



NATURE IN TRANSITION PLANS: WHY AND HOW?

How companies can consider climate and nature together
in current transition planning

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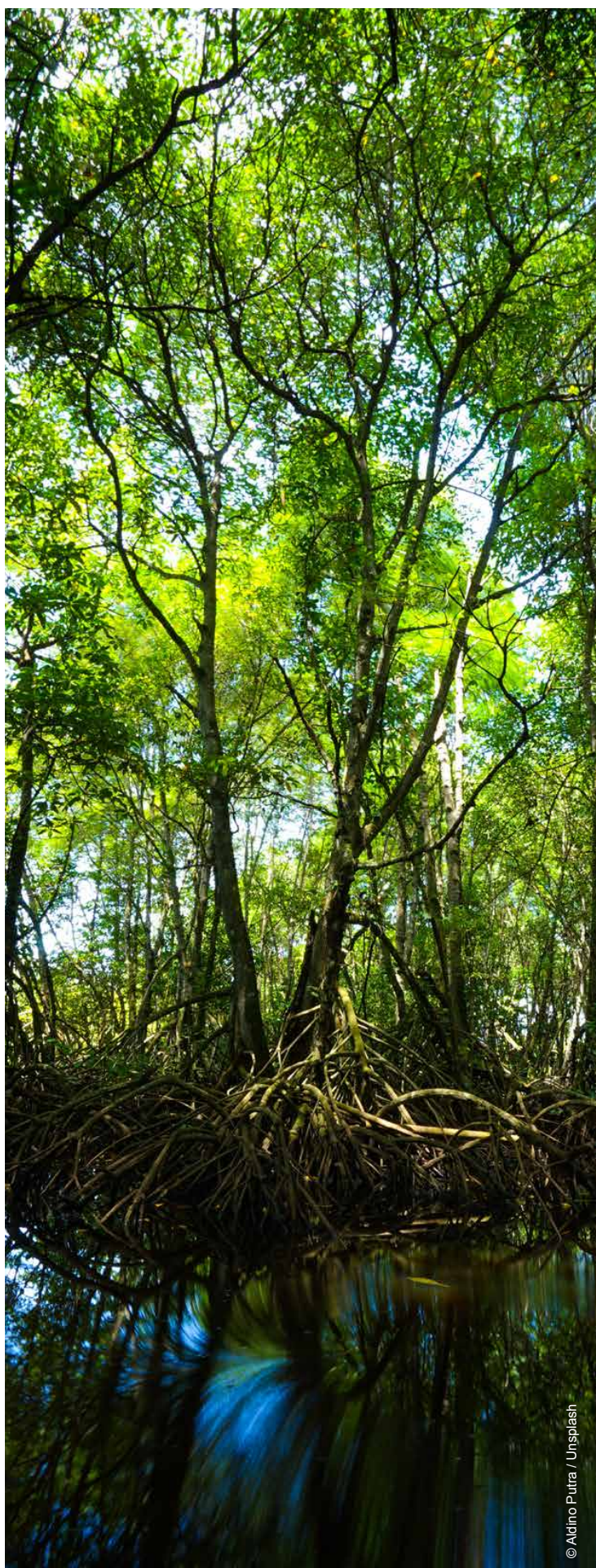
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WWF-UK
Living Planet Centre
Rufford House, Brewery Road
Woking, GU24LL
wwf.org.uk



EXECUTIVE SUMMARY

Climate change and nature loss are twin existential threats. While climate change is now finally gaining some traction, nature loss still lags behind – even though nature is no less than humanity’s life support system. Indeed, the two are deeply entwined: climate change and nature loss drive each other, and so need to be tackled together.

As an example, agriculture, forestry, and land-use change currently accounts for 23 per cent of global greenhouse gas emissions¹. It is also the largest driver of nature loss, which has seen a 69 per cent decrease in global wildlife populations since 1970². However, mitigating climate change and reversing nature loss can also provide joint solutions – an estimated 54 per cent of human-induced carbon dioxide is absorbed by land and oceans every year, with forests playing a vital role in carbon sequestration³.

A critical opportunity to bring the solutions to climate change and nature loss together is in transition planning. To date, the focus of transition plans has largely been on climate change – where businesses and financial institutions demonstrate how they will manage climate risks and take action to reach their climate targets. Best practice guidance for transition plans is emerging at pace, with growing agreement on the need to adopt a holistic approach: incorporating nature, adaptation, and a just transition^{4,5}.

Given the significant interdependencies between nature loss and climate, it makes both scientific and business sense for companies to take an integrated approach to transition planning. And businesses are already looking to move beyond a sole focus on climate, towards more nature positive activities.

In this paper, we propose that businesses take a stepwise approach to integrating nature in existing transition planning frameworks by: step 1) integrating nature into their climate transition planning to support the delivery of the Paris Agreement, and step 2) aligning transition plans with nature positive goals of the Kunming-Montreal Global Biodiversity Framework agreed at COP 15, or similar agreements^{1,6}. The former could refer to, for example, investing in nature-based climate solutions, such as restoring natural carbon sinks like forests or peatlands, and applying safeguards to assess and avoid harm to nature arising from activities under the climate transition plan. The latter could include building a robust understanding of the business’s major impacts on nature, mitigating such negative impacts, and aligning business activities with global nature commitments.

Specific actions that businesses can already start taking to integrate nature are described in the following table (Table 1), expanding on the guidance for transition plans proposed by the Glasgow Financial Alliance for Net Zero (GFANZ), while a range of tools are available to help, including ENCORE⁷, the Science-Based Target Initiative tools⁸ and TNFD’s LEAP guidance⁹. The table and the associated tools show that nature can be integrated into transition planning frameworks today, and that taking action now is both feasible and desirable.

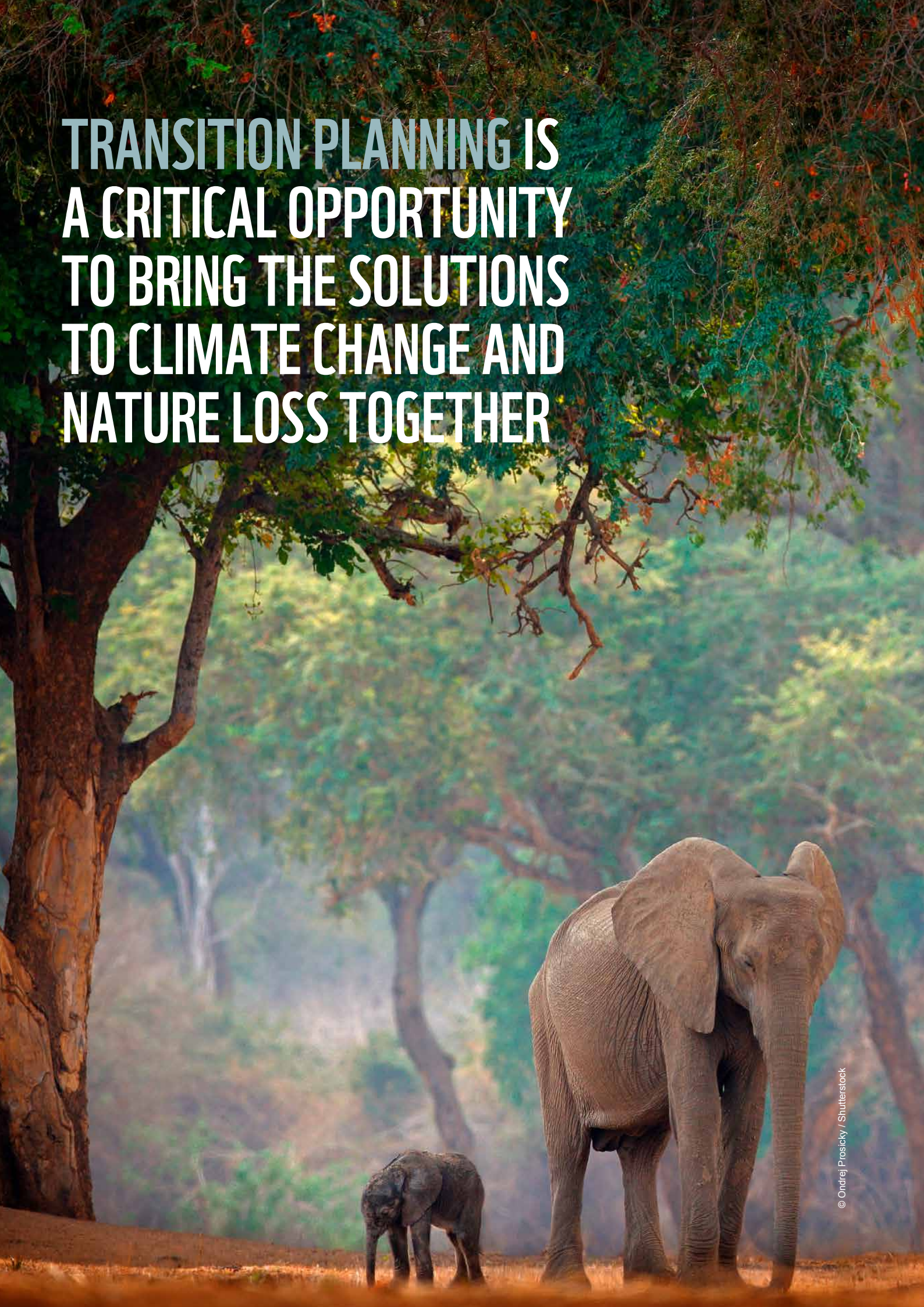
1 ‘Nature positive’ refers to the mission of the Kunming-Montreal Global Biodiversity Framework (GBF) where, by 2030, biodiversity loss has been halted and reversed, setting the course for its 2050 vision of a world of living in harmony with nature. The 2030 mission comprises 23 global targets around which more detailed metrics for companies should develop. The GBF specifically calls out the role of companies and private finance in delivering its goals. ‘Nature positive goals’ in this paper refers to the goals and targets of the GBF, while ‘nature positive objectives’ refers to company-level targets that support the GBF, or nature positive multilateral, national and subnational regulations or agreements (e.g. National Biodiversity Strategies and Action Plans).

