

Responsible Investment Policy

Because it matters. And it works.



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Introduction

Responsible Investing (RI) lies at the heart of NN Investment Partners' investment beliefs. We are convinced that responsible investing enhances risk-adjusted returns and believe that companies with sustainable business practices and high standards of corporate governance will become the success stories of the future. We believe there is a strong link between the longer-term positive impact of ESG integration and improved risk-adjusted returns. In addition to having a positive effect on the well-being of society and the environment, consistent ESG integration enables us to identify the associated risks and opportunities and to unlock potential value.

In 2021, we integrated environmental, social and governance (ESG) factors based on stringent criteria into 91% of our assets under management (up from 68% in 2019). We strive to increase the proportion of assets in scope where possible and feasible. However, we also acknowledge that in some asset classes it is a challenge to do this in a consistent, systematic, and auditable manner.

We offer a broad range of investment funds and solutions to help our clients achieve their financial and sustainability objectives in three categories (ESG-integrated, Sustainable and Impact) across the full spectrum of asset classes.

Objective

NN IP is committed to responsibly investing our clients' assets. The objective of this Responsible Investment Policy is to effectively address the (sustainability) risks that relate to ESG issues. These risks cover a full spectrum, from individual asset risk and business model risk to political and regulatory risk. In addition, this policy reflects how we implement our responsible investing approach, including how we deal with the adverse impacts of our investment decisions. This approach is based on four key building blocks: the application of restriction criteria; the execution of active ownership in the form of engagement and voting activities; the systematic incorporation of ESG risks and opportunities into the investment process; and transparent reporting.

We invest in accordance with international and sector-specific standards and initiatives that either NN IP or NN Group has endorsed. Examples of these commitments/endorsements include the United Nations Global Compact, the OECD Guidelines for Multinational Enterprises and the Principles for Responsible Investment.

This policy is aligned with regulatory requirements, the [NN Group Responsible Investment Framework policy](#), NN IP's investment approach and risk appetite, and the best interests of our clients. It reflects risk perspectives and requirements resulting from applicable legislation such as the Sustainable Finance Disclosure Regulation (SFDR), which forms part of the EU's Sustainable Finance Action Plan. Furthermore, it takes into account our commitments arising from our status as a PRI signatory and the requirements attached to responsible investing labels we have received or applied for.

Scope

Our Responsible Investment Policy applies to all assets managed by majority-owned NN IP businesses and businesses under NN IP's management control. It also applies to every asset category and to all assets under management. This includes all assets that are managed on behalf of third-party clients as well as proprietary assets of NN Group that we manage.

We strive to implement the policy consistently, but deviations in relation to the policy's scope may apply in the following areas:

1. Proprietary assets of NN Group

NN Group may have additional or different requirements in specific areas (for example, related to restrictions).

2. Mandates

These segregated accounts managed for individual clients may have client-specific requirements.

3. Fiduciary clients

These clients may have their own specific requirements and criteria.

4. Assets managed by external asset managers

Although NN IP expects external managers to implement the key principles of this policy for the assets that they manage and to monitor the implementation, exceptions may arise.

Governance

We have an RI governance structure in place in which multi-disciplinary expertise is embedded and mandated to oversee, drive, and implement RI regulatory requirements.

We make sure the relevant people are involved in decision-making, that recommendations are shared and decisions are efficiently implemented. The NN IP Management Board provides strategic direction and the RI Leadership Team oversees the implementation of the RI Framework in investment-related processes.

In this governance structure, the ESG Committee and the Controversy and Engagement Council have an important role in making recommendations and decisions related to our policies and the engagement process.

More information on our governance structure can be found in [Appendix 1](#).

Responsible investing implementation

NN IP's RI approach combines four building blocks to implement responsible investing: restriction criteria, ESG integration, engagement and voting, and transparent reporting. By incorporating these four building blocks consistently within our investment process, we are better able to fulfil our clients' responsible investing ambitions and their financial goals. This section lays out the mandatory minimum requirements for all assets managed by NN IP.

We have three types of responsible investing strategies – ESG-integrated, Sustainable and Impact – to cater to a variety of client needs across a broad range of asset classes. Our Sustainable and Impact strategies need to meet more stringent minimum requirements than the ESG-integrated strategies. In addition, there are assets that are categorized as “Traditional” as they do not (yet) fulfil the requirements to be classified as ESG-integrated strategies.

