



NET ZERO: NORDICS

A guide to successfully navigating the Nordic sustainability landscape



 ENTERPRISE IRELAND

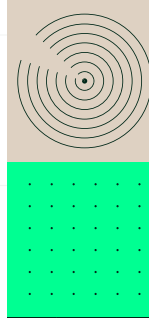
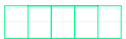


Executive summary

INTRODUCTION

Around the world but particularly in the Nordics, environmental and social issues are rapidly gathering momentum. For an Irish SME looking to gain a foothold in the Nordic market, bringing sustainability into company operations will be key to gaining a competitive edge, stimulating long-term growth, and ensuring integration into global and regional supply chains.

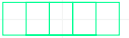
Integrating sustainability into business practices opens up many doors – we are seeing, for instance, how public and private bodies are pushing more and more funds towards climate-friendly solutions, and how collaborations between industries and sectors to jointly address sustainability challenges are increasing. Staying up-to-date with recent developments and ahead of the major upcoming sustainability trends is therefore advisable. This guide will provide you with first-hand insights and practical tips on navigating sustainability in the Nordics.



“Our view is that within a few years a company’s aspiration to be a market leader will not be credible without taking responsibility for – and contributing to – sustainable development. Working actively with climate issues is therefore a prerequisite for competitiveness.”

– Kai Warn, CEO of Husqvarna Group





KEY TAKEAWAYS

There are various push and pull factors for sustainability

- A big push for sustainability is coming from emerging **EU legislation**. This will particularly affect the ways in which companies will **report on their sustainability**. **Sustainability also enables greater access to finance**.
- Sustainability is also valued by **customers**, who are making more **conscious** purchasing decisions, as well as **job seekers and employees**, who feel more drawn to working in organisations that embody responsible practices.
- Many companies are starting to address **sustainability across their entire value chain**, meaning that suppliers will need to stay informed and adapt to changing **supplier codes of conduct**.

4 corporate sustainability megatrends to be aware of

- **Climate change is here:** growing impacts will result in intensifying political and market pressure to demonstrate strong action on climate.
- **Biodiversity is the next big thing:** showing responsibility for protecting and restoring biodiversity along the full value chain is a growing trend among sustainability leaders.
- **Accelerating resource scarcity:** resource scarcity (affecting e.g. virgin metals and fossil-based materials) is driving companies to look for more sustainable alternatives and adapt circular practices.
- **Legislation taking lead:** with a sweeping range of regulation in areas from chemicals to circularity, the EU has demonstrated that legislators are ready to put pressure on companies to become more sustainable.

5 steps to start your sustainability journey

1. Understand the key concepts
2. Assess your impacts
3. Set targets
4. Implement and measure progress
5. Communicate openly and honestly



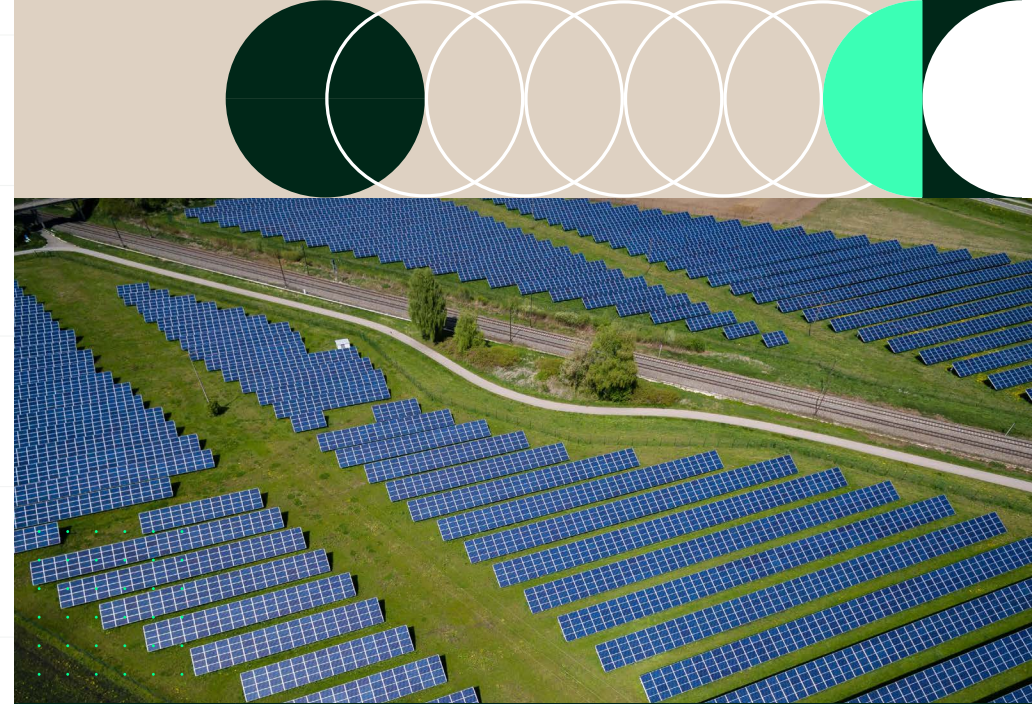
Sustainability drivers within the Nordic region

