

Nordea



Climate targets and actions for the lending portfolio

May 2024



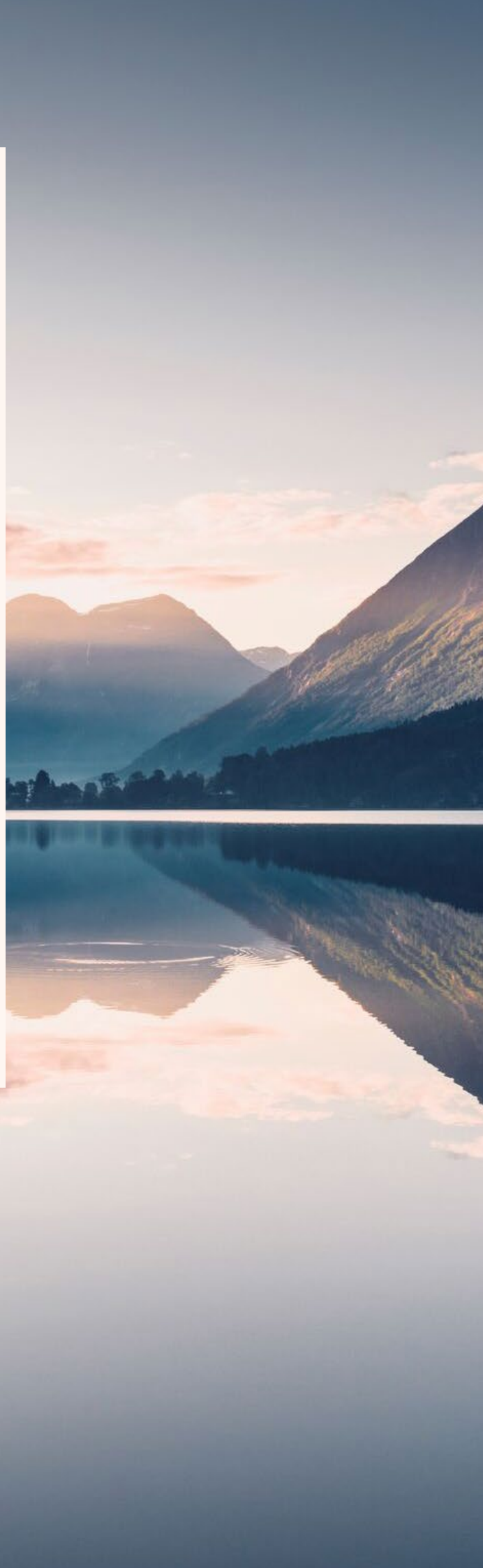
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About this document

The purpose of this document is to provide an overview of the Nordea Group's climate targets and actions with respect to its lending portfolio, and to cover activities of the Nordea Group. The document specifically addresses climate actions for sectors where we have set climate targets in line with our commitment to the Net-Zero Banking Alliance (NZBA). This publication has been prepared for information purposes only.

The methodologies underpinning the targets described below are outlined in the document entitled "Climate target methodologies for the lending portfolio", which can be found on [Nordea.com](https://www.nordea.com). Further information on our work regarding climate change and sustainability is provided in our annual report.





1. Our role in financing the green transition

As global emissions continue to rise and the physical impacts of climate change become increasingly apparent, the urgency to decarbonise our economy is greater than ever.

Limiting the global temperature increase to 1.5°C requires transformative action from everyone in society – and unprecedented investment. According to the International Energy Agency (IEA)¹, total annual investments in clean energy need to reach USD 4.5tn by 2030, almost three times the estimated level in 2023.

The financial sector will play a vital role in enabling such transformative change. It has the scale to mobilise the capital needed to transform the economy and help allocate it to

where it is needed. Aligning financial flows to a net-zero future will help mitigate the worst impacts of climate change and reduce transition risks and stranded assets, as well as broader risks to financial stability.

As a leading bank in the Nordic region, we can support the transition to net zero throughout the Nordic economy and beyond via our customer financing offerings and lending decisions.

1) Net Zero Roadmap: A Global Pathway to Keep the 1.5°C Goal in Reach – 2023 update, IEA, p. 15.





2. Our approach

We have placed sustainability at the core of our business strategy and are integrating it into our business. In this way, we seek to align with and contribute towards fulfilling the United Nations (UN) Sustainable Development Goals, the Paris Agreement, and relevant national and regional frameworks.

Our approach to climate action in the lending portfolio is multifaceted and aims to incorporate changes in the business environment in which we operate.

Setting time-bound climate targets

Our long-term objective is to become a bank with net-zero emissions by 2050 at the latest. We have set targets informed by the highest quality scientific knowledge available in order to steer and monitor progress towards this objective.

For the lending portfolio, we have set an interim objective to reduce absolute financed emissions by 40–50% by 2030 relative to 2019 levels. This portfolio target is supported by sector-specific climate targets aligned with science-based pathways and regional sector roadmaps.

