

# The importance of biodiversity for residential mortgage investments

Achmea Mortgages

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## Key Points:

- Biodiversity is crucial for the resilience and functionality of ecosystems, directly impacting property values.
- Climate change exacerbates biodiversity loss, posing financial risks to mortgage portfolios.
- Achmea Mortgages promotes biodiversity conservation through innovative financing solutions and incentives.

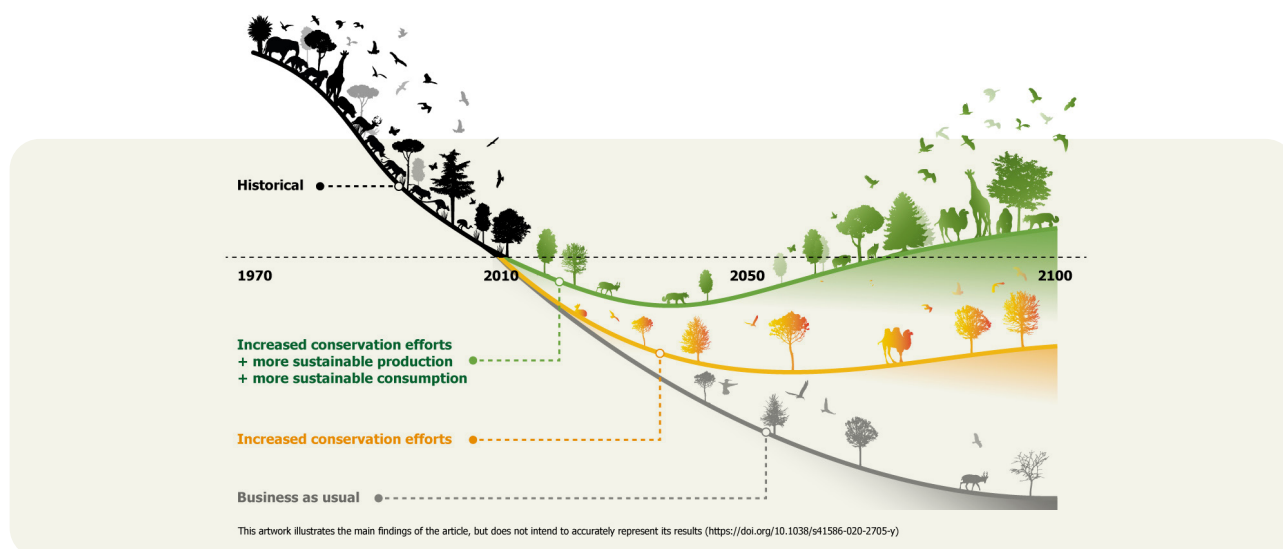
Biodiversity and climate change are closely interlinked challenges that affect not only the environment but also the financial sector. This article explores the relationship between biodiversity loss and climate change, and the potential impact on investments in Dutch residential mortgages. Additionally, adaptation measures are discussed to mitigate these risks and methods to measure and promote biodiversity.

## The world is losing biodiversity at a rapid pace

Biodiversity encompasses the variety of life on Earth, within species, between species, and of ecosystems.

It is essential for the resilience and functionality of ecosystems, which provide numerous services that humans rely on. In urban environments, especially in densely populated countries like the Netherlands, maintaining biodiversity is crucial to support local ecosystems.

The primary drivers of biodiversity loss include habitat destruction, pollution, climate change, and invasive species. Each of these factors contributes to the degradation of natural habitats and the extinction of species, leading to a further decline in ecosystem services.



Biodiversity loss has been severe since 1970, but it is possible to halt further losses (source: [WUR](https://www.wur.nl/en))

