

# **Nordea thematic guideline on biodiversity**

**November 2023**

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## 1 Introduction

Biodiversity is the living part of nature and a prerequisite for functioning ecosystems, enabling them to be productive, resilient and adaptive to change. Society depends on ecosystem services such as the pollination of crops and the processing of carbon, water and nutrients in soils to produce food, fibres and other biomaterials. Biodiversity is also a resource for developing new medicines and other innovations; offers resilience against the effects of storms and floods; and provides recreational value.

Society impacts biodiversity directly and indirectly through its use of land, water, fossil and renewable resources, etc. Human dependency and impacts on nature and its assets and services create financial risks and opportunities for companies and financial institutions. In this thematic guideline, we outline Nordea's position on biodiversity and describe our current work and commitments to further action.

### Definitions

The terms biodiversity, ecosystems and nature are often referred to in parallel and are sometimes used interchangeably. In this document we refer to the concept of biodiversity as defined below, but also reference nature when cited by expert organisations, conventions and frameworks.

- Biological diversity, commonly referred to as biodiversity, is “the variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems”<sup>1</sup>.
- An ecosystem is “a dynamic complex of plant, animal and micro-organism communities and their non-living environment interacting as a functional unit”<sup>1</sup>. A coral reef, a rainforest and a wetland are all examples of biodiversity-rich ecosystems.
- Nature is defined in a similar way to ecosystems, encompassing “all the existing systems [on] the Earth, all the features, forces and processes, such as the weather, the sea and the mountains”<sup>2</sup>.

## 2 Background

The current rate and scale of biodiversity loss is threatening the stability of important global ecosystems. In scientific publications biodiversity loss is identified as a [planetary boundary](#) that has already been crossed, meaning that human activity has pushed planetary systems beyond what is defined as a safe operating space for humanity. If this trend is not reversed, it will not be possible to meet several of the environmental and socioeconomic [UN Sustainable Development Goals](#). The UN panels of experts on climate change ([IPCC](#)<sup>3</sup>) and biodiversity ([IPBES](#)<sup>4</sup>) stress that the two global challenges of climate change and nature loss are interrelated and mutually reinforcing, and must be solved together. Well-functioning ecosystems are key to supporting decarbonisation and achieving net zero targets, and global warming exceeding 1.5 degrees is projected to cause irreversible impacts on biodiversity and ecosystems.

Society's response to the challenges of biodiversity loss is evolving rapidly. The [Kunming-Montreal Global Biodiversity Framework](#) (GBF) was adopted by almost 200 nations in December 2022 and is

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<sup>1</sup> [The Convention on Biological Diversity](#)

<sup>2</sup> [difference-biodiversity-nature.pdf \(cbd.int\)](#)

<sup>3</sup> The Intergovernmental Panel on Climate Change

<sup>4</sup> The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services

often described as the “Paris Agreement for nature”<sup>5</sup>. It includes 2030 targets to halt and reverse biodiversity loss and set nature on a path to recovery in order to achieve the global vision of a world living in harmony with nature by 2050. The GBF stresses the role of industry and financial institutions, with particular importance attached to a substantial and progressive increase in the level of financial resources from all sources to fund the necessary transformation. Countries are reviewing and will update National Biodiversity Strategies and Action Plans by 2024 to start tracking progress against the GBF targets, with likely implications for companies exposed to risks through biodiversity dependency and/or impacts. From 2024 onwards, the [EU Corporate Sustainability Reporting Directive](#) will set biodiversity reporting requirements for large companies and financial institutions that have assessed biodiversity to be material to them, and will expand the scope to include smaller companies in the coming years.

### 3 Purpose and scope

The purpose of this biodiversity guideline, approved by the Sustainability and Ethics Committee September 18 2023, is to set out Nordea’s position on biodiversity and describe its current work and commitments to further action. It forms the basis for dialogue with our stakeholders on this aspect of our business.

The term “stakeholders” refers to clients, portfolio companies, investors, regulators, suppliers, employees and wider society.

Nordea’s business includes financial services, such as corporate and household lending, wealth management, investments, and advisory services for corporate, private and institutional clients, as well as own operations.