A key part of our approach to Responsible Investing is that where possible and feasible, we aim to mitigate the negative impacts of our investments on the sustainability factors. These negative impacts are also called adverse impacts, whereby the most significant adverse impacts are referred to as principal adverse impacts. These principal adverse impacts can occur in different areas, such as related to environmental, social and employee matters, human rights, corruption and bribery matters. The exact application can differ between asset classes and strategies, but is always part of the four before-mentioned building blocks that form the foundation of NN IP's Responsible Investing approach. We continuously seek additional ways to mitigate adverse impacts in a robust and meaningful way and will include additional adverse impacts in our Responsible Investment approach in line with the SFDR requirements.

Restriction criteria

NN IP's norms-based responsible investing criteria

We have developed norms-based responsible investing criteria to which issuers need to adhere. These criteria apply to all types of strategies¹ and are a reflection of relevant laws, our values, and internationally recognized standards such as the UN Global Compact principles, the UN Guiding principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

Responsible investing building blocks and strategies



NN Group's norms-based RI criteria form the basis for the NN IP criteria, but we can also choose to make the criteria stricter or add more elements to our restrictions approach. These criteria reflect the minimum requirements that the entities in which we invest need to fulfil and are periodically updated and revised.

A key element of NN IP's approach is our belief in inclusion over exclusion. However, before we start analysing and selecting individual investments, we form an opinion on the investable universe in general and apply this to all our assets under management, which is a key step in our due diligence of the adverse impacts of our investment decisions. In the event that there are strong indications that an issuer may have failed to meet any of our minimum requirements, we have to determine whether this constitutes a violation. This information on potential violations can come from NN IP's external ESG research or engagement providers, input from our own investment staff, or from other parties, such as NGOs or media sources.

NN IP determines the eligible investment universe by excluding controversial activities and controversial conduct that are not in line with our norms-based responsible investing criteria. We apply an engagement-led divestment approach and therefore first assess whether it is possible to engage with the company in question to address the violation. If we decide that engagement is feasible, a formal engagement process must be started in order for the company to remain eligible for investment. If, after what is typically a three-year period, the engage-

¹ Where possible and feasible, depending on for example the nature of the investment and availability of reliable data

ment process has not led to the desired changes, we might consider the company ineligible for investment and remove it from our investment universe.

Exclusion

As part of NN Group, NN IP adheres to the centrally managed list of applicable restrictions of the investment universe. The NN Exclusion List is publicly available on the RI policies page of our website:

www.nnip.com/en-INT/professional/asset-management/responsible-investing-policy-documents.

For all strategies, the ESG Committee has been mandated to assess whether or not an issuer is in violation of the norms-based RI criteria, and if engagement will help to address the violation. This entails assessing whether a violation of NN IP's norms-based RI criteria has occurred, based on a quarterly screening of our investment universe for controversial activity and controversial conduct. If this is considered to be the case, the NN IP ESG Committee then has to decide whether to engage with the issuer or to provide a recommendation to the Management Board of NN IP and the NN ESG Policy Committee on whether or not to restrict the issuer, which is reflected in NN's Exclusion List. The NN ESG Policy Committee has an advisory role with respect to changes on the Exclusion List (as well as NN Group policy proposals) which have to be approved by the NN Group Management Board.

NN IP applies an engagement-led divestment approach and therefore first assesses engagement potential with issuers to address any violations. Only when engagement is not considered feasible – such as in most cases of involvement in controversial weapons, for example – will NN IP consider removing the issuer from the eligible investment universe.

For the Sustainable and Impact strategies, the NN IP ESG Committee decides on the issuers that need to be excluded based on the additional restriction criteria applicable to these strategies.

Violation areas and criteria

Violations can currently occur in relation to the following areas²:

- **Governance**
- **Human rights**
- **Labour rights**
- **The environment**
- **Bribery and corruption**

² It should be noted that specific activities may be related to one or more areas. For example, controversial weapons and arms trade to embargoed entities relate to human rights, while an activity such as tobacco production relates to human rights, labour rights and the environment.

In these areas, NN IP's norms-based RI criteria consist of two main categories: controversial activities and controversial conduct.

The following section sets out the rationales behind these norms-based RI criteria in more detail and the resulting firm-wide restrictions.

Categories

Controversial activities	<ul style="list-style-type: none"> • Controversial Weapons • Arms trade to entities that are subject to arms embargoes • Tobacco production • Oil sands production and controversial pipelines • Mining of thermal coal
Controversial conduct	<ul style="list-style-type: none"> • Corporates: Issuers that severely and systematically violate the UNGC principles and/or the UN GP on Business and Human rights and/or the OECD Guidelines • Countries: Sovereign issuers involved in severe and systematic violations of Human Rights, against which arms embargoes have been issued by the UN Security Council

Controversial activities

Development, production, maintenance or trade of controversial weapons



NN IP considers certain weapons to be controversial due to their disproportionate and indiscriminate impact on the civilian population. This is the case for anti-personnel landmines, cluster munitions, biological weapons, chemical weapons, depleted uranium ammunitions, and white phosphorus weapons.

