



EXECUTIVE GUIDE

Steering Transformation Under High Uncertainty

The Strategic Role of Climate
and Nature Transition Plans

CONTEXT

Today, companies make strategic decisions under high uncertainty. The operating environment is shaped by geopolitical tensions, trade fragmentation and shifting policy requirements. This is compounded by the increasing frequency and severity of abrupt crisis events, such as military escalations, sudden supply chain disruptions or energy price shocks. For companies, this makes it more difficult to assess not only which developments may occur, but how they might reinforce one another and affect business performance. As a result, strategic assumptions are becoming less robust.

At the same time, climate- and nature-related risks are increasingly becoming powerful drivers of economic change. They affect competitive dynamics, access to capital and value creation, while at the same time causing physical impacts across sites and supply chains, for example through extreme weather events, water stress or the loss of ecosystem services.

These developments place greater demands on strategic management. Companies need to be able to meet growing transformation requirements, combine short-term responsiveness with long-term orientation and be prepared for a range of possible developments. If, on the other hand, reactive action becomes the dominant decision-making logic, companies risk losing long-term orientation, investment capacities and strategic adaptability.

This is where transition plans become relevant. They are a key management instrument for integrating climate- and nature-related risks and opportunities into strategy and decision-making processes. However, they only have a lasting impact when their development, use and updating are shaped by steering approaches that take external developments into account and support strategic action under high uncertainty.

Executive leadership has a responsibility to develop climate and nature transition plans as part of their corporate strategy to address growing transformation requirements, thereby helping to secure long-term resilience and competitiveness. These requirements extend beyond large companies and also affect small and medium-sized enterprises when customers, business partners or capital providers set corresponding expectations.

This Executive Guide sets out why climate and nature transition plans are strategically relevant, which steering approaches shape their application and where executive leadership can take concrete action.

KEY MESSAGES



1

Climate- and nature-related risks are changing the economic rules of the game, ► p. 4

These risks already cause significant costs today and rank among the global risks with the greatest expected impact. Political signals of regulatory rollback do not alter the underlying trend that, in many sectors and value chains, transformation capability is becoming a decisive factor for competitiveness and access to capital.



2

Transition plans enable companies to steer their climate- and nature-related transformation, ► p. 11

Transition plans integrate climate- and nature-related risks and opportunities into strategy and decision-making processes. Amid growing transformation requirements and high uncertainty, transition plans provide a robust strategic anchor when their development, use and updating are guided by three steering approaches: external alignment, long-term orientation and adaptive steering.



3

Strategic leadership allows transition plans to realise their full potential, ► p. 19

Executive leadership turns climate and nature transition plans into a lever for resilience and competitiveness by embedding them in corporate strategy and using them as a strategic reference point for dialogue with stakeholders across the spheres of policy, business and society.

1. CLIMATE- AND NATURE-RELATED RISKS ARE CHANGING THE ECONOMIC RULES OF THE GAME

AT A GLANCE

- Climate- and nature-related risks are becoming key drivers of economic vulnerability and may materialise more rapidly, systemically and abruptly in the future.
- Climate- and nature-related transformation requirements are reshaping expectations for business models, portfolios and production processes in many sectors.
- Companies with insufficient transformation capability risk facing more difficult access to financing, insurance and strategic partnerships.

As part of the European Union's first Omnibus package¹, sustainability-related reporting and due diligence obligations are currently being rolled back substantially, including through simplified requirements, postponed deadlines and a major reduction in the number of companies in scope. This may provide short-term operational relief, including through lower administrative burdens, reduced liability risks and greater operational flexibility. However, this relief does not change the pressure to transform in response to growing climate- and nature-related risks. The economic effects of these risks extend beyond regulatory reporting requirements and due diligence obligations. They are reflected in growing economic vulnerability, evolving risk dynamics, structural shifts in markets and business models, emerging competitive standards and changing decision-making criteria across the financial system.



1. Climate- and nature-related risks are changing the economic rules of the game

Figure 1.

Climate- and nature-related economic dependencies, losses and costs (based on ^{2,3,4,5})



CLIMATE-RELATED LOSSES AND COSTS

~400
bn US\$

Annual climate-related losses in physical assets of listed companies

~160
bn US\$

Estimated costs from climate-related supply chain risks



NATURE-RELATED DEPENDENCIES AND LOSSES

~44
trillion US\$

More than half of the total global GDP depends on nature

~10%
of global GDP

Economic losses from land degradation worldwide

Climate- and nature-related risks increase economic vulnerability and shape risk dynamics

Figure 1 shows that climate- and nature-related risks remain key economic drivers. Delayed adaptation can undermine the resilience and competitiveness of business models.

These figures merely show the tip of the iceberg. The underlying studies only capture selected aspects, such as specific groups of companies, particular risk dimensions or selected environmental drivers. The actual economic costs are therefore likely to be significantly higher than current figures suggest.

For companies, the question is not simply whether sites or supply chains will remain economically viable in the short term, but whether the underlying conditions for value creation will remain robust as environmental conditions change.

This requires a sufficiently detailed understanding of climate- and nature-related exposures and vulnerabilities, for example in relation to water stress, extreme weather, soil degradation or regulatory intervention. Established data sources and analytical tools are already available. However, if such analyses are to inform management decisions, they cannot remain a separate sustainability exercise running alongside the core risk management process. Their results need to feed directly into how risks are assessed, escalated and addressed. Based on this, companies can take more targeted action to secure the inputs needed for value creation, for example through adaptation measures, regional risk diversification, alternative sourcing routes or local engagement.

