

SPECIAL REPORT

NORDIC CLIMATE TRANSPARENCY LEADERSHIP

*Survey of CSRD-readiness and stock
performance among Nordic OMX 120 companies*

JUNE 2024



Executive Summary

This report, **Nordic Climate Transparency Leadership**, by the *Open Sustainability Index* and *We Don't Have Time*, analyzes the CSRD-readiness and stock performance of *Nasdaq OMX Nordic 120* companies. Here are our key findings:

CSRD Readiness: One-third of the companies are well-prepared for CSRD requirements, with complete and transparent Scope 1-3 GHG emission reporting.

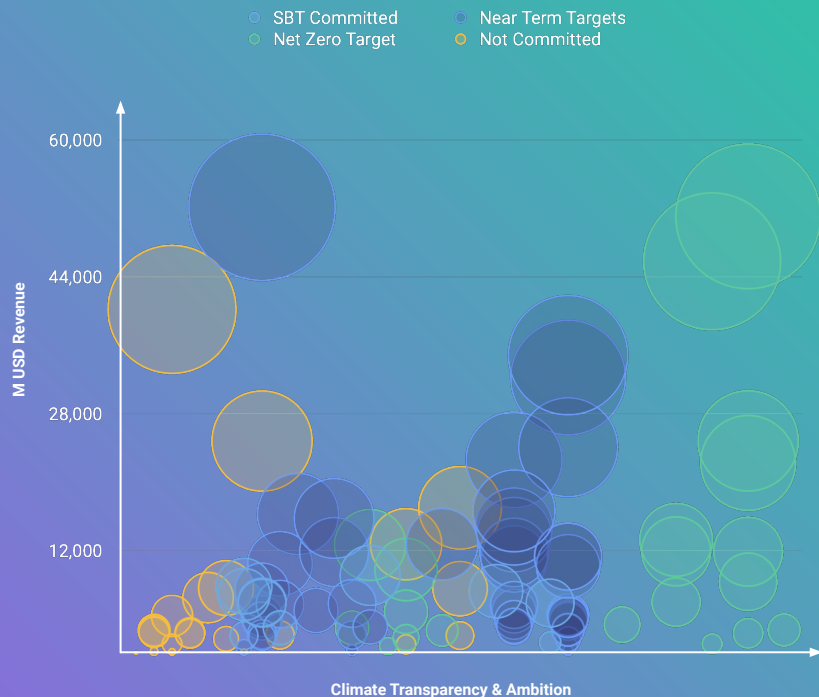
Emission Reporting: 48.5% of companies report on all three scopes, but 16% need to improve their Scope 3 category disclosure.

Climate Targets: 68% have set science-based targets; however, only 47% aim for Net Zero by 2050, and 17% have a specific Net Zero target year.

Financial Performance: Companies with thorough emission reporting currently outperform in the stock market, yielding a 28% higher return over 12 months.

Sector Insights: The financial sector lags, with only 24% reporting investment emissions and 12% setting science-based targets.

How to become a leader: Improve transparency by avoiding category merging, clearly stating materiality, using standard names, and consolidating data into a single table.





What is CSRD – and Why Does It Matter?

The Corporate Sustainability Reporting Directive (CSRD) is an EU regulation aimed at standardizing sustainability reporting for large companies and listed SMEs. It ensures comprehensive and comparable information on environmental, social, and governance (ESG) performance.

The CSRD is crucial for promoting transparency, enabling informed investment decisions, and supporting the transition to a sustainable economy by holding companies accountable for their ESG impacts.

The role of Emissions Reporting in CSRD

Within the CSRD, the European Sustainability Reporting Standards (ESRS) guide companies on what to disclose in their sustainability reports. These standards align with global frameworks like the GHG Protocol, categorizing emissions into Scope 1 (direct emissions), Scope 2 (indirect emissions from purchased energy), and Scope 3 (all other indirect emissions).

This alignment ensures a comprehensive view of a company's environmental impact. Identifying and reporting all material emissions in Scope 3 according to the GHG Protocol is crucial for capturing the full scope of a company's emissions and demonstrating a commitment to sustainability.

