



ACCOUNTING FOR SUSTAINABILITY

ADDRESSING BIODIVERSITY RISK AND OPPORTUNITY

Practical example: PensionDanmark

PensionDanmark





WHAT

PensionDanmark is a pension fund with over 800,000 members. We provide pensions, life insurance and healthcare services to our members.

Our commitment to nature and biodiversity led us to create a strategy that is designed to help us use our portfolio of investments to support biodiversity and reverse its decline.

In 2023, we started to implement a number of initiatives designed to protect and regenerate nature, particularly through our real estate and infrastructure assets. By monitoring and reporting on the impact of these schemes, we intend to continue making our interventions more effective and finding new ways to support biodiversity.

“Businesses who invest in restoring biodiversity now have the chance to gain a strategic advantage over competitors in the future, as these issues are increasingly being treated in the same way as climate change. We are already seeing this in tenders for real estate and infrastructure, where public authorities now require you to include biodiversity plans in bids. Being able to demonstrate experience and impact in this space is already an asset.”

Thomas Henriksen, Senior ESG Analyst at PensionDanmark

WHY

There is an urgent need to address the global decline in biodiversity and we see a strong business case for ensuring our business supports nature. By helping nature to recover, we will reduce serious risks to human health and help people, economies, and natural and urban environments to thrive. As a pension fund, we are focused on providing attractive returns for our members, and we believe that in the longer term our impact on biodiversity will become an important success metric, like our impact on climate.

With research showing that Danes value biodiversity and strongly prefer to live near to nature, we also know that supporting nature is important to our members.¹ As our construction projects take place in Denmark, we hope that, eventually, many members will benefit from living in areas that are greener, healthier and more nature-friendly.

To this effect, we support the [Nature Positive](#) initiative, which sets the target of halting and reversing biodiversity loss by 2030. To support this initiative’s ambitious goals, we needed to consider biodiversity and nature as a strategic element in our investment portfolio, and create a comprehensive plan with clear initiatives and measurable outcomes.

1. Urban Forestry & Urban Greening (2002), [Forests improve qualities and values of local areas in Denmark](#)



HOW

CREATING OUR BIODIVERSITY STRATEGY


To begin creating our biodiversity strategy, we conducted a review of the existing external initiatives supporting organizations to be nature positive. While we developed this strategy, we signed the [Finance for Biodiversity](#) pledge in 2021, which demonstrated our clear commitment to protect and restore biodiversity through our financing activities and investments in five different areas.

A key challenge was identifying the areas of our total investment portfolio where we could be the most impactful. After assessing the different areas of our business, we decided to begin by focusing on real estate and infrastructure, as these are asset classes of which we have often had a controlling majority.

This meant we were able to tell our partners that we wanted to prioritize biodiversity and work with them to make specific, tangible improvements in a way that was not as possible with other assets.

We then created a biodiversity strategy for our real estate portfolio, [Investments for Life](#), which committed us to start immediately taking action to mitigate net biodiversity loss. This built on our existing work to meet the German Sustainable Building Council ([DGNB](#)) certification framework and [EU taxonomy](#) requirements. Actions included, in relation to construction projects, biodiversity screenings for land acquisitions and bringing in biological expertise during project developments.

As we are still in the early stages of implementing this strategy, we expect the details to evolve as we review data and find ways to expand our impact across the value chain.



Data and monitoring

It is vital to collect detailed data on our biodiversity initiatives. By monitoring our progress against a range of metrics, we have been tracking when our actions either show improvements or don't work as expected. We use this data to increase our work on the most effective solutions and multiply our impact by sharing what we learn with other organizations.

We based our targets and methodology on the [Science Based Targets for Nature](#) (SBTN) recommendations, the DGNB's minimum requirements for sustainability certification requirements and EU taxonomy for biodiversity and ecosystems.

- **SBTN:** This methodological tool forms the basis of our strategy. It is based on a hierarchy of ways to mitigate impact on nature: the priority is to avoid negative impact in the first place, then to reduce the amount of harm, then to restore nature.
- **DGNB:** We use the DGNB to ensure we are aligned with existing practices in the construction industry and use many requirements for DGNB certification as compulsory requirements in our strategy. Four of our six key metrics for measuring biodiversity are based on DGNB standards: green and blue areas, canopy cover, biofactor and habitat quality.
- **EU taxonomy:** We use this to define how we avoid any significant harm, in line with the 'Do No Significant Harm' principle. We have also used the taxonomy to shape our criteria for types of land that we will not consider for new construction, our requirement for screenings and environmental impact assessments, and any mitigation or compensation measures.



IMPLEMENTING ON-THE-GROUND INITIATIVES

Real estate

We have implemented a number of initiatives to begin reducing our impact on nature throughout our real estate value chain.

New construction projects

We have focused significantly on our construction value chain. Now we consider biodiversity at every stage of the process, from land purchases, project development and construction to property maintenance and project evaluation (see Figure 1).

