Draft Comment Letter

International Sustainability Standards Board

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EFRAG's Comment Letter on the ISSB Exposure Draft:

IFRS Sustainability Disclosure Practice Statement 1 Nature-related Disclosures

Dear Mr Faber,

On behalf of EFRAG, I am writing to comment on the ISSB Exposure Draft: IFRS Sustainability Disclosure Practice Statement 1 *Nature-related Disclosures* (draft PS) issued on 22 October 2026. This letter is intended to contribute to the ISSB's due process.

We would like to acknowledge the substantial work undertaken by the ISSB to develop financially oriented nature-related sustainability disclosures. Every step towards more relevant sustainability reporting at global level has our full support, as illustrated by the joint interoperability mapping the ISSB and EFRAG issued in 2024, and by our continued efforts to further enhance interoperability.

The content of this letter reflects EFRAG's role as advisor to the European Commission (EC) in the preparation of European Sustainability Reporting Standards (ESRS). Benefitting from two years of reporting on the topics covered by this consultation, EFRAG comments aim at strengthening the feasibility and practicality of the requirements included in the draft PS. According to the CSRD[1], ESRS 'should contribute to the process of convergence of sustainability reporting standards at global level, by supporting the work of the ISSB'. Interoperability, which guided the recent amendments to ESRS, is a cornerstone of EFRAG's objectives, as a means of supporting this convergence[2]. The consultation on ESRS-40a has confirmed its importance. In this spirit, EFRAG considers the comments in this letter as the starting point for joint work by EFRAG, the EC and the ISSB to preserve and increase to the maximum extent possible the current high level of alignment between IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*, IFRS S2 *Climate-related Disclosures* and ESRS. In particular, regarding the topic of nature, EFRAG seeks to achieve the same level of alignment existing between IFRS S2 and ESRS E1 *Climate Change*.

EFRAG is currently consulting on ESRS for certain non-European undertakings with significant activities in the European Union (ESRS-40a), which affect more than 1 200 groups worldwide, including groups that will also report in accordance with local jurisdictional requirements based on ISSB Standards. Feedback obtained in the consultation on ESRS-40a Exposure Draft confirms that achieving interoperability with ISSB Standards in practice is a priority for these groups. It also suggests that the absence of a topical stand-alone ISSB standard may make

[1] Recital 43 of DIRECTIVE (EU) 2022/2464 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting.

[2] Recital 2 of Commission Delegated Regulation (EU) 2026/1563 of 3 July 2026 amending Delegated Regulation (EU) 2023/2772 as regards the simplification of certain sustainability reporting standards.

the implementation of an 'ISSB-plus' approach to interoperability more burdensome. The more interoperable the ISSB standard is with ESRS, the easier it will be for those groups.

Reducing complexity and ambiguity in the application of the ISSB Standards is critical to ensure seamless interoperability between international standards, and our letter provides recommendations in this regard.

Overall, during the consultation [*PLACEHOLDER; key* outcomes *from EFRAG's public consultation to be included*]. This letter identifies potential inconsistencies that could complicate interoperability, particularly given the form of standard-setting and the way social issues are addressed.

A high-level summary of EFRAG's response follows this cover letter, with detailed comments on the draft PS thereafter.

If you would like to discuss our comments further, please do not hesitate to contact XXX at XXX@efrag.org.

Yours sincerely,

Kristian Koktvedgaard,

Acting EFRAG SRB Chair

EFRAG's responses to the consultation of the ISSB

High-level summary of response

1. *Form of standard-setting.* EFRAG questions whether a draft PS would secure the necessary level of quality and comparability and therefore whether it will be effective in delivering information that meets investors' needs. EFRAG reiterates its preference for a stand-alone standard, which accompanied by an appropriate phasing-in period would help increase the clarity of ISSB's standard setting architecture. EFRAG encourages further clarification of the draft PS' status within the IFRS sustainability disclosures architecture, including implications for assurance, comparability, interoperability and its relationship with ISSB guidance like SASB. Reducing the ambiguity in applying ISSB's nature-related disclosures can enhance interoperability on nature-related reporting with ESRS.

2. *Nature-related metrics.* EFRAG recommends including ESRS E2-, E3- and E5-related metrics that are financially material, as done for GHG emissions in IFRS S2. EFRAG also encourages additional clarification on the role of SASB Standards, TNFD recommendations and ESRS as sources of metrics. We note that there is a risk of the de facto creation of cross-industry topical metrics through SASB revisions. We also raise the question on how well the draft PS may help preparers make disclosures under the topic of circular economy and resource use and if connected aspects like resource flows or circular business models may end up not being sufficiently addressed by preparers using the draft PS.

3. *Anticipated financial effects.* EFRAG notes that the two proposed cross-industry metrics on nature-related risks and opportunities in paragraph 30(a) are not explicitly required from ESRS E2 to E5, as those Standards do not have topical specification for the requirements to prescribe the disclosure of anticipated financial effects in paragraph 27 of ESRS 2. This may represent a point of attention for companies that start from ESRS and intend to comply also with ISSB Standards. There is lack of reporting maturity in the disclosures of financial effects beyond the topic of Climate, and mandatory reporting of quantitative information under ESRS has been postponed to 2030. EFRAG encourages the consideration of a similar phased-in approach. In addition, to support the understanding of the sources of nature-related risks connected to the disclosures on the two metrics, EFRAG suggests the inclusion of information on the following three areas: land-use change, freshwater and ocean-water use change; high-impact natural commodities sourced; and location-specific information connected to areas with water stress or biodiversity sensitive areas.

4. *Defined terms.* EFRAG broadly supports the proposed defined terms and considers them largely interoperable with ESRS definitions. EFRAG encourages further alignment of selected terms with ESRS definitions to enhance interoperability.

5. *LEAP approach.* EFRAG welcomes the reference to the TNFD LEAP approach as a useful and voluntary tool to support the identification and assessment of nature-related risks and opportunities, which aligns with the reference in ESRS 1.

6. *Location-specific considerations.* EFRAG supports the prominence given to location-specific considerations in the draft PS, recognising its importance for understanding nature-related risks and opportunities and disclosing disaggregated information, where material. In some cases, EFRAG notes that the draft PS provisions may go beyond the ESRS requirements, for instance in the draft PS disclosure requirements related to the role of the governance body. This could require additional efforts by ESRS preparers to comply with the draft PS.

7. *Indigenous Peoples, local communities and affected stakeholders*. EFRAG appreciates that the social dimension forms part of the ISSB nature-related disclosures and the fact that it spans across three of the pillars (governance, strategy and risk management). It notes that the relationship between social and nature is complex and extends beyond stakeholder interactions, including engagement. This relationship encompasses a broader range of issues arising from the interplay between people and the environment (e.g. land rights, cultural rights and self-determination). Users would be interested in understanding these issues regardless of the level of interaction. In this respect, ESRS and the TNFD place greater emphasis on the broader concepts of due diligence and respect for human rights that underpin stakeholder engagement. As

such, both standards place affected groups of people at their centre and aim at providing a holistic rather than partial view of such relationship.