Various stakeholders are exerting pressure on companies to ramp up their sustainability game. SMEs will be particularly affected by the rising expectations of financial stakeholders, consumers (B2B and B2C), regulators, employees, and civil society.

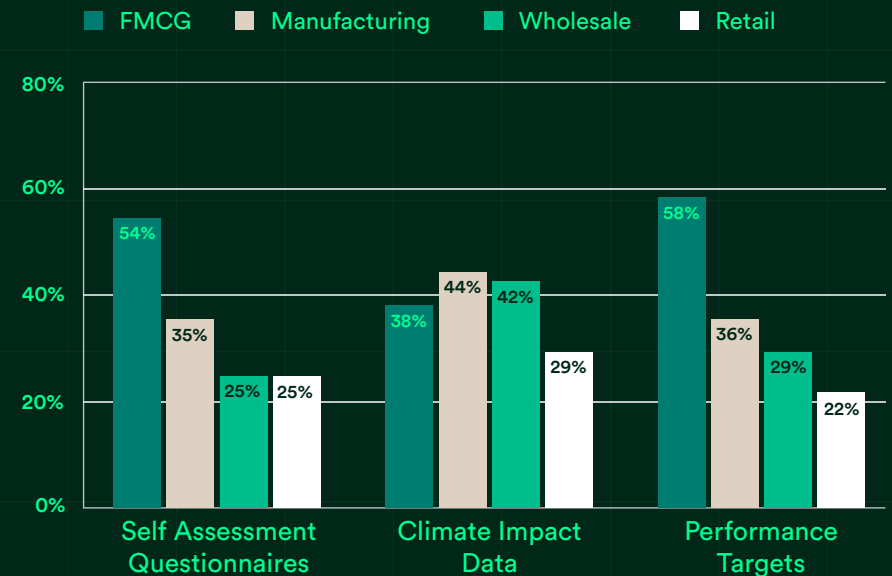
NORDIC COMPANIES ARE GREENING THEIR SUPPLY CHAINS

More and more firms are now working together with their suppliers and partners to encourage sustainability outside of their own operations and to ensure that sustainability targets are met. *Addressing greenhouse gas (GHG) emissions along the entire supply chain is important, considering that these account for more than 70% of the average company's total GHG emissions, according to the UN Global Compact.*

Many Nordic companies are expecting their suppliers to reduce their negative environmental and social impact. Particularly in Norway and in Sweden, it is common practice for companies to either place formal requirements on their suppliers, or work closely with them to help cut down their emissions.



HOW NORDIC COMPANIES ENSURE THAT THEIR SUPPLIERS ARE PROGRESSING ON REDUCING THEIR CLIMATE IMPACT



Firms often focus on reducing the use of fossil fuels in the value chain, for example, **by supporting initiatives to switch from conventional vehicles to electric ones, and to make energy use and heating more efficient.**

Although self-assessment questionnaires remain a popular method for companies to ensure that their suppliers make progress on reducing their climate impact, **many are now also setting performance targets and starting to request more robust climate impact data.**

Staying attuned to supplier codes of conduct and procurement processes can open many opportunities within the Nordic market.

