IFRS Sustainability

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Exposure Draft

IFRS® Sustainability Disclosure Practice Statement

IFRS Sustainability Disclosure Practice Statement 1
Nature-related Disclosures

Comments to be received by 19 February 2027

International Sustainability Standards Board

ISSB/ED/2026/1

Exposure Draft

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[Draft] IFRS Sustainability Disclosure Practice Statement 1 *Nature-related Disclosures* is set out in paragraphs 1–38 and Appendices A–C. All paragraphs have equal authority. Paragraphs in **bold type** state the main principles. Terms defined in Appendix A are in *italics* the first time they appear in the Practice Statement. Definitions of other terms are given in IFRS Sustainability Disclosure Standards. The Practice Statement should be read in the context of its objective and the Basis for Conclusions on IFRS Sustainability Disclosure Practice Statement 1 *Nature-related Disclosures* and IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*.

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Introduction

What is the ISSB proposing?

IN1 The International Sustainability Standards Board (ISSB) is proposing disclosure requirements for 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 (collectively referred to as 'nature-related risks and opportunities that could reasonably be expected to affect an entity's prospects').

IN2 The proposals in the [draft] IFRS Sustainability Disclosure Practice Statement 1 *Nature-related Disclosures* (Practice Statement) arise from the ISSB's standard-setting project to develop disclosure requirements to meet the needs of primary users of general purpose financial reports ('primary users') for information on nature-related risks and opportunities. The Exposure Draft proposes incremental requirements, building on the requirements in IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*.

Why is the ISSB publishing this Exposure Draft?

IN3 Feedback on the ISSB's 2023 Request for Information *Consultation on Agenda Priorities* suggested significant and growing interest among primary users in improved disclosure of information about nature-related risks and opportunities that could reasonably be expected to affect an entity's prospects. Primary users are increasingly seeking to integrate nature-related information into their investment decision-making and require more consistent, comparable and verifiable information about nature-related risks and opportunities.

IN4 In response to growing demand from primary users, in April 2024 the ISSB decided to begin a research project, 'Biodiversity, Ecosystems, and Ecosystem Services' (BEES), on nature-related risks and opportunities. The ISSB later renamed the project 'Nature-related Disclosures' without changing the project's scope. The ISSB recognised the common information needs of primary users in relation to nature-related risks and opportunities, the deficiencies in current disclosures related to those needs and the importance of this information to primary users. It concluded that many of the common information needs of primary users are addressed by the general requirements and core content areas in IFRS S1 that are applicable to all sustainability-related risks and opportunities, including those related to nature, and by sources of guidance such as the SASB Standards. However, IFRS S1 and IFRS S2 do not provide requirements specific to nature-related disclosures.

IN5 As a result, in December 2025 the ISSB decided to move to standard-setting and to propose introducing requirements specifically for disclosing information about nature-related risks and opportunities to address the common information needs of primary users related to those risks and opportunities, building on the requirements in IFRS S1 and IFRS S2. The ISSB

decided to draw on the Taskforce on Nature-related Financial Disclosures (TNFD) recommendations, metrics and additional guidance (collectively, the TNFD framework) in developing its proposals.

Why is the ISSB proposing requirements in a Practice Statement?

IN6 IFRS S1 already requires an entity to provide material information about all sustainability-related risks and opportunities that could reasonably be expected to affect an entity's prospects, including those related to nature. The [draft] Practice Statement is designed to support the disclosure of high-quality material information about nature-related risks and opportunities by setting out requirements incremental to IFRS S1 and IFRS S2 to address common information needs of primary users.

IN7 The ISSB decided to propose an IFRS Practice Statement designed for application with IFRS Sustainability Disclosure Standards to specify nature-related disclosure requirements to address the common information needs of primary users, while minimising disruption to the implementation and adoption of IFRS S1 and IFRS S2 that is in progress globally. An entity can assert compliance with IFRS Sustainability Disclosure Standards without applying the Practice Statement. Entities that apply the Practice Statement when applying IFRS Sustainability Disclosure Standards would assert compliance with both IFRS Sustainability Disclosure Standards and the Practice Statement.

IN8 A jurisdiction need not mandate use of the Practice Statement to be described as an adopter of IFRS Sustainability Disclosure Standards. However, a jurisdiction adopting IFRS Sustainability Disclosure Standards or otherwise using IFRS Sustainability Disclosure Standards to develop national standards could choose to mandate that entities apply the Practice Statement. Alternatively, a jurisdiction could choose to make the Practice Statement available on a non-mandatory basis.

IN9 Providing requirements in the form of an IFRS Practice Statement allows the ISSB to assess developments in nature-related disclosures over time and consider the design of IFRS Sustainability Disclosure Standards in due course. The ISSB could at a later stage issue nature-related content as a Standard (either stand-alone or in another form such as an appendix to IFRS S1), subject to public consultation. Such a decision could take into consideration global progress in implementation and adoption of IFRS S1 and IFRS S2 and market experience from voluntary or mandatory application of the Practice Statement.

Who would apply the Practice Statement?

IN10 An entity would be permitted to apply the Practice Statement if the entity applies IFRS S1 and IFRS S2 at or before the date of initial application of the Practice Statement. However, an entity would not be required to apply the Practice Statement to assert compliance with IFRS Sustainability Disclosure Standards. An entity can apply the Practice Statement together with IFRS S1

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and IFRS S2 voluntarily, or it can be required to do so by a jurisdiction, to provide high-quality nature-related disclosures.

When would the Practice Statement be available for application?

IN11 The [draft] Practice Statement is proposed to be available for use from the date of its issuance for entities applying IFRS S1 and IFRS S2. The proposals specify that the date when an entity first applies the Practice Statement would be the date of initial application of the Practice Statement, which must be the beginning of an annual reporting period. An entity applying the Practice Statement would not be required to provide the disclosures specified in the Practice Statement for any period before the date of initial application of the Practice Statement.

Next steps

IN12 The ISSB will consider the feedback on the Exposure Draft and decide how to proceed.

Invitation to comment

The ISSB invites comments on the proposals in the Exposure Draft, particularly on the questions for respondents. Comments are most helpful if they:

(a) respond to the questions as stated;

(b) specify the paragraph(s) in the Exposure Draft to which they relate;

(c) contain a clear rationale;

(d) identify any wording in the proposals that is not clear or would be difficult to translate; and

(e) include any alternative the ISSB should consider, if applicable.

Respondents are not required to answer all questions. The ISSB requests that responses to questions:

(a) consider the cost-effectiveness (for an entity preparing disclosures) and decision-usefulness (for primary users of general purpose financial reports in making decisions relating to providing resources to an entity) of the Exposure Draft proposals;

(b) consider the cost-effectiveness and decision-usefulness of any suggestions made by respondents; and

(c) consider the Exposure Draft proposals being applied in conjunction with IFRS S1 and IFRS S2 (see paragraph IN10).

Questions for respondents

Question 1—Overall approach
The Exposure Draft proposes that the objective of the [draft] Practice Statement 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 relating to providing resources to the entity. Paragraphs B1–B7 describe the [draft] Practice Statement's relationship to IFRS Sustainability Disclosure Standards. The Practice Statement is to be applied together with IFRS Sustainability Disclosure Standards. IFRS S1 already requires an entity to provide material information about all sustainability-related risks and opportunities that could reasonably be expected to affect an entity's prospects, including those related to nature. The Exposure Draft sets out requirements that complement the requirements in IFRS S1 and IFRS S2 and relate specifically to disclosing information about an entity's nature-related risks and opportunities. An entity could assert compliance with IFRS Sustainability Disclosure Standards without applying the Practice Statement.

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Question 1—Overall approach
Paragraph B7 specifically describes the Practice Statement's relationship to IFRS S2. Primary users indicated a need for information to understand the connections between an entity's climate-related and nature-related risks and opportunities. Paragraphs B24–B25 describe connections between nature-related and climate-related risks and opportunities. Paragraph 13 would require an entity to provide information to enable primary users to understand connections between the entity's nature-related and climate-related risks and opportunities, and how these connections are considered in relation to those risks and opportunities. In the core content areas of strategy, risk management, and metrics and targets, the Practice Statement specifies disclosure of particular information that can enable primary users to understand the connections between an entity's climate-related and nature-related risks and opportunities. (a) Do you agree that the proposals in the Exposure Draft meet the proposed objective of the [draft] Practice Statement? Why or why not? (b) Is it clear how an entity would apply the proposed requirements in the Practice Statement with IFRS S1 and IFRS S2 and the ISSB's industry-based guidance (the SASB Standards and the *Industry-based Guidance on Implementing IFRS S2*)? Why or why not? If not, what aspects are unclear? (c) Is it clear how an entity applying the Practice Statement and IFRS S2 would consider and disclose information in a manner that enables primary users to understand connections between the entity's nature-related and climate-related risks and opportunities? Why or why not? If not, what aspects are unclear?

Question 2—Defined terms

The Exposure Draft proposes a set of terms and concepts that the ISSB has identified as essential for defining the scope of disclosures on nature-related risks and opportunities and specifying the associated disclosure requirements. The Exposure Draft proposes to define the terms 'environmental resources', 'ecosystem services', 'nature-related risks', 'nature-related opportunities', 'nature-related physical risks', and 'nature-related transition risks' (see Appendix A). Paragraphs BC82–BC93 of the Basis for Conclusions describe the reasons for the proposal.

The ISSB proposes using the term 'environmental resources' rather than 'environmental assets', which is used by the Taskforce on Nature-related Financial Disclosures (TNFD). In the ISSB's view, while 'environmental assets' covers aspects of the natural environment that have the potential to produce benefits for an entity, these aspects do not necessarily meet the definition of assets according to generally accepted accounting principles or practices (GAAP). Paragraphs BC84–BC86 of the Basis for Conclusions describe the reasons for the proposal.

The ISSB proposes using the terms 'nature-related physical risks' and 'nature-related transition risks'. In the ISSB's view, nature-related transition can involve a variety of objectives related to mitigating and adapting to changes in the quality, availability or affordability of environmental resources or associated benefits, including efforts to conserve, restore or regenerate those resources and associated benefits. The ISSB decided to use both terms to help define the scope of nature-related risks for the Practice Statement to encompass both nature-related physical risks and transition risks. An entity would not be required to distinguish nature-related physical risks and nature-related transition risks in its disclosures. Paragraphs BC87–BC91 of the Basis for Conclusions describe the reasons for the proposal.

(a) Do you agree that the proposed defined terms in Appendix A of the Practice Statement are essential for understanding the proposed requirements, including their scope? Why or why not? If not, what terms should be added or removed, and why?

(b) Do you agree with the definitions of the proposed terms in Appendix A, and are they clear? Why or why not? If not, what changes would you suggest to the definitions and why?