Table 1

How to integrate nature into transition plans to support global goals for climate (Step 1) and nature positive (Step 2), expanding the existing GFANZ guidance

Elements	Step 1: Integrate nature into climate transition planning	Step 2: Integrate nature positive objectives into transition planning
1 Foundations	Build knowledge-base and set objectives to safeguard and restore nature to deliver climate goals Build foundational knowledge of how the transition plan can impact, depend on, or be exposed to risks from nature and any related opportunities. Set short-, medium- and long-term objectives to safeguard nature, mitigate emissions arising from nature's degradation and prevent damage to ecosystems from transition activities, and to invest in nature-based solutions that restore carbon sinks.	Build knowledge-base and set objectives aligned with nature positive goals Build knowledge of how the entire business model can impact, depend on, and share risks and opportunities related to nature, beyond the activities of the climate transition plan. Set short-, medium- and long-term objectives in line with global nature positive goals, including establishing nature safeguards and using nature-based solutions for benefits beyond climate mitigation and investing in nature's protection and restoration. This includes eliminating loss of priority ecosystems, protecting land and seas, reducing pollutants and eliminating plastic waste.
2 Implementation strategy	Implement objectives to safeguard and restore nature for climate goals Embed the chosen nature objectives into all business activities, supported by an implementation roadmap.	Implement objectives for nature positive Embed nature positive objectives into all business activities, supported by an implementation roadmap.
3 Engagement strategy	Engage stakeholders to safeguard and restore nature for climate goals Work with stakeholders in the value chain, peers, industry alliances, governments, trade associations and civil society to safeguard and restore nature for climate goals.	Engage stakeholders to deliver nature positive Work with stakeholders in the value chain, peers, industry alliances, governments, trade associations and civil society to take action towards nature positive goals.
4 Metrics and targets	Define metrics for nature safeguards & restoration for climate goals Select business and environmental metrics that measure progress against objectives and capture the climate benefits of nature-based solutions.	Define metrics for nature positive Select business and environmental metrics that measure progress against nature positive objectives and capture potential co-benefits of nature-based solutions.
5 Governance	Build capability and accountability to safeguard & restore nature for climate goals Ensure board oversight, management processes, team capabilities, incentives, and expertise are in place to deliver nature-related objectives in the climate transition plan.	Build capability and accountability to deliver nature positive Ensure board oversight, management processes, team capabilities, incentives, and expertise are in place to deliver broader nature positive objectives in the transition plan.

**TRANSITION PLANNING IS
A CRITICAL OPPORTUNITY
TO BRING THE SOLUTIONS
TO CLIMATE CHANGE AND
NATURE LOSS TOGETHER**



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FOREWORD

In the coming decades the world faces two major environmental challenges: to keep global temperature rise to 1.5°C and to reverse unprecedented rates of nature loss. There is clear consensus that these challenges must be addressed together, given the significant interdependencies between them¹⁰. Yet business and policy solutions have been developed in separate silos to date, an approach that may make current efforts to reach our net-zero goals ineffective at worst and inefficient at best.



Tanya Steele
Chief Executive, WWF-UK

A stylized, handwritten signature in blue ink, appearing to read 'Tanya Steele'.

As WWF's most recent *Living Planet Report* shows, global wildlife populations are in alarming decline, falling by 69 per cent on average since 1970². Climate change has already increased temperatures by 1.1°C, changing weather patterns and giving us a glimpse of what even higher temperatures will mean. The world economy we have created has generated tremendous growth but will fail to serve us all in the long run if we do not switch to more sustainable economic models that operate within our planetary boundaries. This is a challenge, but also an opportunity. It means new ways of allocating capital towards business activities that are, at their core, compatible with both a net-zero and nature positive economy.

That opportunity now presents itself in new frameworks for transition planning, which demonstrate how businesses and economies can credibly make the transition towards net-zero carbon emissions.

While businesses develop and publish plans demonstrating how they will decarbonise, and attract capital to support such activities, they can also adopt a more holistic approach by considering their impact on nature and investing in nature positive solutions.

As was demonstrated in the negotiations at COP27, COP15 and the G20, a just transition that recognises the interlinkages with nature is a critical component of the net-zero movement – and 1.5°C is a non-negotiable target. But for this to become tangible, nature risk must be recognised in financial regulation, transition planning standards and national adaptation plans.

We can and must turn the tide, putting nature – and its restoration – at the heart of the economy.

INTRODUCTION

As the pressure to tackle climate change grows, companies are increasingly taking action to manage associated risks and set targets to reduce their greenhouse gas emissions. Meanwhile an increasing number of initiatives – led by industry, government and civil society – have developed guidance on what a credible, robust climate ‘transition plan’ to achieve these targets looks like. Yet while the tools to deliver climate ambitions strengthen, we face another equally important challenge: nature² loss.

**‘NATURE POSITIVE’
IS THE TERM USED
TO DESCRIBE A
WORLD WHERE
NATURE – SPECIES
AND ECOSYSTEMS
– IS BEING
RESTORED AND
IS REGENERATING
RATHER THAN
DECLINING**

Nature loss and climate change are deeply interlinked: one cannot be prevented without managing the other. Therefore, this paper makes the case for addressing the two together in a transition plan, a topic that has not yet been sufficiently tackled in climate transition planning guidance. In particular, the paper points towards an approach to deliver ‘nature positive’ outcomes, using transition planning frameworks as a blueprint to standardize action on nature. This report will not delve deeply into examples of the sector-specific interventions that can restore nature, but presents an approach that can already be applied to nature across multiple sectors and industries, for companies and finance.

‘Nature positive’ is the term used to describe a world where nature – species and ecosystems – is being restored and is regenerating rather than declining. There is increasing impetus to create a nature positive economy and financial system. In particular, the Kunming-Montreal Global Biodiversity Framework has set a 2050 global nature positive vision, with interim goals to halt and reverse nature loss by 2030⁶. It specifically calls on corporates and financial institutions to contribute towards and align their activities with its 23 targets to protect, enhance and restore nature on land, in freshwater and in oceans.

In this report we refer to ‘nature positive goals’, meaning those aligned to the above targets, and ‘nature positive objectives,’ to describe how business and finance can align with and contribute towards this ambition – i.e., the steps they can take to halt and reverse nature loss in their own business models, operations, value chains and portfolios. In particular, the report provides initial suggestions on how businesses and financial institutions can use transition plans to align with nature positive goals alongside climate goals.

The first chapter explains why climate change and nature loss should be addressed together, and the second chapter describes how companies and financial institutions can start to integrate nature in their transition plans, building on already established or developing guidance, frameworks and tools.

² Nature, as referred to in this report, captures both natural capital (e.g. plants, animals, freshwater, oceans, soils, minerals, biodiversity) and the ecosystem services it provides. Terrestrial, freshwater and marine ecosystems provide us with services essential for human well-being, such as energy, fibres, materials, water, medicines, soil fertility for food and feed, but also less tangible services like climate regulation and health benefits. Source: UN System of Environmental Economic Accounting (SEEA). (2022): “Ecosystem services are the contributions of ecosystems to benefits used in economic and other human activity”, <https://seea.un.org/content/natural-capital-and-ecosystem-services-faq>



**NATURE LOSS AND CLIMATE
CHANGE ARE DEEPLY INTERLINKED:
ONE CANNOT BE PREVENTED
WITHOUT MANAGING THE OTHER**

1. TRANSITION PLANNING – THE CASE FOR THE INTEGRATION OF NATURE

1.1 THE STATUS OF CLIMATE TRANSITION PLANS

Although standards and definitions are evolving, transition planning guidance tends to focus on climate action. Transition plans are timebound, comprehensive action plans that describe how a company intends to reduce its carbon emissions and climate risks in line with national and international targets, like those of the Paris Agreement. These plans lay out high-level company targets, followed by a series of actions geared to achieve them, across a company's business model, operations, value chains and portfolios. But transition planning guidance has started to go further. It has begun to recommend that companies strategically leverage relationships in the value chain, with policymakers, peers and other stakeholders including consumers, to promote economy-wide action rather than risk 'paper' decarbonization, where assets are simply shifted off the balance sheet.

A growing number of initiatives by industry and non-governmental organizations have started to develop guidance on credible transition plans (see Box A). Several jurisdictions around the world are also moving towards making transition plan disclosure mandatory, with support from regulatory or standard-setting bodies (see Box B). These efforts build on established climate-related risk disclosures and frameworks, notably the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the Science-Based Targets initiative (SBTi). As such, a transition plan, complemented by robust disclosures and science-based targets, is increasingly considered to be the benchmark for private-sector ambitions on climate change, helping companies combat greenwashing and facilitate the transition across the whole economy.