CONSUMER ATTITUDES AND BEHAVIOURS ARE CHANGING

Sustainability awareness is also growing amongst consumers. The results of a 2022 IBM survey of 16,000 global consumers showed that more than half (51%) of respondents view sustainability as more important than 12 months ago.

Nordic consumers pay particular attention to sustainability when shopping. According to the Nordic Council of Ministers, 9 out of 10 Nordic consumers are aware of the respected Nordic Swan – ecolabel, **and half of them actively look for it when they make purchases.** 59% said they had paid a higher price for a product branded as sustainable or socially responsible within the past 12 months.

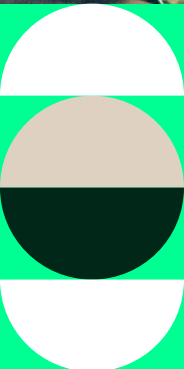


CASE STUDY

Ørsted

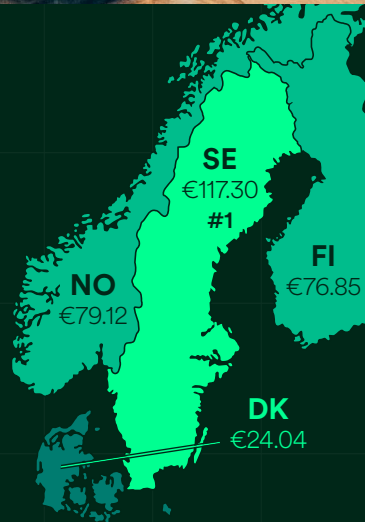
Ørsted, Denmark's largest energy provider, recently set the expectation for their **strategic suppliers to use 100% green electricity** in the manufacture of wind turbines, foundations, cables, substations, and other components **by 2025.**

Since the launch of the programme in 2020, Ørsted has already achieved great progress in making their suppliers more transparent. In **2021, 97% of their suppliers disclosed their emissions data** to the CDP, and **26% had either set or committed to set a science-based emissions reduction target.** Prior to the launch of the programme, only **36%** reported to the CDP and **no one** had set a science-based emissions reduction target.



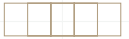
CARBON TAXES

A notable governmental tool used to mitigate climate change are carbon taxes. The Nordic countries are known for their high carbon taxes. Finland was the first country to introduce such a tax in 1990, and since then 19 European countries have followed. Currently, Sweden has the highest carbon tax rate at EUR 117.30/tCO₂e. In 2025, Denmark will introduce a corporate carbon tax which should progressively increase to EUR 150/tCO₂e in 2030.



Carbon tax rates per tCO₂e, April 2022

SUSTAINABILITY ENABLES GREATER ACCESS TO FINANCE



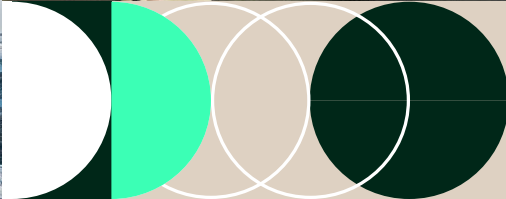
Investors, shareholders, and financial institutions such as banks are paying increasing attention to ESG in order to make informed investment decisions and grant firms access to capital through loans. According to UNEP, 94% of banks identify sustainability as a strategic priority.

The large Nordic bank Nordea, for instance, offers several corporate ESG products like sustainable bonds, green deposits, and green car financing. However, to be considered a candidate for such loans, companies must provide information on their climate ambitions. **Nordea also no longer works with companies involved in fossil fuel production, distribution, or services,** unless the company has a recognised strategy to achieve an emissions path aligned with the Paris agreement.

EMERGING REGULATION PUSHES FOR ACCOUNTABILITY AND TRANSPARENCY



The European climate agenda is moving fast. With several initiatives starting to take shape under the bigger umbrella of the *European Green Deal (EGD)* and governments starting to transpose elements of the EGD into national law, larger corporates as well as SMEs operating within the European market will soon need to *adapt to higher sustainability standards*. In practice, this will mostly mean that companies will need to *become more transparent* about their practices and *provide better sustainability data*.