Each of our four business areas has individual climate-related targets and actions that contribute towards fulfilling the Group interim emissions reduction objective. The business areas report their progress to the Group Leadership Team and the Board Operations and Sustainability Committee on a quarterly basis.

Supporting our customers' transition

Supporting and engaging with our customers is central to our climate strategy. We focus on developing products and solutions that both support their transition and enable us to increase positive impact (financing sustainable activities) while decreasing negative impact (financing the transition away from high-emitting activities). Through close dialogue, we encourage our customers to further develop and strengthen their transition plans. And we provide them with financing to enable their transition.

These activities go hand in hand with our 2025 commitments to facilitate more than EUR 200bn in sustainable financing and ensure that 90% of our exposure to large corporate customers in climate-vulnerable sectors is covered by transition plans¹.

Integrating climate risks into policies and processes

Climate change and the transition to a low-carbon and climate-resilient future give rise to new risks and opportunities for the economy as a whole and for companies and financial institutions.

Understanding and managing climate-related risks is essential to maintaining our financial strength and succeeding in being a strong financial partner for our customers. We integrate climate-related risks into our risk management frameworks across risk categories and into our policies and processes. These include credit assessments, sector guidelines, disclosures, industry credit policies, and planning and performance management.

Building a strong culture and strong governance

The skills of and culture among the staff involved in different financing activities are essential to our ability to take climate action and support our customers' transition. Our approach includes providing regular internal training on climate-related topics. This ranges from generalist training for all staff to tailored training for selected client executives, analysts and sales staff, senior management, and the Board of Directors.

Our climate strategy is supported by Board and executive-level oversight and responsibility. To anchor accountability for the strategy, we have integrated ESG KPIs into the remuneration schemes for the Group Leadership Team and other senior leaders across the Group.

Taking collective action

We engage with our peers, civil society and the public sector on climate action and the role of banks in transitioning the real economy towards a low-carbon and climate-resilient future. We also continue to play an active role in the international climate finance ecosystem, helping to further develop the ambition and standardisation of carbon accounting, target setting and net zero alignment across the financial industry.

¹) Defined as the percentage of the exposure to climate-vulnerable sectors for which the obligor or group mother has set a time-bound and quantifiable target to cut greenhouse gas emissions.

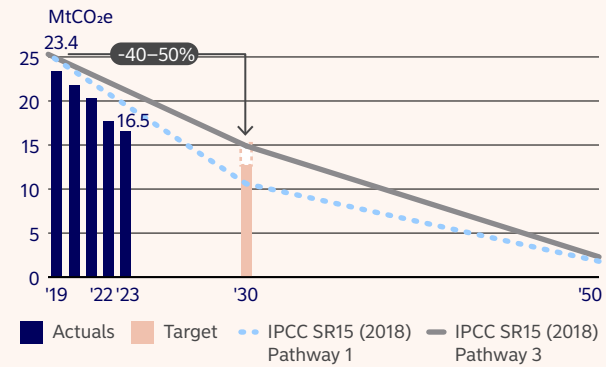


3. Our climate targets for the lending portfolio

To support our long-term net zero objective, we have set an interim objective to reduce absolute financed emissions in our lending portfolio by 40–50% by 2030 relative to 2019 levels.

The target was set using benchmark scenarios from the Intergovernmental Panel on Climate Change (IPCC) Special Report on global warming of 1.5°C and the Emissions Gap Report by the United Nations Environment Programme. It is a cross-sector target, covering business loans, residential real estate loans (mortgages), motor vehicle loans, commercial real estate loans and shipping loans.

Portfolio-wide 2030 target for the lending portfolio



Supporting sector targets

To support our portfolio-wide target, we have set sector-specific targets aligned with science-based pathways and regional sector roadmaps. We have prioritised sectors for target setting according to their contribution to our total financed emissions profile and the potential climate-related

risks associated with them. The sector targets enable us to drive meaningful change by considering sector-specific attributes, constraints and opportunities, and will also support our ability to meet the portfolio-wide lending target. The rest of this section provides a detailed overview of each target.

Overview of supporting sector targets for the lending portfolio

Sector	Sub-sector	Emissions scope	Metric	Benchmark scenario	Base year	Target year	Target
Residential Real Estate	Households and Tenant-owner associations	1, 2	kgCO ₂ e/m ²	CRREM	2019	2030	-40–50%
Shipping	Vessels	1	AER gCO ₂ /dwt-nm	Poseidon Principles (IMO 2050 ¹)	2019	2030	-30%
Agriculture	Crops, plantation and hunting, and Animal husbandry	1, 2	tCO ₂ e/EURm	National sector targets SBTi FLAG ²	2021	2030	-40–50%
Motor vehicles	Cars and vans	1	Emissions intensity gCO ₂ e/km	IEA NZE	2022	2030	-40%
Power Production	Electricity generation	1, 2	gCO ₂ e/kWh	IEA NZE SBTi 1.5°C	2021	2030	-70%
Oil & Gas	Exploration and production	1, 2, 3	tCO ₂ e ³	IEA NZE	2019	2030	-55%
Offshore	Drilling rigs and Offshore service vessels within Oil & Gas and Shipping	–	EURm	–	2019	2025	-100%
Mining	Thermal peat mining	–	EURm	IEA NZE	2022	2025	-100%
	Thermal coal mining	–	EURm	IEA NZE	<i>Full phase-out already achieved in 2021</i>		

