

Nordea

Sustainable Finance -PwC

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October 2020



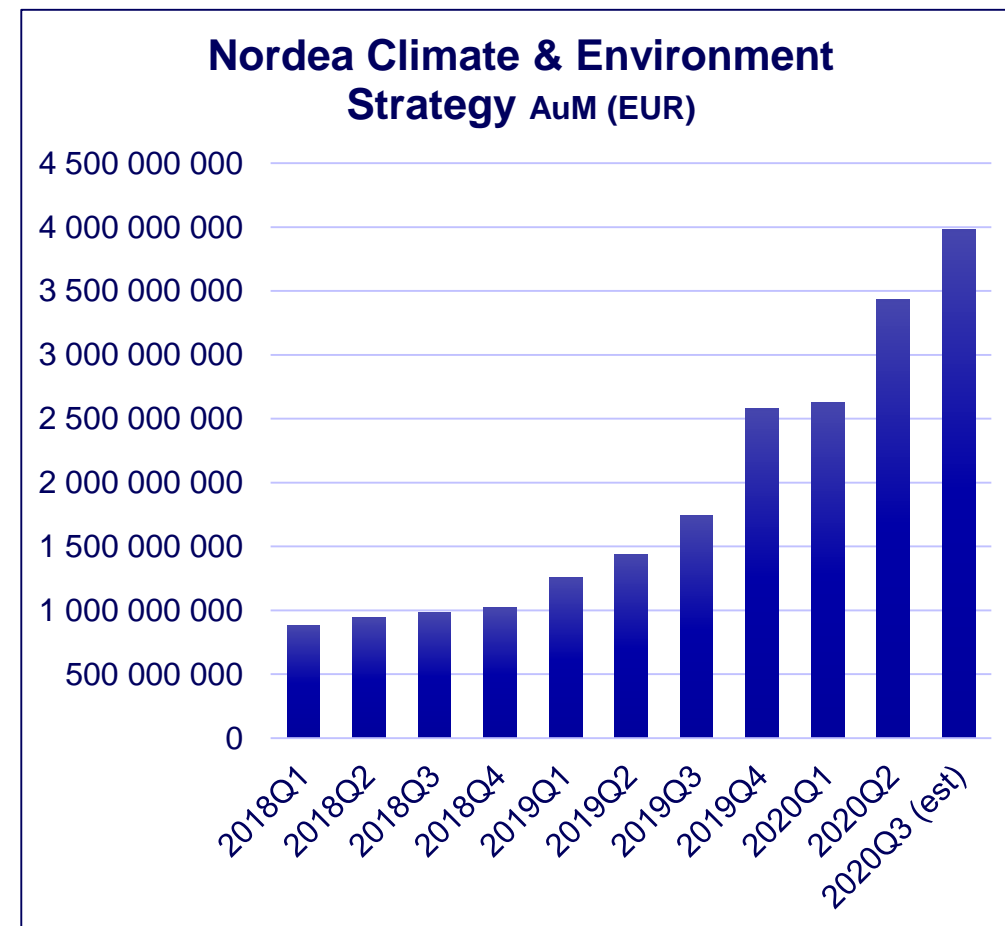
Action plan on financing sustainable growth

The Action Plan 2018 stretches across the whole investment chain

1	Taxonomy TEG	Develop an EU classification system for environmentally sustainable economic activities	6	Sustainability in research and ratings	Explore how credit rating agencies could more explicitly integrate sustainability in to their assessments. Study on sustainability ratings and research and exploring possible measures to encourage their uptake.
2	Standards and labels TEG	Develop EU standards (such as EU Green Bond Standard) and labels for sustainable financial products (via Ecolabel) to protect integrity and trust of sustainable finance market	7	Disclosures by financial market participants	Enhance transparency to end-investors on how financial market participants consider sustainability
3	Fostering investment in sustainable projects	Exploring measures to improve the efficiency and impact of instruments aiming at investment support. Mapping on investment gaps and financing.	8	Sustainability in prudential requirements	Explore the feasibility of reflecting sustainability in prudential rules (where justified from a risk perspective)
4	Incorporating sustainability in financial advice	Amend MiFID II and IDD delegated acts to ensure that sustainability preferences are taken into account in the suitability assessment.	9	Strengthening sustainability disclosures by corporates TEG	Enhance climate and sustainability-related information provided by corporations
5	Developing sustainability benchmarks TEG	Develop climate benchmarks and ESG disclosures for benchmarks	10	Fostering sustainable corporate governance & promoting long-termism	Collect evidence of undue short-term pressures from capital markets on corporations and consider steps for promoting corporate governance that is more conducive to sustainable investments.

