

# Climate report 2024

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Any investment decision in the sub-funds should be made on the basis of the current prospectus and the Key Information Document (KID) or the Key Investor Information Document (KIID) for UK investors.

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## About Task Force for Climate-related Financial Disclosures (TCFD)

**2017:** TCFD published a set of recommendations for climate-related financial disclosures, across the areas of Governance, Strategy, Risk Management, and Metrics and Targets. Nordea Asset Management was one of the first companies worldwide to commit to the TCFD recommendations.

**2020:** Nordea Asset Management (NAM) published the first TCFD aligned climate report.

**This report has been aligned with the TCFD recommended disclosures.**

## Core elements of recommended climate-related financial disclosures<sup>1</sup>



### Governance

The organisation's governance around climate-related risks and opportunities

### Strategy

The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning

### Risk management

The processes used by the organisation to identify, assess and manage climate-related risks

### Metrics and targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities

## Nordea

Nordea is the largest financial services group in the Nordic region (approx. 10 million personal customers and 600,000 corporate customers<sup>2</sup>) and one of the biggest banks in Europe. We want to make a real difference – for our customers and for the communities in which we operate – by sharing our extensive expertise based on 200 years in the banking business.

## About Nordea Asset Management

Nordea Asset Management (NAM) is part of the Nordea Group. We are an active asset manager with a global business model, offering services to institutional clients in Europe, the Americas and Asia. We manage investments across the full spectrum of asset classes. Our third-party distribution franchise services a wide range of international fund distributors, including many of the leading global wealth managers. We distribute our products through banks, asset managers, independent financial advisors, insurance companies and family offices. Our client base is equally split between Nordea Group-related and external clients. With EUR 286bn (31 December 2024) in assets under management, we have been experiencing strong growth over the past decade.

1) Source: [www.fsb-tcfd.org](http://www.fsb-tcfd.org). 2) As at 31.12.2024.

# Foreword

We manage client assets against a backdrop of unprecedented geopolitical uncertainty and shifting market dynamics. In addition, the world faces record greenhouse gas emissions, and a rapidly closing window to limit global warming in accordance with the Paris Agreement. This reality shapes both the risks we manage and the opportunities we can seize for our clients.

In times of uncertainty, both investors and businesses adjust their priorities. Investors seek to protect capital and manage volatility, while businesses focus on operational stability. Despite these adjustments, climate change remains a physical reality, and the transition to a low-carbon economy continues to represent a significant structural shift in the global economy. This transition is driven by multiple factors including technological innovation, changing consumer preferences, resource efficiency imperatives, and energy security considerations – fundamental drivers that will continue to propel the low-carbon transition forward, even during periods of policy uncertainty.

Our investment processes recognizes that unmitigated climate change presents material long-term risks to portfolio returns. Our commitment to supporting the objectives of the Paris Agreement stems from our fiduciary responsibility to protect and grow our client assets through our long term and forward looking investment focus.

I am pleased with our progress in 2024, particularly in enhancing our climate analytics capabilities, developing customized investment solutions for climate-oriented clients, and strengthening our engagement activities with portfolio companies. The "Recognition for Action – Climate" award from the Principles for Responsible Investment validates our results-oriented approach to stewardship.

We maintain a realistic perspective on the challenges ahead. Portfolio construction alone cannot achieve full portfolio decarbonization – this transformation requires coordinated action from policymakers establishing consistent frameworks and companies implementing substantive business model changes across sectors.

We at Nordea Asset Management consider our role as an asset manager to maintain the courage of our convictions, stand by our commitments, and help our clients navigate complexity with clarity and purpose.

The asset managers who will deliver outstanding returns with responsibility in the coming decades will not be those who simply check ESG boxes, but those who deeply understand how climate factors materially impact business models and valuations and who leverage their core competencies to drive real world outcomes. We will continue to focus our resources on building expertise, developing proprietary insights and being active stewards of capital, through direct engagement with company leadership and thoughtful proxy voting. I am convinced that this approach will be the key differentiator that allows us to protect and grow our clients' capital through this period of uncertainty and transformation.



**Kasper Elmgreen,**

Chief Investment Officer  
Fixed Income & Equities



# NAM climate at a glance

## Climate stewardship

### Engagement



**OGMP 2.0** – Our Methane collaborative engagement was awarded by the PRI Awards in 2024

**161** companies engaged on the topic of Paris alignment<sup>3</sup>

### Voting



**127 climate-related** shareholder proposals, where we supported 70%<sup>3</sup>

**4** votes against chairperson for climate reasons<sup>3</sup>

### International collaboration



Climate Action 100+  
Net Zero Asset Managers Initiative (NZAM)  
IIGCC – Net Zero Engagement Initiative

## Climate integration and product offering

### Climate offering

#### Climate leaders

Sustainable STARS  
BetaPlus Enhanced Sustainable

#### Climate transition engagement solutions

Global Climate Transition Engagement Strategy

#### Climate solution providers

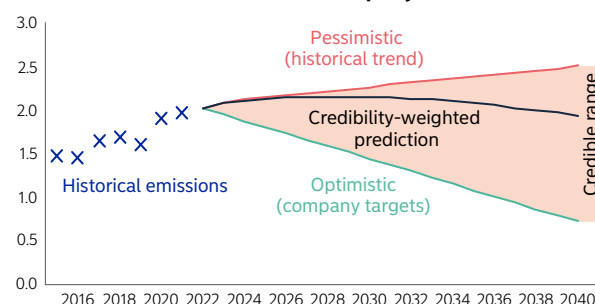
Global Climate and Environment Strategy  
Sustainable Labeled Bond Funds

## NAM's proprietary climate tools

### 1 Paris alignment maturity assessment

Alignment KPIs	Aligned	Aligning	Committed	Not aligned
Net-zero ambition	✓		✓	All other issuers
Short-term targets	✓	✓		
Emissions performance	✓			
GHG disclosure	✓	✓		
Decarbonization strategy	✓	✓		
Capex alignment	✓			

### 2 Forward decarbonization projection



### 3 Transition risk assessment

Low risk

Very high risk

Capex investment in climate solutions

Fossil fuel expansion plans

Low impact sectors

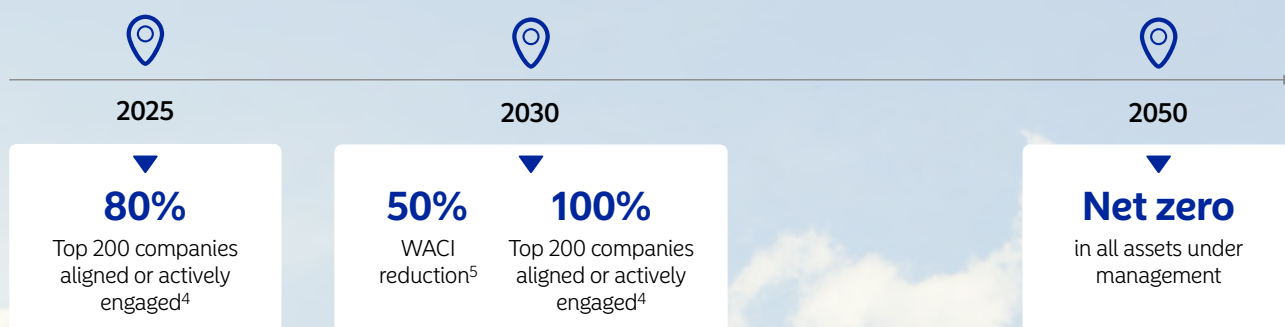
High impact sectors

Credible transition plans

No credible transition plans

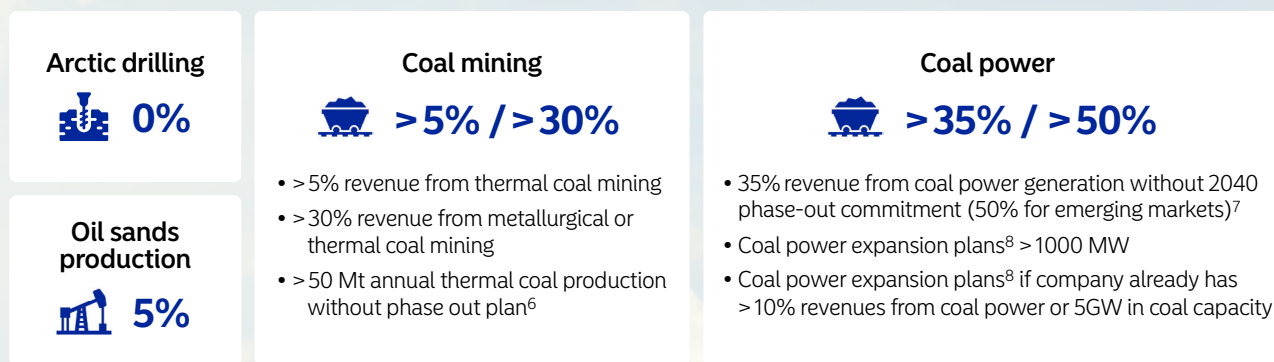
3) As of 31.12.2024.

