
1st Digital Dialogue of the German TNFD Consultation Group

How does nature get into the ISSB's International Sustainability Standards?

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Contact: Dr. Francesca Recanati (francesca.recanati@ifrs.org)

Overview

1. ISSB

2. ISSB and Nature – Existing materials

3. ISSB and Nature – Research

4. Next steps

The International Sustainability Standards Board (ISSB)

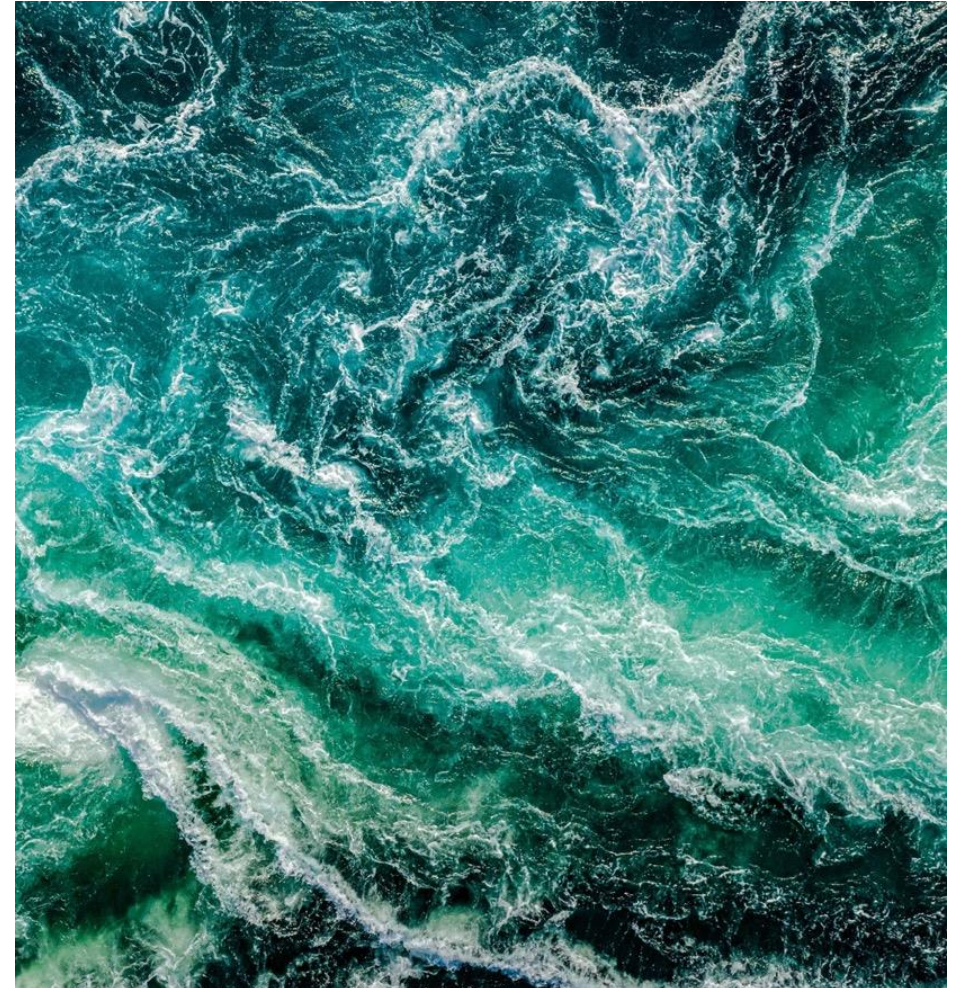


The International Sustainability Standards Board

The ISSB was established as part of the IFRS Foundation because of investor, company and international policy maker (including the G20, G7, IOSCO and the Financial Stability Board) demand for:

- decision-useful, comparable information
- ending the ‘alphabet soup’ of voluntary initiatives
- an efficient reporting landscape

The ISSB has a transparent, rigorous due process to develop market-informed Standards that respond to these needs