Sustainability and Covid

- Green Bonds and sustainability themed indices have performed well during the COVID crisis
- Covid-19 has accelerated the switch in demand towards ESG/Sustainable products
- Sustainability is the source of product innovation and new income for many sectors and companies –but seems finance is ahead of the real economy
- Taxonomy is one tool to ensure the recovery financing is sustainable



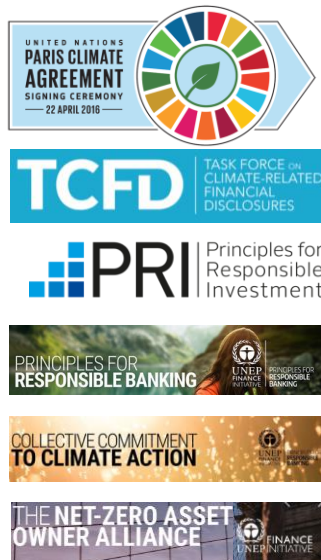
Nordea Asset management climate change strategy

“We will work to align our business strategies with the Paris Climate Agreement.”

Frank Vang Jensen, President and CEO, Nordea Group

“Nordea supports the TCFD recommendations since we firmly believe that climate change risk disclosure is key in order to strengthen the stability of the financial system.”

Nils Bolmstrand, CEO, Nordea Asset Management

	<div>Integration</div> <div>Climate risk and opportunities is part of regular risk monitoring and company research</div>	<div>Active ownership</div> <div>We vote and engage to achieve climate-resilient portfolios</div>	<div>Divestment and mitigation</div> <div>We limit exposure to highly carbon-intensive companies with limited progress to transform</div>	<div>Products and solutions</div> <div>We focus on products that support the transition to the low-carbon economy</div>	<div>Policy support</div> <div>We support the TCFD recommendations and aim to align our portfolios over time to the Paris Agreement</div>
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Sources: Nordea, TCFD, UN PRI, UNEP FI

Products and solutions

- Green Mortgages for energy efficient homes
- Green Car Leasing/ Financing for household and corporate customers for 100% electric cars
- Green Corporate Loans based on Nordea's Green Bond Framework
- Green, Social and Sustainability Bonds
- Green and Sustainability-linked Loans
- Sustainable Finance frameworks
- Sustainable investment products

Green Business Loans

Finance your investments that are beneficial for the environment with our Green Business Loan.

Contact us

Green financing

Green Business Loans are part of Nordea's contribution to a sustainable society. If you are planning or have made investments that have positive climate impacts, Nordea's Green Business Loans are the right choice for you. Among such initiatives in support of sustainable growth are the reduction of carbon dioxide emissions or utilisation of renewable energy sources.

Green housing loan – an eco-friendly choice

Do you live in an energy-efficient or eco-friendly home? Or are you planning on buying such a home? Get a green housing loan and its valuable benefits from Nordea. Apply for a green housing loan to your current or new home by submitting a housing loan application. Enter the word "green" in the campaign code field.

