Nature-Related Financial Risks
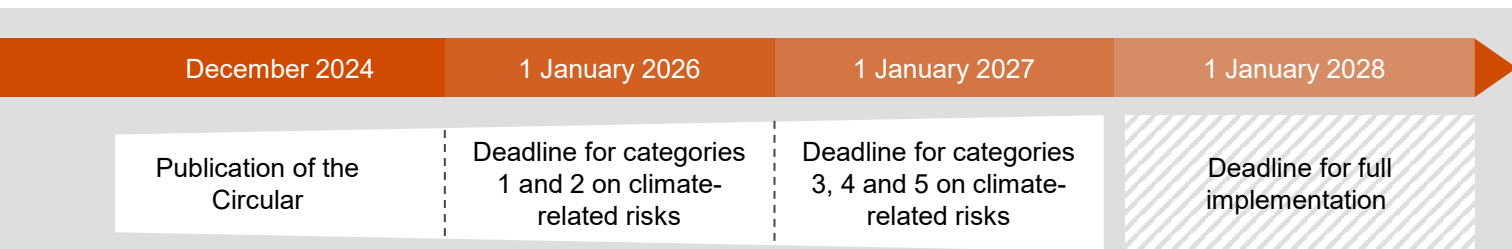
FINMA Circular 2026/1

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FINMA has published its new 'Circular 2026/1' on nature-related financial risks in line with international standard-setters' recommendations.

Basis: The **new Circular** expands the existing climate-related financial risk obligations to include a **holistic, nature-related** perspective for banks and insurance co-scenarios and is based on the current recommendations of international standard-setters such as the Basel Committee on Banking Supervision (BCBS) and the International Association of Insurance Supervisors (IAIS), as well as some of the recommendations of the Network for Greening the Financial System (NGFS).

Definition: For the purposes of this Circular, nature-related financial risks are defined as the short-, medium- and long-term risks of direct or indirect financial losses, or other negative effects on an institution resulting from its exposure to natural phenomena. Natural risks are therefore risk drivers that can be reflected in an institution's existing risk types as nature-related financial risks through various transmission channels, especially credit risks (including counterparty credit risks), market risks, liquidity risks, operational risks (including legal and compliance risks), insurance risks, business risks and reputational risks.

Governance: The institution must define and document all the nature-related risk governance-related tasks within the competencies and responsibilities of the Board of Directors and its committees, the Executive Board, the independent control bodies and control functions, the internal audit function and the other relevant business or organisational units, in accordance with their roles as defined in the FINMA guidelines.

Scenario analysis/stress testing: Institutions are required to assess the materiality of nature-related risks on their financial risk profiles. This assessment involves analysing a range of plausible scenarios and considers both direct and indirect impacts over various time horizons.

December 2024	1 January 2026	1 January 2027	1 January 2028
Publication of the Circular	Deadline for categories 1 and 2 on climate-related risks	Deadline for categories 3, 4 and 5 on climate-related risks	Deadline for full implementation

What?

Risks of **direct or indirect financial losses** and negative effects resulting from **exposure to nature risks**.

Where?

Risk drivers that manifest across **various existing risk categories** within institutions. Concerns Swiss companies with reporting obligations under the CO_2 Act.

Who?

