



# Regulatory Framework

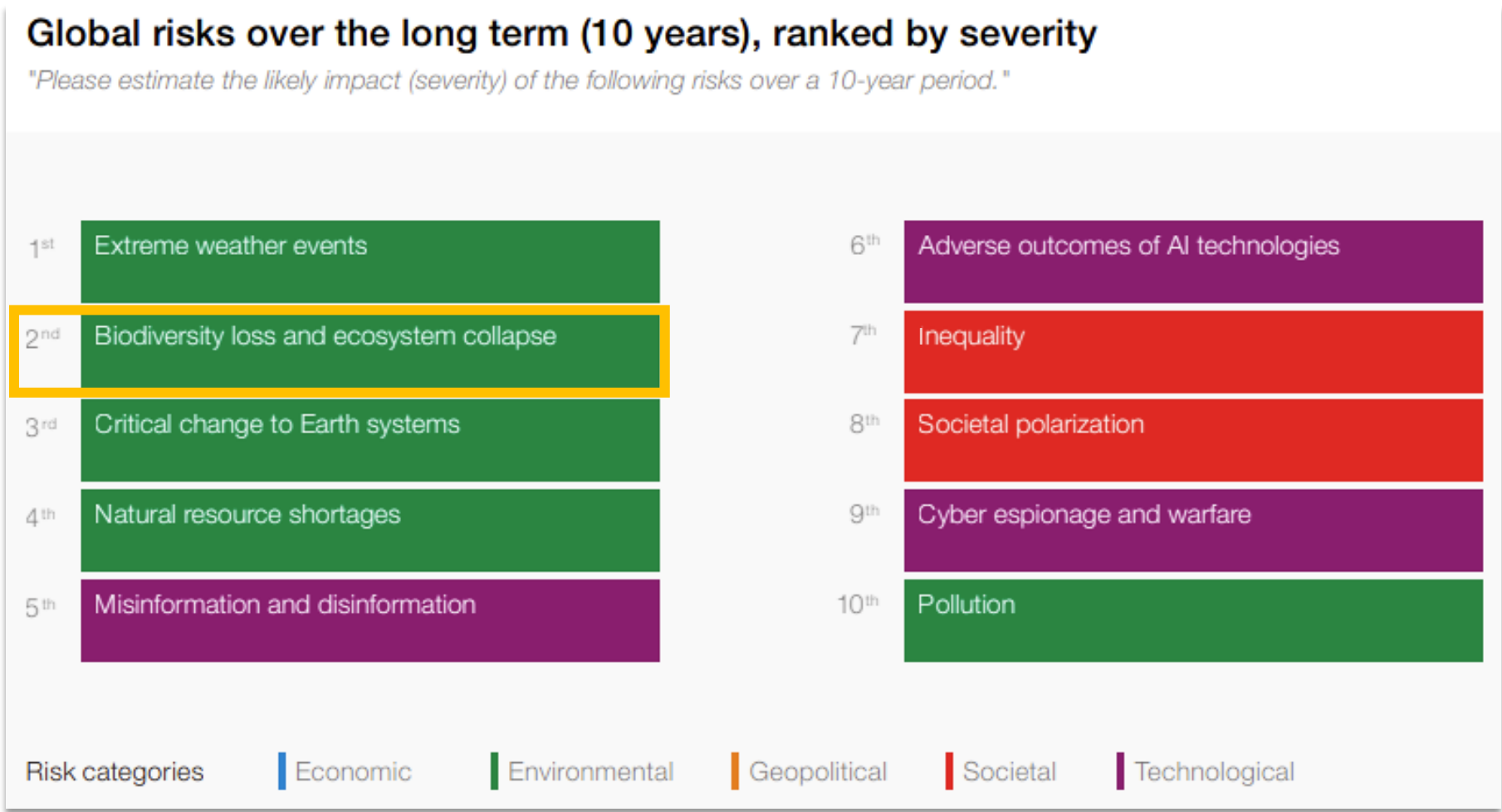
April 2025

**S&P Global**  
Commodity Insights



**Sustainable1**

# The speed and scale of biodiversity loss and ecosystem degradation is the highest in history



**Nature risk** is a rapidly emerging issue of global concern. The degradation of ecosystems has far-reaching implications, **affecting not only the health of our planet but also the stability of our economies and societies.**

