



The Future for Nature in Transition Planning

An advisory paper from the TPT's
Nature Working Group

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About the TPT Nature Working Group

The Nature Working Group was set up in April 2023 to provide advice to the TPT on the appropriate consideration of nature in the TPT's work. The Working Group provided advice to the TPT on integrating nature into the TPT Disclosure Framework and suite of Sector Guidance.

This paper is the last output of the Working Group. It is not part of the core suite of Transition Plan Taskforce documents but was produced independently of the TPT Steering Group and Delivery Group.



This report is one of four reports produced by the Just Transition, Nature, and Adaptation Working Groups of the TPT, and the TPT Advisory Group on SMEs:

- *Building Climate-ready Transition Plans: Including adaptation and resilience for comprehensive transition planning approaches*, an advisory paper from the TPT Adaptation Working Group;
- *The Future for Nature in Transition Planning*, an advisory paper from the TPT Nature Working Group;
- *Putting People at the Heart of Transition Plans: key steps and metrics for issuers*, an advisory paper from the Just Transition Working Group; and
- *Considerations on SMEs and Transition Plans*, a paper from the TPT's SME Advisory Group chaired by Bankers for Net Zero.

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Whilst this paper reflects the general consensus reached within the Working Group, it does not necessarily represent the views of individual members. The views, input and/or contributions of individual members are not necessarily aligned with the views held by, or the commercial strategies of, their employers/affiliated organisations. This paper does not constitute financial, legal, or other professional advice and should not be relied upon as such. Nothing in the paper is intended to override, substitute, or alter existing legal or regulatory requirements, including, without limitation, duties of the entity's directors and senior managers, and the entity's constitutional documents. Nothing in the paper should be understood to require the disclosure of commercially sensitive information.

The paper was produced independently of the TPT Steering Group and Delivery Groups and does not necessarily represent their views.

Executive Summary

This paper draws on the expertise of the Transition Plan Taskforce (TPT) Nature Working Group to make recommendations on the future of nature in transition planning beyond the current TPT Disclosure Framework and associated guidance.

The nature and climate crises are interrelated: climate change is the third greatest driver of nature loss¹, and natural ecosystems absorb roughly half of CO₂ emissions and increase our resilience to the effects of climate change.²

Climate transition plans may impact or depend on nature – for example, the land use change created by the mining of critical metals for renewables, or the use of nature-based solutions to sequester carbon and adapt to the effects of climate change. These relationships can now be captured in climate transition plans using the TPT Disclosure Framework: a critical step forward.

Acting through a climate change-lens alone will not, however, be enough to address the nature crisis. It is critical we halt and reverse nature loss: our fundamental dependency on nature also represents huge risks to our economy. 55% of global GDP – roughly US \$58 trillion³ – is moderately or heavily dependent on healthy, functioning ecosystem services. The World Economic Forum ranked biodiversity and ecosystem collapse as the third most severe global risk in the next ten years⁴. There are also significant business opportunities in meeting the needs of the nature transition, estimated at US \$10.1 trillion.⁵ There are, however, challenges in realising these opportunities: the UK is estimated to have a £56bn finance gap to achieve its nature-related outcomes.⁶

Through the landmark Kunming-Montreal Global Biodiversity Framework (GBF), countries have committed to take urgent action to halt and reverse biodiversity loss by 2030. Similarly to the climate

crisis, realigning business and financial flows to achieve the GBF's goals will be critical.

There is an opportunity to draw on the lessons of climate change in addressing the nature crisis, in particular developing tools to align the private sector with nature goals, including potentially using transition plans to consider nature as well as climate objectives. To date however UK transition planning policy, standards and requirements have focused on climate, following the UK Government's commitment to move towards mandatory climate transition planning at COP26.

This paper considers how the TPT's approach to climate transition planning could be applied to nature objectives, and what can be done to create the enabling environment needed for business to implement this approach within transition plans. It is based on a series of workshops held with the Nature Working Group in 2023 to consider the following questions.

Acting through a climate change lens alone will not be enough to address the nature crisis

1) IPBES. 2019. The Global Assessment Report on Biodiversity and Ecosystem Services.

2) WWF. Our Climate's Secret Ally: Uncovering the story of nature in the IPCC Sixth Assessment Report, 2022

3) PwC, Managing nature risks: From understanding to action, 2023

4) World Economic Forum (WEF), Global Risk Report, 2024

5) World Economic Forum (WEF), New Nature Economy Report II: The Future of Nature and Business, 2020

6) Green Finance Institute (GFI), The Finance Gap for UK Nature, 2021

What is the business case for action on nature?

Action to address an organisation's nature-related dependencies, impacts, opportunities and risks can unlock new revenue opportunities, improve risk management, save costs and improve brand and market value. Front-loaded costs to invest in assessment, transition plan development and action are required to capture often longer-term business benefits, but the extent of those costs is uncertain amongst business. There are likely synergies and trade-offs between climate and nature and so the two issues should be considered together.

What should the strategic objectives be for nature in transition plans?

Holistic climate and nature transition plans – that address both climate and nature objectives in one plan – can capture synergies and trade-offs between climate and nature in one strategy. Such plans could set out how a business will respond and contribute to the economic transition required to achieve global and national climate and nature goals, in particular those of the Paris Agreement and GBF.

Holistic transition plans could adapt the TPT's 'strategic and rounded approach' to cover both climate and nature: responding to risks and opportunities; taking action to decarbonise and address impacts and dependencies; and contributing to a whole-of economy transition. Nature objectives will need to reflect the location-specificity of nature, and engaging in landscape approaches may be relevant for businesses.

A socially just transition and adaptation and resilience are critical, given the importance of natural ecosystems to Indigenous People and local communities, and to climate adaptation.

What capabilities and incentives do businesses need, and where are there currently gaps?

The inclusion of nature in transition plan development creates additional capability requirements. Capabilities on nature are generally nascent though developing, with reference to existing nature-related frameworks. Data processing and analysis is a particularly critical capability gap. Resources, clear guidelines on nature in transition planning and a C-suite mandate will be needed to develop the capabilities for transition plan development.

Similarly to climate, the main incentives for disclosing a transition plan are to improve or protect market value, communicate with investors and access sustainable financing or improve cost of capital, improve brand value, and demonstrate regulatory compliance. Transition plan disclosure also benefits transition plan users in decision-making, for example capital allocation, or with engagement between industry peers on nature issues. Barriers to disclosure are competitive and reputational risk, which may involve issues extending into legal and regulatory risk.

While first movers may disclose a holistic transition plan before norms and regulation are in place, the majority may not, and the benefits of disclosure for preparers and users may not be realised.



Photo David Clode, Unsplash.com

What solutions are required to close these gaps, and what are the implications for policymakers?

Regarding solutions to close the gaps identified and create the enabling environment business needs for effective inclusion of nature in transition planning, we recommend that:

1. **UK policymakers continue to develop effective mandatory reporting requirements for climate transition plans**, reflecting the IFRS S2 standard and the TPT Disclosure Framework, and strengthen expectations on compliance.
 2. **UK Government publish an updated National Biodiversity Strategy and Action Plan (NBSAP) setting out how it will deliver on the commitments under the Global Biodiversity Framework, including disclosure policy but also setting economic strategies and fiscal decision-making to incentivise private sector action.** Proposed policy solutions under each of these categories are covered in more detail in the conclusion to this paper.
 3. Building on recommendation 2, **UK Government should use the NBSAP to set out a staged approach to first introducing nature-related disclosures and then holistic climate and nature transition planning.** This can inform consultation on implementation, balancing the need to act with developing capabilities amongst business. In doing so, the UK Government must continue UK leadership whilst seeking integration, consolidation and international alignment of reporting standards.
 4. **Technical bodies and NGOs should continue to play a critical role in working with government, regulators and business to build capability, awareness and best practice, and to continue to update and develop nature-related standards and guidance.**
 5. Reflecting the TPT model, **UK Government, technical bodies and business should collaborate on a holistic transition plan disclosure framework** that integrates climate and nature transition planning guidance, in a format which can be used within a regulatory approach.
- This paper includes a high-level roadmap of solutions for policymakers and other actors, which can be used to guide further action.



Introduction:

Climate transition plans are an important step forward but will not address all drivers of nature loss

Climate change is only one part of a wider environmental crisis, alongside an unprecedentedly rapid decline in the state of nature. The nature and climate crises are interrelated: climate change is the third greatest driver of nature loss⁷, and natural ecosystems absorb roughly half of CO₂ emissions and increase our resilience to the effects of climate change.⁸

The publication of the Transition Plan Taskforce (TPT) Disclosure Framework is a significant step forward. It introduces a gold-standard disclosure framework for climate transition plans, consistent with the voluntary, global net-zero transition plan framework from GFANZ, enabling entities to take a harmonised approach to articulating strategic, robust action to address the climate crisis.

The TPT Disclosure Framework recognises the relationship between climate and nature and emphasises the importance of safeguarding and capturing opportunities for the natural environment whilst transitioning to a low-greenhouse gas, climate-resilient economy.