8. Specifically, EFRAG is concerned about: (i) the lack of a holistic view of due diligence as a risk management process, which in turn includes engagement with affected stakeholders, namely Indigenous People and Local Communities (IPLC) in respect to nature-related risks and opportunities; (ii) the lack of clarity on how social topics would be featured in the ISSB future architecture which currently limits EFRAG's assessment of interoperability between ISSB materials and ESRS; (iii) the lack of clarity on the starting point of the assessment (i.e. people that may be affected) coupled with the absence of definitions or descriptions of several terms (see page 13) central to the draft PS to ensure a consistent understanding and disclosure.

9. *Transition plans.* EFRAG notes the absence of provisions for nature-related transition plans in the draft PS mirroring related requirements on climate-related transition plans in IFRS S2. EFRAG acknowledges the rationale provided for the ISSB's decision but recommends specifically addressing transition plans in the draft PS, notably to increase interoperability with ESRS E4-1.

10. *Scenario analysis*. EFRAG notes that the suggested provisions on nature-related SA go beyond current ESRS provisions and acknowledges that they can prove decision-useful for primary users and preparers. However, EFRAG recommends aligning the provisions on scenario analysis closer to the ones of ESRS (and TNFD), to facilitate interoperability.

11. *Nature-related targets.* EFRAG welcomes the proposed disclosure requirements on nature-related targets and sees a high degree of alignment with existing ESRS provisions. EFRAG recommends further addressing, either through requirements or guidance, related matters such as mitigation hierarchy, biodiversity offsets and ecological thresholds.

12. For brevity, the following abbreviations are used throughout this document:

    (a) Draft Practice Statement: 'draft PS'

    (b) Scenario Analysis: 'SA'

    (c) Indigenous Peoples and Local Communities: 'IPLC'.

Main Comments on the draft PS

Form of standard setting (related to the ISSB's Questions 1 and 11)

13. EFRAG welcomes the ISSB's efforts and its intention of advancing nature-related corporate reporting.

14. Issuing the proposed requirements for nature-related disclosures in the form of a draft PS may avoid disruptions to the implementation of IFRS S1 and IFRS S2 (ISSB's Question 11(a)), which is understood as a key reason for the ISSB's decision. However, the explanations provided in the draft PS and its Basis for Conclusions do not satisfactory address concerns about how the draft PS ultimately fits within the ISSB architecture, as well as its authoritative status. In particular, questions have arisen regarding the respective roles and status of the draft PS and the SASB Standards, both expected to support the consistent application of IFRS S1 and IFRS S2, as well as other optional sources that preparers may consider such as ESRS or GRI Standards (ISSB's Questions 1(a) and 1(b)). It is unclear if there is an intended hierarchy among these sources for entities applying IFRS S1 and where the draft PS fits within that hierarchy. See also comments made in the Section 'Nature-related Metrics' below.

15. In addition, the possibility for preparers to apply or not the Practice Statement can lead to a fragmented reporting landscape, where there are two possible ways to be compliant with IFRS S1 when reporting on Nature. If a key concern is avoiding the disruption of IFRS S1 and S2 implementation, ISSB could any way choose the form of a stand-alone standard, as the decision of its adoption would nevertheless fall on the respective jurisdiction (in the same way that some jurisdictions have decided to adopt only IFRS S2).

16. Furthermore, the authoritative status that some stakeholders – e.g. auditors and users of information – will assign to the draft PS remains uncertain. For instance, it is not yet evident how an auditor would assure the proper application of IFRS S1 when the company has material nature-related risks and opportunities but chooses not to apply the draft PS (ISSB's Question 16(d)). Nor is it clear how users will assess and compare reports prepared by companies that apply the draft PS with those prepared by companies that do not. Although formally voluntary, the draft PS could in practice come to be regarded by auditors, users and even preparers as a de facto requirement.

17. EFRAG is of the view that the implications of the chosen form in relation to interoperability with ESRS are not evident. The choice of a draft PS may provide greater flexibility in addressing potential differences with ESRS, given its non-mandatory nature and the discretion available to jurisdictions and preparers in its application. Also, companies could still refer to disclosures corresponding to ESRS instead when applying IFRS S1. On the other hand, this same flexibility to use or not the draft PS obstructs the assessment of how interoperable IFRS nature-related disclosures are with ESRS (ISSB's Question 14).

18. EFRAG has consistently advocated in favour of the issuance of a complete set of IFRS topical (sector-agnostic) standards, as the tool to achieve the necessary quality and comparability of sustainability information. EFRAG understands the rationale for the form of standard setting adopted, as described in the Basis for Conclusions for the draft PS, as a pragmatic way to progress in the direction of high-quality reporting on nature. However, EFRAG reiterates its preference for a standalone standard, as it questions whether a draft PS would secure the necessary level of quality and comparability and therefore whether it will be effective in delivering information that meets investors' needs. A stand-alone standard, accompanied by an appropriate phasing-in period, would allow not only high-quality reporting but would help to increase the clarity of ISSB's standard setting architecture.

19. While the draft document takes the form of a draft PS rather than a Standard, it is intended to support the application of the IFRS S1 and S2 in the area of nature-related risks and opportunities and will therefore influence reporting practices. Accordingly, EFRAG's assessment focuses on the content of the draft PS and its interaction with ESRS requirements while recognising the different status and role of a draft PS within the ISSB architecture. Through this Comment Letter, EFRAG intends to provide observations on how to achieve the best possible outcome in terms of interoperability irrespective of the form of the standard (ISSB's Question 11(b)).

Nature-related metrics (related to the ISSB's Question 9)

Introduction of two cross-industry nature-related metrics related to anticipated financial effects

20. EFRAG notes that the ISSB decided not to define cross-industry metrics within the draft PS except for two metrics: 'the amount and percentage of assets or business activities vulnerable to nature-related risks' and 'the amount and percentage of assets or business activities aligned with nature-related opportunities' (paragraph 30(a)).

21. EFRAG highlights the relevance of providing guidance on disaggregation for the metrics in paragraphs 31 and 32 of the draft PS; inadequate disaggregation by location may lead to the disclosure of average amounts that lack decision-usefulness for users. EFRAG also notes the relevance that separating the information related to the draft PS, paragraph 30a(i), for material physical risks and for material transition risks is likely to have for users of information. While the ISSB provides its reasoning in its Basis for Conclusions (BC191) as well as some guidance in the draft PS in B42, we advise the ISSB to reflect this distinction in a similar way that ESRS E1, paragraphs 39 and 40, do in the climate context (as well as stronger alignment with the TNFD core global disclosure metrics C7.0 and C7.1) (ISSB's Question 14).

22. EFRAG notes that ESRS do not include these two metrics. Related disclosure requirements in ESRS can be found in relation to Climate in ESRS E1-11 (*Anticipated financial effects from material physical and transition risks and potential climate-related opportunities*) but not in other Environment ESRS, which have no topical specification for the requirements to disclose anticipated financial effects in ESRS 2, paragraph 27. This may represent a point of attention for companies that start from ESRS and intend to comply also with ISSB

Standards. While the inclusion of the two suggested metrics may require ESRS preparers to provide additional information to comply with the ISSB draft PS, the metrics may also support entity-specific disclosures under ESRS (ISSB's Question 9(a)).

23. EFRAG also suggests that the draft PS specifies the scope of the two suggested metrics in paragraph 30a clarifying that they apply to the entity's own assets or business activities only (ISSB's Questions 4 and 9(a)).