The World Economic Forum's Global Risks Report 2025 has highlighted this growing concern, placing **biodiversity loss and ecosystem collapse as the 2<sup>nd</sup> most severe global risk over the next 10 years.**

Source: World Economic Forum Global Risks Perception Survey 2024-2025

# The latest FINMA circular published in December 2024 requires banks and insurance companies to disclose on nature-related financial risks

## Key aspects of circular 2026/1



FINMA requires **banks** and **insurance companies** to establish and disclose on their practices to manage climate- and other nature-related financial risks



The disclosure requirements follow in part **well-established frameworks** such as **TNFD**, but contain **special provisions** for banks and insurers



The circular will be **in force from Jan. 1<sup>st</sup>, 2026** for category 1 and 2 institutions, and on Jan. 1<sup>st</sup>, 2027 for category 3, 4, and 5 institutions  
Initially, focus on climate-related financial risks

## Required disclosures

### Common provisions

- Governance
- Risk identification, materiality assessment, scenario analysis
- Risk management
- Stress tests

### Provisions for banks

Additional banking-related issues, e.g., credit risk and consideration of adjusting lending criteria

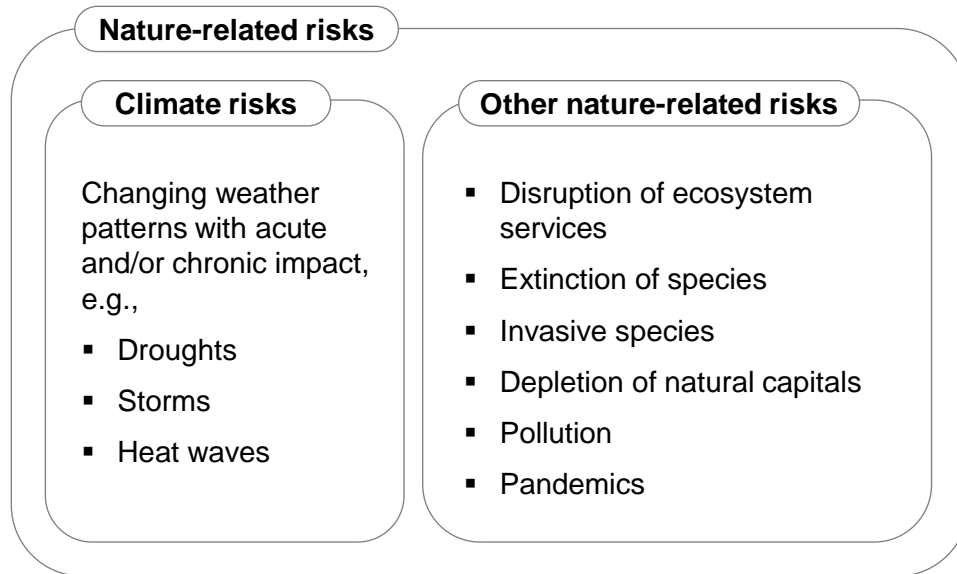
### Provisions for insurers

Additional insurance-related issues, e.g., consideration of nature-related financial risk in underwriting or claims reserving