Rationalising investor-focused standards and frameworks



How we work - A truly global baseline of disclosures



additional
building blocks

- can be added to meet jurisdiction-specific requirements
- can be added to meet broader multi-stakeholder needs

ISSB Standards

- provide a comprehensive **foundation** of disclosures for global jurisdictional adoption
- are a **common language** for comparable, decision-useful disclosures
- are designed to meet investor needs across global capital markets

Achieving efficient reporting - Strategic relationships

- Ongoing dialogue with **jurisdictions** to ensure consistency across reporting requirements, eg the European Commission*
- ISSB Standards mark ‘**culmination of the work** of the TCFD’
- **CDP** has aligned its platform to IFRS S2
- Work with **GRI** seeks to deliver full interoperability
- **Transition Plan Taskforce (TPT)** – the IFRS Foundation has assumed responsibility for TPT’s disclosure-specific materials
- **Taskforce on Nature-related Financial Disclosures (TNFD)** – ISSB will consider how to build upon the recommendations of the TNFD to meet investors’ information needs
- **GHG Protocol** – governance arrangements so that the ISSB is actively engaged in updates to the GHG Protocol Corporate Standard

*see ‘ESRS – ISSB Standards Interoperability Guidance’

ISSB Standards - IFRS S1 and IFRS S2



IFRS S1 covers all sustainability-related risks and opportunities

IFRS S2 provides more detailed requirements on risks and opportunities related to climate

Both Standards:

- Require disclosure of information **material** to investors and capital markets
- Incorporate **TCFD** recommendations
- Require **cross-industry and industry-specific** information
- Offer **guidance from SASB Standards** for industry-specific disclosure

ISSB and Nature – Existing materials



Nature and ISSB standards



How nature fits in....

- IFRS S1 covers all sustainability-related risks and opportunities, including those related to nature
- IFRS S2 is about climate-related risks and opportunities, but climate and nature are highly interconnected
 - Educational materials IFRS S2 - Nature and social aspects of climate-related risks and opportunities

Available here:

<https://www.ifrs.org/supporting-implementation/supporting-materials-for-ifrs-sustainability-disclosure-standards/>

What are SASB Standards and nature

- 77 industry-specific disclosure standards
- Guide to identify the sustainability factors most relevant to financial performance and company prospects for the typical company in an industry