## NAM climate targets

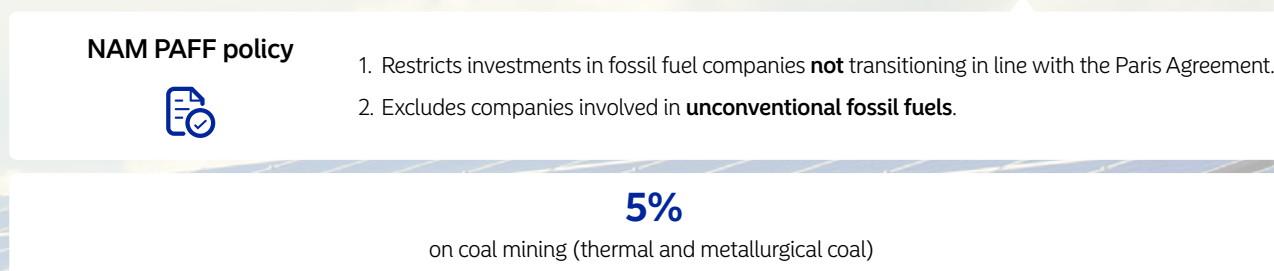


## NAM climate restrictions

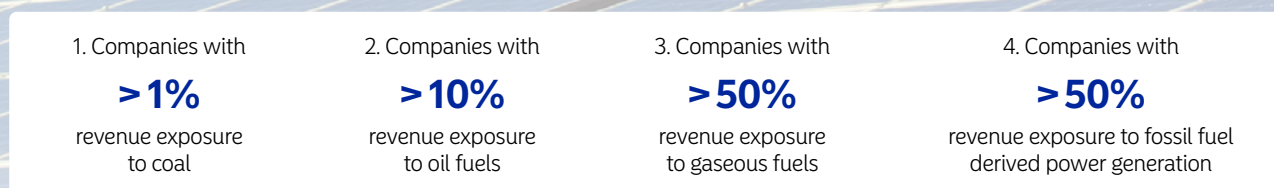
### Climate corporate level exclusions (applicable to all our funds)



### Climate enhanced exclusions (applicable to our ESG funds)



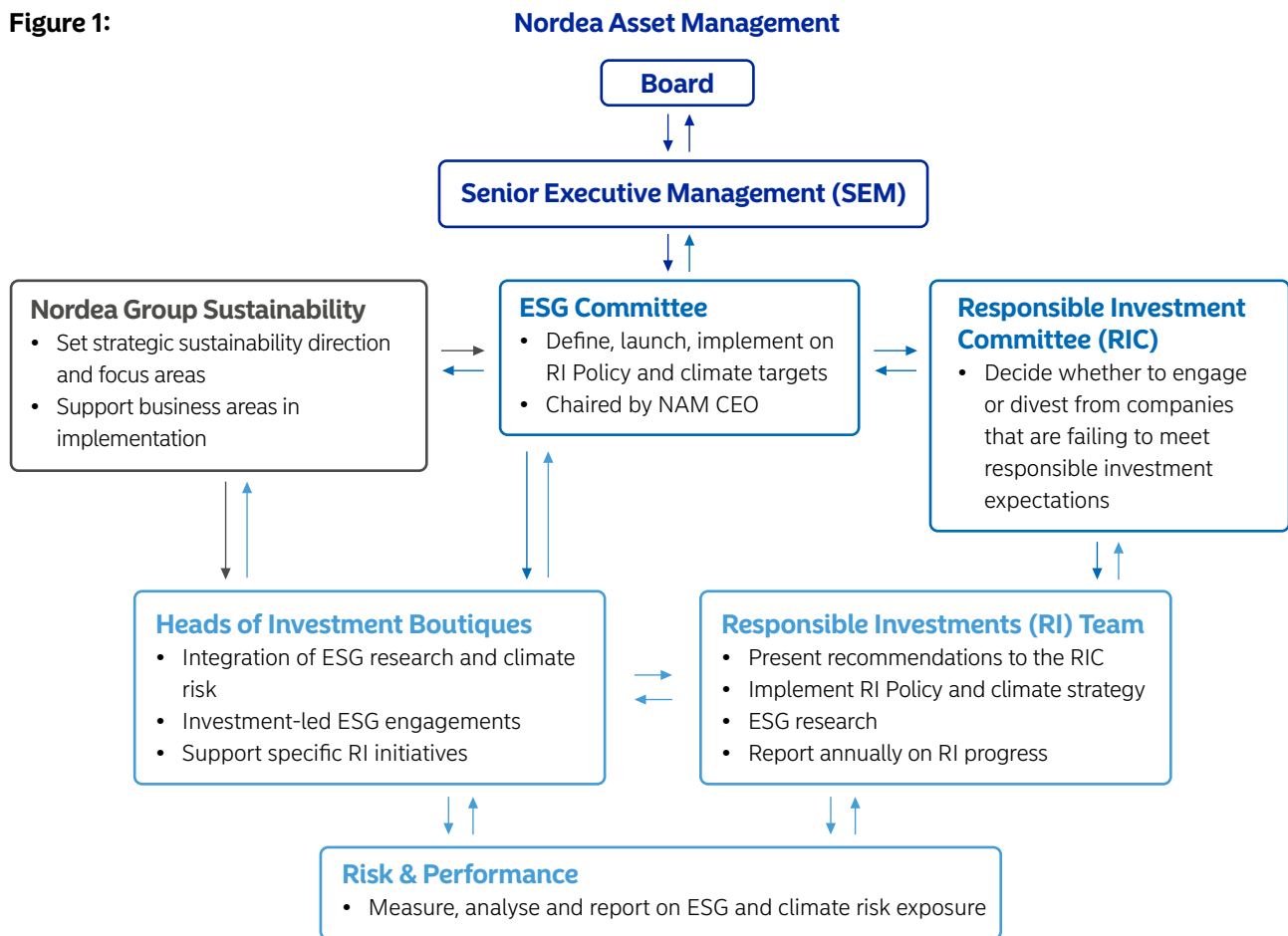
### Paris aligned benchmark exclusions



4) Top 200 emissions contributors in NAM's portfolios are either aligned with the Paris Agreement or are subject to active engagement to become aligned. 5) For listed equities and corporate bonds by 50% by the end of 2030 compared with 2019. 6) A coal phase out commitment encompasses a public commitment to ending production of thermal coal or coalfired electricity generation by 2040 latest. 7) 35% exposure is applicable to advanced economies while the 50% thresholds is applicable to other countries. Advanced economies are defined by IEA as the OECD regional grouping plus Bulgaria, Croatia, Cyprus, Malta and Romania. 8) Expansion plans includes projects that are announced, pre-permitted, permitted or under construction and which will result in new coal-fired power capacity of at least 100 MW prorated.

# 1. Climate governance

Figure 1:



## Climate governance

### Board and management oversight

Sustainability is embedded across Nordea's business strategy, backed by measurable targets, strong governance, and one of the broadest sustainability offerings in the market as of 2024. A net-zero emissions objective by 2050 across Nordea's lending and investment portfolios and internal operations was published in 2021. Group sustainability has the responsibility to support the business areas, such as NAM, in the implementation of this and other objectives.

At NAM, the commitment to climate-resilient investments comes from the top. The Board oversees the strategic direction and reviews the development of our ESG and climate policies, and is updated at least annually on their implementation. The Senior Executive Management team is kept well informed on climate-related matters and several are members of the ESG Committee, where oversight of the strategic delivery of NAM's climate commitments rests. Every quarter the ESG Committee meets to monitor progress towards climate targets and decide on significant changes to our Responsible Investment policy and processes.

Additionally, our Responsible Investment Committee (RIC), created in 2009 and chaired by NAM CEO, meets every quarter to discuss whether to engage or divest from companies that are failing to meet responsible investment expectations.

The Heads of Investment Boutiques are responsible for integrating ESG risks, including risks arising from climate change, into the investment analysis and decisions. Various resources are available for investment teams to monitor climate risks and opportunities in the portfolios, including a climate dashboard in regular risk reports.

Climate is a key focus area for the Responsible Investment (RI) Team. Climate-focused workshops for investment teams and other functions are regularly conducted to increase knowledge and awareness of climate issues, and the analysis of climate related investment risks and opportunities is an important part of the product development work.





## 2. Climate strategy and our commitment to net zero

Climate change has been a strategic focus for NAM since we became a signatory to the UN-supported Principles for Responsible Investment (PRI) in 2007. In 2015, we implemented our first climate-related divestment from coal mining, and started analysing and disclosing the carbon footprint of our Sustainable STARS funds. In 2019, we publicly committed to aligning our investment strategies with the objectives of the Paris Agreement, and in 2020 we cemented this commitment by becoming a founding member of the Net Zero Asset Managers (NZAM) initiative, a global coalition of asset managers working for the achievement of net-zero greenhouse gas emissions by 2050.

In relation to this, we have an organisational-wide target to achieve a 50% reduction in the weighted average carbon intensi-

ty (WACI) of our investments (Scope 1+2 tCO<sub>2</sub>e/mEur revenue)<sup>9</sup> and a 2025 target to ensure that 80% of our Top 200 most material carbon footprint contributors are on a Paris-aligned trajectory or else subject to engagement to become aligned.

In 2024 we strengthened our Responsible Investment Policy related to coal activities, including stronger investment restrictions on coal mining, coal power expansion, and generation without phase-out commitments.