In particular, the Nordic market is already preparing for the upcoming changes; in fact, the Nordic countries have **been leading climate policy ambitions** for a long time, and set much more ambitious targets than what is required by EU or international law. For instance, in May of this year, **Finland announced what some deem to be the most ambitious climate target in law: net-zero by 2035 and carbon negative** (absorbing more CO₂ than emitted) by 2040. The other Nordic countries have also set strong targets, with Denmark aiming for climate neutrality by 2050, and Sweden for net-zero by 2045. With such ambitious targets, all companies will have to play their part. This is already felt in practice even by smaller firms, for example, through the progressive carbon tax systems being rolled out across the Nordics.

In an interview study, leading Nordic business leaders said that **regulation and policy instruments** are important contributors to the Nordic region's success in emission reductions. Several companies also mentioned **strong governance, political frameworks, ambitious climate targets** as drivers for their sustainability work.



WAR FOR TALENT: SUSTAINABILITY IS ESSENTIAL TO RECRUIT AND RETAIN

There is a war for talent in Europe, and prospective employees are becoming more selective about the companies they apply for. According to the [Network for Business Sustainability](#), at least 12 peer-reviewed studies show that many job seekers are attracted to organisations with sustainable practices. An [IBM survey](#) further underlines this, showing that **2 out of 3 respondents said that they are more willing to apply for (67%) and accept (68%) jobs from a sustainable company.**

Responsible businesses also generate greater employee commitment. [UN Global Compact](#) report that social sustainability aspects such as good working conditions, fair wages, security, and non-discriminatory practices at work lead to higher employee satisfaction and motivate employees to stay in the company for longer.

“**It is increasingly important for people that their work is meaningful – they want their values to match with those of the company. The fact that a company is working on sustainability and solving societal challenges increases the attractiveness of the company.**”

- Arne Giske, CEO of Veidekke.

A recent study shows that **Nordic business leaders** also recognise the link between climate action and employment, with **3 out of 4 companies believing that climate efforts can boost employment.**

CIVIL SOCIETY INITIATIVES EVOKE WIDESPREAD PUBLIC ATTENTION

As Swedish environmental activist Greta Thunberg’s ‘Friday’s for Future’ demonstrate, grassroots movements can have wide-reaching effects. In Greta’s case, what began as a local school strike for the climate quickly gained momentum and turned into a global movement, inspiring thousands around the globe to participate in weekly protests outside their local city halls and parliaments. This, in turn, put pressure on policymakers to take action against climate change.

In Denmark, the anti-food waste movement is demonstrating promising results. For instance, partnerships with big Danish retail chains have been established to cancel bulk discounts that contribute to food waste.

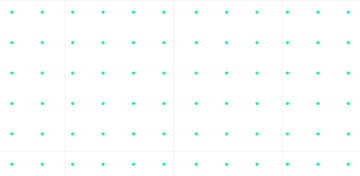
Aligning with civil society initiatives demonstrates attentiveness, and can give companies great competitive advantage.



Sustainability megatrends in the Nordics – what's coming?

As the corporate sustainability landscape is complex and fast-moving, it is essential to separate short-lived fads from the fundamental developments. The following four trends have been developed by Nordic Sustainability and have been used with various companies to pressure test their sustainability strategies.

Climate change is felt globally as droughts, floods, and heat waves increase in number and severity. Growing impacts will result in intensifying political and market pressure to demonstrate strong action on climate, both in terms of reducing GHG emissions and in adaptation to the risk to assets, supply chains and business models that follows with climate change.



MEGATREND 1: CLIMATE CHANGE

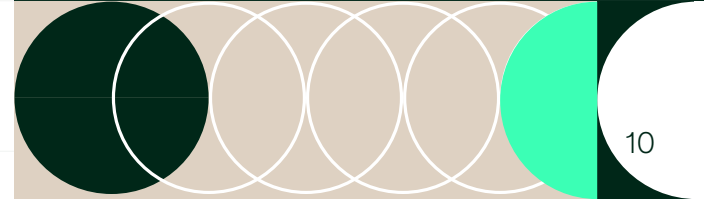
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SUBTRENDS:

Science-based approach across value chain: the climate profile of products will be assessed on the associated GHG emissions over the full life cycle of the product – from the extraction of the raw materials to the disposal or recycling of the product. We're also seeing that more companies are setting science-based targets (SBTs) – in the Nordics, Sweden is a pioneer, with several large, international companies such as Volvo Group, H&M and Tetra Pak committing to and setting SBTs.

