

Engagement report

Engage to change!

Nordea 1 – Global Climate Transition Engagement Fund

July 2026

Nordea
ASSET MANAGEMENT

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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.

The fund has been classified as an article 8 fund under SFDR. The fund has environmental and/or social characteristics but does not have sustainable investment as its objective. The SFDR is a European legislation which applies to products manufactured in the EU.

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Foreword

Four years ago, we launched the Nordea 1 – Global Climate Transition Engagement Fund on the belief that the energy transition is a structural megatrend, and that some of the most relevant businesses navigating it were being overlooked – misunderstood by the market, and undervalued as a result. Our approach is to invest in those opportunities and engage with management teams to align business models with a low-carbon economy, driving decarbonisation across the sectors with the heaviest footprints. That conviction has not changed, but the world in which we invest has.

The climate investing landscape is evolving. The energy transition has long been synonymous with renewable energy – clean power generation, decarbonisation commitments, and green policy frameworks. There is truth in that, but the transition may run deeper and wider than that narrative suggests. With political consensus around climate action weakening in several key markets and geopolitical tensions reshaping energy supply chains, that complexity is increasingly difficult to ignore.

Governments and corporations are reassessing their exposure to fossil fuel import dependency, grid fragility, and supply chain concentration. Electrification continues to accelerate, but must now be balanced against affordability, resilience, and industrial competitiveness. The energy trilemma – sustainability, affordability, reliability – has, in practice, become a hierarchy, with security at the top. This is not a setback for the transition thesis – if anything, it broadens it. Renewables have become a cornerstone of energy sovereignty, not just environmental ambition, and the investment case for grid modernisation, critical minerals, and industrial decarbonisation is now supported by a more urgent and diverse set of rationales.

The rise of AI has added another dimension entirely. It represents the largest new electricity demand story in a generation – yet it has arrived without a credible decarbonisation plan. The world's largest technology companies have made sweeping net-zero commitments, but the infrastructure buildout they are financing may be difficult to reconcile with those stated trajectories. This is precisely the kind of misalignment that our engagement process is designed to address, and it sits at the centre of conversations we are having with portfolio companies today.

Our strategy has always looked beyond the obvious transition winners – the pure-play clean energy businesses that attract most investor attention. We focus on the parts of the market where future cash flows tied to the energy transition are misunderstood. The transition, as we see it, runs across the full value chain – from critical minerals and energy services through to grid infrastructure, industrial processes, and efficiency solutions.

Over the past year, we have continued to deepen our dialogues with the management teams of the companies we are invested in, drawing on our proprietary tools and in-house climate expertise to challenge transition strategies with rigour and identify where credible progress is being made. The following pages detail those engagements, the focus themes, and the progress and outcomes achieved – and why we continue to believe that active ownership in these sectors remains one of the more direct ways to contribute to real-economy decarbonisation.



Alexandra Christiansen, CFA

Portfolio Manager on the Nordea 1 – Global Climate Transition Engagement Fund

Five forces reshaping the transition

How is the transition really going?

A transition optimist might tell you that the energy transition is accelerating at staggering pace. In the last five years, global clean energy investments more than doubled, and now far exceed what is being invested in fossil fuel.¹ In 2025, the growth in clean energy technologies was large enough to absorb all new power demand, meaning we could reduce our reliance on fossil fuels for electricity for the first time in human history². The carbon intensity of global equity indices has fallen by nearly 50% since 2020³.

A transition pessimist, however, would object that greenhouse gas emissions have reached their highest levels yet, and continue to rise⁴. Despite explosive growth in clean energy investment, it is nowhere near the levels required to achieve the goals of the Paris Agreement, and global climate policy ambitions have stagnated or reversed⁵. Total fossil fuel consumption continues to grow, supported by nearly USD 1tn in annual subsidies⁶. Limiting global warming to 1.5°C without overshoot has become virtually impossible, and the physical dangers of climate change will get much worse before they get better⁷.

And they would both be right.

This apparent paradox reveals how profoundly important it is to understand the drivers of the transition. They have created an environment where there is ample cause for optimism in some areas of the transition, but where investors also risk getting burned if they aren't cautious about headwinds and false promises in other areas.

What's driving the transition in 2026?

For decades, the general understanding was that climate policy would drive change, supported by gradual technology improvement. That relationship is about to be inverted.

We identify five dominant drivers of the energy transition, and improvements in clean technology economics is the only one that is genuinely fundamental. The logic is simple: once a clean technology becomes cheaper than alternatives, the economy will pivot to that. Some clean technologies, like green hydrogen, CCUS and e-fuels, have been hyped by investors but show stubbornly high cost curves, and their deployment remains sluggish despite generous policy support. In contrast, the combined levelized cost of solar PV and batteries fell by half in just five years to become several times cheaper than LNG-fired power generation⁸. The result was truly exponential capacity growth, with a twentyfold increase in global battery capacity since 2020⁹.

Similar but less dramatic reductions in costs and increases in deployment happened for wind, heat pumps, and EVs, which have reached sticker price parity in most markets¹⁰. And these aren't subsidy-dependent improvements that could reverse with policy shifts. Manufacturing scale and engineering advances create structural cost declines. Once a technology reaches cost parity with legacy alternatives, it has effectively walked through a one-way door that no climate policy headwinds can force it back through.

The energy trilemma no longer exists for fossil fuel importers

The next two transition drivers are structural in nature: the availability of means to break fossil fuel import dependence, and improvements in energy productivity and efficiency.

Three quarters of the world's population live in countries that are net importers of fossil fuels, exposing them to energy security and price volatility risks¹¹. Recently, two major shocks challenged how governments in these countries think about energy supply. The war in Ukraine and the Strait of Hormuz closure demonstrated how vulnerable our energy systems are to supply shocks. And like with the oil crises of the 1970s, there are three strategies available for mitigating the effects of a fossil fuel supply crunch. The first option is to diversify fuel supply, which in the 1970s meant expanding oil production in the North Sea and the Americas, and in our time has translated into a frantic rally for more LNG capacity. This provides a measure of temporary relief, but at a high cost and without reducing the exposure to the structural volatility of oil and gas markets.

The second option is to substitute fossil fuels for other sources of energy. The 1970s and 1980s became the heyday for nuclear, with 20% annual capacity growth as it took the place of oil in electricity supply¹². Outside of the power sector, however, there were few available substitutes. We now live in a different time, where there is an abundance of alternative energy sources in not just power, but also transportation and both low- and high-temperature heat. As much as 75% of the total GDP spent on fossil fuel imports globally could be averted just through the deployment of renewables, EVs and residential heat pumps¹³. And these technologies also happen to be much cleaner.

Sources: 1) International Energy Agency (IEA): World Energy Investment 2026, BloombergNEF: Energy Transition Investment Trends 2026. 2) Ember: Global Electricity Review 2026, IEA: Global Energy Review 2026. 3) EVIC-based scope 1-2 carbon footprint. Nordea analysis of MSCI ESG Research data. Note that this reduction is driven primarily by growth in the financial denominator rather than reductions in the emissions numerator. 4) IEA: Global Energy Review 2026 5) IEA: State of Energy Policy 2026, World Energy Investment 2025, Climate Pledges Explorer, Climate Watch: NDC Tracker. 6) IMF: Fossil Fuel Subsidies. 7) Foster, P. M., et al. (2026): Indicators of Global Climate Change 2025: annual update of large-scale indicators of the state of the climate system and human influence. Earth System Science Data. 8) Ember: The Energy Security Fallout: From Fossil Fuel Fragility to Electric Independence. 9) IEA: World Energy Investment 2026. 10) IEA: Global EV Outlook 2026. 11) Ember: Energy Security in an Insecure World. 12) Ember: The New Twin Fossil Shock. 13) Ember: Energy Security in an Insecure World.



The third option is to use less energy. In the wake of the 1970s crises, the world managed to once and for all break the link between energy use and GDP, which had previously moved in lockstep¹⁴. In a familiar display of necessity as the mother of all invention, cars became 20% more fuel efficient in that decade, and oil consumption per capita fell by 20%, but these improvements were mostly concentrated to the power and road transportation sectors¹⁵. Today, every sector of the economy offers opportunities for electrification, energy efficiency improvements and demand-side management. The very real challenge is that these mechanisms ultimately only translate into emission reductions if they aren't outpaced by growth in total energy demand.

On this front, we move in the right direction but not nearly fast enough. In 2025, energy demand grew at half the rate of global GDP, making the economy more energy efficient¹⁶. Electricity demand grew more than twice as fast as total energy demand, making the economy increasingly electrified¹⁷. And the supply of clean electricity grew more than twice as fast as electricity demand, making our electricity increasingly decarbonised¹⁸. At these rates, we can expect a radical transformation of global electricity supply where clean power sources will reach two thirds of total generation in the 2030s and enable a meaningful decline in emissions from this sector.