(c) Do you agree that the Practice Statement should use the term 'environmental resources' rather than 'environmental assets'? Why or why not? If not, what changes would you suggest and why?

(d) Do you agree that the Practice Statement should define both 'nature-related physical risks' and 'nature-related transition risks'? Why or why not? If not, what changes would you suggest and why?

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Question 3—TNFD's LEAP approach for identifying nature-related risks and opportunities

Paragraphs 11–12 note that in identifying its nature-related risks and opportunities, an entity might find it helpful to follow a systematic process, such as the process set out in the *Guidance on the identification and assessment of nature-related issues: The LEAP approach* version 2.0 (LEAP approach) from the TNFD. If an entity chooses to use the LEAP approach in preparing its disclosures, it would be required to do so in a manner that assists the entity in meeting the objective of IFRS S1 (see paragraphs 1–4 of IFRS S1). An entity would not be required to use the LEAP approach to assert compliance with the Practice Statement or IFRS Sustainability Disclosure Standards. Paragraphs BC101–BC103 of the Basis for Conclusions describe the reasons for the proposal.

Do you agree with the proposal for the Practice Statement to note the relevance of the TNFD's LEAP approach for an entity identifying its nature-related risks and opportunities? Why or why not?

Question 4—Location-related considerations

The Exposure Draft proposes to require an entity to consider the location of assets and activities throughout the value chain:

- in identifying its nature-related risks and opportunities, including characteristics of nature in those locations, using all reasonable and supportable information that is available to it at the reporting date without undue cost or effort (paragraphs B26–B36); and
- in disclosing information about its nature-related risks and opportunities across core content areas of governance, strategy, risk management, and metrics and targets (paragraphs 15, 17–18, 24, 26–27, 31, 34 and B37–B42).

In particular, the Exposure Draft proposes to require an entity to consider the appropriate geographical scale at which to present information in preparing disclosures about its nature-related risks and opportunities. The Exposure Draft also proposes to require an entity applying paragraphs B29–B30 of IFRS S1 to consider characteristics of location in determining how to aggregate or disaggregate information in its nature-related disclosures.

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Question 4—Location-related considerations

Paragraphs BC104–BC120, BC146–BC147, BC149, BC192–BC193 and BC207–BC208 of the Basis for Conclusions describe the reasons for the proposals.

(a) Do you agree that an entity should be required to consider the location of assets and activities throughout the value chain in identifying its nature-related risks and opportunities using all reasonable and supportable information that is available to it at the reporting date without undue cost or effort (paragraphs B26–B36)? Why or why not?

(b) Do you agree that an entity should be required to consider location of assets and activities throughout the value chain in disclosing information about its nature-related risks and opportunities across core content areas of governance, strategy, risk management, and metrics and targets (paragraphs 15, 17–18, 24, 26–27, 31, 34 and B37–B42)? Why or why not? If not, what aspects of the proposals do you disagree with and why?

(c) Do you agree that in preparing its nature-related disclosures an entity should be required to consider the geographical scale at which to present information, and to consider location of assets and activities throughout the value chain in determining how to aggregate or disaggregate information (paragraphs B37–B42)? Are the concepts clear? Why or why not?

Question 5—Illustrative examples for location-related considerations

The Exposure Draft proposes Accompanying Guidance that contains four examples illustrating how an entity would apply the requirements in the Practice Statement to report information related to the location of assets and activities throughout the value chain. The ISSB expects the examples will support entities in identifying and assessing nature-related risks and opportunities, determining what location-related information is material and preparing related disclosures.

Do you agree that the illustrative examples in the Accompanying Guidance would support location-related considerations when preparing disclosures about nature-related risks and opportunities in accordance with the proposed requirements in the Exposure Draft? Why or why not? If not, what would you suggest instead and why?

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Question 6—Interactions with Indigenous Peoples, Local Communities and affected stakeholders

The Exposure Draft proposes to require an entity to consider interactions—including engagement—with Indigenous Peoples, Local Communities and affected stakeholders:

- in identifying its nature-related risks and opportunities, using all reasonable and supportable information that is available to it at the reporting date without undue cost or effort (paragraphs B43–B48); and
- in disclosing information about its nature-related risks and opportunities across core content areas of governance, strategy and risk management (paragraphs 15, 17–18 and 26).

Paragraph 17(b) would require an entity to identify the groups of people covered by disclosures across core content areas about the entity's interactions—including engagement—with Indigenous Peoples, Local Communities and affected stakeholders in the context of nature-related risks and opportunities.

Paragraphs B44–B46 describe categories of society and stakeholders comprising Indigenous Peoples, Local Communities and affected stakeholders, and how interactions with them can give rise to or support responses to nature-related risks and opportunities that could reasonably be expected to affect an entity's prospects. These categories are drawn from the TNFD framework. An entity would not be required to provide disclosures using these categories.

Paragraphs BC121–BC130, BC146, BC148, BC150 and BC176 of the Basis for Conclusions describe the reasons for the proposals.

(a) Do you agree that an entity should be required to consider interactions—including engagement—with Indigenous Peoples, Local Communities and affected stakeholders in identifying its nature-related risks and opportunities, using all reasonable and supportable information that is available to it at the reporting date without undue cost or effort (paragraphs B43–B48)? Why or why not?

(b) Do you agree that an entity should be required to consider interactions—including engagement—with Indigenous Peoples, Local Communities and affected stakeholders in disclosing information about its nature-related risks and opportunities across core content areas of governance, strategy and risk management (paragraphs 15, 17–18 and 26)? Why or why not? If not, what aspects of the proposals do you disagree with and why?

(c) Do you agree that an entity should be required to identify the groups of people covered by disclosures across core content areas about the entity's interactions—including engagement—with Indigenous Peoples, Local Communities and affected stakeholders in the context of nature-related risks and opportunities (paragraph 17(b))? Why or why not?

(d) Do you agree with the descriptions of Indigenous Peoples, Local Communities and affected stakeholders in the Exposure Draft in the context of disclosures about nature-related risks and opportunities and for different jurisdictional contexts, and are the descriptions clear (paragraphs B44–B46)? Why or why not? If not, what changes would you suggest to the descriptions and why?

Question 7—Strategy: Information on response to, and plans to respond to, nature-related risks and opportunities
Paragraph 19 would require an entity to disclose particular information about how it has responded to, and plans to respond to, nature-related risks and opportunities in its strategy and decision-making. The ISSB acknowledges that an entity might not organise its response to, and its plans to respond to, nature-related risks and opportunities in the form of a transition plan. Consequently, the proposals do not limit disclosures to the provision of information about an entity's nature-related transition plan. Rather, the proposed requirements are intended to provide primary users with information about the effects of nature-related risks and opportunities on an entity's strategy and decision-making, including information about the entity's response to, and plans to respond to, nature-related risks and opportunities, regardless of whether those actions form part of a transition plan. Paragraphs BC151–BC160 of the Basis for Conclusions describe the reasons for the proposal. Do you agree that an entity should be required to include the particular information proposed in paragraph 19 in its disclosures about how it has responded to, and plans to respond to, nature-related risks and opportunities in its strategy and decision-making? Why or why not? If not, what changes would you suggest and why?

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Question 8—Strategy and Risk management: Nature-related scenario analysis

Paragraphs 20–24 would require an entity to disclose information that enables users of general purpose financial reports to understand the resilience of the entity's strategy and business model to uncertainties arising from nature-related risks, building on paragraph 41 of IFRS S1, and to use nature-related scenario analysis to assess its resilience in preparing this disclosure. Paragraphs B49–B66 describe the approach for an entity to use nature-related scenario analysis for its resilience assessment.

The proposed requirements in paragraphs B49–B66 include proportionality mechanisms (consistent with those set out in IFRS S2) for an entity:

- to use all reasonable and supportable information that is available to it at the reporting date without undue cost or effort; and
- to use an approach to nature-related scenario analysis that is commensurate with the entity's circumstances.

The ISSB noted that an entity's resilience assessment with respect to nature would be more location- and asset-specific than the resilience assessment described in IFRS S2 due to the characteristics of nature-related risks and opportunities. In the ISSB's view, requiring the use of nature-related scenario analysis, and specifying the information to be disclosed about that analysis, would support primary users in assessing the resilience of an entity's business model and strategy to uncertainties arising from nature-related risks. The ISSB also acknowledged that the practice of nature-related scenario analysis is still emerging and the use of nature-related scenario analysis is not as widespread as climate-related scenario analysis.

The Exposure Draft notes that nature-related scenario analysis can involve different approaches and the approach an entity might take is likely to change over time. 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 (paragraphs B64–B65). The Exposure Draft also notes that an entity might disclose whether it conducts an integrated nature-related and climate-related scenario analysis (paragraph 24(c)(ii)).

Paragraphs BC161–BC174 of the Basis for Conclusions describe the reasons for the proposals.

(a) Do you agree that an entity should be required to use nature-related scenario analysis to provide information about its resilience to nature-related risks (noting that the proposals enable different approaches to be taken as appropriate to an entity's circumstances)? Why or why not?

(b) Do you agree that an entity should be required to disclose information according to the proposals in the Exposure Draft about the resilience of its strategy and business model to uncertainties arising from nature-related risks (paragraphs 20–24)? Why or why not? If not, what would you suggest instead and why?

(c) Do you agree that the proposed requirements should include the proposed proportionality mechanisms as set out in paragraphs B49–B66? Why or why not? If not, what changes would you suggest to the proportionality mechanisms set out in these paragraphs in the context of scenario analysis and why?

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Question 8—Strategy and Risk management: Nature-related scenario analysis
Paragraph 27 would require an entity to include information about whether and how it uses nature-related scenario analysis to inform its assessment of nature-related risks, in applying paragraph 44(a)(iii) of IFRS S1. Paragraph 28 would require an entity to include information about whether and how the entity uses nature-related scenario analysis to inform its identification of nature-related opportunities, in applying paragraph 44(b) of IFRS S1. (Disclosure of information about the use of scenario analysis in identifying sustainability-related risks, inclusive of nature-related risks, is already required in accordance with paragraph 44(a)(ii) of IFRS S1.) Paragraphs BC175–BC178 of the Basis for Conclusions describe the reasons for the proposals. (d) Do you agree that an entity should be required to include information about whether and how it uses nature-related scenario analysis to inform its assessment of nature-related risks in applying paragraph 44(a)(iii) of IFRS S1, including the particular information listed in paragraph 27(a)–(c) of the Exposure Draft? Why or why not? (e) Do you agree that an entity should be required to include information about whether and how it uses nature-related scenario analysis to inform its identification of nature-related opportunities in applying paragraph 44(b) of IFRS S1? Why or why not?