The Disclosure Framework recommends that climate transition plans include whether and how impacts and dependencies of the transition plan on the natural environment, and associated risks and opportunities, have been identified, assessed and taken into account. This reflects that actions to mitigate greenhouse gas emissions may impact or depend on nature (for instance, in the mining of critical metals for renewable energy technologies, or the use of nature-based solutions to sequester carbon and adapt to the effects of climate change). This approach is welcome.

The TPT Disclosure Framework does not recommend the disclosure of nature objectives and associated information distinct from climate objectives, as this sits outside of the TPT's climate remit (to note avoiding, reducing or mitigating negative impacts on nature are referenced as a potential example of transition plan objectives in supporting guidance)⁹. Given climate change is only one of five drivers of nature loss as identified by IBPES¹⁰, a climate-centric lens alone will not be sufficient to halt and reverse the nature crisis.




Photo Syd Sujuaan, Unsplash.com

7) IBPES, The Global Assessment Report on Biodiversity and Ecosystem Services, 2019

8) WWF, Our Climate's Secret Ally: Uncovering the story of nature in the IPCC Sixth Assessment Report, 2022

9) See Transition Plan Taskforce 'Explore the Recommendations' with regard to 1.1 Strategic Ambition

10) IPBES, Summary for policymakers of the global assessment report on biodiversity and ecosystem services, 2019

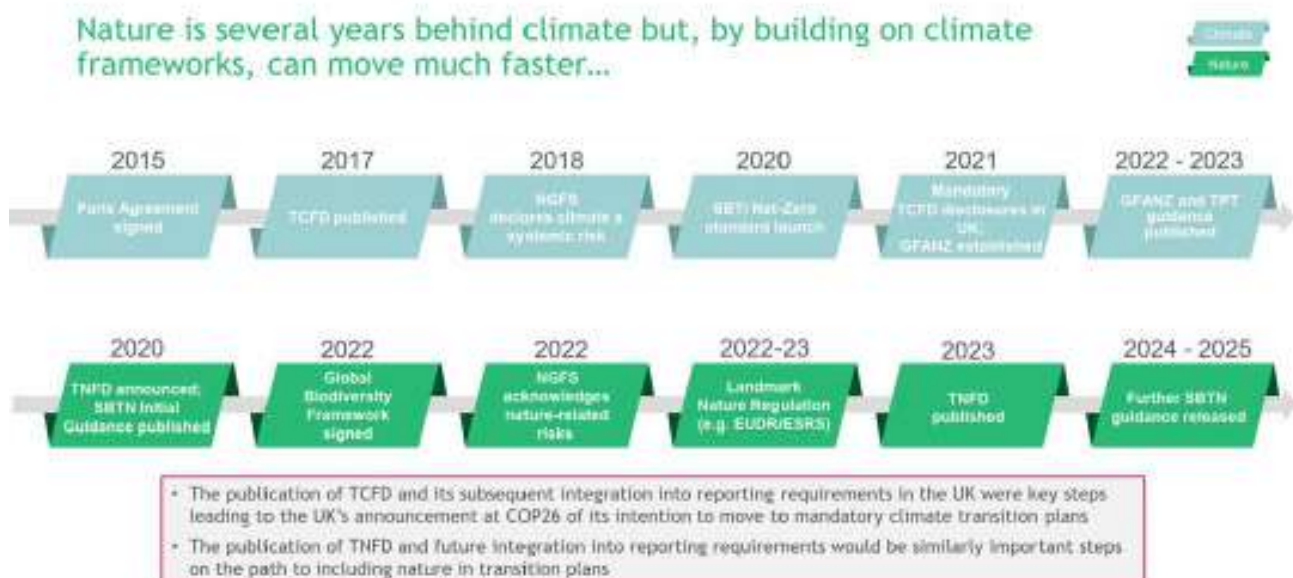
Beyond its relevance for climate change, tackling the nature crisis is crucial for both society and business. The Dasgupta Review highlights our fundamental dependency on nature, for “every oxygen-laden breath we take and every mouthful of food we eat”.¹¹ Quantitative analysis suggests 55% of global GDP – roughly US \$58 trillion¹² – is moderately or heavily dependent on healthy, functioning ecosystem services.

Negative impacts from business activities on nature and essential ecosystem services have already cost the global economy over US \$5 trillion,¹³ highlighting the fact that physical risks from nature loss are not only a problem for future generations, but are already occurring. Low and lower-middle income countries stand to lose the most if ecosystem services collapse.¹⁴

There are also significant economic opportunities: the World Economic Forum estimated that nature positive transitions could generate up to US \$10.1 trillion in annual business value by 2030.¹⁵ It is imperative these opportunities are acted on: the finance gap to achieve nature-related outcomes in the UK alone has been estimated at £56bn in the next ten years.¹⁶ Evidence submitted to the Dasgupta Review suggests a ten-year delay in action on biodiversity will double the costs.¹⁷

This paper considers how transition plans, developed as a tool to address the climate crisis, could be applied to nature, and provides recommendations on how policymakers and other actors can create the enabling environment to do so effectively.

Figure 1: Climate and Nature Disclosure Policy and Framework Timeline Comparison



11) HM Treasury, The Economics of Biodiversity: The Dasgupta Review, 2021

12) PwC, Managing nature risks: From understanding to action, 2023

13) BCG, The Biodiversity Crisis Is a Business Crisis. Analysis based on the Ecosystem Service Value Database, developed by Robert Constanza and Rudolf de Groot for the international initiative The Economics of Ecosystems and Biodiversity (TEEB), 2021

14) World Bank, The Economic Case for Nature, 2021

15) World Economic Forum (WEF), New Nature Economy Report II: The Future of Nature and Business, 2020

16) Green Finance Institute, The Finance Gap for UK Nature, 2021

17) Natural History Museum and Vivid Economics, The Urgency of Biodiversity Action, 2021

The changing policy context for nature and transition plans

The landmark Global Biodiversity Framework (GBF) was signed at the end of 2022, with a mission to take urgent action to halt and reverse biodiversity loss by 2030. GBF Targets 14 and 15 together require the progressive alignment of business activities and financial flows with the GBF goals, and the disclosure of the private sector's risks, dependencies and impacts on biodiversity to promote sustainable patterns of production.¹⁸ At COP 28, the Global Stocktake recognised the "urgent need" to address the "interlinked global crises of climate change and biodiversity loss".¹⁹

Policymakers can leverage the regulation, tools, and frameworks first developed in the climate disclosures context to accelerate action for nature by aligning business activities and financial flows with the Paris Agreement and also the GBF and National Biodiversity Strategy and Action Plans (NBSAPs). Figure 1 shows how progress on nature has taken climate as a model, allowing for frameworks and policies to be developed quickly.

Climate transition planning disclosure requirements were introduced for listed companies, large asset managers and owners in the UK on a 'comply or explain', as part of the UK Government's commitment to move toward mandatory transition plans at COP26.²⁰ This requirement was introduced with reference to Taskforce for Climate-related Financial Disclosures (TCFD) guidance (now incorporated into IFRS S1 and S2). Currently there are no equivalent nature disclosure requirements, though the UK Government has stated that it will explore how best the Taskforce for Nature-Related Financial Disclosures (TNFD) recommendations should be incorporated into UK policy in order to operationalise GBF Target 15.²¹

A recent UK Parliament Environmental Audit Committee Report on finance and net zero recommended the Government should "phase in compulsory TNFD disclosures" and "take steps to incorporate into the [TPT] framework the contribution by a company towards halting and reversing nature loss".²²

Premise of this paper

In the context of the TPT's work on transition planning, this paper considers how transition planning could effectively be applied to nature. It particularly focuses on building on the TPT's approach to climate transition planning, and considering what is needed to create an enabling environment for business to make this approach effective.

In doing so, we have been guided by considering the future scenario of mandatory, holistic climate and nature transition plans, relative to the current context where there are no nature-related requirements in place. A mandatory approach was considered to allow for greater emphasis on the need to create the appropriate enabling environment for business.

This is focused on the UK policy context but has

global relevance, particularly given the importance of international alignment and coordination on this agenda.

The content of the paper is based on a series of workshops held with the TPT Nature Working Group in 2023 to answer the following questions:

1. What is the business case for taking action on nature?
2. What should the strategic objectives be for nature in transition plans?
3. What incentives and capabilities do businesses need, and where are there currently gaps?
4. What solutions are required to close these gaps, and what are the implications for policymakers?

¹⁸ See: <https://www.cbd.int/gbf/targets/>

¹⁹ UNFCCC, Outcome of the first global stocktake, 2023

²⁰ HM Government, Mobilising Green Investment: 2023 Green Finance Strategy, 2023

²¹ HM Government, Mobilising Green Investment: 2023 Green Finance Strategy, 2023

²² House of Commons Environmental Audit Committee, The financial sector and the UK's net zero transition, 2023

1. What is the Business Case for Action on Nature?

The macroeconomic case for action on nature is clear. Transition plans however focus on the business-level strategy, and so it is important to base the rationale for nature in transition planning in the benefits and costs of acting on nature for an individual business.

Benefits

The benefits for business of action on nature, as summarised in Figure 2, cover three benefit categories: a) top line revenue opportunities, b) protecting the bottom-line and cost savings, and c) intangible benefits that may feed through to more aggregate measures, such as market valuation.