Climate- and nature-related risks as defining factors in global risk assessments for the years ahead

Global risk trends indicate that climate- and nature-related risk dynamics are likely to intensify further. The World Economic Forum's Global Risks Report already ranks environmental risks among those with the greatest expected impact in the short term.⁶ Over a ten-year horizon, their significance is expected to increase further. Three of the five risks with the greatest expected impact are environmental risks (**Figure 2**).

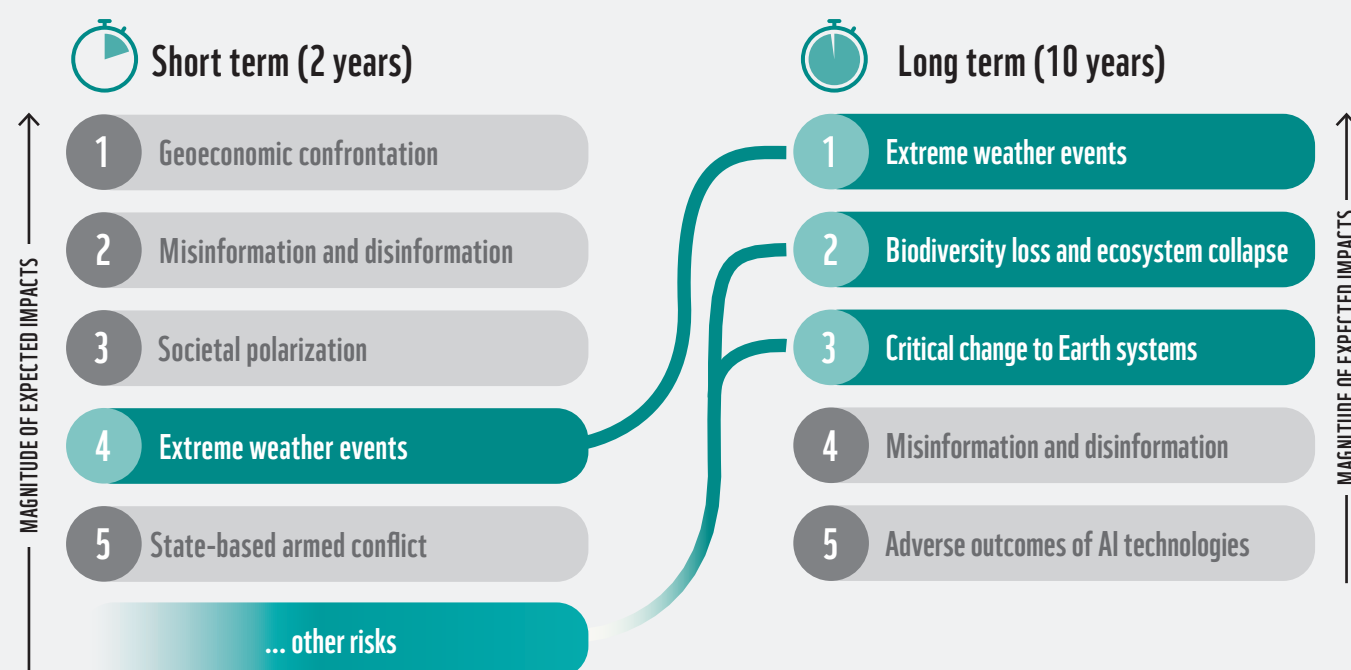
These risk perceptions highlight that climate- and nature-related risks can materialise both through acute events and through gradual change. In the short term, companies may face extreme weather events, supply chain disruptions, raw material price spikes or export restrictions. Over the long term, these risks can affect companies through declining resource availability, persistently challenging production conditions and the gradual weakening of business models.

In addition, existing risk and impact assessments often do not fully capture the dynamics that climate- and nature-related changes can set in motion. Many of these developments are nonlinear. When climate- or nature-related tipping points are passed, abrupt and partly irreversible changes in key Earth systems can occur, such as the collapse of ice sheets, disruptions to ocean currents or the dieback of the Amazon rainforest.⁷ The WEF refers to such developments as critical changes to Earth systems. For companies, this increases the risk of impacts spreading more rapidly, more systemically and with greater effect than current strategic assumptions reflect. This puts pressure not only on individual risk exposures, but on the basic conditions for doing business.

Beyond physical damage and a shifting risk landscape, climate- and nature-related developments are increasingly reshaping market conditions, competitive dynamics and capital allocation.

Figure 2.

Shifts in global risk perceptions by time horizon (based on ⁶)



Climate and nature crises are structural drivers of economic change

Climate- and nature-related transformation requirements are increasingly affecting demand, investment decisions and competitive positions related to lower emission and nature-compatible production processes and product portfolios. Examples from selected sectors illustrate the different ways in which these developments take effect: In the steel industry, the shift towards hydrogen-ready production processes is shaping key investment and location decisions. In the automotive industry, electric mobility is changing product strategies, technology pathways and supply chains. In the agri-food sector, requirements for nature-compatible production processes, deforestation-free supply chains and traceable sourcing are gaining importance.

As companies pursue these changes, attention increasingly turns to the conditions under which lower emission and more nature-compatible solutions can be scaled. Particularly in emission-intensive industrial and transport sectors, many lower emission solutions are technically available, but their scaling often depends on economic viability, reliable offtake, infrastructure, financing and policy signals.⁸ For companies, this means that selecting individual technologies is only part of the issue. Equally important is an understanding of what conditions are needed to scale these solutions, and what this means for the timing of investment, for partnerships and for coordinating with external stakeholders.