We restrict companies that are involved in activities such as production, research and development, sale or trade, maintenance, system integration and testing of products or services that are considered dedicated and essential for the lethal use of these type of weapons. In defining these weapons, we follow widely accepted international

conventions or, where those are not available, we have developed our own criteria applying a precautionary principle.

Separate criteria have been developed for nuclear weapons in addition to the criteria above, since they have a different character from other weapon types. NN IP restricts companies that are involved in nuclear weapon activities and that: (i) are domiciled in countries that are not signatories to the Non-Proliferation Treaty, or (ii) contribute to nuclear weapons programmes of non-NATO member states.

The controversial supply of arms



NN IP considers the trade of arms to certain countries or non-state actors as controversial, due to the high risk that these arms will be used to commit severe human rights violations or prolong conflict.

We restrict companies that demonstrably engage in activities related to making weapons, weapon systems, or related material or services available to (i) countries that are subject to a UN or EU arms embargo that is targeting the central government or (ii) non-state actors sanctioned by the UN or EU. Not in scope are companies that have such activities in relation to humanitarian missions or to (peacekeeping) military missions that have been commissioned by the international community.

Tobacco production



NN IP has concerns regarding public health as well as the economic burden that smoking places on society. We therefore restrict companies that are involved in the production of tobacco products. Producers are restricted when tobacco products account for 50% or more of their revenues.

Oil sands production and controversial pipelines



Oil sands, also known as tar sands or crude bitumen, is a form of heavy oil found in sand and rock. Oil sands can be mined and processed to extract the oil-rich bitumen, which is then refined into oil. NN IP recognizes that oil sands development poses serious environmental and social challenges, as it leads to higher greenhouse gas emissions than conventional crude oil. Furthermore, the production of oil sands and its transport via pipelines generates significant human rights concerns and is a serious contributor to local environmental pollution. NN IP has assessed the engagement potential for companies in the sector and has concluded that engagement is not expected to achieve the desired results.

We therefore restrict companies whose business models are dependent on the extraction of oil sands. This is defined as deriving more than 20% of their revenues from oil sands extraction. In addition, we restrict on a firm-wide basis pipeline operators that are involved in oil sands transportation projects that are in dispute, and when engagement is not expected to achieve the desired results. These restrictions significantly contribute to de-risking our portfolios in terms of our carbon footprint.

Mining of thermal coal



Thermal coal is predominantly used for power and heat generation. Of all fossil fuel energy sources, thermal coal generates the highest volume of greenhouse gas emissions when combusted. NN IP recognizes that meeting the ambitions set out by the Paris Agreement will require the world to replace fossil fuels with low-carbon energy sources.

We therefore restrict companies whose business models are dependent on the mining of thermal coal. This is defined as deriving more than 20% of their revenues from mining thermal coal. Metallurgical coal or coking coal (a key raw material in steel production) is not governed by this criterion.

The statement on coal describes all the steps that NN and NN IP are taking to address the risks and environmental concerns associated with coal. These steps will further strengthen our efforts to support the transition to a low-carbon economy. The coal statement can be found on our [RI policies page](https://www.nnip.com/en-INT/professional/asset-management/responsible-investing-policy-documents): www.nnip.com/en-INT/professional/asset-management/responsible-investing-policy-documents.

Controversial Conduct

Companies

We expect the companies in which we invest to act in accordance with relevant laws and internationally recognized standards such as the UN Global Compact principles, the UN Guiding Principles on Business and Human Rights and OECD Guidelines for Multinational Enterprises. Based on these internationally accepted standards and underlying principles, we expect adherence in the areas of proper governance, respecting human rights and labour rights, protecting the environment and prevention of bribery and corruption.

If there are strong indications that an issuer may be in violation of any of the minimum requirements, a decision needs to be taken on whether we consider this a violation of our criteria. Examples of such indications include research from external ESG research or engagement provider(s), inputs from our own (investment) staff or information from nongovernmental organizations or media sources. If we assess that a company is severely and systematically violating these standards, we will begin an engagement process in order for the company to remain eligible for investment. If after a three-year period the engagement process fails to lead to the desired changes, NN IP might consider the company ineligible for investment and can remove it from its investment universe.

Identifying corporate issuers

For each issuer, the corporate tree needs to be analysed in order to decide which issuing parties are considered in-scope of being in violation:

1. A company itself is in violation
2. A company owns a majority stake (>50%) of a company that is in violation
3. A company has more than 50% of its shares owned by a company that is in violation

For involvement in controversial weapons, the ownership threshold under item 2 is set at 25% or more.

