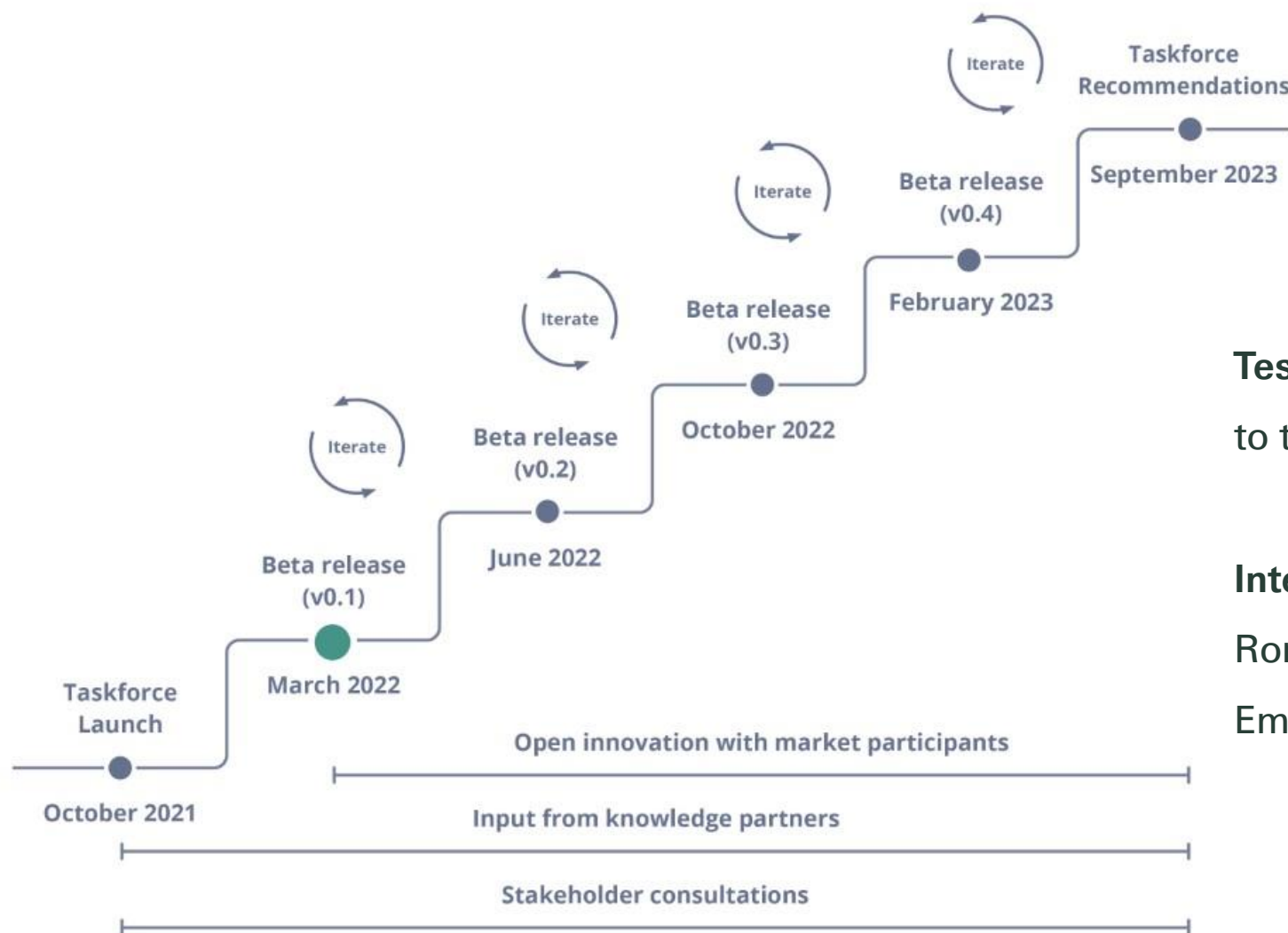


TNFD iterative development & piloting



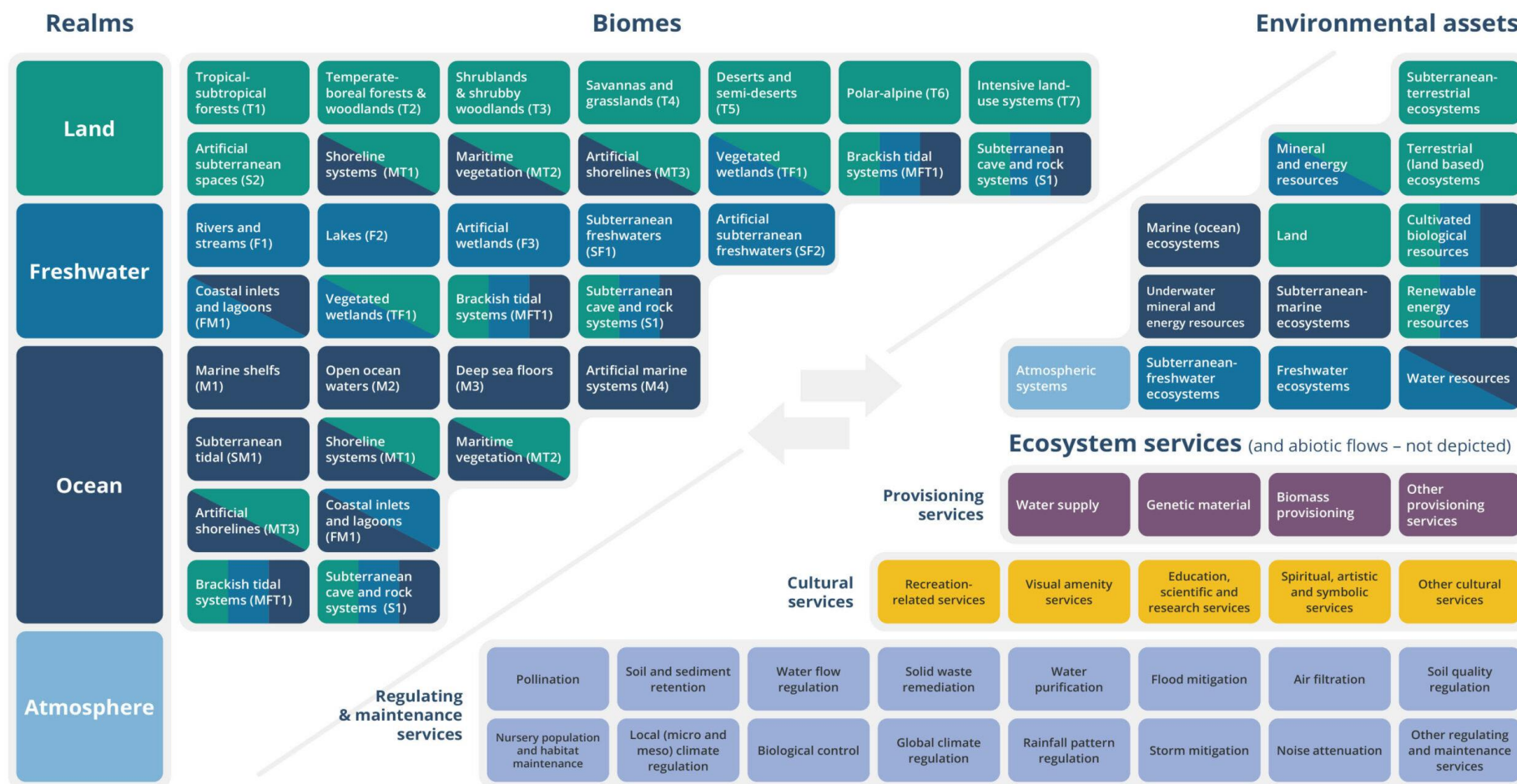
Test, learn, share and provide feedback to the TNFD

Interested? – Please contact:

Romie Goedicke

Email: romie.goedicke@un.org

TNFD Framework



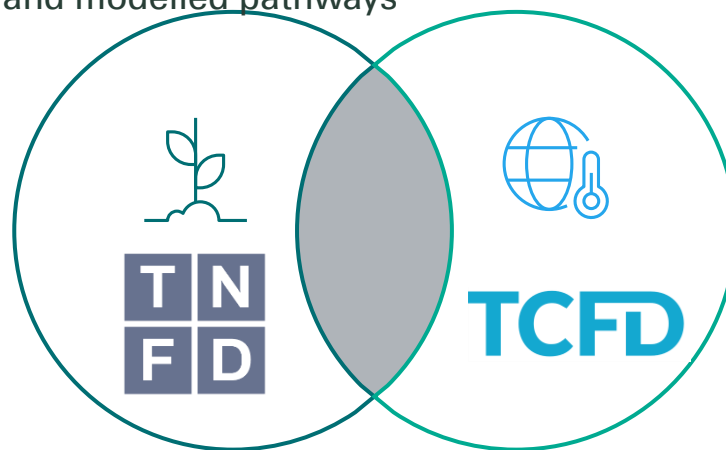
Planned Nature Positive Insurance PSI White Paper