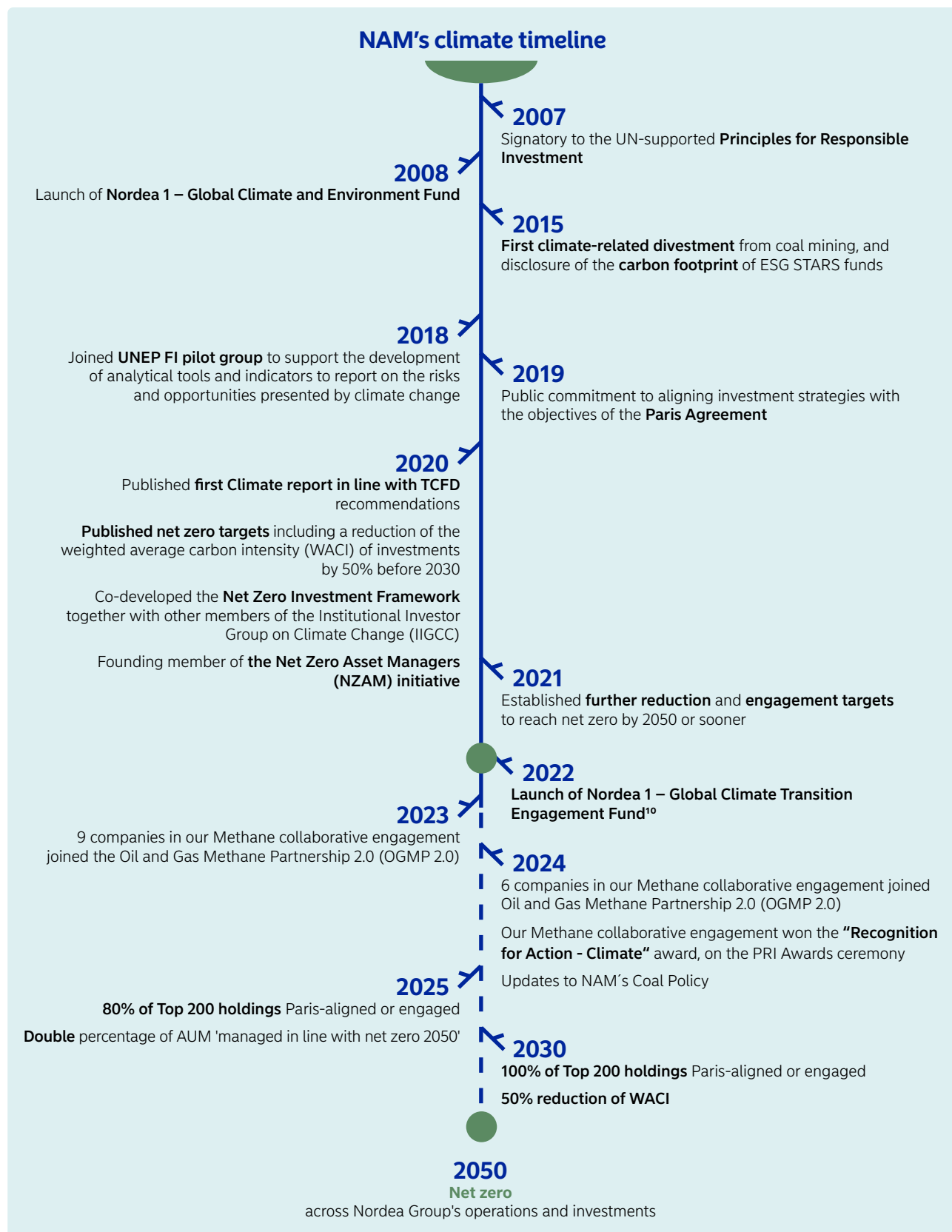
Going forward we will continue engagement efforts to encourage Paris alignment of investee companies, enhance our existing suite of climate-related tools and continue to introduce additional investment products with climate overlays.

<sup>9</sup>) for listed equities and corporate bonds by the end of 2030 compared with 2019.

**Figure 2: NAM targets and commitments**

## NAM's climate journey

What we have achieved so far and where are we heading to?



10) The fund may not be available in certain jurisdictions.



## Identifying risks and opportunities

As the largest asset manager in the Nordics<sup>11</sup>, our investments cover all major asset classes, including listed and private equity, corporate bonds, green bonds, sovereign bonds, covered bonds, structured products and others. Through these investments, we are exposed to several types of climate-related risks and opportunities.

As is best practice, we categorise climate-related risks into two types:

**1. Transition risks**, which relate to the impacts associated with the transition towards a less polluting and greener economy. As climate policies become stricter, some sectors of the economy face big shifts in asset values, which risks creating stranded assets, or higher costs of doing business. In addition to policy risks, transition risks include risks related to technological developments, as well as liability risks, which are the legal and financial consequences companies may face from climate-related litigation, or failure to meet regulatory climate obligations.

**2. Physical risks**, which relate to impacts resulting from climate change, can result from adverse extreme weather events (acute risks) or long-term shifts in climate patterns (chronic risks). Physical risks may have both direct financial implications for organizations, due to damage to assets, and indirect impacts from supply chain disruptions and variations in resource availability.

Of these two risk types, transition risk is likely to have a more imminent and abrupt impact on our investments.

The climate commitments that the signatories to the Paris Agreement have made so far to address global warming, are widely understood to be insufficient for limiting temperature increases to below 1.5°C. The world continues to head for 2.7 degrees of warming with current policies and actions.<sup>12</sup> Despite this clear emissions gap, outcomes of COP29<sup>13</sup>



concluded with a clear understanding that while important steps have been taken particularly in finance and market mechanisms (for example: the establishment of carbon market mechanisms), much more ambitious action is required from all stakeholders – governments, businesses, financial institutions, and civil society – to address the escalating climate crisis effectively. We therefore continue to expect increased political action to address these gaps in the years to come, exposing economies to heightened transition risk.

11) According to December 2024 AUM. 12) [Climate Action Tracker](#). 13) [Unites Nations Global Copact: Key takeaways from COP29 \(27.11.2024\)](#).

Figure 3: Risk horizons

Primary time horizon	Category	Primary drivers	Implications for NAM
1–10 years	<b>Direct transition risks and opportunities</b>	<b>Evolving regulations and expectations:</b> <ul style="list-style-type: none"> <li>Evolving regulations and standards for climate-related reporting and other communication</li> <li>Increasing expectations and demand from clients to manage climate-related risks and opportunities</li> </ul>	<ul style="list-style-type: none"> <li>We monitor and participate in all leading climate-related investor initiatives, to ensure our activities reflect best practice</li> <li>We engage in dialogue with our customers and continue to increase our range of climate-related product offerings</li> </ul>
	<b>Transition risks and opportunities transmitted through investments</b>	<b>Policy and legal:</b> <ul style="list-style-type: none"> <li>Higher carbon pricing and increased regulation and litigation.</li> </ul> <b>Reputation:</b> <ul style="list-style-type: none"> <li>Negative stakeholder feedback</li> </ul> <b>Technology:</b> <ul style="list-style-type: none"> <li>Obsolete technologies, capital expenditure requirements to accommodate new technologies</li> </ul> <b>Market:</b> <ul style="list-style-type: none"> <li>Changing consumer demand, rising material costs, new entrant disruption</li> </ul>	<ul style="list-style-type: none"> <li>We focus engagements on the most exposed companies and countries</li> <li>We integrate climate risk metrics in our risk reporting</li> <li>We restrict investments in companies whose business model is fundamentally unaligned with the objectives of the Paris Agreement.</li> <li>We identify companies in critical sectors with aggressive decarbonisation strategies</li> </ul>
>10 years	<b>Physical risks</b>	<b>Physical risks of our investments:</b> <ul style="list-style-type: none"> <li>Acute: Increased severity and frequency of extreme weather events</li> <li>Chronic: Rising sea levels, mean temperatures and weather pattern variability</li> </ul>	<ul style="list-style-type: none"> <li>We identify which sectors/companies are most exposed to the effects of climate change</li> </ul>

# Scenario analysis

The materiality of climate risks and opportunities spans all our investment strategies and timeframes. To gauge these risks and their implications for our investments, we utilize two main analytical approaches: Climate Value-at-Risk (CVaR) analysis and climate alignment assessments.

## 1. Climate Value-at-Risk

Climate Value-at-Risk is a measure designed to provide a forward-looking measurement of climate risks and opportunities across our corporate investment portfolio under different climate scenarios. Under each scenario, CVaR relies on estimating the costs of both climate change itself as well as climate transition efforts, in addition to any benefits associated with either. It aggregates these costs and benefits over a defined time horizon, discounts them to a net present value, and expresses them as a percentage of the enterprise value of the affected company. Hence, it provides a measure of a company's exposure to climate costs and benefits, and expresses it in relation to the company's size and ability to absorb those costs. NAM leverages a CVaR model developed by MSCI, which explicitly models three sub-categories of risks and opportunities that combine into an aggregated CVaR metric: policy risks, technology opportunities, and physical risks and opportunities.

### Transition risk

Transition risk is the net measure of policy risk and technology opportunities associated with climate transition efforts. In order to represent these transition efforts, we primarily rely on climate scenarios developed by the Network for Greening the Financial System, which is considered the market standard for

modelling the financial impact of climate scenarios. The three main scenarios employed in our modelling are as follows:

1. **"Net Zero 2050"**: an ambitious scenario that limits global warming to 1.5°C through the immediate introduction of stringent climate policies and innovation, reaching net zero emissions by 2050. Climate-related physical risks are relatively low but transition risks are high.
2. **"Delayed Transition"**: a scenario in which new climate policies are not introduced until 2030. After 2030 there is a 67% chance of limiting global warming to below 2°C. This leads to both high climate-related transition and physical risks.
3. **"Nationally Determined Contributions (NDCs)"**: a scenario which includes all pledged policies reflected in the NDCs even if not yet implemented. Emissions decline but not by enough to prevent 2.6°C of warming, which is associated with moderate to severe climate-related physical risks.

