



# Fossil Fuel Policy

aligned with the  
Paris Climate Agreement

A policy for excluding fossil fuel companies that are not demonstrating a transition in line with the central climate objectives of the Paris Agreement.

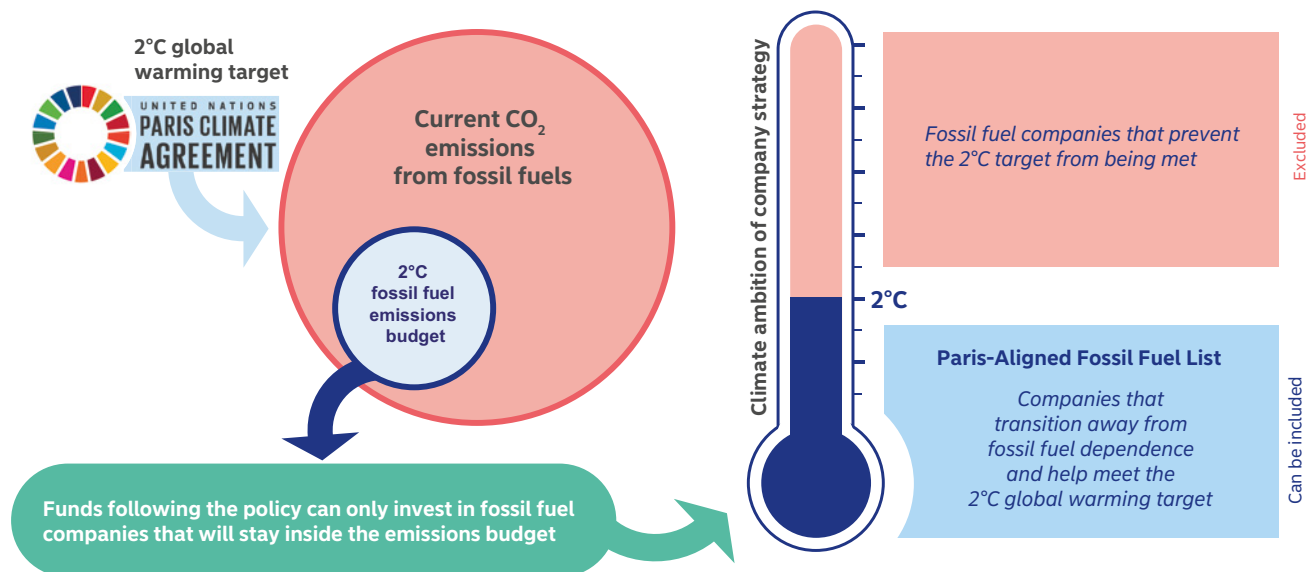
February 2023

## Introduction

Nordea Asset Management's Responsible Investment Policy state our commitment to align our portfolios with the Paris agreement, which means that, over time, our investment strategies should be consistent with limiting global warming to below 2°C. The most important measure we can take to limit global warming is to bring down emissions from fossil fuels. In order to meet the 2°C target, the emission budget for fossil fuels, or the total annual fossil emissions that the atmosphere can tolerate, will decrease every year, and the challenge is for companies to stay within that budget.

The complete elimination of fossil fuels in most countries is a decade or more away, and many of the key energy providers of tomorrow are currently in a phase-out period where they are reducing the use of fossil fuels, but many others do not have meaningful plans for transitioning to clean energy. With the NAM Paris-Aligned Fossil Fuel policy, we will maintain the possibility to stay invested in companies that help accelerate the transition to clean energy and phase out of fossil fuels, and will divest from companies that are slowing the transition down. Companies with a transition strategy that is aligned with the 2°C target are put on a whitelist called the Paris-Aligned Fossil Fuel List, or sometimes the Nordea Fossil Fuel Transition List. Companies not on that list will be excluded.

The policy requires all fossil fuel companies to demonstrate that they have a decarbonization strategy that is consistent with 2°C of global warming or less. These companies are put on the Paris-Aligned Fossil Fuel list. Companies that are not on the list will be excluded from funds adhering to the policy.