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Question 9—Metrics

Paragraph 45 of IFRS S1 sets out the objective of sustainability-related financial disclosures on metrics and targets. An entity applying IFRS S1 in relation to nature is required to meet this objective by providing information that will enable users to understand its performance in relation to its nature-related risks and opportunities, including its progress towards any targets it has set, and any targets it is required to meet by law or regulation (see paragraphs BC185–BC187 of the Basis for Conclusions). Both IFRS S1 and IFRS S2 require an entity to disclose industry-based metrics and reference industry-based guidance (which includes nature-related metrics) for doing so.

The Exposure Draft proposes disclosure of new metrics in areas where the ISSB has identified a clear and common information need from primary users for standardised metrics that are applicable to all entities when material regardless of their industry. Paragraph 30(a) would require an entity to disclose the amount and percentage of assets or business activities vulnerable to nature-related risks and aligned with nature-related opportunities. Paragraphs 31–32 would require an entity to consider all facts and circumstances in determining how to aggregate and disaggregate this information (for example, an entity might determine it is appropriate to present these metrics by the location of assets and activities). Paragraph 33(a) sets out a proportionality mechanism requiring an entity to use all reasonable and supportable information that is available to it at the reporting date without undue cost or effort.

Paragraphs BC179–BC194 of the Basis for Conclusions describe the reasons for the proposals.

(a) Do you agree that an entity should be required to disclose information about the amount and percentage of assets or business activities vulnerable to nature-related risks and aligned with nature-related opportunities? Why or why not?

(b) Do you agree that the proposed requirements should include the proposed proportionality mechanism associated with paragraph 30(a) as set out in paragraph 33(a)? Why or why not? If not, what changes would you suggest to the proportionality mechanism set out in paragraph 33(a) in the context of the proposed metrics and why?

Paragraph 30(b) introduces a new source of guidance—TNFD disclosure metrics—that an entity may refer to and consider in disclosing information about nature-related risks and opportunities. An entity may refer to and consider the applicability of these metrics to the extent that they are helpful in meeting the objective of IFRS S1 (see paragraphs 1–4 of IFRS S1) and their use does not conflict with IFRS Sustainability Disclosure Standards or the Practice Statement.

An entity applying the Practice Statement together with IFRS S1 and IFRS S2 would be required to refer to and consider the applicability of the metrics associated with the disclosure topics included in the SASB Standards. In the ISSB's view, the coverage of nature-related topics and metrics in the SASB Standards, as well as the ongoing project to enhance the Standards (as discussed in paragraph BC204), make the SASB Standards a useful source of guidance for disclosure of decision-useful, industry-specific information about nature-related risks and opportunities.

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Question 9—Metrics

An entity would be allowed to refer to and consider the European Sustainability Reporting Standards (ESRS) and the Global Reporting Initiative Standards (GRI Standards) according to paragraph 58(c) and Appendix C of IFRS S1.

Paragraphs BC195–BC205 of the Basis for Conclusions describe the reasons for the proposals.

(c) Do you agree that, in addition to the existing sources of guidance in IFRS S1, an entity should be permitted to refer to and consider the applicability of the TNFD disclosure metrics in disclosing information about nature-related risks and opportunities, to the extent they are helpful in meeting the objective of IFRS S1 (see paragraphs 1–4 of IFRS S1) and their use does not conflict with IFRS Sustainability Disclosure Standards or the Practice Statement? Why or why not?

(d) In your view, should an entity be required to disclose any of the TNFD core global disclosure metrics, so that they are applicable to all entities when material regardless of their industry (for example, total spatial footprint, extent of land/freshwater/ocean-use change and water withdrawal and consumption from areas of water scarcity)? If so, please list the metrics and explain why you believe those metrics should be required, including why they would be applicable to all entities regardless of industry, how they are useful to primary users in making decisions relating to providing resources to the entity, and whether they are expected to be cost-effective and feasible to apply.

(e) In your view, should an entity be required to disclose any other specific nature-related metrics that are cross-industry (that is, applicable to all entities when material regardless of their industry)? If so, please describe those metrics and explain why you think those metrics should be required, including why they would be applicable to all entities regardless of industry, how they are decision-useful to primary users, and whether and why you expect these metrics to be cost-effective and feasible to apply.

Question 10—Targets

Paragraph 34 would require an entity to include particular information about each nature-related target that an entity has set or is required to meet, in applying paragraph 51 of IFRS S1.

Paragraphs BC206–BC217 of the Basis for Conclusions describe the reasons for the proposals.

Do you agree that an entity should be required to include the particular information set out in paragraph 34 about each nature-related target that it has set or is required to meet? Why or why not? If not, what would you suggest instead and why?

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Question 11—Form of standard-setting

The ISSB is proposing requirements for nature-related disclosures in the form of a Practice Statement. A Practice Statement is a stand-alone and prominent part of IFRS Foundation materials, and is subject to the same due process and procedures used for the development of a Standard. The requirements for public consultation for a Practice Statement are the same as for a new IFRS Standard or an amendment to an IFRS Standard. When an entity asserts compliance with a Practice Statement, the effect of application for an entity's financial reporting is the same as application of an IFRS Sustainability Disclosure Standard.

Paragraphs IN6–IN9, and paragraphs BC35–BC47 of the Basis for Conclusions, describe the reasons for proposing requirements for nature-related disclosures in the form of a Practice Statement. The ISSB considered other forms of standard-setting including amendments to IFRS S1, amendments to IFRS S2 or a new stand-alone IFRS Sustainability Disclosure Standard (which could have an effective date, including a distant effective date, or be non-mandatory).

(a) Do you agree that issuing the proposed requirements for nature-related disclosures in the form of a Practice Statement will effectively balance the need for improvements in the quality of nature-related disclosures to address the common information needs of primary users with the need to avoid disruption to the implementation of IFRS S1 and IFRS S2? Why or why not?

(b) If in your view the ISSB should issue the proposed requirements for nature-related disclosures in a different form—such as amendments to IFRS S1 or IFRS S2 or a new Standard—what form of standard-setting should the ISSB use and why? Please explain:

    (i) how your preferred approach would balance the need for improvements in the quality of nature-related disclosures to address the common information needs of primary users with the need to avoid disruption to the implementation of IFRS S1 and IFRS S2; and

    (ii) why your preferred approach would result in different outcomes in terms of improvements to the quality of financial reporting or effects on cost and feasibility of application compared to a Practice Statement.

(c) If in your view the proposed requirements should be issued in the form of a Standard, should that Standard have an effective date and, if so, what should that effective date be? Please explain your view, including how your preferred approach would balance the need for improvements in the quality of nature-related disclosures to address the common information needs of primary users with the need to avoid disruption to the implementation of IFRS S1 and IFRS S2.

Question 12—Statement of compliance

Paragraphs 35–38 would require an entity to make a statement of compliance in applying the Practice Statement, specifically:

- that an entity whose sustainability-related financial disclosures comply with all the requirements in IFRS Sustainability Disclosure Standards and all the requirements in the Practice Statement would be required to make an explicit and unreserved statement of compliance with IFRS Sustainability Disclosure Standards and the Practice Statement;
- that an entity applying the Practice Statement would be prohibited from describing sustainability-related financial disclosures as complying with the Practice Statement unless the entity complies with all the requirements in the Practice Statement and all the requirements in IFRS Sustainability Disclosure Standards; and
- that an entity would be relieved from disclosing information otherwise required by this Practice Statement if law or regulation prohibits the entity from disclosing that information, and from disclosing information about a nature-related opportunity otherwise required by this Practice Statement if that information is commercially sensitive, as described in paragraph B35 of IFRS S1.

Paragraphs BC218–BC226 of the Basis for Conclusions describe the reasons for the proposals.

Do you agree with the proposals in paragraphs 35–38 for the statement of compliance with the Practice Statement? Why or why not?

Question 13—Application date and transition

Paragraphs C1–C4 propose requirements for when the Practice Statement is first available for use and applied. An entity would be permitted to apply the Practice Statement if the entity applies IFRS S1 and IFRS S2 at or before the date of initial application of the Practice Statement. The date of initial application of the Practice Statement is the date when an entity first applies the Practice Statement and it must be the beginning of an annual reporting period.

Paragraph C3 sets out a transition relief whereby an entity would not be required to provide the disclosures specified in the Practice Statement for any period before the date of initial application of the Practice Statement. Accordingly, an entity would not be required to disclose comparative information for the disclosures specified in the Practice Statement in the first annual reporting period in which the entity applies the Practice Statement.

Paragraphs BC227–BC237 of the Basis for Conclusions describe the reasons for the proposals.

(a) Do you agree with the proposals in paragraphs C1–C4 for when the Practice Statement is first available for use and applied? Why or why not?

(b) In your view, are there any other areas of the proposed Practice Statement where transition reliefs would be necessary? If so, what transition reliefs would be necessary and why?

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Question 14—Interoperability with other sustainability-related standards and frameworks

The ISSB developed the proposed requirements considering interoperability and alignment with other sustainability-related standards and frameworks. In particular, the ISSB has explored ways to help entities providing nature-related disclosures using IFRS Sustainability Disclosure Standards and the GRI Standards or the ESRS to do so without duplication of effort or added complexity. An entity applying the Practice Statement in conjunction with IFRS S1 and IFRS S2 would be permitted to refer to and consider the applicability of ESRS and the GRI Standards to support its identification of material information to disclose (in accordance with paragraph 58(c) and Appendix C of IFRS S1 and subject to conditions they specify).

Paragraphs BC63–BC65, BC101, BC140, BC176 and BC216 of the Basis for Conclusions describe how interoperability has been considered in the proposed requirements.

In your view, are there opportunities to further support interoperability of the proposed requirements with ESRS and GRI Standards while continuing to meet the objective of IFRS S1 (see paragraphs 1–4 of IFRS S1)? If so, what changes to the proposed requirements could be made and how would those changes further support interoperability?

Question 15—Proportionality mechanisms

Paragraphs BC49–BC53 of the Basis for Conclusions describe the proportionality mechanisms in IFRS Sustainability Disclosure Standards that are available for entities applying IFRS S1, IFRS S2 and the Practice Statement. Paragraphs BC54–BC56 of the Basis for Conclusions describe the proportionality mechanisms the Practice Statement introduces, specifically:

- the proportionality mechanism specified in paragraph 33(a) of the Exposure Draft related to the requirement for an entity to disclose the amount and percentage of assets or business activities vulnerable to the nature-related risks it has identified, and the amount and percentage of assets or business activities aligned with the nature-related opportunities it has identified (see Question 9); and
- the proportionality mechanisms specified in paragraphs B49–B66 of the Exposure Draft related to the requirement for an entity to use nature-related scenario analysis to provide information about the entity's resilience to nature-related risks (see Question 8).

In your view, are there any other areas of the proposed Practice Statement where proportionality mechanisms would be necessary? If so, what proportionality mechanisms would be necessary and why?