For majority-owned subsidiaries (item 3) an exception can be granted if there is strong evidence that the sub-sidiary is not involved in any of the business activities or behaviour for which the parent company is excluded. Such exceptions will not be granted if the parent company is excluded because of involvement in business activities that relate to controversial weapons and/or controversial supply of arms.

Countries³

We restrict sovereign issuers involved in severe and systemic violations of Human Rights and thus restrict countries against which arms embargoes have been imposed by the United Nations Security Council. Countries on the global money laundering and terrorist financing watchdog, Financial Action Task Force list, that are subject to a "Call for Action" are also restricted.

Identifying sovereign issuers

The following issuers are considered in scope in the case of country-related restrictions:

1. Sovereigns (countries)
2. Sub-sovereigns (states, provinces, municipalities)
3. Quasi-sovereigns (government-related or government-backed issuers, such as agencies)

It should be noted that when a country is restricted based on the stipulations of this policy document, this does not automatically lead to the restriction of corporate issuers that are active in the restricted country.

Additional restriction criteria (for Sustainable and Impact strategies)

In addition to the firmwide restrictions criteria, NN IP applies more stringent restrictions for its Sustainable and Impact strategies. For these strategies, NN IP avoids investments that are not in line with the 'do no significant harm' principle. As a result, additional restrictions related to below mentioned business activities are applied as these activities are contradictory to sustainable development and may detract from the ability to reach sustainability objectives. In some cases, tighter restrictions are applied for business activities that are already restricted for all assets.

- Adult entertainment
- Arctic drilling
- Fur & specialty leather
- Gambling
- Nuclear energy
- Oil sands production and controversial pipelines (additional restrictions)
- Shale oil & gas
- Thermal coal mining (additional restrictions)
- Tobacco (additional threshold restrictions)
- Weapons (additional threshold restrictions)

Please refer to [Appendix II](#) for a more detailed description and related thresholds.

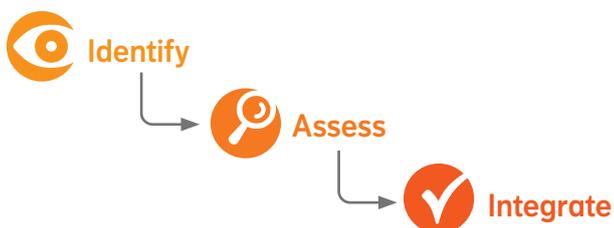
³ In addition to this, NN Group Business Units need to adhere to all applicable sanction laws and regulations through application of the Financial Economic Crime (FEC) policy (operated by NN Group Legal & Compliance). On a case-by-case basis NN Group may decide to also restrict countries on other grounds.

ESG Integration

ESG integration relates to evaluating environmental, social and governance factors in the investment case in light of their potential impacts on financial returns. NN IP believes that systematically integrating ESG factors into the investment and decision-making process enhances investment decision-making and long-term risk-adjusted returns.

ESG integration explicitly includes identifying the sustainability risks related to an investment as part of our investment due diligence process, quantifying these risks (to the greatest extent possible), and then incorporating them into the investment case and decision-making process. This is done in a consistent and auditable manner to ensure ESG or sustainability factors relating to an investment or investment proposal are sufficiently understood or recognized and includes monitoring the investment on an ongoing basis. Where possible and feasible, these risks are also addressed as part of both engagement and voting, with the aim of reducing their potential financial impact and negative impact on society as a whole.

NN IP employs a three-step approach to ESG integration: identify, assess, and integrate.



1. Identify

- The first step towards ESG integration is to identify material ESG issues at company, sector and country level.

2. Assess

- In the case of investments in companies, we evaluate each company's performance on material ESG issues. Next we examine how well these translate into the business strategy and what opportunities they offer. Finally, we discuss and analyse potential controversies and their impact as part of this process.
- In the case of investments in sovereign bond issuers, we analyse and evaluate a country's performance based on ESG factors and potential controversial issues. We use this information to compare different countries with each other.

3. Integrate

- Finally, we incorporate these ESG analyses into the investment cases and they are taken into account throughout the investment process.

By consistently following this approach, we ensure that all our investment decisions take into account potentially material ESG issues and opportunities wherever possible. Although the approach always includes these three steps, implementation may differ between strategies. For example, the type and quality of data and its availability can vary significantly. ESG integration for sovereign bond portfolios uses different data sources to those we use for analysing companies.