Rising cost of CO2 emissions: a growing number of CO2 pricing schemes increase prices for all raw materials based on oil or energy-intensive processes; this can be seen, for instance, in the in the Benchmark European carbon price, which has been growing continuously since 2018.

Growing focus on climate risks and adaptation: better assessment of climate-related risk makes it visible to companies and investors how their assets are exposed. In 2021, for instance, more than 2,600 organizations had expressed their support to the Task Force on Climate-related Financial Disclosures (TCFD), who develop consistent climate-related financial risk disclosures for use by companies, banks, and investors in providing information to stakeholders.



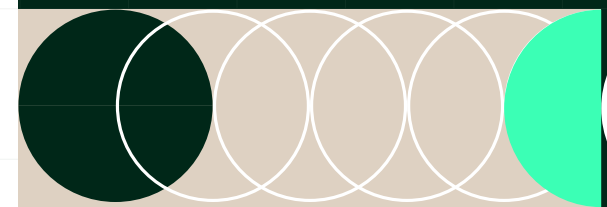
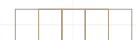
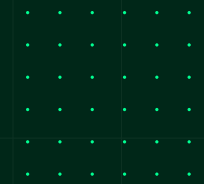
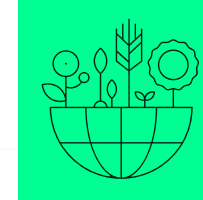
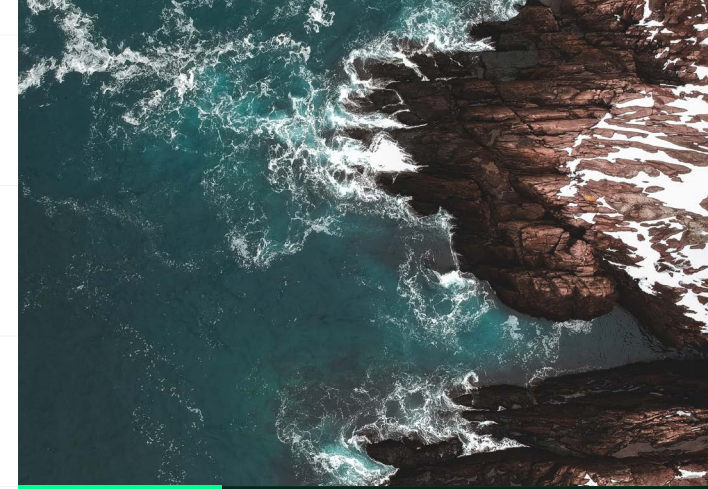
MEGATREND 2: BIODIVERSITY

The negative impact of human activity on ecosystems is increasingly clear, not just through the extinction of species, but also in terms of loss of livelihoods from fishing, forestry and farming. Companies will face tougher requirements to report on how their activities and products impact ecosystems, and the pressure to reduce harm and restore past damage will grow.

SUBTRENDS:

Increased expectation for biodiversity-related data disclosure: biodiversity-related data disclosure is likely to mature in the coming years and stakeholders are likely to request fuller disclosure from companies of the impact on biodiversity from operations as well as products. This is reflected, for instance, in the EU Taxonomy, which – in short – classifies environmentally sustainable activities, aiming to guide more investments toward them. The sixth environmental objective of the Taxonomy is that an environmentally sustainable activity must contribute to the protection and restoration of ecosystems.

Biodiversity responsibility: showing responsibility for protecting and restoring biodiversity along full value chain is a growing trend with companies leading on sustainability. According to a [2022 report](#) that ranks biodiversity in business, Nordic companies that have included biodiversity goals in their business models over the last three years have increased substantially. Among the top performing companies (who were evaluated based on their targets and biodiversity impacts) were Swedish Vattenfall Ab and Finnish Stora Enso Oyj.





