IFRS Sustainability

Staff paper

Agenda reference: 2

Sustainability Consultative Committee (SCC) meeting

Date **November 2026**

Project **Nature-related Disclosures**

Topic **ISSB Nature-related Disclosures Exposure Draft: Overview and discussion**

Contacts **Sue Lloyd** (slloyd@ifrs.org)
Himani Phadke (himani.phadke@ifrs.org)

This paper has been prepared for discussion at a public meeting of the Sustainability Consultative Committee (SCC). This paper does not represent the views of the International Sustainability Standards Board (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 session

- Provide an overview of the proposed Practice Statement on Nature-related Disclosures, focusing on proposals linked to:
  - defined terms;
  - interactions with Indigenous Peoples, Local Communities and affected stakeholders; and
  - nature-related scenario analysis.

- Seek strategic advice on the proposals, and stakeholder engagement and outreach on the proposals.

ISSB proposals for nature-related disclosures



Use Practice Statement **together** with IFRS S1 and IFRS S2 to provide **incremental disclosures.** IFRS S1 **already requires** disclosures related to nature. A Practice Statement adds specific nature content to support high-quality, comparable nature-related disclosures



Helps companies **understand** what nature-related risks and opportunities are and how they can affect a company's **prospects**



Specifies aspects about **material** information on nature for companies to disclose to investors



Draws on **TNFD** Framework, including referencing the 'Locate, Evaluate, Assess, Prepare' (LEAP) approach



Use of Practice Statement not required for companies to **comply** with ISSB Standards, but companies could choose to use it



A **jurisdiction** could require companies to use the Practice Statement



Open for consultation until 19 February 2027

IFRS Sustainability

Overview of the proposals



Clarity on what nature is and why it matters for business

Practice Statement includes **definitions** for:

- nature-related risks
- nature-related physical risks
- nature-related transition risks
- nature-related opportunities
- environmental resources
- ecosystem services

The definitions help companies understand the **scope** of the Practice Statement, including what nature-related risks and opportunities are.

Some key considerations include:

- drawing from TNFD's extensive work on nature-related terms and concepts;
- interoperability with other standards (e.g., GRI and ESRS); and
- alignment with IASB Standards.



IFRS S1 explains how sustainability-related risks and opportunities arise from dependencies and impacts throughout the value chain and includes definitions that apply (such as ‘material information’)

SASB Standards assist in identifying industry-specific risks and opportunities

IFRS Sustainability

Explanations to illustrate how nature affects companies

Practice Statement explains how nature-related risks and opportunities can arise from **changes in the quality, availability or affordability** of environmental resources and associated benefits, and **efforts to mitigate and adapt** to these changes.

For example (paragraph B22):

- A company uses water from a river catchment for its manufacturing process
- The company's water use could lead to reduced water flow, increased sediment load and concentration of pollutants downstream
- Communities living downstream of the company's operations would have less access to clean water
- The company might be exposed to the risk of operational disruption due to litigation or the risk of regulation

+ 4 Illustrative Examples

on disclosure of information related to the location of activities and assets throughout the value chain

See the Accompanying Guidance on the Practice Statement

Building on IFRS S1 across core content areas

Identifying specific information useful to investors

Governance

Strategy

- nature-related scenario analysis to underpin resilience assessment
- approach to nature-related transition including response or plans to respond

Risk management

- nature-related scenario analysis if used to assess nature-related risks or identify nature-related opportunities

Metrics and targets

- two new metrics and new source of guidance (TNFD)
- particular information about nature-related targets

Consideration of location of assets and activities throughout the value chain, interactions with Indigenous Peoples, Local Communities and affected stakeholders and connections with climate (see Appendix)

Understanding proposals—Interactions with Indigenous Peoples, Local Communities and affected stakeholders

A company would be required to consider interactions—including engagement—with Indigenous Peoples, Local Communities and affected stakeholders:

(a) in **identifying** its nature-related risks and opportunities; and

(b) in **disclosing information** about its nature-related risks and opportunities across core content areas of governance, strategy and risk management.[1]



- The Practice Statement **describes how** a company's interactions—including engagement—with these groups of people can give rise to or support responses to nature-related risks and opportunities.
- The categories are drawn from the **TNFD** framework.
- A company would be **required to identify** the groups of people covered by its disclosures across core content areas.

