

Report 2024

ACCORDING TO

Task Force on
Climate-related
Financial
Disclosures



FORMYUE

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Whats new in the 2024 Report?

Some elements of this report are unchanged versus 2023, but we would advise the reader to focus on the following updates:

- Governance changes, in particular Sustainability Committee structure p.6
- Axa Climate ‘Altitude’ summary risk assessment of Formue’s operational risk p.11
- Climate scenario ‘Value at Risk’ for Liquid assets p.10
- SBTi coverage progress by asset class vs 2022 baseline p.16
- Operational GHG Emissions changes vs 2022 baseline p.17
- PCAF-aligned data score of Scope 3 Financed Emissions p.18

Formue’s Sustainability journey



CEO Statement



CHRISTIAN DAHL
CEO

2024 was a year of meaningful transition at Formue. I stepped into the role of CEO in August, followed shortly by the arrival of our new CFO, and by year-end we had also appointed a new CIO. This renewal of our leadership team took place against a backdrop of global uncertainty – from political shifts in the US to growing discontent around energy policy in the EU – all of which contributed to a noticeable slowdown in sustainability momentum, including around CSRD reporting obligations.

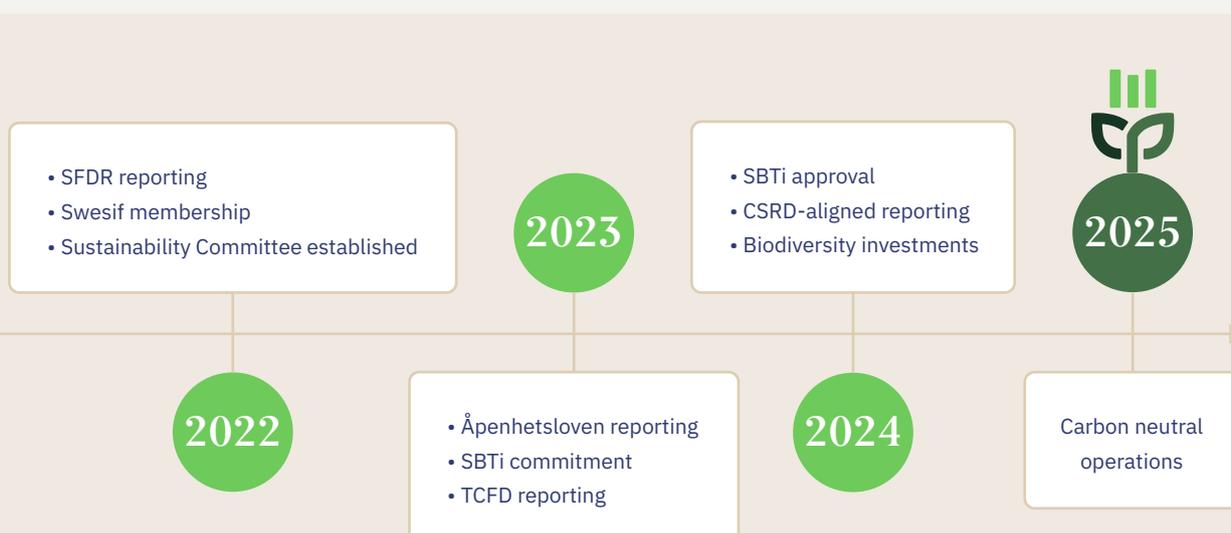
In light of these headwinds, I'm proud to share that Formue continued to make tangible progress toward our climate goals. Despite a 13% increase in assets under management, our gross operational emissions fell by 24% year-over-year, driven primarily by reductions in business travel and IT hardware. We also

advanced our financed emissions work: SBTi coverage of our listed equity and fixed income portfolios – the key KPI for our 2027 target – rose to 38%, well ahead of plan.

As a wealth manager, Formue faces a unique balancing act. Our fiduciary duty is to deliver the best possible risk-adjusted returns to our clients. At the same time, we see growing demand for low-cost investment products, and we cannot – and should not – impose asset allocations based on moral arguments or risks we cannot yet quantify with confidence.

We don't yet have all the tools to fully measure how climate change is distorting long-term financial risk. But the data is improving – and I hope this report makes that clear. Our PCAF scores have strengthened, including for traditionally opaque asset classes like private equity and real estate, and we've expanded our scenario analysis for liquid assets.

Although the TCFD framework is now formally disbanded, and the CSRD 'Omnibus' proposals suggest this format may not be part of future mandatory reporting, we believe the risks posed by climate change are too significant to ignore. Formue remains focused on transparency and reporting as effectively as possible to contributing meaningfully to the global transition.



Executive Summary

Formue has always had a long-term outlook and a holistic view of how best to help our clients manage their wealth. This took a more climate-focused turn when Formue became an active member of Skift – the Norwegian business organisation to accelerate transition to a low-carbon economy – in 2019.

Due to our size and growth, however, it was not until 2023 that we were able to report on how we include climate risks into our structure and strategy. This is our third such report, based on TCFD guidelines, and will update the reader on how we include climate-related risks into our business according to the four key areas of:

Governance – the oversight of climate-related issues at Formue

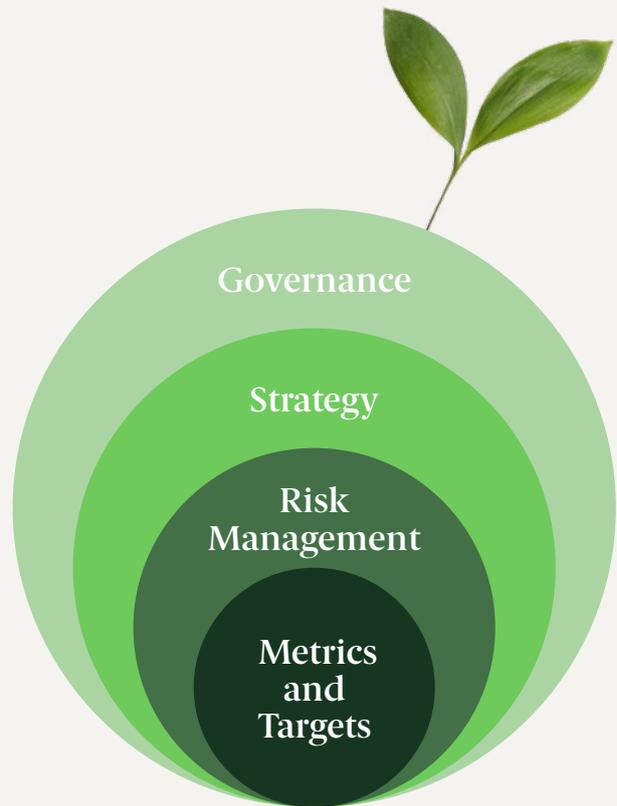
Strategy – how we plan for climate-related risks and opportunities

Risk Management – the ways in which we handle risks in Investments and Operations

Metrics and Targets – key figures we use to measure risks and Formue’s own progress

As always, it is important to differentiate in this report between climate risks pertaining to our [operations](#) and our [investments](#). When considering our planning for Net Zero and our assessment of transition or physical risks, these are two distinct areas. Within operations, we can have the fastest impact, as has been seen with the speed in which some categories of emissions have fallen over the past year.

