Staff paper

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Topic	**Essential terms and concepts for standard-setting on nature**
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Purpose

1. The purpose of this paper is to provide the Sustainability Standards Advisory Forum (SSAF) members extracts from the February 2026 Agenda Paper 3A—*Essential terms and concepts for standard-setting on nature-related disclosure requirements*—to facilitate the members' discussion on the key considerations for the approach on the following issues:

   (a) defining nature-related physical risks and nature-related transition risks in the IFRS Practice Statement; and

   (b) defining the concept of 'environmental assets' in the IFRS Practice Statement.

2. Refer to Agenda Paper 4 for the questions to the SSAF members.

Structure

3. This paper is organised as follows:

   (a) extracts from staff analysis (paragraphs 12–48);

   (b) extracts from staff recommendations and preliminary views (paragraphs 56–63);

(c) Appendix A; and

(d) extracts from Appendix B.

Extracts from staff analysis

Understanding the scope of standard-setting for nature-related disclosures

[…]

How IFRS 1 explains sustainability-related risks and opportunities

12. Paragraph 1 of IFRS S1 states the objective of the Standard. Paragraphs 2 and B2 of the Standard then explain why and how information about sustainability-related risks and opportunities is useful to primary users of general purpose financial reports (primary users) [emphasis added]:

> 1 The objective of IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information is to require an entity to disclose information about its **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.
>
> 2 Information about sustainability-related risks and opportunities is useful to primary users because an **entity's ability to generate cash flows** over the short, medium and long term is inextricably linked to the **interactions between the entity** and its stakeholders, society, the economy and the **natural environment** throughout the entity's **value chain**. Together, the entity and the **resources and relationships** throughout its value chain form an interdependent system in which the entity operates. The entity's **dependencies** on those resources and relationships and its **impacts** on those resources and relationships give rise to sustainability-related risks and opportunities for the entity.
>
> …
>
> B2 An entity's sustainability-related risks and opportunities arise out of the interactions between the entity and its stakeholders, society, the economy and the **natural environment** throughout the entity's value chain. These interactions—which can be direct and indirect—result from operating an entity's **business model** in pursuit of the entity's strategic purposes and from the **external environment** in which the entity operates. These interactions take

> place within an interdependent system in which an entity both depends on resources and relationships throughout its value chain to generate cash flows and affects those resources and relationships through its **activities and outputs**—contributing to the **preservation, regeneration and development** of those resources and relationships or to their **degradation and depletion**. These dependencies and impacts might give rise to sustainability-related risks and opportunities that could reasonably be expected to affect an entity's cash flows, its access to finance and cost of capital over the short, medium and long term.

13. IFRS S1 requires an entity to provide information about sustainability-related risks and opportunities and to prepare sustainability-related financial disclosures. Sustainability-related financial disclosures are defined in IFRS S1 as 'a particular form of general purpose financial report[s] that 'provide[s] information about the reporting entity's sustainability-related risks and opportunities…' Accordingly, we frame the scope of prospective ISSB requirements for disclosing nature-related information in terms of 'nature-related risks and opportunities', thus a subset of 'sustainability-related risks and opportunities' used in the objective and scope of IFRS S1 and consistent with the ISSB's decisions in January 2026. We also note that this framing is consistent with the objective and scope of IFRS S2, which requires information about a subset of sustainability-related risks and opportunities, namely climate-related risks and opportunities—see Table 1 in Appendix B. The TNFD also refers to nature-related risks and nature-related opportunities, which is useful for the ISSB's approach in drawing on the work of the TNFD.

How the TNFD explains the relationship between business and nature

14. The staff then considered what distinguishes nature-related risks and opportunities from the broader category of sustainability-related risks and opportunities. In the context of a business, the TNFD explains that nature-related risks and opportunities arise from a business' dependencies on nature and impacts on nature.[1] The TNFD goes on to explain that [emphasis added]:

[1] The TNFD framework uses the terms 'business' and 'organisation' where the ISSB Standards would use 'entity'. In this paper, we retained the use of 'business' to accurately reflect how the TNFD explains concepts and terms before assessing how the ISSB might adapt any terms drawn from the TNFD for the purposes of standard-setting for nature-related disclosures.