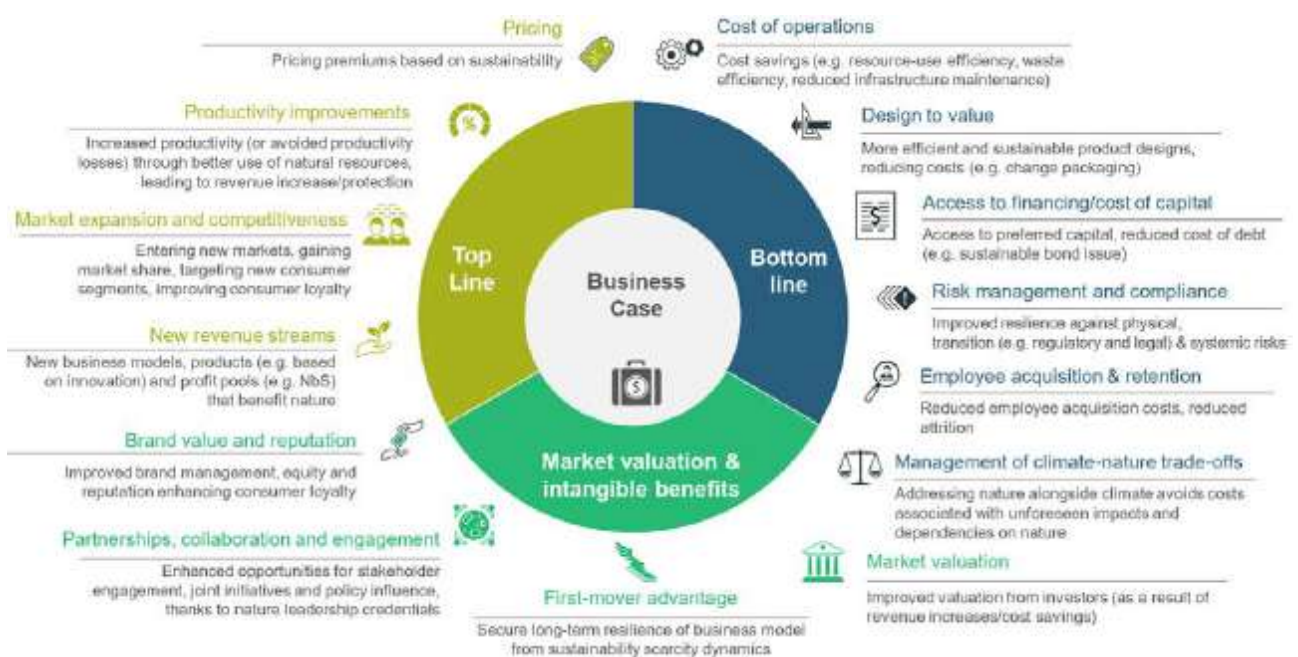
Top line revenue opportunities

Businesses can take advantage of new revenue streams from activities with positive nature impacts. Nature-related markets and opportunities are

emerging at pace, often in the context of climate-nature synergies. Though these will vary significantly by sector, they could include:

- Expertise and delivery of new production processes which follow the mitigation hierarchy. Regenerative agriculture, which can deliver nature and climate benefits, for example, had an estimated market size of US \$8.5 billion in 2022, with an expected 14% growth rate (CAGR) over the next decade.²³
- Businesses with products that can demonstrate positive nature impacts can benefit from the growing market demand from increasingly nature-conscious consumers.
- Nature-based solutions had a market size of ~€113 billion in 2021 and total estimated investment requirements of ~US \$8.1 trillion if climate and nature targets are to be met.²⁴

Figure 2: Business case benefits of action on nature



23) Global Market Insights, Regenerative Agriculture Market Size by Practice (Aquaculture, Agroecology, Agroforestry, Silvopasture & More, By Application (Carbon Sequestration, Nutrient Cycling, Biodiversity), COVID-19 Impact Analysis, Regional Outlook, 2023-2032

24) European Investment Bank, Investing in nature-based solutions, 2023

Protecting the bottom line and cost savings

Cost savings through resource efficiency and risk management are widely recognized benefit categories of nature action. Improving resource-use and waste efficiency, and thereby reducing input costs and managing nature-related impacts and dependencies, may be a relatively easy to quantify and 'near-term' benefit. For example, to reduce nitrate pollution, instead of investing in a carbon-intensive treatment process at a cost of £31,000 per tonne of nitrogen removed, Wessex Water were able to achieve the same outcome through a nature-based solution, in partnership with farmers, at £9,000 per tonne or 71% cheaper.²⁵

Like climate risks, businesses are exposed to nature-related risks including transition risks (e.g. litigation and reputational risk), physical risks, (e.g. decline in pollinators reducing crop yields) and systemic risks (e.g. sector-wide failures).²⁶ Some nature-related risks may be accelerated by climate change as a driver of nature loss and some climate-related risks can be mitigated by nature-based solutions. The scale of risks is potentially significant: an estimated \$8 trillion of gross value added across the construction, agriculture and food and beverage sectors is acutely exposed to nature risks.²⁷ Early mitigation of nature-related risks can avoid future revenue losses and costs, protecting

the bottom line overall. Where understanding of nature risks is relatively nascent, there may be areas that are overlooked in current risk management and therefore where the costs of inaction are not understood. Including nature as well as climate in risk assessment and management ensures businesses are taking a holistic view of, for example, supply chain risks.

Intangible benefits and market valuation

Intangible benefits such as improvements to brand value and business reputation are seen as a key driver for action on nature. Approximately 60% of consumers say that their perception of a brand is influenced by its sustainability practices, and 30% either switch from brands with poor sustainability or advocate for brands with strong sustainability credentials.²⁸

This may support tangible and monetary benefits, including specific business opportunities (e.g. green products) as well as improving company value. From 2012 to 2022, total shareholder returns of 'Natural Resource Use Leaders' were 54% higher than 'Natural Resource Laggards' (as defined by MSCI).²⁹ Green acquisitions consistently exceeded market average prices by ~7% over 2019-2021, with premiums of 20%-30% in some industries.³⁰ There may also be 'first mover' competitive advantages for businesses that lead on nature within their industry.

25) Wessex Water and Frontier Economics, Outcome Based Environmental Regulation, 2021

26) We have paraphrased the TNFD definitions of these nature-related risks. For the full definitions see: Taskforce on Nature-related Financial Disclosures, Glossary, Version 1.0, September 2023. For case studies of nature-related risks see BloombergNEF, When the bee stings: Counting the cost of nature-related risks, 2023

27) World Economic Forum (WEF), Nature Risk Rising, 2020

28) See: BCG, 2022, Winning the Consumer with Sustainability, 2022

29) Monthly TSRs from January 1, 2013 to December 31, 2022, calculated in each company's reporting currency; Leaders defined as top quintile MSCI Natural Resource Use Score (Q1), laggards defined as bottom quintile MSCI Natural Resource Use Score (Q5); Universe number = 15,531 companies. Source: Refinitiv Eikon TSR; MSCI Natural Resource Use Scores; BCG Climate & Sustainability analysis.