But our operational emissions for 2024 (422 tonnes CO₂e) pale into insignificance compared to the impact from our clients’ discretionary investments at end-2024 (c.2,6m tonnes CO₂e excluding Hedge funds) and the potential value at risk here from climate change.

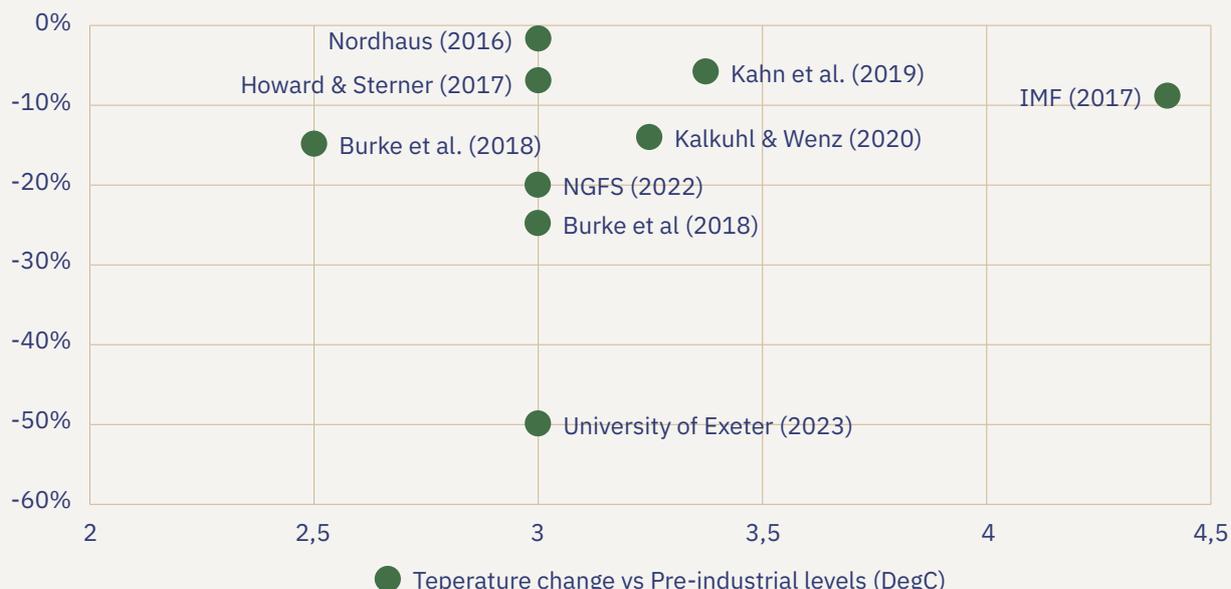


2024 was another year of new climate records and massive insurance losses due to climate disasters around the world. All the while global emissions continue to increase but the bulk of fund managers reporting climate risks adhere to the relatively benign scenarios from Network for Greening the Financial System (NGFS) which we report on later.

Last year we highlighted “The Emperor’s New Climate Scenarios” (July 2023, Exeter University and the Institute and faculty of Actuaries) – a report flagging how unrealistic most climate scenarios were when modelling potential GDP losses (see next page). We also included recent NGFS data around short term risks to stockmarkets in Scandinavia.

It was therefore reassuring to see more respected investors and organisations highlight the unrealistic nature of mainstream, long-term climate risk assessments.

Estimate of GDP losses from rising temperatures



- Norges Bank Investment Management (NBIM), published a more radical view of what the financial downsides could be to such an emissions outcome. Based on their own “top down” model and comparing it to NGFS bottom-up scenarios, they clearly see much greater risk from current policies:

“We find that the present value of average expected losses from physical climate risk on our US equity investments under a Current Policy scenario is 19 percent (and 27 percent

at the 95th percentile) when using the top-down approach, compared to 2 percent (and 3 percent at the 95th percentile) with the bottom-up approach”, NBIM Climate & Nature Disclosure report, 2024.

Formue does not have the resources to perform its own research into what is right and wrong from new scientific research but the direction of travel is clear. This report aims to provide useful insights around our own due diligence and potential risks.

NGFS Scenario Analysis for GDP Loss (2050)



- The NGFS (Network for Greening the Financial System) also recently published new forecasts which showed a marked increase in the potential impact on GDP and, by implication, financial asset values.

Source: NGFS - <https://climate-impact-explorer.climateanalytics.org/>



Describe the Board's oversight of climate-related risks and opportunities

Governance

The Non-Executive Board meets monthly and will include any sustainability-related issues when required. This includes approval of any binding targets (such as SBTi-linked emissions reductions commitments) and signing-off on public reports (such as the PRI and SFDR Pre-contractual disclosure).

The Executive Board (F1) has more regular and direct oversight of climate related risks and opportunities within Formue. The Sustainability Committee has three members of F1 and also includes Formue's sustainability advisor and compliance representative (if needed). This meets once per quarter and is responsible for approving changes to sustainability policy as

well as highlighting any material issues from within Formue and our client base. It also has responsibility to communicate key issues up to F1 and the Non-Executive Board.

The Client-side SusCo meets on an ad hoc basis to ensure that views from our client-facing teams are able to share best practice, and flag material challenges or improvements with relevant colleagues. Two previous SusCo teams (Operations and Investments) have been removed given that the bulk of changes here have now been implemented, and to reflect that a senior sustainability advisor now sits within the Investments team.