A

Emerging guidance on transition planning from industry and non-governmental initiatives

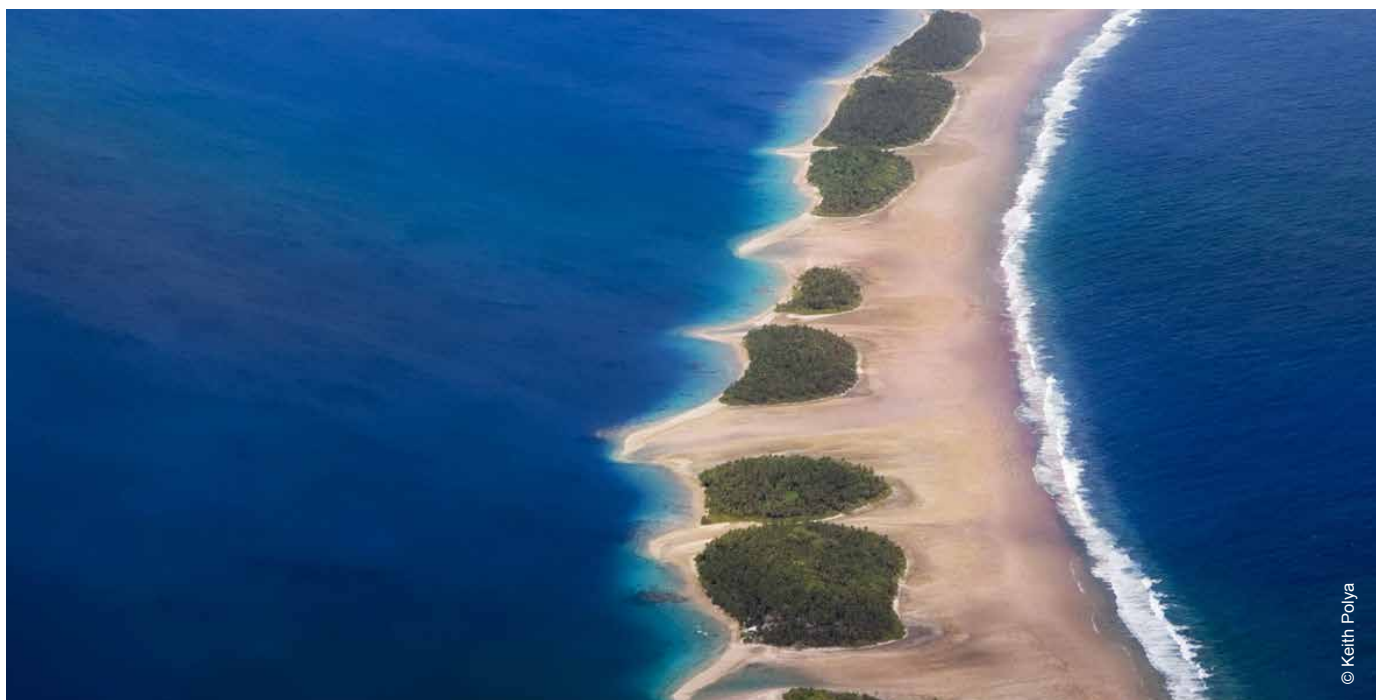
Guidance for financial institutions and real-economy sectors to develop climate transition plans has emerged from multiple fora, building on the initial TCFD guidance. Notable efforts include those of the Glasgow Finance Alliance on Net Zero (GFANZ), a network of 550+ financial institutions across nearly 50 countries, and other organizations like the Carbon Disclosure Project (CDP) and the Climate Policy Initiative (CPI) which have contributed towards the growing body of knowledge. Complementary tools have emerged to enable companies to align to a science-based net-zero pathway, such as the SBTi, and the Transition Pathway Initiative on Carbon Performance (TPI-CP) for the financial sector. Climate Action 100+ (CA100+) and the Assessing low-Carbon Transition (ACT) initiative have also provided assessment tools to gauge the credibility of transition plans in an environment where standards and metrics are often divergent.

B

Policy and regulatory pressure is increasing on companies to develop transition plans

As industry tools and guidance have matured, global policymakers have started to increase transparency and standardization on climate reporting. In 2021, finance ministers and central bank governors from G7 countries agreed to mandate climate-related financial reporting, aligned with the recommendations of the TCFD. International standard-setters have also expanded their focus to a broader range of sustainability disclosures, notably the IFRS Foundation's International Sustainability Standards Board (IFRS-ISSB), which includes aspects of transition planning in its most recent draft sustainability standard¹². G20 leaders and the Financial Stability Board (FSB) have welcomed the work of the IFRS to create a global baseline on climate and sustainability disclosure standards¹³, which will in turn influence jurisdictional policy and regulatory development.

Progress is also being made at a national level. At COP 26, the UK government announced a commitment to make the publication of transition plans mandatory (on a comply-or-explain basis) for certain companies by the end of 2023, and launched the Transition Plan Taskforce (TPT) to develop a 'gold standard' for transition plans¹⁴ that would build on and raise ambition beyond the ISSB-IFRS framework. The U.S. Securities and Exchange Commission (SEC) has proposed rules around climate-related disclosures, including transition plans¹⁵. The Japanese Financial Services Authority (SFSA) has also issued guidance on climate transition plans and strategies¹⁶. Going further, the European Financial Reporting Advisory Group (EFRAG) has outlined proposals in its European Sustainability Reporting Standards (ESRS) consultation, meaning that transition plans will be part of the European Commission's Corporate Sustainability Reporting Initiative (CSRD)³.



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3 The CSRD will become applicable to more than 50,000 companies, including those outside the European Union. The EU-Taxonomy, the EU's sustainable finance framework, will also require companies to disclose to what extent their turnover, CapEx and OpEx are aligned with so-called do-no-significant-harm (DNSH) criteria. In practice these new legal requirements mean that companies raising funds on European capital markets or generating significant business in the EU will need to look at business models through the 'green lens' provided by the taxonomy.

1.2 THE INTERLOCKING CRISIS OF CLIMATE AND NATURE

While climate action is gaining traction, it is not the only existential crisis humanity is facing: nature is also in fast decline. Terrestrial, freshwater and marine ecosystems, including their rich diversity in species, provide us with services essential for human well-being, such as energy, fibres, food and feed, and a healthy environment to live in. Yet we are destroying these essential services: wildlife populations have already decreased by 69 per cent since 1970². Ultimately humanity and the whole economy are dependent on the essential services nature provides¹⁷. Soberingly, the continued degradation of ecosystems represents an annual loss of at least US\$479 billion¹⁸.

The importance of addressing climate change and nature loss together is crucial given the fundamental interlinkages between the two:

i) Nature loss and climate change are mutually reinforcing

Nature loss – such as damage to biodiversity, ecosystem services and natural capital – is a key driver of climate change. Agriculture, forestry and other land-use change, for example, accounts for 23 per cent of global greenhouse gas emissions¹. Meeting the Paris Agreement 1.5°C target is therefore contingent on reducing these emissions, a fact also highlighted by the Glasgow Leaders' Declaration on Forests and Land Use¹. Relatedly, climate change has already caused between 11-16 per cent of all biodiversity loss, and this percentage is fast increasing¹⁹.

ii) Nature is vital for climate mitigation

On the other hand, the greenhouse gas sequestration potential of nature is substantial. Evidence shows that natural climate solutions could deliver up to a third of the most cost-effective climate mitigation needed until 2030 to prevent warming above 2°C²⁰. Agroforestry systems can preserve biodiversity but also sequester more than twice the carbon that standard planting practices can, while reducing the exposure of farmers to extreme heat²¹. Furthermore, all scenarios developed by the IPCC that limit climate change to 1.5°C rely on increasing the greenhouse gas sequestration potential of nature coupled with the avoidance of further damage to soils, forests, peatlands, wetlands, oceans and other critical biodiverse sinks³. Nature-based adaptation and mitigation options are also likely to be among the most scalable solutions available today²².