Scope of Survey

This survey assessed the reporting of Scope 1-3 emissions among the Nasdaq OMX Nordic 120 companies. The focus areas of the assessment were:

1. **Completeness and Transparency:** We examined the transparency of the emission reporting and evaluated the completeness, specifically looking at whether all relevant Scope 3 categories were reported.
2. **Science-Based Targets:** We investigated whether the companies have established science-based targets or if they are committed to the Science-Based Targets Initiative.
3. **Patterns and Trends:** We analyzed the data to identify any patterns or trends among the companies, with particular attention to specific industries and reporting practices.
4. **Correlation to Stock Market Performance:** We explored potential correlations between emission reporting practices and stock market performance.

This investigation aimed to provide insights into the current state of emission reporting, correlation to stock performance, CSRD readiness and the commitment to sustainability among these leading companies.

NASDAQ OMX Nordic 120

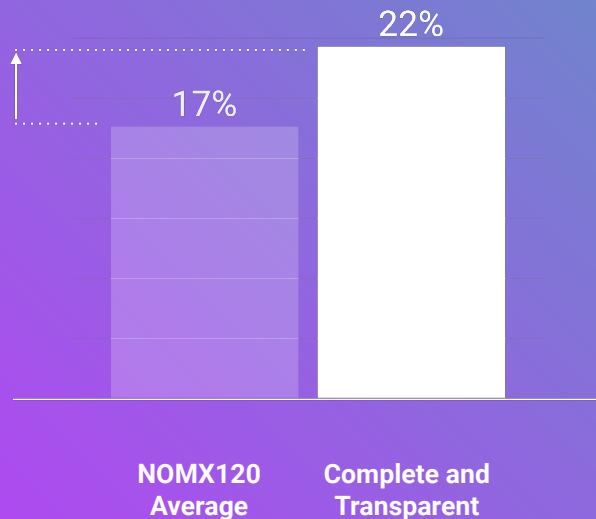
A.P. Møller - Mærsk B
AAK
ABB Ltd
Addtech B
Alfa Laval
Ambu
ASSA ABLOY B
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Atlas Copco B
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Avanza Bank Holding
Axfood
Bavarian Nordic
Beijer Ref B
Billerud
Boliden
Cargotec Oyj
Carlsberg B
Castellum
Coloplast B
Danske Bank
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Electrolux B
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Epiroc B
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Hennes & Mauritz B
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Holmen B
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Husqvarna B
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KONE Oyj
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Latour B
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Mandatum
Metso Oyj
Millicom Int. Cellular
SDB
Neste Oyj
NIBE Industrier B
NKT

Nokia Oyj
Nordea Bank Abp
Novo Nordisk B
Novonesis
(Novozymes) B
Orion Oyj B
Pandora
Rockwool B
Royal UNIBREW
SAAB B
Sagax B
Sampo Oyj A
Sandvik
SCA B
SEB A
Securitas B
Skanska B
SKF B
SSAB B
Stora Enso Oyj R
Sv. Handelsbanken A
Swedbank A
Swedish Orphan
Biovitrum
Sydbank
Tele2 B
Telia Company
Thule Group
TietoEVRY Oyj
Trelleborg B
Tryg
UPM-Kymmene Oyj
Valmet Oyj
Vestas Wind Systems
Volvo B
Wärtsilä Oyj Abp
Zealand Pharma
Ørsted

Total Investor Return

**28%
Better**



Positive Correlation Between Emission Reporting and Financial Performance

Over the past 12 months, an investment in the 32 companies excelling in their ESRS E1 work—characterized by complete and transparent emission reporting—has yielded a 28% higher return compared to an investment across all companies in the Nasdaq OMX Nordic 120.

Potential Factors and Further Analysis

This positive correlation may be attributed to factors such as stronger corporate governance and the implementation of ESG strategies. However, further investigation and analysis are required to draw definitive conclusions.

