Discussion paper on
Nature transition plans

October 2024

For consultation and feedback

tnfd.global

Taskforce on Nature-related Financial Disclosures

Contents

Executive summary

The mission of the Kunming-Montreal Global Biodiversity Framework (GBF) is to 'halt and reverse biodiversity loss' by 2030, with a 2050 vision of 'a world living in harmony with nature'. The GBF has been endorsed by almost 200 national governments.

Delivering the transition implied by the GBF will require significant changes to business practices across all sectors. Transition planning offers a way to manage an organisation's responses and contributions to this transition in a coherent, structured way. This process is already well established for the net zero transition. The Taskforce on Nature-related Financial Disclosures (TNFD) has developed draft guidance to help organisations develop and disclose nature transition plans.

Effective management of nature-related issues is now recognised as a central and strategic risk management issue, critical to sustaining business models across all sectors. Investors, regulators and other stakeholders are increasingly demanding that corporates and financial institutions demonstrate proactive strategies to manage these nature-related dependencies, impacts, risks and opportunities.

A transition plan provides a coherent structure for organisations to adjust their business models and value chains to respond and contribute to the transition implied by the GBF and manage nature-related dependencies, impacts, risks and opportunities. It breaks down the process of change for an organisation into a coherent set of forward-looking strategies, actions and accountability mechanisms, built into the organisation's main business strategy.

Disclosure of material aspects of nature transition plans can equip investors with the information they need to finance the transition.

The TNFD and nature transition plans

The TNFD recommendations and guidance help organisations assess, report and act on evolving nature-related dependencies, impacts, risks and opportunities. TNFD recommended disclosure Strategy B specifies that an organisation should disclose 'any transition plans in place'.

This TNFD discussion paper sets out draft guidance on nature transition planning for corporates and financial institutions developing and disclosing a transition plan in line with that recommendation. It covers:

- What a nature transition plan should include; and
- How a plan should be presented and disclosed.

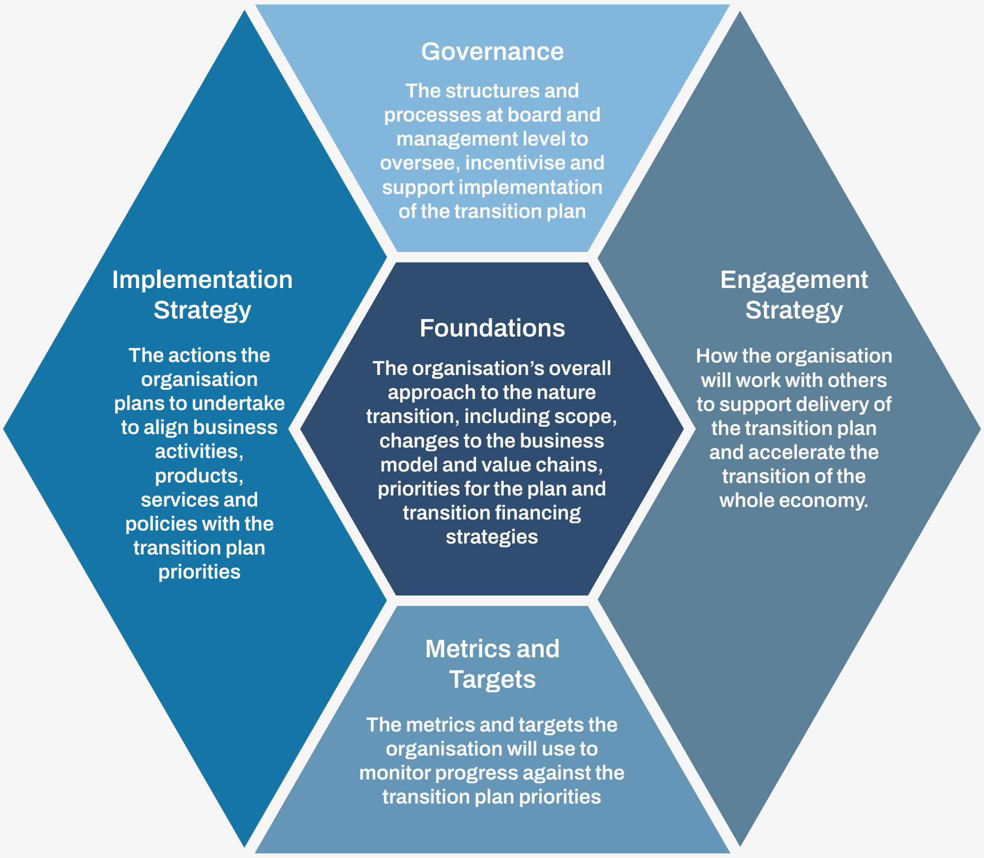
The paper is also relevant to investors and other stakeholders interested in disclosure of nature transition plans.

The guidance covers all aspects of nature apart from climate change and greenhouse gas emissions as drivers of nature loss, and natural carbon stocks (Figure 1). Transition planning for these topics is covered in guidance from organisations such as the Glasgow Financial Alliance for Net Zero (GFANZ), including their complementary voluntary draft guidance for financial institutions on nature in net zero transition plans, which is now out for consultation. This TNFD discussion paper does, however, include considerations of synergies and trade-offs across sustainability objectives, including social objectives. Organisations should ideally move towards integrated planning over time.

Figure 1: Moving from climate transition plans to integrated planning

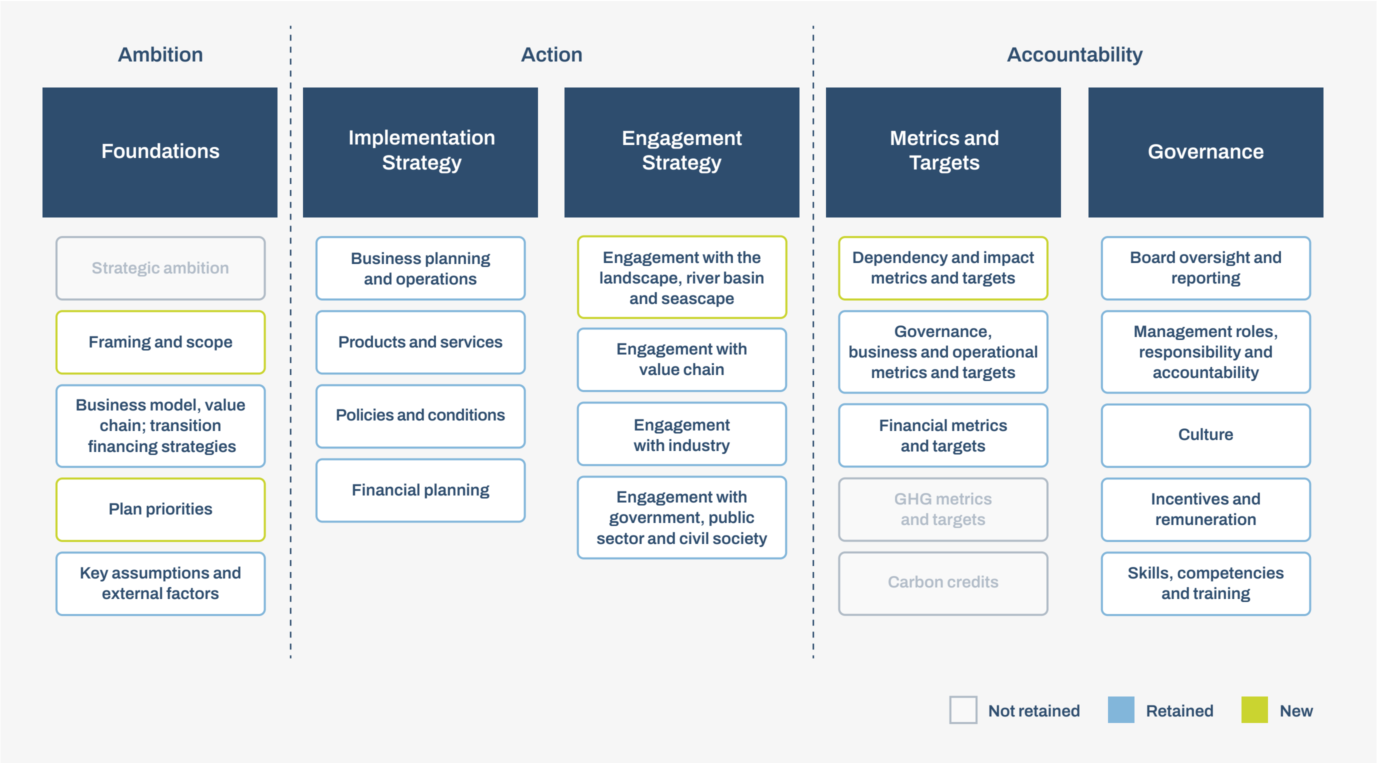
The TNFD draft guidance in this discussion paper builds on market best practices for climate transition planning. It proposes to structure a plan around the same five themes as recommended by GFANZ, adapted to nature (Figure 2).

Figure 2: Proposed nature transition plan themes



The draft guidance on transition plan disclosure aligns with the recommendations of the Transition Plan Taskforce (TPT) for climate transition plan disclosure. The TPT's materials are now the responsibility of the IFRS Foundation. Sixteen of the 19 TPT recommended disclosures are retained, with two climate-specific disclosures replaced with four nature-specific disclosures on the framing of the nature transition, nature priorities, metrics and engagement (Figure 3). This approach supports integrated disclosure of nature and climate transition plans and follows the precedent of how the TNFD built its recommendations on those of the Task Force on Climate-related Financial Disclosures (TCFD).

Figure 3: Structure of draft nature transition plan disclosure guidance



Other related initiatives

In preparing this discussion paper, the TNFD has collaborated with a number of related initiatives and benefited from the input of its knowledge partners. Notably, this includes: Science Based Targets Network (SBTN) methods for corporates to set science-based targets for nature, including for land, oceans and freshwater; Business for Nature guidance on forming a nature strategy; and WWF's work on nature in net zero transition plans.

The Taskforce views these initiatives as complementary to its own work on transition plans and will continue to work closely with them and others in the consultation on this discussion paper and development of final guidance on nature transition plans.

Open for feedback

The TNFD welcomes feedback on the approach outlined in this discussion paper by **1 February 2025** from corporates, financial institutions and other interested stakeholders.

Based on the feedback received through the consultation, and insights gained through potential pilot testing, the Taskforce will develop final TNFD guidance on nature transition plans that will be published in 2025. The TNFD encourages businesses and financial institutions to pilot test the draft guidance set out in this discussion paper.

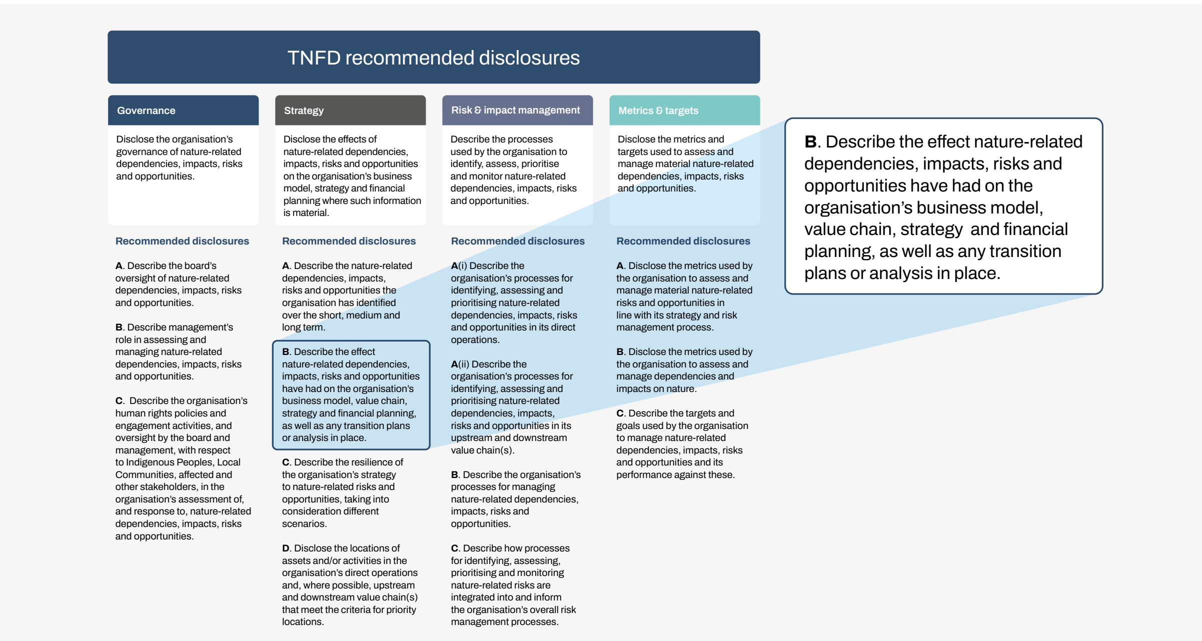
1. Introduction

The TNFD recommendations and guidance help organisations assess, report and act on evolving nature-related dependencies, impacts, risks and opportunities.[1]

Responding to nature-related issues is good business. Every business across every sector has dependencies and impacts on nature. Those nature-related dependencies and impacts can create risks for the organisation and its future financial prospects, and be a source of opportunities. Investors and other report users are also increasingly interested in how organisations are managing their nature-related issues and responding and contributing to global nature and climate policy goals.

TNFD recommended disclosure Strategy B sets out that an organisation should disclose 'any transition plans in place' (Figure 4). Specifically, it includes a provision for 'organisations that have made nature-related commitments, set nature-related targets, and/or made nature transition plans to address nature-related dependencies, impacts, risks and opportunities to describe their commitments, how they will achieve them and how they are aligned to the Kunming-Montreal Global Biodiversity Framework (GBF) mission, goals and targets'.

Figure 4: TNFD recommended disclosure Strategy B



1 Organisations have dependencies and impacts on nature. These give rise to nature-related risks and opportunities. These four concepts are collectively referred to by the TNFD as nature-related issues.

This TNFD discussion paper draws together the emerging thinking on nature transition planning and sets out draft guidance on:

- **Nature transition planning:** What a nature transition plan should include for corporates across sectors and for financial institutions; and
- **Disclosing a nature transition plan:** How a plan should be presented and disclosed.

The guidance is intended to be equally applicable regardless of the way corporates and financial institutions choose to disclose their nature transition plans. For some, this may be through a standalone nature transition plan, whereas for others this may be part of an integrated nature-climate transition plan, and could also include social aspects, such as just transition considerations.

In preparing this discussion paper, the TNFD has worked closely with a number of related initiatives (Figure 5). This includes:

- The Glasgow Financial Alliance for Net Zero (GFANZ), which has simultaneously published voluntary guidance for consultation on incorporating nature into net zero transition plans for financial institutions. The proposed guidance in this TNFD discussion paper complements GFANZ's work, covering aspects of nature transition plans beyond climate and addressing the needs of both financial institutions and corporates. Across these two complementary reports, the TNFD and GFANZ have each considered synergies and trade-offs between addressing nature loss and climate change;
- The Transition Plan Taskforce (TPT), which has developed recommended disclosures for private sector climate transition plans in the UK. In particular, the TNFD participated in, and has learned from, the independent advisory work of the TPT's Working Group on Nature, which explored how transition planning can extend beyond decarbonisation to other aspects of nature. The IFRS Foundation is now responsible for the TPT's disclosure-specific materials, which can help companies with climate transition plans to disclose information about them, as required when applying the IFRS Sustainability Disclosure Standard IFRS S2 *Climate-related Disclosures*;[2]
- Business for Nature, which has developed a Nature Strategy Handbook. This provides a practical guide to support businesses in developing a nature strategy, rather than a nature transition plan, which is the focus of the TNFD's work and this discussion paper; and
- WWF, which has released a paper on Nature In Transition Plans. This describes why and how nature should be integrated in net-zero plans. WWF will also release its complementary recommendations on nature transition plans in November 2024, covering actionable best practice steps, associated tools, case studies and a call to action, specifically for regulators and corporates reporting against the European Corporate Sustainability Reporting Directive (CSRD) and to inform the work of European Union regulatory authorities.

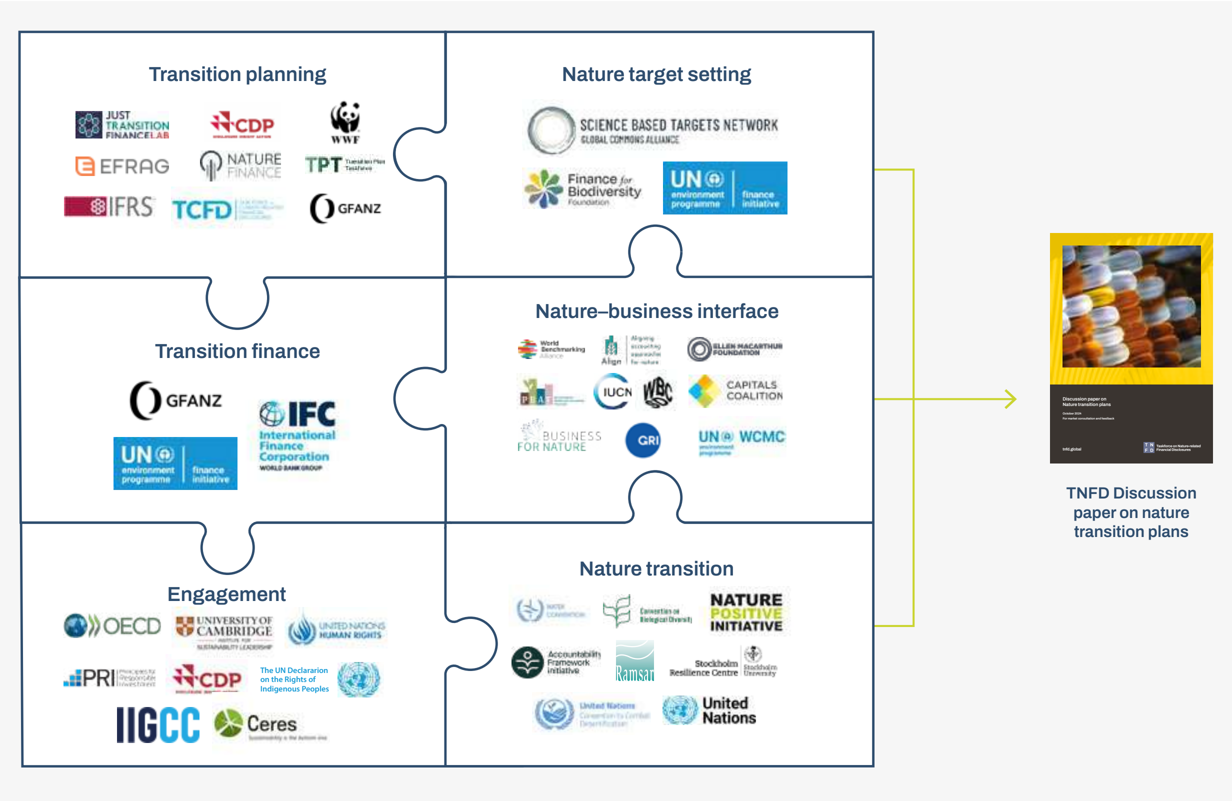
In preparing this discussion paper, the TNFD has built in particular on the work of GFANZ and the TPT to support an integrated approach to transition planning and transition plan disclosure and to build from

2 IFRS (no date) Transition Plan Taskforce resources; IFRS (2024) ISSB delivers further harmonisation of the sustainability disclosure landscape as it embarks on new work plan.

current market practice. This follows the precedent of how the TNFD built its disclosure recommendations on those of the Task Force on Climate-related Financial Disclosures (TCFD).

The Taskforce sees these initiatives as complementary to its own work on transition plans. It will continue collaborating closely with these initiatives and other stakeholders during the consultation on the draft guidance presented in this discussion paper. The Taskforce aims to develop final guidance on nature transition plans in 2025, potentially following a pilot testing phase with market participants.

Figure 5: TNFD's draft transition plan guidance builds on existing frameworks, methods and tools



In this discussion paper:

- Chapters 2, 3 and 4 provide draft guidance on how to develop a nature transition plan, covering each of the themes and components that a strong plan should consider;
- Chapter 5 provides draft guidance on how the material aspects of a nature transition plan could be disclosed; and
- Chapter 6 sets out some conclusions and areas where further work is required to support nature transition planning.

Open for feedback

The TNFD welcomes feedback on the approach outlined in this discussion paper by 1 February 2025. This can be provided here.

Based on the feedback received through the consultation and insights gained through potential pilot testing, the Taskforce will publish final guidance on nature transition plans in 2025. It will continue to work with a range of partner organisations to develop an approach that is integrated across nature and climate issues and aligned with global policy goals and targets for nature and climate.

The TNFD particularly welcomes feedback on the following questions:

A. The TNFD draft guidance focuses on nature transition plans, separate from climate. However, it recommends that organisations identify and manage synergies and trade-offs with other sustainability goals, including social issues, and with a preference for eventually creating an integrated plan. Do you agree with this approach?

B. The TNFD has followed the GFANZ and TPT structures for the development and disclosure of climate transition plans for nature transition plans. Does this overall structure work well for a nature transition plan? Does it facilitate integration of nature and climate transition plans and social objectives? How could it be improved?

C. Does the discussion paper provide an appropriate balance between guidance for corporates and financial institutions?

D. Does the discussion paper provide an appropriate balance between addressing nature-related topics, while considering other sustainability objectives, such as consideration of just transition and human rights aspects?

E. Are the structure and content of the individual themes (Foundations, Implementation Strategy, Engagement Strategy, Metrics and Targets and Governance) appropriate? How can they be improved?

F. Are the proposed transition financing strategies, which adapt GFANZ's climate transition financing strategies, appropriate for a nature transition plan? Should they be included at all? How can they be improved? How could the criteria for managed phase-out be best defined?

G. Does the proposed disclosure guidance elicit decision-useful information for investors and other report users? How can it be more useful?

H. Are there any areas where the guidance in this TNFD discussion paper could be usefully more aligned with other related initiatives and frameworks, including existing climate-related transition planning guidance from GFANZ, the TPT and others?

I. How might the TNFD take the work on nature transition planning forward to support further integration of transition planning across nature, climate and social issues?

J. What guidance should be incorporated on the role of biodiversity credits in nature transition plans?

K. Would a prototype template for a nature transition plan be useful additional guidance?

2. Context

The GBF, signed by almost 200 countries, includes four goals for 2050 to achieve the vision of 'a world of living in harmony with nature' and 23 targets to achieve its mission to 'halt and reverse biodiversity loss by 2030' (Box 1). It calls for the participation of all of society in meeting these objectives, including businesses and financial institutions.

