

Finansverdens muligheder for at skubbe havet i den rigtige retning

After-work meeting Dansk Selskab for Marinbiologi



Strategic context for engaging financial institutions

The Kunming-Montreal Global Biodiversity Framework

- **Goal A:** the overarching goal to halt and reverse biodiversity loss by 2030.
- **Goal D:** a clear ambition to align financial flows with the expressed vision of “living in harmony with Nature” by 2050.
- **Target 15:** calls for the assessment and disclosure of nature-related risks, impacts and dependencies by large companies, including financial institutions.
- **Target 19:** calls for a substantial increase in public and private financial resources – by at least USD 200 billion annually – towards addressing the nature-related funding gap.



Convention on
Biological Diversity

EU Sustainable Finance Framework

- EU Taxonomy
- Sustainable Finance Disclosures Regulation
- Corporate Sustainability Disclosures Regulation



Global initiatives



Nature Action 100



**Taskforce on Nature-related
Financial Disclosures**



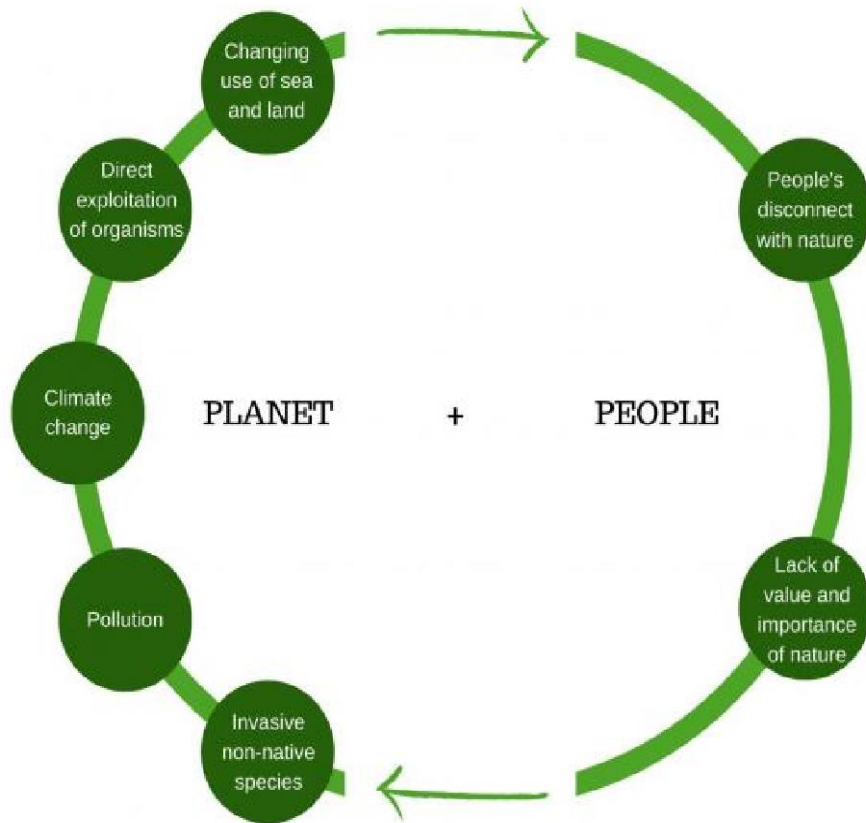
..... and several others.

The relevance of assessing ocean-related risks

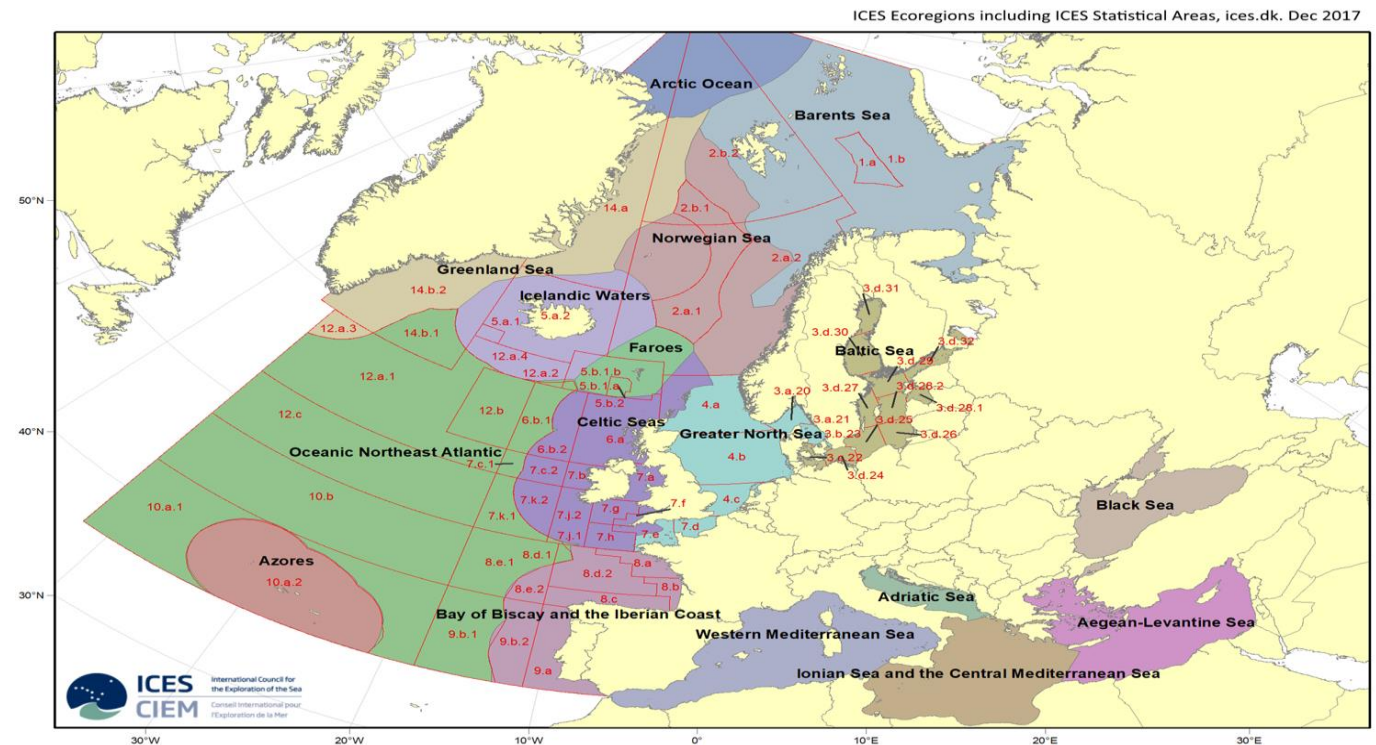
- About 70 pct. of the surface of the globe covered by oceans
- About 240.000 marine species already known ([World Register of Marine Species, 2022](#)), a fraction of the total marine species estimated and yet to be classified
- About 30 pct. of carbon dioxide emissions have been absorbed by the oceans [National Centers for Environmental Information, 2019](#)
- Beyond climate regulation, marine ecosystems provide **numerous and critical ecosystem services** ranging from provisioning services (e.g., food, genetic and raw materials, water) to regulatory services (e.g., mass stabilisation and erosion control, flood and storm protection)
- Yet a **large fraction of oceans - over 40 pct. - is strongly affected by multiple drivers** ([Halpern et al., 2008](#)) leading to a deterioration of marine ecosystems' health through cumulative impacts