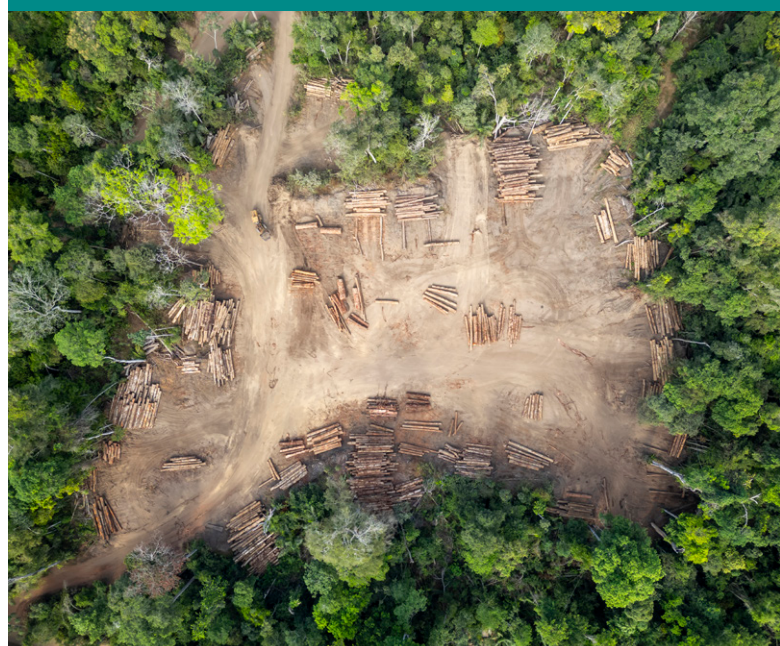
At the same time, the fact that Germany and Europe are lagging behind when it comes to certain key future technologies, including in parts of the solar and battery value chains, shows how delayed adaptation can weaken companies' competitive starting positions. The later companies anticipate climate- and nature-related transformation requirements, the greater the pressure to adapt and the fewer strategic options remain available to them.

BOX 1: What are nature-related risks in a corporate context?

Unlike climate risks, nature-related risks cover a broader set of ecological factors. They primarily arise where companies depend or have an impact on natural systems.

Dependencies relate to the availability and quality of key natural inputs to production, including water, soils and functioning ecosystems. Impacts result from activities that affect these systems, for example through water withdrawal, pollution, land use or habitat conversion. Depending on the business model, these dependencies and impacts can affect production conditions, supply chain stability and cost structures either directly or indirectly.

The resulting risks can take the form of physical or transition risks. For example, a company may be exposed to physical risk when flooding or water scarcity disrupts its production processes. It may be exposed to transition risk when legal requirements for deforestation-free supply chains can prevent the import of certain goods and thereby affect existing procurement, cost or investment assumptions.



Climate and nature crises are setting new competitive standards

Market mechanisms are further reinforcing the need for companies to adapt. Globally, the number of companies with science-based climate targets is growing. Despite a highly uncertain environment and the immediate need to respond to crisis events, the number has recently reached new record levels (**Figure 3**). This marks a fundamental shift in the role of environmental targets. Companies, investors and business partners increasingly treat an alignment with science-based climate targets not merely as a voluntary commitment to sustainability, but as a market-relevant expectation that has become a new competitive standard in a growing number of sectors. Although ambitious climate targets remain challenging to implement – for example due to regulatory shifts, limited influence over supply chains or volatile demand – this does not change the tendency as a whole.

Therefore, corporate climate targets are no longer only a matter of reputation. Missing or non-credible decarbonisation pathways may also limit access to customers, capital or strategic partnerships. This development is not confined to specific regions. Rather, it is shaping global markets and supply chains in ways that directly affect German companies operating in international value chains.