### What companies are in scope for the screening?

The policy only applies to fossil fuel companies. These are defined as companies that derive more than 5% of total revenues from the exploration, production or distribution of fossil fuels, as well as companies that derive more than 50% of revenues from services that are essential and specific to fossil fuel extraction.

In addition, the policy excludes all companies that are involved in so-called unconventional fossil fuel extraction methods. These methods include Arctic drilling, oil sands extraction, and hydraulic fracturing (shale oil/gas).

The policy only applies to corporates.

### How is the Paris-Aligned Fossil Fuel list constructed?

The Responsible Investments (RI) team within Nordea Asset Management compiles and maintains the list, based on the best available data and assessments of alignment to the Paris agreement in fossil fuel sectors. The main data source for this is the Transition Pathway Initiative (TPI), whose assessments are publicly available on their [website](#).

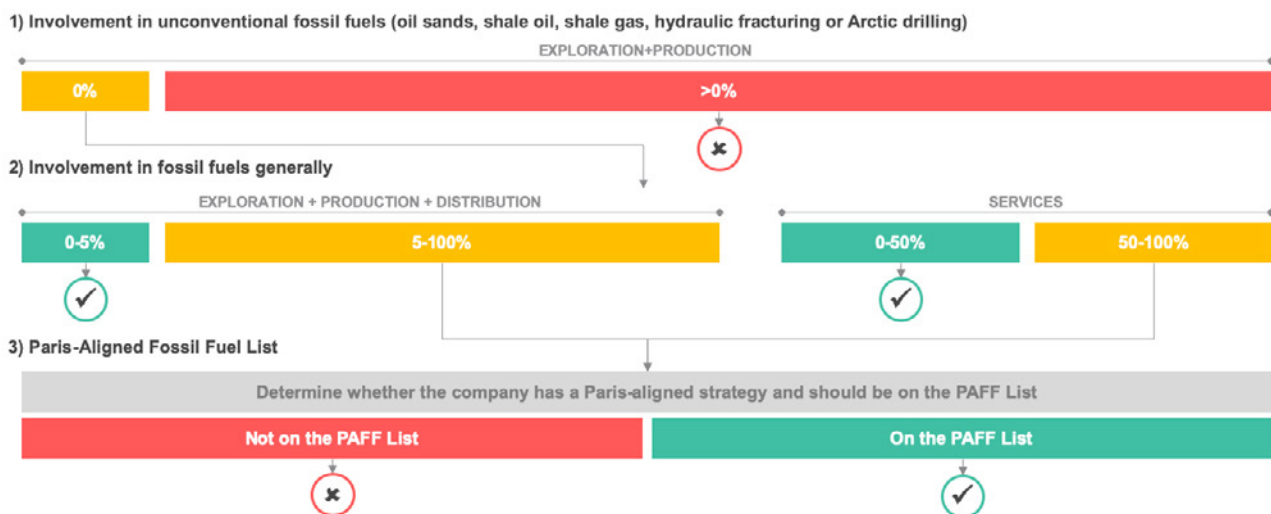
TPI assesses large listed companies in high-emitting sectors on two dimensions:

1. Carbon Performance: The alignment of a company's emissions intensity with a 2°C global warming scenario; and
2. Greenhouse Gas Management Quality: The quality of a company's climate governance (on a scale from 0 to 4)

The emission intensity alignment is based on sector-specific emissions intensity benchmarks, according to the so-called Sectoral Decarbonization Approach (SDA). SDA benchmarks indicate, for the given sector, what emissions intensity is aligned with 2°C.

These benchmarks exist for electricity utilities and primary energy (oil & gas), but not for all other sectors in which fossil fuel companies (as defined for the purposes of the policy) are found. For example, no emission intensity benchmark exists for gas utilities.

Generally, for companies that are covered by the Transition Pathway Initiative (and therefore have an SDA benchmark), they will be put on the list if they have emissions targets that are aligned with 2°C or less, and a climate governance rated at 3 or higher.



## The main data source is Transition Pathway Initiative

TPI assesses companies' forward-looking targets and strategies for alignment with a 2°C global warming scenario



- Publicly available research
- Widely recognized as gold standard



For illustrative purpose only. May not be reflective of the most recent assessments for the companies listed.