38%

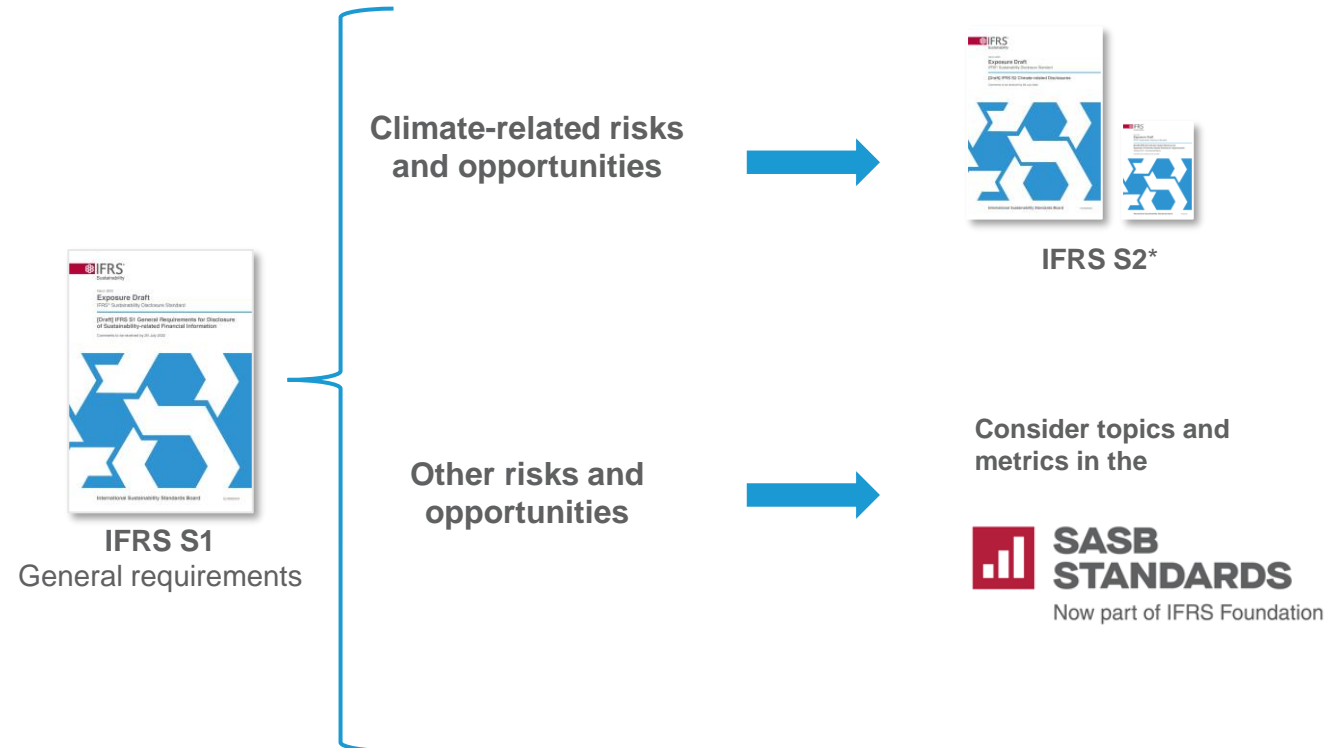
of all SASB metrics are
nature-related

84%

of industries have at least 1
nature-related metric

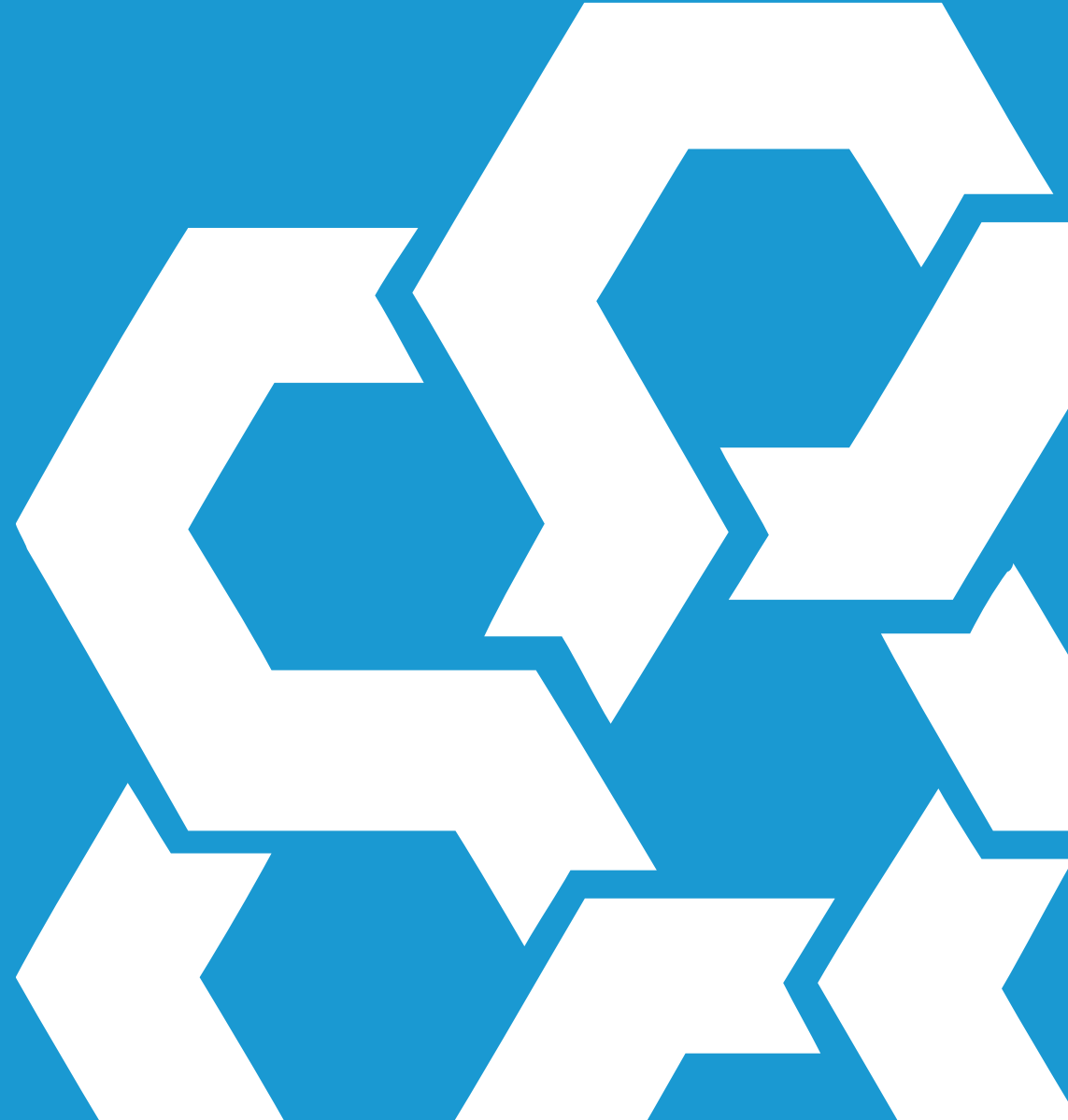
Role of the SASB Standards in the ISSB Standards