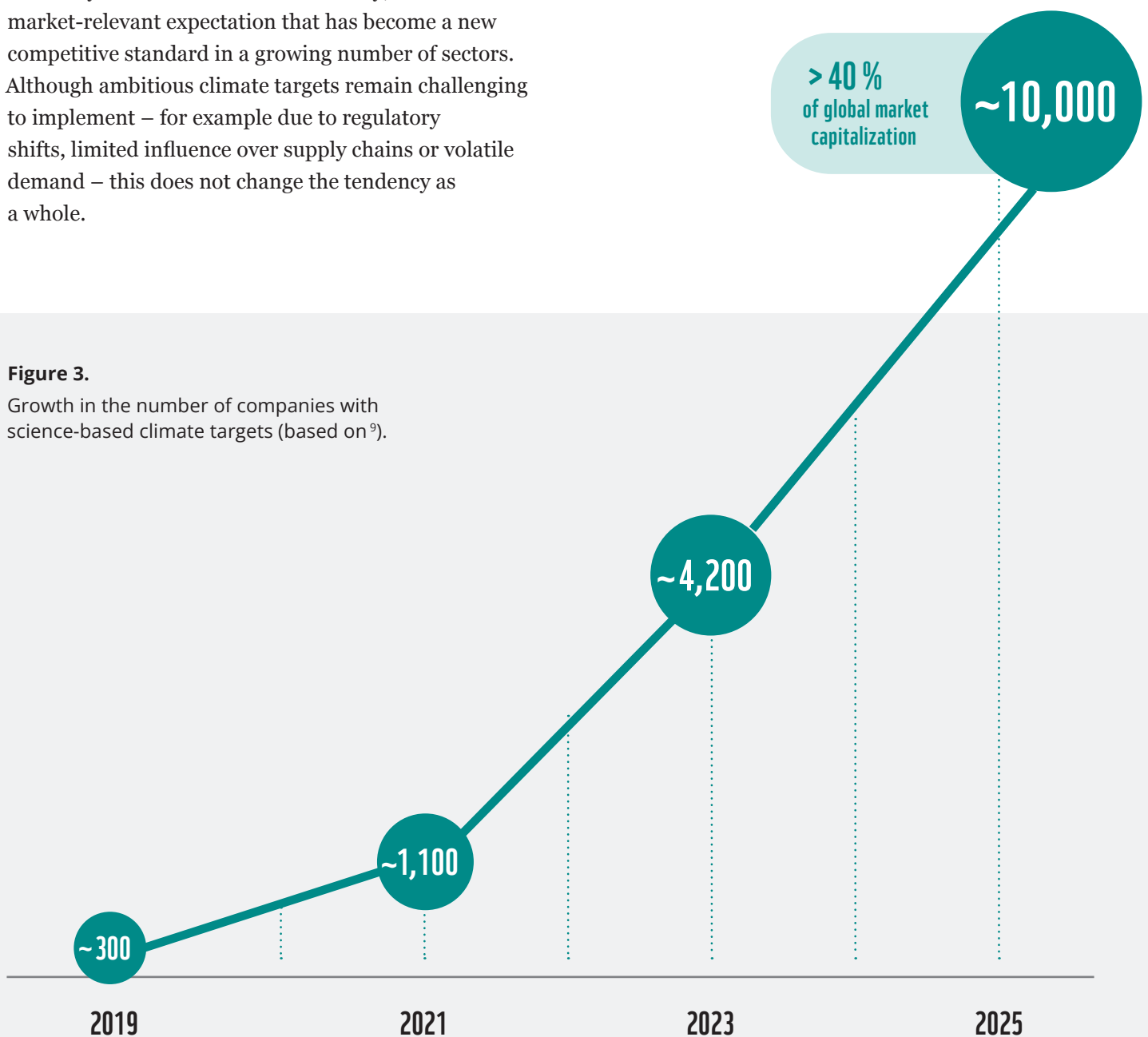


Figure 3.

Growth in the number of companies with science-based climate targets (based on⁹).

Climate and nature crises are reshaping decision-making in the financial system

At the same time, the way capital is allocated in the financial system is changing, with direct implications for companies in the real economy.

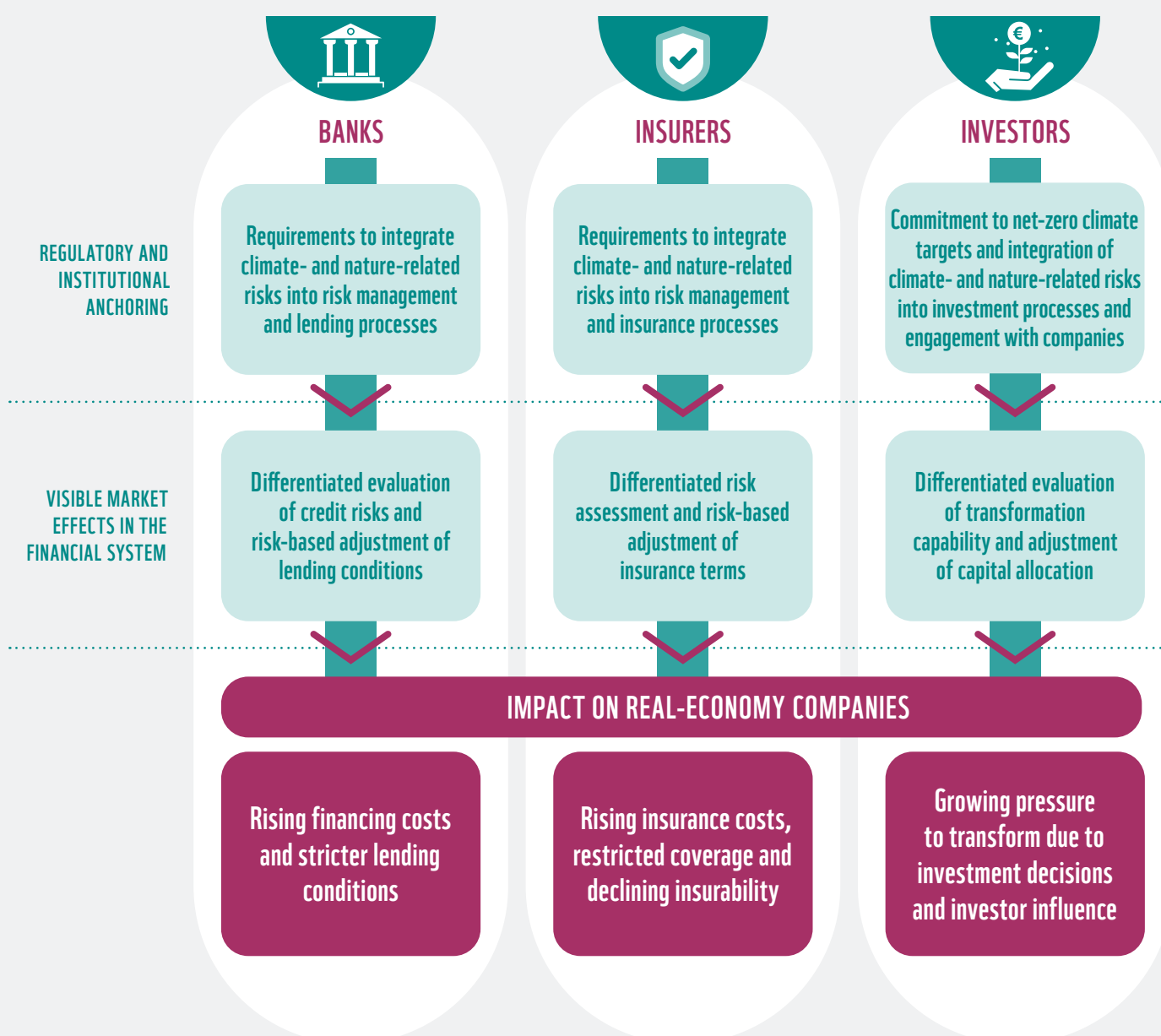
Growing regulatory requirements, supervisory expectations and market-driven commitments are prompting the financial system to integrate climate-

and nature-related risks and corporate transition pathways into decision-making processes (**Figure 4**).