Box 1: Nature positive

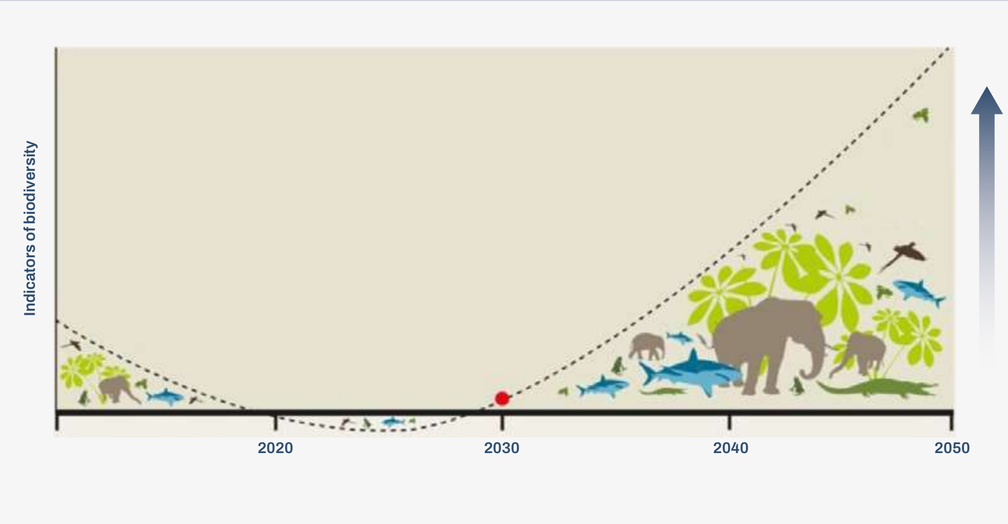
The GBF provides a global societal mission to halt and reverse biodiversity loss by 2030 and a vision of living in harmony with nature by 2050. This societal goal is increasingly being referred to by businesses, financial institutions, governments and NGOs as a goal to achieve 'nature positive' outcomes globally, though the GBF does not use this term, and the term is still not being used consistently.[3]

The Nature Positive Initiative (NPI), a multistakeholder platform of 27 partners representing conservation organisations, institutes and business and finance coalitions, and including the TNFD, was set up to support alignment around use of the term nature positive and the science-based measurement of contributions to nature-positive outcomes. Science-based targets for nature will be an important part of this work, building from the work of the SBTN.

The NPI has provided a definition of nature positive, consistent with the GBF's 2030 mission. It recognises some ongoing loss is unavoidable given current trends and identifies the goal of a net improvement to a nature-positive condition by 2030 from a 2020 baseline and full recovery by 2050 (Figure 6). This definition is translated to the level of individual organisations, on the basis of demonstrating their 'contribution to a global nature-positive outcome'.

3 Milner-Gulland, E. J. (2022) Don't dilute the term nature positive; zu Ermgassen, S. O. S. E. et al. (2022) Are corporate biodiversity commitments consistent with delivering 'nature-positive' outcomes? A review of 'nature-positive' definitions, company progress and challenges.

Figure 6: The NPI’s trajectory of nature positive by 2030



Source: Locke, H. et al. (2021) A Nature-Positive World: The Global Goal for Nature.

The NPI is also working on building a consensus around how to measure nature positive and how this can be applied with integrity and in a practical and affordable way. The NPI recently published for consultation a proposed small set of state of nature metrics that can be used to assess if actions are delivering nature-positive outcomes and contributing to halting and reversing nature loss.

The NPI aims to establish a final set of state of nature metrics in early 2025. As consensus develops on a set of metrics, there will be potential in future to make more attributive statements on nature positive in some circumstances. This could be based on the agreed common, comparable, robust and practical metrics, and guidance on how to apply them, when it may be appropriate and how to attribute a nature positive outcome to an organisation’s actions when it may be one of many actors in a river basin, landscape or seascape. In the meantime, however, the focus of NPI is on contributions to a global nature-positive outcome.

Sources: Locke, H. et al. (2021) A Nature-Positive World: The Global Goal for Nature; Nature Positive Initiative (2023) The Definition of Nature Positive; Nature Positive Initiative (2024) The Nature Positive Initiative convenes process to foster consensus on measuring nature positive outcomes; Nature Positive Initiative (2024) Consultation document: Building consensus on state of nature metrics to drive nature positive outcomes.

Through GBF target 15, countries have committed to encourage and enable 'business... [to] regularly monitor, assess, and transparently disclose their risks, dependencies and impacts on biodiversity [...] in order to progressively reduce negative impacts on biodiversity, increase positive impacts, reduce biodiversity-related risks to business and financial institutions, and promote actions to ensure sustainable patterns of production'.[4]

The TNFD and other related initiatives, including the Science Based Targets Network (SBTN), have made foundational progress in helping organisations respond to GBF target 15, with recommendations and guidance on how to identify, assess, disclose and respond to their nature-related dependencies, impacts, risks and opportunities, including through setting science-based targets. This has included the publication of the TNFD's recommendations and guidance on the identification and assessment of nature-related issues in September 2023 and SBTN's ongoing development of methods for science-based targets for nature.

Delivering the GBF 2030 mission will require significant changes to business practices across all sectors, going beyond disclosure of nature-related issues. A transition plan can help organisations to adapt their business models and value chains in order to respond and contribute to these changes. A transition plan breaks down the process for the organisation into a coherent set of strategies, actions and accountability mechanisms, integrated into the organisation's main business strategy. Disclosure of material aspects of nature transition plans can provide investors with the information they need to finance the transition.

This progression towards nature transition plans is similar to how organisations responded to the Paris Agreement with climate transition plans. For climate change, the process has been supported by the translation of the global climate goal to Nationally Determined Contributions (NDCs) and organisation-level goals and targets through:

- Global carbon budgets and decarbonisation pathways;
- Extensive work to develop sector and national decarbonisation pathways;[5]
- Target-setting methodologies by organisations such as the Science Based Targets initiative (SBTi) and net-zero investor alliances;[6] and
- Development of voluntary guidance on climate transition planning by organisations such as the Task Force on Climate-related Financial Disclosures (TCFD) and GFANZ.

4 Although the GBF uses the word *biodiversity*, this document uses the broader framing of *nature* for transition planning, consistent with the rest of the TNFD recommendations and guidance. Nature refers to the natural world, with an emphasis on the diversity of living organisms (including people) and their interactions among themselves and with their environment.

5 See, for example:
- IEA (2023) Net Zero Roadmap: A Global Pathway to Keep the 1.5 °C Goal in Reach;
- CCC (2019) Net Zero – The UK's contribution to stopping global warming; and
- United States Department of Energy (2022) Industrial Decarbonization Roadmap.

6 Including, the Net Zero Asset Managers initiative, Net-Zero Asset Owner Alliance, Paris Aligned Asset Owners, Net-Zero Banking Alliance, Net Zero Financial Service Providers Alliance, Net Zero Investment Consultants Initiative, Venture Climate Alliance, Net-Zero Export Credit Agencies Alliance.

Mandatory and voluntary corporate climate disclosure recommendations and standards also increasingly refer to disclosure of these climate transition plans.[7] This reflects investors' and regulators' strong interest in transition plans being presented and disclosed more consistently to provide greater comparability, credibility and accountability for the plans' delivery.[8]

The nature and climate transitions at the global level are tightly interconnected.[9] Climate change is a driver of nature loss: 2°C of global warming is estimated to result in the loss of 18% of insect species, 16% of plant species and 8% of vertebrate species, compared to 6%, 8% and 4% respectively with 1.5°C global warming. Achieving net zero greenhouse gas emissions must also include action to protect nature and enhance sinks, with nature absorbing 54% of anthropogenic greenhouse gas emissions over the last two decades.[10]

The interconnectivity between nature and climate, and the recognition that net-zero climate objectives cannot be achieved without nature, has increasingly led climate transition planning efforts to recognise the role of nature. GFANZ has published voluntary guidance for consultation on incorporating nature into net zero transition plans for financial institutions. The TPT Nature Working Group developed an advisory paper on how climate transition planning can extend beyond decarbonisation.[11]

As a result of this evolution of climate transition planning and reporting, as well as increasing interest in nature beyond its contribution to achieving net zero, investors and other stakeholders are now looking for similar types of information in relation to the transition implied by the GBF. Regulators are also increasingly interested in this information.[12]

SBTN already offers methods for corporates to set science-based targets for nature, including land, ocean and freshwater. Business for Nature published guidance on forming a nature strategy. WBCSD published its Roadmaps to Nature Positive: Foundations for all businesses. However, until now, no comprehensive guidance or disclosure recommendations exists for nature transition plans.

7 For example, the IFRS Sustainability Disclosure Standard IFRS S2 *Climate-related Disclosures*, the European Sustainability Reporting Standard E1 and the TPT Disclosure Framework.

8 See, for example, GFANZ (2022) Recommendations and Guidance on Financial Institution Net-zero Transition Plans; TPT (2023) Disclosure Framework.

9 Pörtner, H.-O. et al. (2021) IPBES-IPCC co-sponsored workshop report on biodiversity and climate change.

10 WWF (2022) Our climate's secret ally: Uncovering the story of nature in the IPCC Sixth Assessment Report.

11 TPT Nature Working Group (2024) The future for nature in transition planning. An advisory paper from the TPT's Nature Working Group.

12 For example, the European Sustainability Reporting Standards recommends disclosure of biodiversity transition plans for organisations that have determined biodiversity to be a material topic.

The draft guidance

This discussion paper sets out the TNFD's draft guidance on nature transition planning, building on the TNFD's existing guidance on the LEAP approach and metrics architecture, as well as the market's existing approach to net-zero transition planning. This provides important consistency for plan preparers and the users of eventual disclosures.

Adaptations to the approach to climate transition plans have been limited to reflecting important differences between the broader nature topic and climate, including the:

- **Multiple aspects of nature to be considered:** Climate transition plans cover the emissions of a small number of gases that can be summarised with a single metric, carbon dioxide-equivalent (CO_2e). By contrast, this guidance considers:
    - Further, interconnected impact drivers, covering land, freshwater and ocean-use change, pollution and pollution removal, resource use and replenishment and the introduction and removal of invasive alien species;
    - The provision of ecosystem services across provisioning, regulating and maintenance and cultural services;
    - The state of nature, including ecosystem extent and condition, and species populations and extinction risks; and
    - Synergies and trade-offs with climate objectives.
- **Importance of location:** The impact of greenhouse gas emissions is broadly the same regardless of where on the planet they are emitted, so mitigation efforts can focus on the source of the emissions. Wider impacts and dependencies on nature vary depending on the characteristics of nature in the locations considered. This requires a more location-specific lens for nature transition plans, considering the different realms of nature, biomes and ecosystems and considering ecological connections between sites.

3. Nature transition planning

Defining nature transition plans

This discussion paper focuses on draft guidance for transition plans for all aspects of nature, with the exclusion of climate change and greenhouse gas emissions as drivers of nature loss, and natural carbon stocks. Transition planning for climate is covered in guidance from organisations such as GFANZ, including the recently published and complementary GFANZ voluntary draft guidance for financial institutions on nature in net zero plans, which is out for consultation. The draft guidance does, however, include considerations of synergies and trade-offs between addressing climate change, nature and social objectives.

The TNFD's proposed definition of a nature transition plan is set out in Box 2, building on the definitions for climate transition plans from the IFRS and GFANZ and on the language of the GBF and Nature Positive Initiative.[13]

Box 2: Definition of a nature transition plan

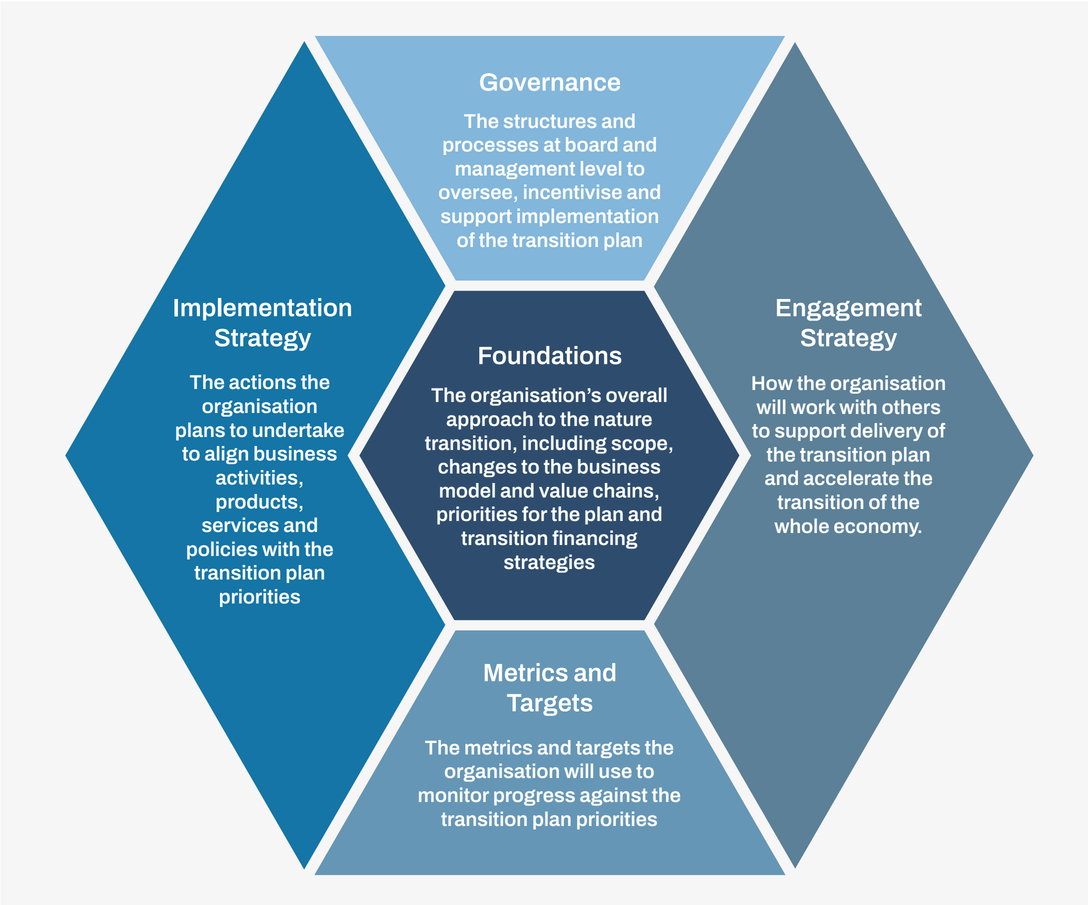
A nature transition plan is an aspect of an organisation's overall business strategy that lays out the organisation's goals, targets, actions, accountability mechanisms and intended resources to respond and contribute to the transition implied by the Global Biodiversity Framework where biodiversity loss is halted and reversed by 2030 to put nature on a path to recovery by 2050. Actions in such plans should prioritise real economy changes and may include: avoiding and reducing negative impacts; protecting, conserving, regenerating and restoring nature; transforming underlying systems to address the drivers of nature loss; and collaborating and engaging with Indigenous Peoples, Local Communities and stakeholders.

Under the definition, a transition plan prioritises risk and impact management actions that deliver nature change and changes in the real economy. Risk management activities that do not aim to deliver real-economy change, such as risk insurance, reducing risk exposure and contingency plans, should be considered only as complements to the plans for driving real-economy change. Such other risk management activities nevertheless remain an important part of the organisation's risk management approach and should be disclosed under TNFD recommended disclosure Strategy B if material.

13 CBD (2022) Kunming-Montreal Global Biodiversity Framework, Section F.11; GFANZ (2022) Financial Institution Net-zero Transition Plans: Fundamentals, Recommendations, and Guidance, p14; IFRS (2023) IFRS S2 *Climate-related Disclosures*, Appendix A; Nature Positive Initiative (2023) The Definition of Nature Positive.

Beyond the definition in Box 2, the TNFD proposes that a comprehensive nature transition plan should cover the same themes as the climate transition plans as recommended by GFANZ. The TNFD proposes to adapt these to nature as set out in Figure 7.

Figure 7: Proposed nature transition plan themes



Source: Based on GFANZ (2022) Recommendations and Guidance on Financial Institution Net-zero Transition Plans; GFANZ (2022) Expectations for Real-economy Transition Plans.

How to approach nature transition planning

The draft guidance in this discussion paper takes as a starting point that an organisation has already undertaken a LEAP assessment or similar process to identify nature-related dependencies, impacts, risks and opportunities, where possible, across the organisation's business model and value chain, and the physical location of these issues (Box 3).

Box 3: The TNFD LEAP approach

The LEAP approach, published in September 2023, provides a process to identify and assess nature-related dependencies, impacts, risks and opportunities across the organisation's value chain.

The TNFD LEAP approach has four phases:

- Locate your interface with nature;
- Evaluate your dependencies and impacts on nature;
- Assess your nature-related risks and opportunities; and
- Prepare to respond to and report on, material nature-related issues, aligned with the TNFD's recommended disclosures.

The Prepare phase of LEAP includes initial guidance on how an organisation can approach responding to its dependencies, impacts, risks and opportunities. This is the key phase for development and evolution of a transition plan, in particular:

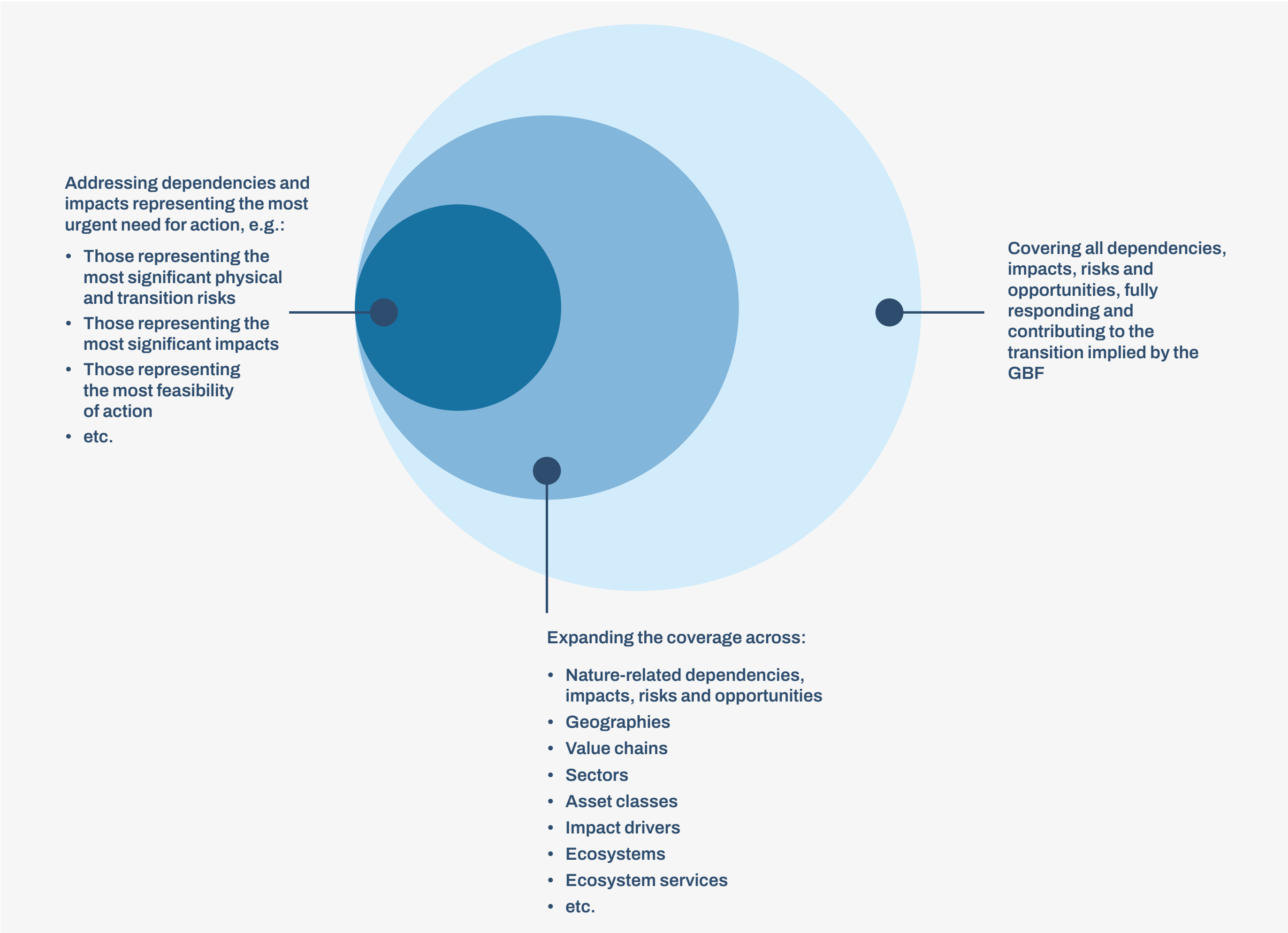
P1 – Strategy and resource allocation plans – What risk management, strategy and resource allocation decisions should be made as a result of this analysis?

P2 – Target setting and performance management – How will we set targets and define and measure progress?

Work in the Prepare phase may identify a number of response actions, such as setting science-based targets; changing business processes and activities or investing, lending or insurance decisions; and preparing voluntary or mandatory corporate reporting on nature-related issues.

Consistent with the TNFD's general requirements for disclosures (specifically, general requirement 2 on the scope of disclosures), this draft guidance does not require a nature transition plan to immediately cover all relevant locations and all dependencies, impacts, risks and opportunities. An organisation may start its transition plan with an initial set of priorities and expand the coverage and accuracy over time (Figure 8). This may be in parallel to the maturing of an organisation's understanding of its nature-related issues, for example as its LEAP assessments cover more of the business model and value chain and at a greater level of granularity.

Figure 8: Increasing coverage and accuracy of the transition plan over time



The three guiding principles of Ambition, Action and Accountability identified by the TPT should underpin an organisation's nature transition plan:

- The plan should have a level of **ambition** that reflects the urgency to act, both in terms of its depth and breadth, reflecting the latest scientific findings about nature loss, public policies, including the GBF, the interdependencies across organisations, sectors and ecosystems, and the potential for systemic risks. A holistic, strategic and rounded approach (Figure 9) to the transition that meets this ambition could capture opportunities, minimise future risks and protect and enhance the organisation's long-term viability by:
  - Responding to nature-related risks and opportunities;
  - Addressing impacts on nature and supporting the resilience of dependencies; and
  - Contributing to the economy-wide transition and restoration of nature, encompassing actions across the organisation's value chain and the wider economy that go beyond the organisation's goals to contribute to the delivery of economy-wide goals;

- Concrete, short-term steps for **action**, creating a clear roadmap of planned actions to deliver the plan's aims, applying the mitigation hierarchy and considering the long-term implications of actions now for the transition as a whole, avoiding locking into technologies or processes that will hinder future action; and
- **Accountability** mechanisms that enable delivery through robust governance and reporting.[14]

Figure 9: A holistic, strategic and rounded approach

Adapted from TPT (2023) Disclosure Framework; TPT Nature Working Group (2024) The Future for Nature in Transition Planning. An advisory paper from the TPT's Nature Working Group.

14 These principles should be applied in accordance with the duties of the organisation's directors and senior managers, constitutional documents and relevant law or regulation.
The three principles are adapted from: TPT (2023) Disclosure Framework; TPT Nature Working Group (2024) The Future for Nature in Transition Planning. An advisory paper from the TPT's Nature Working Group.

Integration of transition plans, and synergies and trade-offs across sustainability objectives

A plan that integrates climate into a nature transition plan will be most effective in enabling organisations to consider the synergies and trade-offs across and within these topics.

Nevertheless, an organisation that already has a climate plan in place or in development may find it more practical, at least initially, to develop a separate nature plan, while considering the interactions between and within nature and climate and moving towards an integrated transition plan over time (Figure 10).

Figure 10: Moving from climate transition plans to integrated planning

Evaluating how a transition plan supports broader societal objectives, and how to manage societal trade-offs, is also essential. This includes, for example, impacts on the local economy and employment, and the possibility that a change in the organisation's business assets or activities may lead others to shift to activities that are more damaging to nature. The organisation's priorities for a location should carefully consider social impacts to avoid misalignment with the priorities and needs of others in the area, which could also undermine the success of the plan (Box 4 and Box 5).[15]

In all cases, an organisation should proactively design their transition plan to:

1. Prioritise actions that provide benefits across a range of sustainability objectives over those that only address a single objective; and
2. Acknowledge and manage any trade-offs made. An organisation should be explicit about these choices and have a clear articulation about how it has approached the trade-offs.