24. In addition, to provide relevant context and support the understanding of the sources of risk connected to the disclosures on the two metrics, EFRAG suggests the inclusion of information (not necessarily quantitative) on the following three areas: land-use change, freshwater and ocean-water use change (connected to ESRS E4-5 AR10 and TNFD core global disclosures C1.1); high-impact natural commodities sourced (connected to E5-4 and TNFD C3.1); and location-specific information connected to sensitive areas, areas with water stress or biodiversity sensitive areas (in alignment with ESRS E3-4 and E4-5) (ISSB's Questions 4, 9 and 14). Information particularly on these three areas can be highly relevant to assess assets or business activities vulnerable to nature-related risks and, therefore, decision-useful to primary users.

25. Finally, EFRAG notes that the introduction of the relief for undue cost and effort regarding the two metrics (paragraph 33(a)) is helpful, given that preparers may face challenges related to the collection of the needed data to meet the disclosure requirements, and a recent study undertaken by the TNFD shows that a significant number of preparers of TNFD disclosures consider these metrics as not feasible to report[3] (ISSB's Questions 9(b) and 15). Furthermore, as there is a lack of reporting maturity in the disclosures for financial effects beyond Climate and mandatory reporting of quantitative information under ESRS has been postponed to 2030, EFRAG invites the ISSB to consider a similar phased-in approach (ISSB's Questions 14 and 15).

The increased relevance of SASB Standards as source of nature-related metrics

26. Given the ISSB's decision not to identify cross-industry metrics for the draft PS beyond the two mentioned above, the SASB Standards (and their related enhancement project) may gain greater relevance within the ISSB architecture as a source of nature-related metrics. This also increases the relevance of SASB Standards for ESRS interoperability, as IFRS industry-based guidance is referenced as a source of entity-specific disclosures under ESRS. As highlighted in previous EFRAG comment letters[4], the overall architecture of SASB Standards and IFRS Standards is unclear, and there is a risk of de facto creation of cross-industry metrics for certain topics through SASB revisions.

27. Within the IFRS sustainability reporting disclosure architecture, SASB Standards could be perceived as the primary source of guidance for nature-related metrics, as IFRS S1 mentions SASB Standards as 'shall refer to and consider'. On the other hand, ESRS and TNFD core metrics could be perceived as having a similar, subordinate status ('may refer to and consider'), noting though that ESRS are explicitly mentioned in IFRS S1 and the TNFD are not (Question 1(b)).

28. EFRAG reiterates the need for clarification of the practical meaning of 'shall refer to and consider' in relation to SASB Standards. The relevant ISSB educational document underlines that the entity 'cannot disregard the industry guidance when applying ISSB Standards'. However, the practical implications of this statement remain unclear, including whether entities are expected to justify departures from SASB guidance. EFRAG also notes that some jurisdictions have modified the IFRS S1 reference to SASB Standards from 'shall' to 'may consider', which could reduce global comparability of IFRS-based sustainability reporting.

29. Finally, while formally all three sources referenced in IFRS S1 and the draft PS – i.e. SASB Standards, TNFD and ESRS – seem to remain voluntary within the IFRS architecture, it remains unclear which role they will play in IFRS disclosure practice and how interoperability and consistency of nature-related disclosures will be affected (ISSB's Question 9(c)).

[3] See TNFD 2026 Status Report p28

[4] See July 2026 and December 2025 EFRAG's comment letters

Considering the inclusion of further cross-industry, nature-related metrics

30. While acknowledging the ISSB's decision in relation to cross-industry nature-related metrics, defining those in the draft PS on areas that are mature enough would be feasible in the short term (in view of existing standards and frameworks). Including additional metrics would enhance the decision-usefulness and support comparability, consistency and insurability of nature-related disclosures. Metrics in the areas of water, pollution and waste are feasible to disclose on and already show market implementation (see EFRAG State of Play Report 2026 in this context). These impact-related metrics are decision-useful to investors to understand related risks and opportunities and considered financially material, in the same way GHG emission metrics included in IFRS S2 are. This approach is also aligned with IFRS S1, which does recognize that risks and opportunities arise from dependencies and impacts (see IFRS S1 paragraph 2 and B2). Missing the inclusion of these metrics, the draft PS would fail to support the expected comparability on a critical reporting area.

31. EFRAG therefore suggests the inclusion of additional cross-industry nature-related metrics in the draft PS aligned with the ones provided by ESRS on water, pollution and circular economy. More specifically, EFRAG suggests the inclusion of ESRS E2-4 paragraph 15 on the amounts of material emissions of pollutants to air, water and soil from its own operations, including due to environmental accidents, in the reporting period; the inclusion of ESRS E3-4 paragraph 16 metrics on water consumption and water consumption in areas with water stress, withdrawal, discharge, recycled and reused, and stored; and the inclusion of ESRS E5-5 paragraph 16c on the proportion of waste diverted from disposal and 16d on the proportion of waste directed to disposal. EFRAG also suggests considering the inclusion of other circular economy related metrics, particularly in relation to resource inflows as outlined in ESRS E5-4 paragraph 13, which can provide decision-useful insights to identify and assess dependencies and connected risks. These metrics have benefited from extensive due process and are already being reported by a large number of preparers, which could facilitate interoperability between the two frameworks (ISSB's Questions 4, 9(e) and 14).

32. EFRAG also notes the particular importance that information on sensitive areas play in the context of nature-related disclosures, for the proper identification and assessment of impacts, risks and opportunities and particularly also for the understanding of the disclosures related to the metrics in draft PS paragraph 30(a). In this context, the suggested ESRS E3-4 metrics address areas with water stress and we also suggest including location-specific requirements mirroring the ones of ESRS E4-5 paragraph 19 on biodiversity-sensitive areas (ISSB's Questions 4, 9(e) and 14).

33. EFRAG notes that many of the ESRS metrics suggested above overall correspond to select TNFD core global disclosure metrics but may show slight differences with that framework. For instance, TNFD is more granular regarding some metrics such as on non-GHG pollutants (TNFD C2.4) or quantity of high-impact natural commodities (TNFD C3.1). The framework also sometimes requests different breakdowns (e.g. water discharges, see TNFD C2.1 and waste, see TNFD 2.2 and 2.3). In addition, TNFD uses 'water scarcity' (a quantitative measure which focuses on availability) in its core metric C3.0 while ESRS use 'water stress' (which not only addresses availability, but also quality and accessibility) (ISSB's Questions 9(c) and 9(d)). The EFRAG Secretariat and the TNFD updated correspondence table of the ESRS and TNFD disclosure recommendations (released in December 2026) shows the alignment among those.

34. EFRAG notes that, while defining further cross-industry metrics in the draft PS could be feasible, it could also make interoperability with ESRS difficult in case the metrics included are misaligned with ESRS. Consequentially, EFRAG emphasises the importance of only adding metrics that are aligned with the requirements in ESRS, to support interoperability and those preparers who wish to comply with both the draft PS and ESRS. (ISSB's Question 14).