Question 16—Costs, benefits and likely effects of implementation
The ISSB is committed to ensuring that costs and benefits of implementing the Practice Statement are balanced. Paragraphs BC238–BC264 of the Basis for Conclusions set out the analysis of the anticipated costs, benefits and likely effects of implementing the proposals. (a) Do you agree with this analysis, including that the benefits are likely to outweigh the costs of implementing the Practice Statement? Why or why not? If not, which aspects of the analysis do you disagree with and why? (b) Do you agree that the proposed requirements would result in improved quality of nature-related disclosures and would be feasible to implement for preparers in different industries and jurisdictions? Why or why not? If not, which aspects of the proposed requirements contribute most to complexity or implementation challenges? (c) Do you have any comments on the type or range of additional costs you anticipate entities incurring to comply with the proposed requirements, including whether these costs are likely to differ significantly based on an entity's circumstances or jurisdiction? (d) Do you agree that the proposed requirements would enable assurance at reasonable cost?

Question 17—Other comments
Do you have any other comments on the proposals set out in the Exposure Draft?

Deadline

The ISSB will consider all comments received in writing by 19 February 2027.

How to comment

Please submit your comments electronically:

Online	https://www.ifrs.org/projects/open-for-comment/
Email	commentletters@ifrs.org

Your comments will be on the public record and posted on our website unless you request confidentiality and we grant your request. We normally grant such requests only if they are supported by a good reason, for example, commercial confidentiality. Please see our website for details on this policy and on how we use your personal data. If you would like to request confidentiality, please contact us at commentletters@ifrs.org before submitting your survey response or letter.

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IFRS Sustainability Disclosure Practice Statement 1 *Nature-related Disclosures*

Objective

1 The objective of [draft] IFRS Sustainability Disclosure Practice Statement 1 *Nature-related Disclosures* 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 relating to providing resources to the entity.[1]

2 This [draft] Practice Statement is to be applied together with *IFRS Sustainability Disclosure Standards* (see paragraphs 35–38 and B1–B7).

Status

3 This [draft] Practice Statement is not an IFRS Sustainability Disclosure Standard. An entity's sustainability-related financial disclosures—including its nature-related financial disclosures—can comply with IFRS Sustainability Disclosure Standards even if the entity does not apply this [draft] Practice Statement.

Scope

4 This [draft] Practice Statement applies to all *nature-related risks* and *nature-related 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.

5 For the purposes of this [draft] Practice Statement, these risks and opportunities are collectively referred to as 'nature-related risks and opportunities that could reasonably be expected to affect an entity's prospects'.

6 Nature-related risks are *nature-related physical risks* and *nature-related transition risks*.

7 Nature-related risks and opportunities that could not reasonably be expected to affect an entity's prospects are outside the scope of this [draft] Practice Statement.

Identifying nature-related risks and opportunities

8 An entity's *business model* and hence its ability to generate cash flows can depend on the quality, availability and affordability of *environmental resources* and associated benefits, including those provided by *ecosystem services*. An entity's activities and outputs—as well as other factors, including activities and outputs of other parties—can affect the quality, availability and affordability of environmental resources and associated benefits that the

1 Throughout this Practice Statement, the terms 'primary users' and 'users' are used interchangeably, with the same meaning.

entity or other parties depend on. The dependencies and impacts throughout an entity's *value chain* vary by:

(a) industry, business model and activity; and

(b) location of assets and activities.

9 Changes in the quality, availability or affordability of environmental resources and associated benefits, as well as efforts to mitigate and adapt to those changes—including efforts to conserve, restore or regenerate those resources and associated benefits—can give rise to nature-related risks and opportunities that could reasonably be expected to affect an entity's prospects (see paragraphs B14–B23).

10 In identifying nature-related risks and opportunities that could reasonably be expected to affect an entity's prospects in accordance with IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*, the entity considers, using all reasonable and supportable information that is available to it at the reporting date without undue cost or effort (see paragraphs B8–B10 of IFRS S1):

(a) the location of assets and activities throughout the value chain, including characteristics of nature in those locations (see paragraphs B26–B36); and

(b) its interactions—including engagement—with Indigenous Peoples, Local Communities and affected stakeholders (see paragraphs B43–B48).

11 In identifying nature-related risks and opportunities that could reasonably be expected to affect an entity's prospects, the entity might find it helpful to follow a systematic process, such as the process set out in the *Guidance on the identification and assessment of nature-related issues: The LEAP approach* version 2.0 (LEAP approach), published by the Taskforce on Nature-related Financial Disclosures (TNFD) in 2026. The LEAP approach can help an entity:

(a) to locate where, within the entity's business model and throughout its value chain, its interactions with nature occur, and understand the characteristics of nature in those locations;

(b) to evaluate the entity's related dependencies and impacts on nature; and

(c) to assess the resulting nature-related risks and opportunities for the entity.

12 If an entity chooses to use the LEAP approach to identify nature-related risks and opportunities that could reasonably be expected to affect its prospects, it shall do so in a manner that assists the entity in meeting the objective of IFRS S1 (see paragraphs 1–4 of IFRS S1). An entity is not required to use the LEAP approach to assert compliance with this [draft] Practice Statement or IFRS Sustainability Disclosure Standards.

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Connected information

13 In preparing disclosures about governance, strategy, risk management, and metrics and targets associated with nature-related risks and opportunities, an entity shall:

(a) provide information in a manner 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 in relation to those risks and opportunities (see paragraph 21(a) of IFRS S1).

(b) avoid unnecessary duplication of information (see paragraph B42(b) of IFRS S1). For example, if an entity responds to nature-related and climate-related risks and opportunities in its strategy and decision-making on an integrated basis, the entity would avoid duplication by providing integrated disclosures in meeting the requirements of this [draft] Practice Statement instead of separate disclosures for nature-related and climate-related risks and opportunities.

Core content

Governance

14 **In accordance with paragraph 26 of IFRS S1, the objective of sustainability-related financial disclosures—including nature-related financial disclosures—on governance is to enable users of general purpose financial reports to understand the governance processes, controls and procedures an entity uses to monitor, manage and oversee nature-related risks and opportunities.**

15 In providing information to meet the requirements in paragraph 27 of IFRS S1, an entity shall include information about whether and how the governance body(s) or individual(s) responsible for oversight of the entity's nature-related risks and opportunities, and management supporting that oversight, take into account:

(a) location-related considerations associated with nature-related risks and opportunities; and

(b) the entity's interactions—including engagement—with Indigenous Peoples, Local Communities and affected stakeholders.

Strategy

16 **In accordance with paragraph 28 of IFRS S1, the objective of sustainability-related financial disclosures—including nature-related financial disclosures—on strategy is to enable users of general purpose financial reports to understand an entity's strategy for managing nature-related risks and opportunities.**

Nature-related risks and opportunities

17 In providing information to meet the requirements in paragraph 30(a) of IFRS S1, an entity shall:

(a) explain location-related considerations relevant to understanding the nature-related risk or opportunity. For example, the entity might need to explain the features of the landscape or basin that are relevant to understanding the risk or opportunity (such as the abundance or scarcity of a raw material in the location from which the entity sources the raw material) and provide related information about the entity's dependencies and impacts.

(b) identify the groups of people covered by disclosures across core content areas about the entity's interactions—including engagement—with Indigenous Peoples, Local Communities and affected stakeholders in the context of nature-related risks and opportunities. For example, these disclosures might include information about:

(i) the name by which the groups of people identify themselves or are identified under relevant law or regulation;

(ii) the location of these groups of people that provides context for the entity's engagement (for example, a jurisdiction, region or landscape); or

(iii) the law or regulation or customary rights that are relevant to the entity's interactions with these groups of people.

(c) explain the connections between its nature-related and climate-related risks and opportunities. (For example, an energy producer reliant on water for cooling its operations might need to explain that it is exposed to a risk of operational disruption due to the combined effects of climate change and increased water withdrawal upstream of its operations leading to increased variation in river flow.)

Business model and value chain

18 In providing information to meet the requirements in paragraph 32 of IFRS S1, an entity shall include information that enables users of general purpose financial reports to understand:

(a) how location-related considerations affect where in its business model and value chain nature-related risks and opportunities are concentrated.

(b) whether and how current and anticipated effects of nature-related and climate-related risks and opportunities on the entity's business model and value chain offset or amplify each other.

(c) how the outcomes of its engagement—if any—with Indigenous Peoples, Local Communities and affected stakeholders relate to the current and anticipated effects of nature-related risks and opportunities on the entity's business model and value chain. For example, an entity might disclose whether it obtained Free, Prior and

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Informed Consent in relation to the entity's activities that require access to environmental resources that Indigenous Peoples or Local Communities own, control or otherwise have rights to.

Strategy and decision-making

19 In providing information to meet the requirements in paragraph 33 of IFRS S1, an entity shall include information about:

(a) how the entity has responded to, and plans to respond to, nature-related risks and opportunities in its strategy and decision-making, including how the entity plans to achieve any nature-related targets it has set and any targets it is required to meet by law or regulation, regardless of whether these actions form part of a transition plan. This disclosure might include information about:

(i) current and anticipated changes to the entity's business model, including its resource allocation, to address nature-related risks and opportunities (such as plans to manage or decommission water-intensive operations, changes in operations in ecologically sensitive areas or the introduction of schemes to take back used products such as electronic waste);

(ii) current and anticipated direct efforts to mitigate and adapt to changes in the quality, availability or affordability of environmental resources and associated benefits (for example, through changes in production processes or equipment to reduce water use, product reformulation to avoid polluting substances, reduction in commodity purchases from deforested land and restoration of an ecosystem that protects facilities from natural hazards);

(iii) current and anticipated indirect efforts to mitigate and adapt to changes in the quality, availability or affordability of environmental resources and associated benefits (for example, through working with other entities operating in the same location to address common nature-related risks through a collective plan, working with suppliers to reduce conversion of natural habitats to agricultural production and working with customers to increase recycling of packaging waste);

(iv) key assumptions used in developing the entity's response to, and plans to respond to, nature-related risks and opportunities, and dependencies on which that response and those plans to respond rely; and

(v) the entity's plans to achieve any nature-related targets described in accordance with paragraph 34.

(b) how the entity is resourcing, and plans to resource, the activities disclosed in accordance with (a).

(c) trade-offs and synergies between nature-related and climate-related risks and opportunities. For example, an entity might disclose:

(i) a trade-off in which the entity's investment in on-site renewable energy generation to reduce its greenhouse gas emissions to mitigate its *climate-related transition risk* could give rise to nature-related risks for the entity because the land use or infrastructure development required for the investment might affect local ecosystems, biodiversity or soil quality; and

(ii) synergies from the entity's efforts to conserve wetlands to manage its nature-related risks arising from its dependency on water purification ecosystem services, while mitigating *climate-related physical risks* related to flooding.

