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Asia Pacific Mandatory Sustainability Reporting Series

Facing up to nature:

An increasingly material issue for business resilience

Across Asia Pacific, jurisdictions are advancing in a common direction: toward formalised, ISSB-aligned sustainability reporting that increasingly connects climate and nature with enterprise value, resilience and capital allocation.

Mandatory or phased reporting is already underway in Australia, New Zealand, Singapore and Malaysia, and is also progressing in the Philippines, Japan and Taiwan (China). China has issued ISSB-based standards, and Korea has confirmed a roadmap toward ISSB-based disclosures. The direction of travel is clear: climate- and nature-related reporting are becoming part of mainstream regulatory and market architecture across Asia Pacific.

Leading organisations, such as Kering ¹, already recognise the value of nature in their reporting. While the initial regulatory focus across many Asia Pacific jurisdictions has been on IFRS S2 (climate-related disclosures), adoption of IFRS S1 means companies will also be required to identify and assess material non-financial risks and opportunities that could reasonably be expected to affect their prospects over time.

In practice, this will require companies to consider whether nature-related dependencies on, for example biodiversity, water, land use and ecosystems, are material and therefore need to be disclosed.

We recently held a roundtable in **Deloitte New Zealand** with leaders in global sustainability reporting, nature, civil society and business where we unpacked these issues and the future of sustainability reporting.

The International Sustainability Standards Board (ISSB) has signalled that it will be issuing a Practice Statement on nature-related disclosures in October 2026. At the event in late August, the ISSB's Vice Chair, Sue Lloyd, clarified the ISSB's expectation that nature-related risk and opportunities should be included in IFRS S1 and S2 disclosures for climate and sustainability reporting.

As adoption increases, Asia Pacific has an opportunity to help shape more consistent and decision-useful reporting across climate and nature. Seen through that lens, the themes emerging from the New Zealand event have wider significance: they illustrate both the practical barriers that still need to be addressed and the strategic importance of improving how nature- and climate-related risks, dependencies and opportunities are understood and communicated.

For organisations across the region, the challenge now is not simply to meet evolving disclosure requirements, but to strengthen the data, governance and decision-making capabilities that support the management of nature and climate-related risks and opportunities, which in turn, improves the quality of financial and non-financial disclosures.



¹ Kering, 2026 EP&L environmental measurement tool for sustainable luxury (<https://www.kering.com/en/sustainability/measuring-our-impact/our-ep-l/>)



Global economic activity is contingent on the availability of natural resources. Yet factoring in the condition and availability of these resources to avoid tipping points through over-exploitation, has often sat beyond traditional mechanisms used to assess enterprise value and financial viability. That is all about to change.

The World Economic Forum estimates that more than half of global GDP — more than US\$63 trillion — is moderately or highly dependent on nature and ecosystem services.²

If anything, that estimate may prove conservative. This is because the double materiality of biodiversity has several implications for asset pricing. Biodiversity loss risks can negatively impact the financial performance of corporations through both physical and transition risk perspectives, by disrupting supply chains or triggering stricter governmental regulations on the environment. The extent of market momentum depends on whether investors recognise, assess, and price those risks.³ The United Nations Development Programme (UNDP) notes that a partial ecosystem collapse could reduce global GDP by as much as US\$2.7 trillion annually by 2030.⁴ Currently, sovereign credit ratings ignore these risks, meaning that markets may be mispricing, mismanaging and misallocating US\$83 trillion of financial assets.⁵

Where mandatory climate-related disclosure regimes are already demonstrating how physical and transition impacts can be financially material, nature loss is likely to follow a similar trajectory.

Nature is becoming part of the financial materiality agenda

The direction of travel in international reporting standards indicates that climate and nature are converging into a single financial materiality agenda. During a recent event hosted by Deloitte New Zealand, the ISSB's Vice Chair, **Sue Lloyd** noted that jurisdictions adopting ISSB standards are not limiting sustainability-related disclosures to climate alone.