This approach to the relationship between a nature transition plan and climate and social issues is consistent with the TNFD recommendations general requirements including:

- **General requirement 4 on integration with other sustainability-related issues**, which states that: 'The organisation should ensure that any alignment, synergies, contributions and possible trade-offs between actions and targets for climate and nature are clearly identified.'; and
- **General requirement 6 on engagement with Indigenous Peoples, Local Communities and affected stakeholders**, which states that: 'Effective and meaningful engagement with people is an important aspect of any robust identification, assessment and management of nature-related issues.'[16]

Design and implementation of the transition plan should seek to adhere to these general requirements, which also requires continuous involvement and consideration of feedback from stakeholder groups in the development and implementation of the transition plan.

15 See for example, Robins, N. et al. (2024) The just transition: transforming the financial system to deliver action. See TNFD's Guidance on engagement with Indigenous Peoples, Local Communities and affected stakeholders for further guidance.

16 This general requirement is supported by TNFD guidance on engagement with Indigenous Peoples, Local Communities and affected stakeholders. SBTN also has developed stakeholder engagement guidance.

Box 4: Just transition

Progress on climate transition plans has generated recognition of the importance of a just transition. Labour rights organisations, such as the International Trade Union Confederation (ITUC) are particularly focused on ensuring that the transition of economies towards more environmentally sustainable models and sources of energy is fair and inclusive and respects international labour rights.

Most of the existing guidance on just transition focuses on the transition to net zero, in particular the transition of the energy sector away from fossil fuels. The International Labour Organization (ILO) has developed Guidelines for a just transition towards environmentally sustainable economies and societies for all. This work aims to ensure the transition contributes to 'decent work for all, social inclusion and the eradication of poverty'.[17] The ILO defines a just transition as one that promotes 'environmentally sustainable economies in a way that is fair and inclusive to everyone concerned – workers, enterprises and communities – by creating decent work opportunities and leaving no one behind.'[18]

These and other guidance documents are also relevant for the transition for nature implied by the GBF, but some recommendations are now emerging specific to that transition.[19] The transition implied by the GBF would create societal benefits overall, including decent jobs at a large scale and upholding of environmental and human rights, but these benefits – and societal costs – would not automatically be distributed in a just manner.

Considering principles of a just transition in nature transition planning requires not only a consideration of the social implications of the plan, but also meaningful engagement during plan development and implementation. It is increasingly clear that inadequate and ineffective engagement is itself a source of risk to an organisation. Conversely, if done well, engagement can be a source of competitive advantage, driving customer loyalty and creating new opportunities. The ILO Guidelines for a just transition, like the OECD Guidelines for multinational enterprises on responsible business conduct, point to the need for organisations to have high-quality stakeholder engagement processes as a cornerstone of effective risk and opportunity management and response.

For further guidance on engagement, organisations may refer to the TNFD guidance on engagement with Indigenous Peoples, Local Communities and affected stakeholders.

17 ILO (2016) Guidelines for a just transition towards environmentally sustainable economies and societies for all.

18 ILO (2023) Guidelines for a just transition: Action framework.

19 Grantham Research Institute on Climate Change and the Environment and Centre for Climate Change Economics and Policy, London School of Economics and Political Science (2022) Just Nature: How finance can support a just transition at the interface of action on climate and biodiversity.

Box 5: Indigenous Peoples and Local Communities, and the diverse values of nature

Indigenous Peoples and Local Communities have a critically important role to play in halting and reversing nature loss and identifying and scaling nature-based solutions that benefit nature.

The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) global assessment found that nature is generally declining less rapidly on Indigenous Peoples' lands than on other lands, as is the knowledge of how to manage it.[20] It also noted that governance, including customary institutions, management systems and co-management regimes for conservation and sustainable use, which involves Indigenous Peoples and Local Communities and incorporates their local knowledge, can be an effective way to safeguard nature and its contributions to people.

The IPBES values assessment highlights the diverse values of nature and their contributions to people.[21] The assessment follows a plural value lens which encompasses a wide variety of dimensions to assess the interdependence between nature and societies, including biophysical, health, sociocultural and holistic approaches. It can:

- Help organisations engage with diverse knowledge and value systems about nature;
- Allow the recognition of a variety of perspectives held by those engaged on the multiple values of nature;
- Help organisations understand the process of collecting, synthesising and communicating knowledge about the ways in which people ascribe importance and meaning of nature;
- Demonstrate the importance of cultural values to people and nature, especially Indigenous Peoples and Local Communities; and
- Help avoid the risk of excluding legitimate ways of defining, knowing and valuing nature and biodiversity.

20 IPBES (2019) Summary for policymakers of the global assessment report on biodiversity and ecosystem services.

21 IPBES (2022) Methodological assessment report on the diverse values and valuation of nature of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services.

Frequency of updates to the plan

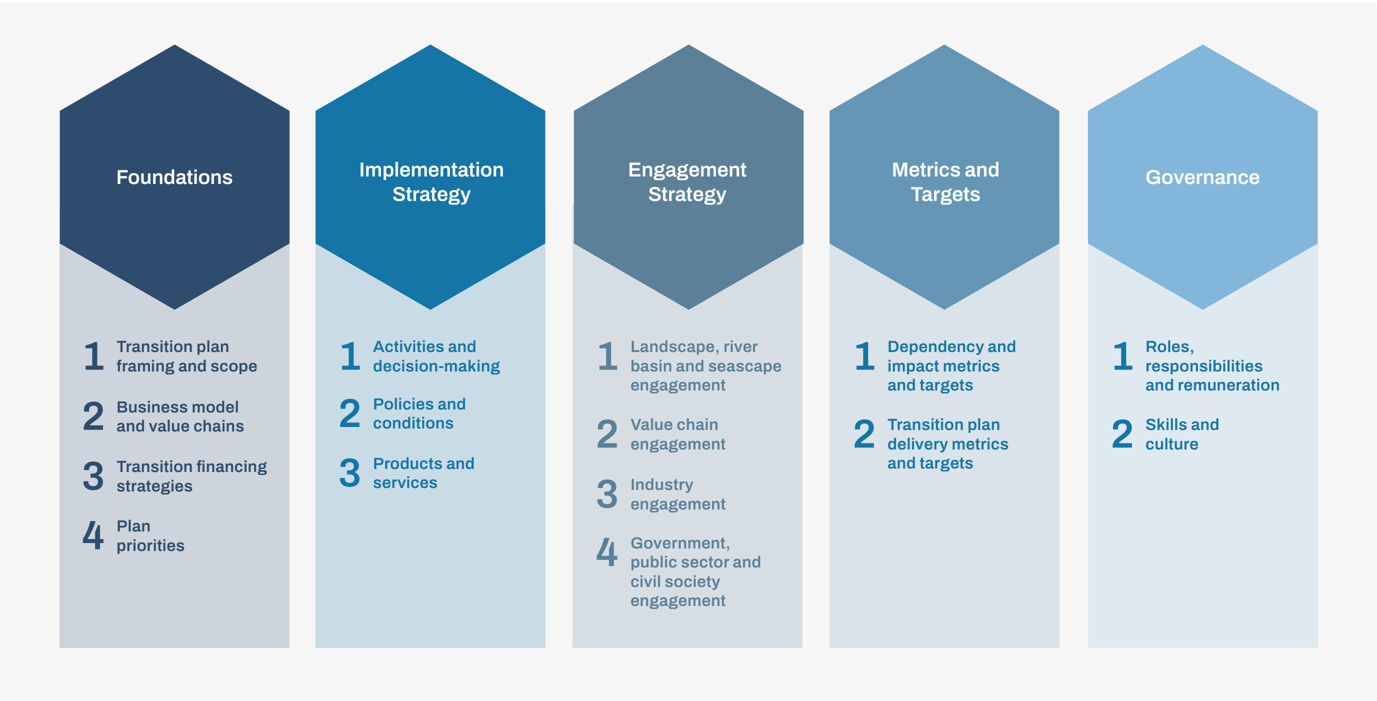
An organisation should assess its nature-related issues on an annual basis, aligned to its corporate reporting cycle. The transition plan should be refreshed as required and at least on a frequency that aligns with business strategic planning cycles, in order to enable continued relevance and efficacy to an organisation's overall strategy planning process:

- As its understanding of its nature-related dependencies, impacts, risks and opportunities and associated locations improves and changes;
- In line with how science and research evolve, particularly in relation to the state of nature and ecosystem service provision in specific locations; and
- In line with its review process for nature-related commitments and targets.

4. Content of a nature transition plan

A nature transition plan should cover the same five themes as those recommended by GFANZ for net zero transition plans. Each theme contains a number of components (Figure 11).

Figure 11: Proposed nature transition plan components



4.1. Foundations

The Foundations theme is where the organisation develops its overall approach to the nature transition, including scope, changes to the business model and value chains, priorities for the transition plan, and, for financial institutions, the transition financing strategies that will be applied.

Foundations

1 Transition plan framing and scope

- The aspects of the transition implied by the GBF that the plan addresses
- Plan scope
- Principles guiding the plan

2 Business model and value chains

- The changes to the organisation's business model and value chains

3 Transition financing strategies

- The transition financing strategies the organisation will deploy as part of its transition plan

4 Plan priorities

- The organisation's nature-related dependencies, impacts, risks and opportunities covered by the plan
- The high-level approach to addressing these issues
- The assumptions and prioritisation process followed

4.1.1. Transition plan framing and scope

Component 1: Transition plan framing and scope	
The aspects of the transition implied by the GBF that the plan addresses; plan scope; principles guiding the plan	• The nature transition that the organisation is responding and contributing to in its transition plan • The scope of the plan, including, for example, coverage of business activities, impact drivers, geographic/spatial and temporal scope, parts of the value chain, current, future and/or historic impacts, dependencies, and/or other spheres of influence • Principles guiding the transition plan

The aim of this component is to identify the transition that the organisation is responding and contributing to, which aspects of the organisation's business model and value chain are involved in responding and contributing to that transition, and the principles the organisation will apply in designing and delivering the plan. Box 6 provides an example for a garment producer.

The nature transition

The organisation should articulate the transition it is proposing to respond and contribute to. This should refer to the aspects of the transition implied by the GBF that the organisation is responding and contributing to through its transition plan. This may include a description of the economic, technological, policy or market dynamics associated with the transition that are relevant to the organisation, pointing to specific targets and goals from the GBF where appropriate.

The organisation may also wish to refer to transitions implied by other relevant scientific frameworks, public policies and standards that may provide assessments of the state of nature and the degree of action required, as well as additional detail on public policies to be implemented to deliver the GBF. At a minimum, this should include the relevant National Biodiversity Strategies and Action Plans (NBSAPs) to the extent that these offer tangible plans that can be translated to the level of individual organisations. An organisation could also refer to:

- The Planetary Boundaries or Safe and just Earth system boundaries, which provide foundational science but require translation to actionable insights and targets for an organisation, using, for example, the work of SBTN and the Earth Commission;
- National or regional policy frameworks and regulations, for example the EU Green Deal or the Zambian government's National Green Growth Strategy;
- Other international treaties such as the Paris Agreement, the United Nations Convention to Combat Desertification, BBNJ Agreement,[22] and Ramsar Convention on Wetlands; and/or
- The Sustainable Development Goals.

Translating the GBF to the context of individual organisations is not straightforward and presents several challenges. At national level, NBSAPs may be more granular, yet face similar issues. Sector transition pathways may be a useful reference for individual organisations, as and when these emerge (see section 5), as has been seen for net-zero transition planning.[23] Early work includes the Business for Nature, WBCSD and WEF sectoral nature-positive roadmaps and sector actions,[24] which provide a first basis for actions in nature transition plans for a set of high impact sectors.

Scope of the plan

Consistent with the TNFD recommendations general requirements, the Foundations theme should set out which parts of the organisation's business model and value chain and which aspects of its interfaces with nature are covered by the transition plan.

22 Agreement under the United Nations Convention on the Law of the Sea on the Conservation and Sustainable Use of Marine Biological Diversity of Areas beyond National Jurisdiction.

23 See, for example:
- IEA (2023) Net Zero Roadmap: A Global Pathway to Keep the 1.5 °C Goal in Reach;
- CCC (2019) Net Zero – The UK's contribution to stopping global warming;
- United States Department of Energy (2022) Industrial Decarbonization Roadmap.

24 Business for Nature, WBCSD and WEF (2023) Sector actions towards a nature-positive future.

This section should consider:

- Relevant impact drivers, ecosystem services, environmental assets and geographic regions;
- Coverage of direct operations, upstream and downstream value chains and other spheres of influence, such as sectors, landscapes, river basins and seascapes;
- Coverage of current, future and/or historic impacts and dependencies; and
- Engagement with multi-stakeholder efforts.

For all organisations, the scope of the transition plan should be informed by the scope and results of the organisation's LEAP assessment.

For financial institutions, this could include defining the relevant departments, regional or national branches or asset classes in scope.

Principles guiding the plan

An organisation should articulate any guiding principles for the transition plan. Such principles can support decision-making through the transition planning process and help internal and external stakeholders understand how the organisation will prioritise and manage synergies and trade-offs across different objectives. This may be particularly relevant as the wider context in which the organisation operates changes over time.

Organisations should adopt mitigation hierarchy principles when determining responses to identified nature-related issues.[25] Use of the mitigation hierarchy to guide responses can help to reduce negative impacts on nature and related risks to the organisation and identify new opportunities for growth.

Examples of principles could include other commitments to:

- Apply principles of extended producer responsibility;[26]
- Follow science-based approaches and initiatives;
- Take an integrated approach to the various dimensions of sustainable development;
- Take a collaborative approach to achieve objectives;
- Take a collaborative approach with Indigenous People, Local Communities and stakeholders through all phases of the planning process and delivery;[27] and
- Take a human rights-based approach to achieve objectives; and
- Apply human rights due diligence processes.

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25 Sinclair, S. et al. (no date) The Conservation Hierarchy: Underpinning the Post-2020 Biodiversity Framework; SBTN (no date) Step 4. Act.

26 The TNFD uses the OECD definition of extended producer responsibility: An environmental policy approach in which a producer's responsibility for a product is extended to the post-consumer stage of a product's life cycle.

27 See TNFD (2023) Guidance on engagement with Indigenous Peoples, Local Communities and affected stakeholders.

More generally, in this component, an organisation should consider how it will manage synergies and trade-offs with climate and social aspects of its transition.

Box 6: Example framing and scope

A garment producer's framing and scope component of its transition plan could, for example, state (non-exhaustive):

The nature transition

Our organisation commits to contribute and respond to the transition implied by the GBF. Implementation of the GBF implies significant changes relevant to our operations across our value chain, and we will prepare for and contribute to these changes in order to support the long term viability of our business and the resilience of the ecosystem services on which we depend, and to prepare for the policy changes. All the GBF targets will have some implications for our business model and value chain, but we are particularly focused on our assessment that:

- GBF targets 1, 2 and 3 will require a reduction and, eventually, elimination of land-use change associated with textile farming, and an adjustment in farming and processing practices to support, and avoid interference with, spatial planning efforts that enable nature restoration and protection;
- GBF target 7 will require a reduction in pollution from textile farming and across the textile lifecycle, and a reduction and eventual elimination of plastic from textiles;
- GBF target 10 will require improvements to the sustainability of farming, including the adoption of biodiversity-friendly practices; and
- GBF target 16 will require enabling of textile products' end users to make more sustainable choices in order to reduce textile products' global footprint.

Since plastics are a core source of pollution associated with the garment industry, our organisation additionally intends to consider how it might respond and contribute to the transition implied by the global treaty for plastic pollution, once implemented, including any associated phase-outs, product design requirements or national action plans.

Scope of the plan

The plan covers:

- **Impact drivers:** Land-use change, freshwater pollution and unsustainable water use;
- **Ecosystem services:** Contributing to protecting the resilience of relevant water provisioning, nutrient cycle and erosion control services;
- **Business model and value chain:** Direct operations and upstream priority locations;
- **State of nature:** Restoring natural ecosystem associated with impacts from our direct operations and the resilience of the ecosystem services on which we depend; and

- **External engagement:** Aligning our policy and advocacy efforts with the GBF goals and targets and contributing to multi-stakeholder efforts in priority locations.

Principles

In delivering this commitment we aspire to:

- Apply the mitigation and conservation hierarchies;[28]
- Follow science-based approaches and initiatives, including using the methods of the Science Based Targets Network;
- Take an integrated approach to nature and climate dimensions; and
- Take a collaborative and human-rights based approach, following international standards and best practice.

4.1.2. Business model and value chains

Component 2: Business model and value chains	
The changes to the organisation's business model and value chains	• Expected changes to the business model • Expected changes to value chains

The organisation should consider the high-level changes the organisation will make to its business model and upstream and downstream value chains as it responds and contributes to the transition implied by the GBF.

This could include:

- Shifts in the product and service offerings, such as moving from fast fashion to slow fashion, developing new nature-specific investment mechanisms, or entering new markets;
- Changes in the organisation's relationship with customers, such as moving from the sale of physical products to a product-as-a-service model;
- Upgrades to product or technologies;
- Changes in supply chains due to product design changes or new procurement policies;
- Changes in the geographies of the company's own assets and activities and those in its value chains; and

28 Sinclair, S. et al. (no date) The Conservation Hierarchy: Underpinning the Post-2020 Biodiversity Framework.

- **For financial institutions**, new arrangements between investors, lenders, clients and underwriters, such as: new financial incentives for adopting green technologies or sustainable farming practices; engagement in new public-private partnerships to fund sustainable infrastructure or environmental protection programmes; or new models for insuring environmental assets.

The organisation should indicate the timeframe over which these changes are expected to occur, for example categorising the changes as short-, medium- and long-term, with specific associated time frames, referring back to the transitions that the organisation is responding and contributing to.

4.1.3. Transition financing strategies (financial institutions only)

Component 3: Transition financing strategies (financial institutions only)
• The transition financing strategies the organisation will deploy as part of its transition plan

A financial institution should consider its place in the financial system and relationships with the real economy and, based on this, how it can best respond and contribute to the transition implied by the GBF through its financing practices. In this component of the transition plan, it should describe the transition financing strategies it will prioritise in the transition plan based on that assessment.

The TNFD proposes four transition financing strategies for the nature transition (Figure 12), building from those set out in GFANZ guidance.[29] These are:

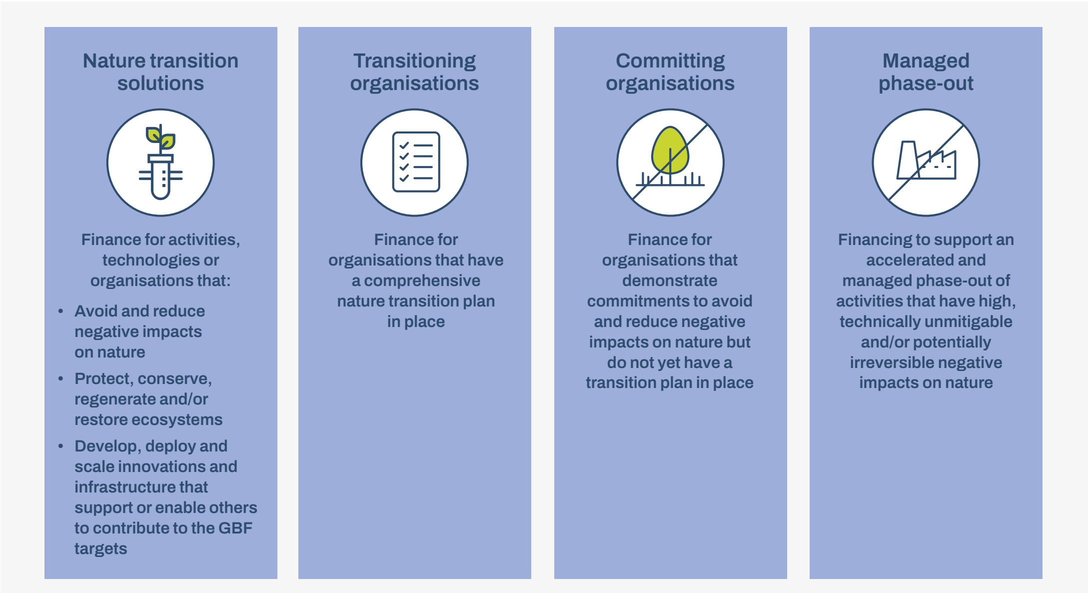
- Nature transition solutions;
- Transitioning organisations;
- Committing organisations; and
- Managed phase-out.

For any of the strategies, the organisations or projects receiving finance should either have a nature transition plan in place or should be in the process of developing one.[30]

29 Climate solutions, Aligning, Aligned and Managed phase-out. GFANZ (2022) Recommendations and Guidance on Financial Institution Net-zero Transition Plans; GFANZ (2023) Scaling Transition Finance and Real-economy Decarbonization, Supplement to the 2022 Net-zero Transition Plans report.

30 Nature transition solutions may not always require an organisational transition or associated transition plan for nature.

Figure 12: Nature transition financing strategies



Source: Adapted from GFANZ (2022) Recommendations and Guidance on Financial Institution Net-zero Transition Plans; GFANZ (2023) Scaling Transition Finance and Real-economy Decarbonization, Supplement to the 2022 Net-zero Transition Plans report.

Nature transition solutions

The nature transition solutions financing strategy encompasses financing for activities, technologies or organisations that:

- Avoid and reduce negative impacts on nature, such as through improved resource efficiency or reductions in pollution; and/or
- Protect, conserve, regenerate and/or restore ecosystems, such as reforestation projects, wetland restoration and marine conservation efforts; and/or
- Develop, deploy and scale innovations and infrastructure that may not necessarily contribute directly to the targets in the GBF, but support or enable others to do so. Examples could include developing eco-friendly farming equipment, producing alternative protein sources or providing monitoring, capacity building and data products and services.

Finance in this category may include innovative financing and derisking, such as concessional and blended finance, payments for ecosystem services or other mechanisms. This should, where possible, be aligned with credible third-party taxonomies or guidance on types of finance for nature such as IFC's Biodiversity Finance Reference Guide. An organisation may be designated as eligible for nature transition solutions financing if:

- The majority of its activities are nature transition solutions;
- It does not have large negative impacts on nature; and
- It has a transition plan in place to address the negative impacts it does have.

Transitioning organisations

The transitioning organisations financing strategy covers financing to organisations that have a comprehensive nature transition plan in place, aligned to this guidance, with public commitments to:

- Avoid and reduce their negative impacts on nature; and
- Increase positive impacts on nature through protection, conservation, regeneration and restoration.

For example, this may include organisations that have set credible (e.g. SBTN) targets with a plan to deliver those targets. It could include project finance for certain parts of a transition plan. Such financing needs to include monitoring to hold the recipient of the finance accountable for delivering its plan.

Committing organisations

The committing organisations financing strategy covers financing to organisations that demonstrate commitments to avoid and reduce negative impacts on nature, aligned to an established standard, but do not yet have a fully articulated transition or other plan to deliver these commitments. For example, this could include financing to a soft commodity company that has committed to deforestation and conversion-free sourcing aligned to a credible standard such as the Accountability Framework initiative, but does not yet have a plan in place to meet that objective. Such financing needs to include credible processes in place to hold the recipient of the finance accountable for putting a transition plan in place within a specified time period, with penalties for failure to do so.