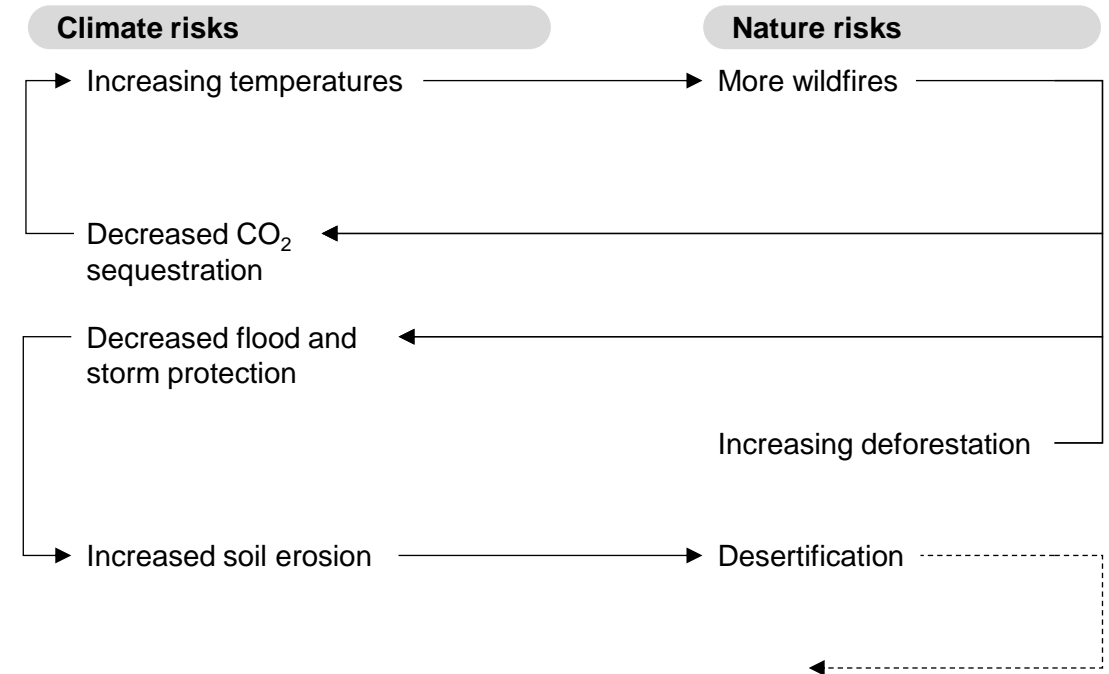
Source: [FINMA](#)