Ms Lloyd explained that IFRS S1, which is either already, or about to be, mandated in over 16 jurisdictions, requires organisations to disclose material sustainability-related risks and opportunities affecting enterprise value. This encompasses nature-related dependencies, impacts, risks and opportunities where these are material to future prospects. She emphasised that under IFRS S1 and S2, companies are already expected to consider nature-related matters where they influence strategy, risk management, governance or financial performance. Ms Lloyd also explained that the ISSB's forthcoming nature-related Practice Statement is intended to further strengthen consistency and comparability, by incorporating concepts and definitions developed by the Taskforce on Nature-related Financial Disclosures (TNFD).

This is a significant development. Unlike earlier generations of sustainability reporting, IFRS S1 explicitly focuses on information that holds material relevance for investors and enterprise value.⁶ The implication is that nature-related information is no longer being framed solely as an environmental issue. It is increasingly being framed as a source of economic and societal value; and its loss, framed as a financial stability risk.

² World Economic Forum, January 2020, Nature Risk Rising: Why the Crisis Engulfing Nature Matters for Business and the Economy, p13
³ Visentin, G.A, March 2026; Financial risks of biodiversity loss: A review
⁴ UNDP, 2026, Designing Insurance for Nature: A Practical Guide
⁵ Agarwala, M. et al, June 2026, Biodiversity loss will decrease the future creditworthiness of nations

⁶ IFRS S1 is either already mandated, or will come into effect in 2027, in Kenya, Malaysia, Nigeria, Pakistan, Sri Lanka, Tanzania, Turkey, Zambia, Zimbabwe, Chile, Costa Rica, Jordan, Mexico, Qatar, Bangladesh, and EU member States (under ESRS)

Markets increasingly recognise nature risk — but still struggle to price it

Businesses are entering a time where the material risks no longer fit neatly on balance sheets. Nature-related risks are embedded deep within value chains and are often unmeasured and under-recognised.⁷ Yet meaningful progress on pricing value and quantifying financial exposure is hampered by lack of consensus on the tools and methods, and access to reliable data needed to reliably and consistently quantify it.

The World Economic Forum recently reported that financial institutions rank nature risk quantification as one of the highest-priority areas requiring further guidance.⁸ This challenge is reflected across markets more broadly.



A key finding from a joint report released by Deloitte and Bank of New Zealand is that the information infrastructure needed to identify, quantify, and compare those risks remains immature.⁹

Case studies of organisations in the agriculture, built environment and utilities sectors consistently cited limitations in ecological datasets, valuation methodologies, and the ability to translate environmental change into metrics that could be compared over time, or be applied within existing business processes.

These challenges extend well beyond technical accounting matters. Natural Capital Accounting is emerging as a multidisciplinary practice requiring the integration of ecological science, geospatial analysis, operational data, financial analysis and management judgement. This observation was shared by **Carl Obst**, Executive Director of the Institute for Development of Environmental-Economic Accounting (IDEAA) Group and one of the architects of the UN System of Environmental-Economic Accounting (SEEA) during the recent event hosted by Deloitte New Zealand.¹⁰ He noted that effective natural capital accounting depends not only on accounting

frameworks, but also on having access to fit-for-purpose methodologies, environmental datasets, digital tools, local knowledge and clearly defined decision-making objectives.

Mr Obst explained that organisations must first understand the natural assets that underpin their operations, the ecosystem services they depend on, and how changes in those assets affect economic outcomes, before that information can be translated into financially relevant insights.

Why insurers matter

If capital markets were fully pricing nature-related risk, we would expect evidence to surface first from the insurance sector, where risk identification and pricing sit at the heart of business models. Yet findings from the UNDP Sustainable Insurance Forum indicate that natural capital valuation by insurers is still in its infancy.

A survey of insurance regulators and supervisors found that 59%¹¹ had not yet undertaken assessments to determine whether nature-related risks could have material financial implications for insurers. This suggests that even among those responsible for supervising prudential resilience, understanding of biodiversity-related financial risk remains relatively immature.

Similarly, UNEP Finance Initiative's report, *Rooted in Risk: Framing Nature-related Assessments for Insurers*,¹² addresses what it describes as a critical gap in insurers' ability to assess nature-related risks within underwriting portfolios. The report's findings indicate how early the insurance market remains in integrating ecosystem condition into underwriting and pricing frameworks.