But with electrification at just above 20% of total final energy use, this is not enough to transform energy as a whole. Bending the curve of emissions will require much lower

and even negative energy demand growth. Increasing the pace of electrification is part of this, as electricity generally wastes 40% less primary energy than fossil sources¹⁹. In this context, the focus at the upcoming COP31 on a global electrification target of 35% by 2035 gives cause for optimism, but there are also clear headwinds. The last couple of years have seen a devastating rollback of energy efficiency regulations worldwide, and we expect a surge in new energy demand not just from the AI boom, but also from cooling needs in a hotter world²⁰. Curtailing total energy use is one of the areas where the transition remains inextricably dependent on a supportive policy environment.

Policy as accelerant, not engine

Because they are political, the last two transition drivers are more volatile: shifting climate policy priorities, and industrial policy efforts to protect domestic manufacturing.

As they've become cheaper, technologies like solar, wind, batteries and EVs have also become resilient to policy headwinds. The further ahead a technology is on its cost reduction curve, and the more it alleviates security concerns or offers opportunities for cost-efficient demand reductions, the less dependent its deployment is on fickle policy support. But conversely, technologies that aren't becoming much cheaper, aren't contributing as clearly to energy independence, or aren't reducing energy costs, will still require sustained policy support. Their deployment is vulnerable to electoral cycles.

14) Ember: The New Twin Fossil Shock. 15) US EPA: Automotive Trends Report 2025, Ember: The New Twin Fossil Shock. 16) IEA: Global Energy Review 2026. 17) IEA: Global Energy Review 2026. 18) Ember: Global Electricity Review 2026. 19) Ember: Reframing Energy for the Age of Electricity. 20) IEA: State of Energy Policy 2026', IEA: World Energy Investment 2026.

Today, the climate and industrial policy environment is a kaleidoscope of tailwinds and headwinds. Carbon pricing schemes are being rolled out at scale worldwide, but confidence in the flagship EU ETS carbon price regime is being eroded by mixed signals. Rampant protectionism in the form of trade-war import tariffs slows down EV deployment, while transition-positive tariffs like CBAM face implementation challenges. State subsidies spur on the development of clean tech manufacturing capacity and green infrastructure projects, but precious budgets are also being diverted to false starts like CCUS in the fossil fuel industry and hydrogen in power, heating and transportation.

For hard-to-abate sectors like cement, steel and chemicals, how the uncertainty surrounding the future of the EU ETS, CBAM and other policies is resolved matters greatly. It affects the viability of their decarbonization efforts, but crucially also the value of the investments that are being sunk into these efforts. Forward-thinking companies set a strategy to invest in lower-carbon production methods and capture price premiums for greener products, but their reward will be proportional to how well they anticipate regulatory incentives. Companies assuming they can defer action pending policy clarity, however, risk an even more severe mispricing of the transition risks.

The task for investors is to identify companies that strike the balance by focusing on the decarbonisation opportunities that are strategically compelling, technologically feasible, and financially material in a plausible policy environment. Despite the ostensible failure of climate policy action, that opportunity set is growing, but it is nestled among a larger set of unyielding incumbents, naïve optimism and empty pledges. On this playing field, active managers who can genuinely tell the difference are poised to outperform²¹.



Harry Granqvist

Climate and Nature Expert Analyst

21) There can be no warranty that an investment objective, targeted returns and results of an investment structure is achieved. The value of your investment can go up and down, and you could lose some or all of your invested money.

Hunting for opportunities across the transition value chain – the case of utilities

One of the starkest lessons of the past year for us as investors in climate and energy transition is that policy is both one of the most important, but also most unreliable, drivers in our space. Setting a sufficiently clear price signal to support supply scale up is something few regulators excel at, and even established mechanisms can be dismantled or weakened if political context changes. Policy is and remains important, but secular drivers matter more.

There is a perception, especially in the US, that decarbonisation no longer matters, because the energy hunger of hyperscale data center expansion sweeps aside any such 'worthy' considerations. In fact, it is this very dynamic that provides the most long dated, reliable and robust drivers for value accretive decarbonisation. Our focus has been in identifying and engaging with companies where the market still does not appreciate the full scope of the opportunity.

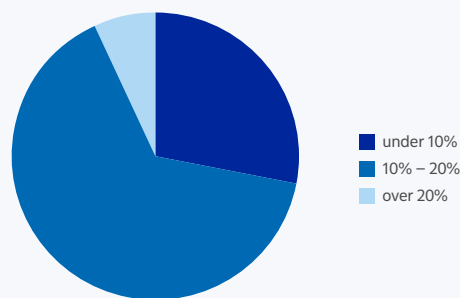
In the utility space, companies now have to deal with the fact that they have to provide more energy, quicker. Even if utilities in the US are actively discouraged from taking sustainability into account, the case for renewables has if anything become stronger, not weaker, as a result; we now live in a world where Texas installs more solar than California, and Texas utilities lead the way in energy efficiency solutions such as virtual power plants (VPPs)²². Utilities with expertise in solar have been better positioned to limit the rise in consumer bills (cheap solar has a deflationary effect on cost) and shorter time to market (solar is quick to build). So, regardless of whether sustainability is a fashionable conversation starter, the cheapest form of renewable energy emerged as having the strongest business case. The rise in demand has diluted the effect of policy support to the point that consensus estimates foresee steady and significant incremental increase in solar capacity beyond 2030 when all tax credit incentives in the US will have either expired or started to wind down.

A long term strategy for the addition of utility scale solar can be a powerful driver of returns, and is one of our main objectives with NRG. In addition, utilities investing in grid reliability and storage capacity have an edge in attracting and retaining data center customers. This dynamic has been particularly evident with Centerpoint, who also can profit from streamlining their portfolio by divesting much of their gas assets. Even for traditionally gas focused utilities increasing solar exposure in the short term can be more value accretive than extending the life of expensive coal capacity – which is the core of our engagement case with Entergy.

Our engagement dialogue has been most effective where the focus has only marginally been on targets for targets sake – and predominantly on the commercial opportunity within decarbonisation. The most forward thinking utilities, such as Xcel, understand decarbonisation targets as a lever to increase broad confidence in their ability to attract and satisfy desirable hyperscaler customers.

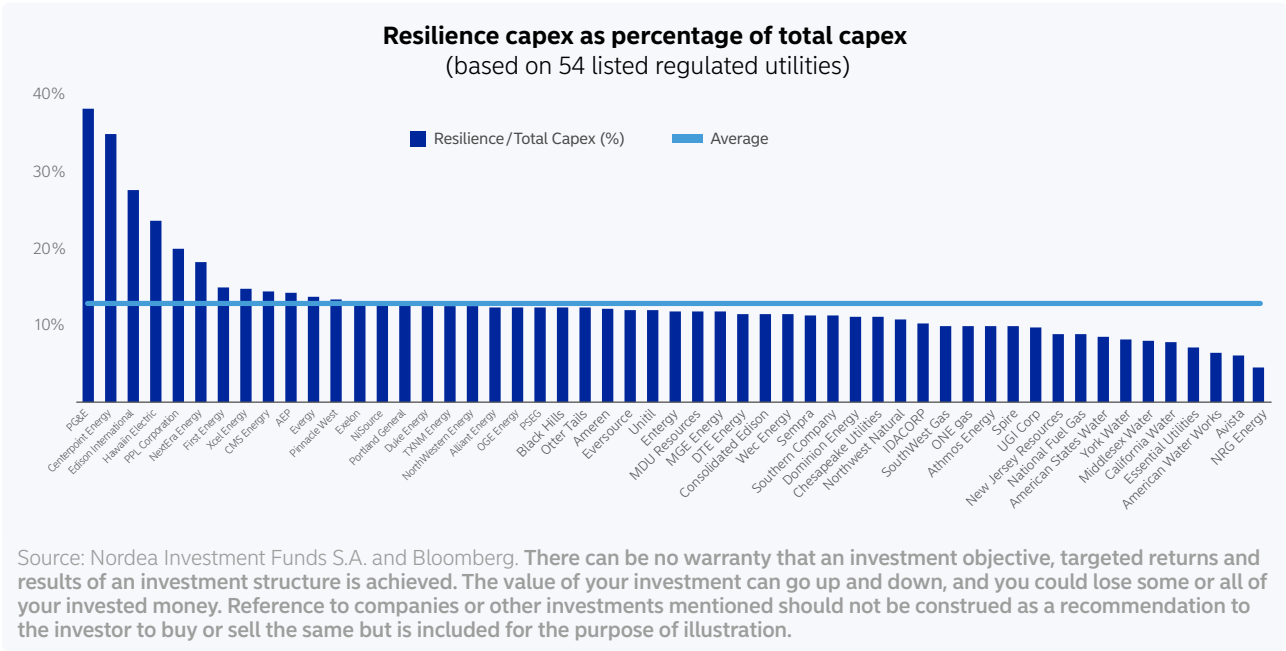
Utilities are also increasingly utilizing the push towards reliability as a lever to both safeguard and accelerate asset base growth. The path towards this outcome goes via climate resilience. As billion dollar climate events accelerate, utilities need to spend on grid hardening and transmission in addition to already recognized storm and natural disaster costs in order to deliver on the reliability indicators that regulators demand. To make both the risks and the opportunities transparent, utilities should radically transform their current approach to climate resilience analysis. Broad scenario based outlook is not enough to determine either the size of the risk or how well a company is prepared; a decision-useful climate resilience analysis takes place on asset level, and includes specific assumptions tied to local climate forecasts. This is particularly important given that 70% of US listed regulated utilities spend 10% or more of their total capex on resilience (estimate based on Bloomberg data for 53 listed regulated utilities). In particular, our holding Centerpoint has the second highest resilience capex to total capex ratio in the entire sector at 34.9%.

