The background image shows a two-story brick house with a red-tiled roof. Two large blue solar panels are mounted on the roof. The house has a bright green door and a window with a white frame. A small tree with green leaves is in front of the house. A black metal fence runs along the front of the property. In the foreground, a blurred motorcycle is moving from left to right, suggesting a sense of motion and modern living.

Climate Action Plan 2023 - update

Turning ambition to action

NN Group N.V.
July 2023



Contents

Introduction

Introduction	3
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How our Climate Action Plan developed

How our climate action plan developed	4
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Ambition and Governance

Commitments to (sector) agreements	6
Governance	8

Building on our net-zero roadmap

Insurance general account investments	16
Banking	31
Insurance underwriting	36
Own operations	44

Looking forward and closing remarks

The road ahead	47
Challenges	47
Closing remarks	48

Annex: Defining our assets	49
Annex: Mortgage assets on our balance sheet	50
Annex: Categorisation framework Corporate Investments	51
Annex: Climate initiatives	52



Visit our website for further information www.nn-group.com

Introduction

We publish our updated Climate Action Plan with great sense of urgency to help limit global warming to a maximum temperature rise of 1.5°C above pre-industrial levels by 2050.

Climate change risks are becoming more apparent than ever before, and scientists confirm that the window of opportunity to limit global warming to 1.5°C is rapidly closing. The latest IPCC report warns that without immediate and ambitious action to reduce greenhouse gas emissions, the consequences for ecosystems, human health, and security will be severe. The risk associated with climate change do have environmental as well as social consequences. As a large financial institution, we feel we have a responsibility to help address these challenges. In this Climate Action Plan, we share an update on how we are progressing on our journey.

The financial sector in general has an important role to play in facilitating the transition to a sustainable economy. At NN Group, we are committed to play our part. We are incorporating climate action across our business: into our investments, our insurance and banking activities, and our own operations. We believe this approach will not only benefit the environmental but also create sustainable long-term value for all our stakeholders. The risk associated with climate change present significant challenges the insurance sector can help address. At the same time, they present significant opportunities for innovation, growth, and positive impact to help accelerate the transition to a low-carbon economy. As a facilitator of the transition to a low-carbon economy, we are committed to reducing our greenhouse gas emissions, investigating in and insuring climate solutions, and collaborating with others to create momentum for change.

In this document, we outline our commitments, strategies and initiatives aimed at reducing our carbon footprint. It elaborates on our plans of action to reduce greenhouse gas (GHG) emissions to net-zero in our operations by 2040 and in our proprietary investments and insurance underwriting by 2050. We believe these targets are ambitious but we are committed to working to achieve them. The document also shows the progress we have made since the publication of our climate action report at the end of 2022. For example, we have now set first intermediate net-zero targets for our insurance underwriting portfolio, and set interim targets for residential mortgages. We also adopted a comprehensive oil and gas policy for our proprietary investment portfolio, and we published a roadmap highlighted the steps taken and steps to be taken.

At the same time, we recognise that we cannot do this alone. We depend on the actions of other actors in the real economy, individual choices of businesses and consumers, and government policies to make meaningful progress. The Climate Action Plan elaborates on our roadmap and our dedication of contributing to a net-zero economy by 2050, and working with others to achieve this joint goal. Together, we can create a more sustainable and resilient future for all.

“We believe this approach will not only benefit the environment but also create sustainable long-term value for all our stakeholders. The risks associated with climate change present significant challenges the insurance sector could help address.”