30) BCG, Green Deals Gain Steam, 2022

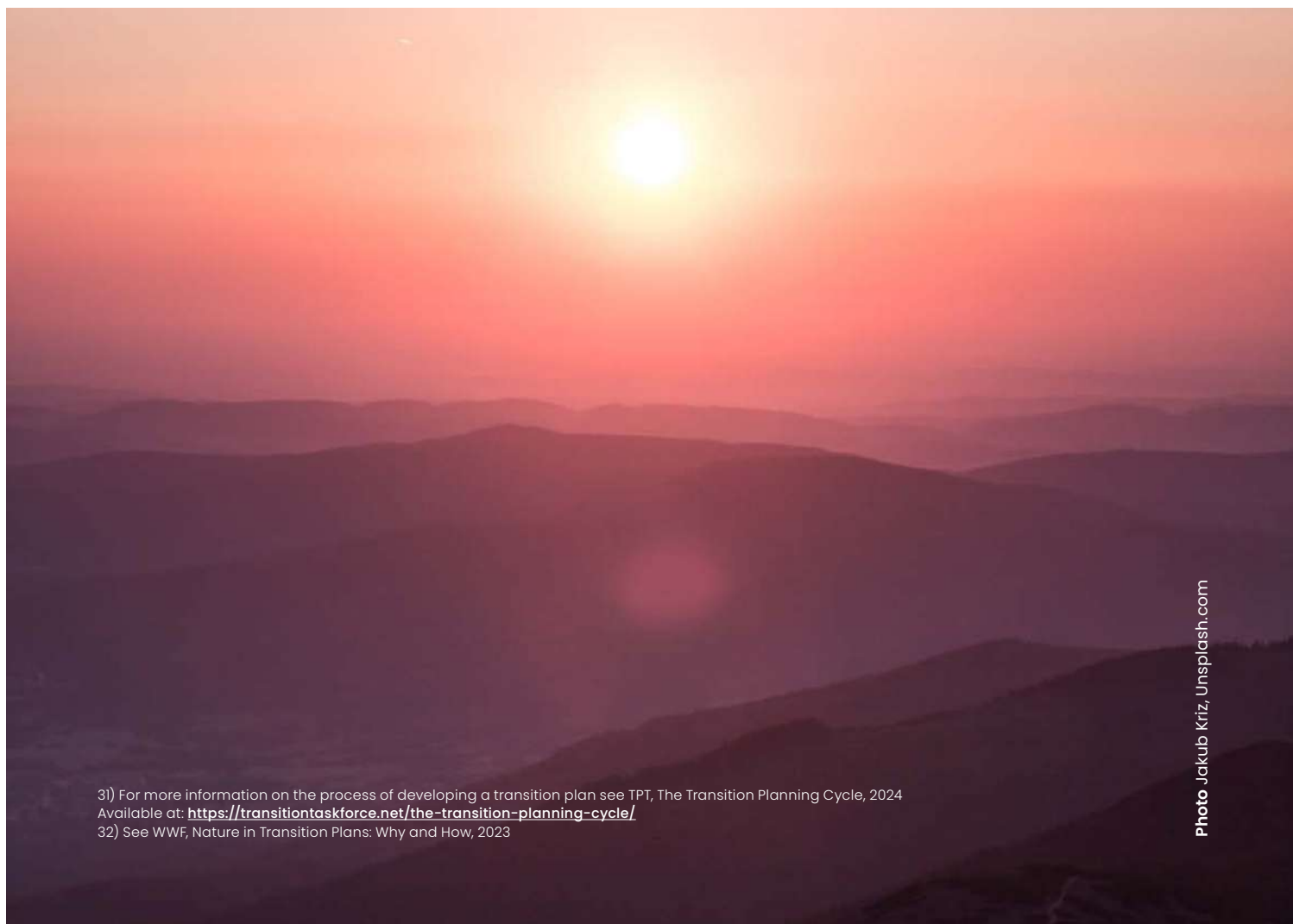
Costs

For a business to identify and capitalize on these benefits, they must first invest in internal processes to understand their nature-related dependencies, impacts, risks and opportunities (following Science-Based Target Network's Steps 1 and 2, and the TNFD LEAP process). This represents an additional, front-loaded cost, which businesses would expect to pay back over time. This includes building capacity (hiring or training staff), undertaking assessments (stakeholder engagement, data collection and analysis, software licensing), and data monitoring, auditing and assurance.

If a business prepares a transition plan, to set out how it will deliver nature objectives based on this assessment, this represents further costs. This represents a significant project, including stakeholder engagement within and beyond the business, developing implementation and engagement strategies, and ensuring appropriate governance of the transition plan.³¹

Businesses will incur additional costs when implementing nature-related actions. These will vary but could include costs associated with pivoting unsustainable business models, change management costs including changing suppliers and redesigning products, and the costs of nature protection and restoration projects.

A wide range of tools and guidance are available to support business with these activities³², however there is currently no specific policy requirement in the UK guiding action on, for instance, disclosure of nature risks and opportunities separately from climate. It is currently at the discretion of individual businesses which of the activities above to pursue and how to do so. This creates uncertainty over the costs for an individual business, as well as whether the approach will be sufficient to be compliant with any future policy changes.



31) For more information on the process of developing a transition plan see TPT, The Transition Planning Cycle, 2024 Available at: <https://transitiontaskforce.net/the-transition-planning-cycle/>

32) See WWF, Nature in Transition Plans: Why and How, 2023

2. What should the Strategic Objectives be for Nature in Transition Plans?

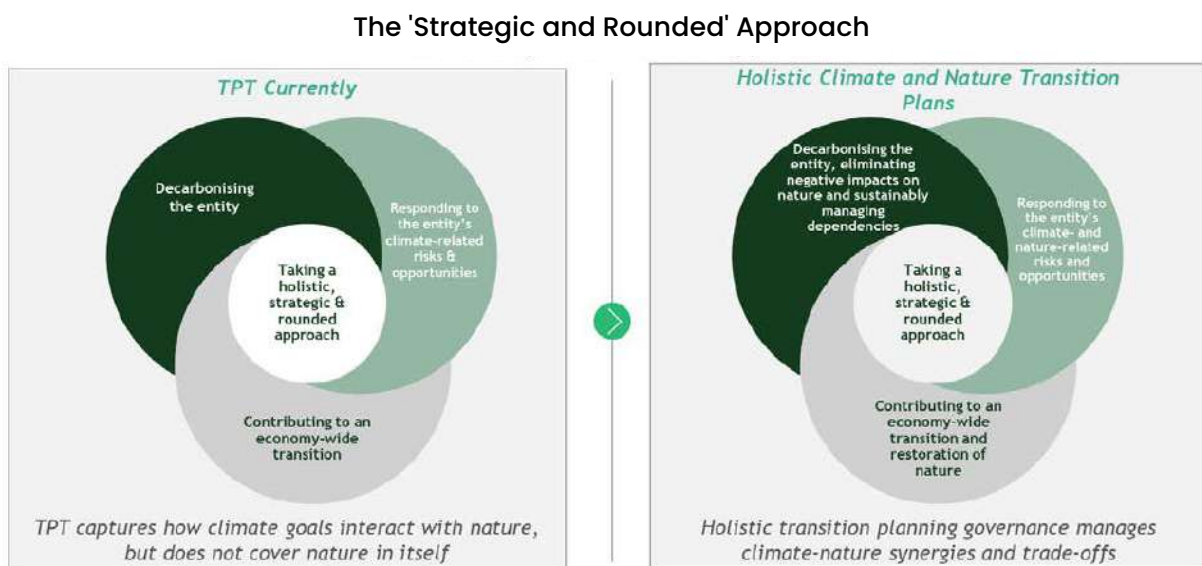
This section considers how transition planning could apply to climate and nature, and specifically how the TPT Disclosure Framework’s approach to the strategic aims of climate transition planning could be applied to nature.

Holistic climate and nature transition plans

This paper primarily considers the inclusion of nature in transition planning through the creation of holistic ‘climate and nature’ transition plans (hereafter referred to as holistic transition plans), rather than separate standalone climate and nature transition plans. Integration of climate and nature into a single plan allows for a strategic approach to the relationship between climate and nature objectives and associated synergies and trade-offs, building on the TPT’s existing integration of nature within climate transition plans. However, it was noted this could introduce further complexity, or lead to a weaker emphasis on nature overall than in a standalone plan.

The TPT Disclosure Framework recommends transition plans include the strategic ambition for a businesses’ role in the climate transition, broadly understood as the transition to an economy which meets the Paris Agreement goals, including being net zero by 2050.³³ Adapting the TPT’s existing language regarding the strategic ambition of a plan to also reflect the GBF’s ‘2050 Vision’ as a reference point for nature, the aim of a holistic climate and nature transition plan could be: *‘an entity’s objectives and priorities for responding and contributing to the transition towards an economy that: has low-GHG emissions; is climate-resilient; and that values, conserves, restores and wisely uses nature’*.³⁴ Under this approach, holistic transition plans would equivalently address climate and nature goals, rather than considering nature only in the context of climate objectives.

Figure 3: A ‘Strategic and Rounded’ approach to holistic climate and nature transition plans



33) See for example: Transition Plan Taskforce, Disclosure Framework, 2023; GFANZ, Financial Institutions Net Zero Transition Plans, 2022.

34) Here we have used the more all-encompassing term ‘nature’ but the GBF 2050 vision specifically states: by 2050, biodiversity is valued, conserved, restored and wisely used, maintaining ecosystem services, sustaining a healthy planet and delivering benefits essential for all people.

Applying a 'strategic and rounded approach' to transition planning

The TPT Disclosure Framework emphasises that businesses follow a 'strategic and rounded' approach to transition planning, where objectives and priorities should be informed by three considerations – Figure 3 provides an illustration of how this 'strategic and rounded' approach to climate transition planning could be applied to holistic climate and nature transition plans.

“Responding to the entity’s climate- and nature-related risks and opportunities”: This includes ambitions and actions to adapt and enhance resilience to the effects of climate change and nature loss. It includes risks and opportunities associated with the climate and nature transition, such as regulatory risks or new business opportunities. Responding to risks and opportunities will involve management of the underlying dependencies and impacts. For example, where risks are created by dependencies on degraded ecosystem services, an entity could reduce its negative impacts on the ecosystem, take action to restore the ecosystem, and/or reduce its use of scarce natural resources). Climate and nature-related risks are frequently connected and therefore an integrated approach could be beneficial to consider synergies and trade-offs.

“Decarbonising the entity, eliminating negative impacts on nature and sustainably managing dependencies”: This includes ambitions and actions, in its own operations and its value chain, to reduce its GHG emissions (for example, to reach net zero emissions) and eliminating negative impacts on nature. This may interact with sustainably managing dependencies on nature. This could be, for example, by incorporating science-based targets for specific dimensions of nature based on the 'Avoid and Reduce' steps of SBTN's Action Framework (AR3T). Action to reduce emissions or negative impacts may go beyond risk management requirements and relevant entity-level goals may refer to local, national or global nature goals.³⁵ Per

the TPT and ISSB approach to materiality, transition plan disclosures would include material information for investors relevant to sustainability-related risks and opportunities. Further guidance will be required as to appropriate disclosure in transition plans of material information regarding nature impacts and dependencies, and action undertaken in response.