- Biodiversity loss will be an increasingly important source of risk and opportunity for the insurance sector, according to the NGFS, the World Bank and others.
- Scope of White Paper is how and to what extent PSI members can play a role in meeting the increasing financial needs to protect biodiversity:
 - how insurance / re-insurance companies can support climate adaptation, resilience, plus net zero and nature positive pathways together, both managing downside risks and new / emerging opportunities on the upside.
 - How to leverage approaches already defined for climate change and catastrophe risk, and build insurance-based solutions for nature.
- Using international examples but is geared to an African context for launch at COP27.

TNFD is TCFD aligned

The TNFD builds on the TCFD framework, but is significantly more complicated due to more interdependent risk drivers, the need to capture 'double materiality', and less data and modelled pathways



Similarities

- Same four pillar framework:
 - Governance
 - Strategy
 - Risk Management
 - Metrics and Targets
- Similar basic risk taxonomy:
 - Physical
 - Transition
- Similar multi-sector taskforce approach to developing guidelines

VS

Differences

- Focus on location
- Concept of 'double materiality' makes the TNFD more complex
- Broader set of issues and risk drivers for the TNFD (biodiversity, deforestation, pollution, water scarcity, land vs marine etc)
- Interdependencies and tensions between risks makes scenario analysis and risk management harder
- Open innovation approach for developing the TNFD framework, client focused and "learning by doing" at its heart, with a longer development timeline

TNFD overview

The TNFD has set a clear goal to mitigate nature-related risks which is underpinned by the seven principles of the framework

The Goal



The TNFD aims to provide a framework by 2023 for organizations to report and act on evolving nature-related risks, in order to **support a shift in global financial flows away from nature-negative outcomes and toward nature-positive outcomes**



The TNFD aims to mitigate nature-related risk by integrating nature-related risks and opportunities into strategic planning, risk management and asset allocation decisions

The TNFD Principles

1		Market Usability
2		Science-Based
3		Nature-Related Risk
4		Purpose Driven
5		Integrated and Adaptive
6		Climate-Nature Nexus
7		Globally Inclusive

Source: 'Nature in Scope Report', Taskforce on Nature-Related Financial Disclosures