David Knibbe Chief Executive Officer



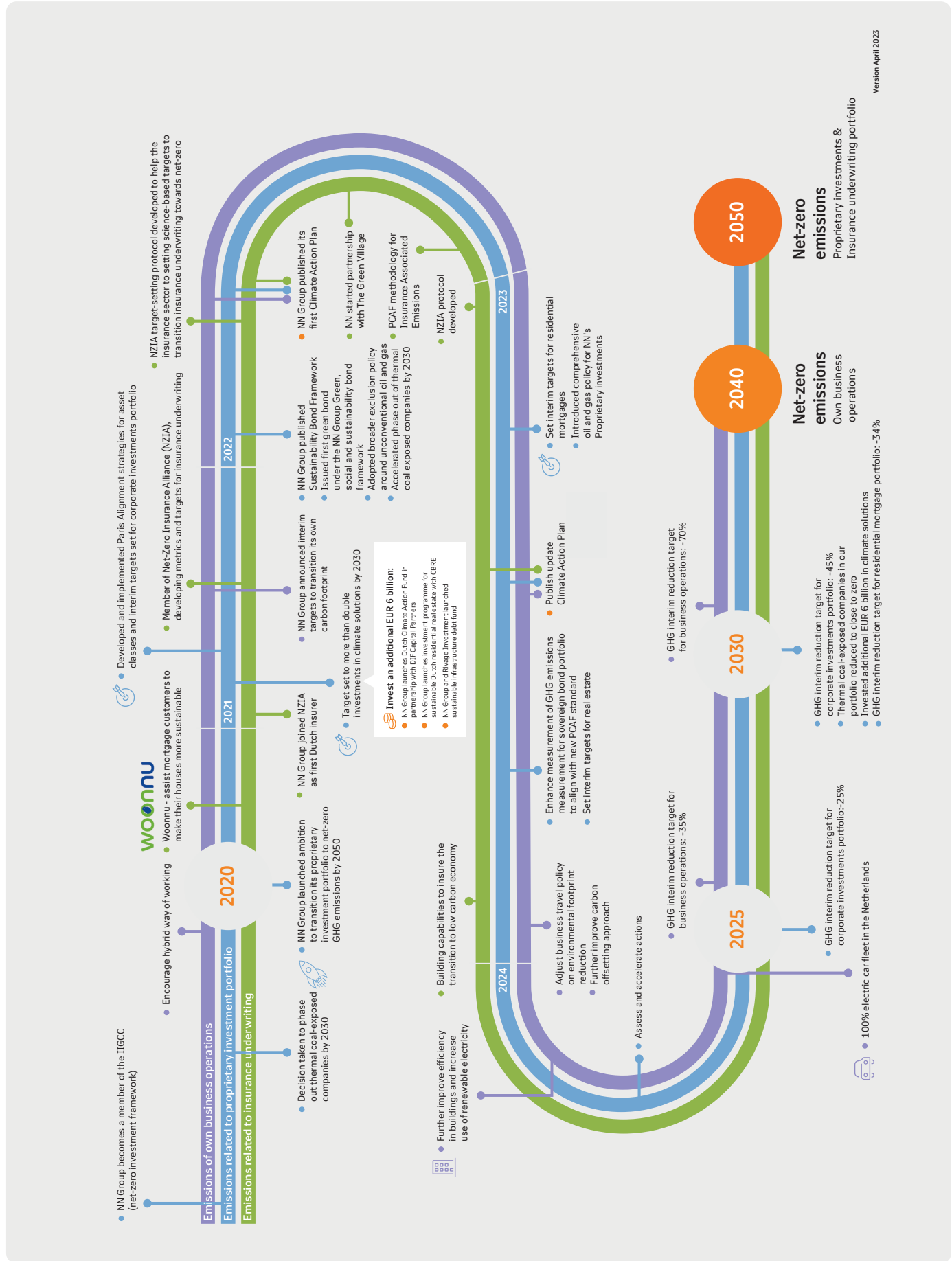
How our Climate Action Plan developed

We see the urgency of reacting to climate change and external developments (such as sector guidance), and our policies are continuously evolving. We therefore believe it is relevant to frequently update our Climate Action Plan.

NN Group first included information on climate change with its endorsement of the TaskForce on Climate-related Financial Disclosures (TCFD) in its 2018 Annual Report. We published our first Carbon Footprint Report for our own investments in 2017 and our first Climate Action Plan in 2022.

This updated Climate Action Plan is more evolved as it includes target setting for asset categories within our investment and financing activities and insurance underwriting. We will continue to regularly update our Climate Action Plan, while we continue reporting on our progress in the Annual Report.

Our roadmap to net-zero greenhouse gas (GHG) emissions





Ambition and Governance

As an international financial institution, we analyse the effects of climate change on society. Therefore, we are committed to science-based principles to secure a low-carbon future that also meets the needs of generations to come. This is why we want to become a net-zero company by 2050.