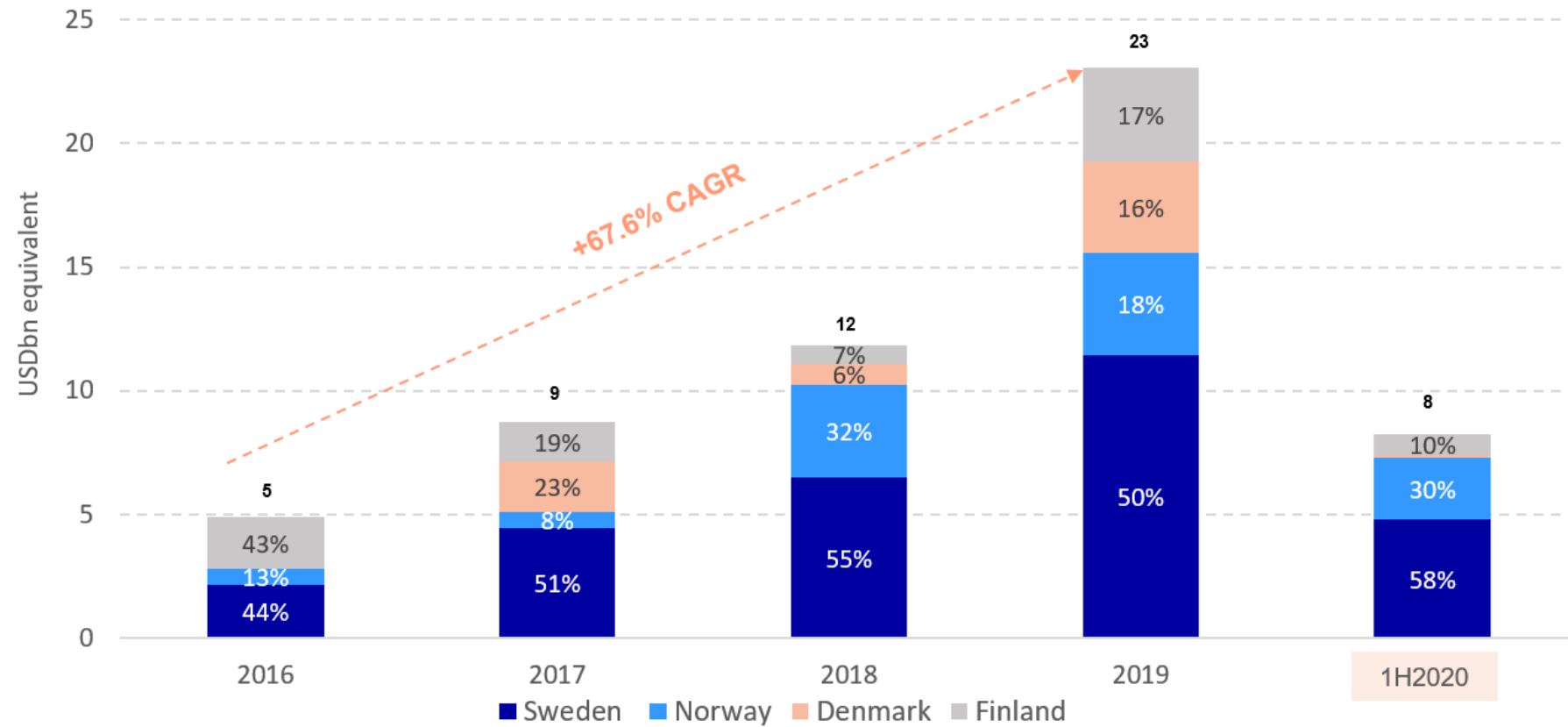
Apply for a green housing loan



Nordic green bond markets continue to grow

DK, FI and NO have shown particularly good growth between 2018 and 2019

FI, NO and DK green, social and sustainability supply by country per year 2015-1H2020