- Source of guidance provided in IFRS S1 for developing sustainability-related disclosures beyond climate
- An entity **shall refer to and consider** the SASB Standards when:
 - identifying sustainability-related risks and opportunities
 - identifying information to disclose about those risks and opportunities
- An entity may determine that the disclosure topics and associated metrics in the SASB Standards are inapplicable given the entity's specific circumstances



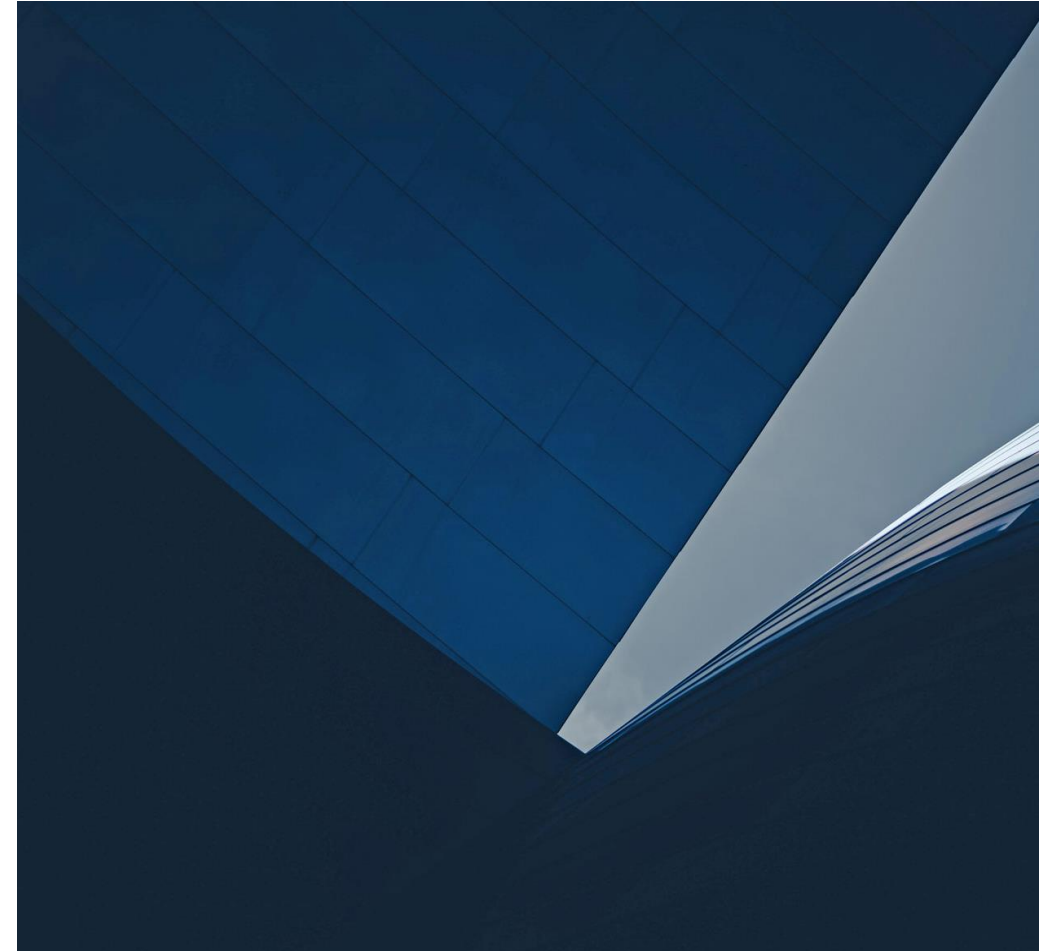
***Note:** IFRS S2 is accompanied by industry-based guidance that was derived from the climate-related metrics in the SASB Standards.