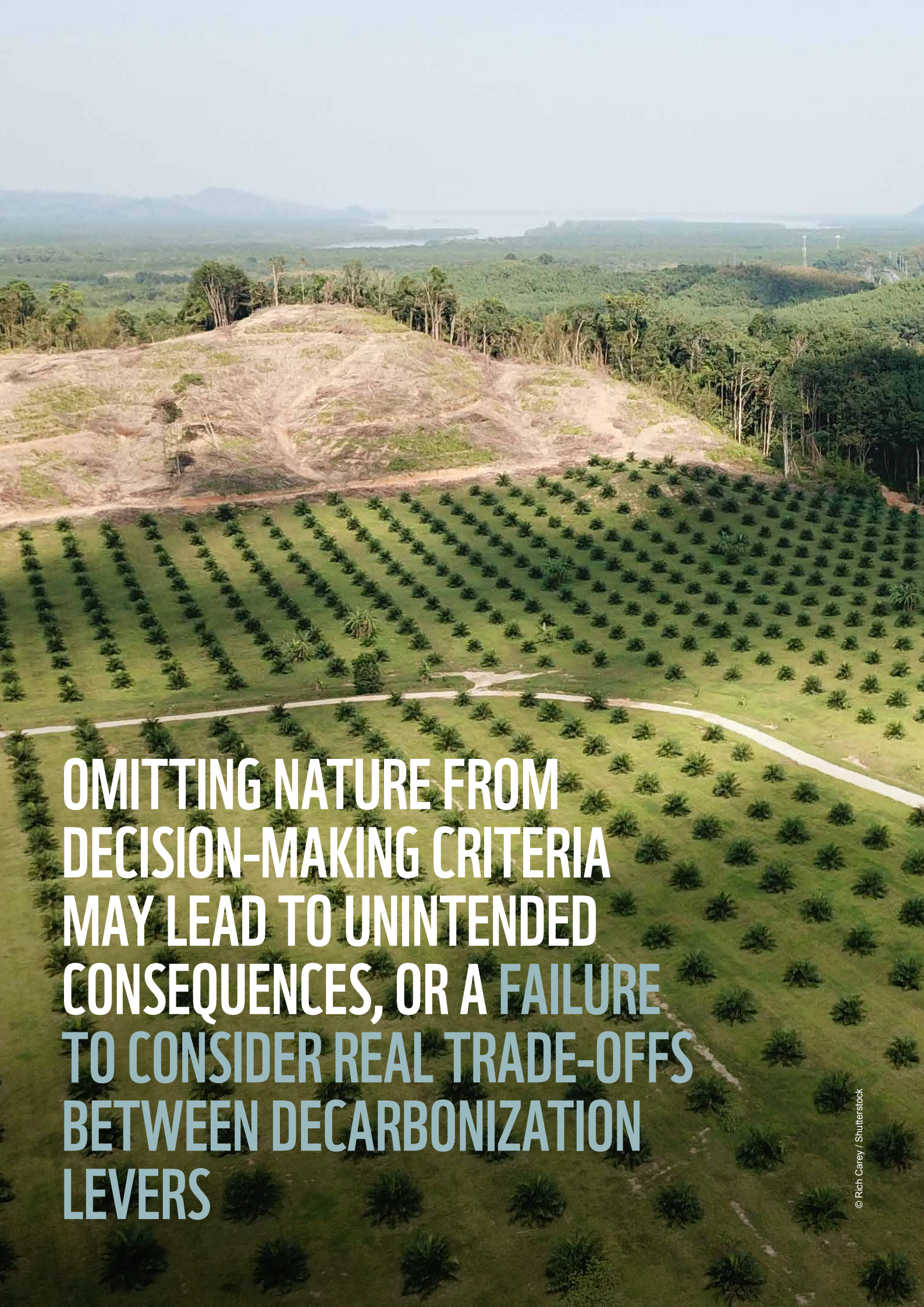
iii) Nature is vital for climate adaptation and resilience

Healthy ecosystems are more resilient to the impacts of climate change, making nature a necessary shield against climate risks²³. Nature-based solutions can support healthy ecosystems and provide alternatives to often expensive 'hard' climate-adaptive infrastructure to protect communities from flooding, storm surges, and soil and coastal erosion. Restoring wetlands can, for example, buffer local communities from flood waters, and conserving mangrove forests can protect nearby homes against storm damage²⁴.

iv) Mitigation-focused interventions can harm nature

Mitigation-focused transition planning can harm nature when the impacts on the environment beyond carbon emissions are not taken into account. For example, the supply of raw materials for electric vehicle batteries can lead to the extraction of minerals from high-conservation-value forest ecosystems in central Africa, which can also have negative knock-on effects for communities if the environment is not safeguarded²⁵.

Omitting nature from decision-making criteria on mitigation levers may lead to unintended consequences, or a failure to consider real trade-offs between decarbonization levers. In the long run, this could exacerbate the physical risks that an entity is exposed to, causing financial liabilities to the enterprise or ultimately leading to failure to achieve climate targets. For example, converting native vegetation to plant monocultures of species that only grow in a narrow climatic envelope can lead to risks to both the investment and the likelihood of achieving a climate target, particularly as temperatures change²⁶.



OMITTING NATURE FROM
DECISION-MAKING CRITERIA
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BETWEEN DECARBONIZATION
LEVERS

C

Nature-based solutions

Nature-based solutions (NbS) are nature-based interventions that not only help mitigate climate change, but also address social, economic and environmental challenges by providing human well-being, ecosystem services, resilience, and biodiversity benefits⁴. NbS is an umbrella term that also includes natural climate solutions, ecosystem-based adaptation and disaster-risk reduction, and green infrastructure. NbS depend on healthy ecosystems to deliver benefits such as improving food security, water security, health and community welfare²⁷. They can support climate change goals by maintaining natural carbon sinks or supporting resilience and adaptation, but they are different to 'nature-derived' solutions, like wind and solar power, which do not necessarily rely on healthy ecosystems to deliver benefits.

Examples include:



Halting and reversing deforestation and conversion

If done smartly, for example by restoring degraded forests and lands with a range of native species, can serve both nature positive and net-zero targets. Schroders Wealth Management invests in projects to avoid deforestation to address its residual emissions through an independently accredited monitoring scheme²⁸.



Scaling up regenerative agriculture

Regenerative production can support mitigation goals and ecosystem resilience, helping to sequester soil carbon, promote on-farm biodiversity and protect rivers from pollution. Severn Trent helps farmers invest in regenerative farming practices that improve soils, reduce pollution to surrounding rivers and provide a pathway to emerging carbon markets²⁹.



Halting and reversing mangrove and coastal wetland conversion

Healthy mangrove forests and coastal wetlands are priority carbon sinks, and they also make the land more productive and resilient to climate change. Protecting these ecosystems and restoring degraded ones have multiple co-benefits: it strengthens biodiversity, underpins diverse livelihoods, and protects communities against extreme climate-related events. The mitigation potential of blue carbon solutions is estimated to be 3 per cent of current annual global emissions – or up to 7 per cent if impacts on nature, like bottom trawling, were managed³⁰.

4 The EU's ESRS already references the need for NbS in transition planning to protect, conserve, restore, sustainably use and manage natural or modified terrestrial, freshwater, coastal and marine ecosystems⁴⁹.

1.3 AN INTEGRATED APPROACH TO CLIMATE AND NATURE ACTION BRINGS DIRECT BUSINESS BENEFITS

Taking a more holistic, integrated approach to climate and nature in transition planning can unlock opportunities that may not have been apparent through a climate mitigation-only lens. It can also help to identify trade-offs and synergies in the nature-climate nexus, helping businesses to capture greater co-benefits and stay ahead of their peers¹⁸.

Research by the World Economic Forum estimates that nature positive solutions could create US\$10.1 trillion in business opportunities and over 100 million jobs globally by 2030³¹. To capture these opportunities, businesses must orient towards more nature positive business models and invest more widely in NbS. When implemented well, NbS focussing on climate mitigation could also yield co-benefits such as food and water security, disaster risk mitigation, and improved human health outcomes. First-moving companies will be better positioned to capture such commercial opportunities and co-benefits.

Companies that factor nature into decision-making will also be able to reduce their physical, regulatory, market-driven and reputational risks from nature-loss³¹. The TNFD shows how nature degradation poses direct financial risks to companies³², while the Network for Greening the Financial System (NGFS) takes a wider lens and identifies biodiversity loss as a systemic risk to macroeconomic and financial stability³³.

Financial institutions are increasingly considering climate and nature-related issues when financing companies, and credible climate and nature transition plans are likely to become a greater determinant of access to finance for businesses. Companies can consider transition planning frameworks as a means to maintain and create long-term strategic value for shareholders and society, setting themselves up for future growth and remaining adaptive and responsive to environmental, market and regulatory shifts.



1.4 HOW NATURE IS ALREADY INTEGRATED INTO TRANSITION PLANNING FRAMEWORKS

Although most current transition planning guidance is centred on climate action, many are now beginning to integrate a more holistic set of suggestions that cover nature impact, adaptation and social justice, and recognize the interdependencies between climate and other sustainability issues.

The IFRS-ISSB notes that sustainability-linked risks are often impossible to separate from climate risks¹². It recognizes that a company's ability to "deliver value for investors is inextricably linked to the stakeholders it works and serves, the society it operates in, and the natural resources it draws on", and has committed to enhance its climate disclosure framework by integrating natural ecosystems and the just transition³⁴. Likewise, the UK Transition Plan Taskforce included a recommendation to "examine all material interdependencies including those that relate to the natural environment" in its draft disclosure framework launched at COP 27⁴, including safeguarding policies for nature and key stakeholders.

Furthermore, the European Union's Financial Reporting Advisory Group (EFRAG) has developed several disclosure drafts as part of the European Sustainability Reporting Standards (ESRS). The latest Climate Change Exposure Draft recommends that businesses disclose significant adverse impacts of transition planning activities on the environment and society, and that businesses consider the use of NbS in transition planning³⁵. However, the recommended disclosures also extend to nature in its own right. The ESRS (and supporting legislation) also requires companies to report against their impact on biodiversity and ecosystems, water and marine resources, and pollution, and to provide details of their alignment with global and EU biodiversity goals, in operations and value chains.

In terms of industry-led initiatives that demonstrate best practice, GFANZ's guidance for both financial and non-financial companies has several references to 'nature positive' in its governing principles and priorities, as well as nature-based metrics⁵. Such references are also present in other entities' principles, such as CDP³⁶ and the CPI³⁷. Many of these frameworks do so on the premise that we cannot reach net zero without tackling nature loss. Integrated approaches to climate and nature in transition planning are emerging, but still need to be accelerated.



2. HOW TO START INTEGRATING NATURE IN TRANSITION PLANNING

To complement the growing collection of guidance to help companies with climate-related transition planning, this paper offers some initial suggestions on how nature can be built into transition planning frameworks, firstly in order to contribute to the delivery of climate goals, and secondly to start to support wider nature positive goals.

This chapter builds on the five elements of the GFANZ framework for transition plans, covering Foundations, Implementation Strategy, Engagement Strategy, Metrics & Targets, and Governance. It explains how nature could be integrated into these elements at a high level, and signposts some tools that are already available to help companies to start the journey. The chapter references some key sector-neutral transition planning tools, both for corporates and financial institutions. Toolkits for corporates are more advanced than for finance, and many tools are useful across multiple elements of a transition plan.