MEGATREND 3: RESOURCE SCARCITY

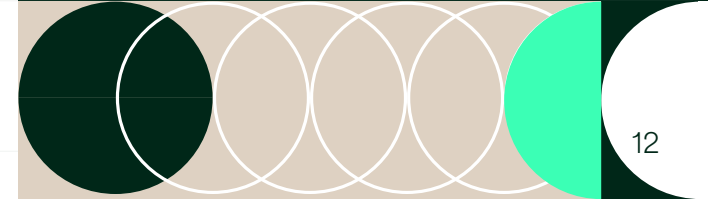
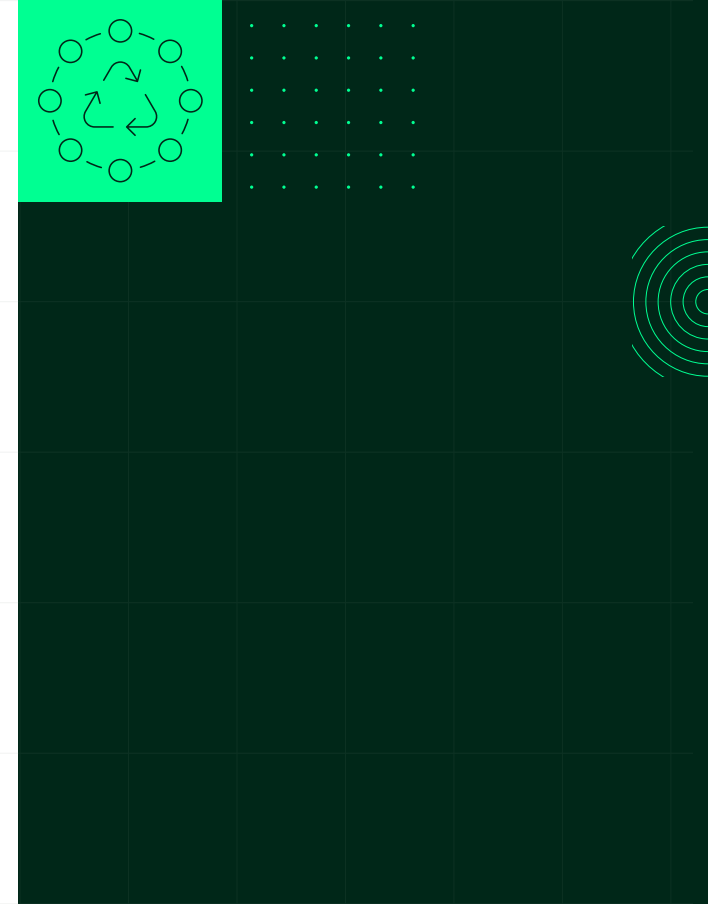
A number of raw materials are under pressure due to increasing scarcity which is driven by reliance on depletable resources (e.g. virgin metals and fossil-based materials). Renewable resources are viable alternatives but are still not produced at the required volumes. As a result, increased raw material price pressure and volatility are expected in the coming years.

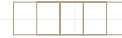
SUBTRENDS:

Competition for replacement of oil-based raw materials: companies are looking for “non-fossil” alternatives to oil. This includes not just biobased – a scarce resource – but also chemical recycling and raw materials based in CCU (Carbon Capture and Usage). Maersk, the Danish shipping giant, is transitioning towards alternative fuel types such as biodiesels, green methanol, and green ammonia.

Circular economy – own operations: rising prices on raw materials make more companies invest in circular economy initiatives within their operations. Many firms have started recognising the importance of adopting a circular approach to packaging; in 2021, for example, over 100 leading businesses – among these big Nordic market leaders like H&M – publicly recognised that Extended Producer Responsibility (EPR) is a necessary part of the solution to packaging waste and pollution.

Circular economy – markets: B2B customers in many sectors share the ambition of becoming more circular, but often struggle to expand initiatives beyond packaging or operational waste. A successful initiative that has managed to efficiently promote circular practices is the Danish ‘Kalundborg Symbiosis’ consisting of 14 large industrial companies. These companies work together to share excess energy, water, and materials, so that less goes to waste. Today, more than 20 different streams of excess resources flow between the companies, creating a symbiosis of resource exchange, and adding more resilience and profit to the partners.