Managed phase-out

The managed phase-out strategy is financing to support an accelerated and managed phase-out of activities that have high, technically unmitigable and/or potentially irreversible negative impacts on nature resulting from either the type of activity and/or the location where it takes place, ensuring that the phase-out arrangements are durable. This could cover:

- Phasing out activities in locations where any further negative impacts on nature would be highly likely to cause an irreversible decline or collapse (i.e. reach a tipping point) in the ecosystem condition or extent or species populations in that location; or
- Phasing out activities that are always associated with very high negative impacts on nature (e.g. clearcut forestry).

Resources to support identification of assets, activities and locations for managed phase-out include:

- The TNFD LEAP approach, particularly component L4: Interface with sensitive locations;

- The TNFD sector guidance, which in some cases identifies activities, further examples of additional considerations for sensitive locations, negative impacts and transition and physical risks that are specific to certain sectors;
- UNEP FI (2023) Banking on nature: What the Kunming-Montreal Global Biodiversity Framework Means for Responsible Banks;
- UNEP FI Sustainable Blue Economy's Resources: Sustainable Blue Finance; and
- Finance For Biodiversity's Nature Target Setting Framework for Asset Managers and Asset Owners. Appendix 3 has examples of activities to define Phase-out KPIs.

The TNFD would welcome feedback on these proposed categories (see page 10).

The principal adaptations to the categorisation of GFANZ climate transition finance strategies reflect the lack of consensus on how to evaluate whether an organisation is aligned or aligning with the transition implied by the GBF. The proposed transitioning and committing categorisation instead puts the onus on financial institutions to describe transparently their criteria for deploying these financing strategies and how these criteria align with best practices.

Further consensus on what aligning means in the nature context (e.g. through development of credible sector transition pathways) would facilitate further harmonisation of these categories across institutions. The TNFD expects that the guidance on transition financing strategies will need to evolve as related work progresses.

4.1.4. Plan priorities

Component 3: Plan priorities	
The organisation's nature-related dependencies, impacts, risks and opportunities covered by the plan; the high-level approach to addressing these issues; and the assumptions and prioritisation process followed	• Nature-related dependencies, impacts, risks and opportunities on nature to be addressed through the transition plan • The high-level approach to each of these, including transition financing strategies for financial institutions • Other plan priorities • The assumptions and rationale for the prioritisation and strategies chosen • The coverage of the plan priorities relative to the organisation's wider nature-related dependencies, impacts, risks and opportunities and associated locations

Priority dependencies, impacts, risks and opportunities

An organisation should set out the nature-related dependencies, impacts, risks and opportunities that it has prioritised for inclusion in its transition plan.[31]

This list should include the location of the dependency, impact, risk or opportunity, going beyond the organisation's site boundary to consider the location of the nature that is affected by the organisation's activities or that is responsible for the ecosystem services on which the organisation depends.[32]

It may be helpful or necessary for large organisations and financial institutions to group locations for the purposes of analysis and development of a transition plan and setting plan priorities. In line with general requirement 3 of the TNFD recommendations, locations should only be grouped where they have shared characteristics, including in terms of type and condition of nature in the locations and the dependencies, impacts, risks and opportunities associated with those locations.

An organisation should not group locations for transition planning purposes that have different relevant natural characteristics. For example, an organisation should not group water extraction across areas of water stress and low-water stress, or dependencies on a highly intact ecosystem and a highly degraded one. This is consistent with the IFRS S1 Application Guidance on aggregation and disaggregation.[33]

Early versions of an organisation's transition plan may start with a subset of its dependencies, impacts, risks and opportunities, and associated locations, expanding coverage and accuracy over time. The prioritisation process and assumptions underpinning it should be made explicit (see page 39).

High-level approach to the priority dependencies, impacts, risks and opportunities

Each prioritised dependency, impact, risk or opportunity should be accompanied by a short statement explaining what the organisation aims to achieve for that issue and its associated locations. This should not be limited to what the organisation aims to achieve through changes to its own activities, but also the outcome of its engagement with others.

Where an organisation has prioritised a nature-related risk or opportunity, this statement should prioritise action to support the resilience of the dependencies, increase the positive impacts and reduce the negative impacts that give rise to that risk or opportunity.

The high-level statements for each dependency, impact, risk or opportunity should describe which aspects of the dependency or impact pathway will be addressed and how the mitigation

31 An organisation may find it helpful to refer to SBTN's guidance on prioritisation and WBCSD's Roadmaps to Nature Positive: Foundations for all businesses.

32 See Box 9 of the TNFD LEAP approach.

33 IFRS (2023) IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*, B29-B30.

hierarchy will be applied.[34] It may include reference to the desired state of nature in the location, including any reference to how that has been established in public policy, through multi-stakeholder engagement and the assessment methodology used. They should also link to any targets set out under Metrics and Targets. Financial institutions may wish to refer to the financing strategies to be applied.

Box 7 and Box 8 provide example plan priorities for corporates and financial institutions respectively.

Box 7: Example corporate transition plan priorities

In the plan priorities component, a beverage company, for example, might state:

- We will prioritise addressing water stress around our sugar and barley production sites across the Sinaloa, Nayarit and Baja California states in Mexico. These were prioritised, given our high water dependency in those sites. We will address this first by reducing our operational water use and our contribution to water stress in the area (see targets X, Y and Z). We will deploy watershed restoration activities, and engage in integrated basin management to improve management of freshwater resources around our activities, secure an ongoing supply of freshwater to our sites and others in the basin and reduce the risk of others in the basin reacting to our reduced withdrawals by increasing their own (see metric A, B and C).
- We will address the plastic pollution associated with the packaging of our beverages in the Indonesian Citarum, Brantas and Ciliwung river basins. These basins are experiencing significant habitat degradation and sustain key species and local communities. We will immediately scale up our partnerships with cities in Indonesia to support plastic collection and recycling equivalent to the quantity of plastic we place on the market there (see target X). We will also aim to shift away from plastic to avoid the impact entirely (see target X). We will scale up R&D to develop fully biodegradable, bio-plastic packaging (see target X).

34 The TNFD aligns to the SBTN AR3T Framework that covers actions to avoid future impacts, reduce current impacts, regenerate and restore ecosystems, and transform the systems in which companies are embedded. It is built on the mitigation hierarchy set out in the International Financial Corporation's (IFC) Performance Standard 6 and the conservation hierarchy.

Box 8: Example transition plan priorities for a financial institution

Recognising current data limitations, financial institutions may formulate dependencies and impacts on nature at various levels of granularity, following their LEAP assessment. The TNFD expects that disclosure for financial institutions will improve over time as data on the location of company assets, activities and sensitive locations improves, in line with the TNFD's guidance on value chains.

Depending on the level of granularity of the LEAP assessment, financial institutions may be able to formulate high or early maturity plan priorities.

High maturity plan priorities: For (sub-)portfolios with high availability of location-specific data, financial institutions can formulate plan priorities at a similar level of granularity as corporates. This may include loan portfolios that cover direct transactions with single-location producers or listed equity investments related to subsectors with high operational data availability, such as utilities. A financial institution might formulate the following plan priority:

- We will prioritise providing finance to our wheat farmer clients in Poland to support take-up of integrated pest management practices. This will help address the negative impacts of agriculture in the region on pollinator populations by reducing pesticide use and respond to incoming policy action to deliver the EU's target to reduce pesticide use by 50% by 2030.[35] Both upfront costs and familiarisation time (where there may be a short-term dip in yields) mean that farmers require finance to deliver this change. Failure to provide this finance could lead to the long-term decline in the creditworthiness of the clients identified given their dependence on pollinators, creating risks for our loan book.

Early maturity plan priorities: For portfolios with lower availability of location-specific data, financial institutions may formulate plan priorities at a sub-sector level and high-level geography. For example, this may include plan priorities related to corporate bonds or public equities portfolios. A financial institution aiming to contribute to the transition implied by the GBF might formulate the following plan priority:

- We will prioritise addressing water-related issues associated with the exposure of our listed equities portfolio to high water-intensive sectors and high water-stress areas. We will do so by implementing and signalling clear water-related expectations and adjust stewardship activities accordingly, including related to our portfolio companies' water-related assessment, disclosure, actions, strategies and targets.

35 European Commission (no date) Farm to Fork targets – Progress.

Other plan priorities

Beyond the plan priorities to address existing priority dependencies, impacts, risks and opportunities, an organisation may set additional plan priorities that further help the organisation to respond and contribute to the transition addressed by the plan.

For example, these could include expanding sustainability-led products and services to new markets, investing in developing lower-impact products, services or production processes and initiating supply chain projects, sourcing activities, conservation and restoration activities or other interventions. Organisations could include consideration of opportunities to accelerate adoption of existing industry standards, including product certification schemes, if these have not already been adopted (see Box 10).

Financial institutions may develop new products or funds that target nature-related objectives, which may be unrelated to dependencies, impacts, risks and opportunities of existing portfolio companies. The LEAP approach guidance on nature-related opportunities and nature-related opportunity register provide further structure for the different types of opportunities that might be captured here.

Scope of plan priorities

An organisation should have a clearly defined scope for its plan priorities across its dependencies, impacts, risks and opportunities, operations, value chains and sensitive and other locations.

Where an organisation has not immediately developed plans for all dependencies, impacts, risks and opportunities within the scope of the plan, it should consider where it might expand the scope of the plan priorities and the transition plan in the future, incorporating more geographies, dependencies or impacts.

Ultimately, an organisation should aim to respond and contribute to the fullest extent possible to the transition implied by the GBF, including coverage of all of its identified dependencies, impacts, risks and opportunities and describe the timeframe within which it aims to reach this level of comprehensive coverage in its transition plans. For example, all potential habitat conversion should be addressed through plan priorities, given that continued habitat conversion, as the largest contributor to biodiversity loss, is incompatible with the transition implied by the GBF.

Rationale for prioritisation and assumptions

An organisation should have a clear rationale for selecting the plan priorities listed, including if and how the mitigation hierarchy was applied. For example, if an organisation chose to prioritise dependencies and impacts based on the associated financial risks first, this should be clearly articulated.

Organisations should consider the views of Indigenous Peoples, Local Communities and external stakeholders in their prioritisation. This can be informed by reference to the

TNFD guidance on engagement for further support on best practices for engagement with Indigenous Peoples, Local Communities and stakeholders.

Box 9 provides some further examples of how organisations might approach prioritisation.

Box 9: Identifying plan priorities

To determine the organisation's priorities for transition planning across the nature-related dependencies, impacts, risks and opportunities identified, an organisation will need to consider the desirable future state. This box provides examples of concepts and frameworks that organisations may find useful in determining this.

Prioritisation and ambitions have historically been driven by (a combination of) three approaches:

- Scientifically determined approach, where an organisation refers to scientifically determined frameworks, scenarios or transition pathways, such as science-based targets, to inform their plan priorities. Such approaches may be closely linked and informed by the two approaches below;
- Stakeholder-driven approach, where nature-related plan priorities for an organisation are set in line with expectations of its most important stakeholders. This may include prioritising interests from financial or non-financial stakeholders; and
- Societal goals-driven approach, where an organisation sets nature-related plan priorities that refer to broadly agreed societal goals and targets, such as those set out in the GBF and National Biodiversity Strategies and Action Plans (NBSAPs).

Following such approaches, organisations may further choose to prioritise dependencies, impacts, risks and opportunities based on the level of risks they represent, the level of implications for people and nature they may offer or the level of influence the organisation has on delivering desirable outcomes. Combining various approaches and perspectives in the prioritisation process can enhance credibility of the prioritisation process.

SBTN provides detailed guidance on prioritisation in relation to its Step 2 technical guidance. SBTN's process for prioritisation is driven by a combination of elements of the above approaches.

Consideration of location-specific issues, trade-offs and unintended consequences

The rationale for the plan priorities should include a justification for any changes in the locations in the organisation's value chain resulting from the organisation's transition plan including a change in suppliers.

The organisation should consider the implications for the future state of nature in any locations it moves away from and acknowledge these accordingly. This is because an organisation moving its activities, for example, from a sensitive to a less sensitive location may reduce its direct connections to negative impacts on nature. However, if another organisation takes up the activity in the previous location, it may not lead to overall reductions in harm to nature.[36]

The organisation should consider putting in place additional measures to support continuing progress to halt and reverse nature loss in locations that will no longer be part of its value chain as a result of implementing the transition plan. This could include securing finance to manage the change, or cross-industry collaborations. Box 10 provides an example.

When opting for ongoing involvement, implementation and engagement planning related to these areas may need to be enhanced, grounded in principles of just transition and participatory approaches and supported by associated monitoring.

Similar issues appear where an organisation reduces its impacts on nature in a location, as others in the location may increase their impacts in response to an improved state of nature. This is known as impact leakage.[37] For example, improvements in irrigation efficiency may not always reduce water consumption in agriculture, and in some cases may instead increase water use.[38] The organisation should set out its assumptions about any such impact leakage and set out any responses in the Implementation Strategy and Engagement Strategy.

Assumptions

The organisation should be explicit about all assumptions made, which may include:

- Changes to nature, the economy, public policy and technologies;
- Access to counterparty data and data reliability;
- The physical impacts of nature-loss for the organisation and others, and the regional and spatial implications of these; and the response of other actors in the landscape, river basin or seascape and the impact of these responses on nature;
- Shifts in client and consumer demand;
- Assumptions underpinning the estimated financial impacts of the plan, and the degree to which the actions in the transition plan will deliver the strategic priorities and targets; and
- Interdependencies between these assumptions.

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36 This also has relevance to the managed phaseout financing strategy, which offers an alternative to financial institutions moving away from a location through divestment.

37 Impact leakage refers to the unintended negative consequences that occur when efforts to manage or protect nature in one area lead to adverse effects in another area.

38 Linstead, C. (2018) The Contribution of Improvements in Irrigation Efficiency to Environmental Flows.

Organisations may find it helpful to consider the TNFD Guidance on scenario analysis and Discussion paper on conducting advanced scenario analysis for further information on how to identify and test the assumptions underpinning their prioritisation.

Box 10: Example of rationale and assumptions for certification

Priority: We will address probable land conversion associated with our soy sourcing from the Cerrado, Brazil. To address this risk, we aim to source chain-of-custody soy certified by the Round Table on Responsible Soy (RTRS).

Rationale and assumptions

Conversion in this area represents a key threat to high value habitat, and our association with such practices could reasonably be assumed to lead to progressive reputational risks. The potential implications of conversion for nature, people and our core business are more significant than the nature-related impacts associated with our other activities.

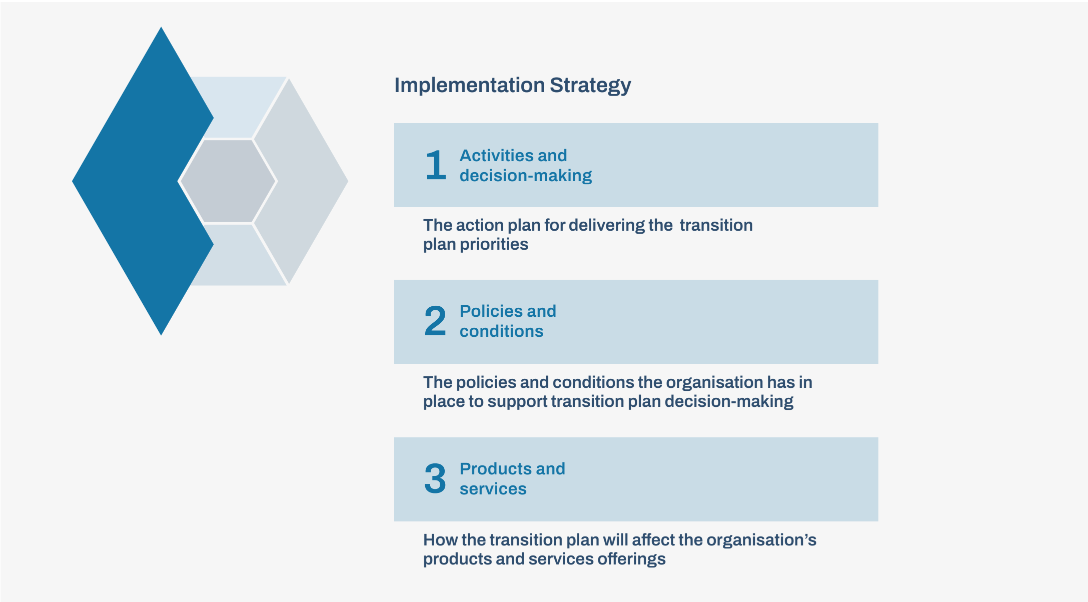
We recognise that mass-balance certified RTRS certification does not guarantee that our sourced soy was produced responsibly. This is why we pursue chain-of-custody certification.

Increasing RTRS certification means working with our existing suppliers – directly and through industry and cross-industry location-based initiatives – to adopt certification, as well as developing new supplier relationships.

We recognise that if, despite our best efforts to secure their support and build local supply chain capabilities, we part ways with suppliers who are unwilling or unable to meet our standards, there is a risk that these suppliers may continue their harmful practices and seek out buyers with lower standards, potentially exacerbating nature loss. Increasing RTRS certification may also not guarantee avoided deforestation associated with all suppliers.

We will therefore adopt additional measures to reduce deforestation and conversion. This will include continued participation in industry collaborations to address deforestation and conversion, such as supporting the Cerrado Manifesto. We will also reinstate contracts with suppliers if and when they show progress towards certification.

4.2. Implementation Strategy



An organisation should develop a set of actions for each of its plan priorities to align business activities, products, services and policies with the plan priorities.

The Implementation Strategy could include:

- Incremental changes to business processes, the workforce, technologies or procurement practices;
- Changes to products, services and locations to reduce impacts on nature;
- Specific actions to protect, conserve, restore and regenerate nature within the existing business model;
- New policies and conditions applied across the organisation or to its business practices; and
- Wider transformation programmes and initiatives, such as moving from selling individual products to switching to a leasing model to support a more circular use of materials.

To develop this Implementation Strategy, organisations may want to draw on principles and concepts for sustainable business practices, such as bioeconomy, circular economy, the sustainable blue economy, regenerative business models and practices, eco-efficiency, biomimicry and nature-based solutions,[39] as well as the options for change set out in the Dasgupta Review on the Economics of Biodiversity.

The components of the Implementation Strategy should be developed and implemented jointly with the Engagement Strategy to show a pathway to deliver the plan priorities and associated targets.

39 See for example WBCSD (2024) Nature-based Solutions Blueprint.

As for all parts of the plan, the Implementation Strategy should be integrated and coherent with plans for other sustainability objectives (Box 11).

Useful resources include:

- SBTN's Act guidance;
- Prepare phase guidance of the TNFD sector guidance;
- WBCSD's Roadmaps to Nature Positive: Foundations for all businesses and Nature-based Solutions Blueprint;
- The Ellen MacArthur Foundation's circular economy principles; and
- The Business for Nature, WBCSD and WEF's Sector Actions Towards a Nature-Positive Future.

Box 11: Synergies and trade-offs between and within nature and climate actions

An organisation should proactively design its nature and climate plan(s) to build in synergies, prioritising actions that provide benefits across a range of sustainability objectives. For example:

- Conserving and restoring a mangrove forest can sequester carbon, mitigate coastal flooding due to climate change (thereby protecting both the organisation's facilities and local communities), provide important habitat for local species and support the provision of other ecosystem services for the organisation and the local community, such as timber, fish and fuel wood; and
- Increasing the efficiency of nitrogen fertiliser use on a farm can reduce the risk of run-off and consequent eutrophication of local water bodies. This benefits species that live in the water body and communities that may rely on that water for consumption, livelihoods or leisure, reduces nitrous oxide emissions (a greenhouse gas) and may improve profitability for the farmers involved by reducing their fertiliser expenditures.

Within these actions that have synergies across sustainability objectives, an organisation might identify:

- No/low regret actions that address nature-related dependencies, impacts, risks and opportunities and greenhouse gas emissions, with a benefit to the organisation, regardless of any future climate or nature scenario (e.g. water efficiency);
- Smart design actions that build nature and climate considerations into new products and infrastructure decisions, avoiding future trade-offs and expensive retrofits (e.g. urban green space that provides climate resilience by mitigating the urban heat island and provides habitat and leisure space); and

- Early iterative responses that will take more time to develop but can be adapted as the organisation gains experience of addressing nature and climate-related issues and managing synergies across them (e.g. R&D into new products and services; incorporating nature and climate risks into project appraisals). An organisation should build such iteration into the plan at the design stage, especially if lead times are long or there is large potential for learning.[40]

Many actions with benefits for various aspects of nature and climate may also affect stakeholders in the location. Maximising the potential opportunities may therefore require collaboration with others, including the public sector, with the potential for co-financing.

An organisation should also look to identify any trade-offs it has made in the plan design or implementation, where an action has a benefit for one objective, but may be negative for another aspect of climate or nature. For example:

- Installation of wind turbines for renewable energy can disrupt bird migration routes and cause fatalities;[41]
- Biofuels can reduce greenhouse gas emissions but often require large-scale and intense land use, which can lead to deforestation and loss of biodiversity;
- Switching from glass to plastic packaging may reduce the greenhouse gas emissions associated with transport, but increases the risk of plastic pollution at the product's end of life; and
- All else being equal, agricultural expansion is likely to cause more biodiversity loss than intensification, but any intensification should be pursued in the framing of sustainable intensification to mitigate potential negative impacts such as increased soil and water pollution. Yield increases have in some cases been accompanied by localised footprint expansion by increasing the short-term financial return to conversion, highlighting the need for explicit strategies to ensure yield increases do indeed spare land for nature.[42]

40 Adapted from TPT Adaptation Working Group (2024) Building Climate-ready Transition Plans: including adaptation and resilience for comprehensive transition planning approaches. A primer for preparers.

41 TNFD (2024) Additional sector guidance – Electric utilities and power generators; UBS Asset Management and Planet Tracker (2024) Climate meets nature: Integrating biodiversity into the energy transition.

42 Balmford, A. et al. (2018) The environmental costs and benefits of high-yield farming; Garnett, T. et al. (2013) Sustainable Intensification in Agriculture: Premises and Policies; Goulart, F. F. et al. (2023) Sparing or expanding? The effects of agricultural yields on farm expansion and deforestation in the tropics; Phalan, B. et al. (2011) Reconciling food production and biodiversity conservation: land sharing and land sparing compared; Phalan, B. et al. (2016) How can higher-yield farming help to spare nature?

In identifying synergies and trade-offs, an organisation may want to consider actions that have co-benefits, including those that:

- Reduce greenhouse gas emissions;
- Reduce other drivers of nature loss;
- Increase positive impact drivers for nature recovery;
- Help adaptation to the effects of climate change; and
- Improve ecosystem extent and condition, increase species populations and reduce species extinction risks.[43]

Organisations may also identify synergies and trade-offs through scenario analysis, which may help show how interventions may be compatible with nature and climate pathways.

An organisation should be explicit about choices made and have a clear articulation about how it has approached the trade-offs, which may include reference to any principles or prioritisation criteria described in the Foundations theme and articulated further in the policies and conditions component of the Implementation Strategy.

For further information, financial institutions can refer to the GFANZ voluntary draft guidance on nature in net zero transition plans.

4.2.1. Activities and decision-making

Component 1: Activities and decision-making	
The action plan for delivering the transition plan priorities	• How the organisation is integrating the nature transition into business planning and operations • How the organisation is integrating the nature transition into financial planning. For a financial institution, this will include planned deployment of transition financing strategies across the plan priorities

Business planning and operations

In this component of the Implementation Strategy, the organisation sets out the roadmap of actions to achieve the business model and value chain transformations and plan priorities.