Engagement and voting

Engagement and voting, also referred to as active ownership, are tools NN IP uses to influence issuers to adopt more sustainable behaviour and practices. By actively engaging with issuers and exercising voting rights wherever and whenever we can, we can more effectively put our clients' capital to work in generating a more positive environmental and social impact, mitigate adverse impacts on sustainability factors, and at the same time reduce the ESG risks in our investment portfolios. The NN Investment Partners Stewardship Policy on the RI policies page provides an overview of the eight overarching principles that we follow in managing client assets.

Engagement

NN IP uses internationally accepted standards of corporate behaviour – the guidelines/principles developed by the United Nations, the International Corporate Governance Network (ICGN) and the Organisation for Economic Cooperation and Development (OECD) – as the starting point for engagements. We engage in three different ways, as outlined below.

Controversy engagement

Controversy engagement focuses on companies that severely and structurally violate NN IP's norms-based criteria in the areas of governance, human rights, labour rights, the environment, and bribery and corruption. This type of engagement can be referred to as reactive. An engagement escalation strategy is set in place to maximize the effectiveness of the engagement.

Thematic engagement

Thematic engagement focuses on different themes that have a material impact on society, and where we believe our engagement efforts can achieve beneficial change. This type of engagement can be referred to as proactive. The engagement themes are selected in consultation with portfolio managers/analysts and external stakeholders, and may change over time due to changing market developments and stakeholder expectations.

ESG dialogues

In addition to the two engagement methods outlined above, analysts and portfolio managers also maintain regular bottom-up dialogues with investee companies on ESG subjects that NN IP believes may have a material impact on their value.

More details on the engagement approach are available in the NN Engagement Approach, which can be found on the RI policies page of our website:

www.nnip.com/en-INT/professional/asset-management/responsible-investing-policy-documents.

Public policy engagement

NN IP advocates policy and legislation that support sustainability and shareholder rights. This is done primarily via a number of international industry bodies that NN IP is a member of and through collaborations with other investors. More information on our activities outside NN IP can be found in our Overview of NN IP's RI memberships, signatories and labels on the RI policies page of our website.

Voting

NN IP believes voting is one of the best ways for shareholders to express their opinion about performance and strategy. It is a tool to encourage companies to change for the better and it plays an important role in holding management accountable to shareholders.

Our clients include large and small institutional investors from all regions of the world. Together they represent a very diverse selection of norms, values and preferences. Consequently, we have decided to base our corporate governance and proxy voting policy on generally accepted best practices. These best practices are, for example, reflected in the OECD Principles of Corporate Governance and the Global Corporate Governance Principles of the International Corporate Governance Network. While we believe that there are some overarching principles of corporate governance that apply globally, we recognize that practices vary from one country to another.

In order to effectively represent our clients in their role as shareholders, we vote at as many shareholder meetings worldwide as we possibly can. We cast proxy votes in a way that best serves the beneficial owner of the assets, while also taking into account the interests of companies' stakeholders. To this end, we have set up a customized proxy voting policy for exercising voting rights at shareholder meetings on behalf of client assets. This policy is implemented by the proxy voting provider Glass Lewis in order to ensure that all management and shareholder proposals are voted on in a way that is aligned with our policy. We also actively review the customized voting recommendations provided by Glass Lewis, in order to assess these in the light of a company's unique circumstances.

For the assets we manage for NN Group we have set up a separate Proxy Voting Committee and a customized proxy voting policy for exercising voting rights at shareholder meetings to ensure proper governance.

Please refer to Appendix III for an overview of the main underlying principles of NN IP's proxy voting policy.

Further details on how we apply these principles in practice can be found in NN IP's Proxy Voting Policy Client Assets on the RI policies page:

www.nnip.com/en-INT/professional/asset-management/responsible-investing-policy-documents.

Transparent reporting

Transparent reporting is the fourth pillar of our responsible investing approach. We regularly report on our Sustainable and Impact strategies in the context of ESG factors, such as carbon footprints and intensity.

We update clients on all our RI-related activities and results via our annual Responsible Investing Report. As an active signatory of the Principles for Responsible Investment (PRI), we also report on our responsible investing approach in the PRI annual assessment.

In addition, we report transparently on both the entity level and the financial product level in accordance with the requirements of SFDR, and will add additional disclosures in line with the requirements that are being phased in during the period 2021-2023. This is reflected in NN IP's pre-contractual disclosures, website disclosures, and periodic disclosures.

For more information about SFDR and the classification of our products, please see our website:

www.nnip.com/en-INT/professional/about/sustainable-finance-disclosure-regulation.

Furthermore, NN IP seeks to ensure that companies recognize the importance of transparent disclosure as part of our engagement approach. They are accountable to their stakeholders and must show how they are addressing ESG issues. They also need to be transparent on the policies and processes they have in place to make their business more sustainable.