1) [International Maritime Organization \(IMO\) Strategy on Reduction of GHG Emissions from Ships](#), adopted in 2018. The Strategy was updated and replaced in July 2023, after our sector target had been set.
 2) National sector targets and the Science Based Targets initiative Forestry, Land and Agriculture (FLAG) guidance include both greenhouse gas emission reductions and carbon removals.
 3) Including methane emissions expressed as CO₂ equivalents for scopes 1 and 2.



3.1 Residential Real Estate

Climate target for Residential Real Estate

Sub-sector	Metric	Emissions scope	2019 baseline	2030 target	Benchmark scenario	Share of financed emissions 2023 (2019)	Share of loan portfolio 2023
Households and Tenant-owner associations	Annual kgCO ₂ e/m ²	1, 2	17.6	-40–50%	CRREM ¹	10% (7%)	57%

Sector overview

Energy use in residential buildings accounts for 11% of global greenhouse gas (GHG) emissions². In the Nordic region, emissions are mostly driven by the heating and cooling of homes and the use of appliances.

The sector encompasses single-family homes and terraced housing, apartments, and tenant-owner associations. The overall housing market is projected to continue growing in terms of both number of homes and average home size in square metres. Total energy demand, however, is being somewhat offset by the replacement of older buildings with new and more energy efficient buildings.

Residential Real Estate is material for us due to our significant exposure to clients in the sector. This entails major opportunities to help our clients reduce energy bills, decarbonise and increase property value, while reducing our financed emissions and growing the value of our stock.

Engagement and implementation actions

By 2030, we aim to reduce the carbon intensity of our Residential Real Estate loan portfolio by 40–50% compared with 2019 levels. Our sector portfolio is benchmarked against relevant country and building type decarbonisation pathways provided by the Carbon Risk Real Estate Monitor (CRREM).

As a financial institution, we are supporting the transition in the sector by providing financing to home owners so they can improve the energy efficiency of their homes. Our support falls into three categories: advisory services, products and insights.

Where advisory services are concerned, we are upskilling our staff to respond to increasing customer interest in energy improvements and the financial implications.

As regards products, we have, and continue to develop, relevant offerings for customers wishing to make energy efficiency improvements, e.g. dedicated energy efficiency loans. These include incentives such as price reductions on relevant products, e.g. green mortgages.

When it comes to insights, we have noted certain barriers to homeowners transitioning. These include a lack of knowledge about home energy efficiency opportunities and the financial benefits of renovation, and a lack of support in actually getting energy efficiency renovations done. We are therefore expanding the insights we provide to homeowners regarding their energy efficiency and the potential for improving it. These include insights into the impacts of relying on fossil energy sources such as gas for heating and the estimated impacts of home renovation, e.g. improved insulation, new windows, and solar panel/heat pump installations. For these purposes, we engage with data providers and experts who are well positioned to support homeowners, e.g. energy authorities, sector data solution providers, energy consultancy companies and energy solution providers.

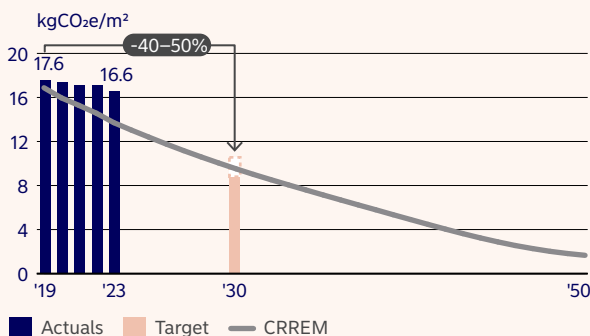
We also engage with business associations and policymakers to advocate for more accurate and accessible energy-related data, e.g. energy performance certificates.

Road ahead for net zero

Achieving net zero in the residential real estate sector requires the energy need in homes to be reduced, fossil fuels to be replaced with renewables as energy sources in homes, and the decarbonisation of the energy sector to be supported. This is especially relevant for Denmark and Finland, which still partially rely on fossil fuels for heating and cooling.

Homes consume a significant share of national total energy. Energy renovations reduce the strain on the utility sector and thus the relative share of fossil fuels needed to produce electricity and heat. Homes relying on fossil fuels such as gas and oil for heating need incentives and support to transition to renewables. Since around 90% of Nordic buildings rely on utilities for electricity and heating, the transition in the residential real estate sector is heavily dependent on the energy sector decarbonising by using an even larger share of renewable energy.