Yet this integration remains uneven. Climate risks are becoming more visible in valuation and financing processes, while market effects related to nature risks are only gradually emerging.

Figure 4.

Integration of climate- and nature-related risks in the financial system and impacts on real-economy companies (based on ^{10,11,12,13,14,15,16,17,18})



1. Climate- and nature-related risks are changing the economic rules of the game

Nevertheless, the direction of change is becoming clear. Financial market participants are refining the criteria that inform lending decisions, insurance underwriting and investment assessments. These criteria increasingly reflect whether a company manages climate- and nature-related transformation risks and opportunities credibly or addresses them only selectively and reactively.

For companies, this means that competitive positions will no longer be shaped by cost and efficiency alone. What will matter is their ability to anticipate climate- and nature-related transformation requirements in time, mobilise capital and adapt their business models, portfolios and processes.

Changing risk dynamics, market shifts and evolving decision criteria across the financial system create a clear strategic imperative for corporate leadership:

Climate- and nature-related risks are not a side issue. Companies need to treat them as strategic management issues on a par with other key risk drivers. This applies largely irrespective of regulatory cycles. Systematically accounting for climate- and nature-related risks is a prerequisite for strengthening resilience and remaining competitive over the long term.

The central question is how companies can address this strategic imperative systematically and embed it in established strategy and decision-making processes.



2. TRANSITION PLANS ENABLE COMPANIES TO STEER THEIR CLIMATE- AND NATURE-RELATED TRANSFORMATION

AT A GLANCE

- Transition plans are a key instrument for addressing climate- and nature-related risks and opportunities, but only when they are embedded in strategic management and not reduced to a reporting exercise.
- Transition plans create strategic value in five areas: risk management, value creation, credibility, access to capital and shaping the enabling environment.
- Three key steering approaches guide how transition plans are developed, used and updated: external alignment, long-term orientation and adaptive steering.

Effectively addressing climate- and nature-related risks and opportunities requires integrating them into strategy and decision-making processes related to business models, portfolio choices, investments and operational processes. This integration needs to be dynamic, allowing the company's strategic direction to remain viable under changing conditions and high uncertainty. Here, climate and nature transition plans provide strategic orientation.

A transition plan describes the strategic direction and key levers through which a company shapes its climate- and nature-related transformation to support long-term resilience and competitiveness.

Transition plans do not constitute a separate strategic layer. They should be understood as a steering instrument developed in conjunction with corporate and sustainability strategies. In this role, transition plans place greater demands on existing strategies to navigate the climate- and nature-related transformation, particularly in terms of ambition, scope, specificity and robustness. Their content is consolidated in dedicated formats to provide internal guidance and make the company's strategic direction more transparent and credible to external stakeholders.

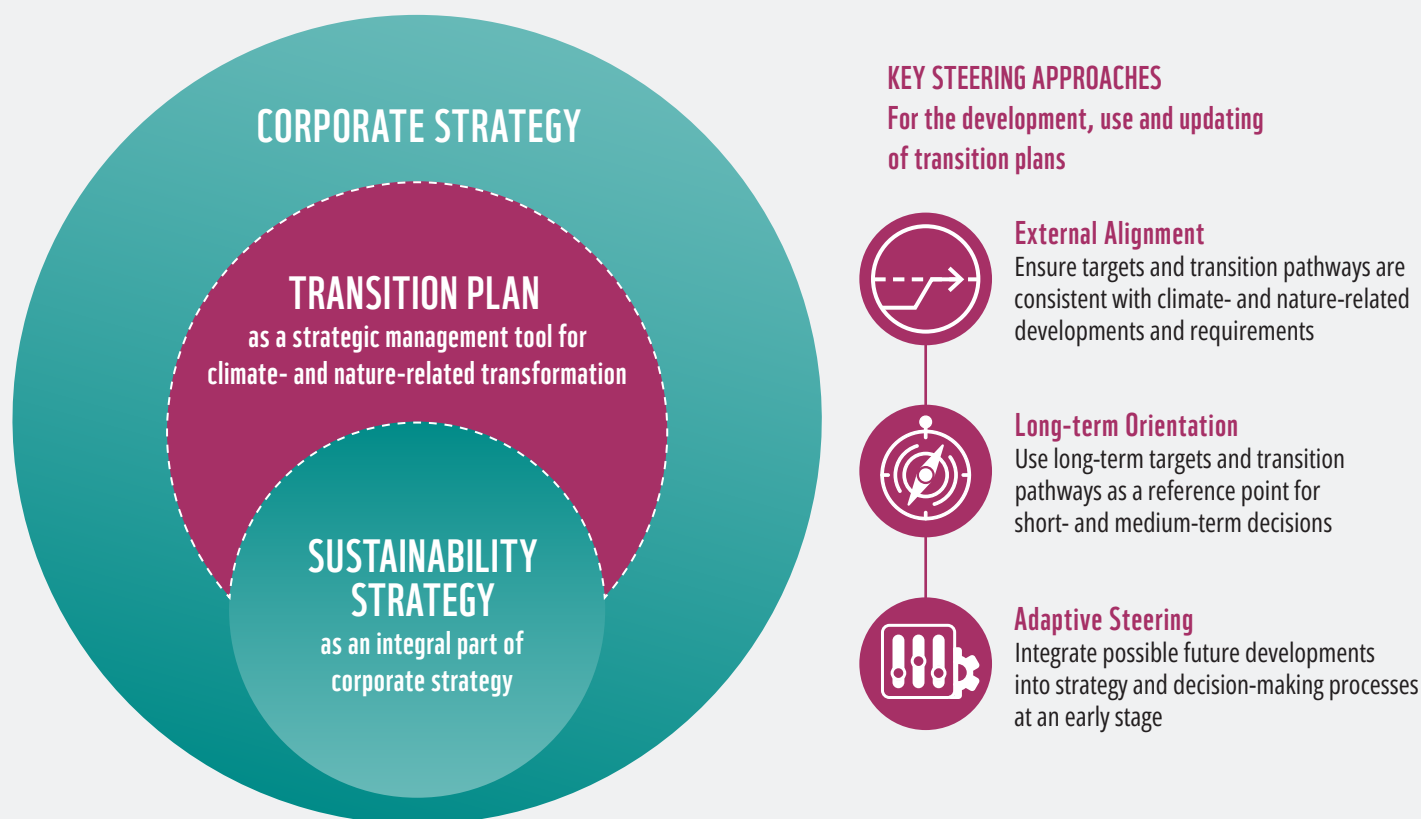
Transition plans serve as a robust strategic reference point – even under high uncertainty – when executive leadership ensures that their development, use and updating are guided by three key steering approaches: external alignment, long-term orientation and adaptive steering.