(d) how the entity's interactions—including engagement—with Indigenous Peoples, Local Communities and affected stakeholders affect its response to, and plans to respond to, nature-related risks and opportunities. For example, an entity might disclose how such engagement affects the design of its projects, products or services to mitigate nature-related risks and realise nature-related opportunities.

Resilience

20 An entity shall disclose information that enables users of general purpose financial reports to understand the resilience of the entity's strategy and business model to uncertainties arising from nature-related risks. The entity shall use nature-related scenario analysis to assess its resilience using an approach that is commensurate with the entity's circumstances.

21 Paragraphs B49–B66 provide guidance on how an entity uses nature-related scenario analysis for the resilience assessment.

22 In providing quantitative information, an entity may disclose a single amount or a range.

23 An entity shall disclose its assessment of the resilience of its strategy and business model to nature-related risks as at the reporting date, which shall enable users of general purpose financial reports to understand:

(a) the implications, if any, of the entity's assessment for its strategy and business model, including how the entity would need to respond to the effects identified in the nature-related scenario analysis;

(b) the significant areas of uncertainty considered in the entity's assessment of its resilience to nature-related risks; and

(c) the entity's capacity to adjust or adapt its strategy and business model to changes in the availability, quality or affordability of environmental resources and associated benefits over the short, medium and long term, including:

(i) the availability of, and flexibility in, the entity's existing financial resources to respond to the effects identified in the nature-related scenario analysis, including to address nature-related risks;

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(ii) the entity's ability to redeploy, repurpose, upgrade or decommission existing assets; and

(iii) the effect of the entity's current and planned investments in mitigation of and adaptation to changes in the availability, quality or affordability of environmental resources and associated benefits.

24 An entity shall disclose how and when the nature-related scenario analysis was carried out, including:

(a) information about the inputs and parameters the entity used, including:

(i) which environmental resources, ecosystem services and ecological conditions the entity included in the analysis;

(ii) which nature-related scenarios the entity used for the analysis and the sources of those scenarios, including whether the scenarios were obtained from an external source or owned or developed internally;

(iii) whether the analysis included a diverse range of nature-related scenarios;

(iv) why the entity decided that its chosen nature-related scenarios are relevant to assessing its resilience to nature-related risks;

(v) the time horizons the entity used in the analysis; and

(vi) the locations and parts of the entity included in the analysis (for example, whether the analysis applies to the entity in its entirety or only a part of the entity, such as a specific business unit or a specific region) and the basis for selecting the locations and parts of the entity included in the analysis.

(b) the key assumptions the entity made in the analysis, including assumptions about:

(i) nature-related policies in the jurisdictions in which the entity operates;

(ii) macroeconomic trends;

(iii) variables linked to the locations included in the analysis and their associated geographical scale; and

(iv) developments in technology.

(c) the connections, if any, between the entity's assessment of its resilience to nature-related risks and its assessment of its climate resilience—for example, the entity might disclose whether:

(i) any nature-related risks assessed in the entity's nature-related scenario analysis have synergies or trade-offs with climate-related risks and opportunities considered in its climate resilience assessment; or

(ii) it conducts an integrated nature-related and climate-related scenario analysis.

(d) the reporting period in which the nature-related scenario analysis was carried out (see paragraph B66).

Risk management

25 **In accordance with paragraph 43 of IFRS S1, the objective of sustainability-related financial disclosures—including nature-related financial disclosures—on risk management is to enable users of general purpose financial reports to understand an entity's processes to identify, assess, prioritise and monitor nature-related risks and opportunities, including whether and how those processes are integrated into and inform the entity's overall risk management process.**

26 In providing information to meet the requirements in paragraph 44 of IFRS S1, an entity shall include information about whether and how the entity:

(a) considers synergies and trade-offs associated with nature-related and climate-related risks and opportunities to identify, assess, prioritise and monitor nature-related risks and opportunities;

(b) considers the location of assets and activities throughout the value chain to identify, assess, prioritise and monitor nature-related risks and opportunities—for example:

(i) information about the geographical or ecological scale of inputs and parameters the entity uses (see paragraphs B34 and B39–B40); and

(ii) information about whether the entity identified sensitive locations and the criteria the entity used to identify them (see paragraph B32); and

(c) engages with Indigenous Peoples, Local Communities and affected stakeholders—for example, in relation to:

(i) identifying nature-related risks that arise from its negative impacts, such as pollution or depletion of an environmental resource that these parties depend on; or

(ii) identifying nature-related opportunities, such as how the entity uses engagement with Local Communities to identify traditional forest management practices that can mitigate depletion of timber the entity depends on.

27 In providing information to meet the requirements in paragraph 44(a)(iii) of IFRS S1, an entity shall include information about whether and how the entity uses nature-related scenario analysis to inform its assessment of the nature, likelihood and magnitude of the effects of nature-related risks, including information about:

(a) the inputs the entity used;

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(b) the key assumptions the entity made in the analysis; and

(c) the part of the entity (for example, the entity in its entirety or only a part of the entity, such as a specific business unit or a specific asset) or the location (for example, a specific region or site of activities) to which the scenario analysis applies.

28 In providing information to meet the requirements in paragraph 44(b) of IFRS S1, an entity shall include information about whether and how the entity uses nature-related scenario analysis to inform its identification of nature-related opportunities.

Metrics and targets

29 **In accordance with paragraph 45 of IFRS S1, the objective of sustainability-related financial disclosures—including nature-related financial disclosures—on metrics and targets is to enable users of general purpose financial reports to understand an entity's performance in relation to its nature-related risks and opportunities, including progress towards any nature-related targets the entity has set and any targets it is required to meet by law or regulation.**

30 In addition to applying paragraphs 46–47 of IFRS S1:

(a) an entity shall disclose:

(i) the amount and percentage of assets or business activities vulnerable to nature-related risks; and

(ii) the amount and percentage of assets or business activities aligned with nature-related opportunities; and

(b) an entity may refer to and consider the applicability of the TNFD disclosure metrics to the extent that this source:

(i) assists the entity in meeting the objective of IFRS S1 (see paragraphs 1–4 of IFRS S1); and

(ii) does not conflict with IFRS Sustainability Disclosure Standards or this [draft] Practice Statement.

31 An entity shall consider all facts and circumstances in determining how to aggregate and disaggregate information required by paragraph 30(a) (see paragraphs B29–B30 of IFRS S1). For example, an entity might determine that it is appropriate to present these metrics by location of assets and activities (for example, disclosing separately the amount and percentage of assets near or within sensitive locations such as areas important for biodiversity, areas of water stress, or areas in which soil condition affects the productive capacity of the assets.

32 In some cases, an entity might conclude that it is appropriate to disaggregate information required by paragraph 30(a) in more than one way.

33 In preparing disclosures to meet the requirements in paragraph 30(a), an entity shall:

(a) use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort (see paragraphs B8–B10 of IFRS S1); and

(b) consider connections between nature-related and climate-related risks and opportunities (for example, whether particular assets or activities are vulnerable to both nature-related and climate-related risks).

34 In providing information to meet the requirements in paragraph 51 of IFRS S1, for each nature-related target that an entity has set to monitor progress towards achieving its strategic goals or is required to meet by law or regulation, the entity shall include:

(a) a description of what the target relates to (for example, an entity might have a target related to reducing air pollution, improving the condition of soil the entity depends on or increasing its share of a supply chain certified for product circularity);

(b) information about location-specific aspects of the target and its objectives—for example, information about:

(i) the locations of assets or activities throughout the value chain included in the target; and

(ii) whether the target is specific to the entity or is part of a collective target-setting and monitoring process in a particular location; and

(c) information about whether and how the target has been informed by law or regulation.

Statement of compliance

35 An entity whose sustainability-related financial disclosures comply with all the requirements of IFRS Sustainability Disclosure Standards and all the requirements of this [draft] Practice Statement shall make an explicit and unreserved statement of compliance. An entity shall not describe sustainability-related financial disclosures as complying with this [draft] Practice Statement unless they comply with all the requirements of this [draft] Practice Statement and all the requirements of IFRS Sustainability Disclosure Standards.

36 This [draft] Practice Statement relieves an entity from disclosing information otherwise required by this [draft] Practice Statement if law or regulation prohibits the entity from disclosing that information. If an entity omits *material information* for this reason, it shall identify the type of information not disclosed and explain the source of the restriction.

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37 This [draft] Practice Statement also relieves an entity from disclosing information about a nature-related opportunity otherwise required by this [draft] Practice Statement if that information is commercially sensitive, as described in paragraph B35 of IFRS S1. An entity applying this exemption:

(a) shall provide the information required by paragraph B36 of IFRS S1; and

(b) is prohibited from using the exemption in relation to information about a nature-related risk or as a basis for broad non-disclosure of nature-related financial information.

38 An entity using the exemptions set out in paragraphs 36–37 is not prevented from asserting compliance with this [draft] Practice Statement.

Appendix A
Defined terms

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

ecosystem services	The contributions provided by ecosystems to economic and other benefits used in human activity.
environmental resources	The living and non-living components of the natural environment that have the potential to produce economic and other benefits for human activity. Environmental resources comprise natural resources, ecosystems and atmospheric systems.
nature-related opportunities	Potential positive 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**. Efforts to mitigate and adapt to changes in the quality, availability or affordability of those resources and associated benefits, including efforts to conserve, restore or regenerate those resources and associated benefits, can give rise to nature-related opportunities for an entity.
nature-related physical risks	Risks resulting from changes in the quality, availability or affordability of **environmental resources** and associated benefits, such as those provided by **ecosystem services**, that an entity depends on. These risks can relate to acute, chronic or cyclical changes in **environmental resources** and associated benefits.
nature-related risks	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 risks are **nature-related physical risks** and **nature-related transition risks**.
nature-related transition risks	Risks that arise from efforts to mitigate and adapt to changes in the quality, availability or affordability of **environmental resources** and associated benefits, including efforts to conserve, restore or regenerate those resources and associated benefits. Nature-related transition risks include policy, legal, technological, market and reputational risks.

The following terms are defined in Appendix A of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* or Appendix A of IFRS S2 *Climate-related Disclosures* and are used in this [draft] Practice Statement with the meanings specified in IFRS S1 or IFRS S2:

(a) business model;

(b) climate-related physical risks;

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(c) climate-related risks and opportunities;

(d) climate-related transition risks;

(e) general purpose financial reports;

(f) IFRS Sustainability Disclosure Standards;

(g) material information;

(h) primary users of general purpose financial reports (primary users);

(i) users of general purpose financial reports (users); and

(j) value chain.