2.1 TWO STEPS FOR INTEGRATING NATURE IN TRANSITION PLANS

The approach is set out in two conceptual steps that build on one another:

Step 1: Integrate Nature into Climate Transition Planning

The goal of the first step is to ensure that the climate transition activities will not exacerbate nature loss, that emissions from nature's degradation will be reduced, and that benefits from nature-related climate solutions will be captured. It is about setting objectives to reduce carbon emissions from land-use change, using NbS for climate mitigation and adaptation, and incorporating safeguards to protect nature from any negative impacts of the transition plan.

Step 2: Integrate nature positive objectives into transition planning

The second step prepares companies for aligning to nature positive goals by integrating specific nature positive objectives into their corporate strategy. It goes beyond the nature impacts of a climate transition plan to assess the nature impacts of the entire business model. Ultimately, company objectives should be consistent with the Kunming Montreal Global Biodiversity Framework⁶ or aligned multilateral, national and subnational environmental targets. These frameworks are being developed but companies can start by understanding their operational, value chain or portfolio impacts on nature and setting their own nature-related objectives.

While implementing these two steps, companies should bear in mind two further important principles when transition planning, as set out in Boxes D and E: i) the company's transition should contribute to a just transition, and ii) the company should consider a broader definition of materiality for nature.

D

Transition planning should be just

Transition plans should seek to be equitable and socially just³⁸. Understanding the impact of the plan on communities, workers, suppliers and consumers allows for a more orderly and effective transition. Aside from the importance of stakeholder buy-in to inform a net-zero and nature positive transition, the safeguarding of nature is best stewarded by informed local landowners and communities. This paper does not focus on implementing a just transition, as guidance is being developed elsewhere⁵.

5 LSE. (2022). *Making transition plans just: how to embed the just transition into financial sector net zero transition plans*.

E

Broader definitions of materiality for nature

It is important to not only focus on the risks that environmental damage poses to the company, but also on the negative impact on society and the economy that the company may have as a result of its impact on the environment. While some frameworks, like the TCFD, focus on disclosures related to the financial risks to the entity, others, like the EU's Corporate Sustainability Reporting Directive (CSRD), require companies to disclose risks to the enterprise *and* to the environment and society.

While climate transition and physical risks may be increasingly overlapping, the same cannot be said for nature. Damage to the environment won't be mitigated only by reducing the financial risks it poses to the individual enterprise, due to the existence of environmental externalities. To align with nature positive goals agreed under the CBD, for example, companies will need to be able to report on their wider environmental impacts, not only the risks they face. Disclosing wider risks and impacts can kickstart standardization and data transparency and reduce the risk of being exposed to greenwashing. In turn, finance can more credibly deploy capital towards nature positive activities³⁹.



2.2 WWF RECOMMENDATIONS FOR INTEGRATING NATURE INTO TRANSITION PLANS

The guidance contained in this report builds on the transition plan framework developed by GFANZ⁵ for finance and real-economy companies. For each of GFANZ's five elements of a transition plan (set out in Figure 1), our guidance proposes high-level actions to first integrate nature for climate goals (Step 1) and secondly incorporate nature positive objectives (Step 2). These steps are set out in Table 1. The remainder of the section breaks down how nature can be integrated in each of the five elements.

Figure 1:

Five elements of credible transition plan disclosures as set out by GFANZ, with our additional inclusion of nature.



Table 1

How to integrate nature into transition plans to support global goals for climate (Step 1) and nature positive (Step 2), expanding the existing GFANZ guidance

Elements	Step 1: Integrate nature into climate transition planning	Step 2: Integrate nature positive objectives into transition planning
1 Foundations	Build knowledge-base and set objectives to safeguard and restore nature to deliver climate goals Build foundational knowledge of how the transition plan can impact, depend on, or be exposed to risks from nature and any related opportunities. Set short-, medium- and long-term objectives to safeguard nature, mitigate emissions arising from nature's degradation and prevent damage to ecosystems from transition activities, and to invest in nature-based solutions that restore carbon sinks.	Build knowledge-base and set objectives aligned with nature positive goals Build knowledge of how the entire business model can impact, depend on, and share risks and opportunities related to nature, beyond the activities of the climate transition plan. Set short-, medium- and long-term objectives in line with global nature positive goals, including establishing nature safeguards and using nature-based solutions for benefits beyond climate mitigation and investing in nature's protection and restoration. This includes eliminating loss of priority ecosystems, protecting land and seas, reducing pollutants and eliminating plastic waste.
2 Implementation strategy	Implement objectives to safeguard and restore nature for climate goals Embed the chosen nature objectives into all business activities, supported by an implementation roadmap.	Implement objectives for nature positive Embed nature positive objectives into all business activities, supported by an implementation roadmap.
3 Engagement strategy	Engage stakeholders to safeguard and restore nature for climate goals Work with stakeholders in the value chain, peers, industry alliances, governments, trade associations and civil society to safeguard and restore nature for climate goals.	Engage stakeholders to deliver nature positive Work with stakeholders in the value chain, peers, industry alliances, governments, trade associations and civil society to take action towards nature positive goals.
4 Metrics and targets	Define metrics for nature safeguards & restoration for climate goals Select business and environmental metrics that measure progress against objectives and capture the climate benefits of nature-based solutions.	Define metrics for nature positive Select business and environmental metrics that measure progress against nature positive objectives and capture potential co-benefits of nature-based solutions.
5 Governance	Build capability and accountability to safeguard & restore nature for climate goals Ensure board oversight, management processes, team capabilities, incentives, and expertise are in place to deliver nature-related objectives in the climate transition plan.	Build capability and accountability to deliver nature positive Ensure board oversight, management processes, team capabilities, incentives, and expertise are in place to deliver broader nature positive objectives in the transition plan.

FOUNDATIONS

Purpose: A company outlines its end-goal with respect to climate and nature, setting out the high-level strategy, the overall objectives, targets, timelines and the principles governing its actions.

Step 1: Build knowledge-base and set objectives to safeguard and restore nature for climate goals

Companies should first understand what impacts their climate transition activities will have on nature. This assessment should include an evaluation of their climate transition's greatest nature-related risks, dependencies and/or opportunities, and should enable a company to set appropriate targets to safeguard and restore nature during the climate transition. Safeguards include the processes, policies and conditions that may be needed to reduce damage to nature – such as exclusion lists for financial institutions and escalation policies for engagement with priority stakeholders.

The greatest direct driver of biodiversity loss is how people use land, freshwater and sea⁴⁰. It aggravates other drivers of nature loss like climate change, pollution, invasive species, and overexploitation of resources³¹. The most severe impacts are often concentrated geographically, for example in natural forests, wetlands, marshes, peatlands and mangroves. Safeguarding these ecosystems is vital if we are to achieve climate goals. Sectors that source from or that require extensive land and ocean use are therefore most likely to need to apply safeguards to ensure the resources are managed sustainably. Box F provides an example.

F

On safeguarding to prevent deforestation

Deforestation is one of the biggest climate-related challenges relating to land use. All IPCC scenarios that limit warming to within 1.5°C require a reduction in deforestation as a priority, and additional efforts to restore forests³.

A variety of tools are available to help companies and financiers map where they are exposed to deforestation, and identify protected, high-carbon-value or key biodiversity areas where safeguards are needed (e.g. deforestation-free/sustainable sourcing certifications or due diligence processes). Many certifications and due diligence mechanisms rely on methodologies like High Carbon Stock (HCS)⁴¹ and High Conservation Value (HCV)⁴² to identify irrecoverable carbon stocks and conservation areas to screen projects and investments.

WWF's deforestation guidance, *Seeing the Forest for the Trees*⁴³, and the WWF-DCF Toolkit provide the financial and business sectors with a useful library of tools. They reference in particular the Accountability Framework Initiative (AFI), a key resource for setting robust commitments⁶ and implementing deforestation-free targets. Tools to support implementation of the AFI are referenced in the tables below across multiple transition plan elements, including the SBTi-FLAG Guidance, Trase, CDP Forests Questionnaire and Forest 500.

⁶ For example, a key recommendation of the AFI, reflected in the SBTi-FLAG Guidance, is for company policies on deforestation to be in the following format: "[Company X] commits to no deforestation across its primary deforestation-linked commodities, with a target date of [no later than December 31, 2025]."

As the data required to do a full assessment of the nature-related impacts and opportunities associated with their climate transition may not all be publicly available, companies can view the assessment as an iterative process – where the scope widens as more information becomes available, and processes begin to standardize. They can get started by addressing the most obvious and significant impacts and leveraging initiatives to consolidate methodologies⁷.

For example, Nestlé publishes its targets to prevent and remediate land-use change as this causes 25-35 per cent of its total ingredient emissions. It has set targets to sequester carbon through tree planting and reforestation, using organic fertilisers and adopting sustainable agricultural practices⁴⁵. On the banking side, NatWest has scoped its portfolio and identified the agri-food sector as a key emissions sector in which to focus engagement efforts and support tools for farmers⁴⁶.

NbS are an aspect of climate transition plans that are highly dependent on nature. These solutions address climate change as well as support nature restoration, and are therefore a key nature component in a climate transition plan. Some types of NbS can restore carbon sinks or contribute to adaptation and resilience efforts (see Box C). Therefore, companies should set targets on how they will use NbS in their transition plan.