Under the Net Zero 2050 scenario, policy risk is higher across asset classes than in both the Delayed Transition or NDCs scenarios. This elevated policy cost stems from the urgent and decisive emission abatement measures required to achieve net zero by 2050, which affect companies through increased input costs via carbon pricing, and shifting market demand for products with high carbon footprints. By the same token, the increased need for accelerated technological innovation and deployment puts the technological opportunity premium at its highest in the Net Zero 2050 scenario. The accelerated transition creates greater demand for clean technologies and sustainable solutions, offering significant upside potential for companies positioned to deliver these innovations.

Figure 4: Aggregated Climate VaR

Policy risk	Technology opportunities	Physical risk
Regulatory and policy risk that arises from a low carbon transition and that may significantly impact business models, it captures the percentage of investment value at risk due to forthcoming climate policies.	Accounts for additional profits through the development of new low-carbon technologies serving the transition.	Business impact arising from abrupt weather phenomenon such as intensive storms, extreme heat and cold, floods, droughts and fires that may cause physical damage to property, disruption of value chains and/or resource scarcity.
Net transition risk		Physical risk

Figure 5: Transition risk listed equity and corporate bonds

NAM									
31.12.2024	1.5°C: NGFS NZ2050			2°C: NGFS delayed transition disorderly			3°C: NDC hot house		
CVaR	Policy risk	Technological opportunities	Physical risk (average)	Policy risk	Technological opportunities	Physical risk (average)	Policy risk	Technological opportunities	Physical risk (average)
Listed equity (%)	-8.35	2.22	-1.06	-3.62	0.63	-1.55	-1.88	0.30	-2.04
Corporate bonds (%)	-1.64	0.03	-0.40	-0.57	0.01	-0.05	-0.25	0.01	-0.07

Data as of 31.12.2024. Data coverage: 96% for listed equities, 50% for corporate bonds. Source: Nordea Asset Management, ©2025 MSCI ESG Research LLC. Reproduced by permission.



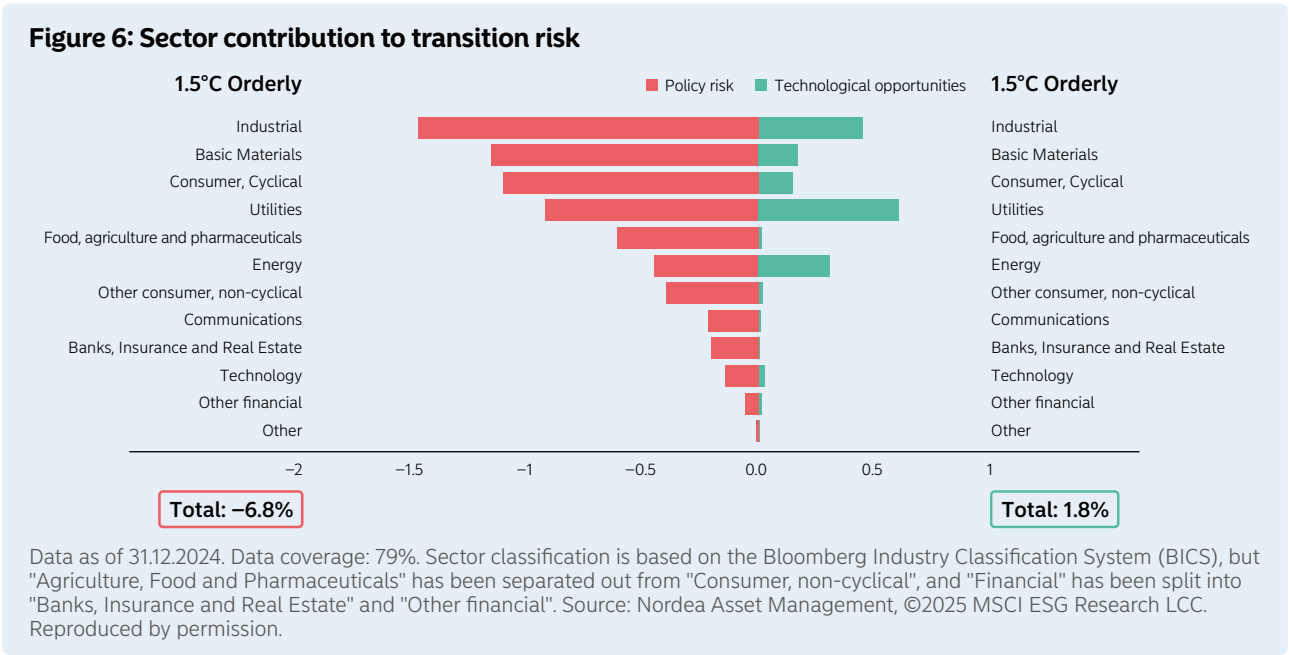
**Figure 6** displays the contribution of our listed equity and corporate bond investments to transition risk across sectors in a Net Zero 2050 scenario. Any given sector's 'contribution' is determined by the transition risk of the company holdings within that sector as well as our relative exposure to the sector. Our investments in carbon-intensive sectors such as materials and industrials represent the largest contributions to policy risk. The contribution from energy, while carbon-intensive, is modest, driven by our relatively small exposure to this sector.

Significant upside is seen in utilities, driven mainly by electric utilities. This is reflective of our efforts to identify electricity providers with large renewable electricity generation capacity and growth potential, as part of our Paris-aligned Fossil Fuel Policy. On an aggregate sector level, the CVaR analysis suggests that transition costs are still expected to outweigh potential benefits across all sectors. Yet, there are numerous companies in our portfolios, across most sectors, for whom transition opportunities outweigh transition risks.

**Physical risks and opportunities**

For physical risks and opportunities, the CVaR model quantifies the expected change in costs to a company from business interruptions and damages to physical assets materialising from climate-related acute events and chronic changes such as extreme heat and cold, rainfall, flooding and tropical cyclones. Using the physical location of a company's facilities and a probability distribution of the annual costs of the manifestation of climate hazards, it provides an estimate of both the average cost as well as a more severe, 95th percentile 'aggressive' outcome that explores the less likely but more extreme impact potential of climate change. The mean CVaR values are displayed in Figure 5.

Physical risks are most pronounced under the NDC scenario, where associated costs rise as a result of higher temperature outcomes and an increased frequency and severity of extreme weather events. The financial materiality of these costs is higher for equity investments than for corporate bonds, owing to the time horizon over which physical impacts are expected to materialize. The value-weighted maturity of many corporate bonds falls before physical risk costs exponentially materialize (typically 10–30 years).



**CVaR integration into NAM's risk monitoring framework**

Sustainability risk is a key pillar within our risk monitoring framework. The sustainability risk assessment is in place to ensure sustainability risks are considered as part of the investment process across all funds. For listed equity funds, Policy CVaR is calculated at individual fund level and serves as input to determine the internal risk class.

While offering insights into relevant climate risks, the CVaR model does not exhaustively address all dimensions of climate risk. Crucially, the model does not fully take into account com-

panies' risk mitigation efforts, such as plans for reducing carbon emissions or efforts to diversify away from fossil fuel dependency on a forward-looking basis. Additionally, it does not account for supply chain constraints caused by climate-related weather hazards.

For a more complete picture we need to understand how individual issuers are managing climate risks and opportunities. We achieve this by conducting climate alignment analysis of individual issuers in high-risk sectors.



## 2. Climate alignment analysis

In order to gain a holistic understanding of the trajectory of our portfolio companies, we assess individual issuers using NZIF's maturity scale approach. NZIF introduces ten current and forward looking criteria with a binary yes/no outcome of which we use six KPIs, which can be combined to categorise companies into four categories: aligned, aligning, committed to aligning or not aligning (see figure 7).<sup>14</sup>

As an example of the comprehensiveness of this approach, having a science-based target is one out of the six core alignment indicators, but on its own it is not sufficient to be categorized as 'aligning'. For that, we also need to see adequate GHG disclosure and a supporting decarbonization strategy.

To identify the alignment status of all issuers in our investment universe, we have built an in-house alignment assessment tool. For each of the six core criteria, we rely on data from credible third parties such as Transition Pathway Initiative, Science-Based Targets Initiative, CA100+ and CDP, which we complement with proprietary data to indicate if the criterion is met.

The quantitative assessment is indicative of alignment, but is complemented by individual research into and engagement with companies to firmly establish alignment status.

This type of analysis is key to our net-zero commitment and is incorporated into our issuer-level climate targets. In addition, it is a particular prerequisite for our implementation of the Paris-aligned Fossil Fuel Policy.

<sup>14</sup> Technically, NZIF's maturity scale has a fifth category, 'net-zero', reserved for companies that have already achieved a state of net-zero. We do not include this category in our analysis on the observation that no companies to date have reached this level of performance.