Note to constituents:

The rationale for EFRAG to advocate for the inclusion of ESRS E2, E3 and E5 metrics in the PS is to bring the interoperability level in relation to nature-related disclosures at the same level than the climate-

related ones. In fact, IFRS S2 has the same metrics that ESRS E1 has (GHG emissions). These metrics provide context to understand risks and opportunities and are financially material. Missing this basic level of alignment can hinder the prospect for a seamless interoperability in the future, as the draft PS in its current form would trigger a longer list of additions and adjustments needed when starting from IFRS to comply with ESRS. Some EFRAG SRB members disagreed with this suggestion, citing concerns about the additional costs and complexity for companies that this proposal may create as well as its consistency with the financial materiality approach of the IFRS sustainability disclosure standards.

Would you agree with the suggestion and the above-mentioned rationale? Please explain in EFRAG's public consultation survey.

Adequately covering circular economy

35. EFRAG questions how well the draft PS may help preparers disclose on the topic of circular economy and resource use. The ISSB nature-related standard-setting work done in 2026 does not explicitly cover this topic, and no explicit circularity-related disclosure requirements are included in the draft PS. While the draft PS cites one example connected to circularity (paragraph 34(a)), water is repeatedly cited in the draft as an example of a nature topic connected to risk, and some references to pollution and waste are also included; no (further) circular economy concepts are addressed. Relevant information, e.g. related to resource flows or circular business models may end up not being sufficiently addressed by preparers using the PS.

36. EFRAG notes that the topic of circularity is likely to be material to many undertakings: for instance, 67% of the companies reporting under ESRS assessed the topic as material (see EFRAG's analysis in its 2026 State of Play). Also, based on the ISSB's own analysis (see BC181), waste, which is one element of circular economy, was identified as a topic of interest for investors.

37. The ISSB's decisions point preparers to the use of guiding sources, notably the SASB's, but also to the TNFD and ESRS, in order to identify relevant disclosures and metrics related to circularity. SASB Standards, for instance, contain industry-specific requirements related to lifecycle assessment, packaging and materials efficiency, among others; the TNFD contains a cross-industry metric on waste. In this context, ESRS E5, which went through an extensive multi-stakeholder due process during its development, seems the source best placed to help provide decision-useful, nature-related information, addressing circular economy for investors. As mentioned above, EFRAG recommends the ISSB to consider the inclusion of metrics included in ESRS E5 (ISSB's Questions 9(e) and 14).

38. As stated above, however, EFRAG emphasises the importance of only adding metrics that are aligned with the requirements in ESRS, to support interoperability and those preparers who wish to comply with both the draft PS and ESRS.

Information on connections between climate- and nature-related risks and opportunities (related to the ISSB's Question 1(c))

39. The draft PS contains guidance on connections between climate- and nature-related risks and opportunities to support the application of the requirement for connected information in paragraph 21 of IFRS S1 – in particular information about synergies and trade-offs. The guidance focuses on information that the entity would need to provide to meet the requirements in paragraphs 28 and 43 of IFRS S1 (see Basis for Conclusions: BC27, BC33 and BC131 onwards).

40. In this context, EFRAG notes the prominent section on 'Connected information' included in the draft PS (paragraph 13) and the requirements on climate-nature 'synergies and trade-offs' in the Strategy (paragraph 19(c)) and Risk Management (paragraph 26(a)) sections. We also observe the requirement to 'explain the connections between its nature-related and climate-related risks and opportunities' and to disclose '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' (draft PS,

paragraphs 17(c) and 18(b)) under the Strategy pillar. Finally, we observe the inclusion of considerations for climate-nature connections in the Metrics and Targets pillar (paragraph 33(b)).

41. Trade-offs and synergies between climate- and nature-related risks and opportunities are addressed in ESRS, even if not necessarily explicitly or through specific disclosure requirements[5]. Similarly, while ESRS do not explicitly require disclosures on the connection between climate-related and nature-related risks and opportunities, those can be addressed, if material, as part of broader ESRS requirements, including through ESRS 2 SBM-3-related disclosures on the interaction of material impacts, risks and opportunities with the undertaking's strategy and business model and related financial effects.

42. EFRAG welcomes the emphasis provided by the draft PS on connections between climate- and nature-related information, as it can enhance the decision-usefulness of information for investors and other stakeholders. While the provisions in the draft PS may require ESRS preparers to provide additional information to comply with the ISSB, they may also support entity-specific disclosures under ESRS, where material.

43. EFRAG further notes one specific aspect in relation to draft PS, paragraph 18(b): although the effects of climate-related and nature-related risks and opportunities may partially offset each other, the use of the term 'offset' could be misinterpreted as referring to the risks and opportunities themselves. Clarifying that offsetting relates to the effects on the business model and value chain would improve precision and avoid potential claims that could be interpreted as 'greenwashing'.

Defined Terms (related to the ISSB's Question 2)

44. EFRAG overall welcomes the inclusion of nature-related defined terms in the draft PS. Particularly, it welcomes the inclusion of separate definitions for 'nature-related opportunities' and 'nature-related risks' (ISSB's Question 2(d)), which is aligned with ESRS definitions of 'opportunity' and 'sustainability-related risks'. We also acknowledge that the use of the term 'environmental resources' can help avoid misinterpretation in relation to the GAAP definition of 'asset' (ISSB's Question 2(c)). Overall, EFRAG sees strong interoperability between the terms defined in the draft PS and those defined in ESRS.

45. In order to further enhance interoperability with ESRS, EFRAG recommends the following points (ISSB's Questions 2(b) and 14):

46. In line with the definition of 'physical risks' in the terms defined in the ESRS *Glossary and acronyms*, the draft PS definition of 'nature-related physical risks' could include a reference to location-specificity to clarify the connection to climate risks.

47. Additionally, the definition of 'nature-related transition risks' in the draft PS could enhance interoperability with ESRS by emphasising that such risks also result from a misalignment between an investor's strategy and management and the changing regulatory, policy or societal landscape (see the definition of 'transition risk' in the ESRS *Glossary*).

48. Furthermore, to enhance clarity and comparability of nature-related disclosures, as well as interoperability with ESRS, EFRAG suggests defining the terms 'Indigenous Peoples' and 'Free, Prior and Informed Consent' (FPIC) used in the draft PS in line with the ESRS *Glossary*, as well as considering defining the term 'engagement' in line with the ESRS definition of 'stakeholder engagement' (ISSB's Question 2(a)). EFRAG also suggests using and defining the term 'affected communities' in line with the definition of the ESRS *Glossary* (see comments in paragraphs 60 to 63 below).

49. Similarly, EFRAG suggests defining the terms 'dependencies' and 'impacts' in alignment with the definitions provided in the ESRS Glossary. Both definitions are absent in IFRS S1 and the draft PS. The ESRS definitions

[5] These interactions may be reported, for instance, through ESRS 1, paragraph 51 (materiality assessment), ESRS 1 AR 33 (level of aggregation), ESRS 2 SBM-3 (interaction of IRO with strategy and business model), ESRS 2 GOV-1, paragraph 12(e) (role of management), in relation to transition plans (e.g. ESRS 4 AR 1), and through the sections 'Interactions with other ESRS' of the environmental topical standards.

are also aligned with the ones provided by the GRI Standards and the TNFD (ISSB's Question 14). We also recommend enhancing the understandability and clarity of paragraph 30(a) by defining or describing the terms 'vulnerable' and 'aligned'.

