing information about nature-related risks and opportunities when material for the entity.

Scenario	Example of statement of compliance (for illustration purposes only)	Information provided (via the statement of compliance) about the basis of preparation of sustainability-related financial information
<p>2—Application of IFRS Sustainability Disclosure Standards <i>and</i> IFRS Practice Statement on nature-related disclosures</p>	<p>The entity’s sustainability-related financial disclosures have been prepared in accordance with IFRS Sustainability Disclosure Standards <i>and</i> with [IFRS Sustainability Disclosure Practice Statement 1 <i>Nature-related Disclosures</i>] as issued by the ISSB.</p>	<p>The entity’s sustainability-related financial disclosures comply with:</p> <ul style="list-style-type: none"> • <i>all</i> the requirements in IFRS S1 and IFRS S2; and • <i>all</i> the requirements in the IFRS Practice Statement on nature-related disclosures.
<p>Note: <i>If the entity’s sustainability-related financial disclosures comply with all the requirements in IFRS Sustainability Disclosure Standards but do not comply with all the requirements in the IFRS Practice Statement on nature-related disclosures, the disclosure would be adjusted to explain, for example, that ‘the entity’s sustainability-related financial disclosures have been prepared in accordance with IFRS Sustainability Disclosure Standards. The [IFRS Sustainability Disclosure Practice Statement 1 Nature-related Disclosures] has also been considered; however, the disclosures are not prepared in accordance with the [IFRS Sustainability Disclosure Practice Statement 1 Nature-related Disclosures].’</i></p>		

Questions 4–6 for the ISSB

4. Does the ISSB agree to propose that an entity whose sustainability-related financial disclosures comply with all the requirements in IFRS Sustainability Disclosure Standards and all the requirements in the IFRS Practice Statement would be required to make an explicit and unreserved statement of compliance with IFRS Sustainability Disclosure Standards and the IFRS Practice Statement?
5. Does the ISSB agree to propose that an entity would be prohibited from describing sustainability-related financial disclosures as complying with the IFRS Practice Statement unless the entity complies with all the requirements in the IFRS Practice Statement and all the requirements in IFRS Sustainability Disclosure Standards?
6. Does the ISSB agree to propose that an entity would be permitted to use the same exemptions as in paragraph 73 of IFRS S1 in relation to information that is otherwise required by the IFRS Practice Statement?

Appendix A—Illustrative drafting

Appendix A illustrates a possible drafting of the requirements to propose in the Draft IFRS Practice Statement based on the staff recommendations in this paper.

Application date and transition

- A1. An entity that applies IFRS S1 and IFRS S2 may apply this Practice Statement from [date of issuance].
- A2. The date of initial application of this Practice Statement is the beginning of the annual reporting period in which an entity first applies this Practice Statement.
- A3. An entity is not required to provide the disclosures specified in this Practice Statement for any period before the date of initial application of this Practice Statement. Accordingly, an entity is not required to disclose comparative information for the disclosures specified in this Practice Statement in the first annual reporting period in which the entity applies this Practice Statement.

Statement of compliance

- A4. An entity whose sustainability-related financial disclosures comply with all the requirements in IFRS Sustainability Disclosure Standards and all the requirements in this Practice Statement shall make an explicit and unreserved statement of such compliance. An entity applying this Practice Statement shall not describe sustainability-related financial disclosures as complying with this Practice Statement unless the entity complies with all the requirements in this Practice Statement and all the requirements in IFRS Sustainability Disclosure Standards.
- A5. This Practice Statement relieves an entity from disclosing information otherwise required by this Practice Statement if law or regulation prohibits the entity from disclosing that information. This Practice Statement also relieves an entity from disclosing information about a nature-related opportunity otherwise required by this Practice Statement if that information is commercially sensitive as described in paragraphs B34–B37 of IFRS S1. An entity using these exemptions is not prevented from asserting compliance with this Practice Statement.