ISSB and Nature – Ongoing research



Nature in the ISSB work – 2024-2026 workplan

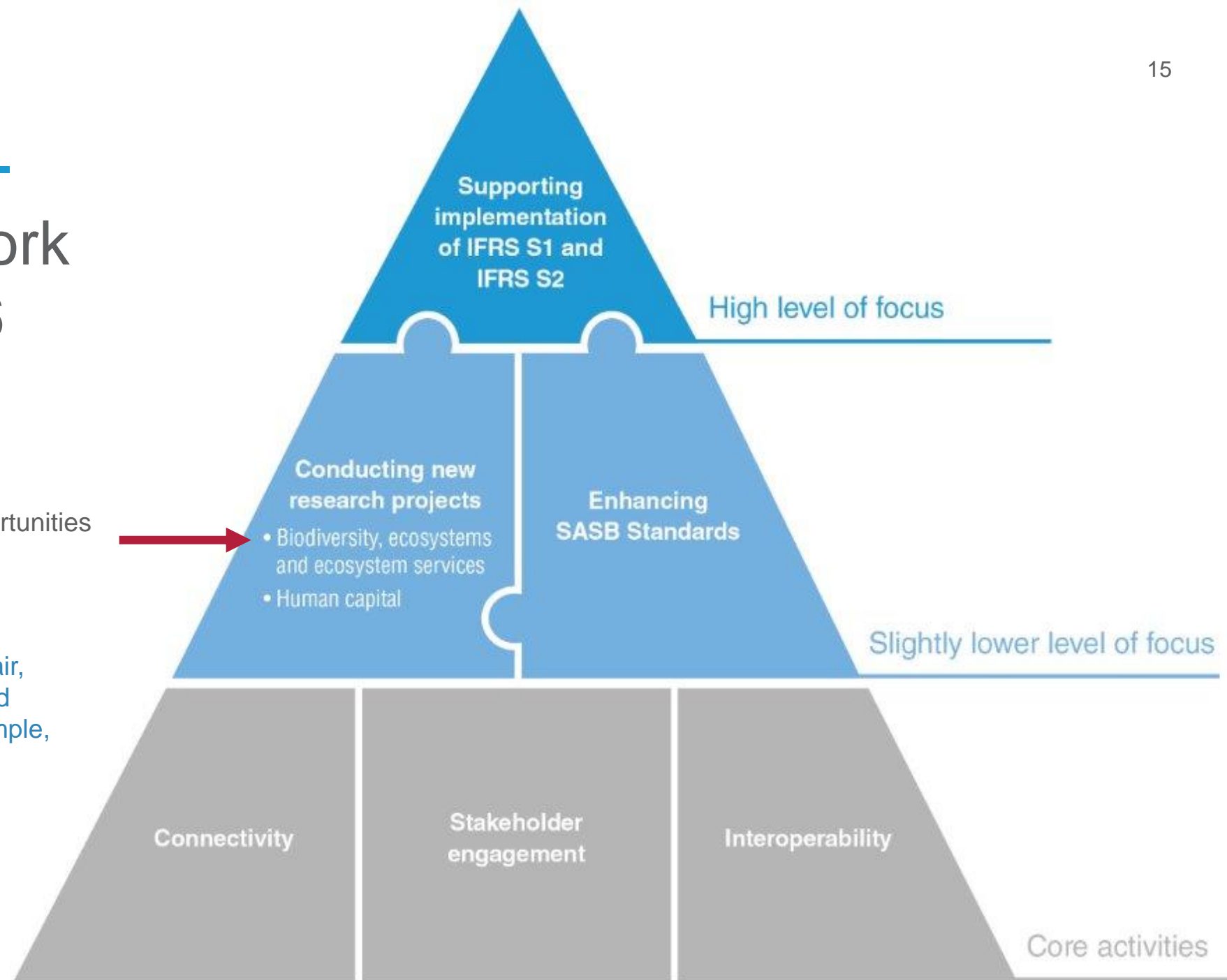
- Public consultation: the ISSB's *Request for Information* was published in May 2023 with a **120-day comment period**
- The ISSB received **433 responses** from a **broad range** of stakeholders throughout **all regions**.
- **Investors** (users of general purpose financial reports) and investor groups submitted 70 responses.
- ISSB members and staff participated in **71 outreach events** with stakeholders from approximately **44 jurisdictions**.
- From November 2023 to April 2024 the ISSB **considered the feedback** and set its priorities for its **2024–2026 work plan**.