**Figure 7: Climate alignment assessment**

Alignment KPIs	Threshold	Aligned	Aligning	Committed	Not aligning
1 Net-zero ambition	The issuer has a long-term decarbonization goal consistent with achieving global <b>net zero by 2050</b>	✓		✓	All other issuers
2 Short- & medium-term targets	The issuer has a short- or medium-term GHG target that is <b>consistent with 1.5°C</b> and covers material emissions	✓	✓		
3 Emissions performance	The issuer's current emissions <b>performance in line with its GHG target</b>	✓			
4 Disclosure	The issuer <b>discloses scope 1, 2 and material scope 3</b> emissions	✓	✓		
5 Decarbonization strategy	The issuer explicitly sets out the measures that will be deployed to <b>deliver on GHG target and shift towards green revenues</b>	✓	✓		
6 Capital allocation alignment	The issuer clearly demonstrates that its <b>capital expenditures are consistent with achieving net zero</b> by 2050	✓			
7 Climate policy engagement	The issuer has a <b>Paris-aligned climate lobbying</b> position and aligns its direct and indirect lobbying activities	KPIs 7–10 in NZIF are optional and not currently included in most investors' alignment assessments due to data availability issues.			
8 Climate governance	The issuer has clear <b>oversight of transition planning and executive remuneration</b> is linked to delivering targets and transition				
9 Just transition	The issuer considers the impacts from transitioning to a lower carbon business model on its <b>workers and communities</b>	NAM currently include Climate governance components in the assessment of KPI 5: Decarbonization strategy.			
10 Climate risk and accounts	The issuer discloses transition risks through <b>TCFD Reporting</b> and incorporates such risks into its financial accounts				

**A note on implied temperature rise metrics**

Another often used alignment metric is the Implied Temperature Rise (ITR) metrics. At NAM we do not presently use ITR metrics for the purposes of reporting portfolio Paris alignment. ITRs can at times be useful as an indicator of a company's transition path, but while as a metric it is simple to understand, the computation required to construct it is not. The result of this modelling complexity is that it is sensitive to the methodological choices made by any given provider. This is also why those estimates can vary significantly across providers. In addition, ITR models do not account for the extent to which a company's products and services serve to help others avoid or reduce emissions, which is highly relevant when evaluating portfolios overweight in climate solution providers. At NAM we remain longer term optimistic, but presently cautious when using them in our own decision making.



## 2.1 – Forward decarbonization trajectories

During 2023, we developed an in-house Forward Decarbonization Tool to provide our investment teams with a forward-looking view of the decarbonization trajectory of any company in their investment universe. This tool helps predict the evolution of direct and indirect emissions (Scope 1 and 2) of any corporate issuer.

It builds on a hybrid top-down and bottom-up model that incorporates trends based on historical emissions, future targets set by the company, and a credibility coefficient which expresses the estimated likelihood that a company will meet its targets, based on an assessment of their climate governance and other related characteristics – as illustrated in the figure below.

**Figure 8:**

Analytical inputs		Target characteristics		Governance		Paris alignment		
Company emissions	Historical GHG emissions	Target horizon Sooner is better Multiple target years is better		Exec. compensation Climate-linked is better Board-level oversight is better		Net Zero Investment Framework alignment Passing more alignment KPIs is better		
		Min: +5%	Max: +30%	Min: ±0%	Max: +20%			
Target characteristics	Target horizon	SBTi Commitment is good Validation is better		CDP Higher score is better		Min: −20%	Max: +70%	
	Target coverage							
	SBTi status							
	Temperature alignment	Min: ±0%	Max: +10%	Min: −5%	Max: +15%			
Governance and Paris alignment	GHG disclosure			General ESG Higher ESG scores are better		100% ceiling No overshoot		
	Executive compensation			Min: −10%	Max: +20%			
	Board-level oversight	0% floor						
	Decarbonization strategy	Min: 0%						Max: 100%
	Capex alignment	Historical decarbonization is seen as a better predictor of emissions than targets						Targets are expected to be fully met and met on time
Green revenues								

Companies with the highest credibility coefficient are generally assessed to fully meet their targets over the medium term, but the path to target fulfilment is dependent on actual emissions trends. Companies with the lowest credibility coefficient are not expected to fully meet their targets, but rather perpetuate historical trends.

Together, these parameters are used to generate a well-defined emissions trajectory, which can be compared to the ideal rate of reduction required for, e.g. a 1.5 °C scenario. Our approach to determining the scenario-relative rate of reduction relies on inputs from the International Energy Agency's Net Zero scenario and the One Earth Climate Model, amongst others, and accounts for the sector and the geographic exposure of a company.

## 3. Management of risk and opportunities

The dominant source of climate risk exposure for NAM is our investments in companies which are themselves exposed to climate risk. Managing our climate risk, therefore, involves integrating climate risk into our investment selection process, assessing the quality of climate risk management that we see from the companies we invest in, and using our influence to stimulate a strengthening of their risk management practices. In other words: climate risk management for NAM is both about selecting the right investments and managing those investments responsibly.

It was with these objectives in mind that the NAM Climate Change Strategy was adopted in 2019. Its five pillars all contribute to the development of a more robust climate risk management framework, and within each pillar, we are taking active measures to responsibly manage our climate risk exposure.

**Figure 9:**

Climate strategy pillars	Description	Key features	Notable actions in 2024
Integration	Climate risk and opportunity analysis is integrated into the overall investment process as part of company research and regular risk monitoring	<ul style="list-style-type: none"> <li>ESG and climate KPIs integrated into portfolio performance reviews of our equities and fixed income teams</li> <li>All portfolio risk reports include climate dashboards with key figures such as the weighted average carbon intensity (WACI) and absolute emissions of investments</li> <li>Quant-driven Paris alignment maturity assessment of all companies in investment universe, including breakdowns within portfolios and benchmarks</li> </ul>	<ul style="list-style-type: none"> <li>We continued to enhance our forward decarbonization tool that provides our investment boutiques with a forward-looking view of the potential decarbonisation trajectory of any company in our investment universe</li> </ul>
Active ownership	We engage and vote to improve the climate resilience of our investments	<ul style="list-style-type: none"> <li>The Investment Stewardship team, part of the Responsible Investments team and in close collaboration with Portfolio Managers, evaluates all important climate resolutions</li> <li>Active participant and co-lead in key engagement initiatives such as Climate Action 100+</li> </ul>	<ul style="list-style-type: none"> <li>Voted on 127 climate proposals</li> <li>As of end 2024, 81% of Top 200 carbon footprint contributors were aligned or subjective to active engagement to become aligned</li> <li>We engaged with 65 companies on methane and 6 companies joined the OGMP 2.0</li> <li>In Oct 2024, we won the Recognition for Action – Climate award at the Principles for Responsible Investment (PRI) Awards ceremony in Toronto, Canada</li> </ul>
Divestment and mitigation	We take active measures to reduce our exposure to highly carbon-intensive sectors that do not have meaningful prospects for a sustainable transition	<ul style="list-style-type: none"> <li>Strict exclusion criteria for thermal coal mining and oil sands (5% revenue threshold) as well as arctic drilling (0% threshold)</li> <li>Our <a href="#">Paris-aligned Fossil Fuel Policy</a>, restricts investments in fossil fuel companies that are not transitioning in line with the objectives of the Paris Agreement</li> </ul>	<ul style="list-style-type: none"> <li>In 2024, we strengthened our Responsible Investment Policy related to coal activities, including stronger investment restrictions on coal mining, coal power expansion, and generation without phase-out commitments. It resulted in divestments from approximately 20 companies and 60 new entities added to our exclusion list. We continue to have one of the industry's strictest approaches on coal mining with a 5% threshold on thermal coal mining and a 30% threshold on metallurgical coal mining<sup>15</sup></li> </ul>
Product development	We focus on products that support the transition to a low carbon economy	<ul style="list-style-type: none"> <li>RI strategies (article 8 and article 9 funds) now represent around 74% of NAM's assets under management as of end of 2024</li> </ul>	<ul style="list-style-type: none"> <li>In 2024, our Sustainable STARS and BetaPlus Sustainable Enhanced strategies committed to outperform the benchmark by 25% with respect to carbon footprint metrics</li> </ul>
Policy support	We support climate policy that help deliver on the Paris Agreement's objectives, and are involved in various industry initiatives that promote the same agenda	<ul style="list-style-type: none"> <li>Amongst the first cohort of signatories to the <b>Net Zero Asset Managers (NZAM) initiative</b> and co-developer of the <b>Net Zero Investment Framework</b></li> <li>Signatory to the <b>Finance for Biodiversity Pledge</b>, a commitment of financial institutions to protect and restore biodiversity through finance activities and investments</li> </ul>	<ul style="list-style-type: none"> <li>NAM joined the Partnership for Carbon Accounting Financials (PCAF) Securitizations and structured products working group</li> <li>NAM has engaged with 66 covered bond issuers to improve their reporting disclosures, through the Covered Bond Council and will participate on their annual congress</li> <li>NAM has signed a formal letter to EU Environment and Climate ministers, advocating for an ambitious greenhouse gas emissions reduction target of 90% by 2040 (baseline year 1990)</li> </ul>

15) Note that we do not have a coal phase out criterion for coal mining companies simply because it would not be additive – we already do not invest in any mining company that exceed the above strict thresholds on coal.



## Fossil fuel investment guidelines

Our suite of fossil fuel investment restrictions is applied additively across our product range. Across all our funds, we restrict investments in activities associated with very significant transition risk and/or very high adverse environmental impacts. For some product categories, we further mitigate environmental and transition risk by lowering tolerance thresholds for fossil fuel involvement. For our most sophisticated investment strategies, we require that fossil fuel-involved companies have credible transition plans.