Appendix B
Application guidance

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

Relationship to IFRS Sustainability Disclosure Standards (paragraphs 1–7)

B1 This [draft] Practice Statement is to be applied together with IFRS Sustainability Disclosure Standards.

B2 IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* sets out overarching requirements for an entity to disclose information about sustainability-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity. IFRS S1 applies to all sustainability-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, including nature-related risks and opportunities within the scope of this [draft] Practice Statement.

B3 IFRS S1 provides the basis for preparing an entity's sustainability-related financial disclosures, including its nature-related disclosures. The Standard includes:

(a) conceptual foundations—for example, an investor-focused definition of material information and requirements on connected information;

(b) disclosure requirements for core content—governance, strategy, risk management, and metrics and targets;

(c) general requirements for the disclosure of sustainability-related financial information, including sources of guidance, and requirements for judgements, uncertainties and errors; and

(d) proportionality mechanisms available for an entity in preparing sustainability-related financial disclosures.

B4 Other IFRS Sustainability Disclosure Standards specify information an entity is required to disclose about specific sustainability-related risks and opportunities (see paragraph 7 of IFRS S1). In particular, building on the overarching requirements in IFRS S1, IFRS S2 *Climate-related Disclosures* sets out requirements that relate specifically to climate-related risks and opportunities.

B5 Similarly, this [draft] Practice Statement applies specifically to nature-related risks and opportunities. It is designed to assist an entity that applies IFRS S1 and IFRS S2 to disclose material information about nature-related risks and opportunities that could reasonably be expected to affect the 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 4).

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B6 This [draft] Practice Statement complements IFRS S1. It specifies how to apply particular requirements in IFRS S1 in the context of nature-related risks and opportunities. It also sets out additional requirements that specifically apply to nature-related risks and opportunities, such as the requirement to disclose the amount and percentage of assets or business activities vulnerable to nature-related risks and those aligned with nature-related opportunities (see paragraph 30(a)).

B7 This [draft] Practice Statement also complements IFRS S2. Applying IFRS S2, particular information about nature-related aspects of an entity's climate-related risks and opportunities is required to be provided. In some cases, that information might be enough to meet the requirements of this [draft] Practice Statement and need not be repeated. In other cases, an entity might need to provide additional information about nature-related aspects of its climate-related risks and opportunities to meet the requirements in this [draft] Practice Statement. For example, an entity might need to provide information about its interactions—including engagement—with Indigenous Peoples, Local Communities and affected stakeholders in the context of those risks and opportunities.

Nature-related risks and opportunities (paragraphs 4–7)

Environmental resources and associated benefits

B8 Environmental resources comprise natural resources, ecosystems and atmospheric systems. Environmental resources are found on land, underground, in the atmosphere, in freshwaters and in the ocean.

B9 Natural resources can be living or non-living, and renewable or non-renewable. Examples of natural resources are plants, animals, air, water, soil, minerals and fossil fuels. An ecosystem—such as a forest, river, tundra, coral reef or savanna—is a dynamic complex of plants, animals and microorganisms that interact with each other and their non-living environment for the ecosystem to function as a whole. The categories of natural resources, ecosystems and atmospheric systems are not mutually exclusive. For example, plants are natural resources that can also be components of an ecosystem.

B10 Environmental resources have the potential to produce benefits for economic and other human activity, including benefits to an entity. Environmental resources other than ecosystems can produce benefits through non-biological processes—for example, the supply of wind energy from the atmosphere or the supply of ore from an underground mineral deposit. Ecosystems produce benefits in combination with other resources and relationships, such as infrastructure and labour.

B11 Ecosystem services fall into three categories, namely:

(a) provisioning services, which contribute to benefits that are extracted or harvested from ecosystems, such as in the form of crops, timber or water;

(b) regulating and maintenance services, which provide benefits in the form of maintaining environmental conditions through regulating biological processes, such as air filtration by trees, pollination by bees, or water-flow regulation or climate regulation by mangroves; and

(c) cultural services, which provide experiential and intangible benefits to human well-being and culture, such as recreation, visual amenities or natural resources used in cultural or traditional practices.

B12 In some cases, environmental resources can produce benefits more than once. For example, some metals can be recycled and some energy sources are renewable. In other cases—such as with fossil fuels—environmental resources are permanently depleted once the benefits they provide are consumed.

B13 Changes in the availability, quality or affordability of environmental resources and associated benefits that an entity or other parties depend on, as well as efforts to mitigate and adapt to those changes—including efforts to conserve, restore or regenerate those resources and associated benefits—can give rise to nature-related risks and opportunities for an entity.

Changes in environmental resources and associated benefits

B14 Changes in the availability, quality or affordability of environmental resources and associated benefits that an entity depends on can be acute, chronic or cyclical and can relate to various factors. In particular, they can relate to:

(a) the entity's activities and outputs (see paragraph B15).

(b) activities and outputs of other entities and other human activity—for example, pollution released by another entity or invasive species introduced by another entity that disrupt the entity's operations, or increased market demand for a renewable commodity that the entity depends on due to policy change.

(c) natural factors such as flooding or diseases of plants and animals—which can vary in frequency and severity—as well as cyclical variability inherent in an environmental resource and associated benefits. For example, an entity producing hydroelectric power might face risks from interannual variability in the rainfall that it depends on.

B15 The operation of an entity's business model—including inputs used, activities involved in transforming the inputs, and resulting outputs and outcomes throughout the value chain—can affect the quantity and quality of environmental resources, including the extent and condition of ecosystems. These impacts can in turn affect the availability and quality of these resources and associated benefits, including the availability and quality of ecosystem services. The entity's impacts can relate to land-, freshwater- or ocean-use change; resource use or replenishment; pollution or pollution removal; invasive alien species introduction or removal; and climate change.

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B16 Changes in the availability, quality or affordability of environmental resources and associated benefits that the entity depends on—including changes due to the entity's own impacts, impacts by other parties and natural factors—can give rise to nature-related physical risks for the entity.

B17 As an example of a nature-related risk arising from changes in the quality of an environmental resource that an entity depends on as a result of the entity's own impacts, consider an entity whose business model depends on the quality of soil to support its production of a crop. Degradation or depletion of soil as a result of the entity's activities could create a risk of disruption to the entity's operations and adversely affect the entity's prospects. In contrast, steps taken by the entity towards regeneration and preservation of that resource could mitigate that risk and otherwise positively affect the entity.

B18 As an example of a nature-related risk arising from changes in the availability and quality of ecosystem services an entity depends on as a result of impacts on those ecosystem services by other parties, consider a coffee-production entity that depends on pollination by a wild bee population that lives around its suppliers' coffee farms. The availability and quality of the pollination service provided by the bees depends on the forest that provides a habitat for the bees. As neighbouring farmers expand their fields—a land-use change—the extent of the forest and, as a result, the bee population is reduced. The reduction in the number of bees correspondingly reduces the pollination service the entity depends on. As a result, supplier yields could decline, which could lead to increased costs for the entity related to finding new suppliers or could result in the entity incurring higher prices due to lower coffee yields.

B19 A nature-related risk can arise without a change in an environmental resource itself and associated benefits having occurred. For example, an entity that depends on a commodity can face higher costs in a market that has rapidly increasing demand for the commodity or the entity can face operational disruption from new regulations that restrict the entity's access to the commodity.

B20 An entity can depend on and impact a variety of environmental resources and associated benefits, including those provided by ecosystem services. These dependencies and impacts—and the nature-related risks and opportunities that arise from them—can interact and amplify each other over time. For example, an entity's dependency on timber resources might result in the entity's impacts—such as deforestation—in the long term. This dependency and the associated impacts can also give rise to the risk of operational disruption related to water availability and quality for the entity over time if the entity has operations located in the same water basin as its timber operations.

Efforts to mitigate and adapt to changes in environmental resources and associated benefits

B21 Efforts to mitigate and adapt to changes in the quality, availability or affordability of environmental resources and associated benefits—including efforts to conserve, restore or regenerate those resources and associated benefits—can give rise to nature-related transition risks and nature-related opportunities for an entity. Such efforts can be linked to factors in the entity's external environment, such as policy, legal, technological, market and reputational factors.

B22 As an example of nature-related risks arising from efforts to mitigate changes in environmental resources and associated benefits that other parties depend on as a result of an entity's impacts, consider an entity that extracts water from a river catchment to use in its manufacturing process. The entity'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. As a result, communities living downstream of its operations would have less access to clean water. The entity might face the risk of operational disruption due to litigation or other legal claims from these affected stakeholders, or might be exposed to the risk of regulation.

B23 As an example of nature-related risks and opportunities resulting from efforts to adapt to changes in environmental resources and associated benefits, consider an entity that develops real estate in a coastal region that experiences seasonal storms that can lead to flooding. Mangroves in that region provide flood protection. A regulator in that region introduces requirements to address flooding risk, restricting the extent to which mangroves can be cleared and requiring the use of new materials that are less prone to flood damage in constructing new real estate. The new materials are priced higher than the materials currently used for construction. As a result, the entity's plans for further development of real estate are limited in areas that are near or within the mangroves and constructible land prices and materials costs increase. Conversely, another entity that has invested in the technology to produce the newly mandated construction material might realise higher revenues from increased demand for this material presenting a nature-related opportunity.

Nature-related and climate-related risks and opportunities

B24 Nature and climate are closely connected. Climate change can result in changes in the availability, quality and affordability of environmental resources and associated benefits, including those provided by ecosystem services. For example, rising global temperatures, shifting precipitation and weather patterns, and ocean acidification alter ecosystems and force species to migrate or change rapidly. Nature degradation—such as land-use change resulting in the degradation of forest and wetland ecosystems—is a source of greenhouse gas emissions, which contribute to climate change. Conversely, nature restoration can increase an ecosystem's ability to capture and sequester carbon from the atmosphere and to mitigate the physical effects of climate change.

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B25 The close connections between climate and nature mean that an entity's climate-related and nature-related risks and opportunities can be interrelated and present the entity with synergies and trade-offs. These connections can affect how an entity identifies, assesses and manages its climate-related and nature-related risks and opportunities (for example, an entity might undertake an integrated scenario analysis in assessing its nature-related and climate-related risks and opportunities). They can also affect the entity's strategy to respond to these risks and opportunities (for example, an entity might develop an integrated transition plan to respond to its nature-related and climate-related risks and opportunities).

Location-related considerations

Considering location in identifying nature-related risks and opportunities (paragraph 10(a))

B26 In identifying nature-related risks and opportunities, an entity considers the location of assets and activities throughout the value chain. Characteristics of these locations, and the related dependencies and impacts on environmental resources and associated benefits, can affect whether the entity is exposed to nature-related risks and opportunities that could reasonably be expected to affect the entity's prospects.