For each plan priority, the organisation will need to consider action at many different levels. Some action will take place at the site, some across the wider landscape or area of influence. Other action might take place across a value chain, at the organisation level (Table 1) or across the whole sector. **For financial institutions**, actions may also take place at the portfolio level.

43 All items on this list inherently overlap and interact.

While any transition plan should primarily identify actions and decisions to support delivery of plan priorities, an organisation may also want to describe additional no-regret actions that go beyond its plan priorities.

A real economy organisation will also need to consider its position in the value chain, what aspects of the nature-related issue it has influence over in relation to its plan priorities, and how it can best exert that influence through action in the Implementation Strategy or through engagement.

For example, an organisation that is the primary off-taker of a crop in a certain location may have significant influence over the impact of its suppliers on nature. By contrast, an organisation that is one among many suppliers of a commodity may have little influence over its customers. The former may be able to work directly with suppliers and apply contract provisions to drive forward change, potentially providing finance to help the suppliers implement the changes required. The latter may want to consider other levers, such as investing in creating new technological solutions or working more through an engagement-based strategy with industry peers and other value chain actors.

An organisation may also want to consider managed phase-out of some activities that have high, technically unmitigable and/or irreversible negative impacts on nature, or are in sensitive locations (see page 34).

SBTN's response options database provides a list of potential responses organisations may want to consider. Table 1 provides some examples of actions for different parts of the value chain.

Table 1: Examples of real economy actions by value chain stage addressed

Value chain stage addressed	Example actions
Upstream	Procurement policy, exclusions of suppliers with certain practices in certain locations
Direct operations	Process improvements (e.g. technology roll-out) to reduce resource extraction, pollution and waste; winding down of use of certain highly polluting substances; product redesign to influence upstream material needs or downstream impacts (e.g. incorporation of recycled inputs, design for reuse and recycling)
Downstream	Take-back schemes to take back products once consumers no longer want them, or consumer awareness programmes
Cross-cutting	Develop solutions and transform underlying systems to address drivers of nature loss (e.g. R&D)

Some actions will contribute to multiple plan priorities. For example, adoption of a certification standard for procurement of a certain commodity might cover multiple impacts associated with cultivating that commodity across different geographies.

A financial institution will need to consider here how it uses its transition financing strategies, in conjunction with the Engagement Strategy, to drive change in its clients and portfolio companies – directly and through external asset managers where relevant[44] – to deliver the plan priorities. This will include which categories of clients and portfolio companies (by geography, sector or other relevant criteria) will be addressed first, how the transition financing strategies deployed will support the change and over what timescales.

A financial institution should also consider in this part of the plan changes to the decision-making processes it uses for transaction approvals, lending approvals, investment mandate allocations, direct investment allocations, credit underwriting, insurance underwriting, and client and/or investment due diligence. Decision-making processes should reflect the transition plan priorities and any policies developed to help deliver them. This could include changes to the data and other information requirements (e.g. due diligence questions, incorporation of client and portfolio company transition plans), as well as to the analytical processes and procedures to weight this information appropriately in risk and expected return models.

All organisations should consider how the actions build on each other to develop a complete pathway to achieve the ambition for the plan priority and associated targets. To achieve this, an organisation may want to start with consideration of the desired end state and work backwards to understand what actions are required to enable each successive change and whether cumulatively they are sufficient to bridge the gap from the current state.

Organisations may wish to review this process periodically, taking account of any innovations that have become available to minimise the risk of locking in technologies or processes early that will then need to be undone at a later stage of the transition.

During the plan development, an organisation may also want to consider several different pathways, in order to be able to compare the costs, benefits and uncertainties associated with each.

The identified set of actions should include the timing of each action, how the actions build on one another, and a view on the expected contribution of each action towards the plan priorities and targets.

An organisation should apply the mitigation and conservation hierarchies.[45] The mitigation hierarchy focuses on mitigating or offsetting negative impacts, and the conservation

44 Asset owners may find it helpful to consult PRI's Stewardship for Sustainability: Evaluation tool and IIGC's Asset Owner Stewardship Questionnaire.

45 See, for example, Sinclair, S. et al. (no date) The Conservation Hierarchy: Underpinning the Post-2020 Biodiversity Framework; SBTN (no date) Step 4: Act.

hierarchy goes further to include actions to address historical, systemic and non-attributable biodiversity loss.[46] The TNFD aligns to the SBTN AR3T Framework that covers actions to avoid future impacts, reduce current impacts, regenerate and restore ecosystems, and transform the systems in which companies are embedded. It is built on the mitigation hierarchy set out in the International Financial Corporation's (IFC) Performance Standard 6 and the conservation hierarchy.[47]

Managing changes in locations and activities

An organisation should manage any changes in locations and activities that result from its transition plan to avoid leaving nature in those locations in a worse state. The assumptions underpinning the decision to leave a location, and the high-level approach, are set out in the Foundations theme. The Implementation Strategy should provide more detail on the specific actions and decisions made to avoid unintended consequences. Failing to put in place any arrangements may not be consistent with contributing to global policy goals of halting and reversing nature loss.

Examples of when changes in locations and activities could occur, and the plans an organisation might put in place to manage this, include:

- A change in the business model that means that some sites are no longer required could lead to an organisation putting in place ongoing transition finance for those sites, for example, a textile manufacturer switching to more recycled textiles could put in place provision to help the cotton farmers formerly in its supply chain to transition to more sustainable practices;
- A decision to avoid activities with high, technically unmitigable and/or irreversible negative impacts on nature, in which case the organisation could continue to work through its Engagement Strategy at all levels to encourage others to avoid these activities and provide financial support to the companies involved to repurpose their assets to more sustainable activities or practices;
- A decision to avoid suppliers who are unwilling or unable to adopt progressively ambitious environmental safeguards could lead the organisation to put in place provision to reengage should the supplier change its approach; and
- The identification of some locations as highly sensitive or that are soon to be protected could lead the organisation to put in place provision to protect and conserve the site.

Arrangements may also include a planned transition period, during which an organisation phases out its engagement with the location and puts in place programmes and investments

46 Milner-Gulland, E. J. et al. (2021) Four steps for the Earth: mainstreaming the post-2020 global biodiversity framework.

47 See TNFD (2023) Recommendations of the Taskforce on Nature-related Financial Disclosures. Adapted from Cross Sector Biodiversity Initiative (2015) A cross sector guide for implementing the Mitigation Hierarchy; SBTN (no date) Step 4. Act.

for restoration of nature at that location, such as the restoration of closed mine sites and quarries.

In all such cases, an organisation should check whether such action is in line with its engagement with Indigenous People, Local Communities and stakeholders, following the TNFD guidance on engagement and taking account of the impacts of such action on communities and the local economy.

Financial implications

Each action in the plan – including the Engagement Strategy – should be associated with an assessment of the financial resourcing and impact of the action on the organisation's financial position. Demonstrating the financial viability of the plan improves its credibility. Financial plans include up-front investment requirements and ongoing costs, as well as cost savings and new revenue streams associated with the actions. This may include planning to use and deploy new and innovative financing models to address resourcing needs, such as blended finance.

Financial plans should be developed over short, intermediate and long-term timelines, aligned to the activity plan. Financial institutions may also undertake scenario analysis to update market assumptions and asset-level risk/return expectations and to stress test portfolios. This should be put in the context of the organisation's wider financial plans, and progress on financial plans should be reflected in annual financial reports.

4.2.2. Policies and conditions

Component 2: Policies and conditions	
The policies and conditions the organisation has in place to support transition plan decision-making	• The processes and policies in place to guide plan design and implementation across the organisation and value chain • Any exclusions or enhanced due diligence procedures in place for future financing or supplier decisions • How the organisation is working to achieve an integrated approach to sustainability matters, identifying and managing synergies and trade-offs across sustainability objectives

Policies and processes guide business planning and operational changes, particularly across a large organisation with many locations or with many value chain partners.

An organisation should consider which management processes and policies it needs to put in place to deliver the transition plan priorities, building on the transition plan principles outlined in the Foundations theme. Such policies may be specific to the transition plan objectives or may include interrelated social policies, such as policies related to engagement with Indigenous Peoples and Local Communities.

Policies could cover business in sensitive locations, high-impact activities or the use of particularly polluting substances, taking into account the location specificity of any dependency or impact in such locations.

The organisation could also provide additional detail on any sustainability concepts the organisation is seeking to apply (e.g. circular economy principles). Financial institutions could also refer to sector or commodity-specific policies and processes.

A financial institution might in this component identify sector-, topic- or activity-specific expectations of portfolio organisations and voting policies, exclusions or enhanced due diligence procedures it is applying for current and future financing (e.g. for clear-cut forestry or Illegal, Unreported and Unregulated (IUU) fishing).[48] Financial institutions may draw from existing resources such as investor expectations set by Nature Action 100.

Any such policy should be clear on the objective it aims to achieve, the scope (geographic, business units and value chain stages), the timelines it applies for, any methodology to be used and its alignment with the wider transition plan framing and objectives.

This component is also where an organisation may want to identify principles and policies for seeking out synergies and managing any trade-offs across nature, climate, social and other sustainability objectives.

4.2.3. Products and services

Component 3: Products and services	
How the transition plan will affect the organisation's products and services offerings	• Changes to products and services • Business model changes

An organisation should consider its wider commercial positioning to meet its transition plan priorities. This component is about considering how the transition is embedded in the company's products and services portfolio, with the changes to products and services and wider business model positioning the organisation to maintain or enhance its commercial viability. This will include consideration of the demand for the future business offering of the organisation.

48 For example, see:
- PRI (2024) Developing a biodiversity policy: A technical guide for asset owners and investment managers;
- UNEP FI (2023) Banking on nature: What the Kunming-Montreal Global Biodiversity Framework Means for Responsible Banks.

It can also include wider transformations to the business model in greater detail than the high-level changes set out in the Foundations theme, such as switching from selling individual products to a leasing model to support more circular use of materials. Organisations may want to draw on principles and concepts for more sustainable business practices such as the bioeconomy, the circular economy, the regenerative economy and nature-based solutions.[49]

A financial institution should consider the products and services it needs to offer to deliver the changes set out in the business planning and operations component, in line with the prioritised transition financing strategies, and the extent to which these needs are met by existing products and services. This should include any opportunities for new financing or services. For example:

- An insurance company may consider offering insurance for environmental assets that provide ecosystem services to many clients (e.g. a coral reef that protects a city or a facility from coastal flooding and supports local tourism), investing in protecting those assets to help better manage risk and seize opportunities;
- A bank may create new transition finance products for companies in certain sectors to restore natural assets they depend on, tailoring the timing of potential returns on that investment to the increased provision of ecosystem services, supporting the client's profitability; and
- An asset manager may update investment benchmarks, when possible and relevant, to specify nature-related objectives in sufficient detail and clearly define performance objectives. It might also integrate nature-related objectives into portfolio construction alongside standard indicators.

Both corporates and financial institutions may consider the business performance opportunity categories set out in the TNFD LEAP approach and opportunity register.

49 See, for example WBCSD (2024) Nature-based Solutions Blueprint.

4.3. Engagement Strategy

Engagement Strategy

1 Landscape, river basin and seascape engagement

How the organisation will engage with stakeholders and Indigenous Peoples and Local Communities at a landscape, river basin or seascape level

2 Value chain engagement

Corporates: How the organisation will engage with its value chain

Financial institutions: How the financial institution will engage with clients, portfolio companies and suppliers (external asset managers)

3 Industry engagement

How the organisation will engage with industry peers

4 Government, public sector and civil society engagement

How the organisation will engage with government, public sector and civil society

The Engagement Strategy outlines how the organisation will work with others to support delivery of the transition plan and/or accelerate the transition of the whole economy.

As set out in general requirement 6 of the TNFD recommendations, engagement is critical for delivering nature-related objectives. It is also an important part of identifying the plan priorities and developing solutions. Any intervention is likely to affect others' access to ecosystem services or depend on others' actions to secure the expected benefit.

For example:

- Reducing water extraction will only improve the availability of water in a basin if other actors do not increase their own withdrawals;
- Achieving reductions in impacts on nature in the value chain will depend on working with suppliers and customers; and
- Embedding changes in resource governance or putting in place systems and infrastructure to support packaging recycling may require engagement with others across local communities, the sector and government.

In the Engagement Strategy, an organisation should consider the engagement activities that need to be undertaken to deliver the strategic objective and transition plan priorities.

They should also look to quantify the contribution of each engagement to the plan priorities, with reference to the metrics and targets of the transition plan, as well as any financial commitments to support the engagement.[50]

4.3.1. Landscape, river basin and seascape engagement

Component 1: Landscape, river basin and seascape engagement	
How the organisation will engage with stakeholders and Indigenous Peoples and Local Communities at a landscape, river basin or seascape level	• Engagement at the landscape, river basin or seascape engagement level, modes of engagement used, which priorities the engagement relates to, which relevant stakeholders are engaged and the expected outcomes

Multi-stakeholder engagement in a landscape, river basin or seascape will be critical to developing and achieving the organisation's plan priorities and supporting wider delivery of the GBF. This will include engagement with Indigenous Peoples and Local Communities, who play an important role in effectively managing nature-related issues and creating new opportunities that contribute to the restoration and protection of nature to the benefit of these groups and the organisation. It can also include engagement with governance organisations such as basin authorities or municipalities.

Such engagement can help to achieve the organisation's plan priorities by allowing coordinated, mutually reinforcing actions to halt and reverse nature loss in a landscape, river basin or seascape. For example, multiple land managers working to restore habitat on their lands can achieve better outcomes if they coordinate their plans so that the new and existing habitat forms a connected network across land holdings, rather than fragmented patches.

Outcomes of multi-stakeholder engagements at a landscape, river basin or seascape level are very dependent on the level of commitment and effort by all stakeholders involved. Organisations should carefully consider contingencies in case the engagement should fail.

Any engagement process should include human rights due diligence processes, including but not limited to those covering the rights of Indigenous Peoples and Local Communities.

A financial institution may have a concentration of portfolio companies, clients, peers and other stakeholders in a single landscape with related dependencies, impacts, risks and opportunities. Financial institutions can play an important role in convening these portfolio companies and clients, alongside other landscape stakeholders, to broker solutions, monitor progress and improve coordinated action, while mitigating risks to the financial institution arising in the landscape and creating opportunities to provide finance to support delivery of the plans such initiatives can produce.

50 Adapted from GFANZ (2022) Recommendations and Guidance on Financial Institution Net-zero Transition Plans; GFANZ (2022) Expectations for Real-economy Transition Plans.

Investors in listed equities, while being more indirectly connected to landscapes, river basins or seascapes, might also incorporate landscape, river basin or seascape-level perspectives in stewardship activities or make landscape, river basin or seascape-specific commitments.

For more guidance on how to approach such engagement, **all organisations** can refer to:

- The TNFD's Guidance on engagement with Indigenous Peoples, Local Communities and affected stakeholders and all the sources of guidance listed on p6 and throughout;
- Guidance in support of SBTN's Landscape Engagement target, applied in conjunction with other SBTN land targets;
- WWFs guidance on Unpacking collective action in water stewardship;
- UNEP FI's guidance on Just Transition Finance Pathways for Banking and Insurance;
- LandScale's Grant proposal toolkit;
- ISEAL's Joint landscape position papers and roadmap;
- CDP's examples of Collective Action: Corporate engagement in landscape and jurisdictional approaches; and
- South Pole's An investor guide on basin water security engagement.

4.3.2. Value chain engagement

Corporates: Upstream and downstream value chain partners

Component 2: Value chain engagement (corporates)	
How the organisation will engage with its value chain	• Engagement with value chain partners, modes of engagement used, which priorities the engagement relates to and the expected outcomes

Many of an organisation's nature-related dependencies, impacts, risks and opportunities may be found in the upstream and downstream value chains. Engaging with actors along these value chains will be essential in achieving the organisation's plan priorities. Collaboration in this way can magnify the organisation's contributions to halting and reversing nature loss. For example:

- A food company might work with farmers in the value chain to provide training in precision fertilisation; or
- A beverage company might work with retailers to provide improved facilities for consumers to collect and recycle plastic bottles.

An organisation should consider where it needs to see change in the value chain to achieve its nature transition plan priorities. It should review the existing engagement with value chain partners to identify how to incorporate the priorities of the transition plan into these programmes, as well as consider what gaps there are in current engagement to achieve the desired outcomes.

Any engagement should have clear objectives and an understanding of the timeline for the engagement and milestones to assess progress. The organisation should consider what coverage of value chain actors is needed to achieve the plan priorities and associated targets, and consider which partners have the most influence over the desired outcomes. Methods of engagement will vary, from meetings and training provision to financial support for change. The organisation will need to consider what escalation path it might want to follow if there is little or no response from value chain partners, depending on the nature of the relationship and the position in the value chain.[51]

The guidance on engagement with stakeholders and Indigenous Peoples and Local Communities discussed under section 4.3.1. may also apply to engagement with value chain partners.

Useful resources include:

- The TNFD Guidance on value chains;
- The TNFD's Guidance on engagement with Indigenous Peoples, Local Communities and affected stakeholders and all the sources of guidance listed page 6 of that document and throughout; and
- Business for Nature, WBCSD and WEF's sector actions towards a nature-positive future and the TNFD sector guidance for potential requirements of value chain partners.

Financial institutions: Clients and portfolio companies

Component 2: Value chain engagement (financial institutions)	
How the financial institution will engage with clients, portfolio companies and suppliers (external asset managers)	• Engagement with clients, portfolio companies and suppliers, modes of engagement used, which priorities the engagement relates to and the expected outcomes

Engagement with clients, portfolio companies and external asset managers is a key lever that financial institutions have to achieve the plan priorities. Financial institutions can play an important role in supporting, advising and urging action in developing and delivering nature objectives. Different types of financial institutions will have different capabilities, different types of clients, portfolios and suppliers and therefore different approaches to engagement.

The Engagement Strategy for clients and portfolio companies should reflect the financial institution's wider business model and own plan priorities for the nature transition. The financial institution should consider where it is positioned in the market and where its leverage points are to drive change through engagement. Financial institutions will also need to consider the characteristics of their portfolio companies and clients, and what their specific needs are likely to be. The Engagement Strategy should cover both a review of existing engagement practices, aligning them with the financial institution's nature transition plan, and consideration of what additional engagement might be required.

51 Adapted from GFANZ (2022) Recommendations and Guidance on Financial Institution Net-zero Transition Plans; GFANZ (2022) Expectations for Real-economy Transition Plans.

Engagement strategies for clients or portfolio companies should clearly outline which clients or portfolio companies are covered and should include defined objectives for each. For example, a financial institution may engage high risk commodity traders in their portfolio to adopt credible nature transition plans that address deforestation and conversion. Strategies should also outline the timing for engagement, the geographical scope of engagements and the methods of engagements, including appropriate escalation mechanisms in place for when progress remains lacking. Escalation mechanisms may include voting against the board or management of portfolio companies.

Financial institutions may also engage data suppliers, as these may need to develop crucial nature-related information to inform implementation and engagement strategies.

Asset owners may need to oversee the implementation of their nature transitions plans by external managers. This includes setting clear expectations and mandates, close monitoring and ongoing engagement with external managers.

Many credible guides for engagement are available that financial institutions may want to consider, including:

- The TNFD Additional guidance for financial institutions;
- Guidance on engagement for nature in PRB Nature Target Setting Guidance and Finance for Biodiversity Foundation's Nature target setting framework for asset managers and asset owners;
- PRI's SPRING;
- Global Canopy's DEFT Pathway;
- Guidance on engagement in the context of a climate transition plan in GFANZ's guidance on Financial Institution Net-zero Transition Plans;
- NA100 and Ceres's Exploring Nature Impacts and Dependencies: A Field Guide to Eight Key Sectors;
- CISL's Let's Discuss Nature with Climate: Engagement Guide; and
- Business for Nature, WBCSD and WEF's sector actions towards a nature-positive future and the TNFD sector guidance for potential requirements of clients and portfolio companies.

4.3.3. Industry engagement

Component 3: Industry engagement	
How the organisation will engage with industry peers	• Engagement with industry peers and industry -related bodies to help deliver transition plan

An organisation should consider how engagement with industry peers and industry-related bodies (e.g. academia, NGOs) can help deliver its transition plan and drive forward change. This can include participation and leadership of industry initiatives, trade organisations and/

or engagement to enable the economy-wide transition. To the extent permitted by regulation, this could include sharing non-competitive, non-confidential information about lessons learned and best practices and pooling resources to address common challenges. This may be particularly relevant at the landscape, river basin and seascape level (see section 4.3.1.).

Outcomes could include:

- Adoption of common approaches to the nature transition, supporting uptake of standards by less advanced peers and comparability across organisations;
- Joint transactions or collaboration on projects for the transition, including at a landscape, river basin or seascape-level;
- Collaboration on advocacy and on engagement with public policy development to support the transition, at national, international, landscape, river basin and seascape level, including adopting common positions (with due consideration of what is permitted by law);
- Making common commitments;
- Joint development of knowledge products; and
- Improved data and analytics to support the transition e.g. through standard requirements for clients, portfolio companies and value chain partners.[52]

4.3.4. Government, public sector and civil society engagement

Component 4: Government, public sector and civil society engagement	
How the organisation will engage with government, public sector and civil society	• The importance of public policy for delivery of the transition plan, including how policy can enable or hinder execution • The organisation's existing and planned direct and indirect engagement with the public sector and how it is consistent with the transition plan, including the topics of engagement

Governments play an important role in environmental governance. What can or cannot be done on a site or across a landscape or country will often be governed by local, national and international law. Furthermore, regulators also may offer incentives or put in place guidelines that enable or hamper the ability to deliver changes. Undertaking the actions in the Implementation Strategy may require the support of the authorities responsible for environmental oversight of the area, as well as civil society, which may have a further consultative role.

At a national and international level, environmental laws will also guide an organisation's approaches to the transition, support collaboration on issues that may require an element

52 Adapted from GFANZ (2022) Recommendations and Guidance on Financial Institution Net-zero Transition Plans; GFANZ (2022) Expectations for Real-economy Transition Plans.

of coordination across actors to address and push forward action from organisations less advanced in their understanding of nature.

An organisation should assess the role of public policy in its transition plan, including how policy can enable or hinder execution of the plan.

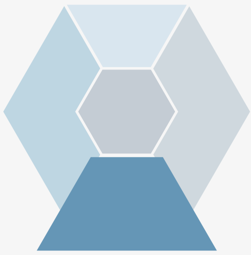
An organisation may also, as appropriate and legally permitted, encourage the lobbying and advocacy of clients' portfolio companies' and value chain partners' to be consistent with the organisation's own transition plan.

Examples of topics that an organisation may want to engage the public sector on include:

- National and subnational nature targets and strategies, including NBSAPs as a reference point for the organisation's nature transition plan;
- Regulation, taxation and public spending with respect to the country's efforts to achieve the goals and targets of the GBF. This would include government policy regarding investment, innovation, market design, product design regulation, green labelling regulation and associated taxonomies, material use regulations, industrial incentives, competition and utility regulation, infrastructure provision and resource governance;
- Local and national land, freshwater and ocean use governance;
- Mobilising capital flows to deliver the financing ambitions of the GBF for emerging markets and developing economies and to support a just transition globally; and
- Disclosure requirements, covering dependencies, impacts, risks and opportunities.[53]

53 Adapted from GFANZ (2022) Recommendations and Guidance on Financial Institution Net-zero Transition Plans; GFANZ (2022) Expectations for Real-economy Transition Plans.