TNFD's LEAP approach (related to the ISSB's Question 3)

50. EFRAG welcomes the reference to the LEAP approach version 2 in paragraphs 11 and 12 of the draft PS, recognising its relevance for locating the undertaking's interface with nature and nature-related risks and opportunities, evaluating the entity's related dependencies and impacts on nature, and assessing the resulting nature-related risks and opportunities for the entity.

51. The draft PS' statement that 'an entity is not required to use the LEAP approach to assert compliance with this draft PS' (paragraph 12) is aligned with ESRS' own reference to the LEAP approach in ESRS 1 AR 16, which highlights LEAP as a helpful, but voluntary, tool that preparers can use to inform ESRS-related assessments.

52. EFRAG notes that, in the context of referencing the LEAP approach, the draft PS places emphasis on the evaluation of impacts in the context of the identification of material nature-related risks and opportunities (draft PS, paragraph 11(b)). EFRAG welcomes this reference, as it highlights the importance of assessing dependencies and impacts as a starting point for the materiality assessment, this aligning more closely with the approach taken by ESRS (see ESRS 1, paragraph 36). Maintaining this emphasis in the final practice statement would support a more robust identification of nature-related risks and opportunities while also enhancing interoperability with ESRS (ISSB's Question 14).

Location-related considerations (related to the ISSB's Question 4)

53. EFRAG shares the ISSB's assessment regarding the relevance of location-related considerations connected to the assessment of risks and opportunities and to nature-related sustainability disclosures, and it welcomes the emphasis placed by the draft PS on this issue across several provisions (ISSB's Questions 4(a) and 4(b)).

54. ESRS themselves point to the relevance of considering location-specificities when assessing material impacts, risks or opportunities and require the (dis)aggregation of information in a way that reflects the level at which significant variations of material impacts, risks or opportunities arise, such as by geography (which can include sites). ESRS E4-5 includes specific disclosure requirements in relation to locations in the undertaking's own operations connected to material biodiversity and ecosystem-related impacts, risks and opportunities.

55. The EFRAG 2026 State of Play shows that, in connection with the environmental standards, for those companies assessed declaring ESRS E2 to ESRS E5 as material, global-level reporting still dominates (77%), while, for instance, site-level disclosures are less common (25% of ESRS E2–E4 disclosures) despite their relevance for stakeholders.

56. In the context of a perceived lack of practice in disclosing adequate disaggregated information, to provide decision-useful information to primary users EFRAG deems necessary and helpful the provisions included in the draft PS, particularly to consider the geographical scale at which to present information and to consider the location of assets and activities throughout the value chain in determining how to aggregate or disaggregate information (draft PS, paragraphs B37–42; ISSB's Question 4(c)).

57. In some cases, EFRAG notes that the draft PS provisions may go beyond the ESRS requirements. For instance, the disclosure on 'how the location-related considerations associated with nature-related risks and opportunities are taken into account by governance body(ies) and management' (paragraph 15(a)) is not required in ESRS. This could require ESRS preparers to provide additional information to comply with the PS; at the same time, EFRAG acknowledges that this additional granularity of the draft PS can support decision-useful information (ISSB's Question 14).

58. Similarly, other location-specific requirements in the draft PS covering an entity's 'assets and activities throughout the value chain' could, in certain cases, go further than the location-related requirements of

ESRS and inform the disclosure of entity-specific information under ESRS. An example could be draft PS, paragraph 26(b), which requires to disclose whether and how the undertaking considers the location of assets and activities throughout the value chain to identify, assess, prioritise and monitor nature-related risks and opportunities. While ESRS also address location-specific considerations in the entity's value chain as part of its materiality assessment and disclosures (ESRS IRO-1), the level of granularity required by the draft PS, which refers to 'assets and activities throughout the value chain', could be deemed to go beyond ESRS requirements. This would require additional efforts by ESRS preparers to comply with the PS.

59. We also highlight that the description of 'sensitive locations' in paragraph B32 of the draft PS – aligned with that of the TNFD – may be broader and, in certain cases, lead to different outcomes than 'biodiversity-sensitive areas' as defined in ESRS due to some differences in the criteria used to define those areas. It may result in different outputs while determining sensitive areas (ISSB's Question 14).

60. EFRAG highlights the decision-usefulness of information related to how the undertaking considers sensitive locations in its nature-related assessments and disclosures. While draft PS, paragraph 26(b)(ii), lists this aspect as an example only, the ISSB could rather consider including a reference in the main disclosure requirement about whether the undertaking identified sensitive locations, as well as providing guidance related to disclosing the criteria the entity used to define them. This would further highlight the relevance of identifying sensitive locations in relation to material risks. While ESRS themselves do not specify sensitive areas in connection with the identification and assessment of risks, ESRS E4-5 requires disclosure of information on biodiversity-sensitive areas in connection with material negative impacts, reflecting the relevance given to such areas in the context of nature-related reporting (see also comments related to the inclusion of additional cross-cutting metrics) (ISSB's Question 14).

Interactions with Indigenous Peoples, Local Communities and affected stakeholders (related to the ISSB's Question 6)

Overall architecture of social topics and foundations

61. EFRAG notes that this draft PS is the first instance in which the ISSB is issuing a standard / draft PS that includes sector-agnostic disclosures related to social topics. Whilst IFRS S1, paragraph 21, emphasises the need for information to be connected across different sustainability-related risks and opportunities, EFRAG observes a potential gap in the current proposal regarding the people-nature nexus. Such connections seem to be limited to interactions, including engagement with IPLC insofar as these relate to nature-related risks and opportunities. Stakeholder engagement with affected stakeholders is a critical process in both due diligence and impact materiality as reflected in ESRS, the GRI and the TNFD. Within these frameworks, stakeholder engagement is intrinsically linked to respect for human rights, including the rights of Indigenous Peoples, particularly in relation to issues such as land use, self-determination or cultural rights.

62. Connectedly, EFRAG also notes that engagement should not be considered in isolation from mechanisms through which affected communities can raise concerns and seek remedy. Where actual or potential impacts on IPLC contribute to nature-related risks for the entity, information on grievance mechanisms, concerns raised and the entity's approach to remediation may be material to primary users. EFRAG therefore recommends that the risk management disclosures should address these elements.

63. Overall, risk management should reflect, where relevant, the broader steps of due diligence, including engagement and the various forms through which affected communities can raise concerns and seek remedy. Indeed, this approach supports the identification and management of risks while recognising that such processes can be informed by a better understanding of people-related impact and dependencies. Indeed, this view is consistent with IFRS S1 B2.[6] This approach would enhance consistence with the due

[6] IFRS S1 B2 provides that '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 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.'

diligence architecture underpinning ESRS and the UN Guiding Principles on Business and Human Rights. It would also support a better identification and management of risks related to the nature-people nexus and be aligned with ISSB's understanding of materiality.

64. Therefore, EFRAG is concerned that an important opportunity has been missed in IFRS S1 to provide a holistic view of due diligence as a risk management process and to embed respect for human rights covering both social and environmental topics. This approach could also weaken interoperability with ESRS, the GRI or the TNFD, as these are built on sector-agnostic foundations that integrate environmental and social considerations through due diligence and human rights.