NN IP responsible investing strategies

NN IP differentiates between three types of responsible investing strategies – ESG-integrated, Sustainable, and Impact – to cater for a variety of client responsible investing needs across a range of asset classes. The RI team has developed and maintains a framework with requirements that need to be met in order to be qualified for each of these categories. These requirements relate to topics such as how ESG factors are integrated, intentionality, exclusions and reporting.

We apply stringent ESG analysis throughout the investment process for all our ESG-integrated strategies. Our Sustainable strategies also fully integrate ESG factors but go a step further, as they have a stronger focus on contributing to sustainable development. Our Impact strategies target companies whose products demonstrate an intentional and measurable impact and make a clear, positive contribution to the UN's Sustainable Development Goals. Finally, we also manage assets that are categorized as "Traditional" as they do not (yet) meet the requirements for being categorized as ESG-integrated. We constantly strive to increase the percentage of our assets under management that fall into one of the three responsible investing categories. More information on our responsible investing strategy range can be found on NN IP's website:

www.nnip.com/en-INT/professional/asset-management/responsible-investing.

Related documents

NN Investment Partners

Access to all our responsible investing policy documents (listed below) can also be found on the RI policies page of our website:

www.nnip.com/en-INT/professional/asset-management/responsible-investing-policy-documents.

Stewardship Policy

This policy outlines the eight overarching principles that we follow in managing client assets.

Engagement Approach

This document gives an overview of our engagement activities and strategy.

Proxy Voting Policy Client Assets

This document gives an in-depth explanation of the reasoning behind our voting policies and how these are implemented.

NN Exclusion List

This list gives a comprehensive overview of all excluded companies and sovereigns, including the reason for exclusion.

Climate Change Policy

This policy gives an overview of our beliefs and activities as they relate to climate change mitigation and adaptation.

Statement on Coal

The statement on coal describes all the steps that NN and NN IP are taking to address the risks and environmental concerns associated with coal.

RI Viewpoint policy for Sustainable and Impact funds

This document gives an in-depth overview of the ESG criteria applied to our Sustainable and Impact strategies, as well as our perspective on potentially unsustainable practices and issues.

Responsible Investing Framework

This document provides an in-depth overview of our RI Framework, including our underlying RI beliefs, our four-pillar approach, governance structure and our responsible investment strategies.

ESG Materiality Framework

This document explains the first part of our ESG integration process: the identification of material issues and the framework we use to do this.

Overview of RI memberships, signatories and labels

NN IP is an active member of many international sustainability initiatives. This document summarizes our memberships and explains our role within these organizations.

NN IP's Responsible Investing Report

Our annual Responsible Investing Report, which provides an in-depth overview of all our responsible investing activities.

PRI Transparency Report

NN Group

The NN Group Responsible Investment Framework Policy can be found on the NN Group website:

www.nn-group.com/sustainability/responsible-investment/responsible-investment-policy-framework.htm

Appendix I

Governance of responsible investing

As an asset manager we have a fiduciary duty to act responsibly on behalf of our clients. A set of interrelated policies and our extensive responsible investing framework provide us with a solid basis on which to make and implement well-informed decisions. Our governance structure ensures that we continue to optimise long-term risk-adjusted returns for our clients, while staying focused on having a positive impact on society at large.

NN IP's day-to-day approach to responsible investing (RI) is organised in a structured way. We make sure the relevant people are involved in decision-making, that recommendations are shared and decisions are efficiently implemented. The NN IP Management Board provides strategic direction and the RI Leadership Team oversees the implementation of the RI framework in investment-related processes. In order to do this, they receive information and recommendations from a number of sources.

RI Leadership Team

This team was established in 2018 to drive and oversee responsible investing developments and ensure ongoing ESG integration at strategy level, with the overarching goal of prioritising and supporting NN IP's responsible investing activities. Its members are also responsible for supporting innovation and reporting. The team consists of four senior managers. These are the Head of Fixed Income, Head of Equity, Head of Multi-Asset, and Head of Responsible Investing & Innovation Platform. Together, they drive our ambition to be a leader in responsible investing and our commitment to deliver attractive returns in a responsible manner to clients.

Responsible Investment Team

This team's role is to empower and support the investment teams in integrating ESG factors into the investment process and to strengthen and oversee our active ownership activities. Its members also provide advice and give their expert opinion on RI-related matters in the global context of our investment practices.

The team drives voting and engagement activities and ESG integration as well as thought leadership on related RI topics. In the company's organisational structure, they are located at the core of the investment teams, reporting directly to the Chief Investment Officer (CIO) of NN IP.

