CLIMATE TRANSPARENCY REPORT 2020

Nordea

About the Climate-related Disclosure Indicators

Climate has been identified as a top priority for PRI signatories, with over 70% of asset owners reporting this as the most important long-term trend they are acting on.

The FSB Task Force's guidance on climate-related financial disclosure aim to create a single framework for disclosure on assessment and management of climate-related risk. The recommendations, supported by investors representing US$22 trillion, identify four main disclosures, Governance, Strategy, Risk Management, Metrics and Targets, and include specific guidance for asset owners and managers.

As a result, the PRI introduced climate-related disclosure indicators that can be used to align with the TCFD recommendations in the 2020 PRI Reporting Framework.

About this report

This report is an export of only the climate-related indicators from the 2020 Reporting Framework response. The full Public Transparency Report is available here (https://reporting.unpri.org/surveys/PRI-reporting-framework-2020/-0A6F6E9D-F921-45E2-9C36-B75AC0EC63AE/79894dbc337a40828d895f9402aa63de/html/2/?lang=en&a=1). It shows the responses to all the completed climate indicators, even those you chose to keep private. It is designed for your internal review or – if you wish - to share with your stakeholders.

The PRI will not publish this report on its website if you have designated your 2020 climate reporting as "private". Otherwise, you will be able to access the Climate Transparency Report of your organisation and that of other signatories on the PRI website and on the Data Portal.

To easily locate information, there is a **Recommendation index** which summarises the indicators that signatories complete and disclose. The report presents information exactly as it was reported as per signatory preference. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory are presented in this report.

TCFD Recommendations Index

Strategy and Governance - CC			TCFD Recommendation			
Indicator	Reported	Disclosure	Governance	Strategy	Risk Management	Metrics & Targets
SG 01.6 CC	✓	Private				
SG 01.7 CC	✓	Private				
SG 01.8 CC	✓	Private				
SG 01.9 CC	✓	Private				
SG 01.10 CC	✓	Private				
SG 07.5 CC	✓	Public				
SG 07.6 CC	✓	Public				
SG 07.7 CC	✓	Public				
SG 07.8 CC	✓	Public				
SG 13.1	✓	Public				
SG 13.2	✓	Public				
SG 13.4 CC	✓	Public				
SG 13.5 CC	✓	Public				
SG 13.6 CC	✓	Public				
SG 13.7 CC	✓	Public				
SG 13.8 CC	✓	Public				
SG 14.1	✓	Public				
SG 14.2	✓	Public				
SG 14.3	✓	Public				
SG 14.6 CC	✓	Public				
SG 14.7 CC	-	Public				
SG 14.8 CC	✓	Public				
SG 14.9 CC	✓	Public				
SG 15.1	✓	Public				
SG 15.2	✓	Public				
SG 15.3	✓	Public				

Symbol	Status
✓	The signatory has completed this sub-indicator
-	The signatory did not complete this sub-indicator.
	This indicator is relevant to the named TCFD recommendation
Within the first column “Indicator”, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.	

Principles for Responsible Investment

ORGANISATIONAL OVERVIEW

This section provides an overview of your organisation. These characteristics are used to define your peer groups.

MAIN CHARACTERISTICS	
Name	Nordea
Signatory Category	Fund Management - Majority
Signatory Type	Investment Manager
Size	US$ > 50 billion AUM
Main Asset Class	Multi-Asset
Signed PRI Initiative	2007
Region	Europe
Country	Sweden
Disclosure of Voluntary Indicators	82% from 38 Voluntary indicators

Nordea

Reported Information

Public version

Strategy and Governance

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Investment policy

SG 01	Mandatory	Public	Core Assessed	General

New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 01.1	Indicate if you have an investment policy that covers your responsible investment approach.

Governance and human resources

SG 07 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General

SG 07.5 CC	Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.

	Board members or trustees

☑ Oversight/accountability for climate-related issues

☐ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Investment Committee

☑ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	Portfolio managers

☑ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	Investment analysts

☑ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	Dedicated responsible investment staff

☑ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	Investor relations

☑ Oversight/accountability for climate-related issues

☐ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	External managers or service providers

☑ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

SG 07.6 CC	For board-level roles that have climate-related issue oversight/accountability or implementation responsibilities, indicate how these responsibilities are executed.