Across all funds, we restrict investments in **Arctic drilling** (0% revenue threshold) due to risks to fragile ecosystems, and **oil sands production** (5%) because of high emissions, water usage, and land disturbance. In addition, **coal** activities are restricted due to their significant contribution to air pollution and the urgent need for phase-out. This includes **coal mining** (5% or > 50 Mt thermal coal, 30% metallurgical), **coal power**

**expansion**, and **coal power generation without phase-out commitments**, considering both revenue and absolute involvement (Mt coal produced, GW coal capacity).

In addition, 75% of fund AuM<sup>16</sup> follows our Paris-aligned Fossil Fuel Policy. The policy effectively restrict investments in companies within the fossil fuel value chain that:

- Engage in unconventional oil and gas extraction, including oil sands, shale oil, shale gas, hydraulic fracturing, or Arctic drilling (0% revenue)
- Do not demonstrate a transition pathway aligned with the Paris Agreement. This includes companies with upstream oil and gas expansion activities incompatible with Paris-aligned pathways to net zero

For more information see our [Paris-aligned Fossil Fuel Policy](#).

<sup>16</sup>) Date as of 31.12.2024.





## Climate stewardship

We actively engage with investee companies and recognize voting as an effective tool for influencing companies and supporting and escalating our engagements.

Exercising voting rights requires careful deliberation. While we have seen a significant increase in shareholder resolutions on climate issues, some of these are not well written, too detailed and prescriptive, or simply misaligned with business reality. In 2024 we voted in 100% of all climate resolutions, a total of 127, of which we supported 70%.

In addition, we believe that voting against management for failing to mitigate transition risks can send a strong signal to company leadership about investor expectations regarding climate strategy and risk management. In 2024 we voted against (re)election of a director or chairperson due to inadequate climate risk management for 4 companies, including Exxon and Hindalco, one of the world's largest aluminium companies. We have increased this number during 2025.

Additionally, we actively participate in international investor initiatives and collaborative engagements focused on climate-related topics. Examples include **Climate Action 100+**

(CA100+), which engages with the most carbon-intensive public companies, and our Methane collaborative engagement in which we encourage our investee companies to adopt the OGMP 2.0, a framework for methane measurement, reporting, and target setting.

### Facilitating real emission reductions among utilities and the oil and gas industry

Methane is a powerful greenhouse gas, estimated to account for as much as 30% of the global warming we're experiencing today. It's a short-lived climate pollutant that is 86 times as potent a greenhouse gas as carbon dioxide over a 20-year period, but it doesn't stay in the atmosphere for as long as CO<sub>2</sub> does. This means that methane has not only had a huge impact on global warming to date, but also that reductions offer a critical near-term opportunity, as reductions achieved today will be felt in as little as 10 years.

Since 2022, we have been leading a collaborative engagement on methane with selected partners and clients with more than 3.7 trillion euros in assets under management. In 2024, we continued engagement with 65 oil and gas companies and utilities companies on the disclosure and mitigation of their methane emissions.

The primary ask is for the companies to achieve near-zero methane emissions backed by the OGMP 2.0 Gold Standard reporting. The OGMP 2.0 aims to deliver a 45% reduction in the industry's methane emissions by 2025 and a 60–75% reduction by 2030.

We saw substantive results from our engagement efforts in 2024. Six companies in the engagement group joined the OGMP 2.0 in 2024: Chevron, Exxon Mobil, OMV, Pertamina, Woodside and Vital Energy. Another eight companies in the engagement group – Aker BP, Chesapeake Energy (now Expand Energy), Coterra Energy, Diamondback Energy, EOG Resources, INPEX, Pioneer Natural Resources and Petrobras – were on the Gold Standard pathway in 2024 based on a credible implementation plan. Equinor achieved Gold Standard reporting for operated assets.

As part of a holistic approach, the engagement workstream has been complemented by policy engagement with Environment and Climate Change Canada and interaction with leaders from oil and gas companies and utilities at industry events in Amsterdam, New York and Toronto as ways to effectively advocate for industry-wide methane mitigation. Nordea Asset Management also contributed to the Institutional [Investors Group on Climate Change \(IGCC\): Addressing methane emissions from fossil fuel operations](#) to support investors to address methane risks in their portfolios.

# 4. Targets and metrics

Collectively, our targets embody our overall ambition to continue building climate resilience and embracing the opportunities presented by the transition to a low-carbon economy.

Our overarching long-term goal is to achieve net-zero emissions for all assets under management by 2050. Our short-and mid-term targets work towards this overall ambition, from an **organizational** wide target to reduce the weighted average carbon intensity (WACI) of investments, to a complementary target to ensure **individual companies** are engaged to become 1.5°C aligned.

In practice, we expect our targets to be achieved through three mechanisms, which in order of priority are:

- **Pushing current investee companies towards accelerated decarbonization.** Active ownership is a core pillar of our climate strategy underpinning our investments, including the launch of our Climate Transition Engagement strategy
- **Investing in companies that facilitate real-world decarbonization.** This includes investing in providers of climate solutions and companies with credible transition plans. An example of the latter is our Paris-aligned Fossil Fuel Policy, applicable to 75% of fund AuM<sup>17</sup>
- **Shifting portfolio allocation away from high-emitting companies and sectors.** We restrict investments in sectors with a limited future in a decarbonised economy, and integrate the identification of negative emission outliers into the overall investment process

Figure 10: NAM quantified targets

Timeline	Target	Scope	Status (as of end 2024)
Short term: 2025	80% of top 200 contributors to financed emissions to be either categorized as "Aligned" or else be subject to engagement to become aligned	Listed equity and corporate bonds	<b>161</b> companies (81%) Aligned or subject to active engagement
	Phase out investments in coal-related companies without plans to achieve a full exit from coal globally by 2040.	Companies involved in the mining for coal or use it for electricity generation	Completed
	Double share of net-zero committed AuM to 35%	All asset classes	26%
Mid-term: 2030	100% of top 200 contributors to financed emissions to be either categorized as "Aligned" or else be subject to engagement to become aligned	Listed equity and corporate bonds	Ongoing
	50% reduction in the weighted average carbon intensity (WACI) of investments from 2019 baseline year	Listed equity and corporate bonds	44% reduction from 2019 – 2024
Long-term: 2050	Net zero greenhouse gas emissions	Total AuM	

17) Date as of 31.12.2024.

Issuer-level targets

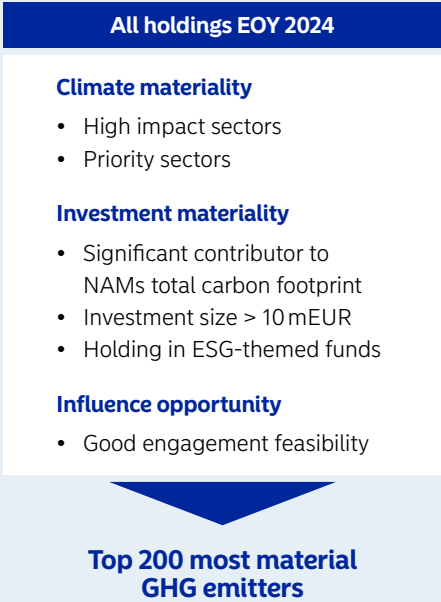
A key driver for achieving our climate targets and net zero commitment is the increasing alignment of companies to net zero pathways. As active owners, we prioritize engagement as the primary mechanism to drive alignment, which is why our 2025 target is for 80% of our Top 200 carbon footprint contributors to be on a Paris-aligned trajectory or else subject to engagement. This target will increase to 100% by 2030.

To identify our Top 200 list, we:

1. Identify biggest contributors to NAM's carbon footprint, at entity and individual fund level;
2. Filter for companies in high impact sectors where holding size is significant; and
3. Identify additional material emitters with high engagement potential.

Note that our Top 200 list is a moving target. Its composition changes as reported emissions change (the desired outcome of our engagement) and our issuer exposure changes (due to portfolio re-allocation). Over the next years we will therefore expect to engage significantly more than 200 companies.

Figure 11: Identification of top 200 companies



Progress made in 2024

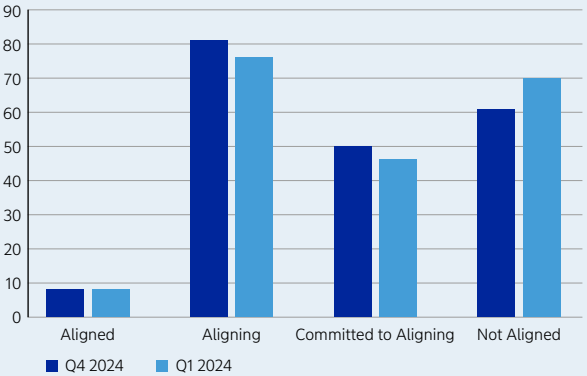
In line with the NZIF, we assess each company against a set of current and forward-looking alignment criteria in order to categorize it into one of four alignment categories: Aligned, Aligning, Committed to aligning or Not aligning. Figure 11 show the alignment spread of our Top 200 companies.

Our 2024 priority was to initiate engagement with all companies categorised as not aligning. This milestone was met through individual dialogues with companies in which we stated and discussed our expectations of Paris alignment, and engagements via collaborative initiatives (CA100+, CDP Non-Disclosure Campaign). During 2024, we observed a positive trend with an overall increase in Top 200 companies categorized as either "Committed to Aligning" or "Aligning." By year-end, only four companies were divested from our portfolio completely.