A meta-analysis by the NYU Stern Center for Sustainable Business and Rockefeller Asset Management, which reviewed over 1,000 studies from 2015-2020, found that ESG practices generally enhance financial performance, especially over longer time horizons.

The study indicates that ESG integration outperforms negative screening methods and provides downside protection during economic crises. Moreover, sustainability initiatives drive better financial performance through improved risk management and innovation.

However, the report highlights that mere ESG disclosure without a strategic approach does not enhance financial performance.

Leaders and laggards

Leaders

An analysis of stock market performance for companies on the Nasdaq OMX Nordic 120 over the past twelve months reveals a clear trend: companies with complete and transparent carbon emission reporting are significantly over-represented among the top 10 performers.

Laggards

This finding is in stark contrast to the broader list of 99 companies and the lower-performing segment, where comprehensive emissions reporting is much less common. This emphasizes the positive correlation between thorough emissions reporting and superior market performance.

Consistency

Moreover, this trend is consistent when examining stock performance over longer periods, such as 1 year, 3 years and 5 years, further reinforcing the positive correlation between comprehensive emissions reporting and financial performance.

TOP 10

40% Complete and Transparent

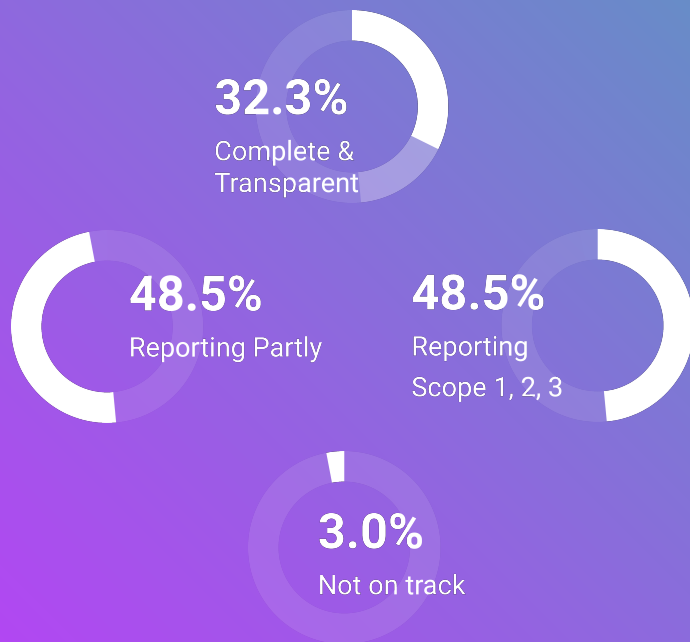
**NOMX120
AVERAGE**

32% Complete and Transparent

LOW 10

10% Complete and Transparent

Status | GHG Emission Reporting



CSRD Emissions Reporting Readiness

The following was observed regarding reporting practices:

Complete & Transparent

One third of the companies (32%) provide complete and transparent scope 1-3 reporting, which includes detailed disclosures of all relevant scope 3 categories. This level of detail is crucial for understanding the full impact of a company's operations on the environment. It's promising that many companies are already providing this level of completeness and transparency.

Reporting Scope 1, 2, 3

Roughly half of the companies (48.5%) provide complete reporting on their scope 1-3 emissions, whether or not they state all emissions per scope 3 category.

Reporting Partly

Approximately half of the companies disclose some aspects of their emissions but are not yet offering complete transparency across all scopes (Scope 1, Scope 2, and Scope 3). This means there's more work to be done here before being complete and transparent with the reporting.

Not on track

3% of companies were found not to report on scope 3, which is quite surprising in 2024. (Some of them are major corporations)

Setting and Tracking Climate Targets

To align with the Paris Agreement's objective of limiting global warming to 1.5°C, EU has set target of being a climate neutral continent by 2050. Therefore it's crucial that all companies within the union sets targets and adhere to the emissions reduction. To ensure a structured and transparent approach, CSRD encourages the adoption of science-based target, validated through Science Based Targets Initiative (SBTi).