By reviewing potential construction sites using a sophisticated screening tool based on Danish public land data, we can ensure that new projects are not built in areas with high nature value – such as greenfield, forest

or agricultural land with good nutritional status. We require biological experts to be involved in the planning of our development projects as standard and in some projects, such as our Kildedal development, we have involved the Danish Society for Nature Conservation to ensure that our biodiversity efforts will be effective and of high quality.

We have started to map the biodiversity of construction sites with six indicators around size of space for biodiversity as well as quality of space. We evaluate our impact against these metrics throughout construction and once the buildings are in use, and ensure transparency and accountability by publishing key findings in our annual report for biodiversity.

Within our biodiversity strategy, we initially focused on improving biodiversity within our own construction sites. Aware of the significant off-site impact that our activities can have, we started to assess and then to minimize this impact within our supply chains as well. For example, we track the source and sustainability of the wood used in our construction projects, and require all wood and wood products to have been documented as PEFC-certified, PEFC-mix, FSC-mix or recycled, to ensure that no more wood is harvested than the forest can regenerate. We are also working on how we minimize the impact on off-site biodiversity – for example through the production of building materials within the construction supply chain.

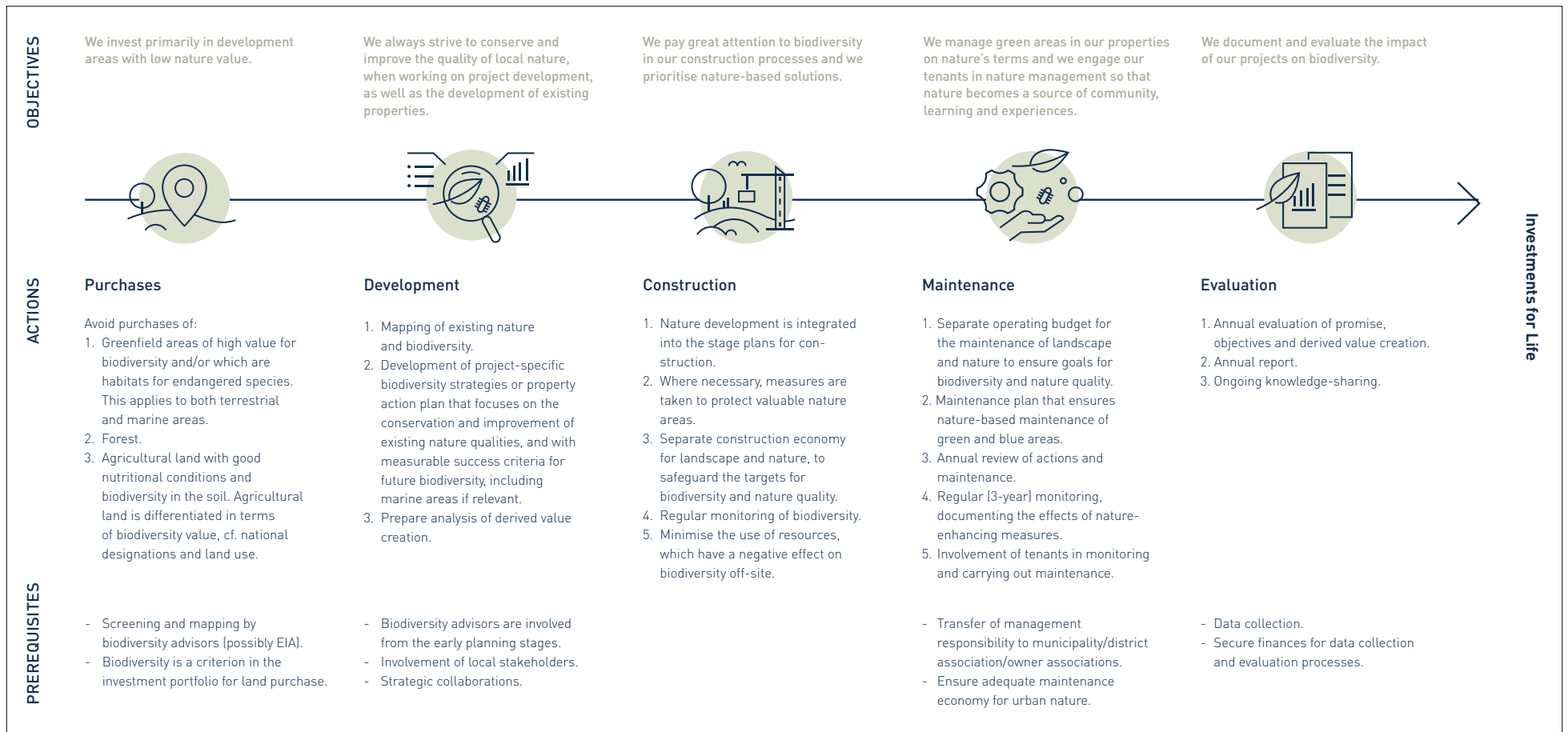


Figure 1: PensionDanmark actions on biodiversity (source: [Investments for Life](#))



Existing real estate

To ensure biodiversity is considered across the entire value chain, we embed our strategy into management practices. For example, we conduct baseline biodiversity assessments of all wholly-owned existing real estate. This enables us to have a thorough understanding of the current state of biodiversity, to monitor future improvements and to identify properties that need further action – collaborating where relevant with our tenants.