Resilience capex as percentage of total capex
(based on 54 listed regulated utilities)



Source: Nordea Investment Funds S.A. and Bloomberg. **There can be no warranty that an investment objective, targeted returns and results of an investment structure is achieved. The value of your investment can go up and down, and you could lose some or all of your invested money. Reference to companies or other investments mentioned should not be construed as a recommendation to the investor to buy or sell the same but is included for the purpose of illustration.**

²²) Virtual power plants are networks of distributed energy resources (DERs) aggregated and coordinated through software to behave collectively



Load growth and physical resilience remain robust, material drivers of both climate mitigation and adaptation. Engagement focused on capitalizing on the opportunity of load growth through renewables buildout while de-risking the physical asset base is poised to carry more resonance with companies than engagement based purely on long term targets. We continue to regard the established decarbonisation frameworks as essential, but both objective setting and

priorities for interaction need to start with the specific asset base and opportunity set of the investee company. At least in the medium term, the strongest driver of decarbonisation will not come from target setting frameworks or policy support, but from the very significant scope for value creation that easily deployable renewables and transition buildout entail.

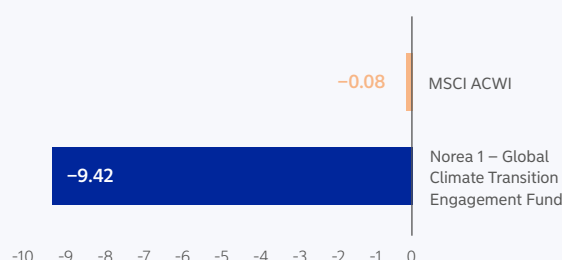
Real-world decarbonisation: portfolio performance and outlook

The Nordea 1 – Global Climate Transition Engagement Fund (GCTEF) targets undervalued, carbon-intensive companies with substantial potential to transition toward more sustainable business models. Rather than relying on static carbon metrics, the Fund utilises two proprietary analytical frameworks – the Climate Alignment Module and the Forward Decarbonisation tool – developed by our Climate & Nature team within Responsible Investments, to assess companies' transition trajectories and inform both investment decisions and engagement priorities.

Since inception, the Fund's holdings have achieved a cumulative reduction of approximately **-32 tCO₂e/mUSD invested in Scope 1+2 emissions intensity**, while constituents of the MSCI ACWI benchmark have seen a marginal net increase of approximately **+1 tCO₂e/mUSD** over the same period. These figures are derived using an attribution framework that isolates genuine reductions in company-level greenhouse gas emissions from other influences – such as portfolio rebalancing and changes in company valuations – ensuring that the divergence shown reflects real-world decarbonisation delivered by the underlying companies rather than how the portfolio is constructed or market movements. Our models further predict that the Fund will continue to widen this decarbonisation gap relative to the benchmark over the near term, as illustrated by the dotted lines in the chart below. This differential confirms that we pick stocks that deliver superior real-world emissions reductions over the investment horizon.

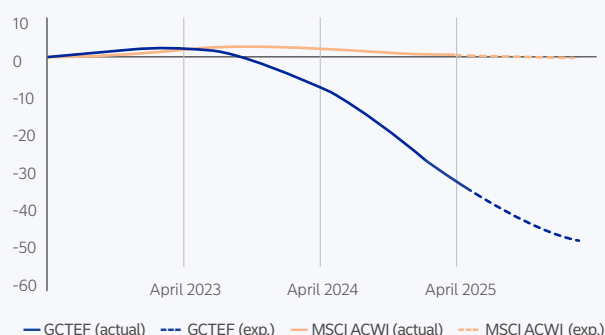
Examining only positions held continuously over the twelve months to 30 April 2026, the Fund's existing holdings reduced their Scope 1+2 emissions intensity by **-9.42 tCO₂e/mUSD invested**, compared to just **-0.08 tCO₂e/mUSD** for equivalent positions in the benchmark, reiterating the Fund's emissions reductions performance relative to the benchmark.

Change in Scope 1 & 2 emissions
(tCO₂e/MnUSD invested)



Source: Nordea Investment Management AB. Data as of April 2026. Existing positions that have been held for at least 12 months. The presented figures are estimations and are based on assumptions and on information currently available. No guarantee can be given for the accuracy of the data and these estimations might not be met in the future. Comparison with other financial products or benchmarks is only meant for indicative purposes. Scope 1 are direct emissions from owned or controlled sources. Scope 2 are indirect emissions from the generation of purchased energy.

Accumulated issuer-level decarbonisation
(scope 1+2 tCO₂e/USDm EVIC)



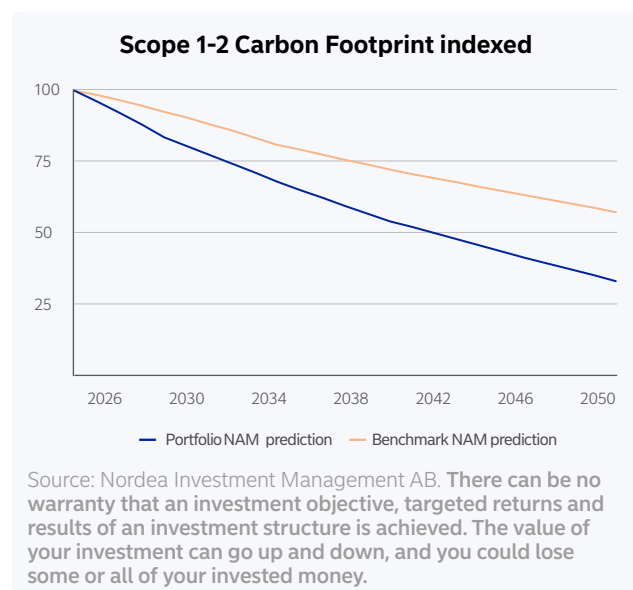
Source: Nordea Investment Management AB. Inception date: 26.04.2022. Data as of June 2026. Scope 1 are direct emissions from owned or controlled sources. Scope 2 are indirect emissions from the generation of purchased energy. The data shown is for a representative account, is for informational purposes only and is not indicative of future portfolio characteristics/returns.

The most meaningful drivers behind the Fund's emissions reductions over the reporting period were **RWE AG, Air Liquide and Xcel Energy**²³. RWE AG was the single largest contributor, reflecting continued progress on its lignite and hard coal retirement programme, while Xcel Energy and Air Liquide contributed meaningfully through operational efficiency improvements and accelerated clean energy deployment.

Forward-looking emissions trajectory

Looking ahead, our proprietary models project that the Fund's portfolio will achieve a **-70.5% reduction in Scope 1 and 2 carbon footprint** between 2026 and 2050, compared to a projected **-43.8% reduction for the MSCI ACWI benchmark** over the same period. This trajectory, illustrated in the indexed carbon footprint chart below, reflects the Fund's concentrated exposure to companies at inflection points in their decarbonisation journeys, where material emissions reductions are still ahead.

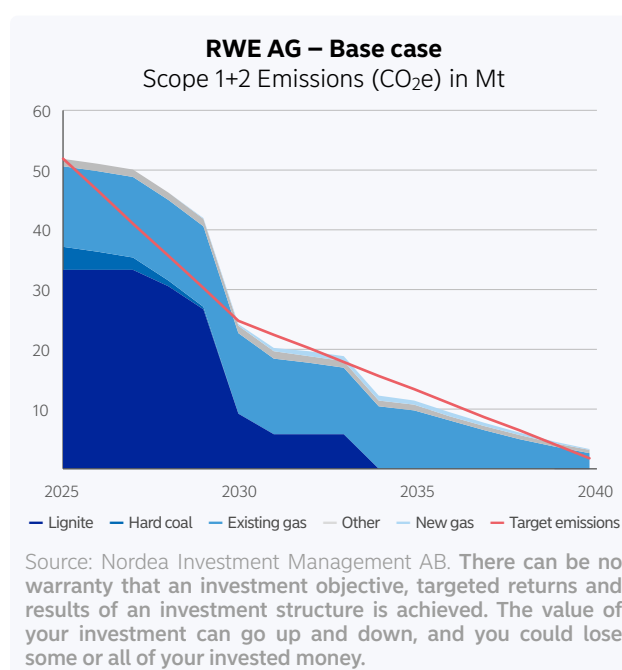
While this divergence demonstrates that the Fund is projected to be on a meaningfully steeper decarbonisation curve relative to the broader market, it is important to underscore that the pace of transition across the economy as a whole remains insufficient. This reinforces our conviction that investing in and engaging high-emitting companies is not merely a differentiating investment strategy, but a necessary mechanism for accelerating real-world progress toward the scale of decarbonisation that a net zero outcome demands.