MEGATREND 4: LEGISLATION

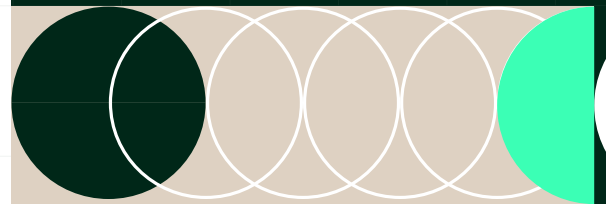
With a sweeping range of legislation in areas from chemicals to circularity, the European Union has demonstrated that legislators are ready to put pressure on companies to become more sustainable. Expansion of responsibility to the value chain and more extensive reporting and regulation on environmental issues is the new order. The Nordic countries are committed to meeting the EU's climate-change reduction targets for 2030 and the long-term goals in accordance with the Paris Agreement. Finland has also demonstrated unmatched accuracy when transposing EU corporate social responsibility (CSR) directives into national law.

SUBTRENDS:

Harmful substances: with the EU Chemicals Strategy for Sustainability announced in 2020, the EU aims to achieve a higher level of protection of human health and the environment by substituting and minimizing substances of concern and phasing out the most harmful chemicals for non-essential societal uses.

Stronger human rights due diligence: To stop human and labour rights violations such as forced or child labour, land grabbing, and corruption, the EU has decided to approve mandatory due diligence legislation under the European Due Diligence Act.

Transparency: The introduction of the EU's Corporate Sustainability Reporting Directive (CSRD) is expected to raise requirements for transparency in non-financial accounting, requiring companies to disclose information on their strategy and business model, future scenarios, value chain, as well as targets, progress, and KPIs – to name just a few areas. Large and listed companies should be able to apply the standards or the first time to reports published in 2024. In 2026, the remaining companies – such as SMEs – are expected to apply the standards.