Residential Real Estate target³



1) The target was informed by the CRREM V1.093, which was the available pathway before 2023 when the target was set. The pathway was weighted based on our financed floor area in the Nordics.

2) [World Greenhouse Gas Emissions in 2019](#), World Resources Institute.

3) Emissions were calculated based on static 2018 emission factors and thus do not yet reflect the decreases driven by greener energy production.



3.2 Shipping

Climate target for Shipping

Sub-sector	Metric	Emissions scope	2019 baseline	2030 target	Benchmark scenario	Share of financed emissions 2023 (2019)	Share of loan portfolio 2023
Shipping vessels	Intensity, AER gCO ₂ /dwt-nm	1	8.3	-30%	Poseidon Principles (IMO 2050) ¹	13% (17%)	1%

Sector overview

Shipping is considered to be one of the most energy-efficient transport modes. In 2022 international shipping accounted for around 2% of global energy-related CO₂ emissions². At the same time, approximately 80% of world trade is transported by maritime shipping³. World seaborne trade is expected to grow in the coming decades, which highlights the need for low-carbon solutions in order to reach net zero by 2050.

The sector is material for us due to the high transition risk associated with shifting to alternative fuels and developing ships, and the fact that shipping loans accounted for a relatively high share of our financed emissions in 2019 (our base year).

Engagement and implementation actions

By 2030, we aim to reduce the carbon intensity of our Shipping loan portfolio by 30% compared with 2019 levels. The carbon intensity is measured by way of the Annual Efficiency Ratio (AER) following the methodology of the Poseidon Principles. The target encompasses shipping vessels that fall within the scope of the Poseidon Principles reporting.

As a leading shipping bank and an early signatory to the Poseidon Principles in 2019, we seek to promote a responsible shipping industry and contribute to raising awareness of improving energy efficiency and reducing climate emissions in shipping. Our sector target demonstrates our commitment to supporting clients in transitioning, and encouraging more sustainable shipping.

We have committed to promoting a cleaner and more responsible shipping industry by annually measuring our global target trajectory alignment based on an extensive asset-level data collection, ensuring accountability and enforcing climate reporting through standardised covenants. We engage with our clients to better understand their plans for transition and how they can succeed in them. We are also considering companies' climate emissions profiles as part of our business selection process.

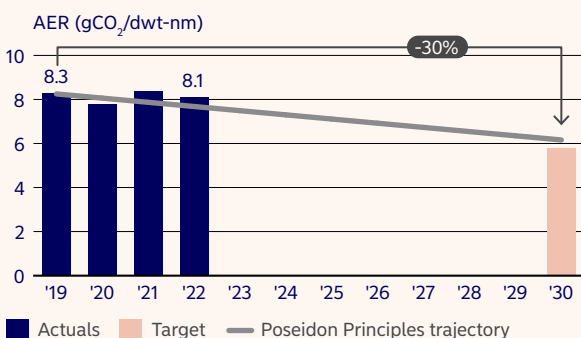
In addition to engaging with clients, we actively engage with the Poseidon Principles Secretariat, industry stakeholders and other banks in the quest to set net zero-aligned targets for shipping, in line with the Poseidon Principles Ambition Statement⁵. Since 2017, we have been a signatory to the Responsible Ship Recycling Standards. These are voluntary principles that aim to minimise the dangers associated with dismantling vessels (taking into account working conditions, among other things) and minimise adverse impacts on the environment.

Road ahead for net zero

In 2023 the International Maritime Organization (IMO) adopted revised targets and an enhanced common ambition to reach net-zero emissions from international shipping by 2050. We are committed to reviewing our target in the light of this development.

In the near term, emission reductions in the sector will mainly depend on the implementation of energy-efficient design and operational measures across vessel fleets. In the medium-to-long term there must be a progressive transition to alternative fuels, new technologies and new builds. The cost efficiency of these alternative fuels and their availability will ultimately dictate the timing and speed of their deployment. The transition of shipping will require access to capital. We remain fully committed to working with the industry and supporting our clients through close dialogue in the transition to a low-carbon future for shipping.

Shipping target⁴



1) The target was set based on the IMO 2018 GHG Strategy.
 2) [International Shipping](#), IEA NZE.
 3) [Review of Maritime Transport](#), United Nations Conference on Trade and Development (UNCTAD), 2023.
 4) AER: Annual Efficiency Ratio. The previous years' figures are available in the fourth quarter annually. Some segments were significantly impacted by the COVID-19 pandemic in 2020 and 2021. The emissions pathway is in line with the IMO 2018 GHG Strategy.
 5) [Poseidon Principles Ambition Statement](#), 2022.