4.4. Metrics and Targets



Metrics and Targets

1 Dependency and impact metrics and targets

Metrics and targets associated with the dependencies, impacts, risks and opportunities addressed in the plan priorities, including impact drivers, changes to the state of nature and changes in the provision of ecosystem services

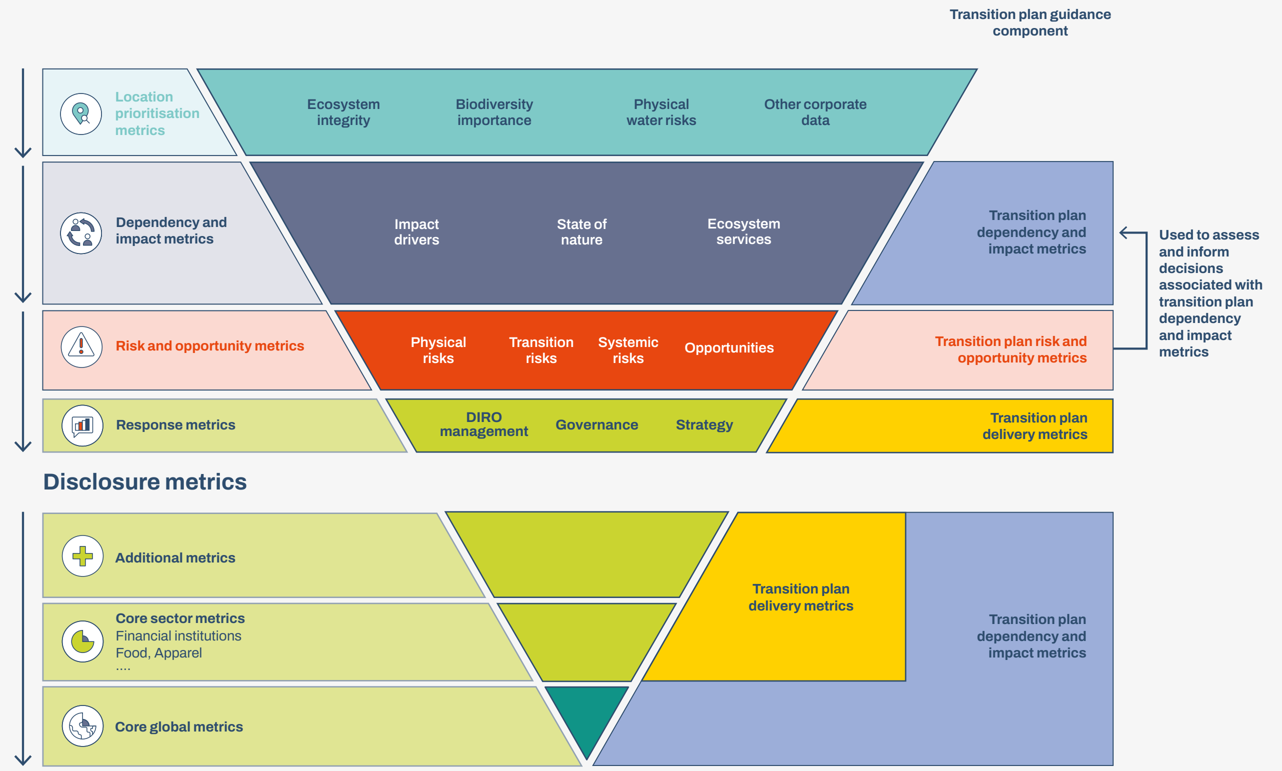
2 Transition plan delivery metrics and targets

Metrics and targets the organisation uses to monitor and drive progress and performance in delivering its transition plan

Under Metrics and Targets, an organisation identifies metrics to monitor progress against the plan priorities and sets targets for those metrics.

Metrics and targets support communication of the degree of ambition of the plan, the comprehensiveness of the Implementation Strategy and Engagement Strategy in delivering the plan priorities, and progress against those priorities. They also support accountability for delivery of the outcomes to which the organisation has committed.

Figure 13: TNFD metrics architecture and transition planning



The TNFD proposes two primary categories of metrics and targets for a nature transition plan, aligned with the TNFD metrics architecture (Figure 13):

- **Dependency and impact metrics and targets:** These encompass metrics and targets for impact drivers, changes to the state of nature and changes to ecosystem services. They are used to monitor and drive progress for individual components of the dependency or impact pathways associated with the transition plan priorities. An organisation should refer to – but is not limited to – the TNFD indicators and metrics for dependencies and impacts on nature, including the TNFD core and additional global metrics, core and additional sector metrics, and assessment metrics; and
- **Transition plan delivery metrics and targets:** These metrics fall under the category of response metrics in the TNFD metrics architecture. They are used to monitor and drive delivery of the plan, including governance, business and operations, and the financial aspects of the plan. An organisation should refer to – but is not limited to – the TNFD response indicators and metrics (including the TNFD core and additional global metrics, core and additional sector metrics and assessment metrics).

Both these types of metrics and targets are equally important in a comprehensive transition plan for their respective purposes. The set of metrics and targets can also be adapted over time as the plan evolves.

An organisation should also refer to component P2 of the TNFD LEAP approach for guidance on choice of metrics and target design. The TNFD recommends that where a corporate sets targets for impacts in the context of a nature transition plan, it uses methods developed by the SBTN to set science-based targets for nature. The TNFD recommends that corporates use SBTN guidance to take action towards, and measure progress and performance against these targets, as available.[54]

54 TNFD (2023) Guidance for corporates on science-based targets for nature.

4.4.1. Dependency and impact metrics and targets

Component 1: Dependency and impact metrics and targets	
Metrics and targets associated with the dependencies, impacts, risks and opportunities addressed in the plan priorities, including impact drivers, changes to the state of nature and changes in the provision of ecosystem services	• Metrics covering impact drivers, changes to the state of nature and changes in the provision of ecosystem services for the dependency or impact pathways addressed in the transition plan priorities • Targets covering impact drivers, changes to the state of nature and changes to ecosystem services for the dependency or impact pathway addressed through the transition plan priorities • Risk and opportunity metrics, where these form part of the plan priorities • Aggregated impact driver, state of nature and ecosystem service metrics and targets where appropriate, relevant and useful, and only as a complement to the disaggregated metrics • Anchor points to inform metrics and targets

Dependency and impact metrics

Dependency and impact metrics in a transition plan aim to capture the transition plan's outcomes for nature. They can also provide insights into the organisation's nature-related risks and opportunities.

An organisation, as a minimum, should measure the impact drivers associated with each plan priority, drawing from, but not limited to, the relevant TNFD dependency and impact metrics (including the TNFD core and additional global metrics, core and additional sector metrics, and assessment metrics).[55]

An organisation should also measure, where possible, in each relevant location, the impact drivers not initially prioritised in the transition plan. Measuring other impact drivers enables understanding and management of synergies and trade-offs across nature-related issues in the location. For example, an agricultural commodity producer may focus on reducing water use in its plan priorities and choose metrics to monitor its water use. However, the organisation should also monitor its other impact driver metrics, for example to check if its farmers respond to reduced water availability by applying additional agri-chemicals to try to boost yields.

Impact driver metrics should ideally be complemented by measurement of relevant aspects of changes to the state of nature and ecosystem services in the relevant locations. This is

55 See TNFD (2023) Recommendations of the Taskforce on Nature-related Financial Disclosures, Annexes 1 and 2; TNFD LEAP approach, element E3 and Annex 1; and TNFD (2024) Additional guidance by sector.

important to understand whether the actions taken are contributing to halting and reversing nature loss and improving the resilience of the ecosystem services on which the organisation and wider society depend.

Changes in the state of nature and the provision of ecosystem services in any location are determined by the cumulative actions of all actors with impacts on that location. For example, a decision to improve water efficiency in a location where water rights are overallocated may drive increased cumulative water use (and associated risks) if others respond to increased water availability by increasing their extraction. Similarly, a decision to switch to suppliers from another region may reduce influence on existing suppliers and allow them to increase activities that harm nature.

This means that the actions set out in the Implementation Strategy part of the transition plan may not always result in improvements, or slowed decline, in the state of nature and ecosystem service provision. The Engagement Strategy is a key part in managing this, but organisations should also consider the extent to which a lack of change in the state of nature should prompt a revision of the plan and further action from the organisation itself.

The TNFD dependency and impact metrics may also not always be suitable for monitoring the success of less location-specific priorities or priorities that might affect nature over a longer timescale, such as investing in developing technologies to enable the transition, in which case, an organisation should consider alternative metrics for monitoring progress.

Further guidance on measuring the state of nature and ecosystem services is available from:

- The TNFD LEAP approach, component E3 and Annex 2;
- The publications of the Align Project;
- The proposed state of nature metrics to drive nature positive outcomes from the Nature Positive Initiative; and
- Data and analytics tools in the TNFD Tools Catalogue, such as the InVEST tool for quantifying and mapping ecosystem services.

The TNFD recognises that a lack of data, or use of modelled or estimated data, currently provided by non-financial companies may make it more complex for **financial institutions** to measure the dependencies and impacts associated with their actions in the transition plan at the portfolio level. This is subject to ongoing work by the TNFD and partners.

In the mean time, **financial institutions** can track dependency and impact metrics reported by portfolio companies to inform transition financing strategies. For example, a financial institution may consider reported dependency and impact metrics as part of a suite of indicators to determine the credibility of a portfolio organisation's transition plan. Furthermore, a financial institution may use dependency and impact metrics in sustainability-linked financing mechanisms.

A **financial institution** may also deploy dependency and impact metrics for sectors and asset classes where data is available. For sectors or asset classes where data is not available, financial institutions may want to focus on transition plan delivery metrics using the TNFD disclosure metrics for financial institutions, set out in the TNFD Additional guidance for financial institutions.

Dependency and impact targets

Dependency and impact targets quantify the organisation's ambitions for nature for each plan priority and location.

An organisation, as a minimum, should set targets for each impact driver that each plan priority focuses on, using the relevant TNFD dependency and impact metrics.[56] Following the TNFD's guidance on component P2 of the LEAP approach, targets should be quantified, time-bound and science-based, where possible, and refer to relevant baseline values against which progress will be tracked.

For example, a company that has prioritised addressing water use in the Doñana nature reserve, Spain, could set a target to reduce water use by 20% by 2028 for their operations, compared to water use in 2020 in that basin, based on the organisation's research on sustainable water use for this watershed.

When corporates apply the TNFD recommendations to set targets, the TNFD recommends they use methods developed by SBTN to set science-based targets for nature.

An organisation may also consider setting targets for state of nature and ecosystem service metrics, although the TNFD recognises that organisations have less direct control over outcomes for the state of nature and provision of ecosystem services, compared to impact drivers. An organisation may be able to gain more influence through work with partners that also interface with the ecosystem. They may be most relevant where an organisation has included in a plan priority a commitment to nature protection, conservation, restoration or regeneration, for example to secure a supply of ecosystem services or to address historic impacts.

The credibility of targets is enhanced if they are linked to external anchor points (see page 66). Further guidance on target setting is available in the TNFD LEAP approach, component P2.

Risk and opportunity metrics

Where an organisation has included a nature-related risk or opportunity in a plan priority, it may also include risk and opportunity metrics alongside the dependency and impact metrics to provide a fuller picture of progress in delivering the plan priority. An organisation should draw from, but is not limited to, the relevant TNFD risk and opportunity metrics and assessment metrics.[57]

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56 See TNFD (2023) Recommendations of the Taskforce on Nature-related Financial Disclosures, Annexes 1 and 2; TNFD LEAP approach, element E3 and Annex 1; and TNFD (2024) Additional guidance by sector.

57 See TNFD (2023) Recommendations of the Taskforce on Nature-related Financial Disclosures, Annexes 1 and 2; TNFD LEAP approach, element A3 and Annex 1; and TNFD (2024) Additional guidance by sector.

Aggregated metrics and targets

An organisation may additionally deploy metrics and targets that provide an aggregated picture of progress in reducing impact drivers or protecting, conserving, regenerating or restoring nature. For example, organisations may monitor total aggregated land-use change associated with its products.

For a nature transition plan, aggregated dependency and impact metrics and targets are only complementary to, not a substitute for, the metrics and targets directly associated with dependency or impact pathways from plan priorities (see Box 12).

Box 12: Aggregating metrics and targets

Metrics

In line with general requirement 3 of the TNFD recommendations, dependency and impact metrics for the transition plan priorities should be location-specific and aligned with the plan priorities themselves. Different locations should only be aggregated where the locations have shared characteristics, both in terms of type and condition of nature in the locations and the dependencies, impacts, risks and opportunities associated with those locations.

Organisation-wide impact driver metrics are not directly relevant to tracking performance of transition plan priorities, as these do not capture location-specific information. Organisation-wide impact driver metrics should only be considered complementary to location-specific metrics, with all information also disaggregated to location-specific metrics.

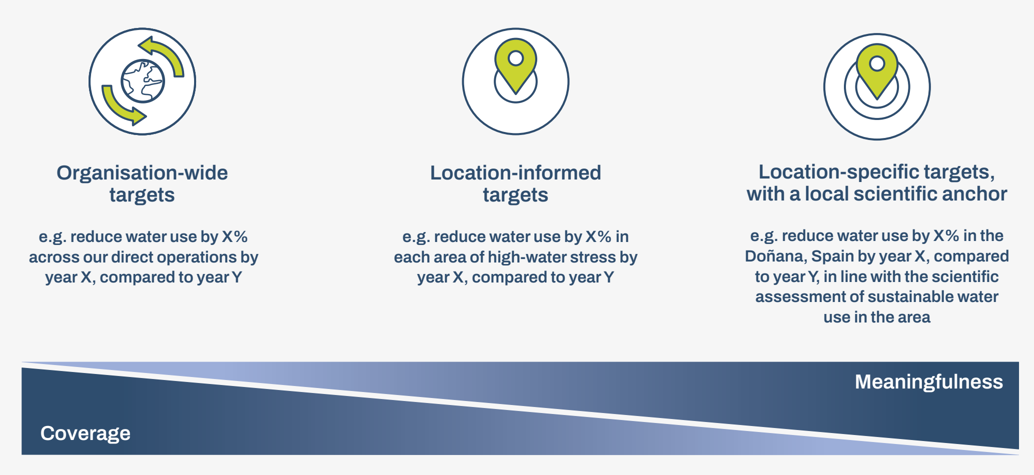
Targets

Targets are ideally set using anchors (see page 66) that reflect the specificities of that location (e.g. the state of nature and tipping points in the ecosystem). These targets are referred to as **location-specific targets**.

It may not always be feasible for an organisation to identify and apply appropriate anchor points for each location covered by the transition plan. An organisation may therefore, possibly as an interim step, set **location-informed targets**. These targets apply the same level of action to all locations with similar characteristics, rather than identifying specific anchors for each location. For example, an organisation might apply a target of a 20% reduction in water consumption in each location with high water stress (Figure 14).

As for metrics, organisation-wide impact driver targets should only be considered a complement to location-specific or location-informed targets, with all information disaggregated to the location level.

Figure 14: Location-specific, location-informed and organisation-wide impact driver targets



Anchor points for targets

An organisation wishing to demonstrate the credibility of its targets should contextualise its targets for impact drivers and state of nature and ecosystem service metrics with reference to quantified anchor points that are ideally independently determined. Anchor points reflect an aspired level for an activity, impact driver, state of nature or ecosystem services, in reference to a geographical and temporal scale, compared to a baseline. This could include, for example, the goals and targets described in the GBF, national public policy with stated targets for a relevant location, and science-based reference conditions for the state of nature and ecosystem service provision in a relevant location. Beyond the targets and objectives described by the GBF, these could originate from:

- Scientific models, scenarios and sector transition pathways;
- Other policy objectives (e.g. NBASPs);
- Stakeholder agreements (e.g. collective commitments and landscape approaches);
- Stakeholder expectations; or
- Industry benchmarks.

While any of these may offer guidance for setting targets, most credible anchor points are a combination of these and include at least a reference to scientific findings or models. For example, SBTN's approach to setting water targets may include using science-based environmental flow models, endorsed by relevant local water authorities, considering relevant stakeholder perspectives.

The GBF itself provides anchor points at the global level, through its 23 targets. NBSAPs may provide some clarity on how the GBF targets apply at the national level. However, translating these to individual locations and organisations is not always straightforward. Nevertheless, the GBF targets and monitoring framework can provide inspiration for the metrics and targets that an organisation could deploy (see the TNFD LEAP approach, Annex 4).

Anchor points that describe the local state of nature may provide the deepest level of credibility that an organisation's actions are contributing to halting and reversing nature loss, but may not always be desirable (for example, if the available state of nature data do not respond quickly to an organisation's actions), and anchors for such targets may not always be available.

In other contexts, multiple anchor points may be available at various levels and in various forms, which may complement or contradict each other. For example, the GBF has a target to reduce global excess nutrients lost to the environment by at least half by 2030, but the UK 25 Year Environment Plan targets a reduction of 40% of nitrate pollution from agriculture in England's rivers by 2038. An organisation should assess the credibility and relevance of available anchor points to make an informed decision about how to use them.

4.4.2. Transition plan delivery metrics and targets

Component 2: Transition plan delivery metrics and targets	
Metrics and targets that the organisation uses to monitor and drive progress and performance in delivering its transition plan	• Response metrics and targets covering governance and business and operational delivery of the plan • Response metrics and targets, covering financial delivery of the plan including associated taxonomies, if and when applicable, and, for financial institutions, investment and lending activity

Metrics for monitoring delivery of the transition plan fall under the category of response metrics in the TNFD metrics architecture (Figure 13).

An organisation should choose response metrics and set targets to monitor and drive progress and performance in executing its plan.

Metrics and targets in this component should include:

- Response metrics and targets covering governance, business and operational delivery; and
- Response metrics and targets covering financial delivery.

These metrics and targets may be at the plan priority-level or aggregated to demonstrate progress in delivering the plan across the organisation. Aggregated metrics may be particularly important for organisation-level activities or activities that cut across many locations. For example, an organisation might set a target for R&D expenditures to evolve its global product designs. Metrics related to the activities of the board and senior management may be more likely to relate to the plan as a whole rather than a specific plan priority.

Governance, business and operational metrics and targets

These are response metrics and targets for monitoring the governance, business and operational delivery of the transition plan, both at the priority or plan-level. Examples could include:

- Percentage of sites with a certain technology deployed;
- Percentage of own operations and suppliers compliant with site-specific water use policies;
- Percentage of suppliers with Accountability Framework initiative-aligned deforestation and conversion-free policies;
- Percentage of soy sourced with RTRS-certified chain-of-custody;
- Frequency of stakeholder engagement activities; or
- Number of times the Board has discussed the transition plan.

Financial institutions may similarly track and report such response metrics and targets, either at the portfolio, transaction or location level. Financial institutions may also deploy such metrics to inform criteria for transition financing strategies of portfolio organisations. For example, a financial institution may include the level of chain-of-custody RTRS certification as part of a suite of indicators to determine the credibility of a soy producer's progress in its transition plan, thereby helping to inform whether the producer is eligible for finance under the transitioning organisation financing strategy.

Financial metrics and targets

These are response metrics and targets for monitoring the financial delivery of the transition plan, both at the priority or plan level. An organisation should set tangible financial metrics and targets associated with the strategies and activities identified. These provide clarity and confidence in the financial planning, as described in the implementation plan. Financial metrics may vary across organisations depending on their sector and line of business, and can address turnover, capex, opex, R&D expenditures and spending associated with the specific activities, decisions, products or services. Where applicable, companies should set metrics both as absolute values and as a percentage of the total.

If applicable and relevant, organisations should use relevant taxonomies in such financial metrics and targets, to enhance their credibility by showing the extent to which they contribute to the transition implied by the GBF.

Financial institutions should additionally use financial metrics and targets to steer and monitor progress in deploying the key financing strategies for their investment and lending activity. These metrics and targets include amounts dedicated to the different transition financing strategies.

Use of these strategies should include a clear description of how they are deployed within portfolios and transactions, including the relevant taxonomies and/or criteria deployed for each.

When selecting metrics and targets, **all organisations** should consider using TNFD core and additional disclosure and assessment response metrics, which are set out in the:

- TNFD Recommendations of the Taskforce on Nature-related Financial Disclosures, Annex 2;
- TNFD LEAP approach, in particular, components E3, P2 and Annex 1; and
- TNFD sector guidance, including the additional guidance for financial institutions.

4.5. Governance

Putting effective governance structures in place across all levels is essential to progress towards delivering the objectives of the transition plan. This starts with obtaining initial buy-in to the plan and embedding it in the wider strategy of the organisation, through to making resources available and ensuring people within the organisation have the skills to deliver it and are appropriately incentivised and held accountable for doing so.

Creating the right culture around the plan will also be essential, embedding nature across all teams, encouraging innovation to support delivery, and leadership regularly reinforcing the plan's importance and updating on progress and any changes.[58]

4.5.1. Roles, responsibilities and remuneration

Component 1: Roles, responsibilities and remuneration	
The roles and responsibilities the organisation has defined to support delivery of the transition plan	• Roles across all levels regarding ownership, oversight and responsibility for delivery of the transition plan • Accountability, performance criteria, role descriptions and incentives

An organisation should clearly define and document roles at all levels – the board (if applicable), senior management and all other staff – to ensure ownership, oversight and responsibility for delivery of the nature transition plan. These responsibilities should cascade down through the organisation, for both design and delivery of the plan, as appropriate. This could include governance structures tailored to address plan priorities at a location level.

Appropriate accountability, performance criteria, role descriptions and incentives should be in place where possible. This may include financial incentives, including for senior management, commensurate with the importance of the transition plan. This should all be

58 Adapted from GFANZ (2022) Recommendations and Guidance on Financial Institution Net-zero Transition Plans; GFANZ (2022) Expectations for Real-economy Transition Plans.

tailored to the role of the individual concerned. Incentives should include outcomes for where targets are met and where they are not.

Individuals should be given sufficient authority to deploy resources and set operational objectives to deliver the elements of the plan for which they are responsible. This could include access to advisors, development of resources, tools, data and analysis. It could also extend to authority to deliver the Engagement Strategy, building networks across the different aspects of the strategy.

The board should put in place a clear mandate for action across the organisation, and reporting structures should be in place to allow the board – or subcommittee – to keep track of implementation and ensure progress. The board or subcommittee should consider including members with nature-related experience and expertise, and organising capacity building for board members where this is lacking.

The process of reporting to the board should include relevant reporting thresholds and escalation protocols. Reporting could cover metrics for the actions listed in the plan, results from engagement activities, management performance indicators as a result of the plan, risks and mitigations, and reports from third parties.

Processes should be put in place – including at board and sub-committee level – to review and update the plan as the external situation changes, more information becomes available and challenges are encountered, with implementation risks properly managed to maintain progress. The oversight body should provide advice, review the suitability of the plan and its design and assess progress. Any changes, and the individuals in the organisation or oversight body responsible, should be well documented.

The overall governance should provide continuity in plan delivery, regardless of personnel changes. This will require the embedding of resources, skills and cultural changes across the organisation, and ensuring that nature is integrated into wider strategy.[59]

4.5.2. Skills and culture

Component 2: Skills and culture	
The organisations' approach to addressing skills and culture to support delivery of the transition plan	• Processes for changing norms, beliefs and attitudes in the organisation • Training and capacity building programmes

59 Adapted from GFANZ (2022) Recommendations and Guidance on Financial Institution Net-zero Transition Plans; GFANZ (2022) Expectations for Real-economy Transition Plans.