> Organisations' business activities **depend on reliable and cost-effective access to ecosystem services**. This dependence in turn affects investors' perceptions of the business's value. Organisations also have **impacts on ecosystems and their provision of ecosystem services**. These impacts may be positive or negative. Dependencies and impacts interact and compound over time, as negative impacts undermine the availability of ecosystem services on which organisations may also depend.

15. The TNFD uses the term 'ecosystem services' to describe the flow of benefits that people receive from environmental assets. The TNFD describes 'environmental assets' as natural resources which may be living or non-living, renewable or non-renewable, and include ecosystems themselves. They note that both environmental assets and ecosystem services are diverse. Environmental assets are described as including an array of *ecosystems* and stocks of resources that span what the TNFD refers to as the four realms of nature, namely the atmosphere, land, ocean and freshwater. Examples of ecosystem services include the provision of timber from a forest, pollination of crops, recreational and tourism opportunities of a forest or coral reef. Refer to Appendix A for visual representations of these concepts.

[…]

Concepts essential to understanding the scope of nature-related risks and opportunities that could reasonably be expected to affect entity prospects

19. To consider the scope of the ISSB's work, we can consider how to draw on core concepts from the TNFD in the context of the objectives and terminology in IFRS S1 that describes the usefulness of information about sustainability-related risks and opportunities for primary users—see paragraph 12. We applied this integration of TNFD core concepts and IFRS S1 objectives and terminology in paragraphs 20–23.

20. *Nature-related risks and opportunities* arise from interactions between an entity and its natural environment throughout its value chain. These interactions take place within an interdependent system, in which the entity depends on resources and relationships throughout its value chain to generate cash flows and affects those resources and relationships through its activities and outputs. In the context of

sustainability-related risks and opportunities that would be in the scope of an entity's nature-related disclosures (i.e., nature-related risks and opportunities), the resources and relationships referred to are the entity's *dependencies and impacts on environmental assets and ecosystem services*. The entity's activities and outputs might contribute to the preservation, regeneration, development, degradation or depletion of environmental assets and ecosystem services. It is essential for an entity to understand these interactions in order to identify nature-related risks and opportunities that arise from its dependencies and impacts on environmental assets and ecosystem services.

[…]

Analysis of each essential term or concept

[…]

'nature-related risks and opportunities'

[…]

34. Regarding nature-related risks, the definition in the TNFD glossary does not explicitly mention the subcategories of these risks. On the other hand, IFRS S2 defines climate-related risks as being categorised into climate-related physical and transition risks.
[…]

36. The TNFD glossary defines subcategories of nature-related risks, including nature-related physical risks and nature-related transition risks.[2] IFRS S2's definitions of climate-related physical and transition risks include examples of these types of risks with a level of detail similar to that in the TNFD definitions of nature-related physical and transition risks. The IFRS S2 definitions of climate-related physical and transition risks go a step further than their analogous definitions in the TNFD glossary by

[2] The TNFD includes nature-related systemic risk as a third category of nature-related risks. As explained in Agenda Paper 3 in September 2025, some investors expressed interest in information on whether and how an entity considers the implications for its prospects of nature-related systemic risks in its risk management process and when identifying and assessing their own nature-related risks and opportunities. However, more research is needed before conclusions can be drawn on whether this is a common investor information need related to *entity-specific* nature-related risks and opportunities. Therefore, the staff have not analysed nature-related systemic risk in this paper.

referring to the financial implications of these risks for an entity. Including examples of financial implications in the context of nature-related risks might facilitate a more tangible understanding of these risks in the context of the ISSB's focus on decision-useful information for investors.[3]

[…]

38. Nature-related and climate-related transition risks are defined similarly to some degree. The TNFD refers to 'changes in regulation and policy, legal precedent, technology, or investor sentiment and consumer preference' which is similar to IFRS S2's reference to 'policy, legal, technological, market and reputational risks'. There is one notable difference between the structure of these definitions. IFRS S2 defines climate-related transition risks in terms of efforts to achieve a particular objective, namely a transition to a lower carbon economy. In contrast, the TNFD glossary defines nature-related transition risks in much broader terms because it does not refer to a singular outcome that is more specific than 'protecting, restoring or reducing the negative impacts to nature'. This difference reflects that nature is a broader topical area than climate change. However, a possible result of this broader framing is that the definition of nature-related transition risks might not be as easily understood as the definition of climate-related transition risks. It is also unclear what the phrase 'misalignment with economic actors' means and how readily this term would be understood and whether it implies that there is a policy-orientation to the definition of nature-related transition risks.