65. Within this context, as highlighted before, the relationship between SASB Standards, as guidance in IFRS S1, and this draft PS is not sufficiently clear. Several SASB Industry Standards already incorporate disclosures on due diligence for the communities' dimension. Additional clarification on how the proposed draft PS interacts with and complements these existing SASB requirements would therefore be beneficial.

Content of the social topics for the draft PS: key definitions and approach

66. EFRAG is supportive of seeing IPLC interactions reflected in governance, strategy and risks management, thus suggesting an integrated approach to these topics that connects well with the structure of ESRS 2 and ESRS S3. EFRAG further recommends that the disclosures provide sufficient information to understand not only whether engagement has taken place, but how it has been conducted and how its outcomes have informed decision-making. This would include, where material, the approach to engagement and its effectiveness; significant outcomes, decisions or agreements, including whether FPIC was sought and obtained or withheld; and how these outcomes have influenced the entity's strategy, business model, risk management and oversight.

67. ESRS define the term 'stakeholder engagement' based on the OHCHR Interpretative Guide on the Corporate Responsibility to Respect Human Rights. We also note that the TNFD Guidance on engagement with Indigenous Peoples, Local Communities and affected stakeholders also relies on a similar definition. ESRS use this term across several disclosure requirements (see ESRS 2 SBM-2, ESRS 2 IRO.1 and Disclosure Requirement 3 in ESRS S1–S4) spanning cross-cutting and social topical issues, including the materiality assessment process. Their inclusion reflects the fundamental role that engagement with affected stakeholders plays in sustainability reporting and recognises the multiple stages at which such information may be material to the users. The difference between the terms used in this draft PS that include 'interactions, including engagement' and those used in ESRS, the TNFD and the SASB that include 'engagement' could also lead to practical implementation issues for preparers that are subject to ESRS or disclose their own due diligence processes. Therefore, we recommend that the ISSB does not use the term 'interactions' in relation to 'engagement', as the juxtaposition of these two terms is not common practice across social-related standards, and the nature of their relationship may not be self-explanatory to users.

68. In EFRAG's view, focusing on only one potential dimension of stakeholder engagement, namely its relevance to nature-related matters, risks presenting an incomplete picture, especially when there is no definition of 'affected stakeholder', 'stakeholder engagement' and linkage with FPIC, which could be material information on its own right. We also noted that FPIC has been introduced as an example of information that could be material within the Strategy pillar rather than a particular datapoint of interest to users, as investors pointed out to EFRAG in the past.

69. The concept of a just transition is becoming increasingly important across sustainability reporting frameworks and is reflected in the ESRS social standards. This concept is particularly relevant to where nature-related impacts and dependencies intersect with IPLCs. As the draft PS does not currently address this issue, EFRAG recommends incorporating references to just transition considerations through guidance and/or illustrative examples.

70. To summarise this point, EFRAG has concerns regarding the absence of definitions for several concepts that are central to the draft PS. This situation could ultimately affect standardisation efforts. Please refer to the comments below.

    (a) *Absence of definitions of 'interactions' and 'engagement'.* Whilst paragraph B44 seeks to provide a delimitation of the concepts (as does paragraph B4 of IFRS S1, albeit at a more general level), this is likely to be insufficient to ensure a common understanding of these concepts by preparers. We recommend not using the wording 'interactions' and providing a definition of 'engagement'.

    (b) *Absence of definitions of 'Indigenous Peoples', 'Local Communities' and 'affected stakeholders'.* The use of capital letters to designate the concepts 'Indigenous People' and 'Local Communities' across the draft PS suggests that these concepts are defined, which can generate confusion for readers. If the ISSB chooses not to define the concepts, capital letters should not be used. In such case, we also invite the ISSB to clarify in paragraph B44 (for instance) that different definitions can exist and that preparers should specify their own understanding of the concepts. In particular, for 'Indigenous Peoples', we would recommend that ISSB relies on the same approach as used in the ESRS Glossary, which consists in acknowledging that 'there is no single definition for indigenous peoples agreed on at the international level' and explaining criteria for defining them, as opposed to providing a single, authoritative definition. This description would be included in para B44. We emphasise the fact that ESRS have their own definition of 'affected stakeholders' and 'affected communities'. Alignment with these definitions could support preparers reporting both under ESRS and ISSB Standards.

    (c) *Absence of a definition of 'Free, Prior and Informed Consent'.* There is the absence of a definition of 'Free', Prior, and Informed Consent' despite the use of capital letters for proper names, suggesting that it is a defined term. The definition provided in ESRS could also help inform the draft PS in this respect.

    (d) Potential overlaps between the concepts of 'affected stakeholders', 'Local Communities' and 'Indigenous Peoples'. Combined with the absence of definitions of the concepts, this situation may pose interpretative challenges. Hence, we suggest clarifying the definitions (in Appendix A for instance) and the articulation of these concepts. In that process, we recommend:

        (i) Option 1: ISSB adopts the term 'affected communities' to ensure alignment with ESRS and clarifies in the definition that this term 'includes, but is not restricted to indigenous peoples'. We also suggest adding the definition of 'affected stakeholders' as this is a term used in ESRS. Note that ESRS do not capitalise 'indigenous people'; or

        (ii) Option 2: ISSB adopts the term 'indigenous peoples and other affected communities' which is essentially the same but gives explicit recognition to indigenous peoples. Or alternatively 'indigenous peoples and local communities'. In both cases, the 'affected stakeholders' term would remain as explained above in (i).

        (iii) Relatedly, we recommend that para 17(b) of the draft PS states that companies 'might include' information on how groups are identified.

Focus on interaction and engagement with affected stakeholders (related to the ISSB's Question 6(b))

71. The fact that the disclosure requirements concerning IPLC are centred on interactions, including engagement, could suggest that in the absence of such interactions preparers would not be required to disclose information regarding IPLC. In other words, engagement is an important mean through which an entity identifies and assesses those impacts and the related risks and opportunities but should not itself function as the trigger for disclosure. What should trigger disclosure, is, first and foremost, whether people are or may be affected. Where relevant groups may be affected but engagement has not taken place, this absence may itself constitute material information for users. The absence of engagement may itself

contribute to financial risks, including project delays, operational disruption, litigation and increased financing costs. In turn, information on whether engagement was meaningful, effective or of sufficient quality may also constitute material information for users. Accordingly, conditioning relevant disclosures on the existence of interactions or engagement could exclude information that may be particularly relevant to understanding an entity's nature-related risks and corresponding social risks. This is particularly the case when this engagement is absent, not meaningful, not effective, or of sufficient quality. Information that demonstrates effectiveness / quality could include the outcomes of FPIC, agreements on addressing impacts / benefit sharing as well as information on ineffectiveness / failed engagement (such as FPIC not obtained, protests etc). In connection to these points, we recommend the expression 'if any' in para. 18(c) to be removed. As currently phrased para 18(c) could be understood as not inviting disclosures in case people were affected, but no engagement took place. The paragraph could also delimitate or define 'outcomes' to clarify that the term includes both agreements obtained, but also those not obtained (in relation to the ISSB's Question 6(a)).