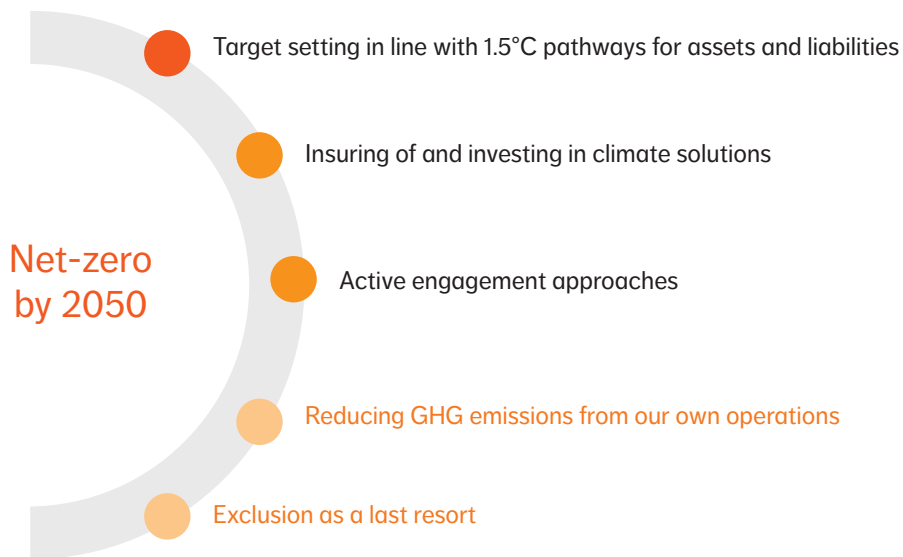
NN is committed to playing its part in the climate transition. In fact, we aim to support our 20 million customers in their transition to a sustainable economy. Our approach is as follows:

- Help accelerate the transition to a low-carbon economy to limit the rise in average global temperature to 1.5°C (e.g. by using a range of levers such as engagement, capital allocation to climate solutions, and phase out and/or exclusion policies).

- Develop and offer products and services that address the environmental challenges our customers face (e.g. by developing new products and services that contribute to a low-carbon economy, or by helping to insure our customers against climate-related impact).

In addition, we recognise the necessity to consider how climate change will affect the value and risk profile of our investments, and the financial resilience of our insurance underwriting and banking business. Understanding and managing these risks and opportunities is therefore an important component of NN's approach to addressing climate change.

NN Group supporting its business activities and the real economy to be net-zero by 2050



Commitments to (sector) agreements

- In 2019, NN Group signed the financial sector commitment to the Dutch Climate Agreement. The signatories agreed to report on the climate impact of their financings and investments, and have action plans ready by the end of 2022 that will contribute to a reduction in GHG emissions.
- In 2020, NN Group signed the Paris Aligned Investment Initiative (PAII) Net-Zero Asset Owner Commitment, with which we committed to the goal of net-zero GHG emissions by 2050 for our proprietary investment portfolio.
- In 2021, NN Group became a member of the Net-Zero Insurance Alliance (NZIA). Through this initiative, NN Group committed to transition our underwriting portfolios to net-zero GHG emissions by 2050.

These commitments support us in developing metrics, targets, and action plans. In 2021, we reported our initial target disclosures to the PAII Net-Zero Asset Owner Commitment. Based on the objective, scientific methods developed by the NZIA, we individually

developed a first set of net-zero targets for specific insurance underwriting activities. By having a Climate Action Plan, we live up to the Financial Sector Commitment to the Dutch Climate Agreement.

Sector initiatives assist us in developing methodologies and undertaking other activities that support us in realising our climate goals. For example, within the PAII, we further developed the Net-Zero Investment Framework, which supports investors to align their investment portfolios with the goals of the Paris Agreement. As participating member in the Platform Carbon Accounting Financials (PCAF) we worked on developing methodologies to measure the carbon footprint of our financed and insurance-associated emissions.

We also support initiatives, such as Climate Action 100+, which encourages the largest corporate GHG emitters to take necessary action on climate change. Please refer to the Annex 'Climate initiatives' for a complete overview.

Case study

NN's commitment and initiatives on biodiversity

NN is committed to taking responsibility and contributing to the protection and restoration of biodiversity and ecosystems through our financing activities and investments. We recognise that urgent action is required to reduce our impacts on nature. Therefore, NN takes part in several initiatives on biodiversity:

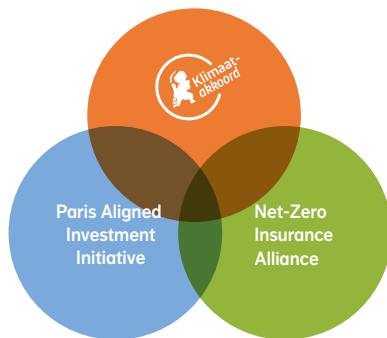
- In 2022, as part of the International Responsible Business Conduct agreement for the insurance sector (IRBC, Dutch: IMVO), we engaged with companies on topics related to sustainable agriculture practices.
- NN Group joined the Ceres' Valuing Water Finance Initiative (VWFI) to encourage high-water footprint companies to adopt and implement a set of clear steps called the 'Corporate Expectations for Valuing Water'.
- NN participates in several working groups within the Finance for Biodiversity Foundation, including impact assessment, target setting, public advocacy, and climate-biodiversity nexus.
- In 2023, an internal working group was established at NN to share knowledge and provide guidance on next steps. Amongst others, we will investigate the possibilities for target-setting.

We will report on our insights and steps in the NN Group Annual Report, Climate Action Plan, and/or other publications.

Paris Climate Agreement 2015



All these commitments give us an overview for developing metrics, targets and action plans



Dutch Klimaatakkoord

NN Group is signatory to the financial sector commitment to the Dutch Climate Agreement. We support the Dutch government in its ambition, and target to reduce GHG emissions. Therefore we are committed to measure the carbon footprint of our investments and financings, and publish actions plans.

Paris Aligned Investment Initiative

NN Group is signatory to the PAII net-zero asset owner commitment. We have committed ourselves to the goal of net-zero GHG emissions by 2050 for our proprietary investment portfolio.

Net-Zero Insurance Alliance

NN Group is a member of the Net-Zero Insurance Alliance (NZIA). The NZIA brings together insurers and reinsurers to play their part in accelerating the transition to net-zero emissions economies. NN is committing to transition its underwriting portfolio to net-zero GHG emissions by 2050.

NN's involvement in several sector initiatives



Governance

We developed a governance structure which enables the Executive Board, Management Board, Supervisory Board, and senior management to integrate climate-related action into strategy, decision making and business processes.

Strategy setting

The Executive Board, consisting of the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), is responsible for the formulation and execution of NN Group's strategy, consistent with its position on sustainable long-term value creation. This strategy includes our commitment to society: 'Contribute to the well-being of people and the planet'. One of its underlying objectives is to 'Contribute to the transition to a low-carbon economy', which includes our net-zero ambition.

The strategy pursued by the Executive Board is supervised by the Supervisory Board. Each Supervisory Board committee covers sustainability matters that fall within its responsibilities and area of expertise. By reporting the main points of discussion and recommendations to the Supervisory Board, an integrated approach with regard to sustainability matters at Supervisory Board level is safeguarded.

The Management Board consists of the members of the Executive Board and other such members as appointed by the Executive Board after consultation with the Supervisory Board. The Management Board is entrusted with the day-to-day management and the overall strategic direction of NN Group. This includes the setting and achievement of the company's objectives and any sustainability matters it deems relevant.

Within the Management Board, the Chief People, Communications, and Sustainability Officer (CPCSO), who reports to the CEO, has Corporate Citizenship, including sustainability, in her portfolio. The CPCSO is the sponsor of sustainability, climate or responsible investment-related topics discussed in the Management Board.

The Chief Risk Officer (CRO), also a member of the Management Board, and reporting to the CEO, has day-to-day responsibility for NN Group's Risk management function. The CRO is tasked with ensuring both the Management Board and Supervisory Board at all times are informed of and understand the material risks NN Group is exposed to. This includes sustainability risks, including risks related to climate change. The General Counsel, also a member of the Management Board, ensures

that both the Management Board and Supervisory Board are informed and understand the legal and compliance risks related to sustainability matters. The CRO is also the sponsor of the NN Group Own Risk & Solvency Assessment (ORSA), in which outcomes of scenario analyses, including climate change are evaluated on an annual basis. To ensure NN Group adheres to regulations related to sustainability matters, the NN Group Control functions, including Risk and Compliance, are tasked to oversee proper implementation and monitor ongoing compliance.

In addition, each of our Management Board members is responsible for promoting and integrating sustainability into their respective businesses or functions as relevant.

Sustainability matters are regularly on the agenda of the Management Board covering items such as policy changes and updates, assessments of external benchmarks and ratings, ESG risks assessments, climate change related risks and opportunities, and investment restrictions. The progress on the financial and strategic targets, including the net-zero ambition, is discussed on a quarterly basis.