	SusCo	Client-side SusCo
Members	Sustainability Advisor CEO CFO Head of Strategy	Sustainability Advisor Wealth Managers Marketing Data Team
	Compliance attendance when necessary	
Meeting p.a	4x	Ad hoc



Formues sustainability team (NSOC): Philip Mitchell, Helena von der Esch



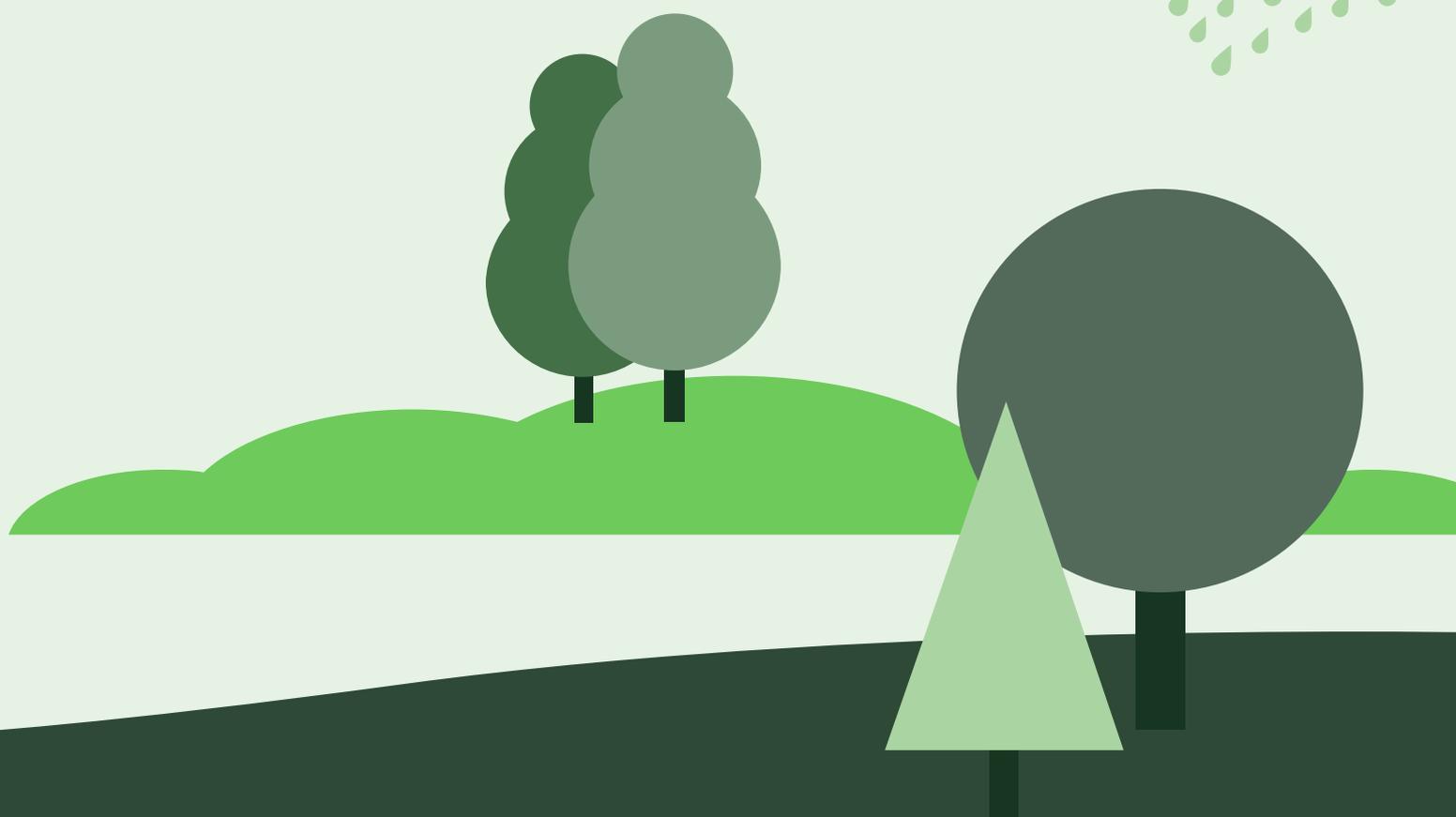
Describe management's role in assessing and managing against new and former commitments, climate-related risks and opportunities

These Sustainability Committees operate as an effective tool for setting priorities and ensuring information flow within the organisation. The operating Board will be involved in any decision about new climate-related products, regulatory alignment, or strategic decisions, both for its investments and as an operating entity.

In most cases, management will take advice from the Senior Sustainability Advisor, Head of Strategy, Head of Compliance, and non-executive Board members, and rely on these expert assessments to make decisions.

Changes to the over-arching Sustainability Policy are infrequent but approved by the CEO and Board of Formue and drive our approach across Formue.

These structural guardrails around sustainability in general, and climate risk in particular, were tested recently with the arrival of new management and a widespread review of costs in the organisation. But the capacity to measure our carbon footprint, climate risks, and commitment to our Net Zero target as approved by the SBTi, was unchanged.





Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term

Strategy

Business Strategy

This relates to the operating assets at Formue: our offices, suppliers, and clients. Given the relatively smaller scale of our footprint compared to investments, the risks and opportunities here are less significant longer-term, but our ability to impact mitigation and adaptation is greater near-term.

There has been little change compared to previous years, despite recent news around reductions in scope for CSRD reporting in the EU (Formue now falls out of scope for compulsory reporting). Despite the changes in legal obligations, we had already prepared for many of the requirements and feel the resulting advantages are worth continuing.

		Business Strategy	
		Risks	Opportunities
Transition (Short-term)	<ul style="list-style-type: none"> Investments required in new talent, processes and reporting mechanisms Less scrupulous competitors misleading clients over ESG claims to gain market share Legal risks of not following regulations 	<ul style="list-style-type: none"> Cost savings from lower emissions policies, notably in reduced transport costs and IT spend Employee retention and attractiveness to new hires based on sustainability credentials 	
Transition (Long-term)	<ul style="list-style-type: none"> Regulatory uncertainty and compliance requirements preventing longer-term investments for growth Reputational risks from greenwashing or over-promising to clients 	<ul style="list-style-type: none"> Innovation boosted throughout the business by willingness to adapt to climate change and improve sustainability processes Improved data and measurement of outcomes through supplier engagement 	
Physical (Short-Term)	<ul style="list-style-type: none"> Cost inflation as a result of supply-chain disruption (including insurance costs) 	<ul style="list-style-type: none"> Access to plentiful renewable energy and an innovative, transparent supplier environment should reduce costs Lower insurance costs through pro-active investment 	
Physical (Long-Term)	<ul style="list-style-type: none"> Potential supplier redundancy (and client wealth impairment) from extreme weather events 	<ul style="list-style-type: none"> Population growth (and likely economic growth) in more temperate northern Europe 	

Investment Strategy

Our clients tend to take a very long-term perspective for their wealth and this gives us a wider array of options in which to invest. This is reflected in the relatively high share of illiquid ‘real’ assets in the portfolios of most clients. On average 30% of a client’s assets are held in a combination of Private Equity, Real Estate, Private Credit and Hedge Fund portfolios where there is no daily, weekly, or even monthly liquidity.