Oceans are impacted by a set of key pressures

IPBES DRIVERS OF BIODIVERSITY LOSS

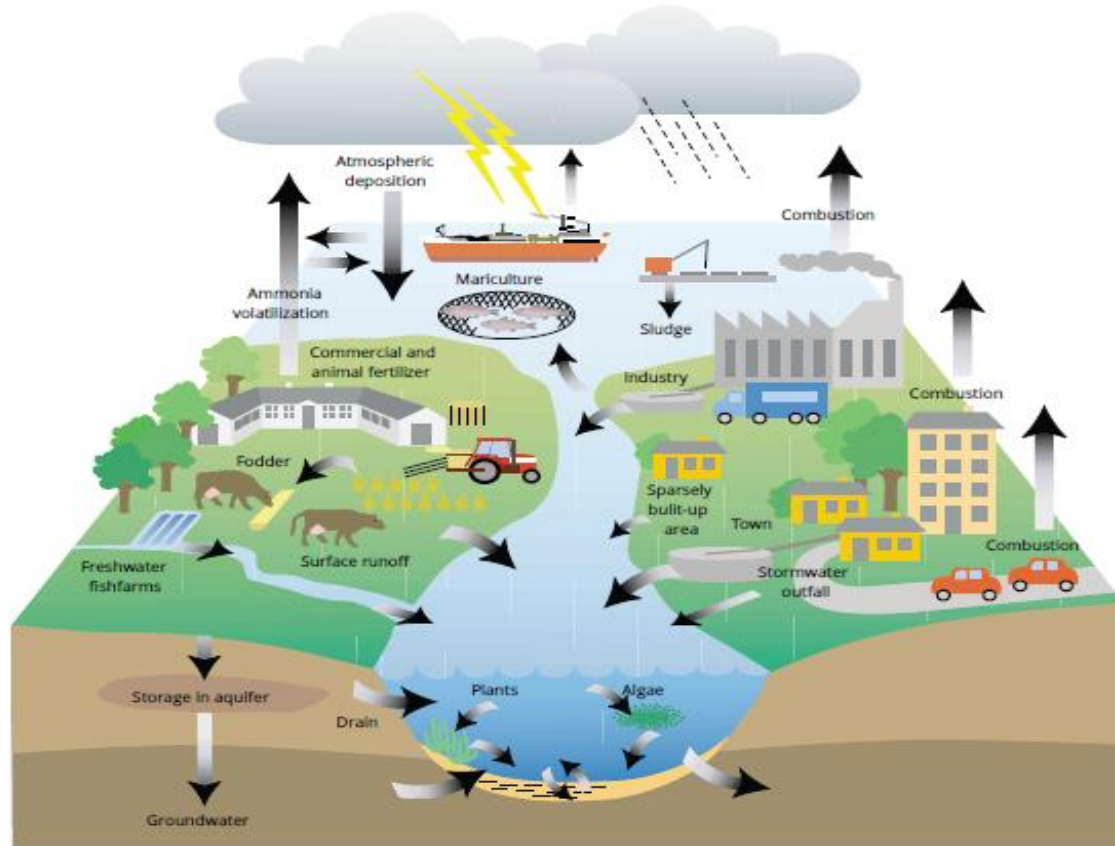


- GHG emissions
- Nutrients and organic enrichment
- Extraction of species
- Physical disturbance of the sea floor
- Pollutants/contaminating compounds
- Underwater noise
- Marine litter
- Introduction of non-indigenous species



The pressures involve multiple types of activities and pathways

Highlight: Nutrient (nitrogen) input into the sea



Source: [Ertebjerg et al., 2003](#)

- **Example - Inputs of nitrogen to marine water**, where all relevant sources and pathways are shown. Phosphorus inputs show similar sources and pathways, although phosphorus is not emitted to the air and subsequently deposited.
- For critical ocean pressures, multiple human activities and business processes are involved as pressure drivers, including land-based activities
- This involves direct and indirect pathways, as well as value chain exposures (e.g., food value chain)

High materiality of biodiversity loss for financial institutions' portfolios

Dutch financial institutions have **€510 billion** in exposures to biodiversity risks



Source: [Dutch Central Bank](#).

42 pct. of the value of securities portfolios held by French financial institutions consists of securities issued by companies dependent on at least one ecosystem service



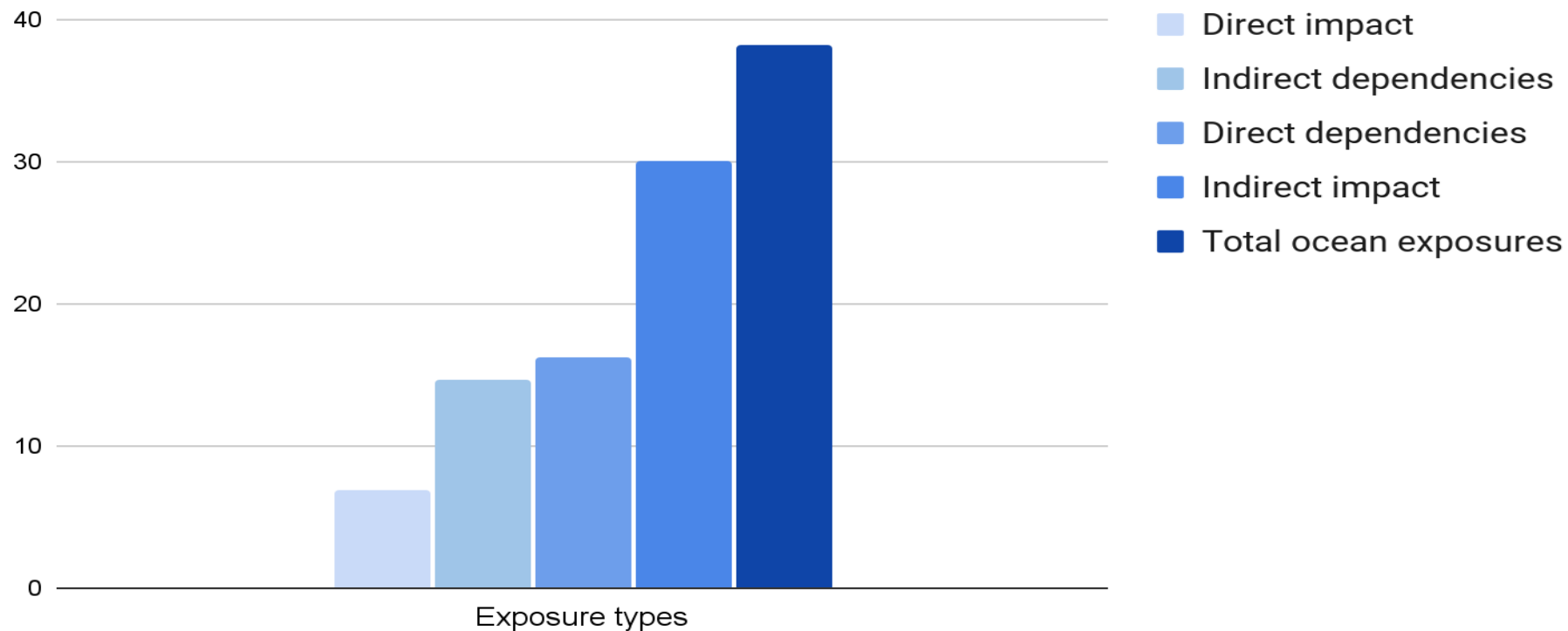
Source: [Banque de France](#).