African TNFD Pilot Program

Pilot Champions



Core partners



Execution and knowledge partners



McKinsey & Company

Vivid Economics



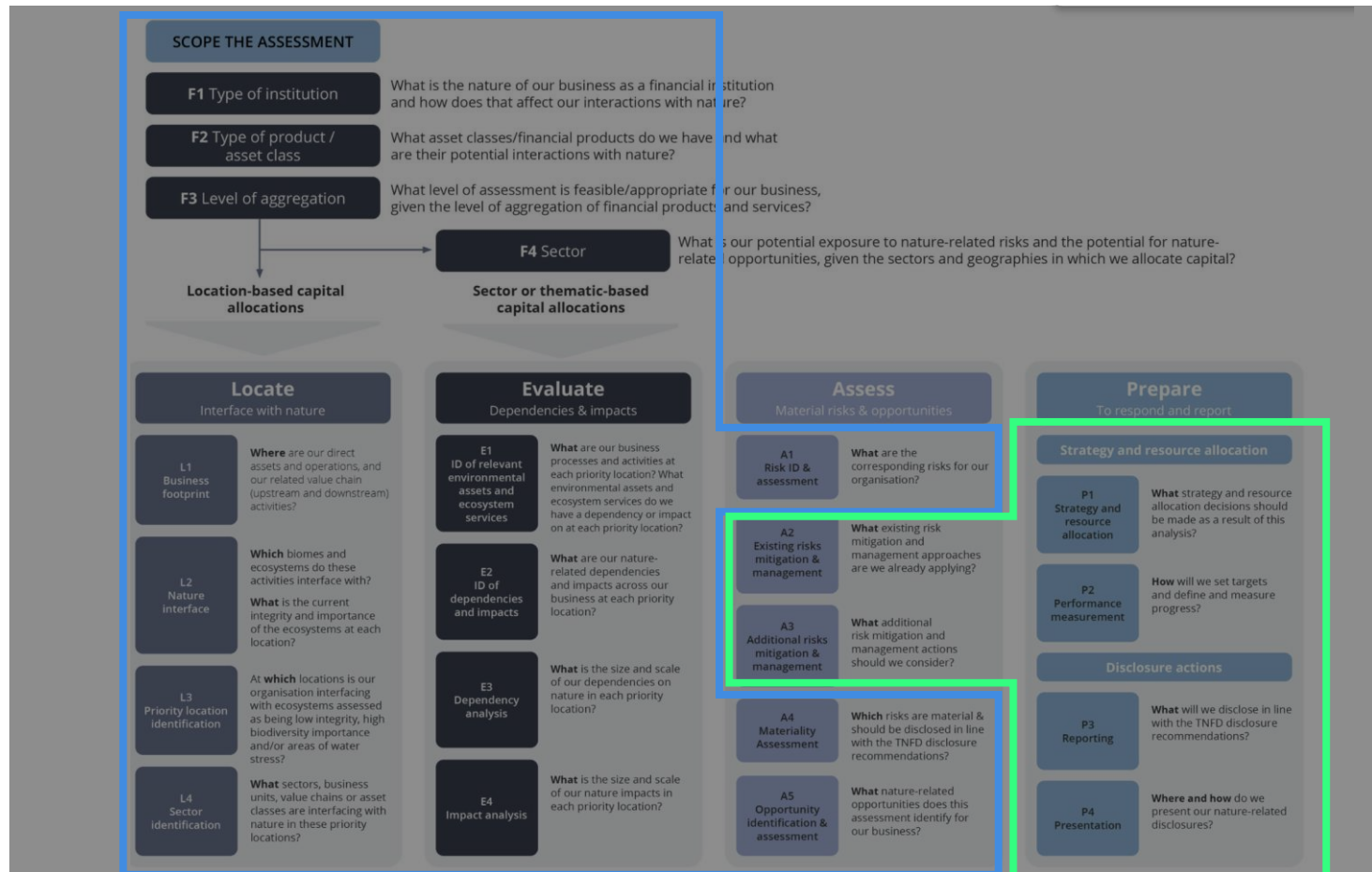
African Natural Capital Alliance in partnership with TNFD.

Select financial institutions, policymakers and regulators, members of the civil society and other influential stakeholders

Africa TNFD Pilot Approach

A Nature-related risk & opportunity assessment

B TNFD in Africa framework pilot



Benefits of methodology for Champions



Develop nature knowledge and capabilities leveraging best-in-class technical support



Create a first version of the risk and opportunity assessment on which to iterate



Methodology is **flexible by design** which allows for **different levels of engagement** based on an organization's nature-readiness

Five key emerging challenges to implementing TNFD

1

Lending to sectors with indirect exposure

Many African financial institutions have high exposure to sectors with indirect and complex interlinkages to nature-related risks and opportunities such as tourism, financial services and hospitality.

2

Data availability

Data and metric environment for nature is much less mature than for climate, and data required for assessments is not routinely collected from counterparties. FI's cannot close this data gap by purchasing 3rd party info as datasets tend not to cover non-listed corporate clients.

3

Integration and trade-offs with climate

It is neither efficient (given interdependencies) nor feasible (given capacity) to consider nature separately to climate.

Still unclear how to manage trade-offs between climate and nature.

4

Attracting skills and talent

It is hard to find talent with the right set of skills and experiences e.g. proficiency with granular spatial data, understanding of scientific physical processes, strategic thinking, and familiarity with voluntary reporting standards.

5

Regulatory expectations and support

Most regulators plans are unclear on nature, leaving it difficult to prioritize nature internally (e.g. at board-level). Financial institutions require guidance, in particular for nature-related scenario analysis and stress tests.

There is need for insurers to grapple with nature-related topics specific to them



1

Starting point is integrating nature into existing risk management frameworks – underwriting, investment and business risk. Underwriting is the most complex.

2

Impacts on value of underwriting books cannot be as simply assessed as loan books – instead of 'black and white' probability of default there are multiple shades of 'grey' associated with different product lines and contract terms.

3

Insurance sector has varied risk horizons, depending on the line of business – longer term nature of life books may bring more extreme nature scenarios (tipping points) into play. Annual renewal cycle of non-life books allows shorter term anticipation and management of nature risk.

4

Location-sector specific data will become even more important in assessing risk and opportunity – especially for corporate and speciality insurance that is project level, high spatial resolution data within the immediate vicinity of projects/assets will be required.



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