Near-Term target

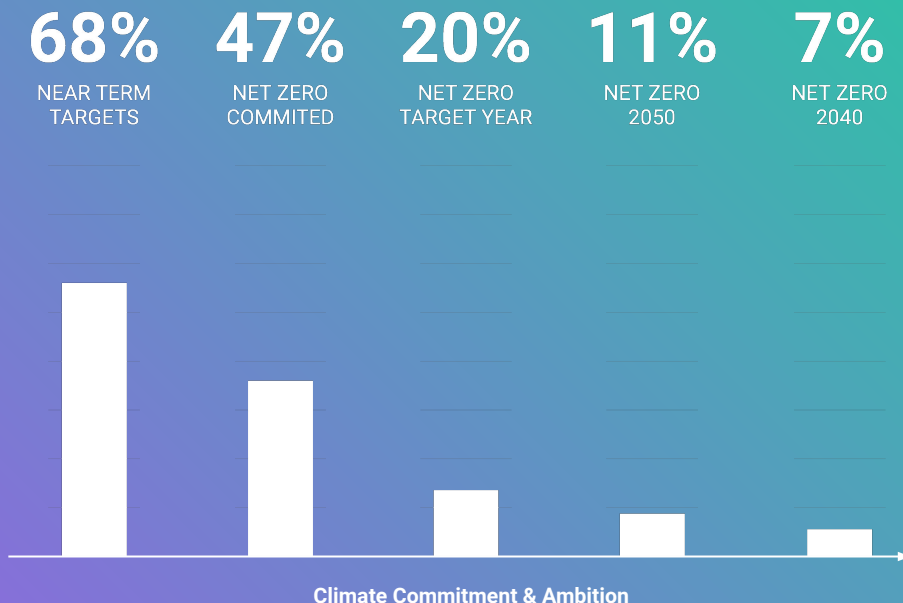
We found that 68% of the companies on OMX 120 has validated science-based Near-Term targets, which is a great baseline for target setting. This is also in line with the Fit for 55 – which implicates reducing emissions with 55% to 2030 compared to 1990's level.

Net-Zero target

47% of the companies are committed to science-based Net-Zero Target committing to decarbonize throughout their value chain and are preparing their targets (which they must do within 24 months from the commitment). At the moment, only 20% have had their Net-Zero targets validated. Out of those companies with Net-Zero validated targets, only one third has a more ambitious target, adhering to Net-Zero emission reduction by 2040.

Our conclusion is that companies are making significant progress in setting and tracking time-bound sustainability targets.

Status | Science-based targets



Status | GHG Emission Reporting

24%

Reporting on investments

12%

Science-based targets



INDUSTRY FOCUS

Financial Services

The main difference in value chain emissions calculation for financial institutions compared to other industries lies in the nature of their emissions. Financial institutions primarily focus on "financed emissions," which are the greenhouse gas (GHG) emissions generated by the activities they finance through loans and investments.

These emissions are categorized under Scope 3, Category 15 (Investments) according to the GHG Protocol. While most industries calculate emissions based on their operational activities and supply chain, financial companies calculate emissions based on the activities of the entities they finance.

Lagging Financial Emission Reporting

Based on our analysis, only 24% of financial companies in the OMX Nordic index had calculated their emissions from investments, and a mere 12% had set targets with the Science-Based Targets Initiative (SBTi). This indicates a significant lag in comprehensive value chain reporting and target setting within the financial sector.

From a double materiality perspective, providing clear and accurate information is essential for investors, lenders, and creditors to effectively assess company performance.

Challenges & Recommended Actions*

Avoid merging categories; report each one individually

Several companies merge categories or use a general "other" category, reducing transparency. It is recommended that each category be reported separately, avoiding any combinations.

Don't omit the materiality statement; ensure it is stated

Some companies do not clearly indicate if all material categories have been reported, leading to uncertainty about the completeness of the reporting. It is recommended to explicitly state whether all material categories are included, along with explanations for any inclusions or exclusions.