Looking at the dependence on nature of more than **4.2 million** individual companies accounting for over **€4.2 trillion** in corporate loans, preliminary assessments by ECB showed that nearly **75 pct.** of all bank loans in the euro area are to companies that are highly dependent on at least one ecosystem service.

Source: [European Central Bank](#).

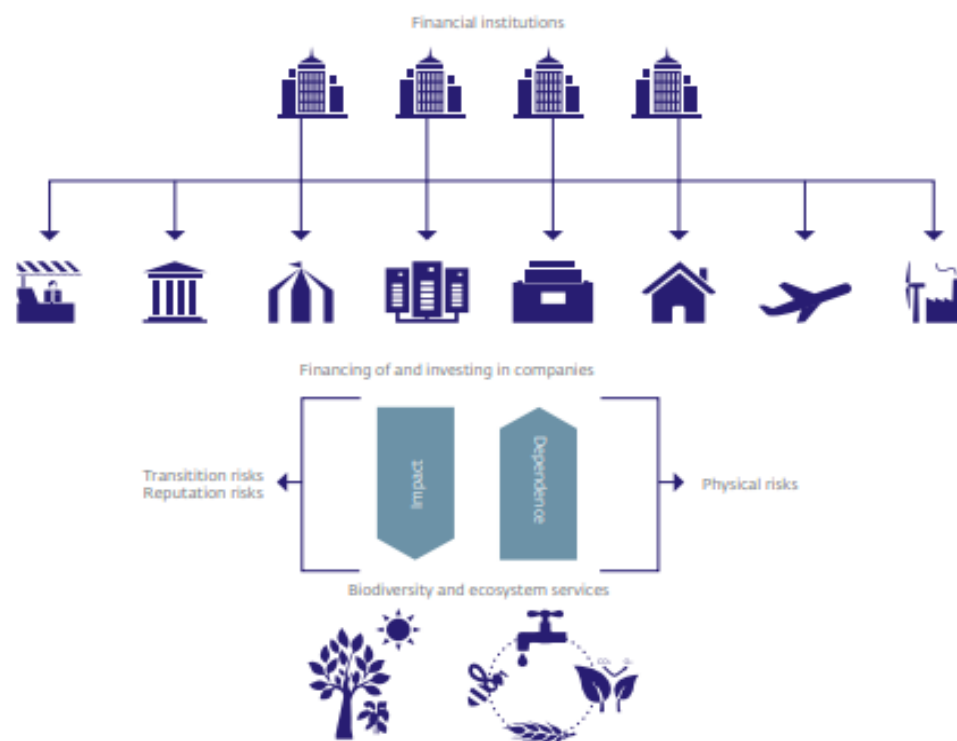
High materiality of oceans for financial institutions' portfolios

Illustrative case: Ocean-related exposures of selected Danish pension funds (combined exposure in pct. of Assets under Management)

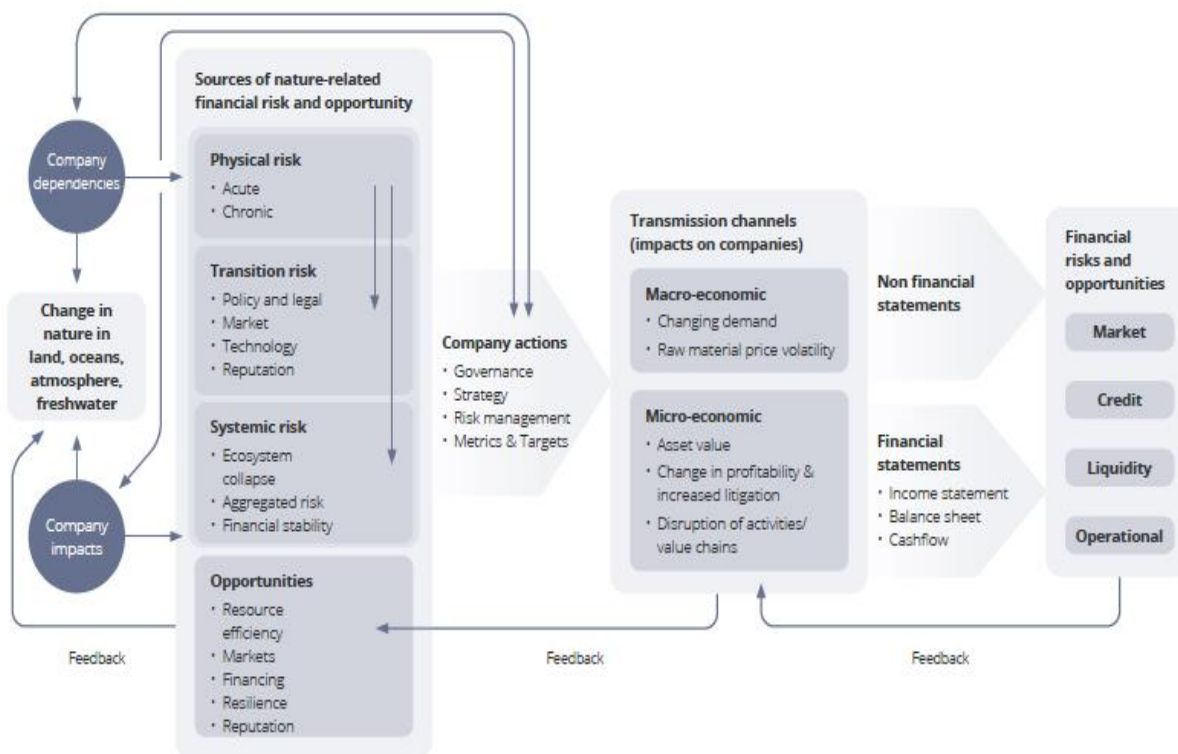


Note: Exposures measured at sub-sector level with potential impacts or dependencies (total showing combined exposures), above and beyond GHG/ Climate pressures.

Relationship between financial sector, economy, biodiversity and ecosystem services



Source: [Dutch Central Bank](#).