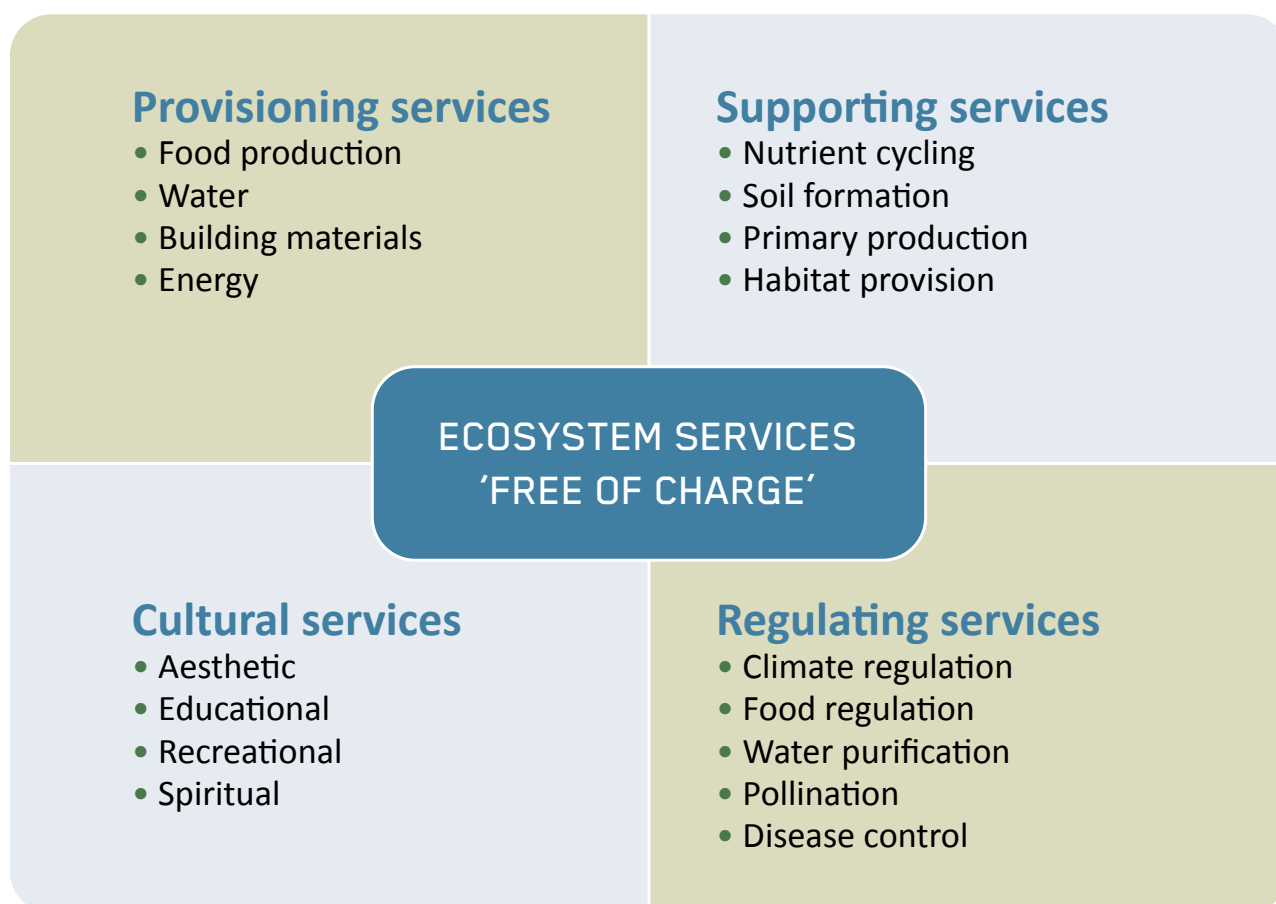
## The link between biodiversity loss and climate change

Climate change exacerbates biodiversity loss by altering habitats and increasing the frequency of extreme weather events. Conversely, preserving biodiversity can enhance climate adaptation and mitigation efforts. For instance, protecting urban greenery helps sequester carbon, maintain ecosystem resilience, and support climate regulation. The loss of biodiversity, however, creates a self-reinforcing cycle where rising global temperatures accelerate species extinction, further degrading ecosystems and their ability to provide critical services.

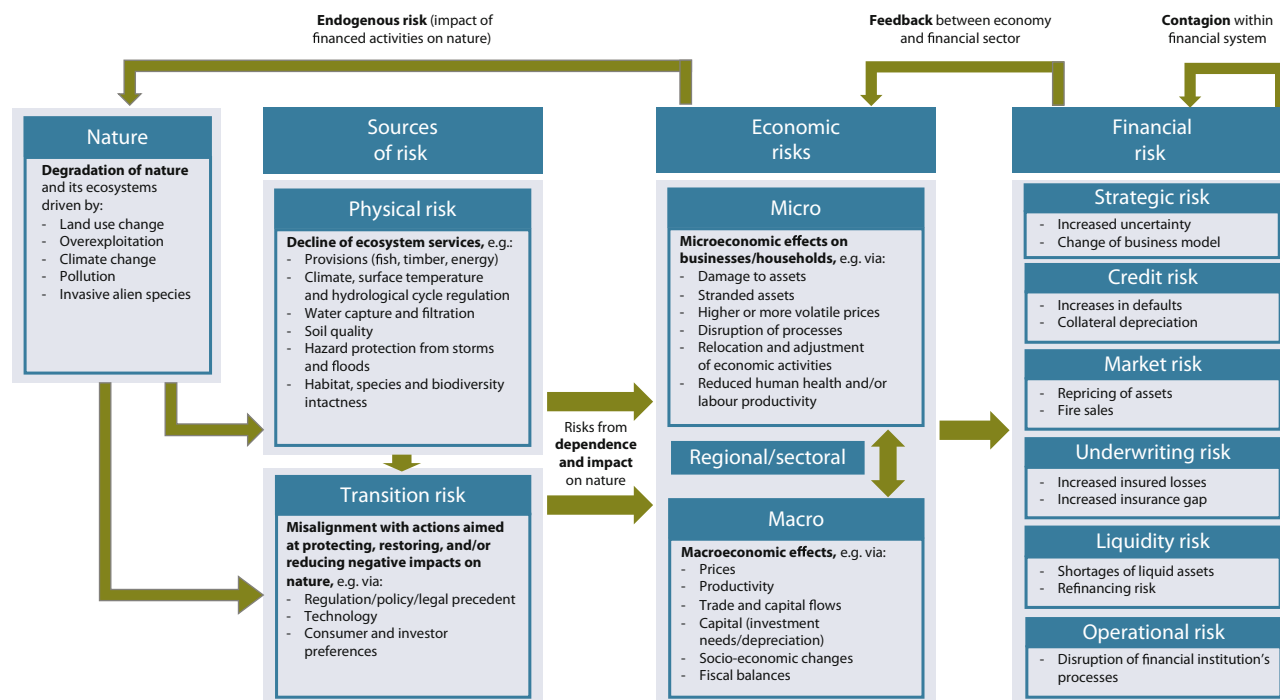
## Ecosystem services and their importance