“Contributing to an economy-wide transition and restoration of nature”: This refers to an entity both taking actions within its own operations and value chain as well as using its role in the wider economy, and its use of its levers and capabilities to embed and accelerate the economic transition and restore nature. This includes contributing to economy-wide goals rather than solely entity-level goals (for example, pursuing value chain engagement over 'paper decarbonisation'). The 'Restore, Regenerate and Transform' steps within the SBTN's AR3T framework, and SBTN's "spheres of influence" concept may be helpful in understanding the relevant actions and levers and capabilities.³⁶ Actions driven throughout and beyond value chains, including influencing suppliers and clients, collaboration with peers, and influencing policy, will be critical for nature objectives as with climate. As well as sectoral collaboration, given that efforts by different actors to manage impacts and dependencies often relate to the same or related ecosystems, entities should consider their relevant role in landscape approaches, which bring together multiple stakeholders to achieve a sustainable landscape.³⁷

The climate transition planning theme of a just transition remains equally relevant to holistic climate and nature transition plans, given the importance of relationships between the natural environment and those whose lives and livelihoods depend on it. Engagement and collaboration should include frameworks and mechanisms that empower marginalised groups, including Indigenous Peoples and local communities as stakeholders and rights holders.³⁸

35) See SBTN, Initial Guidance for Business, 2020, pp.41–51. The AR3T framework is built on the mitigation hierarchy set out in the IFC's Performance Standard 6, as well as the conservation hierarchy.

36) SBTN, Initial Guidance for Business, 2020, p.18. 'Sphere of control and spheres of influence' concepts

37) A 'landscape approach' refers to a conceptual framework whereby stakeholders in a landscape aim to reconcile competing social, economic and environmental objectives. A landscape is a socio-ecological system, consisting of natural or modified ecosystems, influenced by distinct processes and activities. A multi-stakeholder process may be referred to as integrated landscape management. See: TNFD, Guidance on Engagement with Indigenous Peoples, Local Communities and affected stakeholders, 2023. Global Canopy Programme et al., The Little Sustainable Landscapes Book, 2021; Convention on Biological Diversity, Report on how to improve sustainable use of biodiversity in a landscape perspective, 2011

38) For more information see TNFD, Guidance on engagement with Indigenous Peoples, Local Communities and affected stakeholders, 2023

Alignment with global and local climate and nature agreements

the TPT Disclosure Framework recommends that transition plans disclose the extent to which the Strategic Ambition of a climate transition plan has taken into account and aligned with international commitments on climate change. Similarly, users of holistic transition plans need to be able to assess the extent to which a holistic transition plan is aligned with the GBF and any other relevant international and national commitments, such as UN Sustainable Development Goals 14 and 15 and NBSAPs.

As nature disclosure recommendations such as TNFD and target setting guidance such as SBTN are adopted and implemented, they will continue to improve the ability of businesses to set science-based targets to align with the goals of global nature agreements, and to disclose these targets and their plan to achieve them. Further guidance such as that from UNEP Principles for Responsible Banking or Finance for Biodiversity can help establish best practice for specific sectors.

Nature and location-specificity

GHG emissions are fungible and have the same impact on global warming regardless of where they are emitted. Nature impacts and dependencies are location specific. Unlike carbon emissions, nature loss is non-fungible: deforestation in the Amazon rainforest cannot be compensated like-for-like by

afforestation in the UK. Restoring ecosystem functions and habitats while possible requires time, effort and resources. As the Dasgupta Review emphasises “it is less costly to conserve Nature than it is to restore it”.³⁹

Nature objectives in transition plans should therefore be grounded both in the material nature-related dependencies, impacts, risks and opportunities of a business, and in the material nature issues of the locations and regions where a business and its value chain operate. Tools like the ‘Locate’ guidance of the TNFD ‘LEAP’ approach and SBTN guidance on assessment and prioritisation (SBTN Steps 1 and 2) can support plan preparers in this.⁴⁰

Company size and position in value chain will influence objectives and priorities

The specific objectives and priorities of an entity’s transition plan will be informed by factors including their size, position and influence in the value chain⁴⁰. Larger firms may have greater capacity to contribute to a whole-of-economy transition beyond their own business and value chain, such as taking a leadership role in multi-stakeholder landscape approaches and engaging small businesses and local communities. Additionally, the objectives and priorities of financial institutions (FIs) and corporates should reflect their differing positions in the value chain, noting that a financial institutions’ balance sheet is reflective of the real economy, as commonly captured in emerging guidance.

39) HM Treasury. 2021, The Economics of Biodiversity: The Dasgupta Review, 2021

40) TNFD, Recommendations of the Taskforce on Nature-related Financial Disclosures, 2023

41) See: Rockström, J., Gupta, J., Qin, D. et al. Safe and just Earth system boundaries. *Nature* 619, 102–111, 2023. See also the ‘Sphere of control and spheres of influence’ concept in SBTN, Initial Guidance for Business, 2020

3. What Capabilities and incentives do businesses need, and where are there currently gaps?

Transition plan development

Capabilities required and current gaps

Figure 4 sets out capabilities identified as required for transition plan development, against the sections of a transition plan per the TPT Disclosure Framework. Such capabilities are generally nascent amongst the private sector, and Figure 4 identifies particularly critical gaps. Workshop participants also noted that similar capabilities for climate are not necessarily fully developed, and so this should not be inferred as a baseline.

Some of these capabilities are relevant for other nature-related assessments, target setting and actions, including for the adoption and implementation of frameworks such as TNFD and SBTN. Creating industry-wide capabilities requires clear norms, best practice and standards: it is therefore not just a case of businesses upskilling, and will also require action by governments, technical experts and other stakeholders. This is already beginning to happen: for example, the TNFD Tools Catalogue and SBTN Step 1 Toolbox will help to address some of the 'data gathering & analysis' gaps identified as particularly critical.

Business capabilities differ by sector. A small

number of sectors – typically those with large, direct nature impacts such as metals and mining – have relatively strong nature capabilities. The International Council on Mining and Metals' (ICMM) 'Good Practice Guidance for Mining and Biodiversity', for example, has existed since 2006. Sectors with complex global supply chains with multiple commodities may find it more challenging to understand nature-related issues across their full value chain.

Nature-related data gathering and analysis capabilities are a particular issue for setting the foundational objectives of transition plans. Implementation and engagement may require shared information and capability across a sector and value chain, and within landscape approaches, not just in a single business. Expected capabilities will also need to reflect an appropriate role for large businesses and SMEs. Businesses may have stronger capabilities in elements of 'Engagement Strategy' and 'Governance', where existing climate processes can be adapted to include nature objectives – though landscape-level engagement is potentially novel.



Incentives and barriers

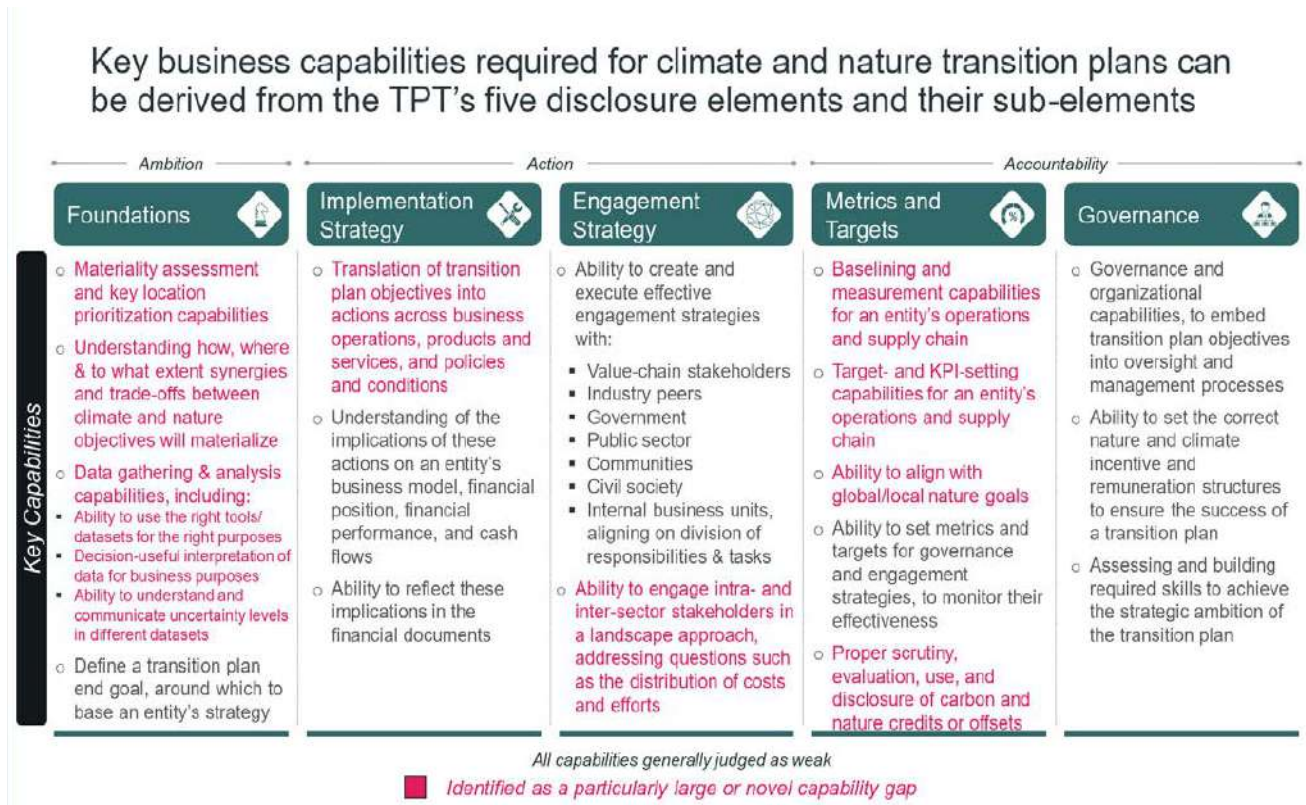
The main incentive for businesses to develop a transition plan is as a strategic planning tool, in order to realise the business case benefits as outlined in Section 1. Two potential barriers to transition plan development were identified:

- **Lacking a C-Suite mandate**, based on a lack of awareness of the company’s nature-related dependencies, impacts, opportunities and risks, given the need to invest in up-front

nature assessments and data constraints. Lacking information on potential benefits may mean C-Suites do not provide the resources and buy-in required for transition planning.