Our asset allocation does not specifically reference climate scenarios in its decisions. Analysis of climate risk is not a part of our due diligence with external managers, although

we will take account of how transition risks are accounted for and sustainability factors included in the process. Given the relative lack of data for some asset classes, and the fact that we are more distanced from the underlying assets (by using 3rd party managers) we will always be less able to dictate near-term holdings.

But climate change certainly presents risks and opportunities to our investments and potential assets under management, and below we have broken these down into Transition risks and Physical risks.

Investment Strategy		
	Risks	Opportunities
Transition (Short-term)	<p>Some clients do not believe in and/or want to invest sustainably – we cannot alienate them</p> <p>Lack of data and regulatory uncertainty increase the risks of inadvertent greenwashing</p>	<p>Potential inflows from clients unable to source suitable investments directly</p> <p>Innovation in asset classes provides both investor interest and risk-hedging</p>
Transition (Long-term)	<p>Reputational risks if we fail to deliver on our commitments</p>	<p>Access to long-term committed capital makes us a more attractive investment partner</p>
Physical (Short-Term)	<p>Tipping points are hard to predict and can distort all insurance/risk models.</p> <p>Most primary capital investment options are very illiquid and cannot be exited quickly</p>	<p>Increased due-diligence and disclosure around climate-change preparedness should generate alpha in portfolios.</p> <p>Geographically agnostic investment strategy means capital can be shifted to regions with least risk (and away from those with greatest risk)</p>
Physical (Long-Term)	<p>Extreme events increase the chance of asset destruction and redundancy of existing services</p>	<p>Purchase of assets where engagement and climate mitigation can offer valuation upside (notably in equities and real estate)</p>



Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a +2°C or lower scenario

We believe Formue's strategy is relatively resilient vs peers and the wider market for a number of reasons.

- The Board take a long-term view of business investments and growth opportunities, and our financial backers are also long-term (including c.15% employee ownership). This means our balance sheet is conservative and able to absorb potential climate shocks.
- Our physical exposure to climate risks is limited. We run a capital-light business model and most of the physical risk to our offices is in part of the world where effects are likely to be relatively muted.
- Being one of the few Nordic financial-sector companies to set a SBTi-approved target for emissions reductions, our physical and transition risks linked to financed emissions should also be relatively lower risk under a range of climate outcomes.

As will be seen, the 2024 version of this report has, for the first time, considered climate scenarios on its financed emissions (liquid assets). The outcomes are relatively benign even in a 3-degree scenario. This is no excuse for complacency: NGFS themselves admit such scenarios exclude a range of tipping points and systemic outcomes which could well create far greater downside. But we at least are aware of where some of these risks now lie.





Describe the organisation's processes for identifying and assessing climate-related risks and how these are integrated into the organisation's overall risk management

Risk Management

Operational Risk

Operational Risk is handled by the Compliance & Risk (C&R) team at Formue. Operational risk is the specific risk to Formue that does not involve the financial, systematic or market general risk; it is the risk a company is left with in its internal processes, people and systems.

The C&R team work actively with risk management to ensure that the company operates with the right level of operational risk. We use Synergi, a tool for risk management, risk mitigation, reporting operational errors and handling deviations from controls. Together with the divisional teams, we identify risks

and advise management and process owners where they are most at risk.

The latest climate risk report from AXA Climate 'Altitude' confirmed that physical operational risks at Formue are limited, with the most likely being to our office buildings from more extreme rain, landslides and storms (based on our 24 office locations or "assets"). Even here, the average annual expected loss from all three combined was less than 0.2% of their value assuming a 4-degree warming scenario by 2100. The most at-risk locations are Bergen, Drammen and Ålesund in Norway.

Risk detail by number of assets

Risks	● High	● Medium	● Low
Changing air temperature	0	8	16
Changing precipitation pat...	3	14	7
Wildfire	0	1	23
Storm	2	2	20
Flood	2	7	15
Landslide	6	7	11

Source: Executive summary of AXA Climate 'Altitude' report

As part of our engagement with suppliers, to better understand risks in our supply chain and accurately report to Åpenhetsloven (a Norwegian law governing supply chain sustainability) we now expect suppliers of services and equipment to provide information about their own emissions and whether they have plans in place to reduce these emissions over time. As a result, it has become easier to see where climate-related risks lie in the supply chain, how this might affect our

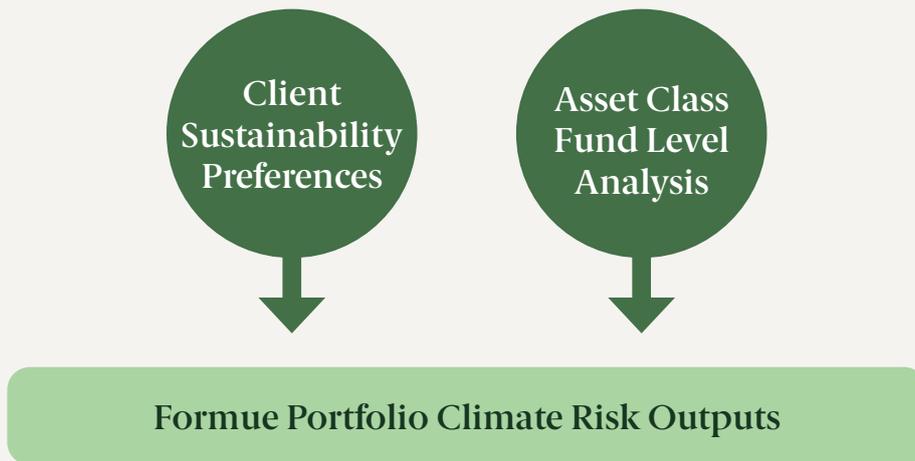
operations, and attempt to offer remedial action.

Our latest Åpenhetsloven report is based on responses from more than half of all our suppliers and, while not expecting them to have performed any climate risk analysis, is a useful tool for assessing which have awareness of carbon emissions and measures in place to ensure good governance.