3.3 Agriculture

Climate target for Agriculture

Sub-sector	Metric	Emissions scope	2021 baseline	2030 target	Benchmark scenario	Share of financed emissions 2023 (2021)	Share of loan portfolio 2023
Crops, plantation and hunting, and animal husbandry	Intensity tCO ₂ e/EURm	1, 2	738	-40–50%	National sector targets SBTi FLAG	19% (19%)	1%

Sector overview

Globally, agriculture accounts for approximately half of the 23% of net societal GHG emissions that come from the land sector, which also include land use, land use change and forestry¹. The sector is key to fulfilling the Paris Agreement both in terms of large emissions and the potential for carbon removals in soils and the agro-ecosystems. The emissions in agriculture are largely caused by biological processes, the sector is diverse in terms of production and conditions and mitigation is complex. In addition to its climate impact, agriculture is closely linked to biodiversity and is central for food security.

The sector is material for Nordea due to the relatively high contribution to total financed emissions (26% of business loans). Nordea’s most significant exposure is in Denmark (92% of the agriculture sector financed emissions).

Engagement and implementation actions

By 2030, we aim to have reduced financed emissions in our agricultural portfolio by 40–50% compared to 2021. This will be done in close cooperation with our customers. To ensure a transition in agriculture, farmers must either change how they produce or change what they produce. Some farmers will make investments in new technology to reduce emissions, others will reduce their animal production. We also expect to see changes in land use, for example peat soils taken out of use or planting of trees to reduce farmland. The freed-up land can also be used for the renewable energy transition. As a bank, we will support our customers in their transition and provide financing to the needed changes.

Nordea will collect climate data from our customers, map where we find the most significant challenges and do climate screening in connection with new financing and extension of existing financing of animal husbandry. Nordea has devel-

oped internal tools to assess the maturity of customers’ climate transition plans, and we equip our relationship managers with knowledge to enable them to have meaningful dialogues with customers on their transition plans.

Road ahead for net zero

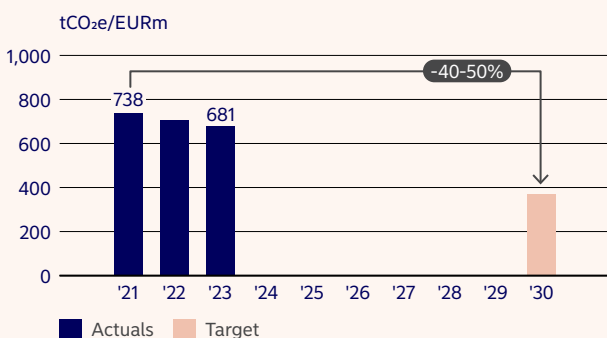
The sector is under policy pressure to reduce GHG emissions and increase carbon removals to contribute to national and EU climate targets.

In general, the return on investments is modest in agriculture. Return on climate investments is also modest, which might be a barrier to climate transition. The transition of the sector is dependent on market demand for organic and sustainably produced food, with policy implementation and subsidies as key levers.

Multiple EU policy frameworks aim to contribute to the sector transition, for example the Common Agriculture Policy, Fit for 55 and the EU 2030 biodiversity strategy. National sector targets in Denmark and Finland have been set in close dialogue between the government and sector representatives. Technology solutions to reduce manure-related emissions, focus on peat soil emission reductions, scaling of good management practices to reduce emissions and increase soil carbon sequestration are highlighted as important levers across the Nordics, as is governmental support to innovations. Improved and enhanced reporting will be key to track on-farm performance.

There is no single solution for the climate transition in agriculture, but a lot of different actions and technological solutions that will in combination achieve the transition. The transition will require actions and investments, and we want to be a trusted business partner to the agriculture sector on the road ahead to net zero.

Agriculture target



1) IPCC 2019



3.4 Motor vehicles

Climate target for Motor vehicles

Sub-sector	Metric	Emissions scope	2022 baseline	2030 target	Benchmark scenario	Share of financed emissions 2023 (2022)	Share of loan portfolio 2023
Cars and vans	Intensity gCO ₂ e/km	1	117	-40%	IEA NZE	1.5% (1.5%)	1%

Sector overview

Road transport plays an important role in today’s economy and it is critical for the net-zero transition. Cars and vans, are responsible for more than 25% of the global use of oil and around 10% of global energy-related CO₂ emissions. In the Nordics they are responsible for 10–20% of total CO₂ emissions. The Nordic car market and the wider transport ecosystem are transitioning to net-zero at the fastest rate in the world.

The sector is material for us due to a relatively high share of financed emissions and high transition risks associated with fossil fuel dependency of internal combustion engine vehicles and significant financing opportunities in the shift to zero-emission vehicles and electrification.

Engagement and implementation actions

By 2030, we aim to reduce the emission intensity of our cars and vans portfolio by at least 40% compared with 2022 levels. The target is based on the 1.5°C requirement in line with the Paris Agreement and more concretely on the IEA’s Net Zero Emissions by 2050 Scenario for cars and vans. The metric allows us to facilitate the real economy transition since it is focused on the actual use of the vehicle and is an industry-practice well known and understandable to our customers.