Source: [TNFD](#)

Engaging the financial sector

Segment	Key characteristics	Opportunity
Asset owners <ul style="list-style-type: none"> Public pension funds (first pillar) Private pension providers (second and third pillars) Life insurers' general accounts 	<ul style="list-style-type: none"> Large pension funds have a long-term focus on environmental issues, in particular due to their structural long term investment horizons, high portfolio duration and sensitivity to longer-term environmental risks. 	<ul style="list-style-type: none"> Doing investments to develop own ESG capabilities and evolving their governance structures to integrate more environmental and biodiversity issues, including oceans. Long-term investors in other financial sectors.
Banks <ul style="list-style-type: none"> Credit and lending activities to the «real economy» Savings' products distribution 	<ul style="list-style-type: none"> Banks have significant exposure to material sectors for biodiversity/oceans (e.g., agriculture, infrastructure) and particular focus on risks (credit) which make the nature-related risks highly relevant (e.g., non-performing loans for agriculture, SMEs in nature dependent sectors). 	<ul style="list-style-type: none"> Integrating wider set of environmental factors in credit risk management and loan arrangements. Developing green loans and offering of green savings products to their retail clients. Opportunity for specific case-studies on exposed and material sectors
Asset managers <ul style="list-style-type: none"> Institutional mandates Institutional funds Retail funds (UCITS) 	<ul style="list-style-type: none"> Subject to regulatory changes (e.g., SFDR) and still in the definition of their biodiversity «journey». Prioritisation of ecosystems, metrics and pressures remains. 	<ul style="list-style-type: none"> A more mature sub-segment is boutiques and asset managers developing ocean-focused funds and private capital funds in real assets and natural capital.
Insurers <ul style="list-style-type: none"> P&C insurance segment Re-insurers 	<ul style="list-style-type: none"> Re-insurer in particular are looking more closely at nature related-risks (cf. Swiss Re, SCOR, AXA RE) and investing in own assessment capabilities. On the P&C segment, increasing relevance of nature-related risks 	<ul style="list-style-type: none"> Putting greater focus on nature risks, with certain product lines directly impacted (e.g., marine insurance) and product offerings being adapted.



An approach for measuring ocean-related exposures

High-level portfolio mapping

Scope and boundaries' setting

- Objective: understand the scope of pressures induced by human activities which are relevant for financial institutions to consider in their portfolios
- Decomposition of relevant pressures
- Geographical scope
- Economic scope definition: direct vs. indirect (e.g., supply chain, downstream impacts), physical vs. transition risks; materiality and nature of impact

High-level portfolio analysis

- Objective: understand most relevant hotspots in the financial institutions portfolio at sub-industry level to address defined scope of pressures
- Measure potential exposure of the portfolio in terms of material dependencies (direct and indirect) and material impacts (direct and indirect)

Prioritising the most important sectors for ocean action

- Establish prioritisation matrix based on combination of pressure relevance/materiality, forward-looking, portfolio relevance and additionality
- Derive list of prioritised investments/companies

High-level assessment of companies' exposures to key physical and transition risks

The clear definition of environmental and economic boundaries is critical

Direct dependencies	Indirect dependencies
Measure how marine ecosystem loss or damage can negatively impact the company's own activities	Measure how marine ecosystem loss or damage can negatively impact the company's supply chain or clients
Direct Impact	Indirect Impact
Measure how the company's operations have a direct impact on marine ecosystem pressures (so-called "perimeter under control")	Measure how the company's supply chain or downstream value chain (e.g., product use) impact marine ecosystem pressures

Case study

- [ENCORE/ODEMM](#) tools are used as basis for mapping, at sub-sector level, potential marine dependencies and impacts related to business processes complemented by other sources (identified in data mapping). Focus on industries with structural and material exposures
- Considering only dependencies/impacts with at least *Medium materiality*, applicable in at least one ecosystem service or impact driver relevant for a business process in the sub-sector
- Boundaries: indirect impacts/dependencies considered additionally via value chain exposures to activities with high direct impacts/dependencies
- Inclusive of Nordic relevant ocean pressures (note: GHG emission/climate treated as separate scope)

Leveraging existing measurement approaches for portfolio analysis

Generic Biodiversity Metrics

- GBSFI (Global Biodiversity score for Financial institutions)
- BFFI (Biodiversity Footprint Financial Institutions)
- CBF (Corporate Biodiversity Footprint)
- STAR (Species Threat Abatement and Restoration)
- BIA (Biodiversity impact Analytics)

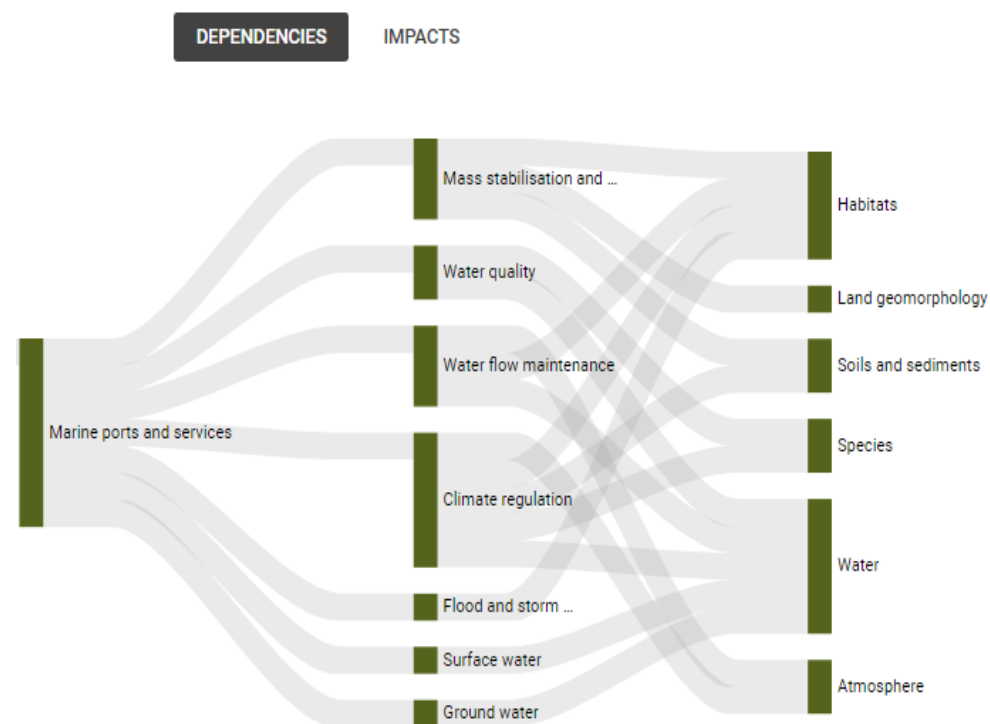
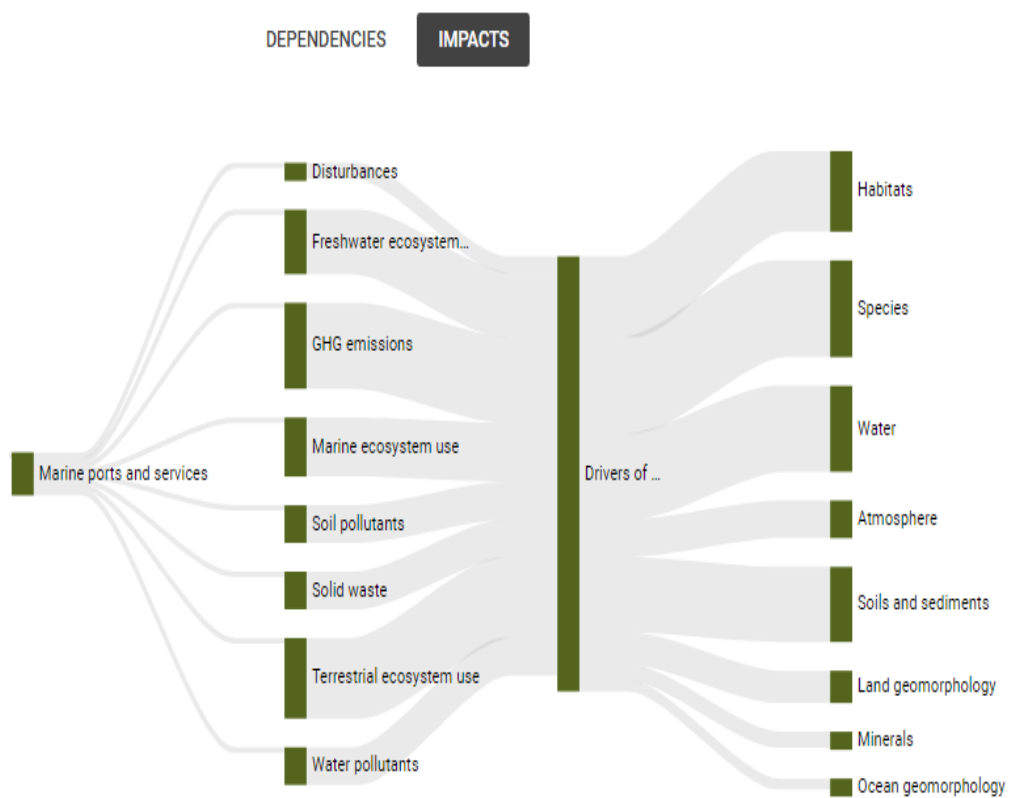
Sector focused frameworks