Investments Risk

Formue has an implicit responsibility to provide the best possible risk-adjusted returns for its clients over the long-term, and these risks are sometimes related to sustainability issues (usually described as one or more of Environmental, Social or Governance factors).

The first element affecting sustainability risks in the portfolio is to map the clients’ own wishes – ‘Sustainability Preferences’. Do they want to rely on an exclusions-based strategy, our standard Article 8 portfolio, or a portfolio with extra focus on the Environment and more sustainable investments? This sets the boundaries for their portfolio.



The second element of sustainability risks is the asset class mix and choice of funds within each asset class. Formue itself is not responsible for the day-to-day stock-specific composition of its funds, but relies instead on due diligence and review meetings with fund managers to ensure that sustainability risks are being considered appropriately. Given our core belief in “financing the transition” which will allow the global economy to be Paris Aligned with less than two degrees of warming, we have a specific focus on how fund managers view transition risks and opportunities and incorporate them into their process.

Climate risks in Investments

Although our ability to measure carbon emissions from the portfolio improves every year, we are still limited in our ability to account for climate risks across all asset classes. In 2024 we are reporting on the risks under various NGFS scenarios on liquid assets (Equity and Fixed Income) which together

account for c.50% of Formue’s AUM and 65% of the assets where we have discretion over client investments.

As demonstrated below, the downside risks to the combined portfolios under a scenario of 2-degrees warming are c.-2.3% in present day terms. This is relatively modest and comes mostly from physical climate risks but also downside from transition risks (the net effect of Policy Climate risks and Technology opportunities).

The reason that Climate Policy risk reduces so sharply between 1.5-degree and 2.0-degree scenarios is that this metric measures the likely cost of complying with such a scenario. As we have already effectively breached the 1.5 degree target globally, the collective costs of reaching it now (presumably through carbon credits/offsets/carbon capture) would be much higher than instead aiming to remain within two degrees of warming.

2024	1.5 degrees (Orderly)	1.5 degrees (Disorderly)	2 degrees (Orderly)	3 degrees
Aggregate climate VAR	-5.6%	-6.2%	-2.3%	-2.9%
Policy Climate VAR	-6.1%	-7.3%	-1.2%	-1.3%
Technology Opportunities VAR	1.6%	2.1%	0.4%	0.3%
Physical Risk Climate VAR	-1.1%	-1.1%	-1.5%	-1.9%
Implied Temperature rise			2.3%	
Portfolio coverage			77%	

Source: MSCI

If we compare this to the portfolio from 2023, there have been quite material reductions in these risks (as assessed by MSCI). For 2023, the aggregate climate VAR under a 2-degree scenario was 5.5% with more than 2.5x higher

physical climate risk. Breaking down these physical risks, it is specifically a reduction in risk of coastal flooding which has largely been responsible.

2023	1.5 degrees (Orderly)	1.5 degrees (Disorderly)	2 degrees (Orderly)	3 degrees
Aggregate climate VAR	-9.2%	-11.1%	-5.5%	-6.1%
Policy Climate VAR	-7.6%	-10.5%	-2.2%	-1.5%
Technology Opportunities VAR	1.3%	2.2%	0.4%	0.2%
Physical Risk Climate VAR	-2.9%	-2.9%	-3.7%	-4.8%
Implied Temperature rise			2.2%	
Portfolio coverage			73%	

Source: MSCI

The key adjustments causing this reduction over 12 months are the change in portfolio holdings. In particular, Formue's exposure to Neste, Shell, Inpex, Elkem, AES and TotalEnergies fell dramatically as we shifted

out of some funds with significant holdings here. We are, however, surprised at the extent of this drop and would not expect to see a similar reduction in climate risks annually.

Fund Manager Review Process

A key part of our risk reduction is based in our process for fund selection and annual reviews. Fund managers are classified according to their integration of ESG, based on a series of KPIs. The classification is based on a thorough evaluation of the manager's ESG commitment, integration, and leadership across multiple dimensions including:

- the presence of a formal ESG policy
- the integration of ESG metrics throughout the investment process
- alignment with global frameworks like PRI and TCFD
- a focus on sustainable transitions and solutions.

Additionally, it evaluates the manager's leadership in areas such as Sustainable Development Goals (SDGs), B-Corp incorporation, innovative social impact reporting, and thought leadership in academia.

Review meetings occur at least annually and Formue engages in ongoing dialogue with managers with the aim of influencing the development of their process. Notably we encourage fund managers to engage with portfolio companies to set transition plans. Since the introduction of SFDR in 2022, these meetings will also include discussion of the key KPI's which Formue uses to report and align with SFDR, notably:

- GHG-related Principle Adverse Impacts (PAI) and
- the share of the portfolio which has set an approved Science Based Target (SBTi).

By working to improve the overall PAI score, and maximise exposure to SBTi-approved companies (ie those with a clearly-defined, audited transition plan) sustainability risks related to global warming should be minimised.

2025 Shift to Passive Products

Formue must take account of clients' needs and wishes, and this has led to the introduction of more low-cost passive investment solutions within our platform offering from February 2025 (ie after the data above was compiled).

The mechanical impact on our KPIs at a group level is likely to see the level of SBTi coverage fall in 2025, and CO2 intensity to rise. In terms of the net effect of this on climate risks, we would expect a net increase, but it will depend on the level of customer adoption. As a reminder, this is at Formue group level and clients will own a range of different portfolios within this.



Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process

Metrics & Targets

Like many financial advisors using external fund managers, data availability is a key challenge. As such, we have chosen to initially focus on a few measures where we are confident we can adhere to the TCFD's own guidance on what makes metrics useful to report on climate-related risks:

- Decision-useful
- Clear and understandable
- Reliable, verifiable and objective
- Consistent over time

As previously disclosed, 2022 saw Formue shift its sustainability targets in recognition of changes in definition (for example Net Zero vs Carbon Neutral) but also to align our goals with a sustainable philosophy based on Transition rather than straight-line carbon reduction. As a result, we had the following KPIs driving our climate-related risk assessment:

	KPI
Investments emissions	Increase SBTi coverage of liquid portfolios from 23% in 2022 to 45% by 2027
Operational Carbon Neutral	Carbon Neutral by 2025 and a 65% reduction in Scope 1, 2 & 3 emissions by 2027
SFDR reporting	Reduction in negative Principal Adverse Impacts from GHG-related factors and increase in companies with transition plans
TCFD reporting and/or support	Coverage of external fund managers reporting or supporting TCFD

The latter of these has now been discontinued: the TCFD has been disbanded and data on which asset managers are reporting under their guidelines is hard to assess. To replace this,

we have chosen to focus on the PCAF score (see below) as an indicator of how accurate our reported emissions are and on which our climate modelling can take place.