This guideline applies to all markets in which Nordea operates or conducts business and includes its value chain. However, we acknowledge the challenges inherent in adopting a value chain perspective, given the current limited availability of biodiversity methodologies, tools and data. As value chain data availability and quality improve, we will expand the scope and refine our approach.

When assessing and addressing biodiversity, we include terrestrial, freshwater and marine ecosystems. We also acknowledge the importance of the five main drivers of biodiversity loss globally as defined by the IPBES: land and sea use change, over-exploitation, pollution, climate change and invasive alien species <sup>6</sup>.

### 4 Our position

Biodiversity is a prerequisite for sustainable development. Our business both depends on and impacts biodiversity, directly and indirectly, locally and globally. It is important that we understand and contribute to reducing negative biodiversity impact and increasing positive biodiversity impact<sup>7</sup>, and that we understand and manage the associated material risks and opportunities to ensure our long-term viability and retain stakeholder trust.

We recognise that:

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<sup>5</sup> [United Nations Environment Programme](#) and in [media](#)

<sup>6</sup> [IPBES global assessment report on biodiversity and ecosystem services](#)

<sup>7</sup> Changes in the use of land, freshwater and marine ecosystems in sectors such as agriculture, mining, energy production and aquaculture can cause biodiversity loss, i.e. negative impacts. Positive impacts can be brought about through, among other things, setting aside land for biodiversity protection, minimising pollution, reducing resource use, and designing operations to promote the migration of fish or birds, for example.

- It is Nordea’s responsibility to contribute to achieving the objectives of the [UN Convention on Biological Diversity](#), the targets of the [Kunming-Montreal Global Biodiversity Framework](#), the [EU biodiversity strategy for 2030](#) and the [UN Sustainable Development Goals](#)<sup>8</sup> to halt and reverse biodiversity loss by 2030, supporting the path to recovery to achieve the global vision of a world living in harmony with nature by 2050.
- Biodiversity is a material impact area for Nordea<sup>9</sup>, mainly due to its financing of certain sectors and its investments. Our [sustainability governance structure](#) and [ESG risk governance](#) are key to addressing the challenges and opportunities in a structured manner.
- The global challenges of climate change and nature loss are interconnected and mutually reinforcing. Our [climate ambitions, 2030 and 2050 climate targets, and structured approach to mitigating risks and harnessing opportunities](#) are therefore integral and important components of our work on biodiversity.
- Respecting human rights is essential for sustainable development. Our commitments, set out in our [Code of Conduct](#), are therefore closely linked to our work on both biodiversity and climate.
- Collaboration is key to meeting the challenges of understanding and addressing biodiversity dependencies and impacts, and related risks and opportunities. We can contribute by engaging with stakeholders, scaling impact through sector guidance and standardisation, and sharing our expertise and experience.

We also recognise that the business environment is evolving rapidly. When developing our approach further, we will take into account relevant international conventions, regulatory requirements<sup>10</sup>, the views of our stakeholders, and industry best practice<sup>11</sup>.

## 5 Our current work

We have an evolving and risk-based approach to sustainability, including governance and risk management to incorporate sustainability into our business. We focus on inspiring and engaging with our clients, portfolio companies and suppliers in material sectors in order to contribute to societal goals. Below, are examples of how we incorporate biodiversity into our work.

- We communicate requirements and expectations related to biodiversity in our sector guidelines for the [mining](#), [fossil fuel](#), [agricultural](#), [forestry](#) and [real estate](#) sectors. Companies in these sectors are expected to refrain from involvement in operations in areas protected by international conventions aimed at protecting and supporting biodiversity. We expect clients and portfolio companies in the agricultural, forestry and fossil fuel industries to integrate biodiversity into their environmental management planning and decision-making processes.

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<sup>8</sup> The Sustainable Development Goals (SDGs) identified as significant for Nordea are specified in our [2022 Annual Report](#). SDGs 12, 13, 14 and 15 have implications for biodiversity.

<sup>9</sup> We have identified biodiversity as a material impact area for Nordea in our materiality and impact analysis, as described in our [2022 Annual Report](#) (pp. 352–353).