Figure 5 positions transition plans within the broader strategic context and provides an overview of the three key steering approaches.



Figure 5.

Positioning of transition plans within the strategic context and overview of key steering approaches



Disclosing transition plans provides transparency and a basis for evaluating transformation

Over the past few years, regulatory and market expectations have made transition plans increasingly relevant. These include, in particular, EU sustainability reporting standards¹⁹ and due diligence requirements relating to actual and potential adverse environmental impacts along the value chain.²⁰ Established standards provide additional guidance on how transition plans should be disclosed and what constitutes good practice.^{21,22}

In many cases, these requirements focus on the structured disclosure of transition pathways, related risks and capital needs of large companies. Financial market participants use disclosed transition plans as a basis for evaluating the credibility of a company's transformation approach, assess whether the company is future-ready and to inform their capital allocation decisions.

For small and medium-sized enterprises, leaner and less formalised transition plans are sufficient. However, they too are expected to address climate- and nature-related transformation requirements in a targeted way and to make their approach transparent as expectations from customers, business partners, banks and insurers increase.

Transition plans deliver strategic value when companies do not treat them as a reporting exercise but embed them in strategic management and use them to guide decision-making under high uncertainty.

Transition plans create strategic value in five areas:

1	RISK MANAGEMENT Function: Transition plans align corporate priorities and investments with climate- and nature-related transformation requirements, even under high uncertainty. Benefit: They reduce the risk of isolated short-term decisions, conflicting priorities, misallocation and lock-in effects.
2	VALUE CREATION Function: Transition plans support the targeted development of business models, portfolios and processes in the context of climate- and nature-related transformation requirements. Benefit: They help stabilise existing drivers of business value, transform or phase out activities that may not be viable, and unlock new sources of value through more sustainable business models, portfolios and processes.
3	EXTERNAL TRANSPARENCY AND CREDIBILITY Function: Transition plans enable external stakeholders to understand and evaluate transformation targets, implementation levers, assumptions, dependencies and corporate progress. Benefit: They strengthen the credibility of the company's climate and nature transition pathways and with it the company's reputation.
4	ACCESS TO CAPITAL AND FINANCING OPTIONS Function: Transition plans provide structure to a company's climate- and nature-related transformation, enabling financial market participants to better evaluate the plan's plausibility and financial viability. Benefit: They can improve access to capital, broaden financing options and provide a more reliable basis for planning during volatile phases of transformation.
5	SHAPING THE ENABLING ENVIRONMENT Function: Transition plans make the external prerequisites, dependencies, trade-offs and implementation barriers of transformation visible and easier to communicate. Benefit: They provide a basis for engaging with relevant stakeholders on concrete needs and create opportunities to help shape the enabling environment.

Whether transition plans deliver the functions and benefits described above depends largely on how they are developed, used and updated over time. **WWF therefore highlights three key steering approaches: external alignment, long-term orientation and adaptive steering.**

The following sections explain how these approaches enable transition plans to meet growing transformation requirements and serve as a robust strategic reference point even under high uncertainty.



STEERING APPROACH: EXTERNAL ALIGNMENT

Align strategic targets, transition pathways and levers with external requirements

External alignment involves going beyond an internal perspective when developing and updating climate and nature transition plans. This entails aligning their targets, transition pathways and key levers with external developments and the requirements they create. The external environment is shaped by global climate and nature policy goals, changing markets, technological developments, regulatory requirements, capital market expectations and demands from customers, business partners and society. Together, these factors are changing the conditions under which business models, portfolios and operational processes remain viable over the long term.

Global climate and nature policy goals are particularly important as many external requirements that shape corporate targets, transition pathways and levers derive from them, either directly or indirectly. These include the 1.5°C goal of the Paris Agreement, which has become a reference point for corporate climate targets. For nature-related targets, the Kunming-Montreal Global Biodiversity Framework sets out corresponding goals and targets, including the prevention of deforestation, the restoration of degraded ecosystems and the protection of key ecosystem services such as soil health, water regulation and pollination. Such climate and nature policy goals are increasingly reflected in standards, regulatory expectations and requirements from market participants.

BOX 2:

Why manage climate and nature targets together?