72. We note that FPIC is mentioned only once across the 'Core Content' of the draft PS as an example of the outcomes of engagement in paragraph B18. FPIC should not just be approached as the outcomes of engagement but also as engagement per se. More generally, considering the importance of FPIC in relation to interactions, including engagement with IPLC, and its connection to risks and opportunities, FPIC could be defined and featured more prominently in the PS. In that sense, we see opportunities to align references to FPIC between the draft PS and ESRS, which also provide a definition of FPIC (in relation to the ISSB's Question 6(b)).

73. Regarding the question of whether an entity should be required to identify the groups of people covered by disclosures related to the entity's interactions, including engagement with IPLC, we agree that such identification is important and should be disclosed, as this is in fact part of the due diligence process. Whether disclosures should identify specific groups of people in a manner that renders them identifiable remains an open question and would likely need to be determined through engagement with the groups concerned. In particular, special consideration should be given to the protection of individuals within these groups (related to the ISSB's Question 6(c)). Within this context, it may be worth clarifying that disclosure on engagement barriers faced by vulnerable or marginalised groups within affected communities could be material. The identification of stakeholder groups should consider that there could be differing impacts within communities or the need to engage through legitimate representatives or other appropriate means where direct engagement is not possible.

74. In relation to the draft PS paragraph B38(b): 'For example, an entity might disclose information about … whether its facilities are located in a jurisdiction with strong regulation or enforcement related to how entities engage with Indigenous Peoples', we note that (i) this disclosure could expand, beyond engagement, to the rights of IPLC and their protection regarding the activities of preparers/economic activities; (ii) the scope could be expanded beyond regulation or enforcement to explicitly include customary rights; (iii) the notion of 'strong' is subjective and might affect standardisation. We would recommend setting more objective criteria; iv) other considerations may also include internationally recognised human rights, customary and collective rights and the extent to which these rights are recognised or effectively protected in practice. Variation in the strength of regulation or enforcement is not an indicator of the exposure to nature-related risks where internationally recognised or customary rights may be affected.

75. In relation to the draft PS paragraph B39(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': is there a reason why this disclosure is limited to 'community' as opposed to IPLC?

Plans to respond to nature-related risks and opportunities (related to the ISSB's Question 7)

76. The draft PS (paragraph 19(a)) requires information on how the entity has responded to, and plans to respond to, nature-related risks and opportunities in its strategy and decision-making, 'regardless of whether those actions form part of a transition plan'. EFRAG welcomes this requirement but notes the absence of explicit provisions related to nature transition plans in the draft PS, which differs from related requirements for climate-related transition plans in IFRS S2 (see IFRS S2, paragraph 14(a)(iv)). The ISSB provides its reasoning in the Basis for Conclusions (paragraphs BC153–159).

77. The requirement to specify whether the entity has a nature transition plan or integrates nature-related considerations into a broader transition plan, including a reference on how the entity's response and contribution are linked to the transition supported by the Kunming-Montreal Global Biodiversity Framework, is in itself information expected to be relevant to investors and other stakeholders. Furthermore, a transition plan, rather than only individual actions or targets, can enhance the consistency, coherence and credibility of the way a company plans to respond to nature-related risks and opportunities.

78. In alignment with IFRS S2 requirements and to increase alignment with ESRS E4-1, we therefore recommend adding the following wording to paragraph 19(a): 'should include information about: any nature-related transition plan the entity has, including information about key assumptions used in developing its transition plan, and dependencies on which the entity's transition plan relies' (ISSB's Questions 7 and 14).

Use of nature-related Scenario Analysis (related to the ISSB's Question 8)

79. The ISSB decided to include nature-related SA and related requirements and guidance that would be specific to nature-related risks and opportunities and incremental to the general requirements and guidance in IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*. The rationale for the use of SA is outlined by the ISSB Secretariat in its Basis for Conclusions (paragraphs BC161–178).

80. Building on IFRS S1, the draft PS includes the following requirements related to SA: (a) disclosure of information about whether and how the entity uses SA to inform its identification of nature-related opportunities; (b) disclosure of information about whether and how the entity uses SA to inform its assessment of the effects of nature-related risks; and (c) the use of nature-related SA to provide information about the entity's resilience to nature-related risks.

81. EFRAG acknowledges the relevance of SAs in the identification and assessment of nature-related impacts, risks and opportunities and the decision-usefulness of information about the use of such tools (ISSB's Question 8(a), (d) and (e)). However, we note that the provisions included in the draft PS may result in some additional disclosures to ESRS and may require ESRS preparers to provide additional information to comply with the PS.

82. We observe that the ISSB decisions relating to nature-related SAs may also go beyond the TNFD disclosure recommendations, a framework that the ISSB has built on when developing the draft PS. The TNFD recognises SA as a key risk assessment tool, particularly relevant for the Assess phase of the LEAP approach (which is also referenced in ESRS 1 AR 16). However, it only recommends and does not require, for instance, the use of SA when assessing the resilience of the entity's strategy (TNFD recommended disclosure Strategy C). By contrast, the ISSB proposals appear to envision a broader role for nature-related SAs.

83. In comparison to ESRS, the ISSB decided to require disclosure of 'whether and how the entity uses nature-related SA to inform its identification of nature-related opportunities' (see paragraph 28). While ESRS preparers are requested under ESRS 1 to consider likely scenarios when assessing the contribution of risks and opportunities to financial effects, this should not necessarily be interpreted as a requirement to undertake a formal SA exercise as contemplated in the ISSB's decisions. In any case, ESRS do not require the disclosure of how SAs inform the identification of nature-related opportunities (ISSB's Question 8(e)).

84. Similarly, the draft PS requires disclosure of 'whether and how the entity uses nature-related SA to inform its assessment of nature-related risks' (paragraph 27). EFRAG acknowledges that this information can be decision-useful to better understand the entity's risk assessment (ISSB's Question 8(d)). From an interoperability point of view, it is to be noted that this information is not required by ESRS. EFRAG notes that this requirement may also affect the assessment of anticipated financial effects.

85. Most important from an interoperability point of view is the ISSB's suggestion to require an entity to 'use nature-related SA to assess its resilience using an approach that is commensurate with the entity's circumstances' (paragraph 20 of the draft PS). We note that this requirement is consistent with the IFRS S2 requirements for climate (see IFRS S2 paragraph 22), notably in terms of proportionality (paragraph BC57). Furthermore, aligned with its decision made in May 2026, the ISSB suggests adding a provision related to the location of the entity's assets and activities (paragraph 24(vi)), highlighting a difference between nature- and climate-related SA. ESRS SBM-3, paragraph 33, requires disclosure of the resilience of the undertaking's strategy and of how the resilience analysis was conducted but does not require the use of SA. The requirement to use SA in IFRS S2 can already be considered to go beyond what ESRS E1-3 (Resilience in relation to climate change) requires (ISSB's Questions 8(b) and 8(c)).

86. While the SA-related requirements proposed by the ISSB go beyond the ESRS provisions in certain aspects, they may support decision-useful information regarding the identification of nature-related risks and opportunities and the resilience of the undertaking's strategy (ISSB's Questions 8 and 15). The differences identified may require ESRS preparers to provide additional information to comply with the ISSB's draft PS. However, the EFRAG Secretariat has not identified any direct contradiction between the ISSB proposals and ESRS. Some of the additional information may also support entity-specific disclosures under ESRS, where material.