- [ENCORE/ODEMM](#)
- [SASB](#) (Sustainability Accounting Standards Board)
- UNEP FI [Turning The Tide guidance](#) and [Diving Deep guidance](#)
- Expert reviews (e.g., OECD) and sector specific studies

- The sector-focused methodologies appear to be the most actionable resources/ tools currently to derive relevant investment analytics and engagement points
- Generic biodiversity metrics are not yet set to fully addressing ocean ecosystems (work-in progress, e.g., STAR metric to be extended to marine ecosystems in the future)

Mapping individual sectors and business processes with dependencies and impact using linkage frameworks

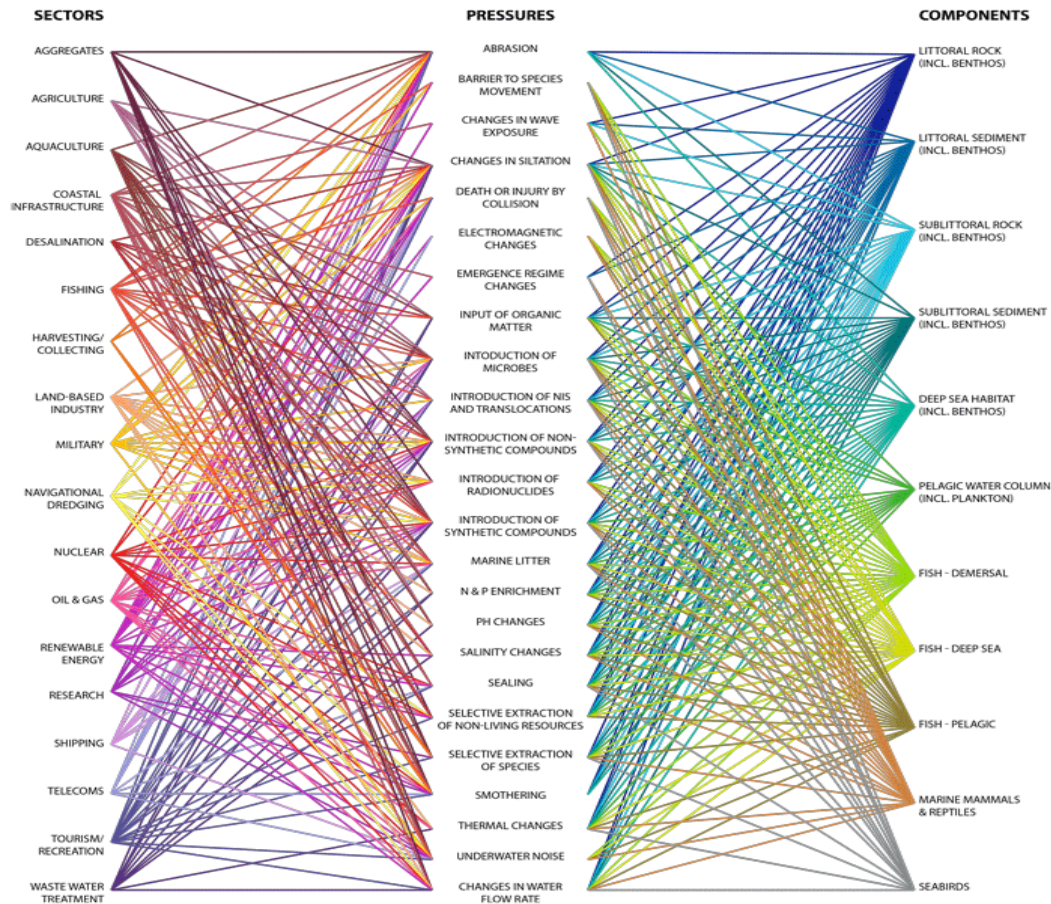
Example: Port sector



Source: [ENCORE](#)

Specific marine linkage analysis

Example: ODEMM Framework



- The ODEMM linkage framework builds on the DPSIR approach (Driver-Pressure-State-Impact-Response) (EEA 1998) which systematically organises information to assess which management responses might help to reduce impacts on the state of the environment.
- The ODEMM approach moves beyond DPSIR so that the full aspirations of Ecosystem-based Management can be fulfilled and the linkages work has been specifically designed to be relevant to Europe's Marine Strategy Framework Directive (MSFD).
- The Linkage Framework can help with decision support and visualisation of the system and provides the structure within which management options can be explored.