Don't create new names; use established category names

Many companies do not accurately name categories according to the taxonomy in the GHG Protocol / ESRS, often making it difficult to determine the emission from the specific category. Additionally, readers may need to manually add up reported emissions to calculate totals. It is recommended to name categories according to the correct taxonomy to enhance clarity and accuracy.

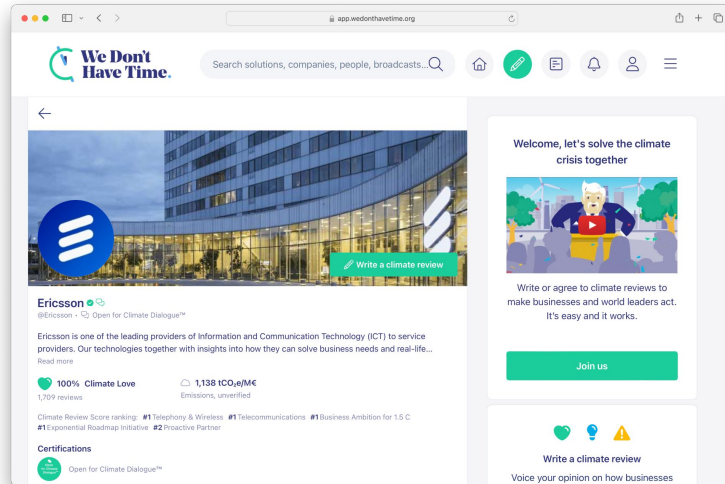
Avoid fragmented reporting; provide a comprehensive overview

A common issue is the reporting of carbon emissions in various formats and across multiple pages, skipping years and not providing a single table with a complete overview of the numbers. It is recommended to consolidate all emissions data in one location, supplemented by illustrations in different formats (e.g., diagrams).

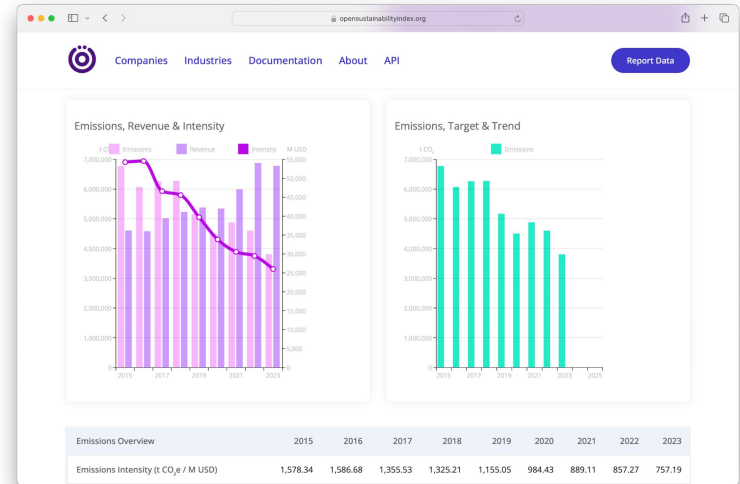
**These recommendations are based on the study's findings of best practices for complete and transparent emissions reporting to increase comparability between companies and over time*

Checklist for successful reporting

- ☐ Report each category individually
- ☐ Clearly state full materiality
- ☐ Accurately name scope 3 categories
- ☐ Provide a concise and comprehensive overview of all emissions in a single table



We Don't Have Time is the world's largest media platform for climate solutions. Recognized by Deloitte as one of Sweden's Fast 50 technology companies and by the Financial Times as one of Europe's 1,000 fastest growing companies, We Don't Have Time leads the global conversation on climate through its network of 100,000 climate professionals and 400 partner organisations from the UN, business, and civil society. The headquarters are located in Stockholm, with local branches in Washington, D.C., USA, and Nairobi, Kenya.



The purpose of the Open Sustainability Index is to make sustainability data available for all the world's companies to facilitate informed purchasing and investment decisions and enable comparisons of suppliers based on sustainability aspects. The platform is built on open data and the information is available on the web and through an open API. The project is run by Our Commons Foundation, a non-profit organization whose purpose is to accelerate the transition to a sustainable and circular economy.



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