[…]

39. The requirements in ESRS and the GRI Standards frequently refer to more granular terms such as biodiversity-related risk or ecosystem-related risk, which are related to what the TNFD defines as nature-related risks and opportunities. However, those standards don't refer to nature-related risks and opportunities specifically. Their approaches are consistent with standard-setting at topical levels that are more granular

[3] See section *2.4 Financial effects* on page 39 of the TNFD recommendations.

than the TNFD's recommendations. Neither GRI nor ESRS include a standard on 'nature', but they include topical standards that fall under that umbrella. However, the simplified ESRS glossary includes the term nature-related physical risk within its definition of physical risk – the description of nature-related physical risk within that definition is consistent with the TNFD glossary.[4,5]

[…]

'environmental assets', 'ecosystems' and 'ecosystem services'

46. Collectively, environmental assets, ecosystems and ecosystem services are terms and concepts that are useful in describing the types of resources and relationships an entity interacts with in its value chain when considering an entity's nature-related risks and opportunities. These terms are also inter-related. The TNFD defines and further explains these terms as shown in Table 2 in Appendix B. ISSB Standards do not use those terms. The absence of these terms in ISSB Standards reflects the comparatively broader and narrower scopes of IFRS S1 and IFRS S2 respectively, with neither Standard focused on nature-related risks in particular.

47. Considering interoperability, the GRI glossary doesn't include these terms. The simplified ESRS glossary includes the terms ecosystems and ecosystem services, and these definitions are aligned with the definitions in the TNFD glossary.

48. From a GAAP perspective, the term 'environmental asset' is not used but 'biological asset' is defined in IFRS 41 *Agriculture*. The definition of biological asset is 'a living animal or plant' whereas the TNFD definition of an environmental asset includes both living and non-living organisms. Thus, environmental asset is a broader term. However, an asset is a fundamental accounting concept with precise definitions in GAAP. For instance, the IFRS *Conceptual Framework for Financial Reporting* defines an asset as 'a present economic resource controlled by the entity as a result of

[4] Refer to *ANNEX II Aggregated acronyms and glossary of terms, Draft Simplified ESRS, November 2025* at https://www.efrag.org/en/draft-simplified-esrs

[5] Refer to GRI Standards Glossary, published in 2021 at https://www.globalreporting.org/how-to-use-the-gri-standards/gri-standards-english-language/.

past events.' Thus, it is possible that while some environmental assets might meet the definition of an asset from an accounting perspective, other environmental assets will not. Because of this distinction, this could confuse understanding of the connections between information in sustainability-related financial disclosures and the financial statements. For example, it might be confusing for a primary user to see items that are not assets in an entity's financial statements referred to as an environmental asset within the entity's general purpose financial reports. In accordance with accounting concepts, meeting the definition of an asset is an important consideration in determining whether an item is recognised on the statement of financial position or whether information about an item is relevant to the notes to the financial statements. Accordingly, use of the term 'environmental asset' could give rise to expectations or misunderstandings about the relevance of an item for an entity's financial statements. Nevertheless, we acknowledge that the use of the term 'environmental asset' in the context of nature-related reporting is becoming well-established. Therefore, use of an alternative term in ISSB's nature-related disclosure requirements might be confusing.