We are committed to supporting the transition in the Nordics. Going forward, we will take a more active role in our car lending and leasing activities and focus our work and development to support and enable our customers in the transition journey. In practice this means that business decisions, product development and financing opportunities will be based on emission data to ensure alignment with our climate target and that Nordea will follow up closely on the carbon footprint of its car financing portfolio. Going forward, ESG criteria will

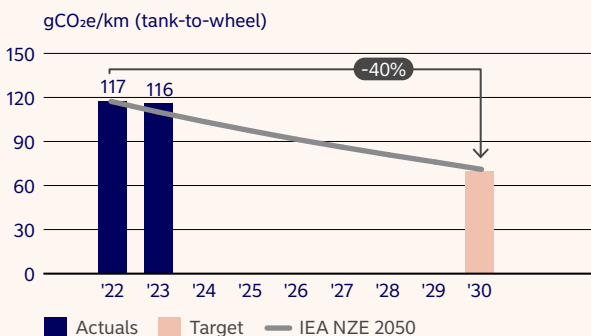
be embedded in our car financing strategy and will be used in our engagement with car dealers and customers. Moreover, we will initiate dialogues with local car dealer associations and car manufacturers with focus on low emission products to all relevant customers. We will also continue to build our ESG expertise through internal and external trainings.

Road ahead for net zero

Rapid and strong progress in the electrification of road transport has been one of the most promising developments in the transition. More work is still needed. According to the IEA’s Net Zero Emissions by 2050 Scenario, global transport emissions need to fall 25% by 2030, while transport demand continues to grow.

While technology progress and market uptake are promising, the transition as a whole is going to be more than just a supply side change in cars and vans. Full transition in road transport requires further policy support and barriers in for example infrastructure and all other segments need to be addressed. Targets and policies need to encourage a wider shift to zero-emission transport along with operational and technical energy-efficiency measures.

Motor Vehicles target





3.5 Power Production

Climate target for Power Production

Sub-sector	Metric	Emissions scope	2021 baseline ¹	2030 target	Benchmark scenario	Share of financed emissions 2023 (2021)	Share of loan portfolio 2023
Electricity generation	Intensity gCO ₂ e/kWh	1, 2	220	>70%	IEA NZE (and SBTi 1.5°C)	6% (10%)	1%

Sector overview

Globally, power production is responsible for around 38% of all greenhouse gas emissions, making it one of the most important sectors to decarbonise. Global electricity demand is set to increase significantly in the run-up to 2050, as electrification is key to enabling industry and sectors such as transport and heating to decarbonise and reach net zero.

The sector is material for us due to the high climate risk associated with fossil fuels (in particular thermal coal) for power production, and the significance of renewable power sources for the decarbonisation of other sectors. Moreover, business loans to clients in this sector account for a relatively high share of our financed emissions.

Engagement and implementation actions

By 2030, we aim to have reduced the emission intensity of our Power Production lending portfolio by more than 70% compared with 2021 levels. This alignment metric allows us to increasingly support investment in renewable power production while reducing the absolute emissions in our lending book. We formulated our target following the Science Based Targets initiative (SBTi) Sectoral Decarbonisation Approach (SDA).

We are committed to supporting the greening of Nordic power production, and clearly state in our sector guidelines what we do not finance. However, we consider it even more crucial to put capital behind real progress by helping to increase investment in low-carbon power.

Where fossil fuels are concerned, we do not initiate any new financing relationship with companies that derive more than 5% of their revenues from thermal coal or peat. Existing customers should have a full phase-out plan from coal by 2030 and from peat by 2025.

We work closely and engage with our clients to understand their decarbonisation plans and investment needs in the run-up to 2030 and beyond. To be able to follow up the transition of each client and thus support the real transition, we collect individual client-level data, including absolute emissions, production intensity and production mix.

The turbulence in the energy sector in recent years has made it even more crucial to adapt, act decisively and make changes that actually drive the transition in the long term. To this end, we follow up on policies and trends in the energy market generally, including the use of non-fossil sources of electricity such as biomass.

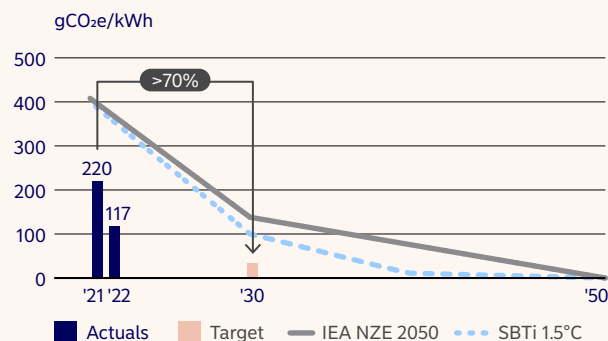
Road ahead for net zero

As the biggest Nordic bank, our responsibility and challenge are to speed and scale the transition within the power production sector while helping to preserve affordability, energy security and growth. Our Nordic clients have progressed far with their decarbonisation efforts and already drive a high degree of low-carbon production compared with global peers.