Danish financial institutions

Focus on asset owners and Danish pension funds

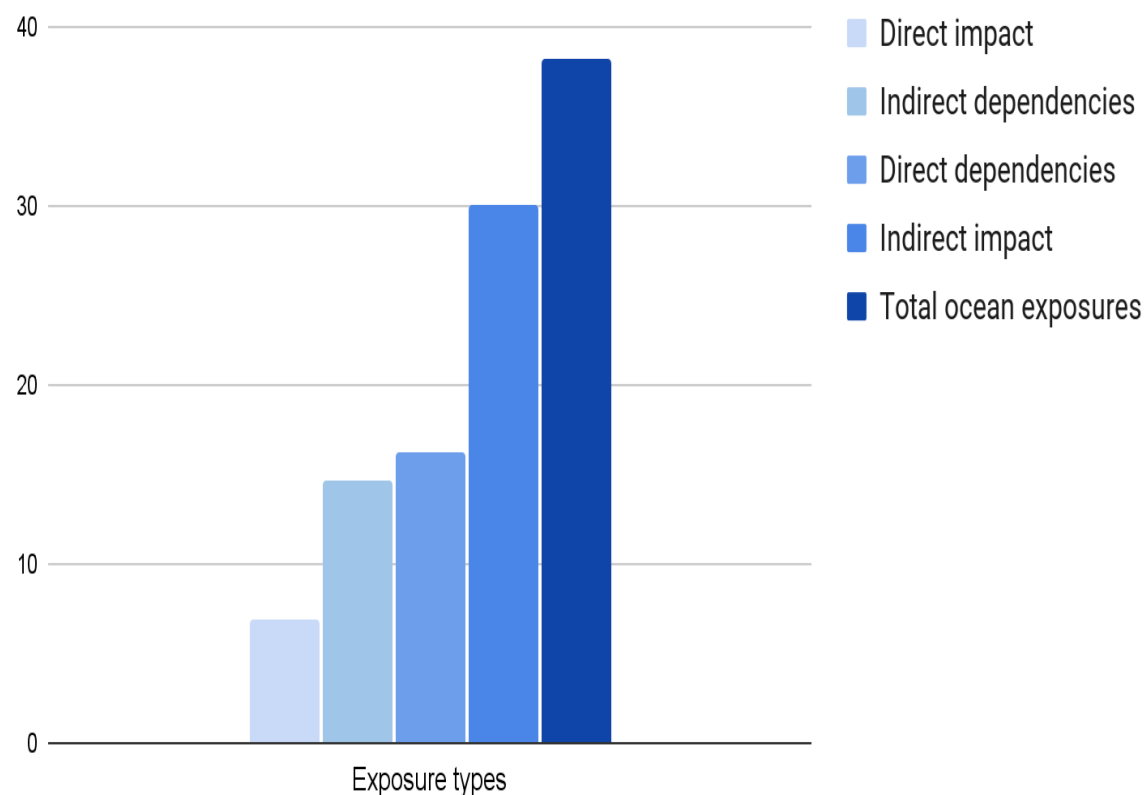
- With a **total of app. 4.000 billion DKK in assets under management (AuM)**, the Danish pension sector plays an instrumental role in supporting a green, sustainable transition of the economy.
- Despite **continued progress in their sustainability work** in recent years, Danish pension funds are **yet to define a wide and integrated approach to sustainability** that is reflected in the pension funds internal policies, strategies and targets, actual asset allocation and engagement activities.
- Thus far, the Danish pension sector has had an important but **one-sided focus on climate action, a few economic activities and asset classes**.
- If the credibility of its sustainability work is to be maintained and the future value of the AuM to be preserved, the Danish pension sector **must consider the interlinkages between climate, environment and biodiversity** across all economic activities and asset classes. This also implies **accounting for its exposure to ocean-related material risks**.

Status on biodiversity actions among Danish pension funds

- Reference to biodiversity in Responsible Investment Policies and Principal Adverse Sustainability Impacts Statements
- Biodiversity as a prioritised theme and area of intervention in coming years
- Sector-specific strategies but on real estate
- Policies on deforestation, mining etc.
- Few position papers providing a more detailed description of approach and positions
- Limited reference to biodiversity in general and marine biodiversity in particular in annual sustainability reports
- Limited active engagement on biodiversity. Climate being the dominant theme in current engagements programmes.
- Already active engagements with companies with potential negative impacts on the marine environments

High materiality of oceans for investors portfolios of listed equities

Ocean-related exposures of selected Danish pension funds (combined exposure in pct. of AuM)



Note: exposures to potential impacts and dependencies measured at sub-sector level

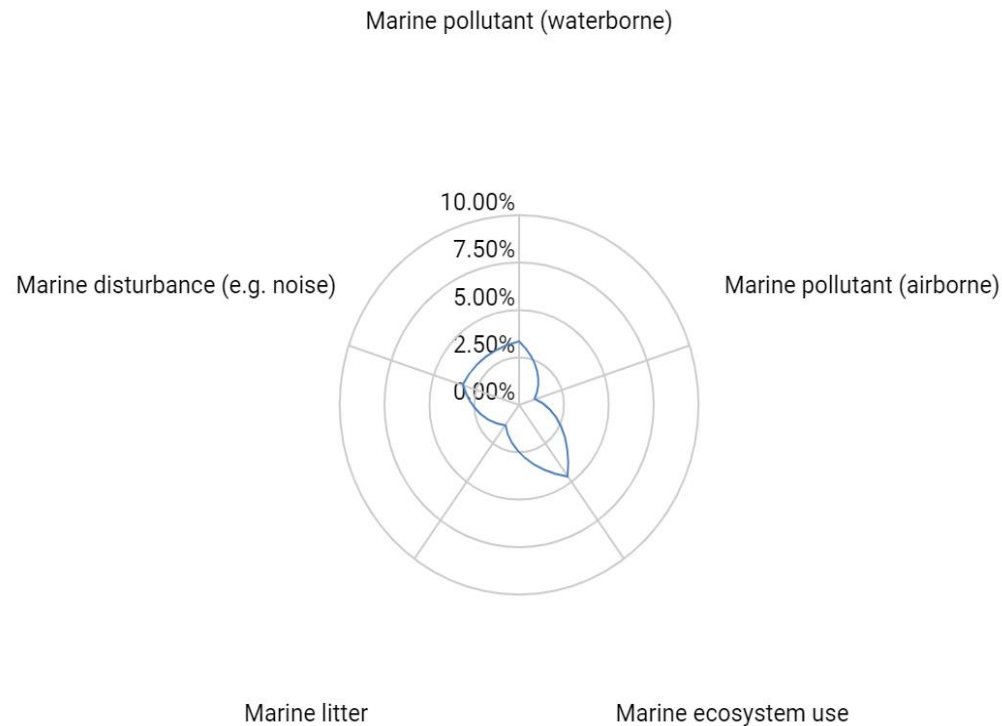
Over **a third of the portfolio** of the selected pension funds (6 in total) is **directly or indirectly exposed to ocean pressures and ecosystem services** through the type of sub-sectors and activities they invest in.