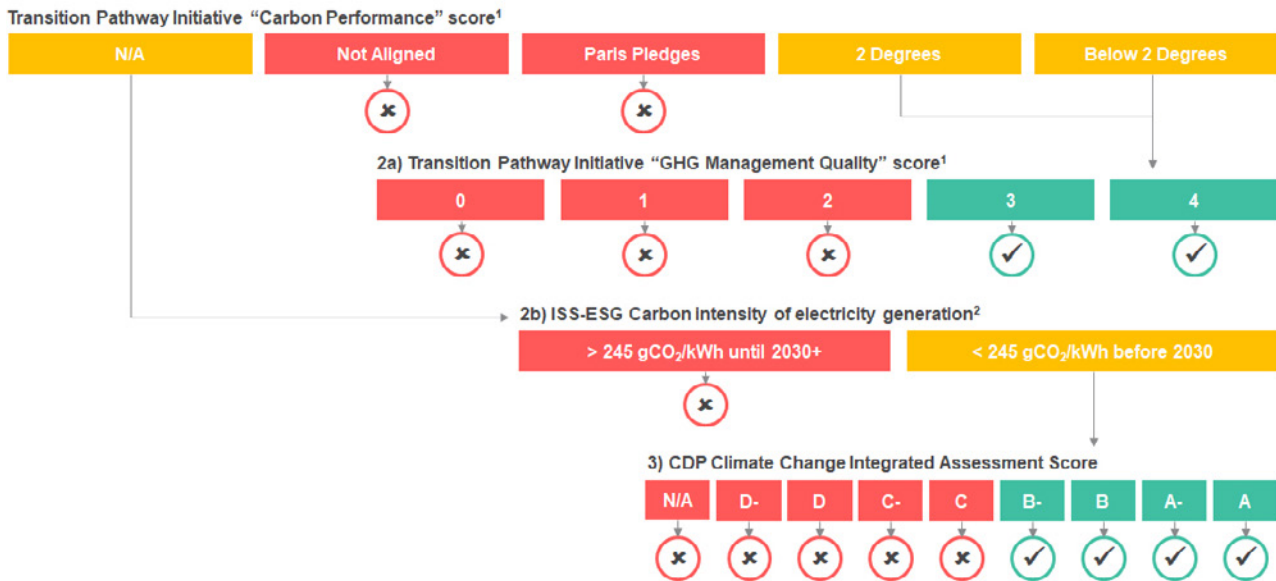
For companies that are not covered by the Transition Pathway Initiative, but for which SDA benchmarks exist, the Responsible Investments team will use alternative data sources to assess the company's alignment with the same benchmarks as TPI uses. Notably, the electricity utility sector contains many such companies. For this sector, emissions intensity data from ISS ESG, and a climate governance quality assessment from CDP is used.

For companies that are not covered by TPI and for which no SDA benchmark exists, the Nordea Responsible Investments team will assess the companies based on internal research and climate data from other providers, which will serve as a proxy for SDA based alignment assessments until relevant SDA based assessments are possible. These assessments are generally more qualitative in nature, but are necessary to identify the issuers that would be counter-productive for the objectives of the Paris Agreement to exclude. The main parameters for these assessments are:

1. The company should have a business model that promotes the fulfilment of the Paris Agreement's climate objectives (where the business model is defined as a combination of products and services)
2. The company should have sound climate risk management
3. The company should have ambitious emission reduction targets

Additionally, where a quantitative screening is performed, the RI team may choose to override this screening if the assessment from TPI or other providers is found to not be appropriate. Generally, these overrides should only be made if:

## Example PAFF List criteria for the electricity utility sector



- The RI team finds that the service provider's assessment of the issuer's performance against the specific criterion that they fail is based on inaccurate, incomplete or outdated information;
- The RI team has access to more accurate, complete or recent information related to this specific criterion; and
- The RI team assesses with high conviction that, if this information were reflected, the issuer would successfully meet all the relevant criteria within the next 12 months.