Technical work plan to 2026

Research project about risks and opportunities associated with **BEES (i.e. nature)**

Might include matters related to water management, land-use management, pollution (for example, emissions into air, water and soil), resource depletion, and biodiversity risk management (for example, rehabilitation/restoration)



Research project—objectives

Per the IFRS Foundation *Due Process Handbook*, research projects consider:

- the expected **benefits**, particularly with respect to the information needs of investors; and
- the likely **costs**, particularly with respect to preparers of the information.

Thus, the staff's research is focussed on exploring:



What are **the information needs of investors** on nature- and human capital-related risks and opportunities?



How and to what extent do those risks and opportunities **affect an entity's cash flows** over the short, medium or long term, as well as its **access to finance and cost of capital**?



How might potential solutions build on **other disclosure standards and frameworks or current reporting practices** to provide investors with useful information while minimising the reporting burden on preparers?

Research project—design and approach

Current phase: building the foundation
(‘collecting the dots’)
Q3 2024–Q2 2025

Next phase: analysing the implications
(‘connecting the dots’)
Q2 2025–



Research areas for initial phase

Evidence of investor
interest

Evidence of effects on
an entity's prospects

Existing standards
and frameworks

Current state of
disclosure

Connectivity | **Interoperability** | Stakeholder engagement



Evidence of investor interest

Research question:

‘What are the information needs of investors and how is current disclosure practice meeting or failing to meet these needs?’

Findings:

- Staff engaged with 300+ individuals from ~160 investment organisations. **Many investors are interested** in information about BEES-related risks and opportunities for various reasons, including risk/return assessments, compliance and more.
- Most investors are at an **early stage** of considering how to use BEES-related information in investment decisions.
- Most investors view nature as **more complex** than climate, with **no universal metric** like GHG emissions for nature.
- Nature-related risks are **localised**, making aggregation a challenge.
- Most investors focus on **specific aspects** of nature (for example, water, pollution) and specific **sectors or industries** (for example, agriculture, forestry, extractives).
- They use multiple sources of information, because **data availability** and **quality** are lacking, among other data challenges.