RWE AG²⁴ – double tapping on the biggest projected contributor to emissions reductions

The single largest projected contributor to portfolio decarbonisation out until 2050 is **RWE AG**, where our bottom-up modelling provides a high degree of conviction in the emissions pathway.

RWE has already retired approximately 6.5 GW of lignite capacity, removing roughly half of its historical lignite fleet. In our base case, RWE exits hard coal by 2030, while the remaining lignite capacity follows the delayed phaseout schedule of an exit by 2033 under Germany's revised energy security framework. The approximately 3.7 GW of capacity currently held in reserve is modelled at a utilisation rate of around 15% in the period 2030 to 2033, consistent with a security-of-supply role rather than baseload generation. Altogether, this allows RWE to broadly meet its 2030 emissions target.



Gas generation is assumed to remain broadly flat through 2030, with only modest additions of flexible peaking capacity and no material substitution of gas for coal as a baseload fuel. The principal source of uncertainty in the near term is the pace of coal asset utilisation, where prolonged security-of-supply considerations in Germany could lead to temporary extensions beyond current assumptions. As the coal fleet is fully retired, gas becomes the primary determinant of RWE's ongoing decarbonisation trajectory – and the pace at which the company transitions its gas assets toward lower-carbon alternatives will be key for the company to realize a net zero state and consequently a focus of our continued engagement.

Taken together, our analysis supports the view that RWE is currently on a credible and material decarbonisation path, and that the company will continue to contribute to the Fund's continued decarbonization outperformance.

24) Reference to companies or other investments mentioned should not be construed as a recommendation to the investor to buy or sell the same but is included for the purpose of illustration.

Engagement overview: key metrics

What have we already achieved?

Since launch in April 2022, we executed 321 substantive engagements, living up to the commitment that underlies our strategy.

Engagement themes and activities

Engagement on material environmental issues is at the heart of this strategy. We use the SASB Materiality Map to identify sectors that are most meaningfully impacted by and/or affecting climate change and the nature crisis. We focus mainly on high contributors to climate change, i.e., companies in high climate impact sectors, but also those with high emissions intensity or embedded carbon emissions.

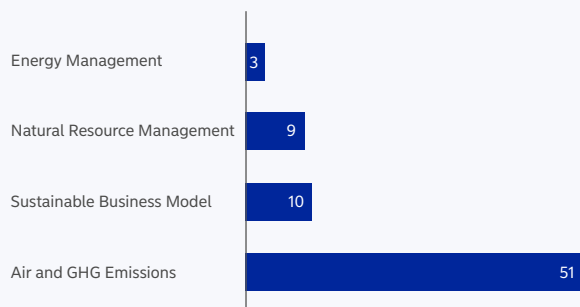
As such, the team invests and engages across five key themes: Air and greenhouse gas emissions, Energy management, Environmental pollution, Natural resource management and Sustainable business model.

Engagement activities by theme

During the past year, we have met with management teams across our portfolio holdings, some many times. Most extensive dialogues have been done with companies engaged under the Air and GHG emissions theme.

Overview of engagement activities

April 2025–April 2026 (in terms of number of meetings)



Source: Nordea Investment Management AB. Date: 30.04.2026.

Moving towards Net Zero²⁵

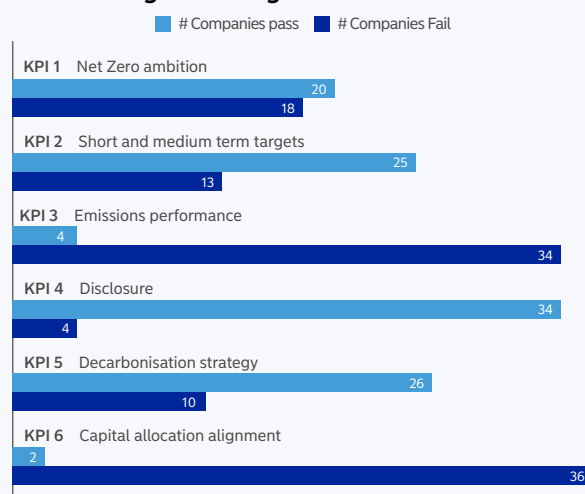
Based on the IIGCC Net Zero Investment Framework²⁶, we have developed six net-zero alignment KPIs that are applicable across industries. The Net Zero Asset Managers initiative is an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner; and to supporting investing aligned with net zero emissions by 2050 or sooner. As part of the initiative, we have developed a Quant Model with six KPIs to determine the alignment of individual issuers with global efforts to limit warming to +1.5 °C.

The different KPIs used are:

- KPI 1: **Net Zero Ambition** – A long term 2050 goal consistent with achieving global net zero
- KPI 2: **GHG Reduction Targets** – Short and medium term emissions reduction target (scope 1, 2 and material scope 3)
- KPI 3: **Progress Against Targets** – Current emissions intensity performance (scope 1, 2 and material scope 3) relative to targets
- KPI 4: **Disclosure** – Disclosure of scope 1,2 and material scope 3 emissions
- KPI 5.1: **Decarbonisation Strategy** – A quantified plan setting out the measures that will be deployed to deliver GHG targets, proportions of revenues that are green and where relevant increases in green revenues
- KPI 5.2: **Green Revenues** – An assessment of whether a company already generates 'green revenues' and discloses the share of green revenues as a percentage of overall sales.
- KPI 6: **Aligned Capital Expenditure** – A clear demonstration that the capital expenditures of the company are consistent with achieving net zero emissions by 2050

These KPIs take a cumulative path that allows us to classify companies as: (i) Aligned, (ii) Aligning, (iii) Committed to aligning, and (iv) Not aligned.

Holdings' status against our Net Zero KPIs



Source: Nordea Investment Management AB. Date: 30.04.2026.

As companies progressively meet our KPIs, they move their businesses from a non-climate-aligned position through commitment and execution until they finally become aligned to net zero.

²⁵ Reference to companies or other investments mentioned should not be construed as a recommendation to the investor to buy or sell the same but is included for the purpose of illustration. ²⁶ The Net Zero Investment Framework was developed by NAM along with other members of the Institutional Investor Group on Climate Change (IIGCC). This framework is the first-ever practical blueprint for investors to maximise the contribution they make in tackling climate change, with an emphasis on achieving real world emissions reductions in investee companies.

Engagement activities by theme

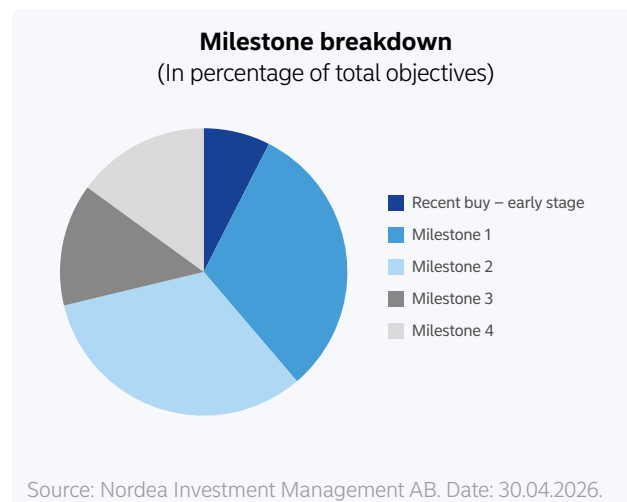
When initiating an engagement with a company, we set the engagement objective and determine the indicators to evaluate the progress of each engagement case. A dedicated scorecard containing two core elements is established:

- i) Company-specific indicators tailored to the engagement objective, defined through a double materiality approach that captures both the financial impact on the business and the reduction of real-world environmental harm;
- ii) Company's current alignment status under our Net Zero Alignment Framework, tracking which steps towards net zero have already been addressed through prior engagement and where further progress is still required.

Progress is then assessed using a structured four-milestone framework:

- **Milestone 1:** Expectations are raised at the appropriate level with the company
- **Milestone 2:** Company acknowledges them and wants to take action
- **Milestone 3:** Company takes action or commits with clear timeframe
- **Milestone 4:** Company's actions deliver the expected outcome

During the past year, we have actively tracked the progression of our engagements across all portfolio holdings. The majority of our engagements have advanced beyond the initial stage, with a significant number of companies having already acknowledged our expectations.