1. Related metrics for disclosure are included in the SASB Standards, which continue to apply as a source of guidance.

Understanding proposals—Nature-related scenario analysis

Strategy

- particular information required about the **resilience** of a company's strategy and business model to uncertainties arising from nature-related risks
- **requires use of scenario analysis** to inform the **resilience assessment** subject to the same proportionality mechanisms[2] as in IFRS S2

Risk management

- particular information required about use of nature-related **scenario analysis** to inform the **assessment of** the nature, likelihood and magnitude of the effects of **nature-related risks**
- particular information required about use of nature-related scenario analysis to inform the **identification of nature-related opportunities**

2. For example, an entity might use a simpler approach to nature-related scenario analysis, such as qualitative scenario narratives, if such an approach is appropriate to the entity's circumstances.

Nature-related disclosures in ISSB Standards

IFRS Practice Statement adds specificity, helping companies to meet investor information needs

OPTION 1

IFRS S1 IFRS S2

Report nature-related information

- Reporting won't reflect specificity provided by the Practice Statement
- Statement of compliance: 'prepared in accordance with IFRS Sustainability Disclosure Standards'

OPTION 2

IFRS S1 IFRS S2 + Nature-related Practice Statement

Report nature-related information

- Reporting reflects specificity provided by the Practice Statement, including incremental disclosures
- Statement of compliance: 'prepared in accordance with IFRS Sustainability Disclosure Standards and IFRS Sustainability Disclosure Practice Statement 1'

Use of the Practice Statement supports the provision of high-quality nature-related disclosures

The proposed approach to nature



Support **improved** nature-related disclosure while avoiding overload



Support **implementation** of IFRS S1, building on and complementing ISSB Standards



Deliver **efficiencies**, with companies using TNFD well positioned for ISSB nature-related disclosures



Minimise **disruption** to adoption of ISSB Standards



Avoid **silos** by supporting provision of nature-related information as part of ISSB disclosures

IFRS Sustainability

Our consultation



Seeking feedback on proposals

Requirements: core content, terms and concepts, metrics and sources of guidance and more

Balance: decision-usefulness for investors, cost-effectiveness for preparers, interoperability and proportionality

Form of standard-setting: Practice Statement

Clarity: usability and helpfulness of proposed requirements to support high-quality reporting

Materials:

- **Exposure Draft**—the proposals and questions for feedback
- **Accompanying Guidance**—illustrative examples on disclosure of information related to location of assets and activities
- **Basis for Conclusions**—background and rationale for the proposals
- **Snapshot**—summary of the proposals and considerations in developing them
- **TNFD Mapping**—comparison of the proposals and TNFD recommendations (available soon)

Questions for the SCC

1. Do you have **questions about the proposals** in the Practice Statement?
2. Do you have **observations** about the proposals?
3. How might SCC members help facilitate our **engagement** with stakeholders?
4. What **additional materials** would be useful to **support understanding** of the proposals and the rationale behind them, for high-quality market feedback?

IFRS Sustainability

Appendix



Understanding specific considerations for nature-related risks and opportunities



Location of assets and activities throughout the value chain

A company's dependencies and impacts throughout the value chain and the resulting nature-related risks and opportunities vary by location of assets and activities



Indigenous Peoples, Local Communities and affected stakeholders

A company's interactions—including engagement—with these parties can give rise to nature-related risks and opportunities for the company



Link between nature-related and climate-related information

A company's dependencies and impacts and the resulting risks and opportunities can have both nature-related and climate-related aspects

IFRS Sustainability

Follow us online

ifrs.org

@IFRSFoundation

IFRS Foundation

International Sustainability Standards Board