Existing power production capacity must be decarbonised by phasing out the use of fossil fuels. At the same time, overall electricity demand is projected to almost double between 2023 and 2040, driven by the decarbonisation actions of other sectors.

The energy crisis of 2022 and policy momentum have led to a surge in renewable energy growth. Wind power, particularly offshore, is taking off and will be a key contributor to renewable energy capacity across the Nordics. Combined wind and solar power production will likely be higher than hydropower production by 2038. From a technology perspective, renewable energy is commercially viable, with several well-proven technologies in use.

Power Production target¹



1) The SBTi trajectory is from the graph "SDA pathways for the power sector" (black line) in the SBTi Quick Start Guide for Electric Utilities (p. 11). The IEA trajectory is based on the IEA NZE 2050 Scenario from 2021, assuming a linear trajectory.



3.6 Oil & Gas

Climate target for Oil & Gas

Sub-sector	Metric	Emissions scope	2019 baseline	2030 target	Benchmark scenario	Share of financed emissions 2023 (2019)	Share of loan portfolio 2023
Exploration and production	Absolute tCO ₂ e	1, 2 and 3	2,986,773	-55%	IEA NZE	<0.1% (<1%)	<0.1%

Sector overview

Under the IEA Net Zero Emissions by 2050 (NZE 2050) Scenario, oil and gas will still play a role in the global economy of 2050, but there will be significantly lower levels of production. The IEA indicates that, by 2050, oil and gas production will need to have declined by 69% relative to 2019 levels.

The sector is material for us due to the high transition risk associated with fossil fuel extraction as the world increasingly takes climate action and the imperative for us to help society reduce fossil fuel-based emissions. Moreover, business loans to Oil & Gas clients, when including their scope 3 emissions, accounted for a relatively high share of our financed emissions in 2019 (our base year).

Engagement and implementation actions

By 2030, we aim to have reduced the combined scope 1, 2 and 3 financed emissions associated with our lending to Exploration and production (E&P) companies by 55% relative to 2019 levels, to a maximum of 1.34m tCO₂e.

The target covers scopes 1, 2, and 3, as the scope 3 category "use of sold products" is the most material emissions category for E&P companies. With our sector target, we are holding ourselves accountable for reducing the emissions associated with oil and gas financing.

We have already rebalanced our exposure to the E&P sub-sector by exiting relationships with Russian and UK clients. Our remaining portfolio includes a small number of clients who are best in class in terms of emission intensity (CO₂e/BOE) and have comprehensive low-carbon transition plans.

As a relationship bank, our strategy is to identify leaders within the sector who have transparent transition plans (including value chain emissions) and support them in their transition. If a transition plan is in place but is not yet Paris

Agreement-aligned, we engage in close dialogue with the client to encourage them to make it more comprehensive. We thus ensure alignment between the transition plans of our clients and our own ambition to reduce the financed emissions associated with our E&P financing.

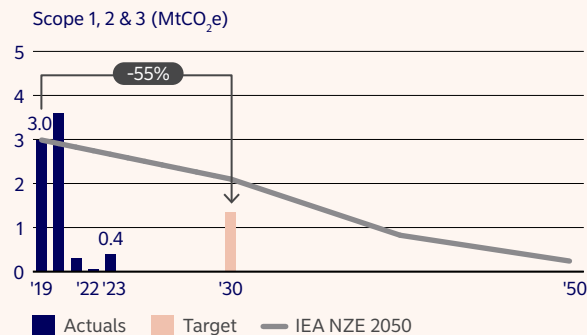
We do not provide financing to Oil & Gas clients who derive more than 5% of their revenue from unconventional extraction or extraction through arctic drilling. We will phase out financing to clients involved in arctic drilling by 2023 and unconventional extraction by 2026. Moreover, we do not provide project financing dedicated to expanding the exploration of new oil and gas fields.

Road ahead for net zero

Oil and gas companies have a key role to play in the transition to a net-zero emissions economy as they have competencies that are directly transferable to activities that support the energy transition. We also recognise the need to balance decarbonisation with energy security amid considerable geopolitical upheaval. We will therefore continue to work with Oil & Gas clients, including by financing investments in renewables, hydrogen, and carbon capture and storage.

While many companies have set climate targets, the actual level of ambition varies depending on the approach to the emissions associated with the fossil fuel products they sell, i.e. the scope 3 value chain. The fact that these emissions are out of their direct control is often used as an argument for not committing to any scope 3 emissions targets. Due to the high use-phase emissions from oil and gas, the absolute use of oil and gas needs to decline if net-zero emissions are to be reached by 2050.

Oil & Gas Exploration and production target



1) Scope 1 and 2 shares. If we also include scope 3 emissions, Oil & Gas sector emissions accounted for 12% of our total lending portfolio financed emissions (scopes 1 and 2) reported for 2019.