[…]

Extracts from staff recommendations and preliminary views

[…]

Preliminary views on the approach the ISSB can take in defining or describing these essential terms and concepts

56. In paragraphs 57–63, the staff first confirm our recommendation on whether the ISSB should define or describe each essential term or concept (reflected in the recommendation in paragraph 53 above). We then provide our preliminary views on *how* we think each essential term or concept should be defined or described and are seeking feedback from the ISSB on this approach. In particular, if the ISSB supports defining these terms or concepts according to the recommendations in paragraphs 52 and 53 above, we present draft language of the definition for discussion and feedback. We are not asking the ISSB to vote on the draft language of the definition.

'nature-related risks and opportunities'

57. We think that that the ISSB should define 'nature-related risks', 'nature-related opportunities', 'nature-related physical risks' and 'nature-related transition risks'. The ISSB could draw on the TNFD definition of nature-related risks and adapt it to align more closely with the definition of climate-related risks in IFRS S2. See the following table with illustrative definitions marked up against analogous IFRS S2 definitions.

Illustrative definitions for risk-related terms in the prospective exposure draft

Essential term or concept related to scope	Illustrative definition for the prospective exposure draft
nature-related risks	~~Climate-related risks refers to the potential~~ Potential negative effects ~~of climate change~~ on an entity that arise from its dependencies or impacts on nature. These risks are categorised as ~~climate-related~~ nature-related physical risks and ~~climate-related~~ nature-related transition risks.
nature-related physical risks	Risks resulting from ~~climate change that can be event-driven (acute physical risk) or from longer-term shifts in climatic patterns (chronic physical risk)~~ degradation of nature and the consequential loss of ecosystem services that an entity's business activities depend upon. Degradation of nature includes, for example, changes in ecosystem equilibria, including soil quality and species composition. Nature-related physical risks are usually location-specific. These risks can be acute or chronic. Acute physical risks ~~arise from weather-related events such as storms, floods, drought or heatwaves, which are increasing in severity and frequency~~ result from event-driven changes, such as natural disasters, forest fires or oil spills. Chronic physical risks ~~arise from longer-term shifts in climatic patterns including changes in precipitation and temperature which could lead to sea level rise,~~ result from longer-term changes, such as a gradual decline in pollinator species diversity resulting in reduced crop yields (examples of biodiversity loss and changes in soil productivity), and reduced water availability~~, biodiversity loss and changes in soil productivity~~. These risks could carry financial implications for an entity, such as costs resulting from direct damage to assets or indirect effects of supply-chain disruption. The entity's financial performance could also be affected by changes in the availability, sourcing and quality of natural resources.~~; and extreme temperature changes affecting the entity's premises, operations, supply chains, transportation needs and employee health and safety~~.

Essential term or concept related to scope	Illustrative definition for the prospective exposure draft
nature-related transition risks	Risks that arise from efforts to transition to protect, restore or reduce negative impacts on nature ~~to transition to a lower-carbon economy~~. Transition risks include policy, legal, technological, market and reputational risks. These risks could carry financial implications for an entity, such as increased operating costs or asset impairment due to new or amended ~~climate~~ nature-related regulations~~. The entity's financial performance could also be affected by shifting consumer demands and the development and deployment of new technology~~.
[…]	[…]

[…]

'nature', 'environmental assets', 'ecosystems' and 'ecosystem services'

[…]

62. We think it would be beneficial for the ISSB to define the concept of 'environmental assets' and define the term 'ecosystem services'. Given the technical nature of these terms this would help to support a common understanding of terms and concepts that may be new to many users and preparers of general-purpose financial reports. However, the staff think that the ISSB would need to consider modifying the terminology of 'assets' due to the potential conflict with the particular meaning of that term in financial accounting, as discussed in paragraph 48. If the ISSB agrees with defining the concept of environmental assets, the staff will perform further research to identify a suitable term to refer to this concept in ISSB Standards. An example of an alternative would be to use the term 'natural resources and ecosystems' instead of

'environmental assets'.[6] If these terms and concepts were to be defined, the ISSB could draw on the TNFD definitions and adapt them by:

(a) aligning them with the ISSB's focus on information about sustainability-related risks and opportunities that could reasonably be expected to affect *an entity's* prospects;

(b) using terms more aligned with ISSB terminology where necessary;

(c) using less technical terms where feasible; and

(d) emphasising relationships with other essential concepts and terms.