Companies may use carbon credits to abate emissions, some of which may be nature-based. Implementation of science-based targets to reduce emissions must be the priority for companies, but if they want to go beyond emissions reductions required under the science-based targets in the near term, they can potentially use the voluntary purchase of carbon credits to offset their residual emissions. The use and type of carbon credit should be transparently reported and meet robust quality criteria. Credits must represent real, measurable, additional, permanent emission reductions or removals, that are monitored, reported and verified, comply with social and environmental safeguards, and avoid leakage⁴⁷.

Step 2: Build knowledge-base and set objectives aligned with nature positive goals

As in Step 1, companies should focus activities and objectives on where nature-related impacts, risks, dependencies and/or opportunities are greatest – but in this Step, the assessment should cover the impact of all business operations and the entire value chain or portfolio on nature, rather than only climate transition activities.

Based on the assessment of the business operations and value chain, a company should set objectives in line with global nature positive goals beyond climate goals, as set out by the Kunming-Montreal Global Biodiversity Framework,⁶ such as setting targets to eliminate activities in protected areas, to scale investment in restorative NbS and sustainable production models, or reduce plastic and waste pollution. Just as in Step 1, objectives should focus on where the impact will be highest. This approach also emphasizes the importance of assessing and accounting for the wider benefits of NbS, beyond the delivery of climate goals.

Companies should set targets on specific nature dimensions, locations or ecosystems. Guidance is to be released in early 2023 by the SBTN, although interim targets, the draft guidance and certain no-regret actions are already available for water, land-use, deforestation and emissions⁴⁸. A vital tool to help companies prioritize nature goals and manage risks transparently is the TNFD LEAP Assessment, which details how a company should ‘Locate’ dependencies on natural ecosystems and where risks may arise; ‘Evaluate’ how this affects the business and environment; ‘Assess’ ways to manage this, and ‘Prepare’ its response (see Table 2), in a way that is clear to financial stakeholders. Other useful tools to support companies and financial institutions in carrying out these steps are included below.

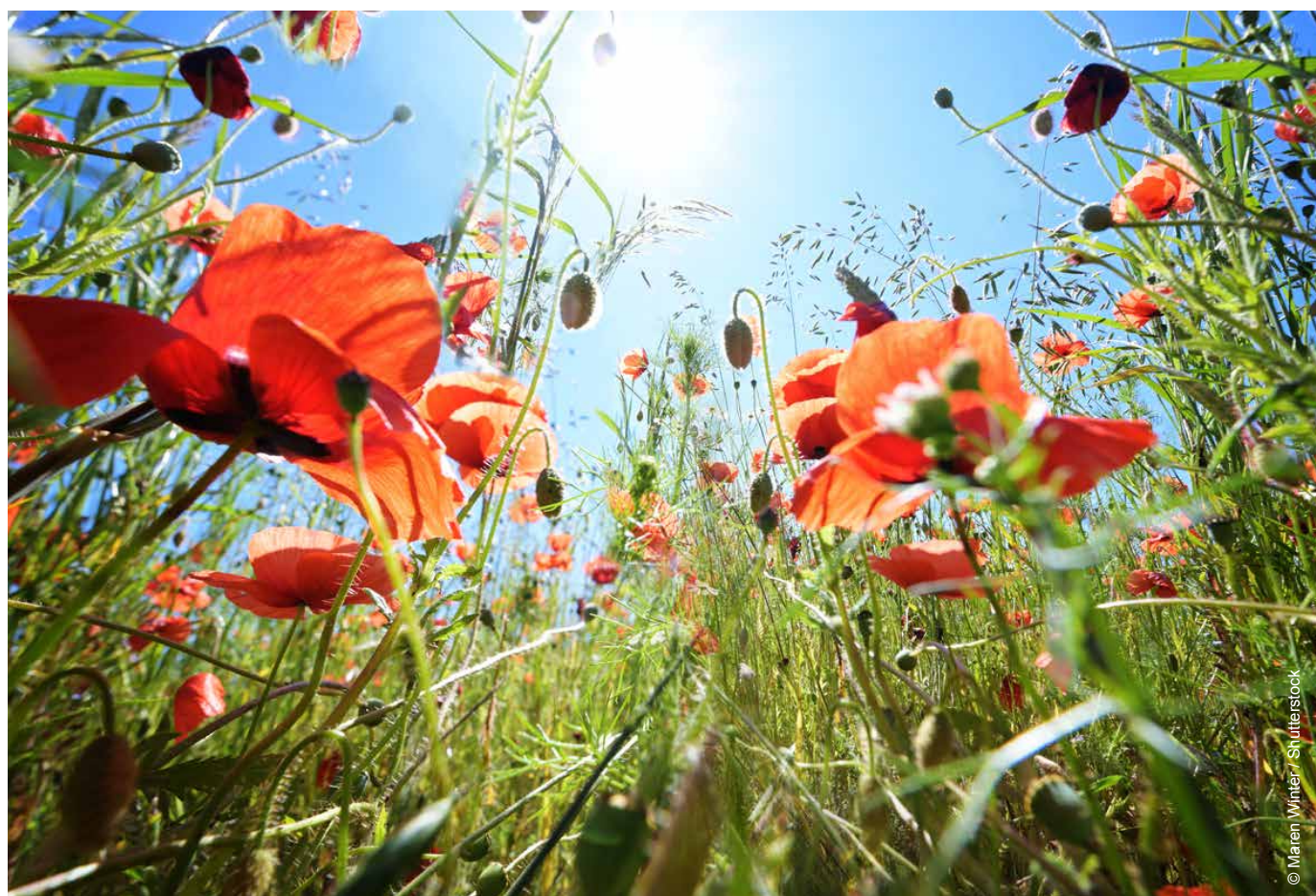
⁷ For example, the Partnership for Carbon Transparency is being developed to consolidate Scope 3 emissions methodologies for products and improve the infrastructure for company-to-company data sharing. Source: <<https://www.carbon-transparency.com/our-approach/pathfinder-framework>>

Table 2:

Overview of tools to support entities in preparing the Foundations for transition plans delivering climate goals (Step 1) and nature positive goals (Step 2)

	Tool	Tool Description	FI	Corporate
Step 1	SBTi-FLAG Methodology ⁴⁹	Methodology to set targets on land use for high-emission sectors, using product-level and sectoral pathways ⁵⁰ . Can also be used in Metrics & Targets and progress monitoring.		✓
	ACT Frameworks ⁵¹	Sectoral methodologies to assess the low-carbon trajectory of companies against transition plan criteria and set baselines. Can be used in Implementation Strategy and Metrics & Targets for alignment monitoring, and Governance for relevant industries.	✓	
	Guidance on Business and Key Biodiversity Areas (KBA) ⁵² which includes IBAT database ⁵³	IBAT provides a one-stop-shop to identify protected and key biodiversity areas to safeguard. Applies to corporates, governments and financed projects. Can be used for Implementation Strategy and Metrics & Targets.	✓	✓
	WWF guidance on carbon credits, Beyond Carbon Credits ⁵⁴	Guidance on criteria for high-quality carbon credits.	✓	✓
Steps 1 and 2	ENCORE Tool ⁵⁵ (including natural capital hotspots map) ⁵⁶	Tool to scope risks and dependencies on nature and climate for different business sectors.	✓	✓
	SBTN Materiality Tool ⁵⁷ and SBTN Interim Targets ⁵⁸	Materiality tool to help identify the key risks and impacts of sectors related to emissions, land use, resource use, pollution and more. Draft Interim Nature Targets can be set already.	✓	✓
	SBTN draft Technical Guidance ⁵⁸	Draft Technical Guidance to assess and prioritise material nature risks and set targets. Can be used in Implementation Strategy and Metrics & Targets. Final version is due early 2023.		✓
	Accountability Framework Initiative (AFI) ⁵⁹ on deforestation	WWF's DCF Toolkit ⁶⁰ heavily references the Accountability Framework Initiative, which provides a full toolkit on best practice in reducing deforestation in value chains and portfolios and setting robust commitments ⁶¹ . It can also be used for the Implementation Strategy, Engagement Strategy, and Metrics & Targets.	✓	✓
	Trase ⁶² and Trase Finance ⁶³ Tool (deforestation)	Tool to assess the risk of a company or financier being linked to tropical deforestation in high-priority geographies. Can be used in Implementation Strategy and Metrics & Targets for relevant industries.	✓	✓

	Tool	Tool Description	FI	Corporate
Step 2	TNFD-LEAP Methodology ⁶⁴	Risk management and disclosure framework for companies to manage and report their dependencies and impacts on nature. Useable prototypes are in development. Recommendations will be completed in September 2023. Can be used in Implementation Strategy and Metrics & Targets.	✓	✓
	UNEP FI Guidance on Biodiversity Target Setting ⁶⁵	Bank guidance to take a systematic approach to setting and achieving biodiversity targets. Can be used in Implementation Strategy and Metrics & Targets.	✓	
	Natural Capital Protocol ⁶⁶	Part of the Capital Coalition, the Natural Capital Protocol ⁶⁷ (underpinning the TNFD) provides a framework and toolkit ⁶⁸ to manage impacts on natural capital. It can be used in Implementation Strategy and Metrics & Targets.	✓	✓
	WWF Risk Filter Suite – Water & Biodiversity Tool ⁶⁹	Online tool for companies and finance to assess and respond to water and biodiversity-related risks facing their operations, using geospatial data. Release date: January 2023. Can be used in Implementation Strategy and in Metrics & Targets for progress monitoring.	✓	✓



IMPLEMENTATION STRATEGY

Purpose: A company sets out how it will align its business activities, financing and operations with its climate and nature safeguarding and/or nature-restoration objectives and provide a roadmap for action. It details the strategic levers it will pull to achieve each of its objectives.