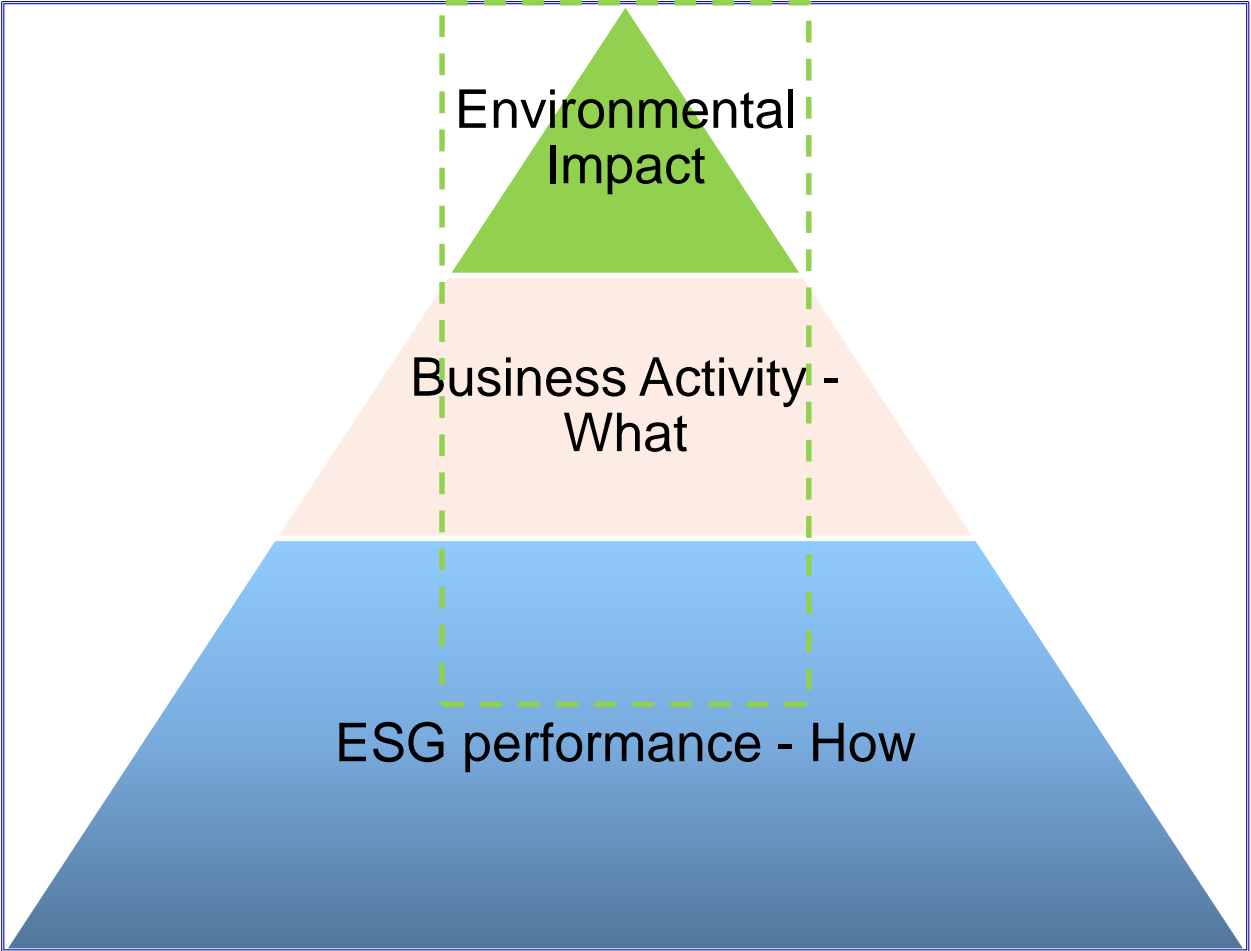
Source: Bloomberg, Nordea

Environmental Impact is increasing in importance – holistic, environmentally material and comparable

Green investment potential

Comparison of Industries and technologies

Various ratings, criteria and metrics:
Relative quality assessment -
incomparable ratings and inefficient data handling



New regulation drives transparency and capacity building - more people joining the work