The **largest sector exposures** involve the pharmaceuticals, banking sector, electric utilities/ renewable and food processing sectors, as well as marine transportation. Some of these key exposures are related to Nordic companies

The analysis can be used as **a flagging mechanism** as it indicates potential levels of exposures at portfolio level which are related to specific sub-sectors

For **deeper analysis**, a specific analysis of companies' revenues (beyond their sub-sector classification), actual business processes as well as geolocated activities is required

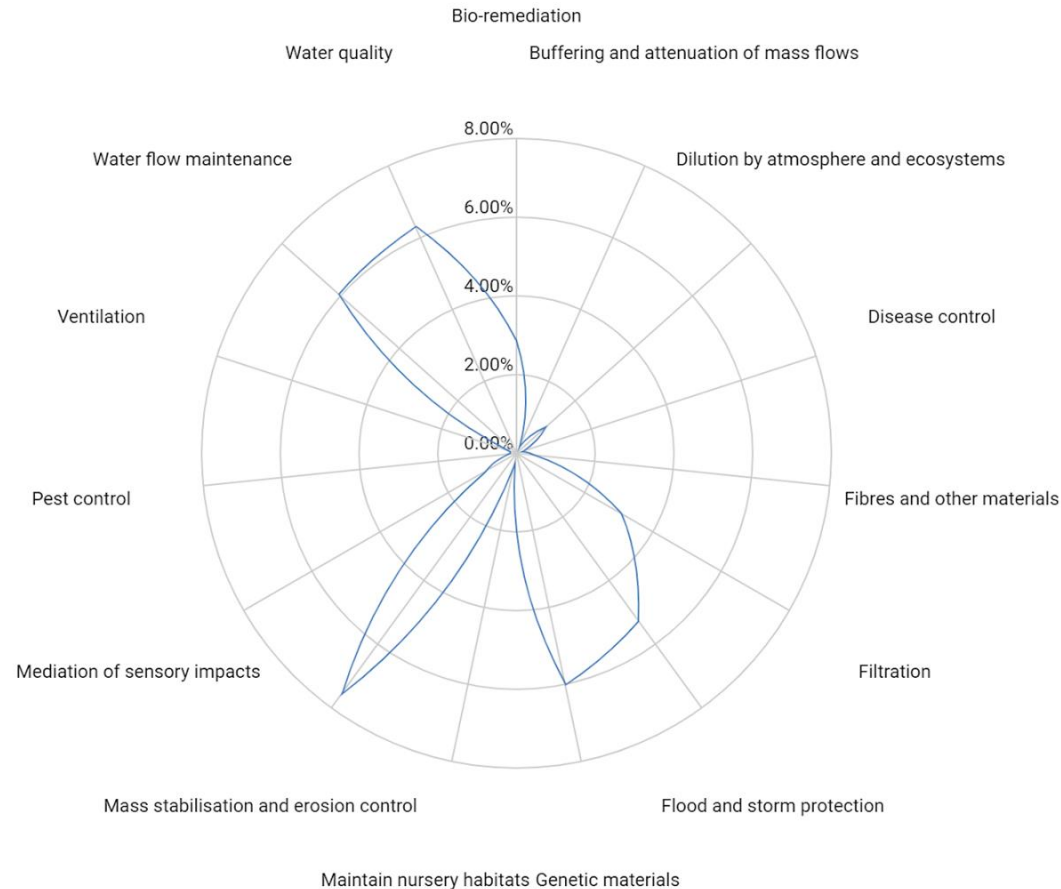
Impact exposures (direct)



Note: Portfolio exposure weighted by level of materiality at sub-sector level (Very Low:0,2 to Very High:1)

- The exposure of the global portfolio involves **multiple types of pressures through direct exposures**
- Most important exposures from an economic standpoint points to:
 - **Marine pollutants:** in particular waterborne, which can lead to significant impacts (includes N/O enrichment)
 - **Marine ecosystem and resource use:** mainly physical impact on seabed, coastal areas, sea surface (limited direct exposure to fishing activities)
 - **Marine litter** (waste)
 - **Marine disturbances**, in particular underwater noise
- **Adding indirect exposures is key**, such as for **nutrient/organic enrichment and fishing pressures** (e.g., exposure via food value chain and banking sectors) as well as **marine litter/pollutants** due to lifecycle and downstream impacts.

Highlight – assessing ocean ecosystem service direct exposure



There are multiple ecosystem services to be considered underlying the ocean ecosystems

Important direct exposures from an economic standpoint such as:

- **Regulation and maintenance services:** Mass stabilisation and erosion controls, Water flow maintenance, Flood and storm protection
- **Provisioning services:** e.g., genetic materials, sufficient water quality for ocean exposed activities

Note: Portfolio potential exposure weighted by level of materiality at sub-sector level (Very Low:0,2 to Very High:1)

Global sub-sector exposures with potential ocean materiality (listed equities)

App. DKK 136 bn at potential risk.

The largest sector exposures involve:

- Pharmaceutical sector
- Banking sector
- Food processing sectors
- Electric utilities/renewable sector
- Transport sector

Sector exposures vary among the selected pension funds.

The sectors involve “double materiality”, as well as direct and indirect exposures.

Note: For materiality level: 3= medium; 4=high; 5=very high (when multiple ecosystem/impact drivers, maximum is retained)

#	GICS Sub Sector name	MV exposed (DKK)	PF Average	Min	Max
1	Pharmaceuticals	25,566,261,195	6.61%	3.97%	8.27%
2	Diversified Banks	14,332,390,436	4.21%	2.36%	5.82%
3	Biotechnology	10,558,542,228	2.50%	1.52%	4.61%
4	Electric Utilities	10,051,156,146	2.30%	0.56%	3.99%
5	Packaged Foods & Meats	8,684,551,175	2.26%	1.43%	2.77%
6	Air Freight & Logistics	7,411,501,189	1.78%	1.26%	3.03%
7	Marine	6,589,160,003	1.41%	0.52%	3.16%
8	Apparel, Accessories & Luxury Goods	5,599,808,838	1.58%	0.64%	2.81%
9	Heavy Electrical Equipment	4,768,350,921	1.07%	0.11%	2.63%
10	Food Retail	4,740,667,136	1.10%	0.38%	2.12%
11	Brewers	4,164,159,522	0.99%	0.35%	1.44%
12	Property & Casualty Insurance	4,091,917,291	1.03%	0.70%	1.35%
13	Health Care Supplies	3,448,574,983	0.82%	0.34%	1.43%
14	Regional Banks	2,998,389,908	0.76%	0.27%	1.08%
15	Trading Companies & Distributors	2,872,200,960	0.62%	0.18%	1.66%
16	Restaurants	2,839,627,968	0.81%	0.15%	1.90%
17	Construction & Engineering	2,796,508,354	0.54%	0.06%	1.68%
18	Construction Machinery & Heavy Trucks	2,760,065,081	0.69%	0.14%	0.98%
19	Personal Products	2,509,960,921	0.72%	0.36%	1.07%
20	Real Estate Operating Companies	2,369,827,042	0.50%	0.08%	1.32%
21	Soft Drinks	2,271,961,349	0.56%	0.17%	0.87%
22	Construction Materials	1,694,388,513	0.49%	0.10%	0.93%
23	Asset Management & Custody Banks	1,575,973,820	0.57%	0.05%	1.14%
24	Hotels, Resorts & Cruise Lines	1,725,050,978	0.66%	0.00%	2.10%
25	Environmental & Facilities Services	1,372,722,341	0.40%	0.16%	0.75%

Sector prioritisation

A set of key criteria for prioritizing sectors

Materiality thresholds

Long-term orientation of the relevant pressures

Financial portfolio relevance

Feasibility of sector/activity analysis

Additionality (to generate impact)

Note - Portfolio mapping analysis led to a high number of business activity relationships to consider for financial institutions (from asset type/business process to dependency or impact).