Many companies have already established core elements of transition plans, often with a focus on climate-related issues. At the same time, nature-related developments are increasingly shaping markets, capital flows and value chains. This creates a strategic case for expanding transition planning beyond a primarily climate-related focus to include nature-related issues.

From a strategic management perspective, it is important to identify synergies and trade-offs between climate- and nature-related requirements at an early stage. This applies to setting targets as well as to developing measures and making investment decisions. Some measures can advance multiple objectives at once.

For example, improved material efficiency can reduce emissions while also lowering the land footprint of the supply chain. In other cases, strategic choices may involve trade-offs that require careful assessment, for instance where switching from plastic-based to biomass-based materials reduces emissions but may also be associated with a larger land footprint, negative impacts on biodiversity or land-use conflicts.

By considering these interdependencies at an early stage, companies can avoid capital misallocation and inefficient investments and manage trade-offs more deliberately.

2. Transition plans enable companies to steer their climate- and nature-related transformation

Initiatives such as the Science Based Targets initiative⁹ and the Science Based Targets Network²³ provide company-specific approaches that enable companies to translate external requirements into credible target systems and strategic decision-making processes.

External alignment is not confined to setting targets. It also depends on whether transition pathways and key levers credibly demonstrate how these targets can be achieved. The steel industry, for example, demonstrates external alignment when emission-reduction targets are backed by specific investments in lower emission production processes, such as

hydrogen-based direct reduction plants. The credibility of the associated transition pathway depends not only on the investment itself, but on its viability under real-world conditions, including energy prices, hydrogen availability and demand for lower emission basic materials. In food retail, external alignment is reflected in the extent to which nature-related targets are supported by concrete measures relating to product ranges as well as sourcing and supply chains, and whether these measures help meet rising expectations for more nature-compatible production, improved traceability and shifting customer expectations.

BOX 3: What is the difference between nature transition plans and biodiversity transition plans?

Regulatory requirements often refer to biodiversity, for example under the European Sustainability Reporting Standards (ESRS). By contrast, voluntary frameworks such as the Taskforce on Nature-related Financial Disclosures (TNFD) use the term nature transition plans.

Both terms pursue the same objective. They address nature-related dependencies, impacts and risks and integrate them into strategic management.

In practice, companies are not dealing with two separate planning approaches, but with different ways of conceptualizing the same subject.





STEERING APPROACH: LONG-TERM ORIENTATION

Use the long-term strategic direction as a reference point for short-term decisions

Addressing climate- and nature-related risks and opportunities requires a long-term strategic orientation that is translated into short-, medium- and long-term targets and implementation levers. This orientation provides guidance on how companies can remain competitive over the long term as market, environmental and external conditions change. Transition plans turn long-term targets and transition pathways into strategic reference points for short- and medium-term decisions. This helps set priorities and frame investment and portfolio decisions while making trade-offs and opportunity costs visible. This reduces the risk that short-term responses constrain strategic options over the long term. In the climate context, this includes decisions made under energy price or supply pressures.

Options that may appear economically sensible in the short term – such as extending fossil energy contracts, keeping emissions-intensive assets in use or delaying investments in transformation – can increase carbon costs and regulatory risks over the long term, make it harder to meet capital market expectations and reinforce technological lock-ins.

A long-term climate target pathway helps make these trade-offs visible and supports companies in making forward-looking changes to their energy supply and emissions profile, so that they are less reliant on emissions-intensive emergency or stopgap solutions during future crises.

In water-related decision-making, the same logic applies when companies face acute water scarcity or restrictions on water abstraction rights. In the short term, it may be operationally sensible to secure additional sources of supply, deploy technical contingency measures or temporarily relocate production.

Over the long term, however, such responses can obscure the fact that water-intensive processes, sites or investments may no longer be viable under future water conditions. A long-term nature-related orientation helps identify these dependencies at an early stage and frame decisions on water-dependent business model and portfolio choices, as well as on water-intensive processes.

Where water stress cannot be addressed by individual companies alone, collaborating with other water users in the same river basin becomes an important way to effectively reduce shared water risks.



BOX 4:

How much pressure is put on long-term orientation in day-to-day strategic decisions?

Recent CEO surveys indicate that long-term orientation often receives only limited attention in day-to-day strategic decision-making. At the same time, many CEOs question the long-term viability of existing business models (**Figure 6**).

When the viability of existing business models is increasingly in question, strategic management needs a long-term reference point. This helps prevent short-term stabilisation from becoming the dominant logic for decision-making and reduces the risk of capital misallocation and lock-in effects.

Many companies are already taking action to adapt. They are diversifying supply chains, building new regional production structures or adjusting investment decisions in response to volatile external conditions. Such measures can reduce risks and help companies maintain business continuity in the short and medium term.

Adaptation measures gain strategic relevance when climate- and nature-related risks and opportunities are systematically considered and linked to long-term priorities. This allows short-term adjustments to both cushion current disruptions and strengthen long-term resilience and competitiveness as environmental conditions and the resulting transformation requirements evolve.

Figure 6.

Signals from CEO surveys on challenges under high uncertainty
(based on ^{24, 25})





STEERING APPROACH: ADAPTIVE STEERING

Safeguard strategic viability through forward-looking tools, response options and decision triggers

Even with a long-term approach, the specific implementation pathway can only be planned to a limited extent under uncertain conditions. For strategic planning, this raises the question of how companies can improve how they prepare for potential changes in their operating environment and design strategies that will remain viable across a range of plausible future developments.

Climate and nature transition plans provide clarity around a company's strategic direction. Adaptive steering combines this clarity with the ability to respond to changing conditions.