Identification of sustainable activities and business models on customer level

Integrating the information in business and risk management

New product offering

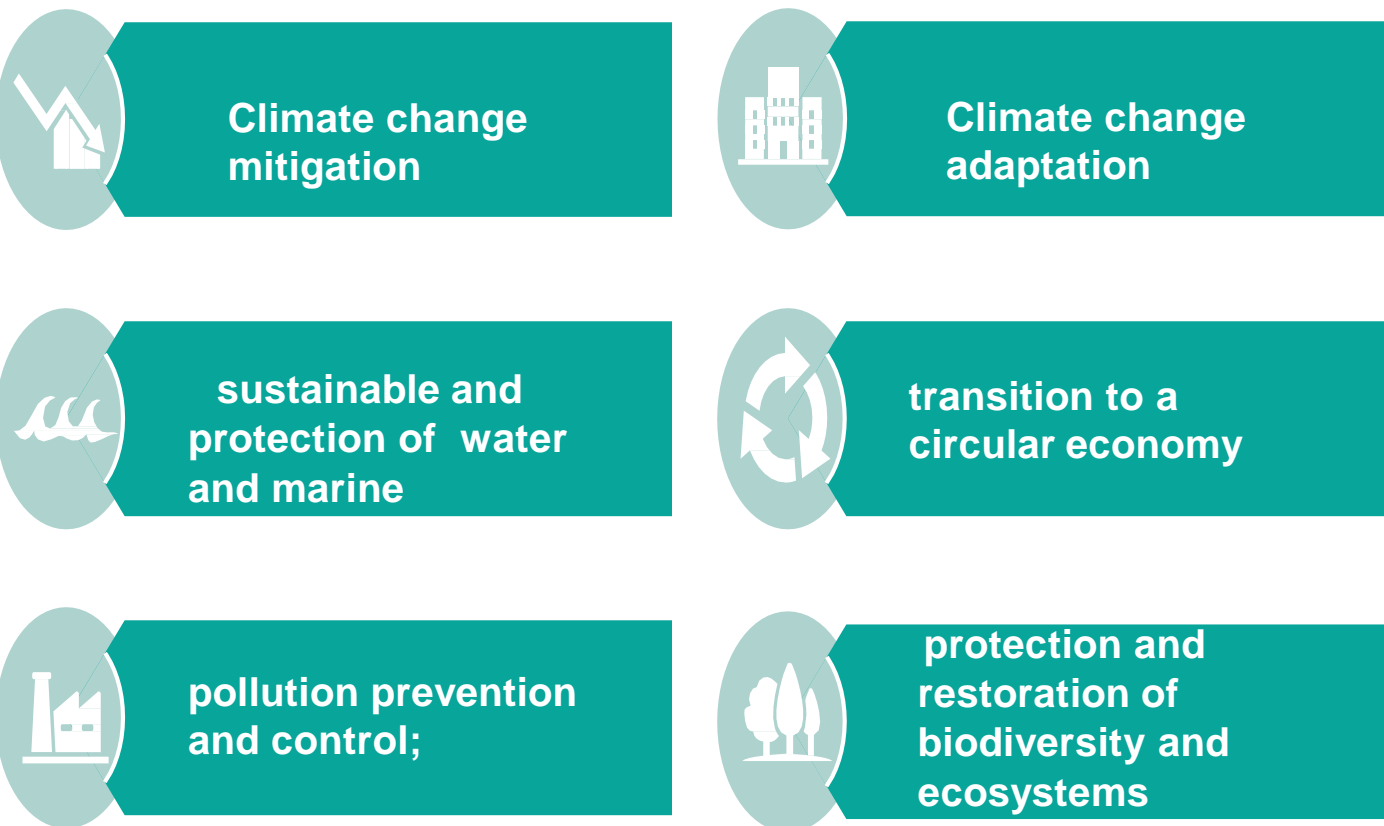
Disclosure on company and product level

Risk regulation pushing for the same direction:

- **European Banking Authority (EBA) Action Plan**
 - To cover ESG-related factors and ESG risks
 - Online survey for credit institutions on their disclosure practices
- **European Securities and Markets Authority (ESMA)**
 - Strategy on Sustainable Finance; single rulebook, supervisory convergence, ESG in credit ratings, risk assessment and outreach.
- **ECB:** Guide on climate-related and environmental risks May 2020
 - Supervisory expectations relating to risk management and disclosure
- **NGFS Sept 2020: Overview of Environmental Risk Analysis by Financial Institutions**

What we need to learn...

Understanding positive contribution and doing no harm to the environment in terms of:



Understanding the underlying industries ...

- European Climate law 2050 and 2030 targets
- Revision of legislative measures:
 - Land use, land use change, forestry,
 - RED (2021)
 - Energy taxation, carbon border adjustment
- Renewed Sustainable Finance Strategy
 - Focus on data availability and quality
 - Public sector to adopt the same principles and tools as private sector
 - Brown taxonomy?
- Recovery Funding
 - Just transition
 - Standards, Do no Harm

...in the context of financial products and risk frameworks

More opportunities

Already **low carbon**

Very low, zero or net negative emissions
Compatible with net zero carbon economy by 2050.

Contributing to transition

to a zero net emissions economy in 2050 without lock-in to carbon intensive assets or processes