# Connection of climate risk and nature risk: Complex interdependencies, climate-risk cannot be viewed in isolation

## Relationship of nature- and climate-related risks...

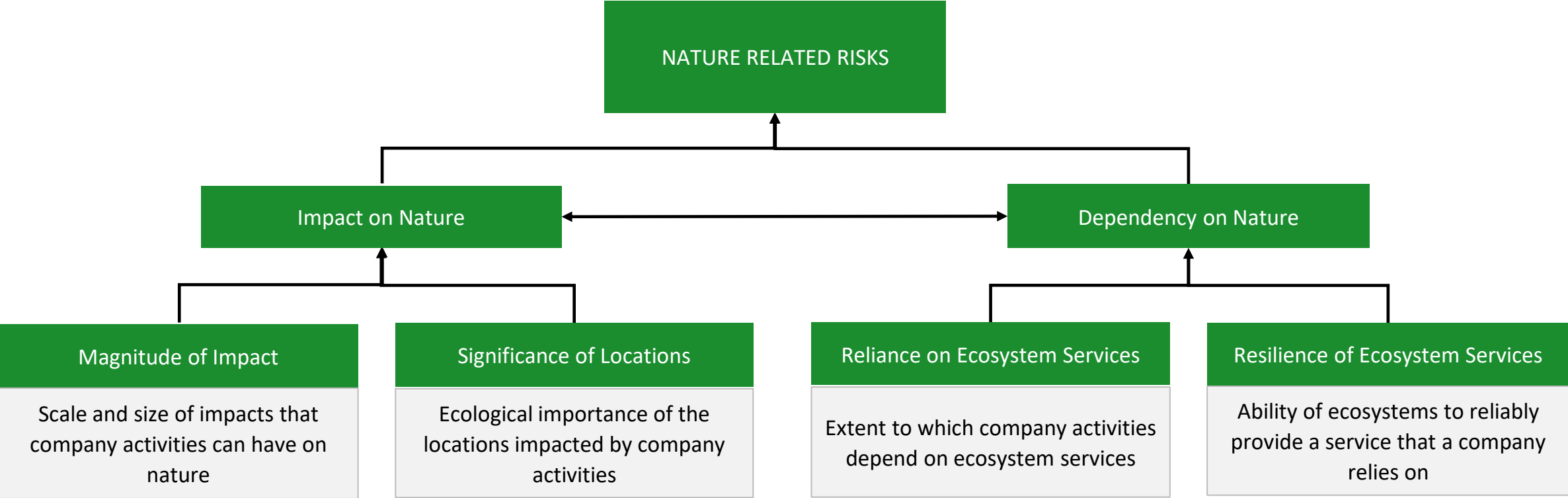


## ...and how they interact in practice (exemplary)



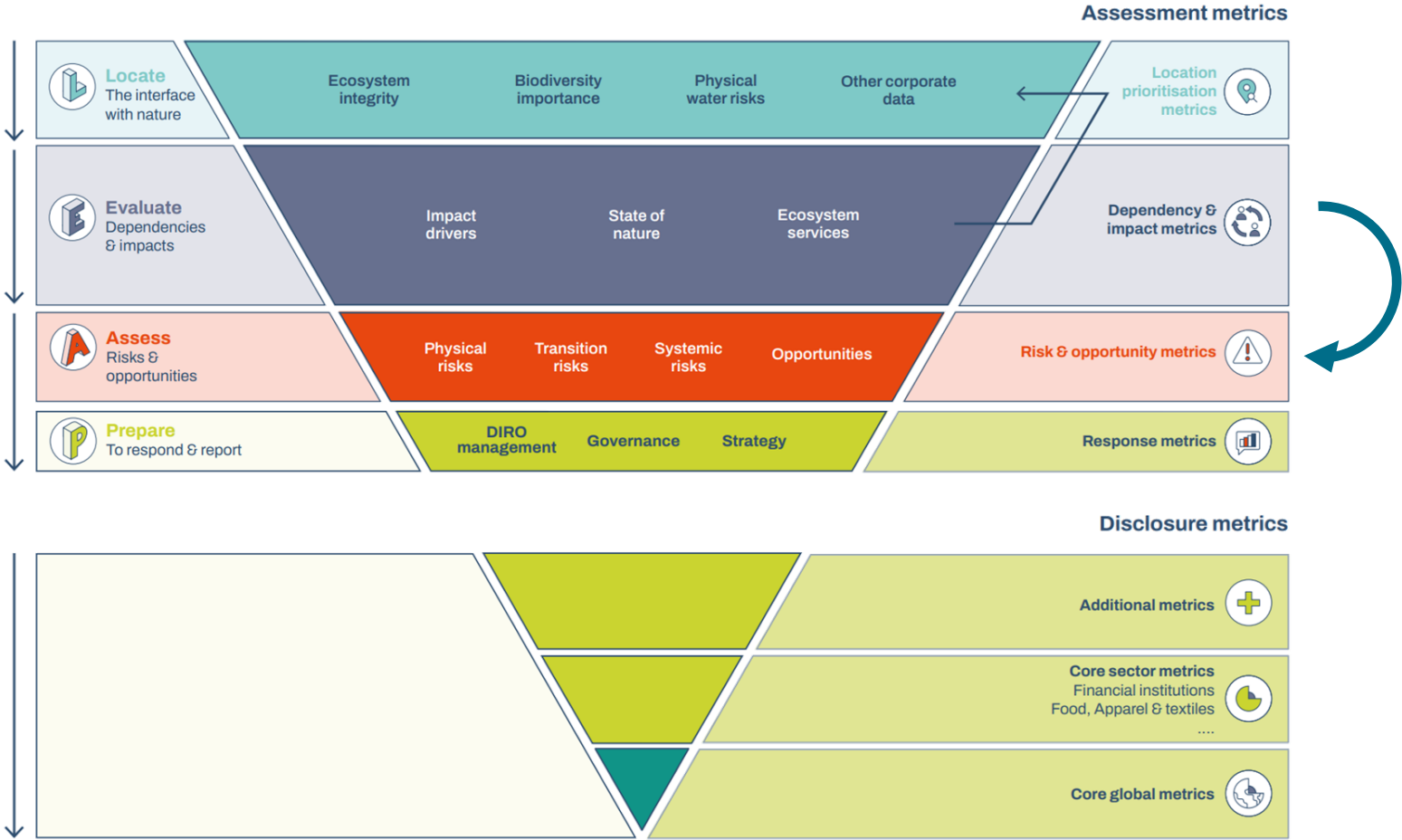
# Building Blocks of a Risk Profile

The building blocks presented here align with the draft TNFD framework, where the assessment of physical, transition and systemic risks are underpinned by the spatially explicit evaluation of impacts and dependencies on nature.



Source: UNEP and S&P Global Sustainable1, (2023), Nature Risk Profile: A methodology for profiling nature related dependencies and impacts. <https://www.spglobal.com/esg/solutions/nature-risk-profile-methodology.pdf>

# The LEAP process provides a foundation for nature-related risk assessment



It is critical to understand **how a business depends on, or is impacted by nature** – to fully understand the risks for the business

Source: TNFD

# Data can show how climate and nature risks are interrelated


S&P Global assessed 20,000+ companies based on the location and types of their assets  
(3.1m+ assets for climate risk, 1.6m+ assets for nature risk)


## Exemplary findings from the data:


Sector	Climate risk	Nature risk	Interpretation
1 Electronic equipment, instruments and components	Extreme temperatures	Dependency on bio-remediation: dilution by atmosphere and ecosystem	Electronics are sensitive to temperature and humidity changes, as well as any form of contaminants  Bio-remediation and atmospheric dilution help in detoxification and waste removal, but may be disrupted in areas with more temperature extremes
2 Water utilities	Water stress	Dependency on mass stabilization and erosion control	Water utilities are highly sensitive to water stress  Assets more exposed to water stress show lower dependency on mass stabilization and erosion control  While water stress is a negative factor, locations with high water stress may be less susceptible to landslides due to more arid soil conditions

# Dependency between nature and climate physical risks

Ecosystem service / Climate Hazard	Extreme Heat	Droughts	Water Stress	Pluvial Floods	Coastal Floods	Fluvial Floods	Tropical Cyclones	Wildfires
Ground water								
Surface water								
Bio-remediation								
Buffering and attenuation of mass flows								
Climate regulation								
Dilution by atmosphere and ecosystems								
Filtration								
Flood and storm protection								
Maintain nursery habitats								
Mass stabilisation and erosion control								
Mediation of sensory impacts								
Pest control								
Pollination								
Soil quality								
Water flow maintenance								
Water quality								