Step 1: Implement objectives to safeguard and restore nature for climate goals

Companies should translate their agreed nature-related objectives into concrete actions across business, operations and financial planning. The actions should be presented on a timeline and should collectively add up to achieving the target, constituting an implementation roadmap. For example, implementation roadmaps could describe actions to ensure solar panels are sourced with zero impact on nature, explain how and when a deforestation policy will be implemented, or describe how a business will change its suppliers or product portfolio over time. Not only should this implementation roadmap explain what needs to be done, it should also cover the implications of the changes for business strategy, including financial implications.

For example, as part of its roadmap, Nestlé clearly states the different levers it will pull to decarbonize, e.g. switching to plant-based ingredients and a circular business model, accompanied by specific emission reductions per lever, showing a timeline of overall reductions of 20 per cent by 2025 and 50 per cent by 2030, in order to become net zero by 2050⁴³.

When planning different initiatives, a sensitivity analysis can be undertaken to help uncover underlying assumptions that, if altered, may affect the outcomes of the plan. Transparency on the sensitivity analysis can help stakeholders evaluate the commercial viability of the plan, although sensitivity analysis that includes nature is still being developed. An institution could examine how its dependencies on natural resources may be impacted by climate change for example, where declining fish stocks affect availability of livestock feed for a commodity producer, or to see if certain tree species used for reforestation grow in more extreme temperatures.

Step 2: Implement objectives to deliver nature positive

Companies should translate agreed nature positive objectives into concrete actions across business planning, operations and financial planning. Just as in Step 1, these actions should be presented on a timeline, collectively add up to achieving the target, and explain what the implications are for the overall business strategy. Also in this Step, a sensitivity analysis could test the robustness of the plan. The WBCSD is developing guidance on roadmaps to nature positive in collaboration with the SBTi and TNFD, which will be relevant for different sectors in 2023.

Table 3:

Overview of tools to support entities prepare the Implementation of transition plans delivering climate goals (Step 1) and nature positive goals (Step 2)

	Tool	Tool Description	FI	Corporate
Step 1	EU Taxonomy ⁷¹	Classification system, establishing environmentally sustainable economic activities that align with do-no-significant-harm (DNSH) criteria. Additional tools still in development. Applies to Metrics & Targets.	✓	✓
	ACT Frameworks ⁷²	Sectoral methodologies to assess the low-carbon trajectory of companies against transition plan criteria and set baselines. Can be used in Metrics & Targets for alignment monitoring and Governance for relevant industries.	✓	
	Forest 500 online scoring tool ⁷³	Online tool to score companies on deforestation commitments and align policies and conditions.	✓	✓
	CSBI: A Cross-Sector Guide for Implementing the Mitigation Hierarchy ⁷⁴	Guidance for extractive and financial industry to choose and prioritize safeguards on nature.	✓	✓
	Third-party certifications	Third-party certifications for high-priority soft commodities can help safeguard nature and communities, e.g. FSC, MSC, ASC, RSPO, RTRS, BonSucro, FairWild etc. Can be used for policy-setting, and some Metrics & Targets.	✓	✓
	Natural Climate Solutions Alliance for Corporates report ⁷⁵	Report on how corporates should adopt natural climate solutions and carbon credits into strategies with appropriate safeguards. The Natural Climate Solutions Alliance Guide for C-Suite Executives on Natural Climate Solutions and the Voluntary Carbon Market ⁷⁶ provides guidance on implementation of high-quality climate solutions.		✓
Step 2	UN CEO Water Mandate: Enterprise Water Targets ⁷⁷	Target-setting and implementation framework to set water targets informed by a catchment context. Can be used for Metrics & Targets.	✓	✓
	Biodiversity footprinting and benchmarking tools	Biodiversity footprinting tools are available to support company, sector or portfolios to screen, benchmark and track performance of companies, e.g. BFFI, BIA-GBS, CBF, GBSF, GID and IBAT. They also apply to Metrics & Targets. For example, the IBAT ⁷⁸ database uses the STAR metric ⁷⁹ to understand impact at location level.	✓	✓

ENGAGEMENT STRATEGY

Purpose: Engaging stakeholders is key to achieving climate and nature ambitions. An engagement strategy should disclose current and planned engagement activities with the entity's value chain or portfolio to advance its climate and nature objectives.

Step 1: Engage stakeholders to safeguard and restore nature for climate goals

Companies should engage with value chain, peers, industry alliances, trade associations and other stakeholders to avoid and reduce harm to nature from the transition plan and invest in carbon sequestration opportunities from NbS. They should explain the engagement plan and who, when and what topics are covered.

For example, companies could engage supply chain partners on the development of emission data on land-use change. Financial institutions could ask their portfolio clients what nature-safeguards they have implemented in their transition plan (see Box G). Companies and financial institutions should also advocate to policymakers for policy changes that enable the climate transition, such as removing environmentally damaging subsidies, creating markets for NbS, or reforming sector-specific policies that make it challenging to decarbonize the sector while safeguarding nature.

G

Examples of engagement opportunities for real-economy firms and financial institutions on integrating nature safeguards into climate transition planning (Step 1)

- Financial institutions and companies can encourage priority portfolio companies to publish their transition plans, including science-based targets and deforestation-free policies and other decarbonization levers (e.g. waste reduction policies). This will help improve transparency on Scope 3 emissions.
- Financial institutions can encourage companies to respond to questionnaires that can help benchmark companies on their sustainability policies such as the CDP Climate Questionnaire⁸⁰ (see Table 4), which has recently included questions on biodiversity.
- Companies can engage governments and financial institutions to design appropriate policy and financing instruments that would help them to deliver climate goals, for example, financing the development of appropriate technologies that reduce pollution.
- Companies can create peer-to-peer learning platforms to tackle issues related to safeguarding nature in priority geographies.

Step 2: Engage stakeholders to deliver nature positive

Companies should engage with their value chain, peers, industry alliances, trade associations and other stakeholders to mobilize them to set and advocate for nature positive goals. For example, financial institutions could engage clients on disclosing their nature-related impacts, dependencies, risks and opportunities following the TNFD, and real-economy firms could engage with peers to set up a reforestation coalition (see Box H). Companies should also directly engage with governments, supervisors and regulators to advocate for policy frameworks (public spending, legislation and regulation), which support an underlying economic transition to nature positive, thus supporting the company's own nature positive transition efforts.

Lombard Odier Asset Management, for example, has a Stewardship Strategy which includes clear asks on natural capital. They “engage companies to ensure they can demonstrate how they minimise their negative impacts on, and how they harness and protect, natural capital. [They] encourage companies to disclose how material natural capital risks and opportunities affect their operations, long-term strategy, capital expenditures and risk management, and to set clear, measurable natural capital KPIs”⁸¹. Unilever engages the supply chain to implement its zero-deforestation by 2023 target, the scope of which covers palm oil, tea, soy and coca⁸². Legal and General Investment Management (LGIM) has net zero food⁸³ and apparel⁸⁴ sectoral guidelines, which include “red-lines” on companies that do not have a comprehensive zero-deforestation policy. LGIM engages companies on the traceability of fibres, limiting land-use change emissions and improving regenerative farming.

H

Further examples of engagement opportunities for real-economy firms and financial institutions to integrate nature positive objectives into transition planning (Step 2)

- Financial institutions can provide guidance on the kinds of changes they want to see in client companies to align with global nature positive goals and provide transition finance with appropriate conditions to support this change.
- Financial institutions can engage financial data providers to collect and publish data related to where a company may be operating to identify companies operating in high-priority conservation areas.
- Companies and financial institutions can start to engage policymakers to commit to national-level targets, action plans and corresponding policies on nature, and promote international action, for example through the G7 and the Convention on Biological Diversity.
- Companies and financial institutions can engage developers of international standard-setting bodies to embed nature positive principles in their frameworks.
- Companies and financial institutions can collaborate with leading scientific and academic organizations to develop global nature positive sectoral pathways, as has been successful in the climate context, or build nature into existing pathways.

Table 4:

Overview of tools to support entities in preparing the Engagement Strategy of a transition plan delivering climate goals (Step 1) and nature positive goals (Step 2)

	Tool	Tool Description	FI	Corporate
Step 1	Investor Policy Dialogue on Deforestation ⁸⁵	Collaborative initiative of investors who engage with public agencies and industry associations in selected countries on financial risks related to deforestation. Also relevant to Governance.	✓	✓
Step 2	PRI Water Risk in Agricultural Supply Chains Guide ⁸⁶	Comprehensive framework to guide companies in the move towards best practices with regards to freshwater supply use and the potential negative impact on nature.		✓
	PRI Plastic Packaging Equipment Guides ⁸⁷	Engagement guidance focused on four sectors in the plastic packaging value chain to help investors address plastic waste and pollution through their stewardship activities with guidance for petrochemicals, consumer goods, waste, and containers and packaging.		✓
	UN PRI Guidance on the Circular Economy ⁸⁸	Guidance to banks to increase sustainable resource use for climate, energy, water, waste and raw materials, to build a circular economy.	✓	
	UNEP-FI Turning the Tide Guidance ⁸⁹	Finance Engagement Guide to set priorities for investing in the Sustainable Blue Economy.	✓	
	UNEP-FI Finance, Ocean Pollution & Plastics Guidance ⁹⁰	Finance Engagement Guide to set priorities and challenge companies on emissions, pollution and infrastructure impact.	✓	
	Finance for Biodiversity Guide on Engagement with Companies ⁹¹	Engagement guide for financiers to identify, select and engage companies on biodiversity issues. Includes templates for engagement activities.	✓	
	WWF Biodiversity Stewardship Guidance ⁹²	Guidance to help businesses identify their biodiversity risks and opportunities and become stewards of biodiversity. Also relevant to Governance.		✓

METRICS AND TARGETS

Purpose: Metrics and targets outline quantitative goals against which one can measure progress and success of the implementation of the strategy. Nature-related metrics to safeguard and restore should be disclosed explicitly.