3.7 Offshore

Climate target for Offshore

Sub-sector	Metric	Emissions scope	2019 baseline	2025 target	Benchmark scenario	Share of financed emissions 2023 (2019)	Share of loan portfolio 2023
Drilling rigs and Offshore service vessels within Oil & Gas and Shipping	Lending EURm	–	1,885	-100%	–	<1% (13%)	<0.1%

Sector overview

Offshore refers to the Drilling rigs segment and the Offshore service vessels segment. These are part of the Oil & Gas (natural resources) and Shipping (maritime) segments in Nordea. Offshore does not refer to oil- and gas- producing companies, which are known as Exploration and production (E&P) or upstream companies.

The sector is material for us due to credit risk and the fact that business loans to Offshore clients accounted for a relatively high share of our financed emissions in 2019 (our base year).

Implementation actions

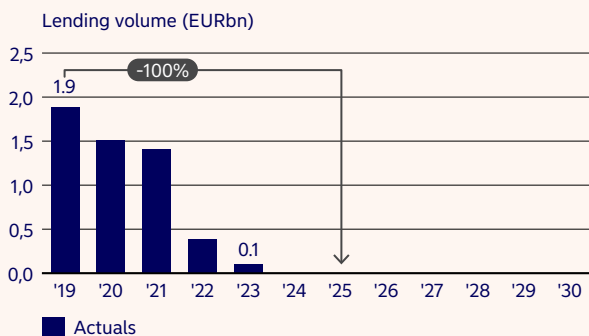
We announced a full exit from the offshore sector in February 2022. Offshore is a high-risk sector that has sustained substantial loan losses so we will be de-risking our portfolio through this exit. Offshore is also an emissions-heavy sector, so taking the strategic decision to phase it out of our lending book will contribute significantly to our target to reduce financed emissions by 40–50% by 2030. We have set a separate, lending-based target for our Oil & Gas Exploration and production portfolio that is aligned with the IEA NZE 2050 Scenario.

As our Offshore target concerns a phase-out by 2025, no net zero benchmark has been set for it. In 2019 we had EUR 1.9bn in lending to the sector, which was evenly split between Drilling rigs and Offshore service vessels. We have been progressing towards the target as planned, having exited 60% of our related lending as at the end of 2022. We expect to exit the rest well before 2025.

Road ahead to net zero

While we have already come more than halfway towards meeting our Offshore target, we are retaining the four-year timeframe, which we consider sufficiently ambitious while allowing for an orderly phase-out for our customers and us as a bank. We are committed to supporting and refinancing our existing customers as we carefully reduce our Offshore portfolio and the associated risk.

Offshore target





3.8 Mining

Climate targets for Mining

Sub-sector	Metric	Emissions scope	2022 baseline	Target	Benchmark scenario	Share of financed emissions 2023 (2022)	Share of loan portfolio 2023
Thermal peat mining	Lending EURm	–	52m	-100% by 2025	IEA NZE	<1%	<0.1%
Thermal coal mining	Lending EURm	–	–	Full phase-out achieved in 2021	IEA NZE	0%	0%

Sector overview

The mining sector is responsible for 4–7% of global emissions, a significant share of which come from the combustion of extracted fossil fuels, including coal¹. To transition this sector to net zero by 2050, fossil fuel extraction must be phased out and operational emissions driven down. The IEA NZE 2050 Scenario states that, following a transition in the energy sector, no new coal or peat mines or extensions thereof will be required as of 2021. It also states that there should be a phase-out of existing activities by 2030 for OECD countries and by 2040 for the rest of the world.

At the same time, the energy transition requires a large increase in the supply of metallic minerals (such as nickel, copper and lithium), which are used in various renewable energy technologies and electric vehicle batteries, among other things.

The sector is material for us due to the fast-growing opportunities in metallic minerals and the high climate risk and risk of stranded assets associated with the exploration of thermal coal and peat, which are very high emitting.

Implementation actions

For the minerals used in energy production (thermal coal and thermal peat), the IEA decarbonisation pathway and ongoing energy transition imply a full phase-out in the Nordics and the EU by 2030.

We set a phase-out target for thermal coal and peat in 2022, in line with the IEA decarbonisation pathway and Nordic regulation. We completed the phase-out of lending to Thermal coal mining customers in 2021 and aim to phase out lending to Thermal peat mining customers by the end of 2025. Customers are required to comply with the phase-out by 2025 at the latest.

Road ahead to net zero

Total demand for metals and minerals is projected to increase sixfold by 2040, driven by the rapid need to scale up clean technologies in all the EU's industrial ecosystems. The Nordics' capacity to supply critical minerals and metals is sizeable and their mineral-richness is comparable to the most mineral-rich areas of the world. Compared with the global average, Nordic companies within the mining sector have solid experience of operating in a sustainable way and managing risks well. As a bank, we will actively seek opportunities to support sustainable mining companies that enable the green transition.

1) Emission estimates are based on research by McKinsey's Basic Materials Institute, 2020.



4. Disclaimer

This document contains forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance. Although Nordea believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Results could differ materially from those set out in the forward-looking statements due to various factors. These include but are not limited to (i) macroeconomic

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