63. See the following table with illustrative definitions adapted from the TNFD. Regarding 'ecosystems', we think it might not be necessary to define this term, especially if we could incorporate a description of this concept into definitions of related terms and concepts such as 'environmental assets' and 'ecosystem services', thus highlighting the relationships between these terms.

Illustrative definitions for other terms and concepts in the prospective exposure draft

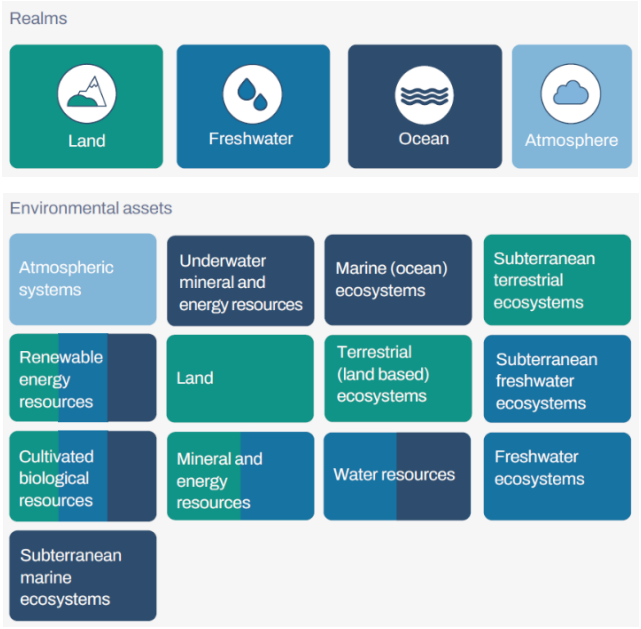
Essential term or concept related to scope	Illustrative definition for the prospective exposure draft
environmental assets	The naturally occurring living and non-living components of the natural environment that can provide benefits to an entity. Environmental assets include ecosystems. Ecosystems are organised into biomes (types of ecosystems), which are global-scale zones, generally defined by the type of plant life that they support in response to average rainfall and temperature patterns. Examples of biomes include tundra, coral reefs and savannas.

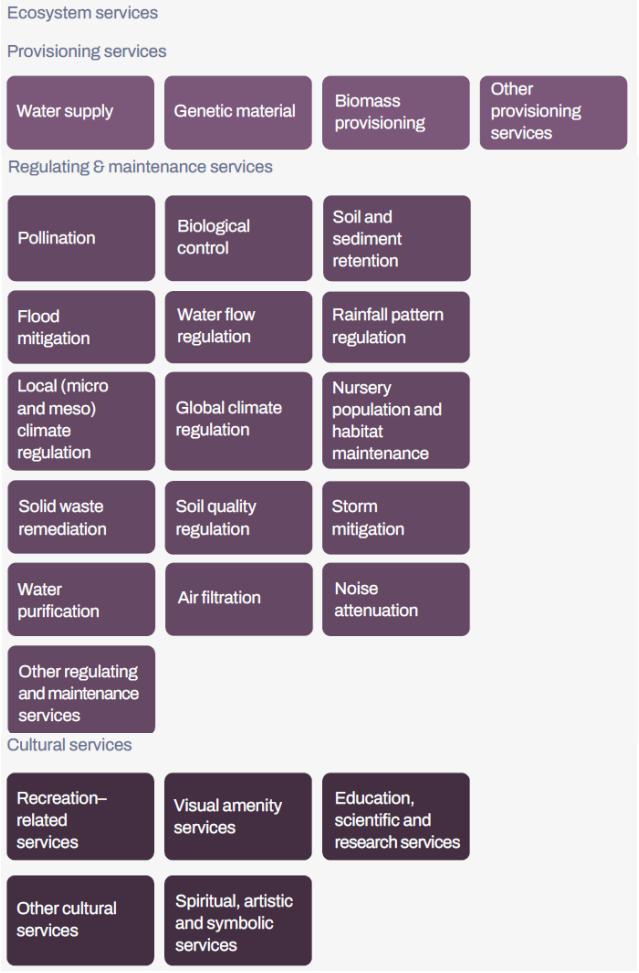
[6] We note that environmental assets include atmospheric systems which are not resources and are similar to—but not technically—ecosystems. Thus, further work would be required to determine whether 'natural resources and ecosystems' is a suitable alternative to the term 'environmental assets'.