As an example of such an override, TPI's assessment of Eversource Energy indicated non-alignment with 2°C, as it had not been updated to reflect Eversource's recent and complete divestment of fossil-based power generation assets. The RI team therefore added Eversource to the list despite the negative TPI assessment.

For issuers that are fully or mainly state-owned, the RI team may choose to evaluate the issuer's performance against the Paris Agreement based on the alignment of the sovereign's climate strategy with the 2°C target.

### Which companies are on the Paris-Aligned Fossil Fuel list?

The list will continuously grow over time, as more companies devise Paris-aligned transition strategies, and also as more and more companies are assessed by the RI team.

<sup>1</sup> If new data and information that is not yet reflected in TPI's assessment is available, the RI team may override TPI's assessment on the basis of this data

<sup>2</sup> This corresponds to the emissions intensity TPI requires utilities to reach by 2030, based on the Sectoral Decarbonization Approach for 2 degree alignment

**As of March 2022, the PAFF List contained the following issuers:**

- A2A SpA
- ABL Group ASA
- AES Andes SA
- AES Andres BV
- AES Andres BV / Dominican Power Partners / Empresa Generadora de Electricidad It
- AES Argentina Generacion SA
- AES Corp/The
- AES El Salvador Trust II
- AGL Energy Ltd
- Aker Solutions ASA
- Alabama Power Co
- Alimentation Couche-Tard Inc
- Alliant Energy Corp
- Ameren Corp
- American Electric Power Co Inc
- Appalachian Power Co
- Arizona Public Service Co
- Arthur J Gallagher & Co
- Astra International Tbk PT
- Avangrid Inc
- Baltimore Gas and Electric Co
- Beijing Enterprises Holdings Ltd
- Beijing Jingneng Clean Energy Co Ltd
- Belgelec Finance SA
- Boston Gas Co
- Brooklyn Union Gas Co/The
- Burckhardt Compression Holding AG
- Canadian Tire Corp Ltd
- Centrica PLC
- CEZ AS
- China Gas Holdings Ltd
- China Longyuan Power Group Corp Ltd
- China Resources Gas Group Ltd
- China Suntien Green Energy Corp Ltd
- Chubu Electric Power Co Inc
- Clean Energy Fuels Corp
- Clearway Energy Inc
- Clearway Energy Operating LLC
- CMS Energy Corp
- Colbun SA
- Consolidated Edison Co of New York Inc
- Consolidated Edison Inc
- Constellation Energy Corp
- Constellation Energy Generation LLC
- Consumers Energy Co
- Contact Energy Ltd
- Cosan Ltd
- Cosan Luxembourg SA
- Cosan Overseas Ltd
- Cosan SA
- Costco Wholesale Corp
- Crius Energy Trust
- Delmarva Power & Light Co
- Dominion Energy Inc
- Drax Finco PLC
- Drax Group PLC
- DT Midstream Inc
- DTE Electric Co
- DTE Energy Co
- Duke Energy Carolinas LLC
- Duke Energy Corp
- Duke Energy Florida LLC
- Duke Energy Florida Project Finance LLC
- Duke Energy Ohio Inc
- Dynegy Finance I Inc
- Dynegy Finance I Inc / Dynegy Finance II Inc
- Dynegy Inc
- E.ON International Finance BV
- E.ON SE
- East Ohio Gas Co/The
- EDP - Energias de Portugal SA
- EDP - Energias do Brasil SA
- EDP Finance BV
- Electrabel SA
- Electricite de France SA
- Elering AS
- Emera Inc
- Empresa Electrica Angamos SA
- Empresa Electrica Guacolda SA
- EnBW Energie Baden-Wuerttemberg AG
- EnBW International Finance BV
- Endesa SA
- Enel Americas SA
- Enel Chile SA
- Enel Finance International NV
- Enel Generacion Chile SA
- Enel Generacion Peru SAA
- Enel Investment Holding BV
- ENEL RUSSIA PJSC
- Enel SpA
- Energia Group Ltd
- Energia Group NI FinanceCo PLC/Energia Group ROI Holdings DAC
- Energia Group NI Holdings Ltd
- Engie Alliance GIE
- Engie Brasil Energia SA
- Engie Energia Chile SA
- Engie SA
- ENN Energy Holdings Ltd
- Entergy Arkansas LLC
- Entergy Corp
- Entergy Gulf States Louisiana LLC
- Entergy Louisiana LLC
- ERG SpA
- Essential Utilities Inc
- Energy Inc
- Evergy Kansas Central Inc
- Eversource Energy
- Exelon Corp
- First Gen Corp
- First Philippine Holdings Corp
- FirstEnergy Corp
- Florida Power & Light Co
- Fomento Economico Mexicano SAB de CV
- Fortis Inc/Canada
- Fortum Oyj
- Friedrich Vorwerk Group SE
- Galp Energia SGPS SA
- Georgia Power Co
- Grupo Energia Bogota SA ESP
- Grupo Mexico SAB de CV
- Guacolda Energia SA
- Gulf Power Co
- Haci Omer Sabanci Holding AS
- Hawaiian Electric Industries Inc