The Nordea AM's Board oversees the strategic direction and reviews policy developments, which include the Responsible Investment Policy, the Corporate Governance policy and the RI Committee charter and CIO instruction on responsible investments.

The Board is continuously informed about the strategy implementation and business progress. The Responsible Investment Committee decides on policies and strategy including specific expectations related to climate change such as our commitment to TCFD recommendations and expectations on companies, our ambition to align with the Paris agreement, and a position on coal mining and oil sand exclusions. Nordea AM's CEO is the chair of the Responsible Investment Committee.

SG 07.7 CC	For management-level roles that assess and manage climate-related issues, provide further information on the structure and processes involved.

The Nordea Group position statement on climate change was launched in 2018 and adopted by the Board. Amongst other commitments such as for example Principles for Responsible Banking, it includes the following organisation-wide investment-related strategies:

1. Assess and manage climate-related risks in relation to investment, financing and sourcing activities;

2. Measure and report the climate impact of the funds we manage on behalf of our clients;

3. Enable the low-carbon transition needed to achieve the objectives of the Paris Agreement;

4. Support the recommendations from the TCFD;

5. Not invest in companies with large and sustained exposure to coal mining, with a 10% thermal coal and 30% total coal revenue threshold; and

6. Not invest in companies with more than 10% revenue from oil sands.

Support for climate risk management at NAM comes from the top. Our Board oversees the strategic direction and the development of our policies. NAM's strategic delivery on these climate change commitments rests with the RIC, which was created in 2009 and is chaired by the CEO of NAM. The CIO's instructions include responsibility for integrating ESG risks, including risks arising from climate change, into the investment analysis and decisions. In 2019, RIC adopted the NAM Climate Change Strategy, which support the Nordea group's climate commitments by stipulating that:

1. NAM's investment portfolios will aim to be aligned with the objectives of the Paris Agreement over time;

2. Climate risks and opportunities will be an integrated part of investment research and regular risk monitoring;

3. Engagement and voting activities will be focused on achieving climate-resilient portfolios;

4. NAM will limit exposure to highly carbon-intensive fossil fuel companies with limited progress to transform;

5. Product development efforts will be focused on products that support the transition to the low-carbon economy; and

6. NAM supportthe TCFD recommendations in our own disclosures as well as in our active ownership agenda.

In order to support the execution of the NAM Climate Change Strategy, a TCFD implementation plan has been devised and will be presented to the Board during the first half of 2020. NAM's Responsible Investments Report 2019 represented our inaugural TCFD reporting, but in recognition of the fact that complete and mature TCFD reporting can be expected to take up to 5 years to deliver, the TCFD implementation plan stakes out necessary actions to strengthen our TCFD reporting in coming years.

SG 07.8 CC	Indicate how your organisation engages external investment managers and/or service providers on the TCFD recommendations and their implementation.

☐ Request that external managers and/or service providers incorporate TCFD into mainstream financial filings (annual financial reports, other regulatory reporting or similar)

☐ Request incorporation of TCFD into regular client reporting

☑ Request that external managers complete PRI climate indicator reporting

☐ Request responses to TCFD Fund Manager questions in the PRI Asset Owner Guide

☐ Other

☐ We do not engage with external managers and/or service providers on the TCFD recommendations and their implementation

ESG issues in asset allocation

SG 13	Mandatory	Public	Descriptive	PRI 1

SG 13.1	Indicate whether the organisation carries out scenario analysis and/or modelling, and if it does, provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).

☑ Yes, in order to assess future ESG factors

	Describe

Contributions to the Sustainable Development Goals of this kind are positively recognized in our ESG assessment, which allows our STARS strategies to capture these opportunities.

☑ Yes, in order to assess future climate-related risks and opportunities

	Describe

Low-carbon transition translates into investment opportunities, and particularly technology-oriented opportunities for companies that provide innovative products and services that will aid the transition to a low-carbon and high-efficiency future.

☐ No, our organisation does not currently carry out scenario analysis and/or modelling

SG 13.2	Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.

	We do the following

☐ Allocation between asset classes

☐ Determining fixed income duration

☑ Allocation of assets between geographic markets

☑ Sector weightings

☐ Other, specify

☐ We do not consider ESG issues in strategic asset allocation

SG 13 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General

SG 13.4 CC	Describe how your organisation is using scenario analysis to manage climate-related risks and opportunities, including how the analysis has been interpreted, its results, and any future plans.