The consequence is that nature-related impairments that exist within portfolios today, are not reflected in premiums, capital allocation decisions or assessments of long-term risk.

Financial institutions rank nature risk quantification as one of the highest-priority areas requiring further guidance.⁸

7 Deloitte New Zealand, May 2026, Gearing up for Action: Beyond Mandatory Climate Disclosures, p14
8 World Economic Forum, April 2025, Nature Positive: Corporate Assessment Guide for Financial Institutions, p09
9 Deloitte and Bank of New Zealand, September 2026, Connecting Climate, Nature and Capital - From Data to Decisions: Natural Capital Accounting in Practice
10 Deloitte New Zealand, August 13 2026, Exclusive international update on climate and nature disclosures with ISSB, XRB and SEEA
11 UNDP Sustainable Insurance Forum, June 2026, Nature-Insurance Nexus: Results of SIF survey on nature-related risks (<https://sdgfinance.undp.org/sites/default/files/2026-06/Nature-%E2%80%93Insurance-Nexus-Results-Final.pdf>)
12 UN Environment Programme Finance Initiative, June 2025, Rooted in Risk Framing nature-related assessments for insurers, p05

Why more consistent methods and market infrastructure are needed

The absence of agreed methods, metrics and data makes it difficult for organisations to integrate nature-related risks into transition planning, governance frameworks and risk registers. It makes it equally difficult for them to report nature-related information with the degree of reliability and consistency required by investors, lenders and insurers.¹³

Information asymmetry and market fragmentation due to inconsistent measurement methodologies, quantification processes, and the absence of standardised biodiversity metrics, continue to suppress investor confidence and prevent efficient price formation.

This has manifested in a persistent delay in establishing robust voluntary global biodiversity markets.¹⁴ Demand for nature-related information - particularly in the context of biodiversity credits and offsets - is growing more quickly than the systems available to measure and value it.¹⁵

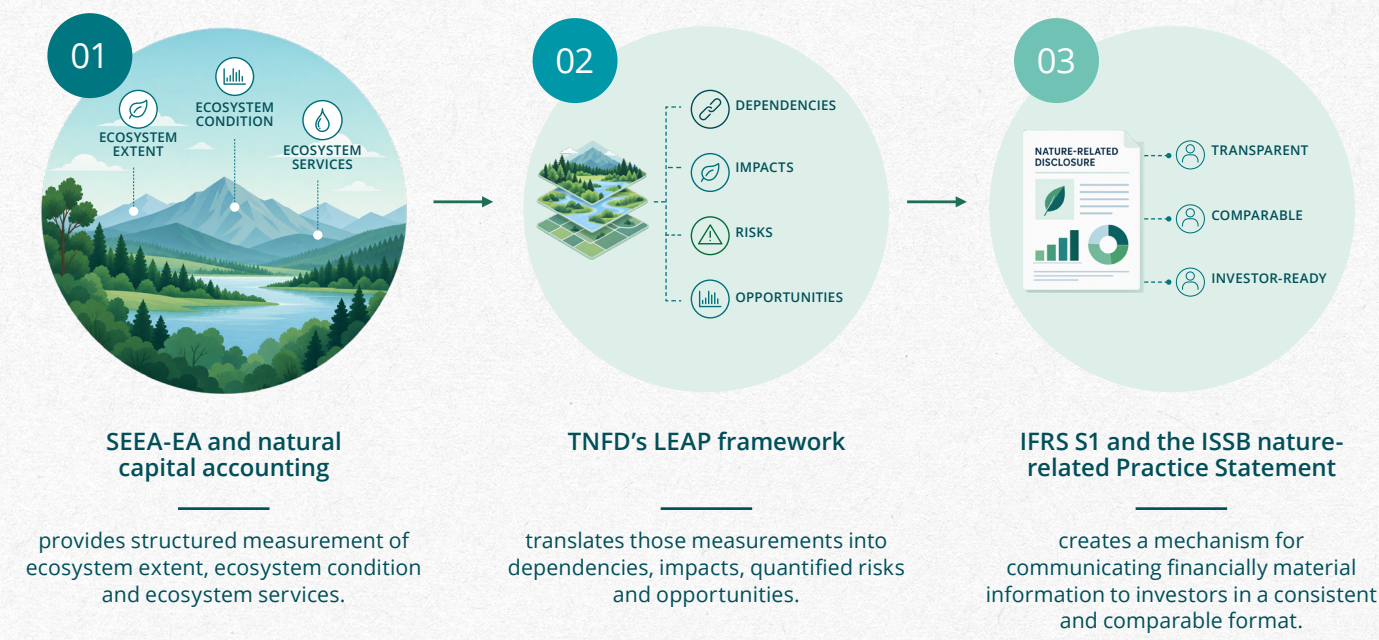
Bridging the gap: Natural capital accounting, nature dependencies and disclosures