Enabling emissions reductions

in either of the two previous categories

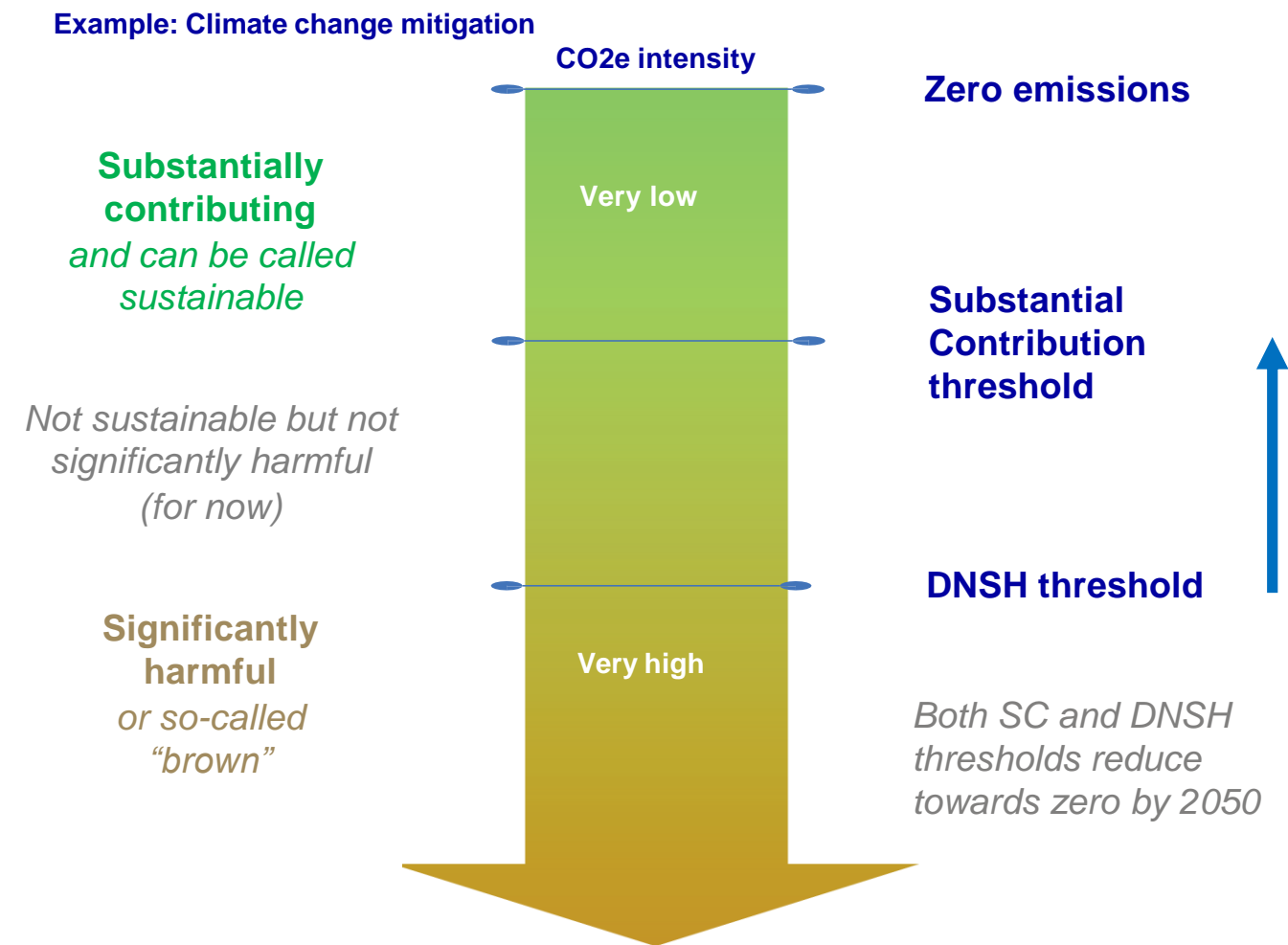
Adaptation & resilience

TAXONOMY BASKETS PERFORMANCE SINCE MID-APRIL

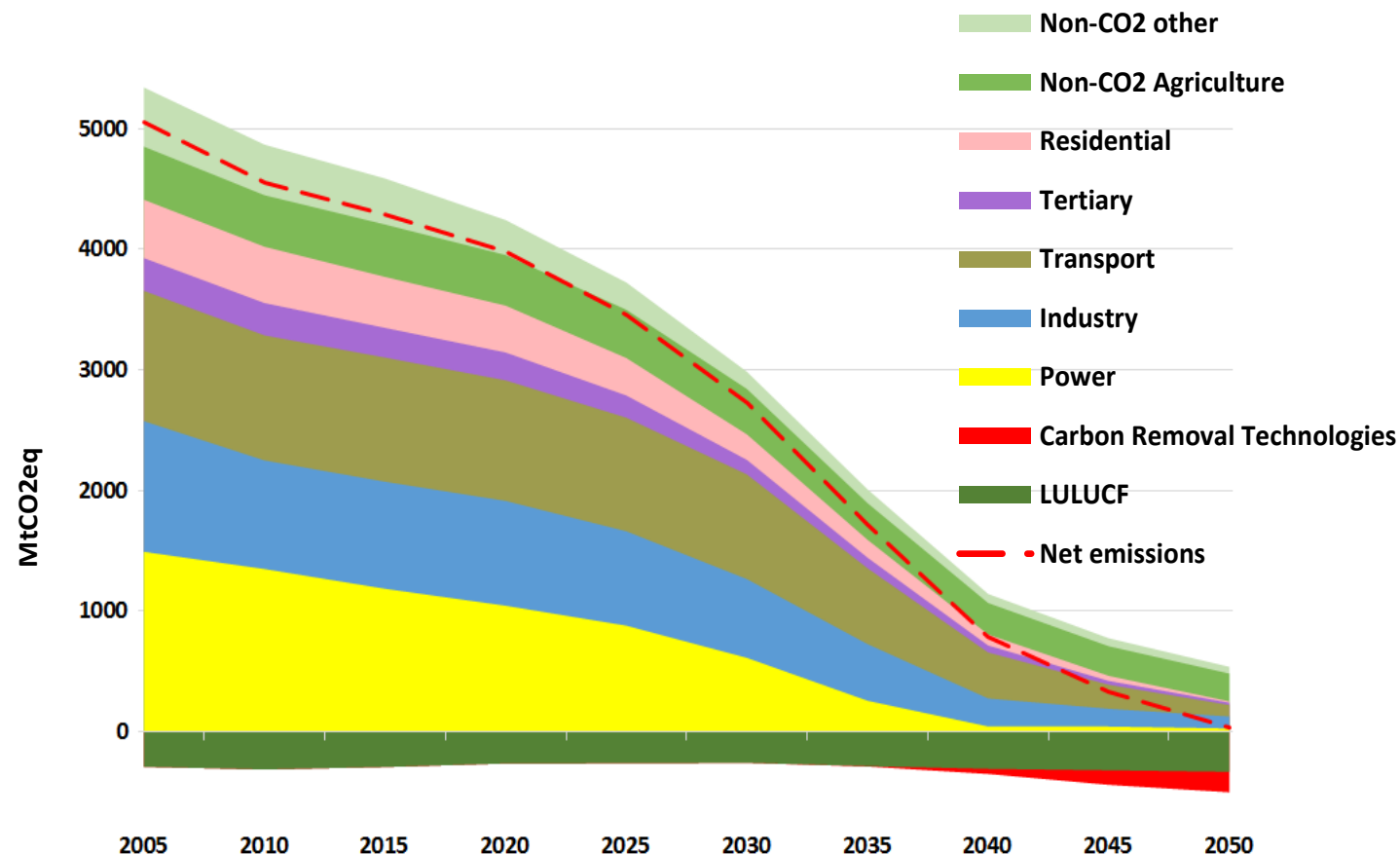


Source: Macrobond and Nordea estimates

Substantial contribution, neutral and harmful assessed for each environmental objective



TEG take on transition: Climate 'Transition' must have a destination