☑ Initial assessment

	Describe

We joined the United Nations Environment Programme Finance Initiative (UNEPFI) pilot group in 2018 to address the need for analytical tools and indicators to report on the risks and opportunities presented by climate change. The aim was to develop a model and approaches that could encourage the wider investment community to promote a climate-resilient, low-carbon economy. The main output from this pilot group is the Climate Value at Risk (CVaR) model which considers the impact on the total portfolio if climate risks were to be priced by the market today. The model incorporates several different policy scenarios by using various Shared Socioeconomic Pathways (SSPs) and carbon pricing models. While offering valuable insights into relevant climate risks through scenario-based risk assessment, the CVaR model does not exhaustively address all relevant dimensions of climate risk. Crucially, the model doesn't take into account companies' strategic plans for reducing carbon emissions or diversifying away from fossil fuel dependency, which is a critical component of the low-carbon transition and a central focus for NAM's active ownership activities. Yet, the analysis for equities, corporate bonds and some funds enables us to set an approximate value on the transition to a low-carbon economy and physical risks that we are exposed to.

In our assessment, the CVaR model gives us the best available and most holistic assessment of our investee companies' exposure to climate risk, and the integrated use of this model is therefore a core component of our TCFD implementation plan. Since it does not address companies' management of climate risk, however, it gives an incomplete picture of NAM's forward-looking risk exposure. We will therefore continue to enhance our tools for better identifying and valuing climate risks and opportunities in the short, medium and long term. Our ambition is to reinforce the CVaR analysis with a robust assessment of the quality of companies' climate targets, strategies and governance. Given that our ability to successfully do this largely depends on the quality of available climate-related data and disclosures, we will continue engaging with companies to support TCFD recommendations and a smooth and transparent transition to a low-carbon economy. This will enable further integration of climate-related aspects into our risk management and product development.

In our efforts to manage climate-related risks as well as possible, we are also using the tools and frameworks provided by PACTA (Paris Agreement Capital Transition Assessment), Transition Pathway Initiative, Carbon Disclosure Project, and other frameworks that integrate scenario considerations in their analysis. By complementing the CVaR analysis with alternative assessments which are more focussed on high-risk sectors, climate governance, Paris-aligned target-setting and capex plans, we get a more complete picture of NAM's climate risk exposure and priority areas for our climate risk management. These initial assessments help us target our investment research and engagement activities, and in relation to companies that the scenario analysis shows are particularly exposed to climate risk, we can focus our assessments on how well they integrate climate change challenges into their business strategies, investment decisions and risk management.

☑ Incorporation into investment analysis

Describe

The output from the CVaR scenario analysis provides a valuable foundation for understanding climate risk exposure in our investment analysis. As a first step towards a full integration of climate risk management into our investment processes, the analysis results for specific investment portfolios were presented to the portfolio managers along with an interpretation and discussion of the results. The implication for the investment analysis is that for companies with a high estimated CVaR across the relevant range of scenarios, it is relatively more important for the investment case that they can demonstrate climate risk resilience. This could be by disclosing how their long-term business strategy and profitability will be impacted by a different regulatory and physical environment, and how they are addressing that. Going forward, NAM's TCFD implementation plan will establish a more systematic integration of the scenario analysis results in the investment and risk reporting process, but pending that, the CVaR model is already enhancing portfolio managers' understanding of climate risk.

The CVaR analysis is also integrated into the internal ESG assessment and ratings conducted by NAM's Responsible Investments (RI) team for our ESG-enhanced portfolios. In particular, companies that operate in high-emitting sectors, or for whom climate risks are otherwise especially material, are thoroughly analysed through the lens of this scenario analysis to ensure that the quality of their climate risk management and the ambitiousness of their climate-related targets match their exposure to climate risk. Importantly, they need to demonstrate that their transition risk management efforts are adequate in a transition scenario corresponding to 2C or less, and preferably in a wider range of scenarios. Companies that fail to demonstrate this will not be considered investable for our STARS funds. In order to complement the insights gained from the CVaR model, the RI team also pays close attention to companies' own use of scenario analysis as well as other independent third-party assessments of companies' resilience to various climate outcomes and general preparedness for the low-carbon transition.