- **Cost and resource uncertainty** created by the lack of existing guidelines and standards for including nature in transition planning may mean resources are not made available, or that decisions are delayed.

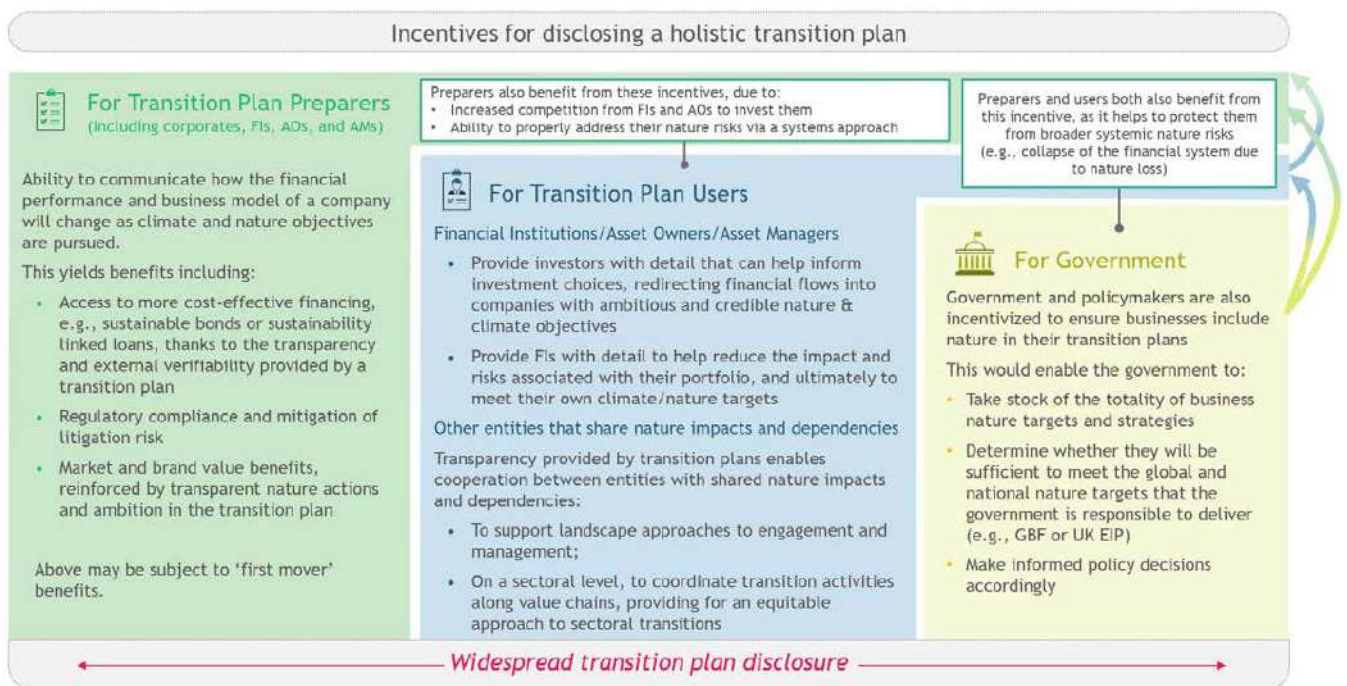
Figure 4: A 'Strategic and Rounded' approach to holistic climate and nature transition plans



Transition plan disclosure

Many businesses may take the decision to develop a transition plan with the intent to disclose it, where further incentives and barriers apply. Figure 5 summarises the incentives for a business (a preparer) to disclose their transition plan, and the benefits of publicly available transition plans to others (users).

Figure 5: Incentives for disclosing a holistic transition plan



Incentives for plan preparers

Disclosing nature in transition plans allows a business to communicate their strategic approach to climate change and nature loss and associated economic transitions, and how the financial performance of the company will be affected. This is particularly important for demonstrating a robust approach to the market and to regulators. Accordingly, communicating to investors how the entity is protecting its long-term market value (e.g. through risk management), potential access to sustainable financing, reinforcing brand value and regulatory compliance were seen as key incentives for preparing and disclosing holistic transition plans. Note that some of these,

such as risk management, may similarly be achieved through related disclosures such as TNFD. Transition plans were also highlighted as an opportunity for a business to use to consolidate information produced under various reporting requirements.

There may be 'first mover' benefits associated with disclosing a transition plan, both in terms of capturing market opportunities as above, but also in building transition planning capabilities whilst standard approaches and regulation are still emerging, allowing companies to iterate and 'learn by doing'.

Benefits for plan users

Figure 5 also indicates how a norm of disclosing holistic transition plans in a consistent and comparable format would benefit transition plan users. This would include FIs, supporting decisions on allocating capital to meet their own climate and nature objectives. The transparency and engagement with industry peers and across value chains provided by transition plans could facilitate sector- and landscape approaches to action. The value of these benefits is likely to increase with wider private sector action and policy in support of the GBF and associated goals.

Other stakeholders such as governments may also benefit from transition plan disclosures where these can be used to assess cumulative action for a landscape or sector. This information could support policy decisions which could then benefit businesses. This is much more likely to materialise if transition planning becomes a widespread practice.

Barriers for plan preparers

Despite the potential incentives, there are barriers that may discourage businesses from disclosing a transition plan:

- **Competitive risk:** Publicly committing to ambitious nature action may bring short-term competitive disadvantages if competitors are not undertaking similar action, even if long-term benefits are available.
- **Reputational risk:** Transition plans are public and open to scrutiny. Transition plans entail risks if objectives are perceived as insufficient or inappropriate, or if commitments are perceived as overstated and targets are not sufficiently evidenced or subsequently not met. This may not be limited to reputational risk and could include legal and regulatory risks and potential legal liabilities may be a further barrier to disclosure.

Whilst ultimately transition plans are a strategic planning tool for businesses and not a tick-box disclosure exercise, the current lack of clear policy and regulation on nature disclosures

"The transparency and engagement with industry peers and across value chains provided by transition plans could facilitate sector- and landscape approaches to action."

is exacerbating these barriers. Where leading businesses already see a clear competitive advantage of developing and disclosing a transition plan, they will likely do so. The majority of businesses who do not see a convincing competitive advantage that compensates for the costs, risks and uncertainty may be less likely to act, without a clear framework and a level playing field. This risks not resulting in an effective norm around nature in transition planning and the benefits for plan preparers and users of comparable plans, per Figure 5, may not be realised. This lack of policy and regulation on nature disclosures is expected to begin to change as regulation increasingly affects the UK market, including the EU's Corporate Sustainability Reporting Directive (CSRD).

Conclusion:

Solutions to incentivise and enable holistic climate and nature transition plans

The Working Group developed a roadmap of solutions needed to address current capability gaps and remove barriers, to achieve the 'north star' of holistic transition plans. The roadmap is presented in Figure 6 and more detail on individual solutions is provided in Figure 7. Whilst high-level, together these can be used to guide further action.

Based on this roadmap, key recommendations for the future of nature in transition planning are:

- 1. UK policymakers continue to develop effective mandatory reporting requirements for climate transition plans**, reflecting the IFRS S2 standard and the TPT Disclosure Framework, and strengthen expectations on compliance. developing capabilities amongst business. In doing so, the UK Government must continue UK leadership whilst seeking integration, consolidation and international alignment of reporting standards.
- 2. UK Government publish an updated NBSAP setting out how it will deliver on the commitments under the Global Biodiversity Framework, including disclosure policy, setting economic strategies, and fiscal decision-making.** Proposed actions under each of these categories are covered in more detail in Figures 6 and 7.
- 3. Building on recommendation 2), UK Government should use the NBSAP to set out a staged approach to introducing TNFD-aligned disclosures and then climate-nature transition planning.** This can inform consultation on implementation, balancing the need to act with
- 4. Technical bodies and NGOs should continue to play a critical role in working with government, regulators and business to build capability, awareness and best practice, and to continue to update and develop nature-related standards and guidance**, to ensure transition plans follow the latest science.
- 5. Reflecting the TPT model, UK Government, technical bodies and business should collaborate on a Disclosure Framework** that integrates climate and nature transition planning guidance, in a format which can be used within a regulatory approach.