Improvements in company alignment status resulted from three main factors: 1. Company improvements captured by our quantitative screening process; 2. Enhanced research revealing companies performing better than our quantitative screens initially suggested; and 3. Successful engagement activities, though their specific impact remains difficult to isolate.

In total in 2024, 161 companies (81%) on our Top 200 list were engaged on the topic of Paris alignment.

Figure 12: Alignment status





## Managing in line with net zero

In line with our NZAM commitment, we report and track the percentage of AUM managed in line with net zero by 2050. According to NZAM 'managing in line with net zero' means the following:

1. Setting interim targets for 2030, consistent with a fair share of the 50% global reduction in CO<sub>2</sub> identified as a requirement in the IPCC special report on global warming of 1.5°C.
2. Taking account of portfolio Scope 1 & 2 emissions and, to the extent possible, material portfolio Scope 3 emissions.
3. Prioritising the achievement of real economy emissions reductions within the sectors and companies in which we invest.
4. If using offsets, investing in long-term carbon removal, where there are no technologically and/or financially viable alternatives to eliminate emissions.
5. As required, creating investment products aligned with net zero emissions by 2050 and facilitate increased investment in climate solutions.

Our methodologies for managing in line with net zero have been created to be commensurate with above principles, in particular prioritizing real economy emission reductions (principle 3) and facilitating investment in climate solutions (principle 5).

As in 2024, 26% of total AuM was assessed as managed in line with net zero, compared with 17.5% in 2021. The goal is to have 35% of our total AuM assessed and managed in line with net zero. Progress on the target is tracked and shared with senior management on a quarterly basis via the process for internal performance measurement.



### Example: Our approach for covered bonds

NAM is one of the largest institutional investors in covered bonds. While net zero alliances have yet to develop net zero blueprints for this asset class, we know that rapid decarbonisation of the building stock is key to achieving 1.5°C with limited overshoot. At the same time, we often do not have ready access to data that will allow for investment decisions that are directly linked to incremental reductions in emissions from buildings.

Covered mortgage bonds are debt securities issued by financial institutions, typically banks or specialised covered bond issuers. They are secured by cash flows from pools of residential or commercial mortgages and collateral in the financed buildings. Ideally issuing institutions would disclose metrics such as distribution of the European Energy Performance Certificates (EPC) scores or the equivalent and GHGe/m<sup>2</sup> of the cover pool.

We do not have access to data, at scale, that allows for investment decisions that are directly linked to incremental reductions in GHGe/m<sup>2</sup>, but we can take action to increase climate transparency by issuers of covered bonds. In addition, we can track the performance and required reduction pathways for the countries of location of the cover pools.

Given current limitations, we therefore consider a covered bond portfolio to be managed in line with net zero by 2050 if the following conditions are met:

- It is in scope of our Covered Bonds Engagement programme engaging issuing institutions to improve transparency on metrics needed to support real world decarbonisation (distribution of EPC ratings, energy use/m<sup>2</sup>, GHGe/m<sup>2</sup> etc)
- It is subject to ongoing monitoring in relation to 2030 1.5°C aligned pathways for GHGe/m<sup>2</sup> at relevant regional, country and portfolio level
- It will prioritise – where possible – allocation which supports achievement of real economy reductions such as labelled bonds and bonds showing improved GHGe efficiencies (data and investment constraints permitting)

### Weighted average carbon intensity

To ensure alignment with the Paris Agreement, in 2020 NAM committed to reducing the weighted average carbon intensity (WACI) of its aggregated listed equity and corporate bond investments by 50% before 2030, compared to a 2019 baseline. WACI measures tCO<sub>2</sub>e/EUR million revenue, and as such is not a direct measure of emissions. Yet, it is a useful measure of a portfolio's exposure to carbon-intensive companies, and acts as a proxy for climate transition risk, since companies with higher carbon intensity are likely to face more exposure to carbon-related market and regulatory risks.

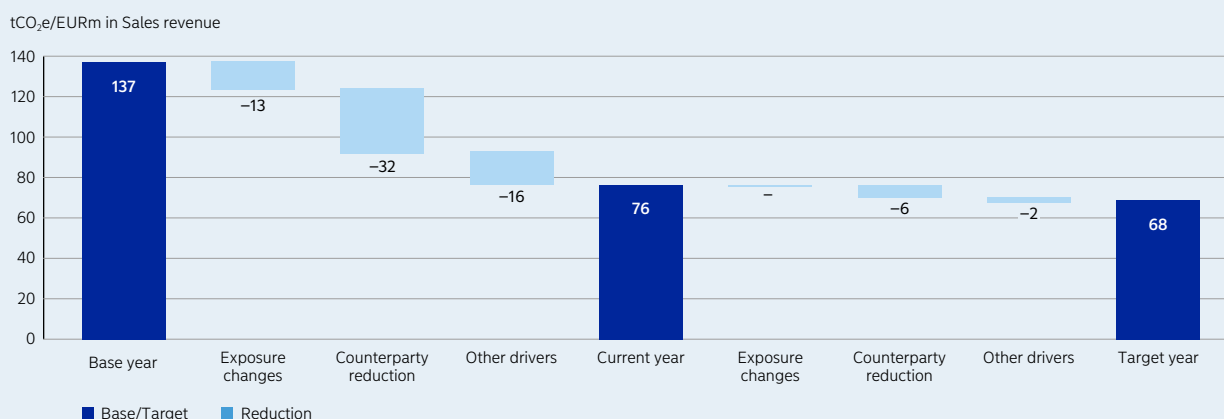
From 2023 to 2024, WACI decreased by 9.5%. In the period 2019 to 2024 WACI has seen a 44% reduction. This reduction was primarily driven by three factors: emission intensity reductions by investee companies, changes in investment portfolio composition, and other drivers such as inflation and data availability. The majority of the reduction came from improvements in emission intensity by investee companies, particularly in high-emitting sectors like utilities, industrials, and materials.

These sectors accounted for about three-quarters of the observed intensity reductions in NAM's portfolio. The emission intensity reductions were driven by both absolute emissions decreases and revenue increases, with lower absolute emissions accounting for one-third of the observed reductions. Our exposure to high-emitting sectors generally increased during this period, except for the energy sector where exposure was halved due to fossil fuel-related exclusions. Within high-emitting sectors, we shifted our investments towards relatively low-emitting companies, particularly in utilities and energy, focusing more on renewable energy providers. This within-sector reallocation was significant enough to offset increases in exposure to high-emitting sectors overall.

With existing policies, and portfolio composition assumed constant, we projected to exceed 50% reduction target by 2030 due to: 1. Continued counterparty reductions in absolute emissions and 2. Sales revenue growth, both real productivity growth and inflation, with the effect of the latter isolated in 'other drivers'.

**Figure 13: Investment portfolio (NAM) decarbonisation levers**

**Target:** Reduce the weighted average carbon intensity (WACI) of listed equities and corporate bonds by 50% between 2019 and the end of 2030.



### NAM's carbon footprint

At the end of 2024, NAM's carbon footprint stood at 33.8 tCO<sub>2</sub>e per million EUR invested, down 9% from the end of 2023. This reduction came in large part from emission reductions achieved by our investee companies, and materialized despite an increase in our investment exposure to high-emitting sectors such as utilities and industrials. We conducted an attribution analysis to identify the relative impact from changes in issuer-level emissions vis-à-vis the impact from portfolio management decisions and other exogenous variables. Figure 14 displays the

results of this attribution analysis, illustrating the main drivers of our carbon footprint reductions, both in the 2019–2023 period (left hand side) and in the most recent year (right hand side).

Between 2019 and 2023, real-world reductions in absolute GHG emissions by our investee companies were modest on average, accounting for the equivalent of only a –1% reduction in the carbon footprint during the period. This is generally a reflection of the slow – or indeed sometimes negative – pace of absolute emission reductions in the real economy in recent years, and was especially pronounced in the wake of resumed

economic activity after the Covid-19 pandemic and as a result of a changing energy landscape in the context of the war in Ukraine. Another –14% carbon footprint reduction resulted from portfolio allocation changes, and is primarily tied to a significantly reduced investment exposure to the energy sector, as well as a stronger tilt towards lower-emitting companies in the utilities sector, both of which are largely a result of a more restrictive approach to investing in companies in the fossil fuel value chain. Finally, a –21% reduction was attributable to other drivers that are less directly related to either real-world decarbonization or portfolio management decisions, and the primary driver among these was the general growth in enterprise value across our investee companies. All else equal, an increase in companies' enterprise value leads to a lower carbon footprint even if absolute emissions remain constant, since the carbon footprint is essentially an emissions intensity metric using enterprise value as its denominator.