In 2019, NAM became a supporter of the Transition Pathway Initiative and committed to using their analysis in our investment strategies. Amongst other things, TPI use a scenario-based approach to assessing the forward-looking alignment of high-emitting companies' climate targets and strategies, and allow us to determine on robust grounds whether or not a company's strategy is aligned with a scenario in which the goals of the Paris Agreement are met. Like the CVaR analysis, the TPI analysis is an important part of the ESG and investment analysis for our ESG-enhanced portfolios. Additionally, we have recently developed a methodology for assessing low-carbon transition preparedness for fossil fuel-dependent companies, which builds on TPI's scenario analysis. The Responsible Investments Committee has approved a decision to use this methodology for all Nordea' sustainability-oriented portfolios (including but not limited to STARS), which will be implemented during 2020 and effectively lead to an exclusion of all fossil fuel companies that fail to demonstrate alignment with a transition scenario that limits global warming to 2C or less.

☑ Inform active ownership

Describe

NAM is part of the Institutional Investor Group on Climate Change ("IIGCC") and the Climate Action 100+ ("CA100+") investor engagement initiatives, which are addressing climate change with 161 companies, including the world's largest emitters of greenhouse gases. The goal is for these companies to reduce their emissions, improve their climate-related disclosure, have clear Board accountability and oversight of the climate-related matters and ultimately reconsider their capital expenditures plans from a climate perspective. During 2019, NAM led the CA100+ engagement with Petrobras and supported the engagement with Xcel Energy, both of which are assessed by TPI on their carbon performance relative to the Paris Agreement. We used TPI's scenario assessment to prioritise engagement objectives for these two cases.

Petrobras is a partly state-owned Brazilian petroleum company, and one of the largest oil and gas extraction companies in the world. A sound strategy for a transition to low carbon would allow Petrobras to play a key role in achieving the goals of the Paris Agreement. Representing a group of investors, NAM has discussed with Petrobras what steps we believe they need to take going forward. A key part of this is our expectation on Petrobras to work more aggressively to curb emissions. The company has recently set emissions-intensity targets for parts of its operations, but these are insufficient to meet the 2C target, as illustrated by TPI's analysis. We have recommended improvements to the company's target-setting, including using an approach that encompasses more of the company's total emissions.

For Xcel Energy, TPI's analysis shows that their strategy is well-aligned with the 2C target, and hence the focus for this engagement was geared towards TCFD disclosures and climate risk governance rather than target-setting.

In addition to our collaborative engagements, NAM undertakes extensive climate-focussed engagement efforts. In selecting companies to target for these engagements, we use scenario-based climate assessments from TPI, the CVaR model and the Science-Based Targets Initiative to inform our understanding of which companies and which topics to prioritise. On the back of this analysis, NAM engaged independently with 33 companies during 2019 to enhance two central components of a climate-resilient business strategy: their climate reporting and climate risk management. In dialogues with these companies, we have highlighted their most important shortfalls against the TCFD recommendations, especially the need for greater clarification of companies' exposure to climate risk scenarios and the associated financial impacts. We generally find that many companies have matured in their use of scenario analysis when it comes to using scenario thinking for setting climate targets that align with specific Paris-related scenarios, specifically in collaboration with the Science-Based Targets Initiative, but are less advanced when it comes to using scenarios to understand risk exposure. In such cases, we strive to share our interpretation of risk exposure results in relation to the companies at hand from scenario analyses that we have undertaken.

☑ Other

	specify

Collaboration with other Nordea Group entities

	Describe

NAM collaborates with relevant divisions from across the Nordea Group to support the implementation of scenario analysis throughout the Group. This includes Group Sustainable Finance, Risk Management units, Nordea Life & Pensions and others that have own uses for scenario analysis that overlap with NAM's. This includes exercises like stress-testing credit portfolios against physical risk scenarios and carbon price scenarios, but crucially it also includes scenario analysis to better understand Nordea's and NAM's operational climate risk.

SG 13.5 CC	Indicate who uses this analysis.

☑ Board members, trustees, C-level roles, Investment Committee

☑ Portfolio managers

☑ Dedicated responsible investment staff

☐ External managers

☐ Investment consultants/actuaries

☑ Other

	specify

Risk Management Team

SG 13.6 CC	Indicate whether your organisation has evaluated the potential impact of climate-related risks, beyond the investment time horizon, on its investment strategy.