Climate change drives nature risk

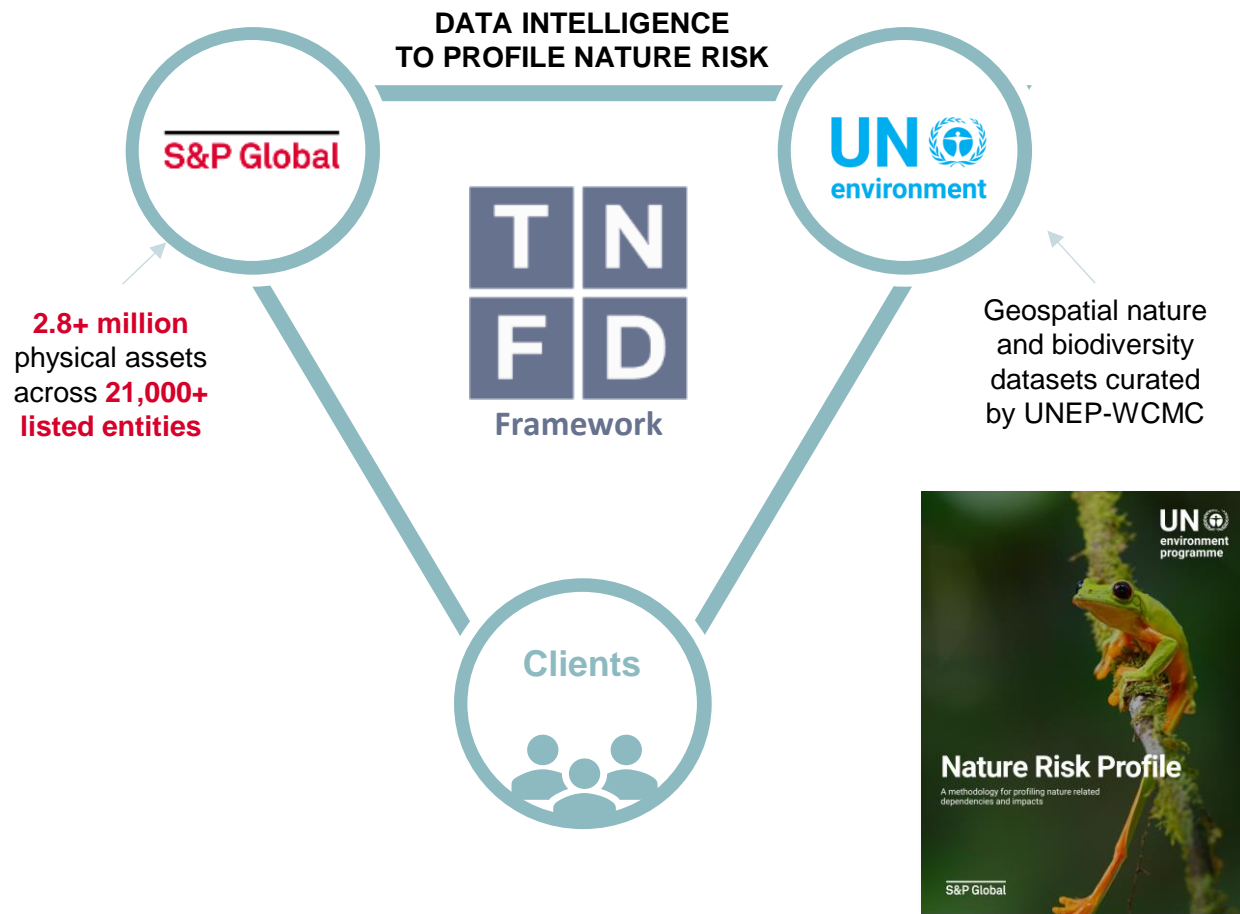

Climate change mitigation and adaptation potentially drives nature risk


Nature degradation drives climate risk and is also a potential solution to climate risk

Source: S&P Global Sustainable1 - ENCORE knowledge base classification - <https://encore.naturalcapital.finance/en> -Network for Greening the Financial System (NGFS)



# Keeping up to date with the most recent reporting guidelines and supporting datasets



The UN Environment Programme (UNEP) **Nature Risk Profile** methodology, launched by UNEP and S&P Global Sustainable1 in January 2023, measures nature-related risk by providing scientifically robust and actionable analytics on nature impacts and dependencies, developed with guidance from the Framing the Future for Nature Knowledge comprised of over 270 global organizations, representing financial institutions, corporations, government, academia, and interest groups.

**S&P Global's Nature & Biodiversity Risk** dataset applies the Nature Risk Profile methodology by combining essential sustainability intelligence on corporate entities and their assets with geospatial datasets on nature and biodiversity.

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