Essential term or concept related to scope	Illustrative definition for the prospective exposure draft
ecosystem services	The flows of benefits produced by ecosystems. An entity's business activities might depend on or impact ecosystem services. Ecosystem services fall into three categories: provisioning services, such as the provision of crops, wood or water; regulating and maintenance services, such as water flow regulation and climate regulation services; and cultural services, such as recreation and tourism opportunities.

Appendix A

A1. The following are extracts from Figure 10 of the TNFD recommendations, *Fundamental concepts for understanding nature: Realms, biomes, assets and services*.





Extracts from Appendix B

[…]

Table 1: Risk-related essential terms and concepts from the TNFD glossary and analogous terms in IFRS S2

Essential term or concept related to scope	Definition in the TNFD glossary [emphasis added]	Analogous term and definition in Appendix A of IFRS S2
nature-related risks	In line with ISO, the TNFD defines nature-related risks as potential threats (effects of uncertainty) posed to an organization that arise from its and **wider society's** dependencies and impacts on nature.	climate-related risks: Climate-related risks refers to the potential negative effects of climate change on an entity. These risks are categorised as climate-related physical risks and climate-related transition risks.
nature-related physical risks	Nature-related physical risks are risks resulting from the **degradation of nature** (such as changes in ecosystem equilibria, including soil quality and species composition) and consequential loss of **ecosystem services** that economic activity depends upon. These risks can be chronic (e.g. a gradual decline of species diversity of pollinators resulting in reduced crop yields, or water scarcity) or acute (e.g. natural disasters or forest spills). Nature-related physical risks arise as a result of changes in the biotic (living) and abiotic (non-living) conditions that support healthy, functioning ecosystems. These risks are usually **location-specific**.	climate-related physical risks: Risks resulting from climate change that can be event-driven (acute physical risk) or from longer-term shifts in climatic patterns (chronic physical risk). Acute physical risks arise from weather-related events such as storms, floods, drought or heatwaves, which are increasing in severity and frequency. Chronic physical risks arise from longer-term shifts in climatic patterns including changes in precipitation and temperature which could lead to sea level rise, reduced water availability, biodiversity loss and changes in soil productivity. These risks could carry financial implications for an entity, such as costs resulting from direct damage to assets or indirect effects of supply-chain disruption. The entity's financial performance could also be affected by changes in water availability, sourcing and quality; and extreme temperature changes affecting the entity's premises, operations, supply chains, transportation needs and employee health and safety.

Essential term or concept related to scope	Definition in the TNFD glossary [emphasis added]	Analogous term and definition in Appendix A of IFRS S2
nature-related transition risks	Nature-related transition risks are risks to an organization that stem from a **misalignment of economic actors** with actions aimed at protecting, restoring, and/or reducing negative impacts on nature. These risks can be prompted, for example, by changes in regulation and policy, legal precedent, technology, or investor sentiment and consumer preferences. They can also arise from activities aimed at restoring nature that no longer align with, for example, revised policies.	climate-related transition risks: Risks that arise from efforts to transition to a lower-carbon economy. Transition risks include policy, legal, technological, market and reputational risks. These risks could carry financial implications for an entity, such as increased operating costs or asset impairment due to new or amended climate-related regulations. The entity's financial performance could also be affected by shifting consumer demands and the development and deployment of new technology.
[…]	[…]	[…]

Table 2: Other terms and concepts from the TNFD glossary identified as essential by staff

Essential term or concept related to scope	Extracts from the TNFD glossary and the TNFD recommendations [emphasis added]
[…]	[…]
environmental assets	TNFD glossary: The naturally occurring living and non-living components of the Earth, together constituting the biophysical environment, which may provide **benefits to humanity**.
[…]	[…]