We have an ongoing dialogue with maintenance and landscaping companies about the management of our residential properties, focusing on the best ways to implement nature-based maintenance and care for our outdoor areas in a way that supports biodiversity.

By developing a biodiversity action plan template and a guide for nature-based maintenance and care, in 2024 we were also able to begin piloting collaborations with our commercial tenants to improve the quality of existing green areas. Our pilot housing community project, Balancen in Ry, delegates the upkeep of outdoor areas to the tenants.

Infrastructure

Together with Ørsted, we explored how our Anholt offshore wind farm can contribute to marine biodiversity. Through Ørsted's collaboration with the Technical University of Denmark (DTU) and WWF, we were able to get scientific advice about effective ways to boost marine biodiversity, and we then began the following initiatives:

- Increasing diminished cod populations by installing simulated reefs, which provide a sheltered habitat for young fish.²
- Establishing mussel and seaweed farms near the turbines, which attract fish and fish larvae and help to re-establish the sea bed if it has been damaged.

2. You can find more information on DTU's work on simulated reefs here: <https://www.dtu.dk/english/newsarchive/2022/11/stone-reefs-in-concrete-to-increase-marine-biodiversity>



ENGAGING WITH OUR STAKEHOLDERS

When considering our listed assets, PensionDanmark considers threats to biodiversity and nature as a risk to our portfolio companies. To help us mitigate these risks, we have conducted screenings of our listed equity portfolio to identify impacts and dependencies, particularly focusing on companies exposed to high nature-related risks. We then leverage active ownership to ensure any companies with significant nature-related risks address them effectively. We do this through:

- **Engagement** – together with our stewardship adviser, Federated Hermes EOS, we engage with companies regarding their impacts and dependencies on nature, emphasizing how nature-related risks can have material financial and reputational implications. We encourage them to seek management support to effectively address these risks and highlight other companies in their sector who we consider to be tackling similar issues effectively.
- **Exercising voting rights** – we are starting to see more nature-related proposals gaining traction and recognition at companies' annual general meetings. So far, we have supported shareholder proposals that promote the assessment of nature-related risks.



NEXT STEPS

In 2022, we published our first [Biodiversity Report](#), which included biodiversity data for six of our construction projects. Since then, we have increased our coverage to 12 new projects and 66 existing real estate buildings. For some projects, we have already observed measurable improvements. However, for many, construction is still ongoing, and we are awaiting the results of our individual biodiversity plans.

As we continue to monitor the impact of our existing projects, we have joined forces with other real estate stakeholders to develop methods to measure the impact of the construction sector on biodiversity and how this impacts the entire value chain. The goal is to establish a common industry standard.

We will continue to collaborate and share best practice with leaders in biodiversity and nature initiatives through our participation in [Nature Action 100](#), and the UN PRI's [Spring stewardship initiative](#).

In the near future, we plan to strengthen our biodiversity impact and dependency within our listed portfolio. We will also explore setting meaningful targets for our listed portfolios.

TOP TIPS

DECIDE WHERE YOU WILL HAVE THE GREATEST IMPACT

Map your different asset classes to see where you have the ability to make a clear and immediate impact. We found that beginning with projects that can show tangible results quickly was useful for building momentum.

CONSIDER WHY A BIODIVERSITY STRATEGY IS IMPORTANT – INCLUDING THE POSITIVES AND NEGATIVES

Failing to consider biodiversity and nature-related risks can lead to financial and reputational consequences, including increased operational costs, and potential damage to stakeholder trust. Proactively addressing these risks helps mitigate challenges while enhancing long-term business resilience and sustainability.

It's also important to consider the opportunities to gain a competitive advantage. We believe our track record of construction projects that support biodiversity is an asset that will help us to win future real estate tenders, especially as regulation increases.

GET KEY STAKEHOLDERS ON BOARD

To implement a successful biodiversity strategy, it's essential to ensure that relevant stakeholders across the organization understand the importance of biodiversity for financial institutions. Raising awareness about the benefits and potential risks of inaction helps build support and drives meaningful action.

MEASURE YOUR RESULTS AND MAKE PUBLIC COMMITMENTS

Collecting data on biodiversity will help you to see whether new initiatives are making a difference and track the impact of the changes you make. We found signing the Finance for Biodiversity pledge helpful in mobilizing our efforts, as it provided a framework of commitments that we were accountable for delivering on.

GET IN TOUCH OR FIND OUT MORE



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