Ecosystem services are the benefits that humans receive from nature, often categorized into four types: supporting, provisioning, regulating, and cultural services. These services include food production, water purification, climate regulation, and recreational opportunities.

The degradation of ecosystems due to biodiversity loss and climate change undermines these services, posing significant risks to human well-being and economic stability. While these services are “free of charge,” neglecting them can lead to substantial societal costs.



## Transmission channels



Source: Svartzman, R. et al. (2021) A "Silent Spring" for the financial system? Exploring Biodiversity-Related Financial Risk in France

## Financial risks related to biodiversity within a mortgage portfolio

Nature-related financial risks arise from an organization's dependency on or impact on nature and biodiversity. For example these risks can be:

- **Physical:** e.g., property damage from extreme weather events.
- **Transitional:** e.g., changes in regulations or market preferences.

For mortgage investors, these risks translate into potential economic disruptions that can affect the value and performance of their investments. The following diagram illustrates the link between financial risk and natural related transmission channels.

## Biodiversity and the built environment

Biodiversity is not limited to areas outside urban zones. Cities and villages host diverse ecosystems that provide a wide range of services. Green spaces, roofs, and gardens provide habitat for wildlife like bees and birds, sequester carbon, reduce the impact of high temperatures, and buffer water during rainstorms.

It is essential to protect, expand and support these aspects, especially as climate change is making climate adaptivity even more important. Locations lacking biodiversity may face greater challenges during extreme weather events compared to those with more biodiverse landscapes for example.

## Biodiversity and Achmea Mortgages

Achmea Mortgages recognizes the importance of biodiversity and its direct impact on the property value and resilience of residential mortgage portfolios. Investors must consider how biodiversity loss and climate change can affect property values, as healthy ecosystems provide essential services such as flood protection, air and water purification, and recreational opportunities. Increased biodiversity also contributes to climate mitigation, reducing long-term climate risks. In response, Achmea Dutch Mortgages has implemented several measures to promote biodiversity conservation.

Actions to stimulate biodiversity conservation within mortgages include:

- Offering financing options for green roofs at discounted mortgage rates

- Developing a biodiversity package for new customers
- Providing financial incentives for green roof investments through the Centaal Beheer Climate Store

These initiatives not only support environmental sustainability but also enhance the attractiveness and resilience of the mortgage portfolio. Measuring biodiversity in the portfolio involves assessing the presence and diversity of green spaces and other biodiversity-enhancing features. A follow-up article will further explore how natural capital accounting and ecosystem services can be used to evaluate biodiversity within mortgage portfolios.

### Further actions to take to stimulate biodiversity conservation within residential mortgages

In the context of increasing climate change and biodiversity loss, integrating environmental sustainability into residential mortgage portfolios is becoming crucial. Achmea Mortgages is dedicated to promoting biodiversity conservation through innovative financing solutions and incentives.

#### Measuring biodiversity

Measure the biodiversity status of properties within the portfolio. This involves evaluating the presence and diversity of green spaces and further biodiversity promoting measures. In a follow up on this paper we will illustrate how this can be done within a mortgage portfolio by using the concepts of natural capital accounting and ecosystem services.

#### Mitigating vulnerabilities

Develop and implement plans to address vulnerable areas in the portfolio. This could include retrofitting buildings to incorporate green roofs and enhancing natural habitats around residential areas. Additionally, it is crucial to educate clients on cost-free actions that can enhance biodiversity, such as lifting and stacking

garden tiles to create shelters for organisms while simultaneously promoting rainwater absorption.

#### Reporting and transparency

Regularly report on the actions taken to mitigate biodiversity and climate risks. Transparency in these efforts demonstrates a commitment to sustainability.

#### Financing sustainable projects

Consider financing projects that promote biodiversity and climate resilience. For example, offering mortgages with favorable terms for properties that include a link with biodiversity or other sustainable features can encourage environmentally friendly practices.

### Final Thoughts

Integrating environmental sustainability into residential mortgage portfolios is becoming increasingly crucial in the face of climate change and biodiversity loss. Achmea Mortgages is committed to promoting biodiversity conservation through innovative financing solutions and incentives. By measuring biodiversity, addressing vulnerabilities, and ensuring transparency, Achmea Mortgages can enhance the resilience and attractiveness of residential properties while contributing to broader environmental preservation goals. These efforts not only support biodiversity but also mitigate financial risks and improve the overall quality of life for homeowners and the environment.

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