◉ Yes

	Describe

Our climate risk analysis focuses on both short-term risks and the long-term impacts of climate change and transition efforts. We acknowledge that the exact manifestation of specific climate risks across time and geographies is highly uncertain. In our use of scenario analysis, we do not assign explicit probabilities to any scenarios, and hence do not project specific impacts at defined time intervals. We do see a need to complement this open-ended long-term analysis with a robust understanding of the most probable transition risk outcomes and their most likely timing within our investment horizons, which is why we are actively seeking to integrate the Inevitable Policy Response into our approach. Yet, in our view, long-term climate trends is an integral and unavoidable part of understanding the investment implications of our climate risk exposure. We draw out implications for specific investment strategies and their investment horizons by considering current policy trends and drivers, as well as analysing differences between scenarios, but would not be able to do this robustly without factoring in risk factors beyond our investment horizons.

In our investment analysis, we assign greater weight to risks that are more pronounced during our investment horizons, and our analysis is also time-bound by the modelling horizon used in the climate risk frameworks that we employ. For example, the CVaR model which we use consider transition risks across scenarios over a 15-year timescale. The CVaR estimate that comes out of this analysis is based on a discounted present value at risk, and hence deliberately biased towards near-term risks to increase the decision-usefulness for near- and medium-term investment strategies. Similarly, in our use of other forward-looking analytical tools, such as the Transition Pathway Initiative's assessment of carbon performance and targets, this analysis is deliberately constrained by the timeframes within which the results are most decision-useful. When we assess the alignment of a company's climate strategy with the Paris Agreement, we do so within the timeframe during which the relevant company and sector needs to transform to achieve the objectives of the Paris Agreement.

We have a stated ambition to align our portfolios with the objectives of the Paris Agreement over time. This effectively means that we need to understand companies' contribution to, or detraction from, the prospects of achieving these targets. This will play out during at least the remainder of the century, and while the reliability of analysis and forecasting decreases with time, we need to be as long-term as we can in achieving this alignment. A company with a long-term strategy of ignoring the Paris Agreement will have no place in this strategy, regardless of their near-term risks. We recognise the important role to be played by transition companies in achieving the objectives of the Paris Agreement. This means whether we invest in such companies with a 3- or 5-year investment horizon, we must consider whichever time frame during which such companies need to transform to fully understand their positioning in relation to their policy environment, competition and internal financial analysis.

○ No

SG 13.7 CC	Indicate whether a range of climate scenarios is used.

☑ Analysis based on a 2°C or lower scenario

☑ Analysis based on an abrupt transition, consistent with the Inevitable Policy Response

☑ Analysis based on a 4°C or higher scenario

☐ No, a range is not used

SG 13.8 CC	Indicate the climate scenarios your organisation uses.

Provider	Scenario used	
IEA	☑ Beyond 2 Degrees Scenario (B2DS)	
IEA	☑ Energy Technology Perspectives (ETP) 2 Degrees scenario	
IEA	☑ Sustainable Development Scenario (SDS)	
IEA	☑ New Policy Scenario (NPS)	
IEA	☑ Current Policy Scenario (CPS)	
IRENA	☐ RE Map	
Greenpeace	☐ Advanced Energy [R]evolution	
Institute for Sustainable Development	☐ Deep Decarbonisation Pathway Project (DDPP)	
Bloomberg	☐ BNEF reference scenario	
IPCC	☑ Representative Concentration Pathway (RCP) 8.5	
IPCC	☑ RPC 6	
IPCC	☑ RPC 4.5	
IPCC	☑ RPC 2.6	
Other	☑ Other (1)	Other (1) please specify: AIMCGE 1.5C SSP2
Other	☑ Other (2)	Other (2) please specify: AIMCGE 2C SSP2
Other	☑ Other (3)	Other (3) please specify: AIMCGE 3C SSP2

SG 14	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	PRI 1

SG 14.1	Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following are considered.