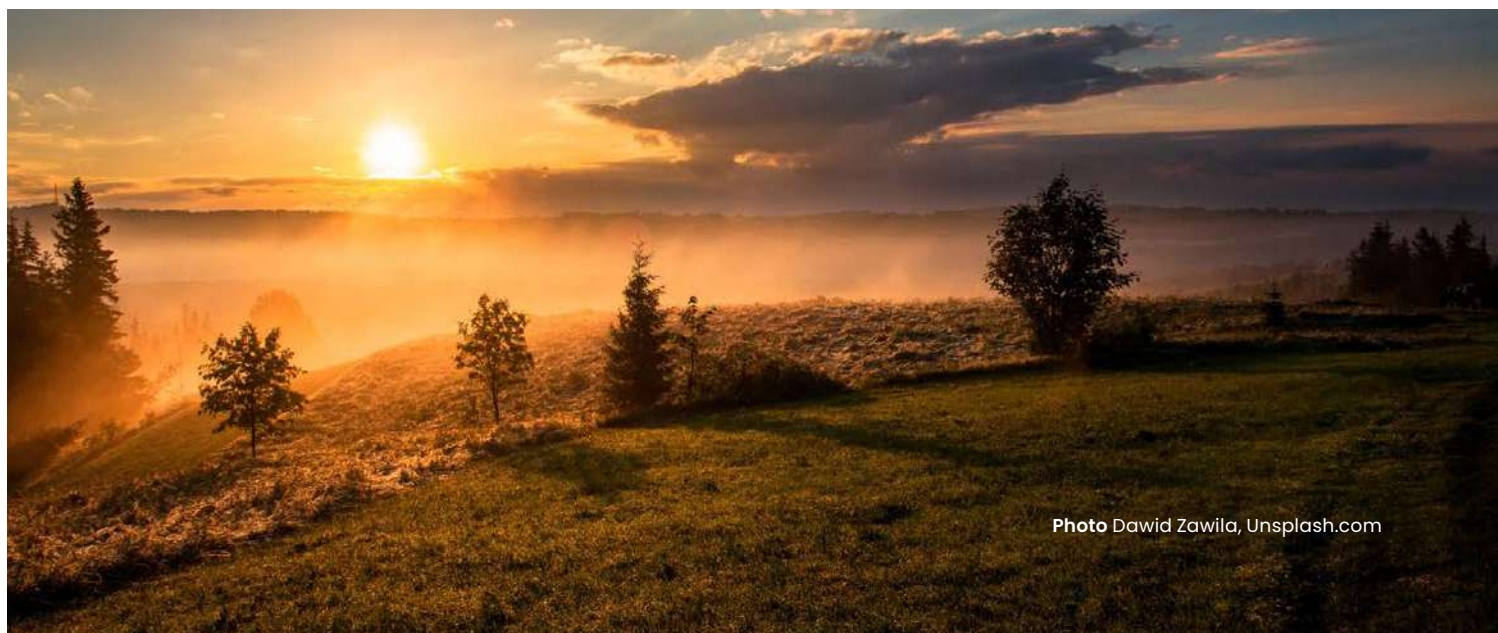


Figure 6: Roadmap to enable holistic climate and nature transition planning

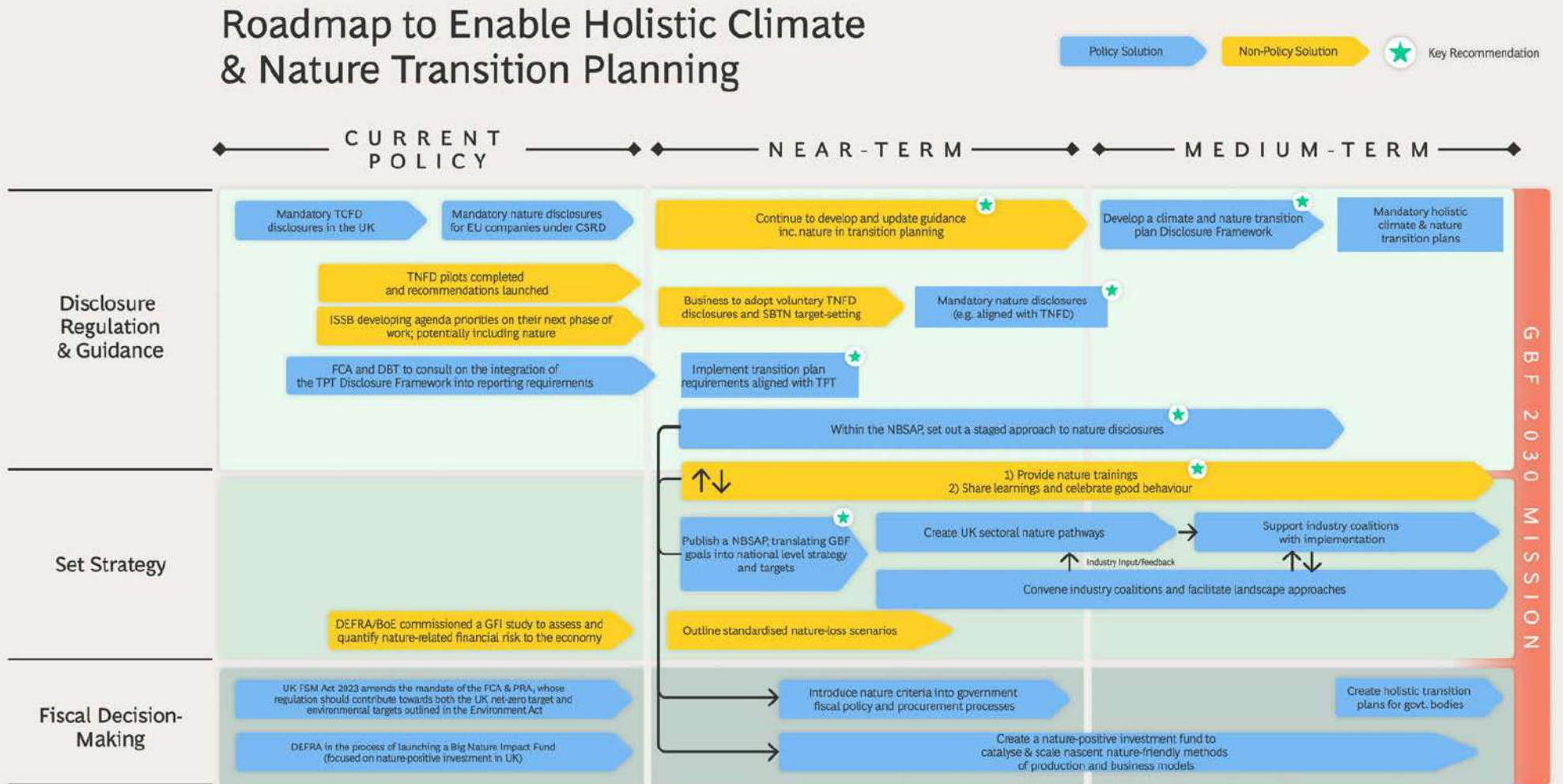


Figure 7: Solutions to enable holistic climate and nature transition planning

Disclosure Policy

Implement climate transition plans mandatory reporting requirements, reflecting the TPT Disclosure Framework and ISSB S2 standard, with strong expectations on compliance. Creating momentum on nature in transition plans given the status of climate-nature synergies in the TPT Disclosure Framework.

Use the NBSAP to set out a staged approach to nature disclosures, including:

- An end goal of holistic climate and nature transition plan disclosure requirements
- A staged approach with interim milestones, including TNFD-aligned disclosures
- Expected regulatory timeline with dates and plans for engagement with industry
- Int'l engagement plan for global alignment
- Alignment between climate and nature regulatory approaches

Implement mandatory TNFD-aligned nature disclosures : Implement the required regulation in line with the approach and timeline set out in the nature policy roadmap.

Develop a climate and nature transition plan Disclosure Framework: Translate nature transition planning guidance (set out by a technical body) into a holistic climate and nature transition plan Disclosure Framework, reflecting the collaborative TPT model.

Strategy and Fiscal-Decision Making

Publish a National Biodiversity Strategy and Action Plan (NBSAP) which:

- Translates global GBF targets into a national strategy and targets, with business implications
- Engage other governments on approach to companies with global supply chains and operations
- Set out actions regarding disclosure, economic strategy and fiscal decision-making across government

Create UK sectoral nature pathways, that:

- Define sectoral goals aligned with national goals, and the sectoral actions required
- Can be integrated with sectoral net-zero pathways
- Align with an orderly, fair and inclusive transition

Integrate nature standards into government, including:

- Align fiscal policy and nature goals more broadly, as per the Dasgupta Review
- Add nature criteria into government procurement processes
- Conduct TNFD assessments & create holistic transition plans for gov. bodies

Create a nature-positive investment fund to catalyse and scale nascent nature-friendly business models and methods of production.