SBTi coverage

2024 saw portfolio coverage of companies with approved Science-based targets increase to 37,7% within liquid assets (28,2% in 2023), in line with our 5-year plan to reach 44,5% by 2027. Unlike last year, when Equities were

responsible for all the improvement, 2024 saw a more balanced improvement. Equities coverage increased from 41% to 52% (already hitting the 2027 target) while Fixed income coverage also jumped nearly 5% to 14,6%.

Approved SBTi coverage

	2023	2024	(2024 plan)	Diff
Total in Scope	28.2%	37.7%	31.7%	6.0%
Equities	41.1%	52.0%	40.5%	11.6%
Fixed income (excl. sovereigns)	8.9%	14.6%	19.2%	-4.6%

The improvement in coverage reflected a mix of stock selection changes, organic coverage improvements, and also a mix effect from new funds included in our universe. Clearly fixed income is still lagging the plan for 2027 coverage levels and we hope that the launch of more Article 9, SBTi-focused fixed income funds for clients to choose in 2025 will help to boost this further.

By contrast, the launch of our new passive low-cost funds in February, will mechanically see a reduction in coverage for our combined Equity portfolios. In many cases, clients will be switching out of KLP and Storebrand sustainability-focused global equity funds that have high SBTi coverage levels.

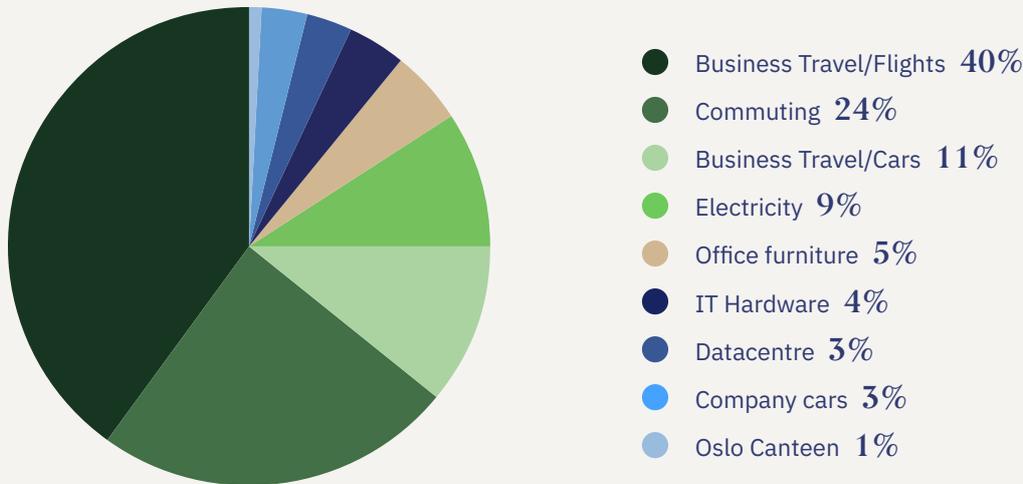


Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risk

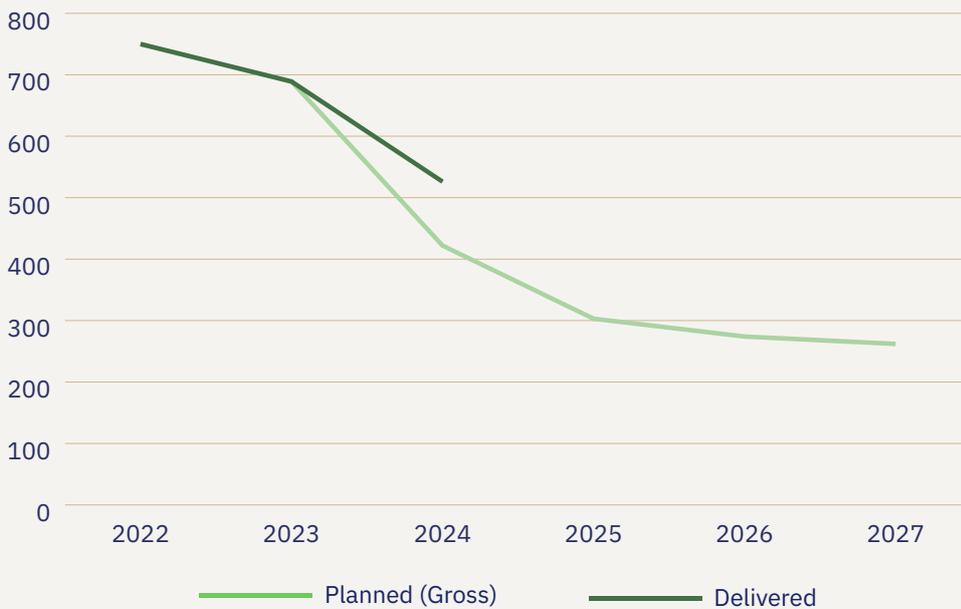
Operational emissions

Formue’s operational GHG emissions for 2024 totalled 526 tCO₂e (-24% yoy) and are broken down below, together with a table showing Scope 1, 2 3 and the key changes vs 2023 and our SBTi-approved plan for carbon neutrality

by 2027. All figures exclude the 150 tCO₂e of carbon offsets which we purchased for the first time in 2024, and will continue to purchase in future, via Initiative1415, a Swedish provider of offsets and biodiversity solutions.