B27 Characteristics of the location that are relevant to understanding dependencies and impacts on environmental resources and associated benefits and relevant to identifying an entity's nature-related risks and opportunities include:

(a) the characteristics of the natural environment—also referred to as environmental characteristics—associated with the location;

(b) interactions—including engagement—with Indigenous Peoples, Local Communities and affected stakeholders associated with the location (see paragraphs B43–B48); and

(c) the legal and regulatory environment associated with the location.

B28 These characteristics can interact with each other, and several factors can be relevant to a particular nature-related risk or opportunity.

B29 The characteristics of the natural environment are the physical attributes of the location that describe the quality and availability of environmental resources and associated benefits—for example, water availability, forest cover, biodiversity and soil quality. These characteristics can vary by location. This variability in the quality and availability of environmental resources and associated benefits, including benefits provided by ecosystem services, by location determines whether dependencies and impacts on those resources and associated benefits give rise to nature-related risks and opportunities that could reasonably be expected to affect the entity's prospects. For example, an entity's exposure to operational disruption because of reduced water supply can vary depending on the degree to which the river from which the entity sources water is vulnerable to drought.

B30 The social characteristics associated with a location relate to the fact that nature-related risks and opportunities can arise if an entity's interactions with environmental resources and associated benefits throughout its value chain affect—or are affected by—other parties that also depend on, or have rights to or interests in the same resources and associated benefits, including benefits provided by ecosystem services. In identifying its nature-related risks and opportunities, an entity considers its interactions with such parties (see paragraphs B43–B48). The proximity of assets and activities throughout the value chain to locations associated with these parties can give rise to nature-related risks and opportunities that could reasonably be expected to affect the entity's prospects.

B31 The legal and regulatory factors associated with a location relate to the fact that nature-related risks and opportunities can arise due to law or regulation governing environmental resources and associated benefits, such as law or regulation intended to protect, conserve, regenerate, restore or reduce negative impacts on nature (see paragraph B21). Such environmental laws and regulations can vary by jurisdiction.

B32 Some assets and activities throughout the value chain might be close to locations that are sensitive. The proximity of these assets and activities to such locations can give rise to nature-related risks and opportunities that could reasonably be expected to affect an entity's prospects. Sensitive locations include:

(a) areas characterised by severe water-related conditions, such as water-stressed areas;

(b) areas important for biodiversity;

(c) areas with high ecosystem integrity—that is, areas important to safeguarding environmental resources and maintaining the provision of ecosystem services;

(d) areas with rapid decline in ecosystem integrity; and

(e) areas important for ecosystem service provision, including areas in which benefits from environmental resources are received by Indigenous Peoples or Local Communities (see paragraphs B43–B48).

B33 An entity's impacts on environmental resources and associated benefits can occur beyond the immediate site of assets and activities. The distance between the site of assets and activities and their impacts might vary depending on the entity's facts and circumstances. For example, an entity's impact on the quality and availability of water in a river can occur downstream from the facility where the entity extracts water. Similarly, an entity can depend on environmental resources and associated benefits situated beyond the immediate site of assets or activities. For example, an entity that depends on water from a river catchment can be exposed to risks related to the degradation of the water supply and quality of the upstream water basin. Consequently, in identifying nature-related risks and opportunities that could reasonably be expected to affect its prospects, an entity considers its impacts

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and dependencies beyond the immediate site of assets and activities. This consideration is relevant to assets and activities throughout the value chain.

B34 In identifying nature-related risks and opportunities, an entity might need to consider characteristics of the location at various geographical scales or the size of the area under consideration. Depending on the specific facts and circumstances, the appropriate geographical scale might be, for example, a region, an area within or across regions, or a particular site of operations. The entity uses judgement in determining the appropriate geographical scale at which to consider characteristics of the location when identifying a particular nature-related risk or opportunity.

B35 In considering characteristics of the location of assets and activities throughout the value chain to identify its nature-related risks and opportunities, the entity is likely to need to rely on data of varying degrees of quality and specificity. For example, an entity using satellite imagery as an input might have varying degrees of resolution in different regions, with higher resolution allowing for more asset-specific data to be used and lower-resolution data allowing for less-detailed assessments.

B36 Applying paragraph B6 of IFRS S1, an entity shall use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort in considering characteristics of the location of assets and activities throughout the value chain to identify its nature-related risks and opportunities. An entity need not undertake an exhaustive search for information about the relevant characteristics of the location of these assets and activities. The assessment of what constitutes undue cost or effort depends on the entity's specific circumstances and requires a balanced consideration of the costs and efforts for the entity and the benefits of the resulting information for users. That assessment can change over time as circumstances change.

Considering location in preparing disclosure of information about nature-related risks and opportunities (paragraphs 14–34)

B37 An entity considers the location of assets and activities throughout the value chain, including characteristics of nature in those locations, in preparing disclosures about governance, strategy, risk management, and metrics and targets in relation to its nature-related risks and opportunities, including in meeting the objectives for such disclosures in IFRS S1. In particular, an entity considers what information to disclose, the appropriate geographical scale at which to present the information, and the appropriate level of aggregation and disaggregation of information. Such information can support users' understanding of the entity's exposure to nature-related risks and opportunities and the entity's responses to those risks and opportunities.

B38 Consideration of the characteristics of the location of assets and activities throughout the value chain—and the resulting nature-related risks and opportunities, as well as related dependencies and impacts—includes consideration of environmental, social, legal and regulatory characteristics of

the location relevant to understanding the entity's nature-related risks and opportunities. The information related to location-specific aspects of an entity's nature-related risks and opportunities shall enable users to understand the entity's nature-related risks and opportunities. In some cases, the relevant information might include the name of the location or other information to enable users to identify the location, but in other cases it might be enough to describe the characteristics of a location and the extent of the entity's exposure to locations with those characteristics. For example, an entity might disclose information about:

(a) the extent to which its manufacturing facilities are located in jurisdictions introducing regulations that will require significant investment to modify those facilities; and

(b) whether its facilities are located in a jurisdiction with strong regulation or enforcement related to how entities engage with Indigenous Peoples.

B39 In preparing disclosures related to location-specific aspects of its nature-related risks and opportunities, an entity considers the appropriate geographical scale at which to disclose such information. For example:

(a) from an environmental perspective, an entity describing a water-related risk might refer to a particular lake or stream, or, at a larger scale, to a water basin, which could be cross-continental or span several countries;

(b) from a social perspective, an entity might provide information about a community in a particular jurisdiction or region, or, at a smaller scale, it might provide a description of a community close to a forest or river the entity depends on;

(c) from a legal or regulatory perspective, an entity might refer to regions within a jurisdiction that have regulation in place affecting environmental resources the entity depends on; and

(d) at a site or asset level, an entity might refer to precise geospatial data.

B40 This [draft] Practice Statement does not prescribe the scale at which an entity provides information related to location-specific aspects of its nature-related risks and opportunities arising throughout its value chain, and related dependencies and impacts. The scale at which the entity provides that information varies depending on the entity's facts and circumstances.

B41 In applying paragraphs B29–B30 of IFRS S1, an entity considers characteristics of location in determining how to aggregate or disaggregate information in its nature-related disclosures. In making this determination, the entity considers the extent to which the relevant characteristics of location—and the resulting nature-related risks and opportunities, as well as related dependencies and impacts—are similar. For example, an entity might determine that information about its impacts and dependencies on environmental resources or ecosystem services in a region from which it sources a raw material might be more useful to users than information about the locations of individual

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suppliers within that region. Geographical concentration of a nature-related risk or opportunity and the relative significance of a particular location of assets and activities are also relevant factors for the entity to consider. These factors can help the entity to determine the appropriate level of aggregation and disaggregation of information by location so as not to obscure material information.

B42 Factors that can affect the entity's determination of the appropriate scale at which the information is provided and the appropriate level of aggregation and disaggregation include:

(a) the environmental resources and associated benefits to which the nature-related risk or opportunity relates;

(b) the types of assets or activities to which the nature-related risk or opportunity and associated dependencies and impacts relate;

(c) in the case of a nature-related risk, whether it is a nature-related physical risk or nature-related transition risk; and

(d) geographical concentration of the nature-related risk or opportunity.

Interactions with Indigenous Peoples, Local Communities and affected stakeholders (paragraph 10(b))

B43 In identifying its nature-related risks and opportunities, an entity considers its interactions—including engagement—with Indigenous Peoples, Local Communities and affected stakeholders.

B44 Indigenous Peoples and Local Communities have relationships with nature that are distinct from those of other societal groups. Indigenous Peoples and Local Communities often manage environmental resources, have traditional or local knowledge of these resources, have cultural practices that are strongly linked to these resources or have distinct rights linked to these resources. The rights of Indigenous Peoples might be related to international laws and standards or to local laws such as those at the jurisdictional or regional level. These rights include, but are not limited to: the right to self-determination; the right to own, control and use their lands, territories and resources; and the right to give or withhold Free, Prior and Informed Consent to matters affecting their lives, rights and territories. Local Communities embody traditional lifestyles characterised by a strong link with the environmental resources and ecosystem services present in their territories. Local Communities might have customary or collective rights to such resources. These relationships can give rise to nature-related risks and opportunities for an entity, depending on the location of assets and activities throughout the value chain that are exposed to those risks and opportunities. For example, an entity can face a risk of restricted access to an environmental resource used in its manufacturing process located in or near Indigenous territories or places in which a Local Community has customary rights, because the entity's access to the environmental resource is contingent on a process of engagement with the Indigenous Peoples or Local Community.

B45 In addition, an entity's response to a nature-related risk or opportunity might be informed by its interactions—including engagement—with Indigenous Peoples or Local Communities. For example, an entity might use traditional knowledge acquired from and partnerships built through engagement with Indigenous Peoples or Local Communities to preserve a raw material that the entity depends on in its production process or realise an opportunity to develop a new product.

B46 Some stakeholders might not have traditional or cultural links to, or rights over, natural resources like Indigenous Peoples or Local Communities do, but might be affected by an entity's interactions with nature throughout its value chain. Interactions with the affected stakeholders can also give rise to nature-related risks and opportunities that could reasonably be expected to affect an entity's prospects, as illustrated in paragraph B22. Affected stakeholders can range from communities living close to the site of the assets and activities throughout the value chain to those living at a distance but affected by the entity's impacts on nature, such as water pollution resulting from the entity's activities (see paragraph B33).

B47 An entity's engagement with Indigenous Peoples, Local Communities and affected stakeholders can support the entity in identifying nature-related risks and opportunities that could reasonably be expected to affect its prospects and can inform how the entity manages these risks and opportunities. Information related to an entity's interactions—including engagement—with Indigenous Peoples, Local Communities and affected stakeholders can support users' understanding of nature-related risks and opportunities arising from those interactions that could reasonably be expected to affect the entity's prospects.