Progress behind the scenes: strengthening our tools and methodology

Responsible investment (RI) practice is not static – it requires continuous reflection and refinement as data, frameworks, and market understanding evolve. Over the past year, we have worked on improving our internal tools and methodologies, with updates across key areas of our sustainability assessment.

One of the notable developments this year has been the enhancement of our Do No Significant Harm (DNSH) assessment methodology. Where our previous approach applied a consistent set of eight Principal Adverse Impact (PAI) indicators uniformly across all companies, our revised framework introduces a proprietary PAI Materiality Map – a system built on the recognition that materiality is not one-size-fits-all. Carbon footprint, for instance, carries critical weight for energy companies, while biodiversity impact is more material for agricultural businesses than for software firms. By calibrating our assessments to industry-specific risk profiles, we aim to reduce both false positives and false negatives in our DNSH assessment.

Under this framework, a company fails our DNSH test when it presents at least one red flag on a critical PAI indicator, two or more amber flags on critical PAIs, or provides no disclosure on critical indicators within high-risk industries. Systematic outputs are always subject to oversight from our Responsible Investment team, ensuring that qualitative judgement complements quantitative signals in every final determination.

On the biodiversity front, we have taken steps to improve both data quality and analytical capability. We onboarded Iceberg Data Lab as an additional biodiversity data provider, integrating their Corporate Biodiversity Footprint (CBF) methodology – a metric that translates complex ecological data, including land use, pollution, and resource exploitation, into more actionable investment insights. This has enabled us to conduct portfolio screenings to identify holdings with potentially elevated biodiversity footprints and reach out to relevant companies, deepening our understanding of company-specific drivers, data quality, and engagement leverage points.

Looking ahead, we aim to bring our existing biodiversity tools together into a single, coherent evaluation module, ensuring our analysis in this area becomes increasingly systematic as corporate disclosure standards continue to mature.

We have also received important external validation of the fund's impact management approach.

In May, BlueMark, an independent provider of impact verification services, completed a Fund Impact Diagnostic assessment of the strategy. The fund received a Gold rating, scoring 63 out of 100 points, indicating alignment with most to all fundamental best practices across BlueMark's four pillars: impact strategy, impact management, governance and reporting.

We view this as meaningful confirmation of the system behind the strategy. An impact strategy requires more than a stated objective. It requires intentional capital allocation, a credible mechanism for investor contribution, disciplined measurement and transparent reporting. BlueMark's assessment confirmed that these elements are embedded in our investment and engagement process.

Our Theory of Change²⁷

The strategy starts from a simple observation: the climate transition will not be achieved only by reallocating capital to companies that are already low carbon. A large share of global emissions sits in energy, heavy industry, transport and waste. Many companies in these sectors remain misaligned with the Paris Agreement, but have meaningful potential to decarbonise. Avoiding them may reduce a portfolio's financed emissions, but it does little to reduce emissions in the real economy.

We therefore invest selectively in companies where decarbonisation can be both environmentally material and financially relevant. The strategy seeks risk-adjusted market returns while contributing to long-term transition outcomes by 2050. Its delivery mechanism is engagement: using active ownership to influence the timing, ambition and credibility of corporate climate action.

²⁷) There can be no warranty that an investment objective, targeted returns and results of an investment structure is achieved. The value of your investment can go up and down, and you could lose some or all of your invested money.

Inputs	What resources do we bring to create change? Fundamental equity research, proprietary climate tools, Responsible Investments expertise, portfolio management insight, voting rights, investor coalitions and direct access to management teams.
Activities	How do we use our resources to drive meaningful change? Conduct structured engagements on emissions targets, disclosure, governance, capital allocation, transition planning and technology adoption. Collaborate with other investors where this increases leverage and escalate where progress is insufficient.
Investor-controlled outputs	What are the most direct, measurable effects of our investment process? Company-specific climate expectations communicated to management; engagement objectives and expectations; documented dialogue and voting actions; engagement scorecards and monitoring framework; escalation actions where progress is insufficient.
Company-controlled outcomes	What are the outcomes delivered through our investments? Stronger emissions reduction targets, improved climate disclosure, credible transition plans, stronger climate governance, more transparent execution against stated objectives and improved capital allocation toward transition priorities.
Long-term impact	What is the expected long-term impact in the real economy? Real-world emissions reductions in high climate-impact sectors, contributing to the goals of the Paris Agreement and supporting more resilient business models in the transition to a low-carbon economy. Since launch, portfolio holdings have achieved approximately –32 tCO₂e/mUSD decarbonisation on a cumulative basis, while MSCI ACWI constituents increased emissions by +1 tCO₂e/mUSD over the same period.

This approach rests on three principles:

Intentionality. Engagement is not an overlay to the strategy. It is the central mechanism through which we seek to create value and contribute to decarbonisation. We invest where climate alignment leaves room for improvement, and where change is feasible, material and connected to the investment case.

Measurability. Progress is monitored through company-specific scorecards, where four milestones track each company's advancement from expectation-setting to delivery against at least two explicit engagement objectives linked to decarbonisation outcomes and value creation.

Additionality. Our contribution is strongest where engagement can help cause, accelerate or improve the credibility of corporate action that may otherwise be delayed, weaker or less transparent. We focus on gaps that are material to both decarbonisation and value creation, using direct management dialogue, proprietary climate analysis, collaborative initiatives and escalation tools.

The evidence to date is consistent with this thesis. Across 321 substantive engagements, we have seen companies increase emissions reduction ambition, initiate carbon capture pilots and adopt OGMP 2.0 Gold Standard reporting, among other progress. BlueMark's Gold rating provides external validation that the process behind these outcomes is consistent with mature impact management practice.

Engagement case studies

Engagement theme: Air and GHG emissions

Case study: ENGIE²⁸

Background

ENGIE is one of the more advanced, but also more complex, transition stories in the European utilities sector. Since 2017, the company has materially reduced emissions, exited coal in Continental Europe, and repositioned itself around renewables, electricity networks, flexibility services and energy management. By 2025, total Group GHG emissions had fallen to 145 MtCO₂e, around 45% below the 2017 baseline, with energy generation emissions at 45 MtCO₂e and fuel-sales emissions at 48 MtCO₂e. ENGIE also maintained its 95 GW renewables and storage target for 2030, supported by a reported development pipeline of 121 GW.

As investors, we have generally had confidence in ENGIE's low-carbon growth story. The more difficult question has been whether the company can translate that into an equally credible gas-transition pathway. ENGIE continues to position natural gas, green molecules and flexible thermal capacity as necessary for energy security and grid balancing during the transition. This makes ENGIE a compelling engagement case: a company advancing on decarbonisation, but where the remaining uncertainties around fossil gas are still financially material and strategically unresolved.

Engagement topic

Our engagement with ENGIE has focused on the credibility of the company's gas-transition pathway within an otherwise increasingly investable transition framework.

In practice, this centred on two main asks. First, we pushed ENGIE to clarify the assumptions underpinning its planned reduction in gas-sales emissions by 2030, specifically the respective contributions from lower gas demand and increasing volumes of biomethane and other decarbonised gases. Second, we asked for a more detailed gas-business decarbonisation plan, covering how fossil-gas exposure declines over time and what role remains for gas-fired generation, LNG and gas infrastructure on the pathway to 2045. Alongside these climate asks, the dialogue also developed a governance dimension, focused on board climate competence and the transparency of ESG-linked executive remuneration.

The engagement

Our dialogue with ENGIE began in 2022, initially focused on fossil-gas exposure, renewables capital-allocation discipline and energy-security dynamics in the context of the post-Ukraine energy crisis. Over time, the engagement became more precise and more technical. By 2024, after joining the Climate Action 100+ investor group, the dialogue had broadened to include lower gas-demand assumptions, green-gas availability, long-run fossil exposure, alignment of ENGIE's lobbying activities with its climate commitments, and the robustness of its 2045 net-zero pathway. Through 2025 and into 2026, our bilateral and collaborative engagement moved further into implementation, spanning emissions-range disclosure, LNG methane, physical climate adaptation and portfolio rebalancing priorities.

The engagement has produced clear progress beyond the two core climate asks. The governance track is a good example. Following investor representations on board climate expertise in autumn 2024, including direct discussions with the ESG leadership team, ENGIE published a board skills matrix with a dedicated 'Environment and climate' category, showing 64% of board members mapped to that expertise. The same track also led to improved remuneration disclosure, with ENGIE committing to enhanced ex-post reporting on ESG-linked long-term incentive outcomes. These governance improvements are directly investment-relevant because they strengthen the accountability mechanisms supporting delivery of the transition plan.