Designing and delivering a nature transition plan requires significant change across the organisation, with changes in attitudes and processes in many areas of the business.

These changes need to be firmly embedded to ensure continuity in plan delivery. New skills and knowledge will be required for many employees. Communication from senior management needs to consistently reinforce the changes in approach implicit in the plan.

The organisation should conduct an assessment of the individuals who will need to lead key elements of the design and delivery of the plan to determine whether they have the required skills and knowledge for the role, and whether further subject matter expertise needs to be acquired or outsourced (e.g. ecologists and others with specialised scientific knowledge or multidisciplinary skills needed to bring together different aspects of nature). This will range from strategic oversight of the plan through to day-to-day deliver.

Training will also be relevant to those with less direct responsibility but who may have a degree of influence over the success of the plan. Across the wider organisation, staff should have sufficient understanding of the relevance of nature and the nature transition plan to their role and the organisation, why the changes are happening, what is expected of them and how they can contribute. An organisation may also want to extend this training to value chain partners, and others outside the organisation who are critical to the success of the plan. Such provision of training would form part of an organisation's Engagement Strategy.[60]

Understanding an organisation's nature-related interface, and the management of the plan, will require gathering, managing and interpretating new data. Organisations may want to support the effective use of this by improving data literacy, increasing accessibility of data across the organisation, guiding decisions at all levels with data and analytics and integrating data into workflow processes. This may also require organisations to plan and upgrade their data infrastructure, including data services contracts and relevant internal software.

Organisations can use TNFD capacity building materials in training programmes. TNFD in a box provides an overview for market participants about why corporates and financial institutions need to consider nature as a strategic risk management issue and how they can identify, assess, manage and disclose their nature-related dependencies, impacts, risks and opportunities by adopting the TNFD recommendations. Organisations can also find practical examples from financial institutions and corporates that have applied the LEAP approach to assess their nature-related dependencies, impacts, risks and opportunities in the TNFD webinar library and case study library, which are available in the TNFD's knowledge hub.

60 Adapted from GFANZ (2022) Recommendations and Guidance on Financial Institution Net-zero Transition Plans; GFANZ (2022) Expectations for Real-economy Transition Plans.

5. Disclosing a nature transition plan

Investors and other report users are interested in the content of an organisation's nature transition plan to understand the organisation's approach to responding and contributing to the GBF, managing the nature-related dependencies, impacts, risks and opportunities identified in the organisation's TNFD-aligned disclosures and the associated implications for the business model. This is now being reflected in international and regional standards and frameworks:

- TNFD recommended disclosure Strategy B sets out that an organisation should disclose 'any transition plans in place'. The guidance underpinning this recommendation says, 'Organisations that have made nature-related commitments, set nature-related targets and/or made nature transition plans to address nature-related dependencies, impacts, risk and opportunities should describe their commitments, how they will achieve them and how they are aligned to the GBF goals and targets';
- The IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* asks organisations to 'disclose information about how the entity has responded to, and plans to respond to, sustainability-related risks and opportunities in its strategy and decision-making'; and
- Regional and national standards also refer to transition plans, with the European Sustainability Reporting Standards recommending disclosure of biodiversity transition plans.

To meet this demand, the TNFD outlines in this document a proposed approach to disclosures for nature transition plans to help organisations meet investors' and other report users' needs. The structure of these proposed disclosures for transition plans follows the same structure as those for climate transition plans from the TPT,[61] which builds on the GFANZ five transition planning themes. Adopting this structure supports integrated reporting of nature and climate transition plans. The TNFD general requirements[62] also apply to these disclosures, and organisations should report any deviation from their approach to their main TNFD-aligned disclosures.

Aligned with the TPT, the recommended disclosures follow the same five transition planning themes described in the guidance on transition planning above:

- Foundations;
- Implementation Strategy;

61 TPT (2023) Disclosure Framework.

62 TNFD (2023) Recommendations of the Taskforce on Nature-related Financial Disclosures, pp. 43–45.

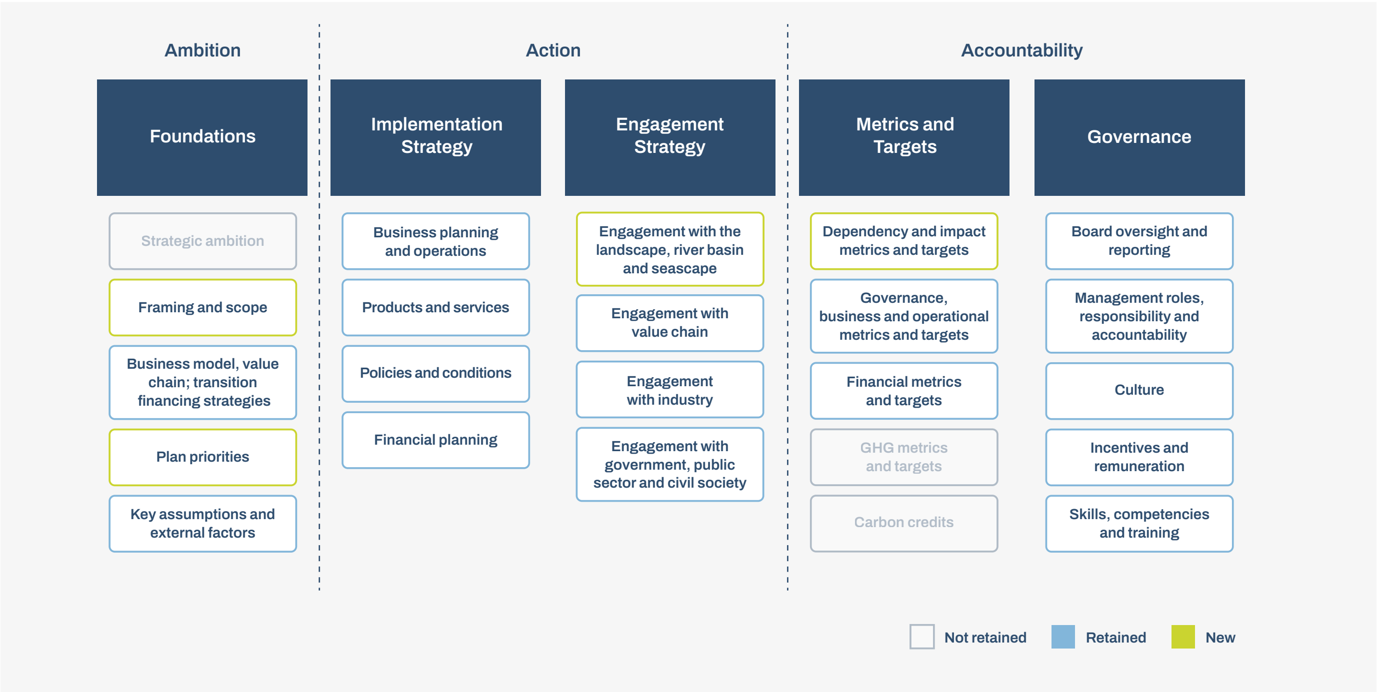
- Engagement Strategy;
- Metrics and Targets; and
- Governance.

Under these five themes, the TNFD has replicated 16 of the 19 TPT recommended disclosures. The recommended disclosures on strategic ambition, GHG metrics and targets and carbon credits have not been included for nature transition plans, as they were not relevant to the nature context.

The TNFD has replaced the three recommended disclosures that were not retained with four new disclosures. These reflect nature-specific aspects of transition planning. The first of these recommended disclosures relates to the organisation's framing of the transition to which it is responding and contributing; the second to the organisation's plan priorities for the nature transition plan; the third to engagement across the landscapes, river basins or seascapes where the organisation is taking action to deliver its transition plan; and the fourth to dependency and impact metrics.

Figure 15 provides an overview of how the TNFD has adapted the TPT recommendations.

Figure 15: Proposed nature transition plan disclosure elements



Based on TPT (2023) Disclosure Framework .

There are synergies across the TNFD recommendations for corporate reporting and those laid out here for transition plans. The TNFD supports report preparers using cross referencing for efficiency when presenting a transition plan that follows this guidance alongside corporate reports aligned with the TNFD recommendations.

5.1. Foundations

5.1.1. Transition plan framing and scope

Disclose the transition that the organisation is responding and contributing to through its transition plan, including reference to the Kunming-Montreal Global Biodiversity Framework (GBF) and other relevant scientific frameworks, public policies and standards; the scope of the plan across value chains and nature-related issues; and any principles guiding the plan, including principles to inform how the organisation identifies and prioritises synergies across sustainability objectives and manages trade-offs.

As part of this, an organisation should disclose:

- The aspects of the transition implied by the GBF that the organisation is responding and contributing to through its plan;
- The extent to which it has considered nature-related transitions other than that implied by the GBF, which could include:
  - National or international policies, environmental agreements and regulations;
  - Any targets the organisation is required to meet by law or regulation;
  - Sector transition pathways, roadmaps or other climate scenarios;
  - Voluntary commitments (e.g. existing public commitments, organisational and industry standards, contractual relationships, codes of practices); and
  - Scientific frameworks and stakeholder initiatives;
- The scope of the plan across the organisation's business model and value chain, and across aspects of its interfaces with nature across geographies, impact drivers, dependencies and time periods (including historic impacts);
- Any principles or other parameters in place to guide overall planning, including:
  - The application of the mitigation hierarchy; and
  - How short-, medium- and long-term are defined in the context of transition planning;
- Whether and how the organisation has identified, assessed and taken into account the synergies and trade-offs of the transition plan with other objectives and activities that may give rise to sustainability-related risks and opportunities, including in relation to engagement with Indigenous People, Local Communities and stakeholders; just transition and societal considerations; and climate mitigation and adaptation;

- A description of whether and how human rights due diligence processes, including but not limited to those covering the rights of Indigenous Peoples and Local Communities, are embedded in the plan development and implementation; and
- The processes adopted to enable the monitoring, management and remediation of any adverse human rights impacts caused by or significantly contributed to through the development and implementation of the plan.

5.1.2. Business model, value chain; transition financing strategies

Disclose the current and anticipated changes to the organisation's business model and value chain as part of the transition plan. Financial institutions should also disclose the transition financing strategies they aim to deploy as part of their transition plan.

As part of this, an organisation should disclose:

- The current and anticipated high-level changes to its business model and value chain; and
- The timeframe over which these changes are expected to occur.

Financial institutions should additionally describe:

- The current and anticipated extent of the relevant transition financing strategies the organisation aims to deploy, including through external asset managers where relevant, to deliver its plan priorities, covering financing for solutions, committing organisations, transitioning organisations and managed phase-out; and
- The criteria the organisation deploys or will deploy to determine eligibility for each of these financing strategies.

5.1.3. Plan priorities

Disclose the organisation's plan priorities for the transition plan and their scope.

As part of this, an organisation should disclose:

- The organisation's priorities for the plan, covering the nature-related dependencies, impacts, risks and opportunities, and for financial institutions, which associated sectors, disclosed in Strategy A of the organisation's main TNFD disclosure or otherwise, the organisation has prioritised, with reference to the location of those dependencies, impacts, risks and opportunities, as disclosed in Strategy D of the organisation's main TNFD disclosure or otherwise;
- The organisation's high-level strategies for each priority, including:
  - What the organisation aims to achieve for that dependency, impact, risk or opportunity and associated locations;
  - Which aspects of the dependency or impact pathway will be addressed;
  - How the mitigation hierarchy will be applied;

  - The rationale for prioritising each dependency, impact, risk or opportunity, with reference to any underlying taxonomy, tools, methodologies or definitions used, as appropriate;
  - Whether the plan priorities are intended or expected to end the organisation's interfaces with any locations as a result of implementing the transition plan, including any high-level strategy in place to avoid any unintended negative consequences;
  - Relevant dependency and impact metrics and targets (with reference to the transition plan's metrics and targets); and
  - For financial institutions, which financing strategies will be applied;
- The scope of these plan priorities across the organisation's value chains, sensitive and other locations, dependencies, impacts, risks and opportunities; and
- Expected or planned expansions to the plan priorities in the future; which activities, dependencies, impacts, risks, opportunities and locations have been excluded from the plan with a justification for this deprioritisation, and whether and when they might be included in a future iteration of the plan.

5.1.4. Key assumptions and external factors

Disclose the key assumptions the organisation has made in formulating the plan, and the external factors on which it depends in order to achieve the transition plan priorities.

As part of this, an organisation should disclose:

- The key assumptions the organisation has made, external factors on which the plan depends, and the implications of these assumptions and external factors for the achievement of the transition plan priorities. These may include:
  - Policy and regulatory change;
  - Qualitative or quantitative information about the expected future trajectory for changes in nature external to the organisation's activities across relevant geographies and/or sectors, including in any locations the organisation expects to end its interface with as a result of implementing the transition plan;
  - Macroeconomic trends (e.g. labour availability, cost of borrowing);
  - Microeconomic and financial factors (e.g. availability of finance, relative prices);
  - Technological developments;
  - Access to counterparty data and reliability of data;
  - Shifts in client and consumer demand;
  - The physical impacts of nature loss for the organisation and others, and the regional and spatial implications of these; and
  - The response of other actors in the landscape, river basin or seascape and the impact of these responses on nature;

- The timeframes over which these key assumptions and external factors are expected to occur; and
- Whether and how the key assumptions are reflected in the organisation's financial statements.

5.2. Implementation Strategy

5.2.1. Business planning and operations

Disclose the short-, medium- and long-term actions the organisation is taking or plans to take in its business operations, and changes to the decision-making processes it uses, in order to achieve the plan priorities of its transition plan.

As part of this, an organisation should disclose:

- Current and anticipated actions for each transition plan priority, including timelines and whether these take place at site, landscape, river basin, seascape, organisational, value chain or sector level, including changes to:
  - Production processes or equipment;
  - Physical assets;
  - Workforce;
  - Supply chain and procurement; and
  - Locations and any plans put in place to reduce the risk that leaving the location leaves nature in a worse state;
- How actions are sequenced, and build on each other, to form a pathway to enable delivery of the plan priorities, including how the organisation has taken account of how choices in one period might limit or enable future choices (e.g. choice of technology or organisational structures);
- Any detailed action plans in place to avoid any unintended negative consequences associated with intended or expected changes to the locations with which the organisation interfaces as a result of implementing the transition plan;
- The expected principal contributions of each action towards achieving each plan priority, including the methodologies and data sources used to estimate these contributions, where quanitified, as well as any uncertainties, assumptions and caveats; and
- What synergies and trade-offs were identified between different aspects of nature and with other sustainability objectives, and how they were identified, prioritised and managed.

Financial institutions should additionally include:

- The decision-making processes for transaction approvals, lending approvals, investment mandate allocations, direct investment allocations, credit underwriting, insurance underwriting, and client and/or investment due diligence, including how these reflects plan priorities, and any policies developed to help deliver them; and

- The deployment of transition financing strategies over different timescales to drive change in clients and portfolio companies, including which categories of clients and portfolio companies (e.g. by geography, sector or other relevant criteria) will be addressed first.

5.2.2. Products and services

Disclose the short-, medium- and long-term actions the organisation is taking or plans to take to change its portfolio of products and services in order to achieve the plan priorities of its transition plan.

As part of this, an organisation should disclose:

- Information about any current and anticipated changes to its product and service offerings and further transformative changes to the business model, including timelines;
- Any underlying taxonomy, tools, methodologies or definitions used to classify products and services; and
- The expected principal contributions of the product or service towards achieving each plan priority, and the methodologies and data sources used to estimate these contributions, where quantified, as well as any uncertainties, assumptions and caveats.

5.2.3. Policies and conditions

Disclose the policies and conditions that the organisation uses or plans to use in order to achieve the plan priorities of its transition plan.

As part of this, an organisation should disclose:

- A brief description of any policy or condition that it uses or plans to use in order to achieve the plan priorities of its transition plan, including:
    - Environmental management and safeguards, including related to natural resource usage, impact drivers and operations in sensitive locations;
    - Use of verified standards, certification systems or other environmental management standards;
    - Supplier engagement;
    - Portfolio and client engagement;
    - Sector-, topic- or activity-specific expectations and considerations for procurement, customers, clients and/or portfolio companies, as relevant;
    - Nature-related considerations (e.g. thresholds, targets or restrictions) in lending or investment activities;

  - Exclusions, enhanced due diligence procedures, divestments and/or managed phase-out assets and activities;
  - Human rights, including Free, Prior and Informed Consent policies, with reference to the organisation's main TNFD disclosure under Governance C;
  - Labour standards;
  - Advocacy, collective actions, and landscape, river basin and seascape approaches;
  - Advancing social equity or addressing potential adverse social impacts (e.g. on communities); and
  - Identification, management and prioritisation of synergies and trade-offs within aspects of nature and with other sustainability objectives;
- The objective and scope of each policy, the timelines it applies for and any associated methodologies; and
- The expected principal contributions of the policy or condition towards achieving each plan priority, and the methodologies and data sources used to estimate these contributions, where quantified, as well as any uncertainties, assumptions and caveats.

5.2.4. Financial planning

Disclose information about the effects of the transition plan[63] on the organisation's financial position, financial performance and cash flows[64] over the short-, medium-, and long-term, including information about how it is resourcing or plans to resource its activities in order to achieve the transition plan priorities, to the extent the financial effects of the transition plan are separately identifiable.[65]

As part of this, an organisation should disclose:

- The short-, medium- and long-term financial resources required to deliver the current and planned activities set out in the transition plan, by activity and plan priority;
- How the organisation is meeting, or plans to meet, these resourcing requirements, by activity and plan priority;
- Qualitative and quantitative information about how implementation of the transition plan is projected to affect the organisation's financial position over the short-, medium- and long-term, including:

63 This is not intended to cover information about the financial effects of wider nature-related risks and opportunities. Instead the focus lies on the direct and indirect effects from implementing the transition plan itself.

64 For financial institutions, this should cover the financial performance of the organisation itself and not its investment or lending portfolio.

65 This recommended disclosure should be regarded as distinct from the recommended disclosures for financial metrics and targets. Here, the focus lies on demonstrating that the organisation has integrated the transition plan into its financial planning and disclosing expected financial effects. Financial metrics and targets relate to the financial metrics and targets that it is using to assess progress and delivery of the plan over time.

- The organisation's investment and disposal plans (e.g. plans for capital expenditure, major acquisitions and divestments, joint ventures, business transformations, innovation, new business areas, investments into research and development for nature solutions, and asset retirements), and plans to which the organisation is not contractually committed;
- Planned sources of funding to implement the plan; and
- Qualitative and quantitative information about how implementation of the transition plan is projected to affect the organisation's financial performance and cash flows over the short-, medium- and long-term.[66]

In reporting this information, the organisation should:

- Use all reasonable and supportable information that is available to the organisation at the reporting date without undue cost or effort;
- Use an approach that is commensurate with the skills, capabilities and resources that are available to the organisation for preparing those disclosures; and
- Explain the methodologies and data sources used, including any scenario modelling to inform assumptions used in asset valuation or financial stress testing, as well as any uncertainties, assumptions and caveats.

Reporting of quantitative information may be point estimates or a range and prioritise quantitative information for current financial effects and those of short-term actions that may be more certain.

Where financial effects are not separately identifiable, the level of uncertainty is so high that the resulting information would not be useful, or the organisation does not have the skills, capabilities or resources to provide that quantitative information, the organisation should explain this, as well as any measures being put in place to overcome this barrier, including the timescale for these measures.

66 This may include quantitative information about the combined financial effects of the transition plan with other aspects of wider corporate strategy unless the organisation determines that quantitative information about the combined financial effects would not be useful information.

5.3. Engagement Strategy

5.3.1. Engagement with the landscape, river basin and seascape

Disclose any engagement activities – including multi-stakeholder engagement – at a landscape, river basin or seascape level that the organisation is undertaking or plans to undertake in order to achieve the transition plan priorities.

As part of this, an organisation should disclose:

- An explanation of how the organisation prioritises engagement activities in the relevant landscapes, river basins and seascapes in order to achieve the transition plan priorities;
- How human rights due diligence processes, including but not limited to those covering the rights of Indigenous Peoples and Local Communities, are embedded in the engagement process;
- A description of current and planned engagement activities by plan priority and location, including as relevant:
  - The scale of the landscape, river basin or seascape addressed by the engagement activity and to what extent it aligns with recognised geographic, administrative or ecological boundaries;
  - The purpose of the engagement and whether it takes place in relation to assessment, solution-finding, monitoring and/or evaluation of nature-related issues;
  - The expected principal contributions of the engagement activities towards achieving the plan priority, and the methodologies and data sources used to estimate these contributions, where quantified, as well as any uncertainties, assumptions and caveats;
  - Linkages with the Implementation Strategy;
  - The timelines for the engagement;
  - Relationship with any key assumptions and external factors disclosed in the Foundations theme;
  - Whether the organisation is leading the engagement or is participating in an effort led by another organisation, in the latter case specifying the lead organisation and the role of the organisation disclosing the transition plan in that collective effort;
  - The Indigenous Peoples, Local Communities, stakeholders and other actors in the landscape, river basin or seascape engaged, how they were identified and a confirmation that this description has been agreed with those engaged;
  - The approach to and process of engagement, whether engagement is one-off, periodic or ongoing, and whether it is through formal or informal structures;
  - Whether engagement has been based on free, prior and informed consultation and participation and how Free, Prior and Informed Consent (FPIC) has been obtained;
  - How equitable Access and Benefit Sharing has been attained, particularly as it relates to Indigenous Peoples and Local Communities;

    - Whether landscape, river basin or seascape-level reporting and governance mechanisms are in place; and
    - The results of the engagement processes with Indigenous Peoples, Local Communities, stakeholders and other actors in the landscape, river basin or seascape, including whether any collective objectives, actions and investments are mobilised;

- Whether and how senior management and the board are informed about engagement processes with Indigenous Peoples, Local Communities, stakeholders and other actors in the landscape, river basin or seascape, and their results; and
- A description of escalation processes or criteria in place to manage instances where engagement activities do not lead to the desired changes.

An organisation should also refer to its main TNFD-aligned disclosures under general requirement 6 and Governance C and disclose any differences from the information provided there in the way the organisation undertakes engagement in the context of the transition plan.

5.3.2. Engagement with value chain

Disclose engagement activities with other organisations and individuals in the organisation's value chain that it is undertaking or plans to undertake in order to achieve the transition plan priorities.

As part of this, an organisation should disclose:

- An explanation of how the organisation prioritises engagement activities with its value chain partners in order to achieve the transition plan priorities; for financial institutions, this may include stewardship activities and engagement with asset managers, investee companies, loan clients and relevant financial market intermediaries;
- How human rights due diligence processes, including but not limited to those covering the rights of Indigenous Peoples and Local Communities, are embedded in the engagement process;
- A description of current and planned engagement activities by plan priority and location, including, as relevant:

    - The purpose of the engagement and whether it takes place in relation to assessment, solution-finding, monitoring and/or evaluation of nature-related issues;
    - The expected principal contributions of the engagement activities towards achieving the plan priority, and the methodologies and data sources used to estimate these contributions, where quantified, as well as any uncertainties, assumptions and caveats;
    - Linkages with the Implementation Strategy;
    - The timelines for the engagement;

    - Relationship with any key assumptions and external factors disclosed in the Foundations theme;
    - The Indigenous Peoples, Local Communities, stakeholders and other actors in the value chain engaged, where they sit in the organisation's value chain, how they were identified and a confirmation that this description has been agreed with those engaged;
    - The approach to and process of engagement, whether engagement is one-off, periodic or ongoing, and whether it is through formal or informal structures;
    - Whether engagement has been based on free, prior and informed consultation and participation and how Free Prior and Informed Consent (FPIC) has been obtained;
    - How equitable Access and Benefit Sharing has been attained, particularly as it relates to Indigenous Peoples and Local Communities;
    - Whether value chain reporting and governance mechanisms are in place; and
    - The results of the engagement processes with Indigenous Peoples, Local Communities, stakeholders and other actors in the value chain, including whether any collective objectives, actions and investments are mobilised;
- A statement of whether and how senior management and the board are informed about engagement processes with Indigenous Peoples, Local Communities, stakeholders and other actors in the value chain, and their results; and
- A description of escalation processes or criteria in place to manage instances where engagement activities do not lead to the desired changes.