☑ Changing demographics

☑ Climate change

☑ Resource scarcity

☑ Technological developments

☐ Other, specify(1)

☐ Other, specify(2)

☐ None of the above

SG 14.2	Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity

☐ Established a climate change sensitive or climate change integrated asset allocation strategy

☑ Targeted low carbon or climate resilient investments

	Specify the AUM invested in low carbon and climate resilient portfolios, funds, strategies or asset classes.

	trillions	billions	millions	thousands	hundreds
Total AUM		2	434	000	000
Currency	EUR				
Assets in USD		2	683	001	357

	Specify the framework or taxonomy used.

Our thematic Climate and Environment Fund

☐ Phase out your investments in your fossil fuel holdings

☑ Reduced portfolio exposure to emissions intensive or fossil fuel holdings

☑ Used emissions data or analysis to inform investment decision making

☑ Sought climate change integration by companies

☑ Sought climate supportive policy from governments

☐ Other, specify

☐ None of the above

SG 14.3	Indicate which of the following tools the organisation uses to manage climate-related risks and opportunities.

☑ Scenario analysis

☑ Disclosures on emissions risks to clients/trustees/management/beneficiaries

☐ Climate-related targets

☑ Encouraging internal and/or external portfolio managers to monitor emissions risks

☐ Emissions-risk monitoring and reporting are formalised into contracts when appointing managers

☐ Weighted average carbon intensity

☑ Carbon footprint (scope 1 and 2)

☑ Portfolio carbon footprint

☐ Total carbon emissions

☑ Carbon intensity

☑ Exposure to carbon-related assets

☐ Other emissions metrics

☐ Other, specify

☐ None of the above

SG 14 CC	Voluntary	Public		General

SG 14.6 CC	Provide further details on the key metric(s) used to assess climate-related risks and opportunities.

Metric Type	Coverage	Purpose	Metric Unit	Metric Methodology
Carbon footprint (scope 1 and 2)	☐ All assets ☐ Majority of assets ☑ Minority of assets	to understand, measure and manage climate risk	Index Weighted Average Carbon Emission Intensity ratio	https://www.msci.com/index-carbon-footprint-metrics
Portfolio carbon footprint	☐ All assets ☐ Majority of assets ☑ Minority of assets	to understand, measure and manage climate risk	Index Weighted Average Carbon Emission Intensity ratio	https://www.msci.com/index-carbon-footprint-metrics
Carbon intensity	☐ All assets ☐ Majority of assets ☑ Minority of assets	to understand, measure and manage climate risk	Index Weighted Average Carbon Emission Intensity ratio	https://www.msci.com/index-carbon-footprint-metrics
Exposure to carbon-related assets	☐ All assets ☐ Majority of assets ☑ Minority of assets	to understand, measure and manage climate risk	Percentage	https://www.transitionmonitor.com/resources/#background

SG 14.8 CC	Indicate whether climate-related risks are integrated into overall risk management and explain the risk management processes used for identifying, assessing and managing climate-related risks.

◉ Processes for climate-related risks are integrated into overall risk management

	Please describe

Whereas climate risk was previously considered a sub-component of ESG risks, NAM's approach to climate risk assessment has evolved over time to consider climate risk as a standalone sub-component of ESG risks for which distinctive characteristics need to be captured. NAM's climate strategy also specifically states that climate risks will be part of regular risk monitoring and integrated into the overall investment process. This evolution is a product of increased understanding of climate risks, Nordea's public commitments, and the development of industry initiatives, such as the TCFD recommendations.

To date, we have made both externally and internally sourced climate risk analysis and data available to all investment teams and we have integrated ESG, including climate considerations, into the portfolio performance reviews of our equities and fixed income teams. We have also carefully chosen to include the use of the CVaR model in our TCFD implementation plan, since it allows us to quantify climate risk exposure in financial terms, and thereby compare them to other financial risks faced by the companies that we invest in. Our mission is to deliver returns with responsibility and integrating climate risk together with other financial and sustainability risks into our investment decisions is critical for enhancing risk-adjusted returns. Neglecting these risks could have a negative impact on investment performance through both unwanted risk exposures and missed opportunities as the world transitions to a low-carbon economy. This is why all our portfolio managers already receive regular risk reports which include climate-related statistics such as carbon footprints and ESG assessments.