Facilitate landscape approaches by convening stakeholders, in particular for high-impact or –dependency sectors, and developing a toolkit industry can use to work collaboratively.

Non-policy solutions: Technical bodies and NGOs

Provide sector-specific and C-suite nature trainings and work with businesses on ensuring uptake.

Outline standardised nature-loss scenarios over short-, medium-, and long-term timeframes, to inform businesses' materiality assessment and scenario analysis.

Continue to develop and update guidance, including:

- Nature transition planning guidance and standards
- Target-setting guidance for corporates and FIs
- Guidance on specific nature issues (e.g., how to identify and assess climate-nature synergies; how to robustly use and disclose nature credits)

Share learnings and celebrate good behaviour, promoting and celebrating ambitious action and providing opportunities to learn from best-practice examples.

Considerations in developing and mapping solutions

The Nature Working Group considered the following factors as relevant considerations in developing recommendations and potential solutions.

Both policy and non-policy solutions have a role to play in effective development and disclosure of holistic transition plans

Regulation can drive the inclusion of nature in holistic transition planning. Key benefits of proposed solutions on disclosure were to engage C-suite leaders on regulatory expectations, to build business capabilities, to establish a clear level playing field, and to harmonise reporting requirements by building out from existing climate requirements.

This however needs to be met with an emphasis on improving capabilities, to ensure effective transition plans and that reliable and decision-useful information is disclosed. Non-policy solutions including training resources, technical guidance, and building a supportive culture and best-practice ecosystem, can be used to build key capabilities.

Regulation to support, rather than hinder, competitiveness

Regulatory changes should seek to remove barriers for business, enabling realisation of the business case benefits of acting on nature and developing and disclosing a transition plan. In doing so, regulatory approaches should strive to harmonize existing regulation and for international alignment.

International alignment is critical for smooth introduction of disclosure regulations, as it helps to: a) create a level playing field for companies across jurisdictions, b) ensure comparability and thereby decision-usefulness of nature disclosures between jurisdictions, c) facilitate a consistent approach to nature impacts even when they occur in other jurisdictions, including through value chains; and d) mitigate the burden of reporting requirements, especially for multinationals.

International alignment is particularly important with regard to the proposed solution of regulating to implement nature disclosures aligned with TNFD.

There are multiple avenues the UK government could pursue to achieve this: the ISSB could include a nature-related research project in their next phase of work which is then bought into UK reporting requirements; or it could be possible to coordinate implementation of TNFD-aligned disclosures at the G20 level, led by the Financial Stability Board (FSB). To note the FCA has encouraged the ISSB to move swiftly to start work towards developing a thematic standard on nature, leveraging existing work including TNFD .

Whilst international alignment should be strived for, it should not delay the UK from implementing mandatory TNFD-aligned disclosures, given its ambition to position the UK as a world leader on green finance.

Disclosure must be paired with 'real world' action

Whilst disclosure is important in allowing market actors and other stakeholders to understand a businesses' interface with and action on nature, business can be incentivised and supported in taking action on nature by a wider range of policy solutions, including government setting clear strategies and fiscal policies.

This starts with government developing a NBSAP that translates the global GBF goals into national and sectoral strategies, with clear implications for the private sector, and aligns with UK net zero strategies and Nationally Determined Contributions (NDCs) under the Paris Agreement. This would build from the consideration of private sector contribution in the Environmental Improvement Plan (2023). This overarching strategy can then inform sectoral strategies and government fiscal policy, particularly investment and procurement decisions.

This wider policy agenda gives clarity to the changes expected in the economy and particular sectors to meet nature goals, and therefore supports effective transition planning.

Importance of sectoral and landscape approaches

Due to the location specificity of nature loss, solutions that enable and promote coordinated landscape as well as sectoral approaches are important for maximising the impact of individual actors. Such coordination should promote a fair distribution of costs along value chains and not disproportionately burden SMEs.

Time-bound to 2030 to align with the GBF

The roadmap is intended to align with the GBF mission of taking urgent action to halt and reverse biodiversity loss by 2030, whilst also being realistic and manageable.

The near-term recommendations – confirming mandatory climate transition plan reporting, publishing a revised NBSAP and a policy roadmap on GBF Target 15 alongside it – could follow existing government commitments (i.e. consultations on climate transition planning requirements and the COP 16 NBSAP deadline).

The roadmap proposes a staged approach to implementing disclosure requirements. This should set clear expectations for future requirements so that business can build capability and disclose voluntarily to prepare for requirements. This also provides for consultation on implementation,

allowing for challenges to be raised and mechanisms such as safe harbours to be considered. This may be particularly relevant for data issues, materiality concerns, and the forward-looking nature of transition plan disclosures.

The roadmap proposes mandatory nature-related disclosures, aligned with TNFD, be implemented in the near term as a first step to align climate and nature disclosure requirements. Solid foundations are already in place from a climate perspective in the UK in the form of mandatory TCFD disclosures, expected to become ISSB disclosures. Best-practice examples of nature disclosures will expand with voluntary TNFD adoption in the interim.

This leaves mandatory holistic transition plan disclosures as the final disclosure milestone, due to its dependency on the development of nature transition planning guidance and a single holistic transition planning disclosure framework. The development of a disclosure framework could make use of the TPT model, whereby a collaborative effort by government, business and technical experts establishes best practice based on alignment with existing guidance, develops further guidance if needed, and provides recommendations to inform UK regulation.

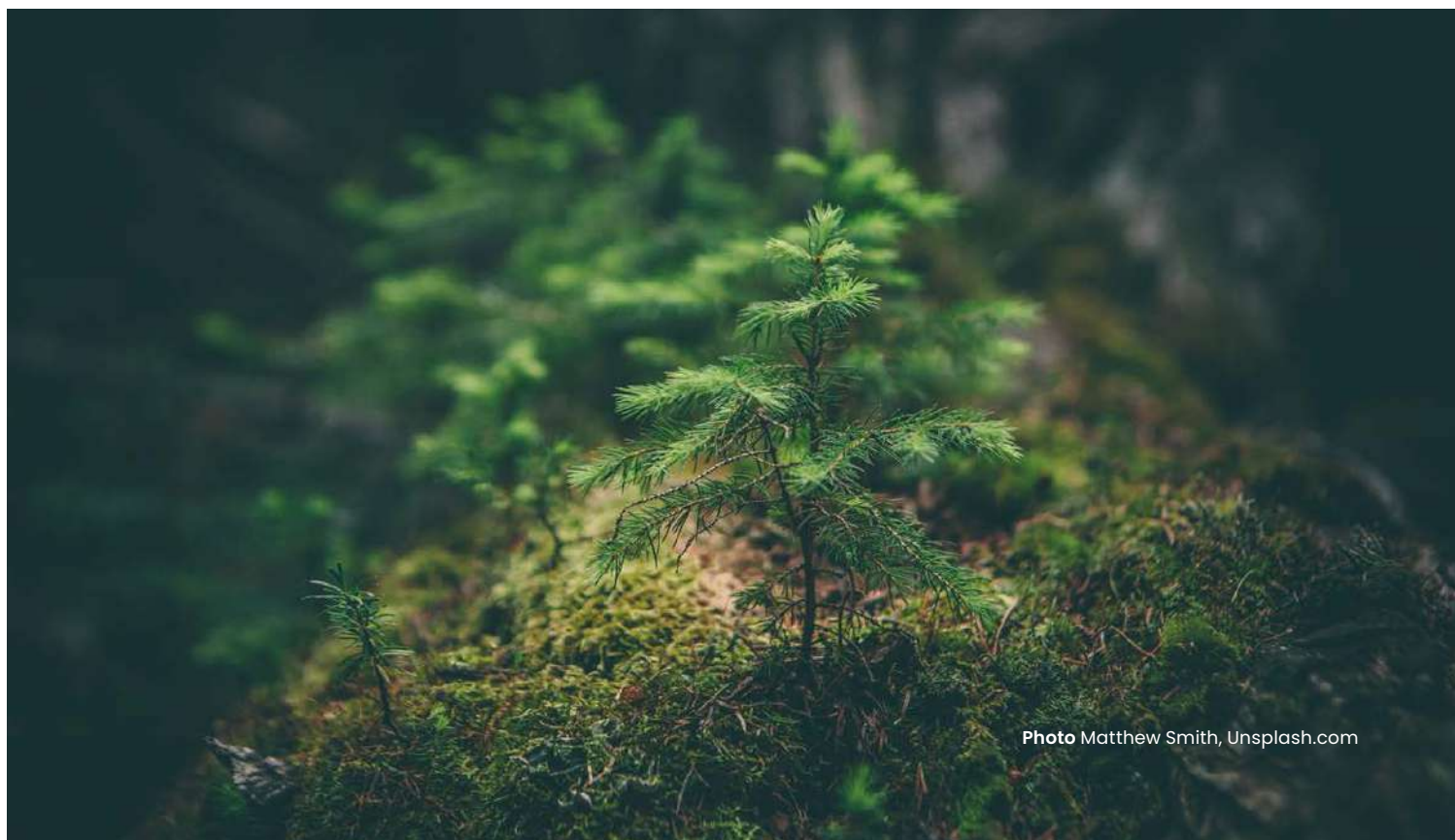


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