- Hera SpA
- Iberdrola Finance Ireland DAC
- Iberdrola Finanzas SA
- Iberdrola International BV
- Iberdrola SA
- IE2 Holdco SAU
- Indiana Michigan Power Co
- Infraestructura Energetica Nova SAPI de CV
- innogy Finance BV
- Innogy SE
- Innogy SE/DE
- Interstate Power and Light Co
- IPALCO Enterprises Inc
- Iren SpA
- Jiangsu Expressway Co Ltd
- JSW Energy Ltd
- Kansai Electric Power Co Inc/The
- KeySpan Gas East Corp
- Koninklijke Vopak NV
- Kroger Co/The
- Kunlun Energy Co Ltd
- Linea Group Holding SpA
- Magnora ASA
- MidAmerican Energy Co
- MidAmerican Funding LLC
- Mississippi Power Co
- Monongahela Power Co
- National Grid Gas PLC
- National Grid North America Inc
- National Grid PLC
- Naturgy Capital Markets SA
- Naturgy Energy Group SA
- Naturgy Finance BV
- Neoenergia SA
- Neste Oyj
- New Jersey Resources Corp
- New York State Electric & Gas Corp
- NextEra Energy Capital Holdings Inc
- NextEra Energy Inc
- NextEra Energy Operating Partners LP
- NextEra Energy Partners LP
- NGG Finance PLC
- Nippon Sanso Holdings Corp
- NiSource Finance Corp
- NiSource Inc
- Northland Power Inc
- NRG Energy Inc
- Orsted AS
- Pacific Gas and Electric Co
- PECO Energy Co
- PG&E Corp
- Pinnacle West Capital Corp
- Portland General Electric Co
- PSEG Power LLC
- Public Service Co of Colorado
- Public Service Electric and Gas Co
- Public Service Enterprise Group Inc
- REN - Redes Energeticas Nacionais SGPS SA
- Ren Finance BV
- Rochester Gas and Electric Corp
- Rotork PLC
- RWE AG
- San Diego Gas & Electric Co
- SCANA Corp
- Scottish Power Ltd
- Scottish Power UK PLC
- Sempra Energy
- Seven & i Holdings Co Ltd
- Sichuan Expressway Co Ltd
- Southern California Gas Co
- Southern Co Gas
- Southern Co Gas Capital Corp
- Southern Co/The
- Southern Power Co
- Southwestern Electric Power Co
- Southwestern Public Service Co
- SSE PLC
- Subsea 7 SA
- Tampa Electric Co
- TechnipFMC PLC
- TECO Energy Inc
- TECO Finance Inc
- Totalenergies Electricite Et Gaz France SA
- TotalEnergies Marketing Maroc SA
- TransAlta Corp
- Union Electric Co
- Uniper SE
- Vattenfall AB
- Veolia Environnement SA
- Viesgo Infraestructuras Energeticas SL
- Virginia Electric and Power Co
- Viridian Group FundCo II Ltd
- Vistra Corp
- Vistra Operations Co LLC
- WEC Energy Group Inc
- Wisconsin Electric Power Co
- Wisconsin Power and Light Co
- Wisconsin Public Service Corp
- Xcel Energy Inc

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