87. However, while the ISSB has considered feasibility and cost-benefit implications of their provisions, to avoid additional effort for ESRS preparers wishing to apply the PS, the ISSB could consider aligning its scenario analysis provisions closer to ESRS and TNFD, which would avoid, for instance, the requirement to use scenario analysis in relation to the resilience assessment (ISSB's Question 14).

Nature-related targets (related to the ISSB's Question 10)

88. EFRAG welcomes the draft PS requirements in paragraph 34 onwards to disclose specific information in relation to nature-related targets (ISSB's Question 10). These provisions are addressed by the provisions outlined in ESRS (see ESRS GDR-T).

89. EFRAG suggests the inclusion of a reference to how nature-related targets can be classified according to the mitigation hierarchy in the provisions of the draft PS or in the related guidance. The mitigation hierarchy (i.e. avoidance, minimisation, restoration and compensation) is a decision-useful framework referenced in ESRS in connection with environmental actions (ESRS 2 para. AR 47), biodiversity-related targets (ESRS E4 para. AR 7) and biodiversity offsets (Glossary of terms defined in ESRS). The disclosure of nature-related information on actions and targets in connection with the mitigation hierarchy can provide useful information to primary users as well as help entities build credible action for nature[7].

90. Related to this, EFRAG also encourages the inclusion of a requirement to disclose how biodiversity offsets have been considered in nature-related target setting or to address offsets in the guidance. Transparency in differentiating offset-related targets from mitigation- or restoration-related targets can be important to primary users to better understand the effectiveness of such targets in relation to nature and addressing related risks and opportunities, as well as to avoid disclosures that could be perceived as 'greenwashing'. The distinction can also be useful if the entity links its targets to (international) agreements or policies, for instance Target 19 of the Kunming-Montreal Global Biodiversity Framework (GBF). ESRS E4, paragraphs 15

[7] See SBTN blog: How do SBTs for nature help companies act on biodiversity?

and 17, require information about the use of biodiversity offsets in actions or when setting targets (ISSB's Question 14).

91. Additionally, the draft PS refers to 'information about whether and how the target has been informed by law or regulation' (paragraph 34(c)), whereas ESRS also refer to 'the level of compatibility with national, EU or international policy goals' (ESRS 2, paragraph 51(h)). To increase interoperability and highlight the relevance of disclosing how nature-related targets may contribute to relevant international agreements, such as the GBF, EFRAG advises the ISSB to also include a reference to international agreements (ISSB's Question 14).

92. Finally, EFRAG notes that ecological thresholds are not explicitly mentioned in the draft PS (only the Basis for Conclusions refers to tipping points in BC171 in relation to SA). Nature-related targets are most effective when they are science-based and aligned with ecological thresholds, as stated in ESRS E4, paragraph AR 7. ESRS require undertakings to disclose whether targets are based on conclusive scientific evidence and connect this to ecological thresholds (see ESRS 2, paragraphs 51(i) and AR 47). To enhance interoperability and decision-usefulness for primary users, EFRAG advises the ISSB to require information on whether the targets are based on conclusive scientific evidence (ISSB's Question 14).

Illustrative examples for location-related considerations (related to the ISSB's Question 5)

93. EFRAG agrees that the illustrative examples in the Accompanying Guidance can support location-related considerations and has no further comments.

Statement of compliance (related to the ISSB's Question 12)

94. EFRAG has no further comments. Implicitly connected to this question, EFRAG shared above its comments on the form of the standard-setting chosen by the ISSB.

Application date and transition (related to the ISSB's Question 13)

95. EFRAG has no further comments. Implicitly connected to this question, EFRAG shared above its comments on the form of the standard-setting chosen by the ISSB.

Cost, benefits and likely effects of implementation (related to the ISSB's Question 16)

96. EFRAG agrees that the benefits are likely to outweigh the costs of implementing the Practice Statement. Subject to the recommendations provided in this Draft Comment Letter, we also agree that the proposed requirements would result in improved quality of nature-related disclosures and be feasible to implement for preparers in different industries. A comment on assurance was provided above when commenting on the form of the standard-setting.

Other remarks (related to the ISSB's Question 17)

97. EFRAG highlights the relevance that nature restoration (and compensation) activities could increasingly play as part of the actions that undertakings take to manage material impacts, risks and opportunities related to nature and the decision-usefulness of such information to investors and other stakeholders. In this context, EFRAG already requires information related to the use of biodiversity offsets (compensation) related to actions and target-setting (see ESRS E4-3 and E4-5). We suggest including a disclosure requirement in the PS on how restoration efforts (and compensation efforts) are expected to change the financial position of the entity. IFRS S1 already requires information on expected changes in financial position, performance and cash flows, including investment plans and planned sources of funding (paragraph 35(c) and 35(d)), and IFRS S2 specifies how this applies to climate. The requirement should enable alignment also with ESRS, particularly ESRS 2 paragraphs 28, 29 and 31.

98. EFRAG notes the use of examples throughout the draft PS, e.g. in paragraphs 17, 18, 19 or 24, to illustrate disclosure content. The examples can be helpful to clarify the disclosure requirements. However, their use also raises questions about their status within the draft PS and whether they will ultimately be treated in practice by preparers and auditors as requirements to comply with the draft PS. The examples can also have implications on the interoperability with ESRS. For instance, while the requirements outlined in paragraph 34 of the draft PS relating to the description of targets set by the undertaking are deemed to be covered by the requirements of ESRS 2, paragraph 51, the disclosure examples included in the draft PS in paragraph 34(b) outline specificities not addressed by ESRS (e.g. the disclosure of information about the locations of assets or activities throughout the value chain included in the target). ESRS preparers that wish to also comply with the draft PS may question whether they need to provide the granular information outlined in the examples (ISSB's Question 17).

99. In the table below, EFRAG lists additional comments on specific paragraphs. These comments are more editorial in nature and aim at enhancing the clarity of the draft PS.

Paragraph in the draft PS	**Relevant Text in the draft PS**	**EFRAG's Comment**
19(c)	[In providing information to meet the requirements in paragraph 33 of IFRS S1, an entity shall disclose information about] (c) Trade-offs and synergies between nature-related and climate-related risks and opportunities. [...]	Trade-offs and synergies could also be related to social risks and opportunities. We suggest adding social related risks and opportunities as this draft PS relates to IFRS S1 which is topic-agnostic; limiting the trade-offs to climate risks also leads to a narrower view of sustainability reporting and the interconnectedness of sustainability topics.
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.	Please edit as first 'For example' leads into another 'for example'. We suggest introducing sub-divisions: (a), (b), etc.
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.	Unclear to what 'in more than one way' refers to.
B32	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.	The language used ('protect, conserve, regenerate, restore or reduce negative impacts on nature') mixes up terminology used in the context of the mitigation hierarchy (avoid - minimise/reduce - restore/regenerate) and in the

		context of negative impacts (prevent, mitigate, remediate).
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.	It is unclear which criteria do underpin the 'judgement' an entity needs to use to determine the appropriate geographical scale and how this relates to the materiality assessment. For better interoperability, consider using ESRS-aligned language: 'in a way that reflects the level at which significant variations of material risks or opportunities arise'.
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.	We suggest replacing the word 'scale' with a more appropriate term as it would introduce ambiguity with the UNGP concept of severity of negative impacts (i.e. scale and scope).