An organisation should also refer to its main TNFD-aligned Governance C disclosure and disclose any differences from the information provided there in the way the organisation undertakes engagement in the context of the transition plan.

5.3.3. Engagement with industry

Disclose engagement and collaborative activities with industry counterparts (and other relevant initiatives, individuals or organisations) that it is undertaking or plans to undertake in order to achieve the transition plan priorities.

As part of this, an organisation should disclose:

- Memberships in trade organisations or industry bodies;
- An explanation of how the organisation prioritises industry engagement and collaborative activities in order to achieve the transition plan priorities;
- A description of current and planned engagement and collaborative activities with membership bodies, industry associations, industry counterparts (and other relevant initiatives or organisations, e.g. peers and labour unions), by plan priority and location, including:

  - The membership body, industry association, industry counterparts and other relevant initiatives or organisations engaged with, and the role of the organisation in that group;
  - The purpose of the engagement and whether it takes place in relation to assessment, solution-finding, monitoring and/or evaluation of nature-related issues;
  - The expected principal contributions of the engagement activities towards achieving the plan priority, and the methodologies and data sources used to estimate these contributions, where quantified, as well as any uncertainties, assumptions and caveats;
  - Linkages with the Implementation Strategy;
  - The timelines for the engagement;
  - Relationship with any key assumptions and external factors disclosed in the Foundations theme;
  - The approach to and process of engagement, whether engagement is one-off, periodic or ongoing, and whether it is through formal or informal structures;
  - Whether industry reporting and governance mechanisms are in place; and
  - The results of the engagement processes, including whether any collective objectives, actions and investments are mobilised; and
- The steps it takes to monitor the activities of membership bodies or industry bodies in which it participates and minimise any actions that may conflict with the transition plan.[67]

An organisation should also refer to its main TNFD-aligned Governance C disclosure and disclose any differences from the information provided there in the way the organisation undertakes engagement in the context of the transition plan.

5.3.4. Engagement with government, public sector and civil society

Disclose direct and indirect engagement activities with governments, regulators, public sector organisations, communities and civil society that the organisation is undertaking or plans to undertake in order to achieve the transition plan priorities.

As part of this, an organisation should disclose:

- An explanation of how the organisation prioritises engagement activities with governments, regulators, public sector organisations, communities and civil society in order to achieve the transition plan priorities;

67 The TNFD notes the similarity between this recommendation and the recommended disclosure on indirect policy engagement under **Engagement with government, public sector and civil society**. Under **Engagement with industry** the primary focus lies on outlining significant engagement activities undertaken to influence membership bodies, industry associations, industry counterparts and other relevant organisations. Under **Engagement with government, public sector and civil society**, the focus lies on outlining significant engagement activities undertaken in collaboration with, or via, trade associations to influence the decision-making and policy positions of government and the public sector.

- A description of current and planned engagement activities, including:
  - The purpose of the engagement and whether it takes place in relation to assessment, solution-finding, monitoring and/or evaluation of nature-related issues;
  - The expected principal contributions of the engagement activities towards achieving the plan priority, and the methodologies and data sources used to estimate these contributions, where quantified, as well as any uncertainties, assumptions and caveats;
  - Linkages with the Implementation Strategy;
  - The timelines for the engagement;
  - Relationship with any key assumptions and external factors disclosed in the Foundations theme;
  - The approach to and process of engagement, whether engagement is one-off, periodic or ongoing, and whether it is through formal or informal structures; and
  - The results of the engagement processes including whether any collective objectives, actions and investments are mobilised; and
- A summary of the organisation's nature-related advocacy and lobbying priorities and positions in support of the transition plan and those priorities and positions that are not consistent with the plan. This should be complemented, where relevant, with a summary of the main direct advocacy and lobbying activities undertaken by the organisation associated with nature-related regulation and public policy development related to the topics in the transition plan.

An organisation should also refer to its main TNFD-aligned Governance C disclosure and disclose any differences from the information provided there in the way the organisation undertakes engagement in the context of the transition plan.

5.4. Metrics and Targets

5.4.1. Dependency and impact metrics and targets

Disclose the impact driver, state of nature and ecosystem service metrics and targets that the organisation uses in order to drive, measure and manage progress towards delivering the transition plan, and report against these metrics and targets on at least an annual basis.

As part of this, an organisation should disclose:

- The dependency and impact metrics used to drive, measure and manage progress towards the plan priorities of the transition plan, contextualised in dependency and/or impact pathways, and including as appropriate:
  - Any metrics for impact drivers used to measure and manage progress against the transition plan priorities, reported by location and transition plan priority, with

reference to the TNFD core global and core sector metrics for dependencies and impacts where relevant, and indicating the relevant impact driver;

- Any metrics for changes in the state of nature (e.g. ecosystem condition and extent, and species population size and extinction risk) used to measure and manage progress against the transition plan priorities, by location and transition plan priority; and
- Any metrics for changes in the availability of ecosystem services used to measure and manage progress against the transition plan priorities, by location and transition plan priority;

- Any risk and opportunity metrics used to further drive, measure and monitor progress against the transition plan priorities, reported by location and transition plan priority, where relevant, with reference to the TNFD core and additional risk and opportunity metrics and assessment metrics where relevant;
- Aggregated impact driver metrics for the organisation's direct operations, and upstream and downstream value chain(s), as a complement to the disaggregated metrics, to the extent possible and where relevant, and by product or service line if material, with reference to the TNFD core global and core sector metrics for dependencies and impacts where relevant. Where an organisation chooses to report aggregated impact driver metrics but is not able to report metrics for the full value chain, an organisation is encouraged to report metrics at the stage of the value chain that is most relevant for the plan priority. For priorities focused on the use of natural commodities, this is likely to require reporting on upstream activities, for example;
- For each metric:
  - A clear and transparent baseline value for relevant impact drivers and/or a state of nature reference condition, where possible;
  - Negative and positive impacts separately, not on a net basis;
  - Reference to which part of the business model or value chain the metric relates to, including whether it relates to the organisation's direct operations, upstream value chain(s) or downstream value chain(s);
  - An absolute figure, rate of change and an intensity/efficiency ratio where relevant, describing the rationale for selection of ratios;[68]
  - A description of if and how metrics have been aggregated across locations, in line with general requirement 3 of the TNFD recommendations and including the scientific justification for aggregating metrics and/or locations (e.g. ecological equivalency or industry best practice with references), the methodologies used and any limitations or assumptions;

68 The TNFD disclosure metrics are mostly listed at the absolute level. Organisations are encouraged to use the best practice intensity/efficiency ratios for their sectors.

- A description of the methodologies, tools and data platforms used to calculate or estimate metrics; and any limitations, including a lack of data or the use of proxy data and industry averages; and
- When appropriate, forward-looking nature-related indicators and metrics, consistent with its business or strategic planning horizons; and

- The targets for impact drivers and the state of nature, where relevant, for each transition plan priority, including:
  - The plan priority, location and part of the business to which the target relates;
  - The metric used to quantify the target and monitor performance;
  - The targeted value of the metric;
  - The baseline year and value of the metric;
  - The timeframe for achieving the target;
  - Short and medium-term interim targets or target trajectory for the metric;
  - The methodology used to set the target and baseline, including whether the organisation has used any external standards or anchor points when setting the target and whether these use a science-based approach;[69]
  - Performance against the target relative to the baseline or reference condition on a historical and current year basis, updated annually, and expected performance against targets for the following year, where appropriate;
  - If the organisation exceeded or fell short of the target trajectory or is projected to do so, an explanation of the reasons and disclosure of any resulting adjustment or resetting of targets from the prior period; and
  - Whether and how the target aligns with or supports the targets and goals of the GBF and others where relevant, such as the Paris Agreement on climate change; the Sustainable Development Goals; Planetary Boundaries and other global reference environmental treaties, policy goals and system-wide initiatives.

5.4.2. Governance, business and operational metrics and targets

Disclose the metrics and targets for governance, engagement, business and operational metrics and targets that the organisation uses in order to drive and monitor progress in delivering the actions in the transition plan. Report against these metrics and targets on at least an annual basis.

As part of this, an organisation should disclose:

- The metrics used to drive, measure and manage delivery of governance, engagement, business and operational activities in the transition plan, by plan priority and location where relevant, excluding dependency and impact metrics;

69 For example, the methods of the Science Based Targets Network.

- The metrics used to drive, measure and manage transition financing strategies;
- For each metric, the organisation should include:
  - A clear and transparent baseline where possible;
  - Reference to whether they relate to the organisation's direct operations, upstream or downstream value chain(s);
  - An absolute figure, rate of change and an intensity/efficiency ratio where relevant;
  - A description of if and how metrics have been aggregated across locations, in line with general requirement 3 of the TNFD recommendations and including the scientific justification for aggregating metrics and/or locations (e.g. ecological equivalency or industry best practice with references), the methodologies used and any limitations or assumptions, where relevant;
  - A description of the methodologies, tools and data platforms used to calculate or estimate indicators and metrics; and any limitations, including a lack of data or the use of proxy data and industry averages; and
  - When appropriate, forward-looking indicators and metrics, consistent with its business or strategic planning horizons; and
- Any targets for governance, business and operations, where relevant, for each transition plan priority, including:
  - The transition plan priority, location and part of the business to which the target relates;
  - The metric used to quantify the target and monitor performance; the targeted value of the metric;
  - The baseline year and value of the metric;
  - The timeframe for achieving the target;
  - Short and medium-term interim targets or target trajectory for the metric;
  - The methodology used to set the target and baseline, including whether the organisation has used any external standards or anchor points when setting the target;
  - Performance against the target relative to the baseline or reference condition on a historical and current year basis, updated annually, and expected performance against targets for the following year, where appropriate;
  - If the organisation exceeded or fell short of the target trajectory or is projected to do so, an explanation of the reasons and disclosure of any resulting adjustment or resetting of targets from the prior period; and
  - Whether and how the target aligns with or supports the targets and goals of the GBF and others where relevant, such as the Paris Agreement on climate change, the Sustainable Development Goals, Planetary Boundaries and other global reference environmental treaties, policy goals and system-wide initiatives.

5.4.3. Financial metrics and targets

Disclose the financial metrics and targets that the organisation uses in order to drive and monitor progress towards delivering the transition plan. Report against these metrics and targets on at least an annual basis.

As part of this, an organisation should disclose:

- The financial metrics – including, for financial institutions, investment and lending activity, by transition financing strategy if relevant – used to drive, measure and manage delivery of the transition plan, by plan priority and at the level of the organisation, as relevant;
- For each metric, the organisation should include:
  - A clear and transparent baseline where possible;
  - Reference to whether they relate to the organisation's direct operations, upstream or downstream value chain(s);
  - An absolute figure, rate of change and an intensity/efficiency ratio where relevant;
  - A description of if and how metrics have been aggregated across locations, in line with general requirement 3 of the TNFD recommendations and including the scientific justification for aggregating metrics and/or locations (e.g. ecological equivalency or industry best practice with references), the methodologies used for any such aggregation, and any limitations or assumptions, where relevant;
  - A description of the methodologies, tools and data platforms used to calculate or estimate indicators and metrics; and any limitations, including a lack of data or the use of proxy data and industry averages; and
  - When appropriate, forward-looking indicators and metrics, consistent with its business or strategic planning horizons; and
- Any targets for financial metrics – including, for financial institutions, investment and lending activity – for each transition plan priority and at the organisation level, as relevant, including:
  - The transition plan priority, location and part of the business to which the target relates;
  - The metric used to quantify the target and monitor performance;
  - The targeted value of the metric;
  - The baseline year and value of the metric;
  - The timeframe for achieving the target;
  - Short and medium-term interim targets or target trajectory for the metric;
  - The methodology used to set the target and baseline, including whether the organisation has used any external standards or anchor points when setting the target;

- Performance against the target relative to the baseline or reference condition on a historical and current year basis, updated annually, and expected performance against targets for the following year, where appropriate;
- If the organisation exceeded or fell short of the target trajectory or is projected to do so, an explanation of the reasons and disclosure of any resulting adjustment or resetting of targets from the prior period;
- Whether and how the target aligns with or supports the targets and goals of the GBF and others where relevant, such as the Paris Agreement on climate change; the Sustainable Development Goals; Planetary Boundaries and other global reference environmental treaties, policy goals and system-wide initiatives; and
- Any underlying taxonomy, tools, methodologies or definitions on which the metric relies.

An organisation may report financial metrics and targets as single amounts or as ranges.

5.5. Governance

5.5.1. Board oversight and reporting

Disclose the governance body(s) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of the transition plan.

As part of this, an organisation should identify that body(s) or individual(s) and disclose:

- The body(s) or individual(s) arrangements for review and approval of the transition plan and its plan priorities, including oversight of any changes, updates and reporting;
- How responsibilities for the transition plan are reflected in the terms of reference, mandates, role descriptions and other related policies applicable to that body(s) or individual(s);
- How the body(s) or individual(s) determines whether appropriate skills and competencies are available or will be developed to oversee the transition plan;
- How and how often the body(s) or individual(s) is informed about the transition plan;
- How the body(s) or individual(s) takes into account the transition plan when overseeing the organisation's strategy, its decisions on major transactions and its risk management processes and related policies, including whether the body(s) or individual(s) has considered trade-offs associated with the transition plan; and
- How the body(s) or individual(s) oversees the setting of targets in the transition plan and monitors progress towards these targets and the wider transition plan.

5.5.2. Management roles, responsibility and accountability

Disclose management's role in the governance processes, controls and procedures used to monitor, manage and oversee the transition plan, as well as how it is embedded within the organisation's wider control, review and accountability mechanisms.

As part of this, an organisation should disclose:

- The identity of the management body(s) or individual(s) responsible for executive oversight and delivery of the transition plan;
- The role of the management body(s) or individual(s) in defining the transition plan, the setting of targets and the monitoring of progress;
- How oversight is exercised over that body(s) or individual(s);
- Whether the management body(s) or individual(s) uses controls and procedures to support the oversight of the transition plan and ensure the reliability of information disclosed; if so, an organisation should disclose how these controls and procedures are integrated with other internal functions and information about which aspects of the transition plan are subject to external assurance or verification, including the nature of the assurance or verification; and
- Whether the transition plan is subject to shareholder approval, including through a shareholder vote.

5.5.3. Culture

Disclose how the organisation aligns or plans to align its culture with the transition plan.

As part of this, an organisation may disclose information about any relevant steps taken in respect of:

- Company values and purpose statements;
- Communications, systems, processes;
- HR policies and procedures (including escalation processes, compensation and benefits);
- The employee value proposition;
- Leadership and manager training and capacity building programmes; and/or
- Workforce engagement strategies.

5.5.4. Incentives and remuneration

Disclose how the organisation aligns or plans to align its incentive and remuneration structures with the transition plan.

As part of this, an organisation should disclose:

- A description of whether and how its executive incentive and remuneration structures are aligned with the transition plan; this may include information about:
  - The metric(s) used;
  - Whether the metric(s) is within the short-term and/or long-term incentive plan(s);
  - The typical percentage weighting of the transition plan-related metric(s) within the incentive plan for the executive population; and
  - The percentage of total executive remuneration that is linked to transition plan-related metric(s); and
- A description of whether and how incentive and remuneration structures for employees across the organisation are aligned with the transition plan, including whether it has applied a consistent approach with that for executives or whether it has taken a differentiated approach for specific teams or roles.

5.5.5. Skills, competencies and training

Disclose actions the organisation is taking or plans to take to assess, maintain and build the appropriate skills, competencies and knowledge across the organisation in order to deliver the transition plan.

As part of this, an organisation should disclose:

- Information about how the organisation assesses whether it has the appropriate skills, competencies and knowledge across the organisation to effectively design, develop, deliver and govern the transition plan in accordance with its plan priorities;
- Where it has identified a skills gap, information about actions it is taking or plans to take to acquire or develop the required skills; and
- Information about actions it is taking or plans to take to provide the board and executive management with access to the appropriate skills, competencies and knowledge required to effectively oversee the transition plan.

6. Conclusions and further work

Nature transition planning offers organisations a structured, coherent process to develop sets of actions to respond and contribute to the transition implied by the GBF. The draft guidance in this TNFD discussion paper seeks to break down the process of change for an organisation into a set of strategies, actions and accountability mechanisms, consistent with the existing approach to climate transition plans. The disclosure guidance aims to support organisations in providing investors and other users of the disclosures with decision-useful, strategic and consistent information on how the organisation will address its nature-related issues and respond and contribute to the transition implied by the GBF.

The TNFD intends to publish the final version of this guidance in 2025. Feedback is requested from market participants and other stakeholders **by 1 February 2025**, based on the consultation questions set out on page 10. Feedback can be provided here.

There are a number of areas of further work, beyond finalisation of this guidance, that the TNFD believes would support organisations in developing their nature transition plans and report users in assessing such plans, but that are beyond the remit and capacity of the TNFD – or the TNFD alone – to produce. The Taskforce will continue to explore these issues with, or encourage development of further work by, appropriate partner organisations. These areas of further work include:

1. Development of nature transition pathways;
2. Transition finance categorisation;
3. Biodiversity credits;
4. Potential pilot testing of nature transition plans; and
5. Ongoing collaboration among related initiatives.

6.1. Development of nature transition pathways

The development of decarbonisation sector transition and national pathways has supported organisations in effective net-zero transition planning, helping them align their plans with the global net-zero transition. They also support investors and other plan users in assessing the credibility of the transition plans.

Sector nature transition pathways, beyond decarbonisation, could be similarly relevant and critical for guiding the alignment of relevant activities and financial flows with the goals and targets of the GBF.[70] Science-based sector nature transition pathways would have to capture the location-specificity and multiple dimensions of nature, as well as take a wider perspective of synergies and trade-offs with climate and social impacts at the economy-wide level. Linking to NBSAPs and associated policies may support the credibility of any proposed approach to these synergies and trade-offs.

There is some encouraging early relevant work for specific geographies and sectors,[71] but further work is urgently needed by a credible consortium of stakeholders to progress the conceptualisation and development of sector pathways for the nature transition.

6.2. Transition finance categorisation

This discussion paper proposes four nature transition financing strategies, adapting GFANZ's transition finance categories for climate. The Taskforce believes the application of these categories of transition finance to nature, beyond climate change, needs further consideration. For example, there are no well-established eligibility criteria for each strategy, leaving the onus on individual financial institutions to define them.

Further work is particularly important for determining the degree to which a transition plan is aligned or aligning with the transition implied by the GBF. This discussion paper has proposed the categories of committed and transitioning to allow financial institutions to distinguish between financing organisations that committed to respond and contribute to the transition implied by the GBF, from those that are considered to have a transition plan in place. Further consensus on what aligned and aligning mean in the nature context, (e.g. through development of credible sector transition pathways) could enable further alignment and integration with climate transition planning.

The TNFD expects to update its guidance on all the proposed transition financing strategies as related work progresses.

6.3. Biodiversity credits

As the international community looks for ways to scale corporate and financial institution action to halt and reverse nature loss, aligned with the goals of the GBF, interest in new and potentially scalable business and financial solutions is growing rapidly. One potential

70 See, for example:
- Business for Nature, WBCSD and WEF (2023) Sector Actions Towards a Nature-Positive Future;
- Business for Nature (2024) Policy recommendations for effective implementation of the Biodiversity Plan;
- Finance for Biodiversity Foundation (2024) Aligning Financial Flows with the Global Biodiversity Framework;
- Transition Plan Taskforce (2024) The Future for Nature in Transition Planning; and
- WWF-UK (2024) National nature-positive pathways to guide policy and private sector action.

71 WWF-UK (2024) National nature-positive pathways to guide policy and private sector action.

instrument that has attracted the interest of policy makers and market participants is biodiversity credits.

Biodiversity credits are defined by the Biodiversity Credit Alliance as a 'certificate that represents a measured and evidence-based unit of positive biodiversity outcome that is durable and additional to what would have otherwise occurred'.[72]

The emergence of biodiversity credit markets could make a modest contribution to delivering the resource mobilisation objectives for 2030 set out in the GBF and to closing the global biodiversity financing gap, estimated at USD 700 billion a year by 2030.[73]

Regulatory- or compliance-driven use of biodiversity credits would enhance market demand and can help stimulate further product innovation, in addition to innovation already underway. For example, the United Kingdom's biodiversity net gain policy requires new development projects to ensure a measurable increase in biodiversity compared to pre-development state and allows this increase to be met using credits.[74]

Various initiatives, such as the WEF Biodiversity Credits Initiative, the Biodiversity Credit Alliance (BCA) and the International Advisory Panel on Biodiversity Credits (IAPB),[75] have been exploring the design of voluntary nature and biodiversity credit markets. These initiatives have recently published work to identify principles for the characteristics of high-integrity, equity and inclusion, and transparency, which will inform the potential scope for use of credits as part of an organisation's nature transition plan and could provide a foundation for related guidance.

Given these developments, an organisation may choose or be required to consider the potential role of biodiversity credits in responding and contributing to the transition implied by the GBF. More specifically, the use of biodiversity credits may be identified and articulated as a part of the implementation plan in relation to specific plan priorities.

Given the nascent stage of conceptual design and development of biodiversity credit markets, this discussion paper does not propose or incorporate the use of biodiversity credits in the context of nature transition plans at this stage. The TNFD's final guidance on nature transition plans will be published in 2025 and may then include more specific guidance on the role of biodiversity credits, drawing on these and other initiatives. To inform this, the TNFD would welcome feedback on the specific consultation question on biodiversity credits, responding to the biodiversity credits question on page 10.

72 Biodiversity Credit Alliance (2024) Definition of a Biodiversity Credit.

73 Deutz A. et al. (2020) Financing Nature: Closing the Global Biodiversity Financing Gap.

74 DEFRA (2024) Biodiversity net gain.

75 The IAPB covers compliance and voluntary biodiversity credit markets. BCA's scope of work is not entirely limited to voluntary markets; it works to ensure that biodiversity credits work across all potential use cases.

6.4. Potential pilot testing of nature transition plans

As with development of the TNFD recommendations and additional guidance, including the LEAP approach, the proposed draft guidance on nature transition plans in this discussion paper could benefit from experiential feedback gained through pilot testing. Organisations interested in participating in pilot testing and providing feedback to inform the TNFD's final transition planning guidance should register their interest here.

6.5. Ongoing collaboration among related initiatives

In finalising its nature transition plan guidance, the TNFD will continue to work closely with knowledge partners and leaders of key relevant initiatives, including Business for Nature, Finance for Biodiversity, the ISSB, GRI, GFANZ, the International Transition Plan Network (ITPN), SBTN, UNEP FI, WWF, the WBCSD, World Economic Forum, CDP and others, to draw on this work and achieve further consistency and interoperability across related guidance, methods and tools, and evolving corporate reporting standards.

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