With capital markets beginning to recognise the need to treat nature as an economic asset; and biodiversity loss as a financial risk, standards like IFRS S1, the ISSB's forthcoming nature-related Practice Statement¹⁶, which is expected to provide important guidance once released, and accounting methods like the SEEA - Ecosystem Accounting standard, play an important role.



13 Deloitte New Zealand, May 2026, Gearing up for Action: Beyond Mandatory Climate Disclosures, p14
14 Deloitte New Zealand, March 2026, Connecting Nature, Climate and Capital, p11
15 Deloitte New Zealand, March 2026, Connecting Nature, Climate and Capital, p23
16 IFRS, April 2026, ISSB agrees on the proposed way forward for nature-related disclosures

The emerging architecture for quantification, measurement and disclosure is becoming increasingly coherent:¹⁷



Together, these accounting methodologies and frameworks provide the foundations for moving markets beyond qualitative disclosure towards universally adopted methods for quantification and more accurate nature-related risk pricing.

Signalling nature's value

Nature-related risk is not less visible because it lacks economic significance. It is less visible because financial systems have historically lacked consistent methods for measuring and communicating risk and opportunity through price signals. The availability of natural capital information as a supplement to traditional financial information can significantly improve understanding of the assets that underpin economic value creation.

This type of information is viewed by lenders, investors and insurers as an indicator of management capability, operational resilience, long-term productivity and ability to mitigate or reduce exposure to future risks - which in turn, will generate the market signals that until now, have been absent from capital markets. This is a critical point worth underscoring: Until the value of natural capital is fully quantified and clearly signalled, nature-related dependencies will continue to represent a significant blind spot in capital markets, threatening financial and economic stability.