During 2020, we will continue the work to deliver on our TCFD implementation plan, which includes the systematic integration of climate risk management into our overall risk management systems. Specifically, this will involve joining the CVaR modelling with our conventional risk assessment framework and include the relevant outputs in the regular risk reports that form part of our risk monitoring framework and are distributed to all portfolio managers. This will advance our integration further, but we also recognise the need to complement this over time with more sophisticated assessments of climate transition strategies. Implementing the TCFD recommendations is a journey. We will continue to enhance our tools for better identifying and valuing climate risks and opportunities in the short, medium and long term. This will enable further integration of climate-related aspects into our risk management and product development.

In addition, an important part of this integration is to ensure that all portfolio managers and other investment professionals are equipped with the adequate understanding of climate risks and their financial implications. For this reason, the Responsible Investment team has developed an extensive climate risk workshop concept which will be targeted at investment teams, top and middle management, and the Board during 2020.

○ Processes for climate-related risks are not integrated into overall risk management

SG 14.9 CC	Indicate whether your organisation, and/or external investment manager or service providers acting on your behalf, undertake active ownership activities to encourage TCFD adoption.

◉ Yes

	Please describe

NAM engaged independently with 33 companies during 2019 to enhance two central components of a climate-resilient business strategy: their climate reporting and climate risk management. The companies were screened based on their climate risk exposure, and among those with the highest exposure, 33 were identified as lacking any commitment to aligning with the TCFD recommendations. Even though many of these companies are market-leaders in their climate risk management efforts, some significant gaps remain which must be closed in order to enable informed and efficient capital allocation decisions. A dialogue with senior executive management in the selected companies was therefore initiated to share with them our expectations so as them to start aligning with TCFD, as well as publicly communicate their intent of doing so.During these dialogues, we have also highlighted their most important shortfalls against the TCFD recommendations, especially the need for greater clarification of companies' exposure to climate risk scenarios and the associated financial impacts. In the first three months of this engagement, 7 of the 33 companies took steps towards TCFD alignment. The RI team is now considering extending the engagement to more companies in 2020, and will continue to closely monitor progress and highlight outstanding issues, as full TCFD implementation in many cases requires developing new capabilities and takes both time and commitment from all levels of management.

In addition to these independent engagements, NAM is part of the Institutional Investor Group on Climate Change ("IIGCC") and the Climate Action 100+ ("CA100+") investor engagement initiatives, which are addressing climate change with 161 companies, including the world's largest emitters of greenhouse gases. The goal is for these companies to reduce their emissions, improve their climate-related disclosure in line with the TCFD's recommendations, have clear Board accountability and oversight of the climate-related matters and ultimately reconsider their capital expenditures plans from a climate perspective.

NAM is the lead investor in the CA100+ collaborative engagement with Petrobras and is evaluating to lead on additional companies during 2020. Petrobras is a partly state-owned Brazilian petroleum company, and one of the largest oil and gas extraction companies in the world. A sound strategy for a transition to low carbon would allow Petrobras to play a key role in achieving the goals of the Paris Agreement. Representing a group of investors, NAM has discussed with Petrobras what steps we believe they need to take going forward. One of the key message put forward by NAM was that Petrobras should become more transparent in its climate-related disclosure. On a high level, this will involve meeting the recommendations of the TCFD for climate reporting and improving the transparency and quality of the company's climate-related scenario analysis.

○ No, we do not undertake active ownership activities.

○ No, we do not undertake active ownership activities to encourage TCFD adoption.

SG 15	Mandatory to Report Voluntary to Disclose	Public	Descriptive	PRI 1

SG 15.1	Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.

◉ Yes

SG 15.2	Indicate the percentage of your total AUM invested in environmental and social themed areas.

	%

5

SG 15.3	Specify which thematic area(s) you invest in, indicate the percentage of your AUM in the particular asset class and provide a brief description.

	Area

☑ Energy efficiency / Clean technology

	Asset class invested

☑ Listed equity

	Percentage of AUM (+/-5%) per asset class invested in the area

100

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☐ Fixed income - Corporate (non-financial)

☐ Fixed income - Securitised

☐ Private equity

☐ Property

☐ Hedge funds

	Brief description and measures of investment
	Climate and environment fund

☐ Renewable energy

☐ Green buildings

☐ Sustainable forestry

☐ Sustainable agriculture

☐ Microfinance

☐ SME financing

☐ Social enterprise / community investing

☐ Affordable housing

☐ Education

☐ Global health

☐ Water

☐ Other area, specify

○ No