On the core climate substance, ENGIE has also moved materially. The company now discloses emissions ranges for 2030, 2035 and 2040, has made the gas-sales decarbonisation pathway more explicit, and in its most recent ESG materials provides greater detail on the expected trajectory of methane demand and its progressive decarbonisation through biomethane, e-methane and gas with carbon capture. Disclosure quality has improved substantially. The principal remaining gap is strategic: the end-state for fossil-gas exposure is still less clearly resolved than other parts of the transition model, and that gap continues to represent a source of investor uncertainty.

28) Source: Nordea Investment Management AB. Reference to companies or other investments mentioned should not be construed as a recommendation to the investor to buy or sell the same but is included for the purpose of illustration

Case study: ENGIE²⁸

Outcomes

- **Publish a more detailed gas-business decarbonisation plan**, including how fossil-gas exposure declines over time and what role remains for gas-fired generation, LNG and gas infrastructure on the pathway to 2045.



Expectations are raised at the appropriate level with the company



Company acknowledges them and wants to take action



Company takes action or commits with clear timeframe



Company's actions deliver the expected outcome

ENGIE has made substantive improvements to its disclosure on fossil-gas exposure and transition levers. The objective is advancing, but the full expected outcome has not yet been delivered, as the long-run fossil-gas end-state still requires further definition.

- **Clarify the assumptions underpinning the planned reduction in emissions from gas sales by 2030**, including the respective contributions from lower gas demand and increased availability of biomethane and other decarbonised gases.



Expectations are raised at the appropriate level with the company



Company acknowledges them and wants to take action



Company takes action or commits with clear timeframe



Company's actions deliver the expected outcome

This objective is completed. ENGIE now provides explicit ranges and forward-looking assumptions in its recent ESG materials, including more detailed discussion of methane demand trajectories and decarbonisation pathways through green gases and carbon capture.

Outlook

ENGIE has become a more credible and investable transition story over the course of this engagement. Disclosure on emissions pathways, transition levers and governance accountability has improved materially, while strategic momentum in renewables, storage and electricity networks has been maintained. A defining recent step was the May 2026 closing of the GBP 10.5 billion UK Power Networks acquisition, ahead of schedule, which strengthens ENGIE's positioning in regulated electrification and improves the overall quality of the transition narrative.

Several engagement objectives have already been delivered: the gas-demand and green-gas clarification objective is complete, lobbying alignment has progressed, and the board skills matrix was published following direct investor dialogue. The next phase is therefore less about basic disclosure and more about strategic closure. The main open question remains the credibility of the fossil-gas end-state, including residual thermal exposure and the realistic role of green molecules at scale. Further progress here would strengthen both transition credibility and our investment conviction.



28) Source: Nordea Investment Management AB. Reference to companies or other investments mentioned should not be construed as a recommendation to the investor to buy or sell the same but is included for the purpose of illustration

Engagement case studies

Engagement theme: Air and GHG emissions

Case study: Antofagasta²⁹

Background

Antofagasta is one of the world's largest pure-play copper producers, with operations concentrated in northern Chile. Copper occupies a structurally advantaged position in the energy transition: as the primary conductor metal underpinning electrification infrastructure – from electric vehicles to grid build-out and renewable generation – demand is expected to grow materially over the coming decades. The prospect of supplying demonstrably low-carbon copper adds a further commercial dimension: as downstream customers face intensifying scrutiny of their own Scope 3 emissions, the carbon intensity of input materials increasingly carries pricing and reputational implications.

At the outset of our engagement, Antofagasta had established a credible but incomplete baseline of GHG disclosure, with Scope 1 and 2 emissions reported and a 30% absolute reduction target in place for 2025, set relative to a 2020 baseline. That Scope 1 and 2 target was met three years early, in 2022, reflecting the substantial progress the company had made in transitioning its mining operations to renewable electricity. However, Scope 3 emissions – the absolute majority of the Group's total carbon footprint – remained without a systematic inventory or a formal reduction target. This gap was the starting point for our engagement.

Engagement topic

Our engagement with Antofagasta focused on closing the most significant disclosure and ambition gap in the company's climate framework: Scope 3 emissions.

In practice, this centred on two main asks. First, we engaged Antofagasta to complete and publish a comprehensive Scope 3 emissions inventory, covering all material categories in line with the GHG Protocol, including both upstream and downstream emissions. Second, and contingent on that foundation, we asked the company to introduce a Scope 3 reduction target covering the most material categories for the sector – translating the inventory into a credible, time-bound commitment that could be tracked and held to account.

The engagement

Our dialogue with Antofagasta began in 2022 and later developed into a lead role in the IIGCC's Net Zero Engagement Initiative – an extension of Climate Action 100+ directed at additional companies with a high carbon footprint. The lead role reflected a pre-existing relationship and a degree of familiarity with the company's sustainability progress to that point.

Initial conversations centred on the methodology gap in Scope 3 measurement. In its 2022 Sustainability Report,

Antofagasta acknowledged that further methodological development was needed before targets could be set, indicating it expected to publish those by 2023 at the latest. Our engagement reinforced this expectation and pressed for specificity on timing and scope. Alongside the core Scope 3 agenda, the dialogue covered the company's energy management system, the decarbonisation implications of its major expansion projects at Los Pelambres and Centinela, and the structure and reach of its Suppliers for a Better Future Programme.

By the time of our 2023 meetings, Antofagasta had published a comprehensive Scope 3 inventory in its Second Climate Change Report – providing for the first time a complete, protocol-compliant emissions picture across the value chain. The first objective was consequently considered fulfilled.

Progress towards the second objective followed in early 2024. In conjunction with the release of its 2023 Annual Report, Antofagasta introduced its first Scope 3 target: a 10% reduction by 2030 relative to a no-action emissions trajectory, to be delivered through engagement with its most emissions-intensive suppliers. At the same time, the company strengthened its Scope 1 and 2 framework, introducing a 50% absolute reduction target by 2035 against a 2020 baseline. Our December 2024 meeting confirmed the contours of the programme: supplier engagement is focused on building the business case for renewable energy adoption among the approximately 30 highest-spend suppliers, consistent with the fact that over 50% of Scope 3 emissions originate from purchased goods and services.

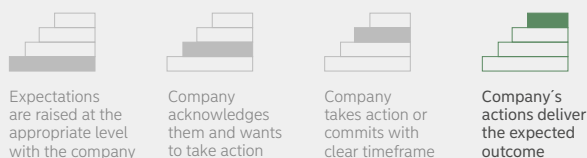
The engagement also developed a water-management dimension that had not been part of the original mandate but which became increasingly material over the course of the dialogue. Water availability has had a direct and documented impact on production volumes at Los Pelambres, Antofagasta's largest and most strategically important asset. Climate change is amplifying drought conditions across Chile's Atacama region, and securing a sustainable water supply – through investment in desalination capacity and the progressive substitution of continental water with seawater – has emerged as an operational and strategic priority. By late 2024, the company had made material investments in desalination infrastructure and was targeting seawater and recycled water to account for more than 90% of the Mining Division's operational water withdrawals. Our December 2024 conversation pressed for formalisation of freshwater dependency risk management through a dedicated reduction target, and for evidence that physical climate risk was being integrated into capital allocation and project screening.

²⁹) Source: Nordea Investment Management AB. Reference to companies or other investments mentioned should not be construed as a recommendation to the investor to buy or sell the same but is included for the purpose of illustration.

Case study: Antofagasta²⁹

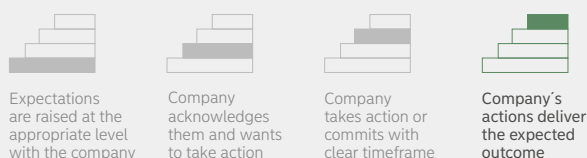
Outcomes

- **Establish a relevant, complete, consistent, transparent, and accurate Scope 3 emissions inventory.**



In its Second Climate Change Report published in 2023, Antofagasta provided for the first time a comprehensive Scope 3 inventory covering all material emission categories in line with GHG Protocol requirements, including both upstream and downstream emissions. The disclosure marked a step change in the completeness and credibility of the company's emissions reporting.

- **Set a Scope 3 emissions reduction target covering the most material categories for the sector.**



In conjunction with the release of its 2023 Annual Report in early 2024, Antofagasta introduced its first Scope 3 target – a 10% reduction by 2030 relative to a no-action emissions trajectory – to be delivered through the Suppliers for a Better Future Programme. The target is grounded in the inventory published the prior year, establishing a traceable baseline for future progress measurement.

Outlook

Antofagasta has made genuine and measurable progress on its climate framework over the course of this engagement. Both original objectives – establishing a

comprehensive Scope 3 inventory and introducing a Scope 3 reduction target – have been delivered. The company's overall Paris alignment status improved from Not Aligned to Aligning over the period, and its Scope 1 and 2 record – a near-universal transition to renewable electricity sourcing and a 50% absolute reduction target by 2035 – represents a solid operational decarbonisation foundation relative to sector peers.