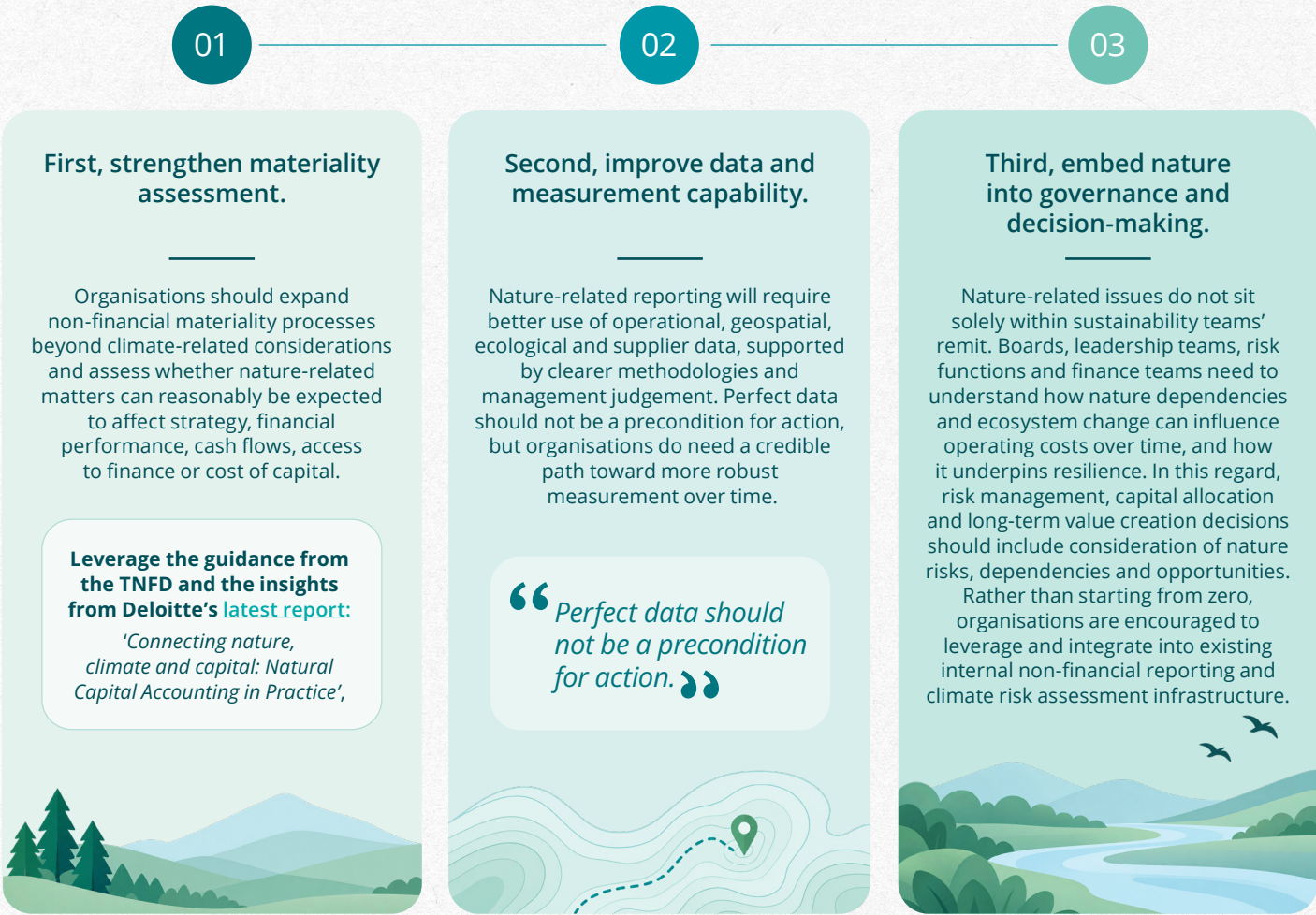
¹⁷ Deloitte and Bank of New Zealand, September 2026, Connecting Climate, Nature and Capital - From Data to Decisions: Natural Capital Accounting in Practice

From disclosure to decision-making: what organisations should do next

As sustainability reporting adoption increases across Asia Pacific, organisations should not wait for a standalone nature mandate in every jurisdiction before taking action. The more practical approach is to build on existing climate and sustainability reporting programmes and assess where nature-related dependencies, impacts, risks and opportunities may already be material to enterprise value.

A practical starting point is to use current climate disclosure efforts as a foundation for identifying nature linkages across the business. Many organisations have already established governance structures, risk processes, scenario analysis capabilities and reporting controls in response to climate-related requirements. These capabilities can now be extended to identify where nature and climate intersect — for example through water availability, land use, ecosystem degradation, supply chain resilience, transition planning and physical asset exposure.

Three priorities stand out.



As ISSB-aligned reporting adoption expands across Asia Pacific, organisations that embed nature into governance and decision-making will be better placed to respond quickly to changing market conditions, to meet evolving disclosure expectations, and to strengthen strategic decision-making to support business resilience in a world where climate and nature-related scarcity and cost increasingly inform enterprise value.

The next phase is therefore about having the right information to make informed decisions, supported by the right data, clearer governance and an integrated understanding of how climate and nature shape resilience, performance and enterprise value.



From left to right: Carl Obst, Director of the Institute for the Development of Environmental-Economic Accounting (IDEEA), Dr Amelia Sharman, Director- Sustainability Reporting of the External Reporting Board (XRB), Sue Lloyd, Vice-Chair of the International Sustainability Standards Board (ISSB) and Rikki Stancich, Partner, Sustainability & Climate, Deloitte New Zealand



Sue Lloyd, Vice-Chair of the International Sustainability Standards Board (ISSB) providing an overview on the ISSB

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