The Controversy & Engagement Council

The Council plays a key role in our active approach as share- and debtholders. Its role is to monitor engagements, assess controversies and provide recommendations to the ESG Committee on the appropriate steps to take. They also monitor progress made by companies who are in the process of remedying past controversies. Acting in an advisory capacity, the Council meets on a regular basis to discuss engagement activities and updates, and determines the next steps required to achieve the engagement objectives at individual company level.

The Controversy & Engagement Council is chaired by a member of the Responsible Investment team. Its members include portfolio managers and analysts, as well as representatives from NN Group's Investment Office and Corporate Citizenship department. The Council makes recommendations to the ESG Committee and maintains a database of all our engagement dialogues and the progress made, which is accessible to all the investment teams.

The ESG Committee is chaired by NN IP's CIO and comprises members of the Responsible Investment team, the RI Leadership team and senior representatives of business segments such as risk management and product management and development. It meets three times a year and ad hoc if needed, and advises NN IP's management board on the implementation of the responsible investing framework.

The Committee's objectives are to advise or decide on NN IP's RI policies and RI-related investment initiatives and to make recommendations regarding the Exclusion List.

The ESG Committee has been mandated to assess whether or not an issuer is in violation of the norms-based RI criteria, and if engagement will help to address the violation. This entails assessing whether a violation of NN IP's norms-based RI criteria has occurred, based on a quarterly screening of our investment universe for controversial activity and controversial conduct.

The NN ESG Policy Committee validates the assessment of violations where engagement is not (or no longer) deemed feasible, and decides whether to make a recommendation to the Management Board of NN Group to place the country, sector or company on the Exclusion List.

Appendix II

Additional restrictions for sustainable and impact strategies

In addition to the firmwide restrictions criteria, NN IP applies more stringent restrictions in its Sustainable and Impact strategies. For these strategies, NN IP avoids investments that are not in line with the 'do no harm' principle. As a result, additional restrictions related to the activities outlined below are applied, as they are contradictory to sustainable development and may detract from the ability to reach sustainability objectives. For more details on the specific rationale behind these additional restrictions, please refer to the NN IP Viewpoint Policy and the NN IP Framework document, which can be found on the RI policies page of our website:

www.nnip.com/en-INT/professional/asset-management/responsible-investing-policy-documents.

Adult entertainment



The adult entertainment sector can be contradictory to the principle of respecting human dignity and could be in violation of human rights. Issues faced by this sector include sexual violence, human trafficking, violation of health and safety standards, sub-standard wages, links with organized crime and discrimination. We apply a maximum of 5% of revenues on the production of adult entertainment and a 10% limit on the distribution.

Arctic drilling



Arctic drilling is considered part of the unconventional oil & gas sector and in particular poses higher risks of oil spills than conventional oil & gas. This has the potential to affect biodiversity, including local wildlife, and people in a destructive and irreversible way. Once an oil spill occurs, it is difficult to clean up and defuse. Safety is also an important issue, given the remote location of these activities. We apply a maximum of 10% of revenues of combined exposure to all forms of unconventional oil (defined as shale oil & gas, oil sands and Arctic). In addition, our Sustainable and Impact strategies do not finance companies with expansion plans for unconventional oil & gas extraction.

Fur & specialty leather



We restrict investments in issuers with involvement in fur and specialty leather, because the production of fur and leather can be linked to violation of animal welfare. We apply a maximum of 5% of revenues on the production of fur and specialty leather and a maximum of 10% of revenues related to distribution or retail activities.

Gambling



Investments in gambling are restricted for our Sustainable and Impact fund range as this industry is often linked to addiction, compliance issues with underage gambling, bribery and corruption, and organized crime. As such, the gambling industry does not contribute to and may detract from enabling people to secure their financial future. We apply a maximum of 5% of revenues on gambling operations and a maximum of 50% of revenues related to specialized equipment and/or products or services that support gambling operations.

Nuclear energy



Companies and countries that are exposed to nuclear power generation should be capable of meeting essential requirements regarding safety and protection of populations and the environment. We closely follow developments and ESG issues relating to nuclear energy. We maintain a 0% threshold for electricity utilities constructing additional nuclear-based power production installations. We will also not finance existing nuclear power plants where construction commenced after 2019, unless it will be shut down upon expiry or maintenance is conducted purely to extend the life of the plant and will be subsequently be shut down upon expiry.

Oil sands production and controversial pipelines (additional restrictions)



NN IP recognizes that oil sands development poses serious environmental and social challenges, as it leads to higher greenhouse gas emissions than conventional crude oil. Furthermore, the production of oil sands and its transport via pipelines generates significant human rights concerns and is a serious contributor to local environmental pollution. We apply a maximum of 5% of revenues from oil sands production. In addition, we apply a maximum of 10% of combined revenues generated from all forms of unconventional oil (defined as shale oil & gas, oil sands and Arctic drilling).