Strategy execution and monitoring

The effort required to move towards our net-zero ambition is cross-functional, requiring different parts of our organisation to work together, as well as with our customers, intermediaries and other stakeholders. NN has various bodies and departments that play a role in this process.

Purpose Council

Our Purpose Council, set up in 2019, supports the Management Board in steering, measuring and reporting on purpose-related strategic targets, previously called non-financial KPIs.

Performance on strategic targets is reported via a Strategy dashboard, which is evaluated in the Purpose Council and subsequently in the Management Board meetings on a quarterly basis.

The Purpose Council, chaired by the CPCSO, also performs an advisory and consultative role with regard to purpose-related areas such as sustainability matters.

Responsible Investment Committee

The oversight and steering of the net-zero ambition for the proprietary investment portfolio is performed by the Responsible Investment Committee (RI Committee). The RI Committee is chaired by the Group Chief Investment Officer, who reports to the CEO.

The RI Committee oversees the Responsible Investment approach of NN Group and defines the net-zero roadmap and related action plans and targets. New policy proposals, such as for oil and gas, require approval of the Management Board, while asset class specific strategies for Paris Alignment require approval of the NN Group Investment Office Investment Committee. The RI Committee reports on progress and challenges at least once a year to the Management Board.

Responsible Insurance Underwriting Committee

The Responsible Insurance Underwriting Committee (RIU Committee) is set up to strategically define and subsequently oversee and steer our ambition for responsible insurance reflecting our sustainability strategy and ambition and aligning our strategic commitments for society in our insurance activities. It will oversee and make recommendations, guide on policy making and implementation and serve as an advisory body to the Management Board, and other internal stakeholders on RIU related matters.

Operational Implementation

NN Group has a dedicated Corporate Citizenship department, with a Sustainability expert centre, to advise the Management Board on the implementation of the overall approach to sustainability. The experts work closely together with the different business units and functions to steer and advise on embedding sustainability

matters into their business in accordance with the overall strategy.

This includes our net-zero commitments, with a focus on accelerating the transition to a low-carbon economy, an RI strategy, and sustainability-related strategic targets. Following the publication of the first Climate Action Plan, a dedicated CAP working group was established to support the alignment and reporting.

To meet regulatory requirements, to further embed sustainability in our products and services, and to build sustainability capabilities throughout the organisation, we have set up a Task force Sustainability in Business (TFSB). With the additional dedicated resources we aim to accelerate our efforts and provide our businesses guidance and support in embedding sustainability in products and services, and support on sustainability related regulation. For our insurance and banking activities specifically, our business units have set up a governance suiting their respective operating models and activities.

Governance and operational implementation within Insurance

To align with NN Group's strategy and further integrate sustainability within Netherlands Non-life, a Sustainability Programme is set up to accelerate progress. Specific tracks for example for risk management and product development have been defined and a reporting structure was put in place to inform the Netherlands Non-life Sustainability Steering Group. The steering group is chaired by the Netherlands Non-life director SDIP, who reports to the Netherlands Non-life CEO and has representation from each business unit of Netherlands Non-life. Climate change is a major focus of the Sustainability Programme, for example in developing new propositions, the Product Approval Review Process, the Physical Risk Climate Change Tool, and carbon footprint calculations for our underwriting portfolio.

Governance and operational implementation within NN Bank

In 2022, NN Bank set up an ESG office that provides knowledge, program management and monitoring of NN Bank's ESG strategy. NN Bank's CEO leads the ESG governance structure and is accountable for ESG matters, and the Management Team is responsible for strategic direction and implementing the ESG strategy. Next to having a clear organisational structure, having a clear scope is essential. Therefore, we have both a product and a customer activation scope for each of NN Bank's business lines.

To operationalise sustainability and ESG in our way of working, NN Bank further introduced an ESG Employee Engagement Programme to inform, educate, inspire and engage all employees in a creative and interactive way on related topics. This programme contains several elements including capability building (knowledge) and initiatives to connect and be inspired (to change our behaviour and build a community on ESG). NN Bank's internal Sustainability platform keeps colleagues/employees regularly informed about relevant topics and developments within our teams and organisation when it comes to ESG.