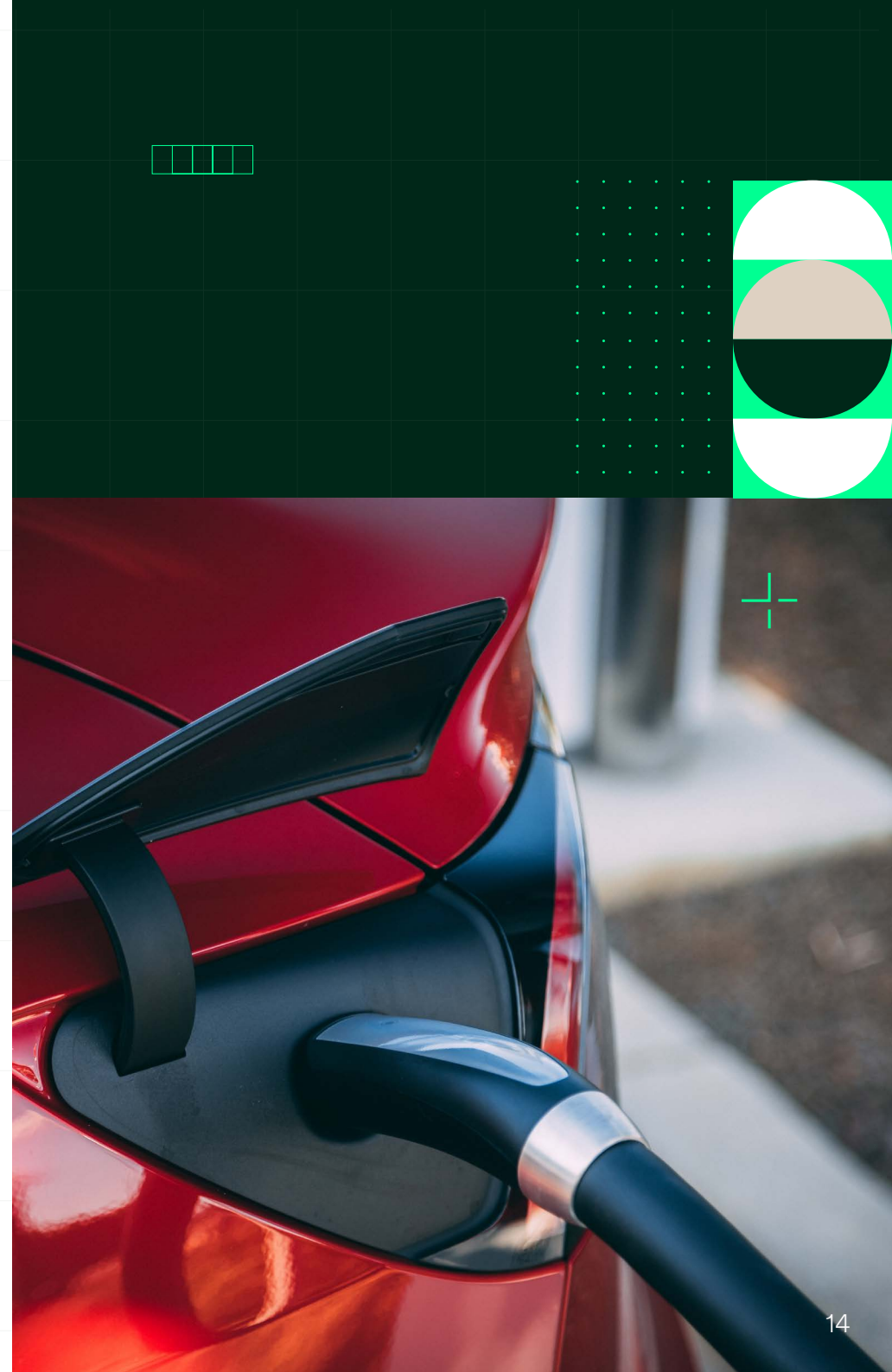


A 5-step approach to sustainability

With a fast-moving landscape and an abundance of information out there, starting to address sustainability can feel like an overwhelming task – but it certainly doesn't have to be. Here are some concrete steps you can take to start your sustainability journey in the right direction.

1. UNDERSTAND THE KEY CONCEPTS

- Start with the basics: the Ten Principles of the UN Global Compact are a good place to start, as the framework provides a universal language for corporate responsibility. It's also a good idea to familiarise yourself with the SDGs.
- Prepare for the increasing pressure on sustainability issues by understanding different stakeholder demands and reading up on upcoming EU regulatory initiatives relevant to your industry. Over-arching ones include the ESRS and CSRD.
- Look into globally respected standards for corporate sustainability reporting, such as the Global Reporting Initiative (GRI), SASB, and the Ten Principles of the UN Global Compact.

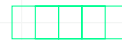




2. ASSESS YOUR IMPACTS

- Set up a Greenhouse gas inventory to establish a baseline which then will allow you to start reducing your emissions. The GHG Protocol builds on a 20-year partnership between World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD) and is the world's most widely used greenhouse gas accounting standards.
- Identify and assess the potential ESG issues that impact your business and stakeholders by conducting a materiality assessment.

3. SET TARGETS



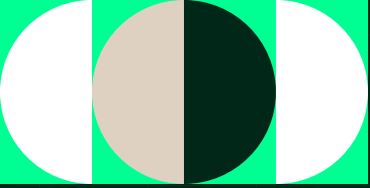
- Now it's time to set goals and refine the metrics that help you track progress towards them. You might want to consider setting Science-Based targets, which help you define emission reduction targets grounded in the latest climate science.
- To address the social sustainability realm, look into growing your diversity, equity, and inclusion (DE&I) efforts. Look to leaders within the field for inspiration. Check out, for instance, how IKEA puts a strong focus on gender balance and inclusion of members of the LGBTQ+ community, or Spotify's community, racial equity, and mental health initiatives.

4. IMPLEMENT AND MEASURE PROGRESS

- Start putting your plans into practice and make sure that you get the entire team informed and on board, so that they can implement elements of your sustainability strategy into their everyday work. Consider conducting both broad and targeted training sessions.
- Regularly monitor your progress towards the sustainability goals you set in step 3, update your GHG inventory, and reassess your impacts. This will enable you to gather valuable information for future decision-making and eventually for external disclosure.

5. COMMUNICATE OPENLY AND HONESTLY

- You've reached the fifth and final step, which is to let everyone out there know about your sustainability progress. You certainly don't need to wait until you've achieved all of your goals (or any, for that matter!) to start communicating about them – it's completely fine to be on a journey, as long as you are honest about it (you definitely don't want to risk being called out for green-washing by the media or the Ombudsman).
- Make sure to communicate on your company's performance, impacts, and progress regularly, engage with stakeholders for continuous improvement, and consider third-party verification (external assurance).



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