B48 In applying paragraph B6 of IFRS S1 to identify nature-related risks and opportunities, an entity shall use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort. This requirement applies to information about interactions—including engagement—with Indigenous Peoples, Local Communities and affected stakeholders that the entity has considered in identifying its nature-related risks and opportunities.

Resilience (paragraphs 20–24)

Approach to preparing disclosure on resilience assessment

B49 Paragraph 20 requires an entity to use nature-related scenario analysis to assess its resilience to nature-related risks, using an approach commensurate with its circumstances. The entity shall use an approach to scenario analysis that enables it to consider all reasonable and supportable information available to the entity at the reporting date without undue cost or effort. Paragraphs B50–B66 provide guidance on how an entity uses scenario analysis to assess the entity's resilience to nature-related risks. Specifically:

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(a) paragraphs B50–B55 set out the factors for the entity to consider when assessing its circumstances;

(b) paragraphs B56–B63 set out the factors for the entity to consider when determining an appropriate approach to scenario analysis; and

(c) paragraphs B64–B66 set out additional factors for the entity to consider when determining its approach to scenario analysis over time.

Assessing the circumstances

B50 An entity shall use an approach to nature-related scenario analysis commensurate with its circumstances as at the time the entity carries out this scenario analysis (see paragraph B51). To assess its circumstances, the entity shall consider:

(a) the entity's exposure to nature-related risks (see paragraphs B52–B53); and

(b) the skills, capabilities and resources available to the entity for the scenario analysis (see paragraphs B54–B55).

B51 An entity shall assess its circumstances each time it carries out its nature-related scenario analysis. For example, an entity that carries out its nature-related scenario analysis every three years to align with its strategic planning cycle (see paragraph B66) would be required to reconsider for this purpose its exposure to nature-related risks, and the skills, capabilities and resources available at that time.

Exposure to nature-related risks

B52 An entity shall consider its exposure to nature-related risks in its assessment of its circumstances and when determining the approach to use for its nature-related scenario analysis. This consideration provides essential context for understanding the potential benefits of using a particular approach to nature-related scenario analysis. For example:

(a) if an entity has a high degree of exposure to nature-related risk, then a more quantitative or technically sophisticated approach to nature-related scenario analysis would be of greater benefit to the entity and users. Users of general purpose financial reports would be less likely to benefit from quantitative or technically sophisticated scenario analysis if the entity is exposed to few or relatively less severe nature-related risks. Accordingly—with all else being equal—the greater the entity's exposure to nature-related risks, the more likely it is the entity would determine that a more technically sophisticated form of nature-related scenario analysis is required.

(b) if an entity's exposure to nature-related risk varies by location, the entity might adapt its approach to nature-related scenario analysis by location.

(c) if an entity's dependencies or impacts—and the resulting exposure to nature-related risks—vary depending on the type of environmental resource and associated benefits, the entity might adapt its approach to nature-related scenario analysis by environmental resource or associated benefits because the benefit to users and the entity varies.

B53 This [draft] Practice Statement requires an entity to identify the nature-related risks to which it is exposed (see paragraph 17) and to disclose information about the process the entity uses to identify, assess, prioritise and monitor those risks (see paragraph 26). The information the entity discloses in accordance with paragraphs 17 and 26 can inform the entity's consideration of its exposure to nature-related risks.

Skills, capabilities and resources available

B54 An entity shall consider the available skills, capabilities and resources when determining an appropriate approach to use for its nature-related scenario analysis. These skills, capabilities and resources might include both internal and external skills, capabilities and resources. The entity's available skills, capabilities and resources provide context to inform its consideration of the potential cost and level of effort required by a particular approach to scenario analysis. For example, if an entity has only just begun to explore the use of scenario analysis to assess its resilience to nature-related risks, it might be unable to use a quantitative or technically sophisticated approach to this scenario analysis without undue cost or effort. For the avoidance of doubt, if resources are available to the entity, then it will be able to invest in obtaining or developing the necessary skills and capabilities.

B55 Scenario analysis can be resource intensive and might—through an iterative learning process—be developed and refined over multiple planning cycles. As an entity repeats the scenario analysis to assess its resilience to nature-related risks, it is likely to develop skills and capabilities that will enable it to strengthen its approach to this scenario analysis over time. For example, if an entity has not yet used scenario analysis to assess its resilience to nature-related risks or participates in an industry where scenario analysis is not commonly used for such an assessment, the entity might need more time to develop its skills and capabilities.

Determining the appropriate approach

B56 An entity shall determine an approach to scenario analysis to assess its resilience to nature-related risks that enables it to consider all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort. The determination of the approach shall be informed by the assessments of the entity's exposure to nature-related risks (see paragraphs B52–B53) and its available skills, capabilities and resources (see paragraphs B54–B55). Making such a determination involves:

(a) selecting inputs to the scenario analysis (see paragraphs B59–B61); and

(b) making analytical choices about how to carry out the scenario analysis (see paragraphs B62–B63).

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B57 Reasonable and supportable information includes information about past events, current conditions and forecasts of future conditions. It also includes quantitative or qualitative information, and information that is obtained from an external source or owned or developed internally.

B58 An entity will need to use judgement to determine the mix of inputs and analytical choices that will enable the entity to consider all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort. The degree of judgement that is required depends on the availability of detailed information. As the time horizon increases and the availability of detailed information decreases, the degree of judgement required increases.

Selecting inputs

B59 When an entity selects the inputs to use in its scenario analysis to assess resilience to nature-related risks, the entity shall consider all reasonable and supportable information—including scenarios, variables and other inputs—available to the entity at the reporting date without undue cost or effort. The inputs used in scenario analysis might include information that is qualitative or quantitative, and is obtained from an external source or developed internally. For example, publicly available nature-related scenarios—from authoritative sources—that describe future trends and plausible outcomes are considered to be available to the entity without undue cost or effort.

B60 When selecting scenarios, variables and other inputs to use in nature-related scenario analysis, an entity might, for example, use one or more scenarios that are publicly and freely available from authoritative sources if they cover the entity's nature-related risks. Such scenarios include those that integrate nature-related and climate-related scenarios. The entity shall have a reasonable and supportable basis for using a particular scenario or set of scenarios. For example:

(a) an entity might have operations dependent on a particular natural resource or set of environmental resources. In that case, the entity might determine that it is appropriate to carry out its analysis using scenarios consistent with the drivers and risks relevant for those environmental resources.

(b) an entity might have operations that are geographically concentrated in a jurisdiction with heightened exposure to localised nature-related risks. In that case, the entity might determine that it is appropriate to carry out its analysis using a nature-related scenario that is tailored to that location and that takes into account regulation and the environmental conditions of the location.

(c) an entity might have heightened exposure to nature-related risks that are not localised. In that case, the entity might determine that it is appropriate to carry out its analysis using globalised, regional or sector-based nature-related scenarios, such as scenarios consistent with nature-related international agreements.

(d) an entity might have operations in a region that is not covered in publicly and freely available authoritative sources at a scale that is appropriate for its assessment of nature-related risks. In that case, the entity might develop customised scenarios subject to the skills, capabilities and resources available to the entity (see paragraphs B54–B55).

B61 In considering whether the selected inputs are reasonable and supportable, an entity shall consider the objective of paragraph 20, which requires the entity to disclose information that enables users of general purpose financial reports to understand the resilience of the entity's strategy and business model to nature-related risks. Accordingly, the inputs to this scenario analysis shall be relevant to the entity's circumstances, for example, to the particular activities the entity undertakes and the geographical location of those activities.

Making analytical choices

B62 An entity's assessment of its resilience to nature-related risks will be informed not only by the individual inputs to its scenario analysis, but also by the information it develops in combining those inputs to carry out the analysis. The entity shall prioritise the analytical choices (for example, whether to use qualitative analysis or quantitative modelling) that will enable it to consider all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort.

B63 Quantitative information will often enable an entity to carry out a more robust assessment of its resilience to nature-related risks. However, qualitative information (including scenario narratives), either alone or combined with quantitative data, can also provide a reasonable and supportable basis for the entity's assessment of its resilience to nature-related risks.

Additional considerations

B64 Nature-related scenario analysis is an evolving practice and, therefore, the approach that an entity uses is likely to change over time. As described in paragraphs B50–B55, the entity shall determine its approach to such scenario analysis based on its particular circumstances, including the entity's exposure to nature-related risks and the skills, capabilities and resources available for the scenario analysis. Those circumstances are also likely to change over time. Therefore, the entity's approach to this scenario analysis need not be the same from one reporting period or strategic planning cycle to the next (see paragraph B66).

B65 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. For example, if an entity does not currently have the skills, capabilities or resources to carry out quantitative nature-related scenario analysis but has a high degree of exposure to nature-related risk, the entity might initially use a simpler approach to nature-related scenario analysis, but would build its capabilities through experience and, therefore, would apply a more advanced quantitative approach to nature-related scenario analysis over time. An entity with a high degree of exposure to nature-related

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risks, and with access to the necessary skills, capabilities or resources, is required to apply a more advanced quantitative approach to nature-related scenario analysis.

B66 Although paragraph 20 requires an entity to disclose information about its resilience to nature-related risks at each reporting date, the entity might carry out its scenario analysis in line with its strategic planning cycle, including a multi-year strategic planning cycle (for example, every three to five years). Therefore, in some reporting periods the entity's disclosures in accordance with paragraph 24 could remain unchanged from the previous reporting period if the entity does not conduct a scenario analysis annually. The entity shall—at a minimum—update its scenario analysis in line with its strategic planning cycle. However, an assessment of the entity's resilience is required to be carried out annually to reflect updated insight into the implications of nature-related uncertainties for the entity's business model and strategy. As such, an entity's disclosure in accordance with paragraph 23—that is, the results of the entity's resilience assessment—shall be updated at each reporting period.

Appendix C
Application date and transition

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

Application date

C1 An entity is permitted to apply this [draft] Practice Statement if the entity applies IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* at or before the date of initial application of this [draft] Practice Statement (see paragraph 3). The date of initial application of this [draft] Practice Statement is the date when an entity first applies this [draft] Practice Statement and it must be the beginning of an annual reporting period.

C2 This [draft] Practice Statement is available for use from [**insert issuance date**].

Transition

C3 An entity is not required to provide the disclosures specified in this [draft] Practice Statement for any period before the date of initial application of this [draft] Practice Statement. Accordingly, an entity is not required to disclose comparative information for the disclosures specified in this [draft] Practice Statement in the first annual reporting period in which the entity applies this [draft] Practice Statement.

C4 For the avoidance of doubt, the transition relief in paragraph C3 does not apply to disclosure of comparative information required by IFRS Sustainability Disclosure Standards at the date of initial application of this [draft] Practice Statement.

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