We divested our position through 2026. The decision was driven primarily by a less appealing risk reward: following a doubling of the share price through 2025 – supported by strong operational results and disciplined capital returns. From an engagement perspective, the timing of the divestment also reflected a considered view that the remaining upside from continued decarbonisation-focused engagement had become more limited. The company has, in our assessment, pursued the economically value-accretive steps available to it given its operational context: renewable electricity procurement, an energy management system, fleet electrification planning and supplier engagement. The outstanding gaps – capital expenditure alignment and a formal freshwater reduction target – are real, but are of a different character. Water management, in particular, represents the more financially material near-term risk: efficient management of freshwater dependency is directly linked to production continuity, EBIT margin resilience and the company's ability to sustain its license to operate at its most important deposit.

Taken as a whole, this is a positive engagement story: objectives were clearly defined from the outset, the collaborative and bilateral dialogue was productive, measurable outcomes were delivered, and the exit was made from a position of having achieved what we initially set out to accomplish.



29) Source: Nordea Investment Management AB. Reference to companies or other investments mentioned should not be construed as a recommendation to the investor to buy or sell the same but is included for the purpose of illustration.

Engagement case studies

Engagement theme: Air and GHG emissions

Case study: Williams Cos³⁰

Background

Williams is a natural gas infrastructure company that owns and services natural gas pipelines across the country and also gathers, processes, and treats natural gas. Williams' largest pipeline is its Transcontinental pipeline which is 33,000 miles long and transports roughly 15% of the US natural gas supply. Williams owns and operate Northwest Pipeline, as well as Mountain West pipeline. The company conducts business primarily in four different aspects of the natural gas value chain: transportation, storage, gathering & processing/treating, and marketing services. Its pathway to value creation through decarbonization hinges on a positioning as a solution for renewables intermittency and coal to gas switching. Data-center growth needs to come hand-in-hand with cleaner power to meet hyperscaler decarbonization commitments. Advancing towards OGMP commitments is an important part of securing this profile. Williams has outlined its main methane reduction drivers in 2024, but we would like them to disclose the potential for further abatement from these sources, and to clarify the economics of these measures. We are also pushing for divestment of its legacy upstream assets to further streamline its profile as a midstream operator.

Engagement topic

The engagement aims to de-risk the transition outlook of the company by addressing its legacy upstream involvement, and seeking more confidence on the methane reduction pathway from here. Methane reduction is at the core both of de-risking current operations and expanding into profitable (mainly European) markets for certified

natural gas. Methane leaks substantially shift the emissions profile of gas – indeed, they are one of the main factors that decide whether incremental gas is preferable to extending coal capacity asset lifetime from a decarbonization perspective. In addition, managing that footprint is essential to limit emissions from hyperscaler driven incremental demand, and directly affects the emissions impact of datacenters.

Regarding the legacy upstream involvement, Williams acquired these assets as part of the bankruptcy of a joint venture partner. There is little strategic fit with the rest of their activities, and we believe that providing a firm disposal timeline will provide both some uplift to valuation and a steeper decarbonization trajectory.

The engagement

We have spoken extensively both to Williams executives and to the sustainability function. The latter is strongly commercially minded – demand for cleaner or certified natural gas is strong, and Williams stated goal is to dominate that market. That means the sustainability officers make in particular methane reduction levers very visible to investors, and are receptive to feedback how to strengthen perception of that aspect of the company's prospects. We are satisfied with the pace of progress on this topic.

Regarding the upstream assets, the company has been keen to highlight that the conflict in Iran does not change the current outlook for their future, and that ultimately they have them earmarked for divestment. However, Williams has not yet committed to a defined timeline or price threshold, which can make this stated intention less credible.

30) Source: Nordea Investment Management AB. Reference to companies or other investments mentioned should not be construed as a recommendation to the investor to buy or sell the same but is included for the purpose of illustration.

Case study: Williams Cos³⁰

Outcomes

- **Disclose the potential for further abatement from identified methane reduction drivers, and clarify the economics of these measures (spending vs returns)**



Expectations are raised at the appropriate level with the company



Company acknowledges them and wants to take action



Company takes action or commits with clear timeframe



Company's actions deliver the expected outcome

At this stage, quick acknowledgement and desire to act on our input represents promising progress, and indicates that the company is prepared to be responsive in investor dialogue. We gain the distinct impression that Williams places some value on retaining our investment.

The company also wants that investors with a similar profile to ours perceive it as a credible and investable transition story, which supports a degree of confidence in the outcome of future interactions.

Outlook

We are very focused on getting a clearer commitment regarding the upstream assets, which could detract from the overall credibility of the transition case. The company has been clear that they do not attach strategic importance to these assets, and do not to be active upstream; but given the strategic clarity they ought to pursue timely disinvestment with more visible urgency, and in a more transparent manner.

Williams has a strong story to tell about its methane management, and is very open to hearing how it can make it even stronger. We are reasonably confident in this leg of the engagement, and will focus primarily on the potential for further improvement and value accretion from investment in that area.



30) Source: Nordea Investment Management AB. Reference to companies or other investments mentioned should not be construed as a recommendation to the investor to buy or sell the same but is included for the purpose of illustration.

Engagement case studies

Engagement theme: Air and GHG emissions

Case study: RWE³¹

Background

RWE is Germany's biggest and also most controversial energy producer, as well as a legitimate large scale transformation story. Since its inclusion in the fund, its carbon emission scope 1+2 footprint has decreased from ca. 86 MtCO₂ to ca. 52 MtCO₂ according to company figures. This is a reduction of about 40%, substantially driven by transitioning away from its controversial lignite generation. Full scale transition supported by verified SBTi target, hinges on a government deal which pushed exit from coal from 2038 to 2030. However, the German government has the option to place some of the capacity in the security reserve, something that will be decided in 2026. RWE announced a 50 GW by 2030 renewables buildout strategy in 2021 ('Growing Green') which market participants regarded with substantial skepticism. The main criticism was the very high appetite for merchant exposure in capital heavy offshore wind projects – RWE appeared willing to commit large amounts of capital without secured offtake, while at the same time appearing to consider acquisitions in fossil fuel generation with an equally unclear pathway to profitability. This made it hard for the company and its investors to reap the benefits of its large scale pivot to renewable generation.

Engagement topic

The main thrust of this engagement has been how to execute on RWE's ambitious renewables buildout target in a disciplined, value accretive way. The 1.5 degree pathway also carried uncertainty from government influence and risk of strategic pivots because of near term considerations. Our goal was for RWE to increase the credibility of its goals: both through achieving SBTi certification and through clarifying the milestones and capital and return requirements of its renewables pipeline. The company was keen to emphasise 'capital flexibility' in its capital allocation, something that arguably hurt the perception both of its decarbonization and strategic goals. Visible reduction in risk appetite in capital intensive projects, capital allocation discipline, communication of specific IRR hurdles were among the missing components of strategic credibility; on the governance side, we pushed the company to move towards strengthened board expertise in renewables development and advocacy for 1.5 aligned energy policy to provide additional safeguards.

Our goal was for RWE to communicate and act consistently to reassure the market regarding the likelihood of profitable execution of its strategy.

The engagement

Originally, our engagement was primarily through the Climate Action 100+ group, but it quickly became clear that concerns about execution are best addressed directly with the company. RWE was keen to explore ways to convince the market of the viability of its strategy, and offered access both to its C-suite and its sustainability function. The engagement included a site visit where the company explained how its trading function interacts with its power generating arm – a dynamic that is both an important component of its strategic positioning and a source of uncertainty for longer term capital planning. The dialogue extensively discussed energy policy – as a lobbying topic, and as a determinant of the future of the lignite capacity. Energy policy decisions at national and EU level, as well as in the US, directly influence the returns profile of RWE projects.

As the shift of policy support for offshore wind energy projects in the US increasingly threatened their viability, investors demanded clarity on how capital originally earmarked for these projects will be allocated. We made it clear that buying fossil fuel capacity in the US is not an allocation we view as ideal from either decarbonization or fundamentals perspective. We also continued pushing for stricter renewables portfolio management and governance and policy positioning safeguards of the renewables buildout. 'We wrote to the chair of the board to pursue these governance aspects prior to the 2025 AGM.

Ultimately the company returned excess capital to investors via a share buyback instead of investing in projects with uncertain profitability. We were comfortable with this outcome, which also contributed to a positive share price development for the stock. However, we made sure to reiterate our message that, in our view, management could have done more earlier to increase the market's confidence in strategy execution, and that the supervisory board could have made that demand more proactively. To that end, we spoke at the company's 2025 annual general meeting, along with several German institutional and activist investors.

31) Source: Nordea Investment Management AB. Reference to companies or other investments mentioned should not be construed as a recommendation to the investor to buy or sell the same but is included for the purpose of illustration.

Case study: RWE³¹

Outcomes

- **Align emissions reduction targets with a 1.5 degrees pathway**, targeting a 2040 net zero cutoff.



