

IFRS Sustainability Developments

ISSB proposes a Practice Statement on Nature-related Disclosures



What you need to know

- The ISSB published the ED, IFRS Sustainability Disclosure Practice Statement 1 *Nature-related Disclosures* on 22 October 2026.
- The ED applies to all nature-related risks and opportunities that could reasonably be expected to affect an entity's prospects and introduces specific requirements for considering location when identifying and disclosing information about them.
- The proposals are designed to complement IFRS S1 and IFRS S2 requirements and draw on the TNFD framework.
- Compliance with the Practice Statement would not be required for ISSB compliance unless mandated at the jurisdictional level.
- The 120-day consultation closes on 19 February 2027.

Highlights

On 22 October 2026, the International Sustainability Standards Board (the ISSB) published the Exposure Draft IFRS Sustainability Disclosure Practice Statement 1 *Nature-related Disclosures* (the ED). The consultation is open for 120 days, with comments due by 19 February 2027.

The ED sets out proposed requirements and guidance for disclosing information about nature-related risks and opportunities. The proposed Practice Statement would not itself be an IFRS Sustainability Disclosure Standard (ISSB Standard), therefore, its application is not mandatory. The ISSB chose to propose a Practice Statement to support improved nature-related reporting while minimising disruption to the ongoing adoption and implementation of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (IFRS S1) and IFRS S2 *Climate-related Disclosures* (IFRS S2). As part of the consultation, the ISSB is seeking feedback on whether a Practice Statement is the appropriate form for the proposed nature-related disclosure requirements.

An entity's sustainability-related financial disclosures, including its nature-related disclosures, could comply with ISSB Standards without applying the proposed Practice Statement. However, an entity that elects to apply the proposed Practice Statement would need to comply with all of its requirements, as well as all the requirements of ISSB Standards. Jurisdictions could also decide to require its application.

The ED applies to all nature-related risks and opportunities that could reasonably be expected to affect an entity's prospects. The proposals focus particularly on location-related considerations, connections between nature and climate and interactions with Indigenous Peoples, Local Communities and affected stakeholders.



Background

The existing ISSB Standards already provide the foundation for reporting nature-related financial information. IFRS S1 provides the overarching basis for preparing nature-related disclosures. It applies to all sustainability-related risks and opportunities, including those related to nature, that could reasonably be expected to affect an entity's cash flows, access to finance or cost of capital over the short, medium or long term, collectively referred to as "an entity's prospects". IFRS S2 specifically addresses climate-related risks and opportunities, including nature-related aspects that give rise to, contribute to, or form part of an entity's climate-related risks and opportunities.

The Practice Statement proposes to build on this existing foundation. It sets out incremental requirements specifically addressing the disclosure of nature-related risks and opportunities. The proposed approach also draws on the Taskforce on Nature-related Financial Disclosures (TNFD) framework, which many stakeholders will already be familiar with.

Scope and main proposals

Objective and scope

The proposed objective is to assist an entity to disclose information about its nature-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions about providing resources to the entity.

The proposals apply to all nature-related risks and opportunities that could reasonably be expected to affect an entity's prospects. Nature-related risks are "potential negative effects on an entity arising from the entity's and other parties' dependencies and impacts on environmental resources and associated benefits, such as those provided by ecosystem services". Nature-related opportunities are the corresponding positive effects on an entity. Environmental resources "comprise natural resources, ecosystems and atmospheric systems", while ecosystem services are "the contributions provided by ecosystems to economic and other benefits used in human activity".

The ED also notes that entities might find the TNFD's *"Guidance on the identification and assessment of nature-related Issues: The LEAP approach version 2.0 (LEAP approach)"* helpful in identifying nature-related risks and opportunities, although its use would not be required.

Location-related considerations and interactions

An entity's dependencies and impacts on nature vary by the location of its assets and activities throughout its value chain and can give rise to nature-related risks and opportunities. The proposals would, therefore, require an entity to consider the location of assets and activities throughout the value chain, including the characteristics of nature in those locations, when identifying nature-related risks and opportunities and disclosing material information about them. An entity would also be required to consider its interactions, including engagement, with Indigenous Peoples, Local Communities and affected stakeholders when identifying nature-related risks and opportunities and disclosing material information about them.

Connected information

The proposed Practice Statement requires an entity to provide information that enables users of general purpose financial reports to understand connections between the entity's nature-related and climate-related risks and opportunities, and whether and how these connections are considered in the entity's oversight, strategy and risk management. An entity is also required to avoid unnecessary duplication of information and may do so by providing integrated disclosures instead of separate disclosures for nature-related and climate-related risks and opportunities.