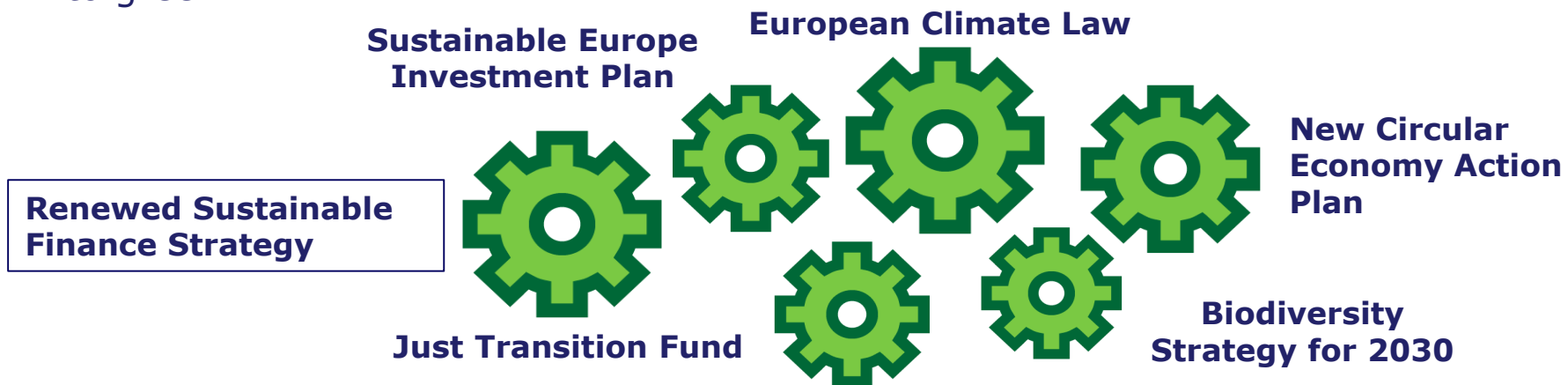


- Exclude activities that would ultimately undermine climate change mitigation objectives if their operations were locked in for the long term:
 - Renovations of transport facilities or buildings including storage that are dedicated to fossil fuels and may create lock in of these assets for fossil purposes
- Phasing out unabated fossil-based power generation