Formue Operational Emissions Progress (tCO₂e)



As can be seen above and below, 2024 reductions were less than planned. Business Travel (notably flights) was a key contributor and reflects decreased volumes but is still

behind schedule. Progress around SAF (sustainable aviation fuels) has, sadly, been much slower than anticipated and will likely be a headwind in the next few years

Operational Emissions: 2024 vs Plan

tCO ₂ e	2023	2024 Actual	2024 Plan	Difference
Scope 1	17	16	15	1
Scope 2 (Electricity)	49	48	5	43
Scope 3 (excl Financed Emissions)	627	312	252	60
incl. Business Flights	367	209	111	99
incl. IT Hardware	65	22	100	-78
incl. Office Furniture	11	27	20	7
Total	693	526	422	104

Financed Emissions

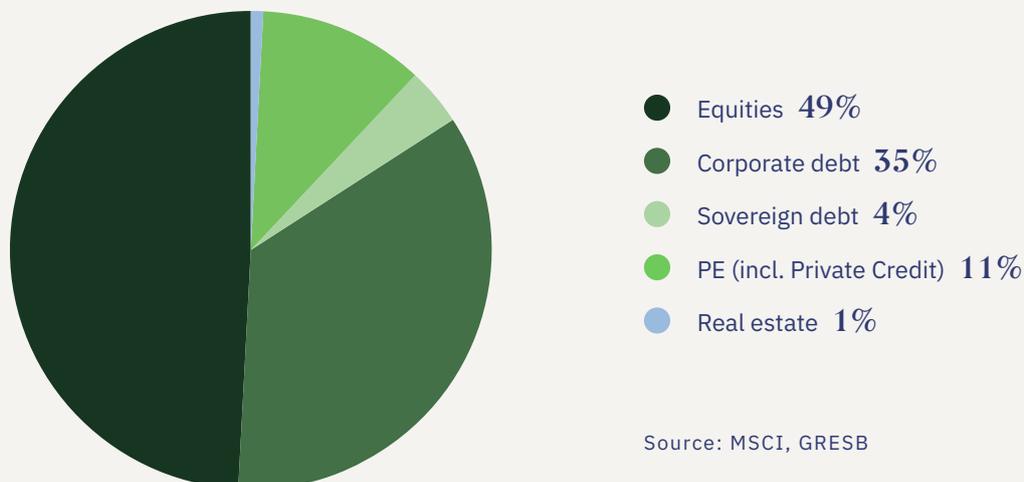
Reporting for liquid assets remains the most comprehensive of the asset-classes we own and is the focus for our 5-year SBTi goals. We use MSCI data and coverage ratios remain high for Equities (c.90%) improving in Sovereign debt, but still very low in Corporate debt (c.40%).

For Private Equity, we report with data from MSCI (previously Burgiss) where coverage levels are still limited but improving (9% in

2024 vs 5% in 2023). For Real Estate, we have extended our use of GRESB data, where c.50% of our portfolio holdings now report accurate emissions data (vs 45% in 2023).

We are now actively engaging with both data providers and asset managers in Real Estate and Private Equity to improve data availability for these asset classes that together account for c.18% of our total AUM (even higher including committed capital).

Financed Emissions 2024 (Scope 1, 2 & 3, tCO₂e)



Source: MSCI, GRESB

Total Financed Emissions by Scope, 2024

	Scope 1 & 2	Scope 3	Total
Equities	94,707	1,179,196	1,273,902
Corporate debt	133,529	780,649	914,178
Sovereign debt	74,663	28,158	102,821
PE (incl. Private Credit)	18,795	274,689	293,484
Real estate	7,895	2,879	10,774
Total	329,589	2,265,570	2,595,159

Emissions from sovereign debt are calculated based on Production excluding LULUCF (land-use, land-use change, and forestry) given the discrepancies in adjustments made for these factors between countries. We have not reported sovereign emissions based on Consumption data, despite PCAF recommending that this is tracked and, in many countries, can be a material difference. For example Swedish consumption-based emissions are c.79% higher than production-based. For US Treasuries (the biggest holdings in our funds) this would equate to c.10% higher emissions.

The greatest reporting challenge remains in Hedge funds which are still excluded from the above. Not only are the assets often invested in derivative instruments where there is no recognized methodology for carbon accounting, but also the rapid turnover of these holdings renders any emissions at a fixed point in time relatively meaningless. As such, our climate-risk assessment for these assets is likely to remain focused on how well our asset managers take into account climate risk in their process, rather than providing us with a 'hard' figure for CO₂e emissions and associated sensitivities.

Financed Emissions: 2024 vs 2023

We succeeded in reducing emissions by 11% during 2024 despite a 13% increase in AUM. The dramatic reduction in emissions intensity was most noticeable in Equities, significantly helped by the c.30% rally in Global equity markets (in NOK terms) during 2024. However we also saw a reduction in carbon intensity in all asset classes apart from Real Estate.

The 47% increase in Real Estate emissions in 2024 was due to the inclusion by some fund managers of embodied emissions in their reported figures. Considering just scope 1&2 emissions, carbon intensity of real estate was largely unchanged.

Globally, its worth remembering that only 7% of Real estate fund managers report embodied emissions even though these account for a majority of the carbon footprint in substantial renovation projects, such as "green to brown" conversions. As such, we should expect reported emissions to continue to increase here, without a corresponding real-world increase.

Year-on-year Emissions (Scope 1,2 & 3 tCO₂e)

	2023	2024	Change yoy
Total	2,785,355	2,595,159	-7%
Equities	1,513,008	1,273,902	-16%
Corporate debt	965,043	914,178	-5%
Sovereign debt	95,154	102,821	8%
PE	204,816	293,484	43%
Real estate	7,334	10,774	47%

Year-on-year LFL Intensity (Scope 1,2 CO₂e/USDm)

	2023	2024	Change yoy
Total	53.7	41.7	-22%
Equities	34.7	21.2	-39%
Corporate debt	62.0	48.3	-22%
Sovereign debt	231.9	197.3	-15%
PE	21.2	16.9	-20%
Real estate	10.1	10.7	6%

Source: MSCI, GRESB

PCAF Score

We started reporting on the PCAF score in 2023 to show how credible our emissions reporting is. The headline score of 2.6 in 2024 (see below) is unchanged vs 2023 but masks slight improvement in illiquid asset classes as reported emissions gradually replace

estimates. For listed assets, we have used MSCI's definition of PCAF scores, which was surprisingly low for sovereign debt, reflecting uncertainty around the level of country emissions.