Step 1: Define metrics for nature safeguards and restoration for climate goals

Metrics may track progress against objectives to safeguard nature, and the amount of carbon emissions that have been reduced through investments in NbS. Metrics should include a methodology that clarifies the scope for the indicators on which metrics are measured, target boundaries, the baselines and target years. An example of a safeguarding objective on deforestation could be a target to reach 100 per cent deforestation-free by obtaining 100 per cent supply chain transparency.

Step 2: Define metrics for nature positive

As for Step 1, for each of the nature positive goals set, metrics should be described against which progress is consistently measured. As NbS are a crucial lever to restore nature and also provide co-benefits, metrics should be set to track progress on these co-benefits beyond emissions reductions.

The Tesco Sustainable Basket Metric⁹³ is an example where a retailer has not only committed to reduce the emissions impacts of an average ‘shopping basket’ of products, but has also set targets to reduce its impact across a number of other areas, like waste, biodiversity and pollution. Another example is the Global Farm Metric⁴⁴ that was developed by the Sustainable Food Trust and which has been supported by NatWest. This pilot tool was developed to help financially incentivize farmers to provide information on the social, economic and environmental benefits of their production practices.



Table 5:

Overview of tools to support entities in preparing the progress Metrics & Targets of a transition plan delivering climate goals (Step 1) and nature positive goals (Step 2)

	Tool	Tool Description	FI	Corporate
Step 1	Global Reporting Framework (GRI) ⁹⁴	Disclosure standards on climate, also developed for water, waste and other issues. A topic standard on biodiversity is being developed ⁹⁵ .	✓	✓
	Carbon Disclosure Project (CDP) questionnaires ⁹⁶	CDP's three questionnaires focus on climate change, but also have biodiversity questions. Complementary, separate questionnaires are available for water and forests. They can support Metrics & Targets but also investor and supplier Engagement Strategies and Governance.	✓	✓
Step 2	UNEP System of Environmental Economic Accounting ⁹⁷	Framework that integrates economic and environmental data to provide a more comprehensive view of the relationship between the economy and the environment and the stocks and changes in stocks of environmental assets.	✓	✓
	Climate Disclosure Standards Board (CDSB) Biodiversity Application Guidance ⁹⁸	Biodiversity application guidance to help companies disclose material information about the risks and opportunities of biodiversity loss to an enterprise.	✓	✓
	SBTN Draft Guidance on Freshwater ⁹⁹	First full draft science-based methodology to measure targets, set baselines, and disclose progress on freshwater goals.		✓



GOVERNANCE

Purpose: Governance refers to how a company is structured to provide oversight, incentives and broader internal support for the implementation of each of the objectives of the transition plan.

Step 1: Build capability and accountability to safeguard and restore nature for climate goals

Companies should describe the governance mechanisms in place to achieve the nature-related objectives of climate transition plans. In particular, the entity should describe the roles and responsibilities of managers, and their incentives to achieve transition plan targets. It should detail the skills and competencies required to execute the implementation and engagement strategies and ensure that business change is embedded into the organization's culture and practices. Also, it should detail a process that makes potential trade-offs and synergies between climate, nature and business objectives visible and manageable. This can be done by reporting on both financial and climate and nature-related targets, and developing policy to balance these.

Step 2: Build capability and accountability to deliver nature positive

Companies should describe the governance mechanisms in place to achieve nature positive objectives, including the elements set out in Step 1. As with Step 1, a process to visibly assess and manage the trade-offs between climate, nature and business goals is important. However, in Step 2 companies may need to address the trade-offs between different nature goals. Tools to address synergies and trade-offs are specific to the sector, financier, project or set of geo-specific issues. Many of the existing reporting and risk disclosure frameworks provide guidance on governance and are already mentioned above.

Table 6:

Overview of tools to support entities in preparing the Governance of a transition plan delivering climate goals (Step 1) and nature positive goals (Step 2)

	Tool	Tool Description	FI	Corporate
Step 1 & 2	InVest ¹⁰⁰ – carbon and nature	The Integrated Valuation of Ecosystem Services and Trade-offs (InVest) Tool ¹⁰¹ is freely available, spatially explicit software to manage trade-offs between natural capital and economic goals. It covers terrestrial and blue carbon, flood mitigation (Step 1), and wider ecosystem services (e.g. water, pollination, production) (Step 2).	✓	✓
	Governance recommendations in Risk Frameworks	Risk, impact and disclosure elements referenced throughout the report provide extensive guidance on Governance. They are also increasingly integrating climate and nature (e.g. TCFD and TNFD, GRI, CDP, CDSB etc.).	✓	✓
	UN PRI Collaboration Platform and Working Groups ¹⁰²	Platform for investors to engage and improve governance on climate – and increasingly other – sustainability issues.	✓	
	IIGCC Investor Platforms ¹⁰³	Platform for investors to engage and improve governance on climate issues.	✓	

CONCLUSION

This report shows that nature is, in many cases, already a part of the evolving narrative in business and finance transition plans. It also shows that nature is an essential part of the decarbonization journey, and that there are already many tools and data sources available to help companies navigate this issue.

TRANSITION PLANNING IS A CRITICAL OPPORTUNITY TO DRIVE A NET ZERO AND NATURE POSITIVE TRANSITION ACROSS THE REAL ECONOMY

There are also significant overlaps between actions that deliver a net-zero and nature positive business and economy. For this reason, many companies have already started to act on nature, setting environmental targets and investing in NbS with co-benefits for climate and nature. An integrated approach to transition planning is both desirable and necessary to deliver on climate goals, but also to safeguard businesses and the economy from the rising risks of uncurbed nature degradation. Wide support for frameworks like the TNFD indicates that nature is fast becoming a more central issue to business and finance, and international momentum to standardize sustainability disclosures beyond climate is likely to hasten progress.

Finance can steward action to mitigate these risks, but it cannot act alone. Coordinated action is needed between companies, finance, and policymakers to shift economic and financial incentives towards more regenerative business models. Transition planning is a key step in doing so. It is also a critical opportunity to drive a net zero and nature positive transition across the real economy. Tools and frameworks to support nature in transition planning are evolving fast: many are already accessible today. For that reason, we strongly recommend that financial institutions and companies should develop integrated nature and climate transition plans. Jointly, leading financial institutions and companies should seek to ensure standards providers and policymakers are creating the political and regulatory environment to allow such actions to be scaled.

The entirety of our economy – and indeed our ability to thrive on this planet – is completely dependent on nature, and the risk of reaching irreversible tipping points from changes in both the climate and natural environment is accelerating. We need to incorporate nature-related goals into climate transition plans and develop supportive policy and regulatory frameworks at pace. Only then will we solve the twin crises of nature loss and climate change and deliver the transformation we need to a net-zero and nature positive global economy.

GLOSSARY

TRANSITION PLAN

CDP defines a climate transition as “a time-bound action plan that clearly outlines how an organization will pivot its existing assets, operations, and entire business model towards a trajectory that aligns with the latest and most ambitious climate science recommendations.” A transition plan does not necessarily have to address climate change alone, it could also include wider sustainability actions and goals e.g. related to nature or just transition.

Source: CDP Technical Note: Reporting on Transition Plans, February 2022

NATURE

The interaction between natural capital and ecosystem services. Natural capital is the stock of renewable and non-renewable resources (e.g. plants, animals, air, water, soils, minerals) that combine to yield a flow of benefits to people. Ecosystem services are the contributions of ecosystems to benefits used in economic and other human activity.

Source: UN System of Environmental Economic Accounting

NATURE-BASED SOLUTIONS

Actions to protect, conserve, restore, sustainably use and manage natural or modified terrestrial, freshwater, coastal and marine ecosystems, which address social, economic and environmental challenges effectively and adaptively, while simultaneously providing human well-being, ecosystem services and resilience and biodiversity benefits.

Source: The Resolution on Nature-based Solutions for Supporting Sustainable Development, Fifth Session of the United Nations Environment Assembly (UNEA-5)

NATURE POSITIVE

While nature positive is an evolving concept, in this paper it is used to refer to actions that are compatible with the objective of halting and reversing nature loss by 2030 from a 2020 baseline, and working towards full recovery by 2050. This definition is endorsed by the G7 2030 Nature Compact, 2021.

Source: NaturePositive.org

SAFEGUARDING

Safeguarding includes efforts to identify, avoid, reduce harm and mitigate impacts on the natural environment, workers, communities, and society.

Source: WWF-defined for the purposes of this report

BIODIVERSITY

Biodiversity captures the variety of life on Earth. It is most commonly measured in species richness — the total number of species in an area. Biodiversity also includes the genetic variety within species and the variety of ecosystems that species create.

Source: Encyclopaedia Britannica

CO-BENEFITS

Co-benefits are defined by the IPCC as “positive effects that a policy or measure aimed at one objective might have on other objectives, thereby increasing the total benefits for society or the environment”.

Source: IPCC, 2018

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