From Action Plan to Renewed Strategy

A more ambitious and comprehensive strategy is needed to reach the objectives of the European Green Deal in a context of recovery

- **The 2018 Action Plan addressed the urgent needs** that were identified in the financial sector. Although the financial sector has already made considerable progress, its **transition is not fast enough to achieve the climate targets of 2030 and 2050.**
- As the **EU moves towards climate-neutrality and steps up its fight against environmental degradation**, the financial and industrial sectors will have to undergo a large-scale transformation.
- The **Renewed Strategy will shift the focus to the real economy and corporates, as well as to public authorities and citizens** to give everyone the necessary tools to transition from brown to green



Nordea Research ESG ratings

Nordea Research ESG ratings and one-pagers

- This product complements our #1 rated ESG fundamental research and is a collaboration between ESG, Quant and the Equity analysts
- One ESG rating for each company covered: ratings on ~240 companies
- Full ESG integration: One-pagers and rating to be included in all analysts' publications.

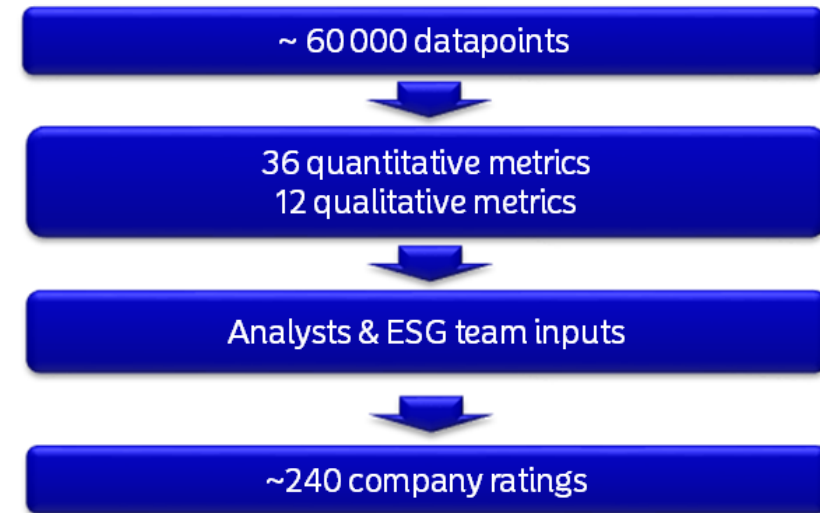
Key features of our ratings

- Leverage on the knowledge of the analysts– the model has a large quantitative foundation, but it is integrated with the qualitative insights of our Equity analysts
- Opportunity focus – the rating includes but goes beyond traditional ESG metrics and places great emphasis on the forward looking sustainability trajectory of a company
- ESG team insights – the rating integrates detailed modelling work from the ESG team (eg Taxonomy estimates, our assessment of companies' climate goals)

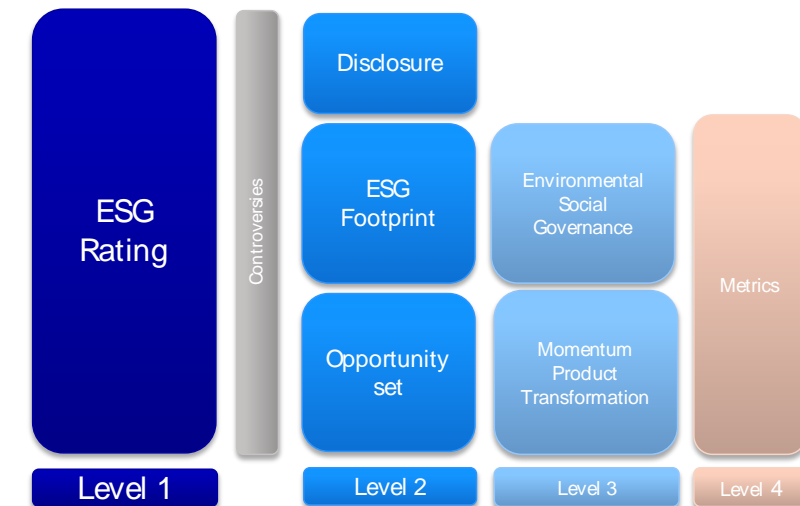
Rating inputs and scores

- A combination of quant and qualitative inputs, relying on our ESG database with 10 years of history for ~300 Nordic companies
- Ratings are relative to the companies in our universe

A mix of quantitative and qualitative inputs



Strong focus on companies' future sustainability trajectory



Nordea

Thank you!

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