Year-on-year Emissions (Scope 1,2 & 3 tCO₂e)

Asset Class	Listed Equity	Corporate debt	Sovereign debt	Private Equity	Real Estate	Hedge Funds
Methodology	PCAF	PCAF	PCAF	PCAF	PCAF	N/A
AUM Date	12/31/2024	12/31/2024	12/31/2024	12/31/2024	12/31/2024	
Scope (footprint)	1,2 & 3	1,2 & 3	1,2 & 3*	1,2 & 3	1,2 & 3	
Scope (intensity/ USD m)	1 & 2	1 & 2	1 & 2	1 & 2	1 & 2	
Data Provider	MSCI	MSCI	MSCI	MSCI (Burgiss)	GRESB/ Direct	

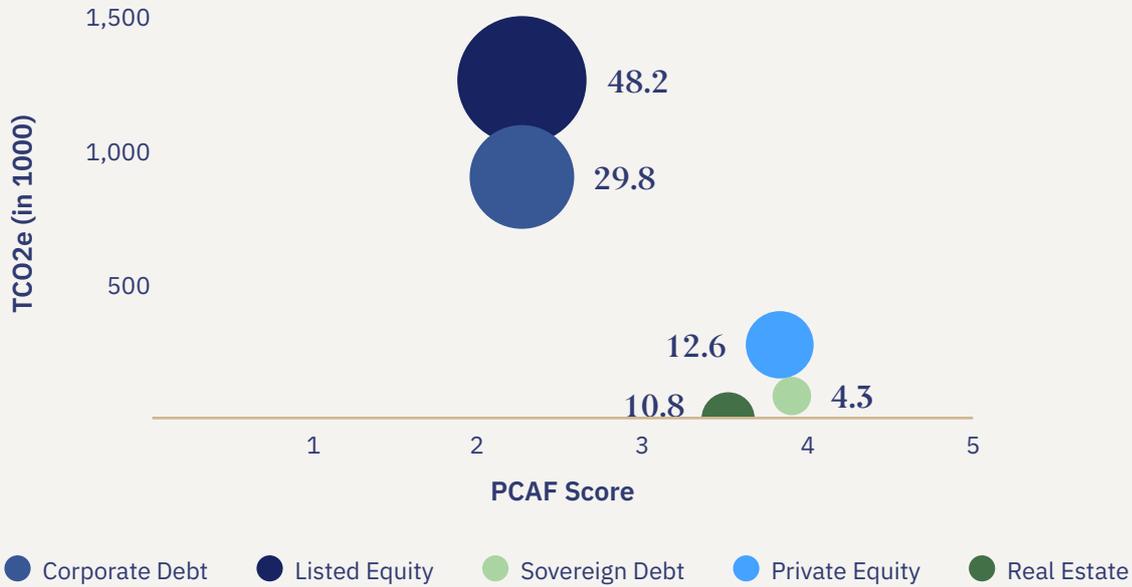
* (excl LULCAF)

Asset Class	Listed Equity	Corporate debt	Sovereign debt	Private Equity	Real Estate	Total
AUM (invested)	48.2	29.8	4.3	12.6	8.4	103.2
tCO ₂ e	1,273,902	914,178	102,821	239,484	10,774	2,595,159
tCO ₂ e/USD m	21.2	48.3	197.3	16.9	10.7	35.0
PCAF Score	2.3	2.2	3.9	3.8	3.5	2.6

Over time, the intention is that a greater share of our AUM (reflected in the size of the bubbles below) will move down and to the left, with

lower emissions and greater accuracy over their reporting.

Carbon Data Quality Across Asset Classes



Source: MSCI, GRESB, Formue

Carbon pricing risk

Apart from the various physical and transition risks to the companies (and countries) in which we invest, the biggest risk from the emissions above is likely financial in the event of a globally coordinated carbon tax. Although a global tax is unlikely, the EU’s recent introduction of a Carbon Border Adjustment Mechanism and various country-specific carbon taxes is a sign of how this could become more widespread over time.

As an example, based on the total emissions above (scope 1 & 2 only, to avoid real-world double-counting) and a theoretical carbon tax of USD75/tCO2e, the implied hit to earnings for the combined discretionary portfolio would be roughly USD25m (or NOK260m) – **equivalent to roughly 5% of after-tax profits**. Given how markets react to profit warnings, its likely that any asset values would fall by more than 5% in such a scenario.

At an operational level, such a tax would have an impact on Formue costs that would be fairly immaterial in the context of our group operating profits (less than a 1% hit). It could however pose a impact on many companies in our client portfolios, with reduced profits from paying such a tax and “internalising” their CO2 externalities.

Appendix

Åpenhetsloven – Norwegian law on supply-chain reporting

CSRD – EU Corporate Sustainability Reporting Directive

GIST – Platform for measuring and quantifying Impact

GRESB – Global Real Estate Sustainability Benchmarking organisation

NSOC – Formue's own Nordic Sustainable Ownership Centre

Norsif – Nordic Sustainable Investment Forum

PCAF – Principles for Carbon Accounting of Financials

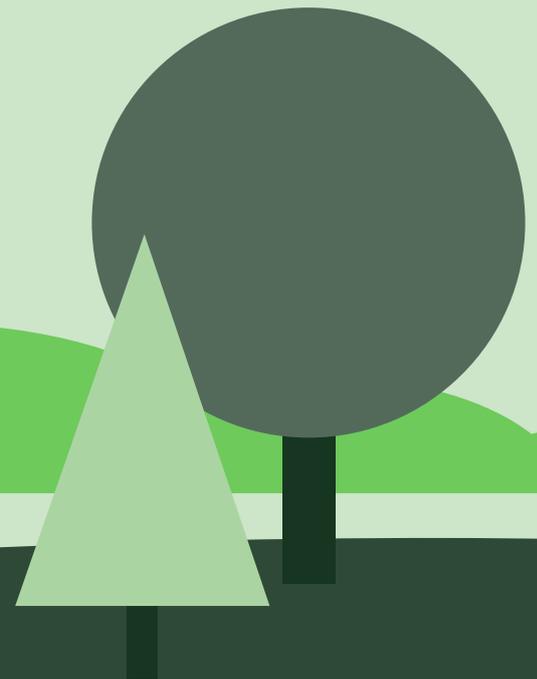
PRI – UN Principles for Responsible Investing

SBTi – Science Based Targets initiative (Net Zero goal-setting)

Swesif – Swedish Sustainable Investment Forum

Skift – Norwegian organisation of businesses looking to lead on climate action

Terravera – Non-profit platform to model sustainable value chains



Formue is a privately held financial life management company with 385 employees in 25 offices in Norway, Sweden and Denmark. The Group has approximately NOK 160 billion under advisory services and management for clients and is the largest independent wealth manager in Norway.

Clients' capital is invested through external managers in listed equities, bonds and in alternative asset classes such as hedge funds, private equity and real estate: capital is spread across many different funds across asset classes, sectors and geographies. To best meet our clients' holistic needs, Formue has experts in the fields of tax, law, pensions, accounting, retirement planning, sustainability and art. The specialists are integrated into the customer relationship depending on the needs of the customer.

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