Core content

The proposed disclosures are organised around the same core content that is used in IFRS S1:

- **Governance:** The Practice Statement proposals complement IFRS S1 by requiring entities to disclose whether and how those responsible for oversight consider location-related considerations associated with nature-related risks and opportunities and interactions with Indigenous Peoples, Local Communities and affected stakeholders.
- **Strategy:** The proposals supplement the IFRS S1 requirements with additional disclosures about the location-related considerations relevant to understanding the nature-related risks and opportunities, their connections with climate-related risks and opportunities and relevant stakeholder interactions. The proposals also require an entity to explain how it has responded, and plans to respond, to nature-related risks and opportunities, including its plans to achieve nature-related targets. In addition, an entity would be required to assess the resilience of its strategy and business model to uncertainties arising from nature-related risks using nature-related scenario analysis.
- **Risk management:** The proposals build on IFRS S1 by requiring entities to explain whether and how their processes for identifying, assessing, prioritising and monitoring nature-related risks and opportunities consider climate-related synergies and trade-offs, the location of their assets and activities throughout the value chain and whether and how they engage with Indigenous Peoples, Local Communities and affected stakeholders. Entities are also required to explain whether and how these processes are integrated into and inform their overall risk management process.
- **Metrics and targets:** In addition to applying IFRS S1, entities would be required to disclose “the amount and percentage of assets or business activities vulnerable to nature-related risks” and “the amount and percentage of assets or business activities aligned with nature-related opportunities”. In selecting metrics for nature-related risks and opportunities, entities would be required to refer to and consider the applicability of relevant metrics associated with the disclosure topics in the SASB Standards. Also, entities would be allowed to refer to and consider the applicability of TNFD disclosure metrics to the extent that they assist the entity in meeting the objective of IFRS S1 and do not conflict with ISSB Standards or the proposed Practice Statement. They would consider all facts and circumstances when determining the appropriate level of aggregation or disaggregation, such as whether information should be presented by location of assets and activities.
- An entity applying the proposed Practice Statement would be permitted to refer to and consider the applicability of the European Sustainability Reporting Standards and Global Reporting Initiative Standards as sources of guidance in identifying material information to disclose to the extent that they assist the entity in meeting the objective of IFRS S1 and do not conflict with ISSB Standards or the proposed Practice Statement.

Proportionality mechanisms

Several proportionality mechanisms consistent with IFRS S1 are proposed. An entity would use all reasonable and supportable information available at the reporting date without undue cost or effort, when considering location-related aspects and interactions with Indigenous Peoples, Local Communities and affected stakeholders, to identify nature-related risks and opportunities, preparing the proposed metrics and conducting nature-related scenario analysis. The scenario analysis approach would also be commensurate with the entity’s circumstances, taking into account its exposure to nature-related risks and its available skills, capabilities and resources.

Illustrative examples

The ED is accompanied by four illustrative examples showing how an entity might:

- Determine the appropriate geographical scale for information about a water-related risk
- Disclose assets or activities vulnerable to nature-related risks and aligned with nature-related opportunities
- Use nature-related scenario analysis to assess resilience
- Disclose information about a nature-related target informed by law or regulation

The examples accompany, but are not part of, the proposed Practice Statement. They illustrate possible application of particular requirements in the proposed Practice Statement and IFRS S1, but do not provide interpretative guidance or illustrate all of the information an entity might be required to disclose.

Application of the Practice Statement

An entity would not need to apply the proposed Practice Statement in order to comply with ISSB Standards. However, an entity that elects, or is required at the jurisdictional level, to apply the proposed Practice Statement would need to comply with all of its requirements and all applicable ISSB Standards before stating compliance with the proposed Practice Statement.

Consistent with IFRS S1, the proposals provide relief from disclosing information if law or regulation prohibits its disclosure and, subject to specified conditions, from disclosing commercially sensitive information about a nature-related opportunity.

The proposals also include a transition relief under which comparative information for the disclosures specified in the proposed Practice Statement would not be required in the first annual reporting period in which they apply the proposed Practice Statement.

Next steps

The 120-day consultation period concludes on 19 February 2027. Following its review of the comment letters, the ISSB will redeliberate the proposals and intends to issue the final Practice Statement in due course.



How we see it

Applying the proposed Practice Statement would provide entities with a consistent framework for applying IFRS S1 and IFRS S2 to nature-related risks and opportunities. By addressing the specific characteristics of nature-related risks and opportunities without amending IFRS S1 or IFRS S2, the proposed Practice Statement is expected to improve the quality and comparability of nature-related disclosures prepared in accordance with ISSB Standards.

The Practice Statement's emphasis on location-related considerations, connections between nature and climate and interactions with Indigenous Peoples, Local Communities and affected stakeholders reflects the key characteristics of nature-related risks and opportunities. By drawing on the TNFD framework, the proposals could also help entities to build on existing nature-related assessment and reporting activities.

Implementation may require entities to strengthen how they consider location throughout the value chain, integrate nature and climate considerations, develop nature-related scenario analysis capabilities and establish reliable processes for preparing the proposed metrics.

We encourage entities and other stakeholders across sectors and jurisdictions to participate in the 120-day consultation on the proposed Practice Statement.

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ED None

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