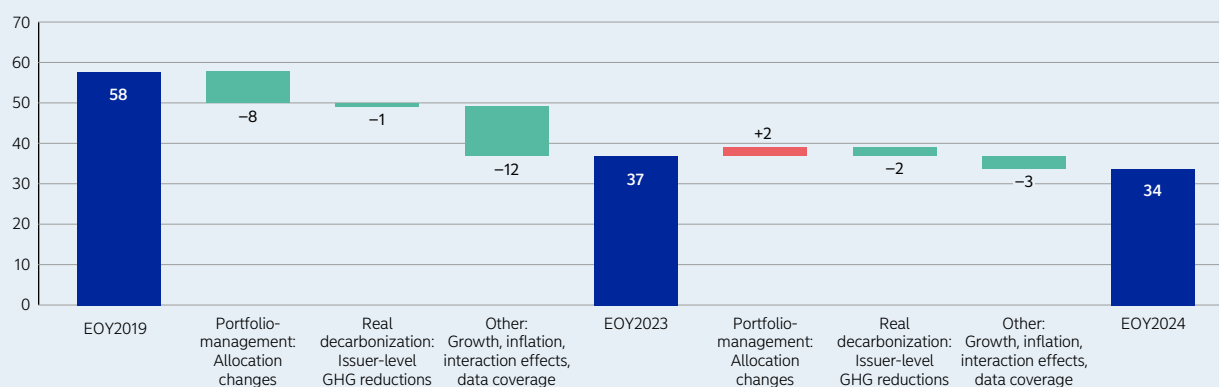
In contrast, the 2023–2024 period marked a break with this trend and saw stronger progress in real-world decarbonization in our portfolio. Among high-emitting sectors that are critical to both the transition and the general economy, we increased our exposure to utilities and industrials and maintained a

high exposure to basic materials like steel and cement, while continuing to reduce our exposure to the energy and fossil fuels sector. All else equal, this sectoral change would have led to a +5.9% increase in our carbon footprint. However, this was more than fully offset by the real-world GHG reductions undertaken by our investee companies, which accounted for a –6.2% reduction in the carbon footprint. This improvement was especially pronounced in the utilities sector, which reflected the strong progress in renewables deployment and fossil fuel phase-out among our investee companies, but there was also significant progress in the materials and consumer goods sectors. Lastly, an –8.3% reduction was attributable to other drivers, the primary of which was a value appreciation in the materials, industrials and utilities sectors.

Finally, the –6.2% reduction in real-economy emissions should be seen in relation to the ca. –7% annual GHG reduction that is generally understood to be necessary for the fulfilment of the Paris Agreement's climate objectives. Accelerating real-economy decarbonization, therefore, remains at the centre of our climate strategy, not withstanding the significant improvements in portfolio-level carbon footprint that we have achieved.

**Figure 14: Carbon footprint attribution analysis (31.12.2019 – 31.12.2024)**

Scope 1–2 tCO<sub>2</sub>e/EURm invested



**Note:** In Figure 14, the “Real-decarbonization: Issuer-level GHG reductions” term reflects only changes in absolute emissions, while the emissions intensity denominator term (enterprise value) is included under “Other” drivers. This is in contrast to the “Counterparty reductions” term in the WACI attribution analysis in Figure 13 that reflects changes in emissions intensity. While similar in nature, these analyses are therefore not strictly comparable. The underlying dynamics of WACI and carbon footprint are the same in some respects, in the sense that both metrics respond in the same way to a change in absolute emissions among investee companies, but the effect of market dynamics, portfolio composition changes and fluctuations in revenues and enterprise value are different. Hence, these two metrics offer complementary perspectives on the portfolio decarbonization theme.

# Climate outlook 2025

## Oil and gas production and our investments – our convictions



The oil and gas industry faces significant challenges as it navigates the energy transition. In a future net-zero economy, little if any fossil fuels will be used. While near-term fossil fuel demand remains high, clear signs indicate that we are approaching peak demand, driven by accelerating clean energy deployment and cross-sector electrification. From then on, demand will be on a secular path of decline.

Oil and gas demand is, however, still growing in the near term, especially in developing economies. Despite the ever increasing signs of anthropogenic climate change, the IEA notes that two-thirds of the increase in global energy demand in 2023 was met by fossil fuels, pushing energy-related CO<sub>2</sub> emissions to another record high.

When optimism about climate action was at its height, many large oil and gas producers rebranded themselves as energy delivery companies committed to the transition, but to date none of them have directed sufficient capital into alternative energy sources or business models for a successful and timely pivot.

The challenge transition-focused investors face is twofold:

On the one hand, the world will continue to need oil and gas for some time to come, and security of supply remains a real-world, geopolitical concern. At the same time, oil and gas producers remain significant index constituents in many asset classes and markets, meaning that narrowly defined fiduciary duty concerns preclude full divestment for some clients.

On the other hand, none of the major oil and gas companies show sufficient signs of transitioning. To the contrary, most of the industry continues to sanction projects that are obviously incompatible with limiting warming to well below 2°C, and continue to dedicate resources to exploration.

Asset managers navigate this in different ways, but the toolbox is broadly similar:

- **Divestment from oil and gas producers, either across all investment portfolios, or within certain product types.** Divestment satisfies the preferences of some clients, can send a signal to the investor landscape with a view to delegitimizing the industry from a moral perspective, and can be a risk management tool. However, there is scant evidence to suggest that divestment changes company behavior to drive real-world decarbonization
- **Best-in-class selection of the oil and gas companies that are showing some degree of transition willingness.** The challenge here is that tilting strategies may not go far enough given the sector's overall misalignment, and that no major oil and gas companies can be said, at the time of writing, to be credibly committed to transitioning. Still, some differentiation is possible
- **Engagement with companies to push for faster decarbonization.** Engagement has shown very limited success in transforming overall oil and gas business models (the scope 3 dimension). However, 'limitations-aware' engagements concentrating on the smaller – but still significant – scope 1, involving the consistent pursuit of realistic asks such as operational efficiency (including notably the reduction of methane emissions), have proven their merit. In addition, evidence supports the intuition that collaborative engagements are more effective than unilateral engagements, especially when the engagement ask is limitations-aware<sup>18</sup>

18) [The Impact of Sustainable Investing: A Multidisciplinary Review](#).



- **Exercising voting rights.** Exercising voting rights requires careful deliberation. While we have seen a significant increase in shareholder resolutions on climate issues, some of these are not well written, too detailed and prescriptive, or simply misaligned with business reality. Still, when appropriately targeted, voting against management for failing to mitigate transition risks can send a strong signal to company leadership about investor expectations regarding climate strategy and risk management
- **Advocating for robust policy frameworks.** Policy engagement is increasingly recognized as a critical lever for investors seeking to create a framework for real-economy decarbonization. Company-level changes alone are insufficient – or simply will not happen – without appropriate policy guardrails to drive industry-wide transformation. Investors can contribute to the emergence of such guardrails by submitting responses to government consultations, publicly supporting climate-related policy initiatives, participating in industry coalitions advocating for robust policy frameworks, and supporting the development of standardized climate disclosure frameworks

In NAM this leads us to the following policy position: upstream oil and gas companies engaged in expansion activity incompatible with the Paris Agreement cannot be designated as Paris-aligned, whether they are “best in class” or not. Reflecting our motto of “Returns with Responsibility”, 75% of Nordea fund AuM follows our Paris-aligned Fossil Fuel Policy, which restricts investments in companies in the fossil fuel value chain that do not demonstrate a transition pathway aligned with the Paris Agreement. This means that such companies will not be found in the majority of our funds.<sup>19</sup>

At the same time, some clients have a strong preference for engagement over exclusion, or are simply unable to take the relative risk of full exclusion. This is especially the case in asset classes where oil and gas has a large weight in the standard benchmark, and for products where a main premise is low tracking error against standard benchmarks. Our holdings through products of this type allows us to engage and exercise our voting rights. On this basis, we will continue to press upstream oil and gas companies to reduce operational emissions including methane leaks, and to increase Paris alignment, either through capex allocations to renewables rather than new drilling or through the exercise of capital discipline (prioritizing dividends over growth in production volumes).

National oil and gas companies are key to driving reductions in methane emissions. They are amongst the biggest extractors and have the lowest break-even cost, so will likely be amongst the last players standing.<sup>20</sup> Yet they are lagging behind when it comes to methane management and direct engagement is

often feasible only insofar as we hold debt (although policy engagement can also play a role here).

In sum, we believe that by offering the options of both avoidance and engagement, we are best positioned to protect the long-term interest of our diverse client base, while allowing us to support the transition practicing active stewardship.

To deliver on this commitment, we will continue our award-winning engagement campaign to encourage effective management and mitigation of methane emissions through OGMP 2.0 collaborative engagement. Methane represents a critical opportunity for near-term climate impact, as it is 86 times more potent than carbon dioxide over a 20-year period, though shorter-lived in the atmosphere. While methane does not constitute the majority of GHG emissions for upstream oil and gas companies, it contributes approximately 30% of today's global warming. Importantly, reductions achieved now will deliver climate benefits within a decade, offering a vital complement to longer-term decarbonization strategies.

In addition, we have strengthened our escalation policy over time. Thus, in 2024, we voted against management for several oil and gas majors, including opposing the re-election of Exxon's chair due to inadequate risk management. We will continue to use our voting rights assertively going forward.

Finally, we are committed to active policy engagement, especially in areas where a robust policy environment is required to incentivise companies to make the investments and plan the strategic realignment to a net-zero world.

As we navigate this complex landscape, we believe that driving meaningful real-world climate action is best achieved through a combination of exclusion from some portfolios, with thoughtful engagement, strategic voting, and policy advocacy – rather than wholesale divestment – from others. Together, these represent our most effective tools for influencing the necessary transformation of the oil & gas industry and delivering Returns with Responsibility.



**Eric Pedersen,**  
Head of Responsible  
Investments

19) Nor will coal producers, which are excluded from all Nordea investment funds with a revenue threshold of 5% for thermal coal and 30% for metallurgical coal. 20) <https://business.edf.org/insights/national-oil-companies-and-global-finance/>.

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