Evidence of effects on prospects

Research question:

‘How and to what extent do BEES-related risks and opportunities affect an entity’s cash flows, its access to finance or cost of capital over the short, medium or long term?’

(preliminary) findings:

- The market is still in the **early stages** of assessing and understanding effects on an entity’s prospects.
- Some underlying subtopics, such as **water management**, are more advanced than others.
- The effects of BEES-related risks and opportunities tend to **vary by industry** and **location**.
- There is relatively more evidence of **regulation-driven transition risks**, which are expected to increase
- Evidence of effects associated with **physical risks** is relatively more limited
- **Complete findings** will be presented to the ISSB by Q2 2025.



Existing standards and frameworks

Research question:

‘What is the current landscape of standards and frameworks for BEES-related reporting and how does it compare to the requirements in IFRS S1 and the SASB Standards?’

Findings:

- Other BEES-related standards and frameworks—including those of CDSB, EFRAG, GRI and **TNFD**—are very similar to the requirements in IFRS S1 and SASB Standards, with variation concentrated in the areas of **strategy** and **metrics/targets**.
- Key areas of *difference* or *greater specificity* include information about:
 - an entity’s consideration of **international agreements**, such as the Global Biodiversity Framework, or related laws and regulations;
 - the **location** of assets or activities associated with BEES-related risks or opportunities;
 - any **nature-related transition plans** an entity may have;
 - an entity’s use of the ‘**mitigation hierarchy**’; and
 - an entity’s **stakeholder engagements**, including with Indigenous Peoples and local communities, in the risk identification and assessment process.



Existing standards and frameworks

Research question:

‘What is the current landscape of standards and frameworks for BEES-related reporting and how does it compare to the requirements in IFRS S1 and the SASB Standards?’



- ISSB meeting occurring today (from 4 PM)
- TNFD staff will present their work to the ISSB

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 - an entity’s consideration of **international agreements**, such as the Global Biodiversity Framework, or related laws and regulations;
 - the **location** of assets or activities associated with BEES-related risks or opportunities;
 - any **nature-related transition plans** an entity may have;
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 - an entity’s **stakeholder engagements**, including with Indigenous Peoples and local communities, in the risk identification and assessment process.



Current state of disclosure

Research question:

‘What is the current scope, coverage and quality of BEES- and human capital-related information in corporate reporting?’

Approach and data sources:

- Conduct disclosure analyses on databases that contain BEES-related disclosures by 2,000+ companies covering a wide range of regions, sectors and market cap sizes.
- By Q2 2025, the staff will present its disclosure analysis to the ISSB, aiming to explore:
 - what BEES-related information are entities disclosing?
 - what is the nature of the disclosures? (for example, qualitative vs. quantitative, forward-looking vs. historical, boilerplate vs. company-tailored narrative)
 - where are companies disclosing such information? (for example, in what type of report)
 - what variation in disclosure exists by region, sector or market-cap size, if any?
 - to what degree is current disclosure aligned with the requirements in IFRS S1 and SASB Standards?

Next steps



Research projects—next steps

The ISSB technical staff will initiate the **next phase** of work in Q2 2025 to focus on:

- analysing the implications of the findings thus far (ie, ‘connecting the dots’);
- considering synergies with other components of the work plan, including enhancements to SASB Standards; and
- developing recommendations to the ISSB regarding the **necessity** and **feasibility** of standard-setting.

Outcomes could include:

- one or more projects to develop a proposal for one or more new IFRS Sustainability Disclosure Standards;
- a proposal to amend standards and/or guidance;
- a proposal to develop new guidance and/or educational materials; or
- a mix of these activities.

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Jurisdictions taking steps towards ISSB Standards

35 jurisdictions have already decided to use or are taking steps to introduce ISSB Standards in their legal or regulatory frameworks.

Together, these jurisdictions account for:

~60%

of global **gross domestic product (GDP)**

40%+

of **global market capitalisation***

~80%

excluding US market

50%+

of **global greenhouse gas emissions**