Shale oil & gas



Shale oil, also known as tight oil, and shale gas are types of unconventional oil and gas which are trapped in shale formations that must be hydraulically fractured to extract. Producing shale oil & gas thus has a more destructive environmental impact than the production of conventional oil & gas. Examples of environmental and social risks associated with shale oil production are water stress, the risk of land contamination, pollution, leakage of greenhouse gas emissions, safety, and community impacts. The exploration of shale gas requires a large number of wells, leading to atmospheric pollution, air pollution, methane movement, high level of noise and water contamination. We apply a maximum revenue threshold of 10% of combined exposure to all forms of unconventional oil (defined as shale oil & gas, oil sands and Arctic drilling). In addition, our Sustainable and Impact strategies do not finance companies with expansion plans for unconventional oil & gas extraction.

Thermal coal mining (additional restrictions)



Thermal coal is predominantly used for power and heat generation. Of all fossil fuel energy sources, thermal coal generates the highest volume of greenhouse gas emissions when combusted. NN IP recognizes that meeting the ambitions set out by the Paris Agreement will require the world to replace fossil fuels with low-carbon energy

sources. We therefore restrict companies whose business models are dependent on the mining of thermal coal. For our Sustainable and Impact fund range, the revenue threshold is stricter, allowing for a maximum of 5% of revenues from coal extraction.

Tobacco (additional restrictions)



NN IP has concerns regarding public health as well as the economic burden that smoking places on society. We therefore restrict companies that are involved in the production of tobacco products. For our Sustainable and Impact strategies, a tighter threshold applies. We restrict tobacco producers when tobacco products account for 5% or more of their revenues. We also apply a maximum of 10% on revenues from distribution or retail activities and from related products and services.

Weapons (additional restrictions)



In addition to the restrictions on controversial weapons and the controversial supply of arms, involvement in small arms and military contracting is also restricted for our Sustainable and Impact range because of their link to violence, crime and corruption. We apply a maximum revenue threshold of 5% for production of weapons or the supply of key and dedicated components.

In addition to the above criteria, for our Sustainable and Impact strategies that have received the Towards Sustainability label, we also adhere to the additional criteria as prescribed by the label. More information on the specific label criteria application can be found in the [NN IP RI Viewpoint policy](#).

Appendix III

Voting principles

Principles followed by NN IP as asset manager

- NN IP will exercise the voting rights attached to the assets it manages, unless exercising these rights is not in the interest of the beneficial owner of the assets or is not allowed under local regulation. In case of disproportionate costs or impracticability, NN IP may refrain from exercising the voting rights at its sole discretion.
- NN IP will vote in a way that best serves the interests of the beneficial owner of the assets. This may include deviating from the voting guidelines, if doing so would best serve the interests of the beneficial owners of the assets.
- Voting rights attached to individual clients' assets will be exercised in the exclusive interest of the client.
- When appropriate, feasible and in the best interest of our clients, NN IP will enter into a dialogue with investee companies in order to discuss material ESG risks and opportunities that are considered critical for the long-term profitability of the company.
- NN IP reports on the execution of the voting policy on a continuing basis (accessible here and through our website).

Principles NN IP expects the investee companies to respect

- All shareholders should be given the opportunity to participate effectively, and on an informed basis, in shareholder meetings. The exercise of ownership rights by all shareholders should be facilitated, including giving shareholders timely and adequate notice of all matters proposed for a shareholder vote.

- Investee companies should maintain transparency in their organization and decision-making procedures, business model, strategy and risk oversight. They should disclose information necessary to enable shareholders to make an informed decision on voting issues and on whether to buy, hold, or sell a security issued by the company.
- Investee companies should comply with generally accepted corporate governance best practices as well as the corporate governance standards that are applicable in the country of domicile.
- Investee company management should always be accountable to shareholders and stakeholders. Both management/executive directors and supervisory board/non-executive directors should base their decisions on the long-term interests of the company, its shareholders and its stakeholders.
- Merger and acquisition proposals should be considered in the interest of enhancing long-term shareholder value.
- To ensure long-term performance for the shareholders, investee companies should act responsibly towards all stakeholders. This includes recognition of the impact of business decisions on the environment, as well as recognition of the – positive and negative – impact of their business decisions on social and human rights issues in the regions in which they operate.
- The interests of management should be aligned with the long-term interests of the company and its shareholders, including when it comes to executive compensation. To ensure alignment of executive and shareholder interests, executive compensation should be adequately matched with key performance indicators (KPIs).

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