The Circular is addressed to banks and insurance companies; full implementation for all institutions must be completed by 1 January 2028.
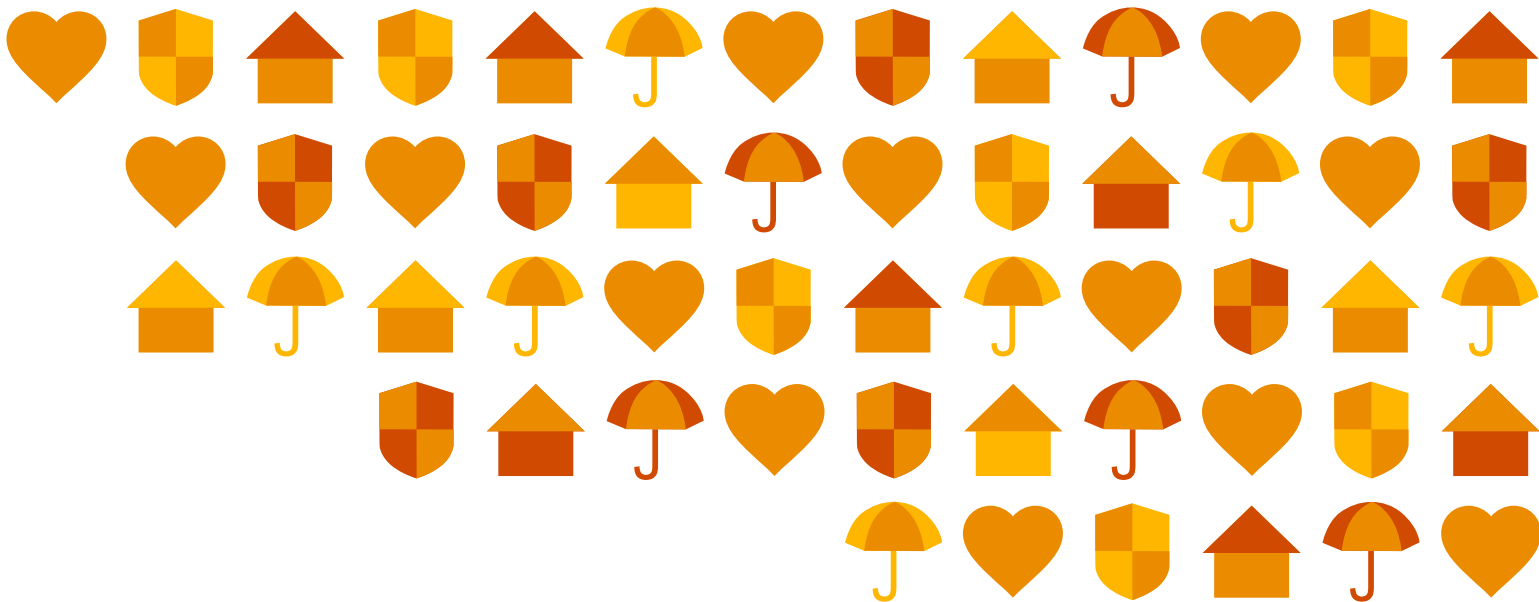
How?

The requirements are **principle-based, technology-neutral and proportional**, meaning that they are appropriate and adequate according to the materiality analysis. The main focus is on the areas of **governance and risk management**.

Why?

Serves the purpose of improving the management of nature-related financial risks and strengthening resilience.

Key challenges and questions

- In view of the ambitious timeline, are nature-related risks being addressed in our strategic and risk discussions?
- How are nature-related risks currently embedded in our risk and compliance governance, including key processes, policies, metrics and disclosure?

- Are nature-related risks included with other ESG risks on the BoD/ExB's – especially the audit and/or risk committee's – agenda?
- How do we distinguish between climate- and nature-related scenarios and consider the second-round effect and feedback loops?

Our solution

Risk governance integration

- Leverage your existing risk governance to embed nature-related risks along your entire strategic and risk governance value chain.
- Involve all lines of defence, including the business, control functions and audit, leveraging your existing soft and hard infrastructure.
- Be regulatory-compliant and disclosure-ready.

Scenario analysis and stress testing

- With our extensive expertise in climate scenario analysis, we will help you to develop and implement industry best practices in defining relevant nature-related scenarios and second-round effects.
- We assess the physical and transition risks in terms of contribution to biodiversity loss, potential vulnerabilities and consequences arising from ecosystem service disruptions.
- We provide actionable insights to enhance risk management strategies and support sustainable decision-making.

Express, affordable health check

- Our independent, time-efficient assessment of your health based on your specific documentation and organisational set-up will give you the opportunity to gain confidence with the new provisions.
- A dedicated workshop will be held with your key decision-makers to trigger action.

Contact us to discuss your journey towards a nature-aligned future.
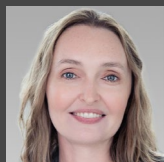
Alexandra Burns
Head of Risk Consulting

alexandra.burns@pwc.ch

Dr. Antonios Koumbarakis
Sustainable Capital and
Sustainability & Strategic
Regulatory Leader

antonios.koumbarakis@pwc.ch

Harald Dornheim
Actuarial and Climate Risk
Modelling Solutions

harald.dornheim@pwc.ch

Vinay Kalia
ESG and Risk Advisory

vinay.kalia@pwc.ch