<sup>10</sup> [The EU Corporate Sustainability Reporting Directive](#), the [EU biodiversity strategy for 2030](#), national legislation, etc.

<sup>11</sup> For example, the [Taskforce on Nature-related Financial Disclosures](#), the [science-based targets for nature](#), the UN Environment Programme Finance Initiative [Principles for Responsible Banking](#), the [Principles for Responsible Investment](#), and the [Partnership for Biodiversity Accounting Financials](#).

- For project finance, we are signatories to [the Equator Principles](#), which include requirements to assess risks and impacts on biodiversity and human rights.
- In the [responsible investment policy](#) of Nordea Asset Management (NAM), biodiversity is identified as a systemic risk and a prioritised engagement topic. NAM is involved in company engagements regarding drivers of biodiversity loss, such as land use, pollution, resource use and climate change. Deforestation is identified as a risk and NAM expects all relevant portfolio companies involved in the production, trade, use or financing of forest risk commodities to commit to eliminating deforestation and the loss of other valuable ecosystems from their operations and supply chains. NAM is a [Finance for Biodiversity Pledge](#) signatory and works actively to fulfil the Pledge commitments.
- The [responsible investment policy](#) of Nordea Life and Pension (NLP) includes expectations for investee companies to prevent biodiversity loss; be nature positive; disclose material biodiversity and nature-related impacts, dependencies and risks; and explain how these are integrated into their business strategy and risk management. NLP does not invest in or finance companies involved in unconventional fossil fuel extraction that risks driving biodiversity loss through land and sea use change, overexploitation of water, and pollution.
- As part of our procurement process, we screen suppliers from a biodiversity perspective and engage with them when deficiencies are found. For selected categories, such as premises and facility management and IT equipment, we have biodiversity-relevant sustainability requirements, including certifications, policy and governance expectations, and specific requirements for the purchased products and services.
- In our [green funding framework](#), we include projects and activities relevant for reducing negative biodiversity impact, for example through preventing pollution and managing forests and agriculture sustainably in the Nordic countries.
- We provide investment offerings addressing biodiversity risk exposures in [Nordea's Sustainable Choice \(SC\) framework](#).
- We work to reduce environmental impact from [our own operations](#) by reducing business travel and improving ways of working to reduce resource use.
- We engage in the [Taskforce on Nature-related Financial Disclosures Forum](#), the [UN Environment Programme Finance Initiative](#), and external communication to forward the field. Other examples include supporting start-ups with sustainability expertise and customers with a climate reporting tool.
- We refrain from participating in lobbying or advocacy activities aimed at weakening biodiversity policy.

## 6 Our commitments

Building on our evolving risk-based sustainability approach and governance structure, and as part of our 2025 biodiversity roadmap to further strengthen our strategic response to this aspect of our business, we have committed to integrating biodiversity into the following:

- **Sustainability governance**

- Building competence, processes and data capabilities to locate, evaluate and assess our biodiversity dependency, impact, risks and opportunities
- Incorporating biodiversity into our business strategy; management of impacts, risks and opportunities; and reporting, where data availability and quality allow
- Setting biodiversity targets, adopting a progressive approach
- Seeking synergies and identifying potential trade-offs between our climate, biodiversity and human rights positions in material areas
- **Stakeholder engagement**
  - Further strengthening our engagement with our corporate clients, portfolio companies and suppliers in the area of biodiversity, based on the requirements and expectations set out in our sector guidelines and internal rules, and as a signatory to the Finance for Biodiversity Pledge and the Equator Principles
  - Raising awareness and educating people about biodiversity across our organisation – including the Board of Directors, leadership teams and selected units and functions
  - Maintaining our constructive engagement in industry collaborations, projects and stakeholder dialogues
- **Offerings**
  - Exploring and, where feasible, further developing lending and investment products that channel capital towards protecting and restoring biodiversity, and pursuing other opportunities to support customers in their biodiversity transition
  - Promoting fund managers' commitments to biodiversity through our Sustainable Choice framework, and addressing biodiversity risk exposure in our advisory savings offering
- **Management of own operations**
  - Incorporating biodiversity into our ambitions and actions aimed at reducing the environmental impact of our own operations