Expectations are raised at the appropriate level with the company



Company acknowledges them and wants to take action



Company takes action or commits with clear timeframe



Company's actions deliver the expected outcome

RWE has now received SBTi validation on its carbon neutrality targets. The company expects to be carbon neutral in 2040, a trajectory substantially dependent on retiring the lignite capacity on present timelines. At the time of our investment, this outcome appeared uncertain because the company extended the runtime of units scheduled to shut down in 2022 for one to two years to alleviate the ongoing energy crisis. However, RWE secured a deal with the German government to push total coal exit forward by 8 years (to 2030 from 2038) in exchange for this concession. The last of the units in question was shut down in March 2024.

- **Detail strategy, including capital expenditures, to reach renewable energy target of 50 GW by 2030**, and outlining target IRRs for renewable projects, approach towards merchant risk exposure, farm down strategy, and capital allocation priorities



Expectations are raised at the appropriate level with the company



Company acknowledges them and wants to take action



Company takes action or commits with clear timeframe



Company's actions deliver the expected outcome

The strategy update from March 2026 disclosed minimum IRR thresholds, and the portfolio has clearly shifted

towards more prudent risk management. However, the language on the 2030 buildout target has somewhat shifted, now only referencing 65 GW capacity in aggregate. Given that currently only marginal incremental peaker gas capacity is under construction or announced, it appears likely, but not certain, that the 50 GW target is intact; however, RWE will need to ramp up its current buildout significantly in order to achieve it.

Outlook

The company addressed many, but not all, of the concerns we raised during our engagement. The update on the 'Growing Green' strategy in 2026 included specific IRR targets and a more credible approach to portfolio management – but it also did not clearly reiterate the 50 GW renewables buildout target for 2030. While this target is not essential for the company's net zero target (the main driver there is the lignite capacity), we would have expected the company to provide a clearer outlook on incremental flexgen capacity and to openly address possible headwinds for technologies such as hydrogen. 2026 is also a key year for the future of the lignite capacity. A weakening of the European Carbon Trading Scheme (ETS) could lead to the remaining units running at higher capacity, and the German government could yet exercise its right to place them in security. Our next meeting with the company is seeking clarity over the possible outcomes, and reassurance regarding the near term decarbonization trajectory. We still regard its pathway to net zero as relatively secure, as outlined in our decarbonization deep dive; the emissions profile of the gas assets will be the main driver of shifts in that trajectory from here on, given that lignite decommissioning stays on track.



31) Source: Nordea Investment Management AB. Reference to companies or other investments mentioned should not be construed as a recommendation to the investor to buy or sell the same but is included for the purpose of illustration.

Appendix



Engagement process

Engagements are carried out by NAM's Responsible Investments team in conjunction with the portfolio management team. The teams have together developed a robust engagement framework and set of milestones that ensure our engagements are consistent and can be tracked. Our process involves the following four steps.

1. Pre-investment evaluation

We assess the feasibility of engagement before we invest. We consider three key points:

- **Workability of engagement:** Factors we consider include the quality of governance, the existence of a majority shareholder and whether we can obtain a sizeable position
- **Achievability of objectives:** Here we review whether the engagement objective fits into our investment horizon, the regulatory context and the existence of collaborative efforts that can be leveraged upon
- **Connection to investment case:** Here we review whether a successful engagement can result in increased revenues, reduced operating expenses and/or an enhanced risk profile

Each year we review the responsiveness of each holding, to ensure that the company fulfils our feasibility requirements.

2. Engagement initiation

Here we set the engagement objective and determine the indicators to evaluate progress. We establish a scorecard for each engagement case to focus our engagement efforts and provide the investees and our clients with full transparency into what we engage upon. The scorecard contains the following elements:

- company-specific indicators tailored to the engagement objective, defined with a double materiality approach (influencing business value and reducing the environmental impacts)
- alignment status of the company in accordance of our Net Zero Alignment Framework and which steps in the process have already been addressed through engagement

3. Execution and monitoring

We expect to engage with each holding on at least an annual basis. The number of interactions will vary according to how much support is required to fulfil our engagement objective and our conviction in the company's advancements.

Our engagement objectives are goals that are material to our holdings within our investment horizon. Today's actions and commitments are decisive to mitigate adverse environmental impacts, with lasting effects often beyond our investment horizon.

Our efforts are therefore focused on pushing companies for credible indications today that the appropriate direction is taken: we expect companies to acknowledge our expectations and take measures to deliver positive environmental

change in the long run. Through transparent and consistent goal setting, we believe our investment activities incentivize the environmental transformation of our investee companies, delivering real economy impact.

For that reason, we use the scorecards to (1) monitor progress of each holding in responding appropriately to expectations (2) establish our contribution to the achievement of positive change and (3) document and review the engagement to identify where there is need for escalation.

We track progress towards our goals with milestones which are consistent across the indicators:

- **Milestone 1:** Expectations are raised at the appropriate level with the company
- **Milestone 2:** Company acknowledges them and wants to take action
- **Milestone 3:** Company takes action or commits with clear timeframe
- **Milestone 4:** Company's actions deliver the expected outcome

To ensure our engagements remain feasible, we conduct yearly reviews of the 'responsiveness' of each investee. Factors we consider include:

- **Accessibility:** whether we obtain access to the appropriate level in the company, i.e. company representatives that have influence over the strategic direction
- **Transparency:** if the company provides the level of transparency necessary for us to sufficiently monitor the performance towards fulfilling the engagement objective
- **Credibility:** whether the company is deemed to be trustworthy and whether it tends to deliver on what it sets out to achieve

4. Escalation or divestment

If we deem that a holding is failing to progress towards its engagement objective, we will not hesitate to escalate our engagement efforts. Our escalation tool box includes writing open letters to management teams to publicly state our position, voicing our discontent through voting at AGMs, and seeking collaboration with other investors to increase the ownership share and consequently the pressure on the company. Examples of collaborative networks would be Climate Action 100+, Carbon Disclosure Project CDP, PRI, among others.

If a company should fail to fulfil our engagement objective and remain unresponsive in spite of other escalation efforts, then this will usually result in lower conviction in our original investment thesis. We will reassess this part of our thesis and weigh up the feasibility and risk/reward relative to other ideas. Once a company fulfils our engagement expectations, and we feel this positive outcome is fairly reflected in the share price, we will divest and recycle capital into a new idea that with greater potential for positive change and value creation.

Nordea 1 – Global Climate Transition Engagement Fund

LU2463526074 (BP-USD) / LU2463525423 (BI-USD)

Risk indicator



Risk

The risk indicator assumes you keep the product for 5 years.

The summary risk indicator is a guide to the level of risk of this product compared to other products.

For more information on risks the fund is exposed to, please refer to the section 'Risk Descriptions' of the prospectus.

Other risks materially relevant to the PRIIP not included in the summary risk indicator:

Country risk — China: The legal rights of investors in China are uncertain, government intervention is common and unpredictable, and some of the major trading and custody systems are unproven.

Derivatives risk: Small movements in the value of an underlying asset can create large changes in the value of a derivative, making derivatives highly volatile in general, and exposing the fund to potential losses significantly greater than the cost of the derivative.

Emerging and frontier markets risk: Emerging and frontier markets are less established, and more volatile, than developed markets. They involve higher risks, particularly market, credit, legal and currency risks, and are more likely to experience risks that, in developed markets, are associated with unusual market conditions, such as liquidity and counterparty risks.

For UK investors, please refer to the SRI and risks as per the Key Investor Information Document (KIID) and Prospectus, which are available on .

Investment policy

The fund mainly invests in equities of companies from anywhere in the world. Specifically, the fund invests at least 75% of total assets in equities and equity-related securities. The fund may invest in, or be exposed to up to 25% of its total assets in China A-shares (directly via the Stock Connect). The fund will be exposed (through investments or cash) to other currencies than the base currency.

SFDR classification

The fund has been classified as an article 8 fund under SFDR. The fund has environmental and/or social characteristics but does not have sustainable investment as its objective.

For more information on sustainability-related aspects of the fund, please visit:

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The AFM register can be consulted via afm.nl/register. **In Portugal:** The Paying Agent in Portugal is BEST – Banco Electrónico de Serviço Total, S.A., duly incorporated under the laws of Portugal and registered with the CMVM as a financial intermediary. In Spain: The Nordea 1, SICAV is duly registered in the CNMV official registry of foreign collective investment institutions (entry no. 340) as authorised to be marketed to the public in Spain. Any investment must be made through the authorised distributors and on the basis of the information contained in the mandatory documentation that must be received from the SICAV's authorised distributor prior to any subscription. The Representative Agent is Allfunds Bank S.A.U., C/ de los Padres Dominicos, 7, 28050, Madrid, Spain. 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An aerial photograph of a dense, lush green forest. The canopy is thick and textured, with varying shades of green. In the bottom center, the Nordea Asset Management logo is displayed in white.

Nordea
ASSET MANAGEMENT