What actions can and should be taken?

Examples of actions taken

atp=



Målrettet aktivt ejerskab

Frem mod 2025 går vi i dialog med 15 virksomheder, hvor vi har de største investeringer i, og som har en stor påvirkning på skovområder eller er afhængig af ressourcer fra skove for at drive forretning. Det samme gør vi over for 15 virksomheder inden for havområdet. Målet er, at virksomhederne styrker arbejdet med biodiversiteten, og vi vil i samarbejde med den enkelte virksomhed diskutere, hvilke indsatser de kan påbegynde afhængig af, hvor langt de er på området og hvilken biodiversitetsdata, der er tilgængelig inden for deres branche. Blandt andet vil vi diskutere muligheder for, at virksomheder kan komme i gang med nogle af nedenstående punkter:

- rapportere om biodiversitetsforhold, der har den største påvirkning på forretningen og være transparente om, hvordan dette håndteres.
- rapportere hvordan den påvirker biodiversiteten gennem aktiviteter eller have processer, der sikrer, at der tages hensyn til biodiversitetsforhold i hele værdikæden.
- sætte mål for, hvordan de vil beskytte og genoprette biodiversitetsaspekter, der er vigtige for forretningen og samfundet.
- iværksætte tiltag, der beskytter og genskaber biodiversiteten eller minimerer den negative påvirkning på biodiversiteten. Herunder tiltag, der forbedrer og beskytter biodiversitetsforhold og naturressourcer, som virksomheden er afhængig af for at producere varer eller levere services.
- vedtage biodiversitetspolitikker og inkludere biodiversitet i due diligence processer
- monitorere og rapportere fremdriften på biodiversitetsmål.

I takt med, at biodiversitetsområdet udvikles og virksomhederne forbedrer sig, vil vi på sigt stille yderligere krav til virksomhedernes biodiversitetsarbejde.

Velliv sikrer finansiering til bevarelse af havmiljøet og biodiversiteten omkring Galápagosøerne

17-05-2023

Aftalen markerer verdens største "debt-for-nature-conversions" ("gældskonvertering til fordel for naturen") med fokus på afsætning af midler til maritim biodiversitet og havbevaring, økonomisk stimulans til lokalsamfundet i Galápagos og forbedring af Republikken Ecuadors gælds bæredygtighed.

PensionDanmark and Odense Maritime Technology elected to develop green ferries for Denmark

06. May 2021

Together with the partner Odense Maritime Technology, PensionDanmark will work with Færgesekretariatet (the ferry secretariat) on the development of a new sustainable ferry solution for the small Danish islands and crossings.

Generalforsamling i AP Møller-Mærsk d. 15. marts 2022

Tak for ordet. Mit navn er Claus Winblad og jeg repræsenterer ATP.

Jeg vil også gerne adressere to esg relaterede emner. Det ene er CO2-reduktionen, det andet er biodiversitet.

Når jeg ser på den CO2-udledning i ATP's samlede danske aktie portefølje, så udgør Mærsk knap halvdelen af denne udledning. Den indsats Mærsk gør for at reducere CO2-udledningen er derfor helt afgørende. Vi kunne uden problemer få en rigtig fin reduktion i CO2 udledningen i vores danske aktie portefølje ved at sælge nogle af vores Mærsk. Det ønsker vi ikke, vi vil meget hellere bakke op om Mærsk's intentioner og ambitioner for den grønne omstilling, også selvom det i en periode kræver et højere investeringsniveau. For en virksomhed som Mærsk har det også potentiale til på lang sigt at blive en god finansiel investering.

Biodiversitet er et emne som vi i ATP har en stigende fokus på. Lytter man til eksperterne er arternes udryddelse og biodiversitetskrisen potentielt en endnu større trussel mod menneskeheden. Eksempelvis har WEF defineret biodiversitet som en af de største risici, der kan påvirke økonomien de næste 10 år. Det er derfor positivt at se at Mærsk har taget de første skridt i Sustainability rapporten for 2021 med henblik på at identificere de konkrete problemstillinger som er relevante for Mærsk.

Jeg ved godt, at det er særdeles vanskeligt at definere klare målsætninger på dette område, men jeg ser frem til at Mærsk omsætter disse overordnede formulerede målsætninger til reelle targets.

Key learnings from engaging with financial institutions

Need to build awareness and resources, both internally and externally

Need to establish material linkages with overall biodiversity and climate objectives

Access to data to better assess ocean material issues and enhance the ability to act on them

Understanding of financial materiality is key to integrate into the investment process

Need to understand ocean transition pathways and best practices for benchmarking companies/projects, better engaging and identifying new investment opportunities

Potential actions to be implemented

Evolving sustainability and investment policies and goals

Engagement process

Sustainable investment process

Data integration and reporting

Overall policies on sustainability and investment, and goals of the financial institutions

Potential measures that can be implemented in each of these areas

Define overarching principles and positions on sustainability including marine ecosystems

Develop investment policies related to ocean and/or biodiversity (incl. SFDR-related)

Active ownership strategy/engagement roadmap

Targets and measurement approaches

Engagement of third-party service providers (e.g., asset managers, engagement etc.)

Engagement and active ownership process

Prioritisation of engagement

- Level of risk/opportunity, feasibility and additionality of engagement opportunities
- Identification of key issues for the relevant sector/company

Implementation

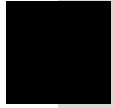
- Development of engagement questionnaire and integration into existing engagement process
- Requesting more data and transparency
- Voting approach and governance oversight of ocean-exposed industries

Opportunities for partnering

- Involvement of third-party engagement providers
- Fund managers
- Opportunities for collective approaches (e.g., Nature Action 100+)

Integration into the investment process

Part of investment process	Focus actions
Integration in risk management	<ul style="list-style-type: none">▪ Understand which risks are most financially material, and integrate into valuation▪ Assess what are the potential reputational, compliance and liability risks▪ Integrate double materiality, looking at adverse ocean sustainability impacts
ESG/sustainability screening of the overall investment universe	<ul style="list-style-type: none">▪ Implement specific sector/pressure exclusions as part of investment policies▪ Define which minimum norms and standards companies should meet to be included in the investment universe▪ Avoid investments in companies/projects with potential adverse impacts▪ Best in class approach: Direct investments towards companies that have 'best practices' and standards in place
Investments in sustainable blue activities	<ul style="list-style-type: none">▪ Conduct Do Not Significant Harm (DNSH) assessments considering marine impacts for all sustainable investments▪ Invest in sustainable companies and projects which meet key criteria in terms of marine ecosystem protection and/or restoration▪ Develop capabilities to invest in nature-based solutions for oceans and impact▪ Develop new asset classes and portfolios targeting sustainable oceans as part of their objectives



Q&A