Scenarios play a central role in this context, alongside other forward-looking tools such as trend analyses and early-warning indicators. Many companies already use scenario analysis as part of strategic planning. It allows them to assess how external developments may affect their business model, portfolio and investment decisions at an early stage. This in turn can help identify robust measures that remain effective across several plausible future pathways. It also enables companies to prepare targeted responses to specific future developments.

However, traditional scenario analyses can fall short if they primarily capture market and financial signals while largely overlooking climate- and nature-related risk drivers as sources of uncertainty for future strategic decisions.

Nature-related risk drivers such as water stress, soil degradation, forest loss and land-use conflicts often build up over long periods of time, yet their economic consequences can materialize quickly when droughts, floods, wildfires or land-use restrictions affect production sites, supply chains or the availability of raw materials. This is precisely why such risk drivers need to be incorporated into scenarios and early-warning indicators at an early stage, enabling companies to both anticipate short-term impacts and prepare long-term adaptation measures more effectively. In practical terms, companies can draw on the works of the TCFD²⁶ established in the climate context, alongside emerging TNFD guidance²⁷ on nature-related scenario analysis.

Preparing a response to different implementation pathways shaped by climate- and nature-related risk drivers requires clear decision triggers that specify which strategic responses to initiate under which future developments. For example, if carbon prices, raw material costs or deforestation risks in key sourcing regions exceed defined thresholds, a company may prioritise an investment, adapt a site concept, intensify supplier engagement or activate an alternative sourcing structure. Scenarios are not intended to predict individual developments. Their purpose is to support structured preparation for different plausible future pathways. This helps companies improve the quality and robustness of strategic decisions under high uncertainty.

This strategic value can only be sustained over time if companies regularly review and adjust the underlying assumptions, response options and decision criteria.

3. STRATEGIC LEADERSHIP ALLOWS TRANSITION PLANS TO REALISE THEIR FULL POTENTIAL

AT A GLANCE

- Transition plans only realise their full potential when their content is embedded into existing strategy and decision-making processes.
- Executive leadership can act across five leadership areas, which range from systematically considering climate- and nature-related risks and opportunities to helping shape external conditions.
- A focused set of guiding questions helps reveal key issues that require clarification and supports the development of a robust basis for decision-making.

Transition plans only deliver strategic value when climate- and nature-related targets, actions and financing needs are defined and updated within established corporate strategy processes rather than through a parallel planning exercise. This enables companies to reconcile necessary short-term adjustments with long-term transformation targets and prevents reactive one-off decisions from derailing their chosen transformation pathways. Executive leadership has a critical role to play. It is responsible for ensuring that climate- and nature-related transformation requirements are embedded in corporate management and that the conditions for binding implementation are established.



3. Strategic leadership allows transition plans to realise their full potential

The following table presents five leadership areas and key actions through which executive leadership can ensure that transition plans have a strategic impact.

	LEADERSHIP AREA	KEY ACTIONS
1	Integrate climate- and nature-related risks and opportunities into strategic management	▪ Embed responsibility for managing climate- and nature-related risks and opportunities at executive level ▪ Integrate climate- and nature-related risks and opportunities into strategic targets and priorities and align capital allocation accordingly
2	Balance short-term stabilisation and long-term transformation capability	▪ Align short-term strategic decisions with long-term transformation targets ▪ Address key trade-offs, for example between short-term financial stability and long-term investments, between optimising the core business and transforming the portfolio, and between climate and nature targets
3	Align strategic decisions with different external developments	▪ Account for a range of external developments, for example through scenario analysis and early-warning indicators ▪ Prepare alternative response options and decision rules and embed them in strategic decision-making processes
4	Enable use of the transition plan for external decision-making processes	▪ Ensure that the transition plan's direction, priorities, investment needs and key dependencies are prepared in a way that is readily understandable to external stakeholders ▪ Make strategic use of the transition plan to support access to financing, partnerships and cooperation
5	Actively help shape external conditions for transformation	▪ Ensure that external conditions, dependencies and trade-offs affecting the company's climate- and nature-related transformation are clearly set out in the transition plan to support engagement with relevant stakeholders ▪ Engage in coordination processes with policymakers, businesses and other actors to help shape external conditions for climate- and nature-related transformation



Guiding questions for strategic management

The following questions are designed to support strategic discussion at executive level and help identify key issues that need to be clarified when integrating climate- and nature-related transformation requirements into corporate strategy.

- **Strategic integration:**

To what extent does our approach to managing climate- and nature-related risks and opportunities actually shape key decisions, for example on investments, portfolio development or the strategic direction of business units?

- **Long-term direction:**

What long-term strategic direction is needed to respond to material climate- and nature-related risks and opportunities while safeguarding competitiveness and resilience?

- **Strategic options:**

Where could short-term stabilisation impede subsequent transformation steps, increase costs or create lock-in effects?

- **Strategic viability:**

Which climate- and nature-related trends and scenarios could challenge the viability of our strategy, and which strategic assumptions need to be reviewed regularly?

- **Adaptability:**

Which early-warning indicators, decision triggers and prepared response options are needed to adapt to changing external conditions in a timely manner?

These guiding questions cannot be answered by executive leadership alone. However, executive leadership plays a critical role in creating the internal conditions needed to develop a robust basis for decision-making. This includes establishing clear roles and responsibilities, providing sufficient resources, supporting the development of relevant capabilities and linking climate and nature-related analysis to strategic decision-making processes.

When embedded firmly, climate and nature transition plans are key instruments for strategic management. They enable companies to manage growing transformation requirements and make robust decisions even under high uncertainty. In doing so, they help safeguard resilience and competitiveness over the long term.



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To stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature.

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