Case study

The business case for climate adaption

NN is committed to addressing both climate mitigation and adaptation in order to reduce climate-related risks and vulnerabilities. In 2022, NN was part of the World Economic Forum's Climate Adaptation Working Group, which developed a white paper titled "Accelerating Business Action on Climate Change Adaptation". This white paper was presented by WEF at COP27 in Egypt, and it provided businesses with a roadmap for climate adaptation. The paper outlines the business case for engaging in adaptation and provides details and examples to help business leaders in any industry drive these actions in their companies. It also outlines key enablers such as integrating adaptation and mitigation into a single climate strategy.

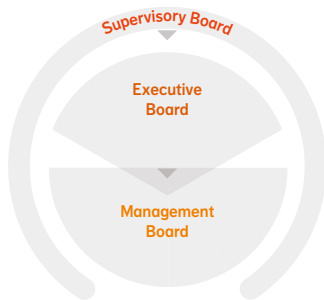
NN also joined the European Commission's Climate Resilience Dialogue in 2023 as a member of the Platform for European Insurance and Financial Services (PEIF). The Dialogue is a platform to facilitate dialogue and collaboration among stakeholders from across Europe to enhance resilience to climate change, and to support the implementation of the EU Adaptation Strategy and the Paris Agreement.






Sustainability is embedded in our governance

Integration of climate-related action into strategy, decision making and business



Strategy setting



-  **Supervisory Board**
Supervises the strategy pursued by the Executive Board.
-  **Executive Board**
Is responsible for the formulation and execution of the company's strategy, which includes our net-zero ambition.
-  **Management Board**
Is responsible for the company's day-to-day management and overall strategic direction. This includes the setting and achievement of the company's objectives and any sustainability matter it deems relevant.



Strategy execution and monitoring



-  **Purpose Council**
 - Advisory, consultative and preparatory role
 - Alignment overarching sustainability themes
 - Chaired by CPCSO, includes CEO, several other Management Board members, heads of staff and BU managers.
-  **Responsible Investment Committee**
 - Advises Management Board on RI strategy, policies and standards, incl. net-zero investment target and restrictions
 - Chaired by CIO, members include CPCSO, CRO, RI Team and IRM.
-  **Responsible Insurance Underwriting Committee***
 - Advises Management Board on RIU strategy, incl. net-zero insurance underwriting targets.
 - Chaired by CEO NN Re, includes representatives Netherlands Life, Netherlands Non-life, Compliance, and Risk Management.
-  **Taskforce Sustainability in Business**
 - Advises Management Board and supports BUs on meeting regulatory requirements, integration of sustainability in our products and services, and capability build-up.

Operational implementation

- Centre of Expertise | Group functions | Business Units**
- Develop and implement sustainability policies and standards and embed it in day to day operations

-  **Cross-functional working groups**
 - Ensure there is internal alignment and oversight on specific themes (e.g. net-zero strategy, biodiversity)
-  **Taskforce Sustainability in Business workstreams**
 - Facilitate implementation of the Taskforce objectives

Risk management

- Enterprise Risk Management (ERM) and Investment Risk Management (IRM)**
- Integrates sustainability in risk framework & policies, risk management and reporting, and helps mitigate strategic, financial and non-financial risks



Executive Board compensation

Several strategic targets linked to the Executive Board's variable remuneration are related to sustainability, including the contribution to the transition to a low-carbon economy and the reduction of our direct environmental footprint. These climate-related targets set measurable reduction targets for a specific year. Read more in the NN Group Annual Report 2022 on page 122.

Education and training

The Executive Board, Management Board, Supervisory Board and senior management attend knowledge sessions on our sustainability developments, the regulatory landscape, and our net-zero strategy from internal and external experts. We have introduced specific learning modules for specialists and a general sustainability training for all employees in 2023.

* Operational third quarter 2023

Risk function

The Risk function at NN Group is embedded in the ESG Framework, and ESG risks are being integrated in the risk management system. A key role of the Risk function is to enable, challenge and support the realisation of NN's ESG ambition, and mitigate strategic, financial and operational sustainability risks. The Risk management function challenges our management on the sustainability risks within the business lines and supports management in adequately mitigating these risks.

Furthermore, risk management is supporting our business lines with implementing regulations related to sustainability matters and NN's risk framework & policies, risk management and reporting. In 2022, NN Group Risk has established Centres of Expertise, amongst others in the area of sustainability risks, to ensure solid understanding and effective oversight of important emerging/sustainability risks.

Remuneration

NN Group's remuneration policy sets out guidelines and principles for the remuneration policies of all business units within NN Group. Clear financial and strategic performance objectives are set, which are aligned with the overall strategy of NN Group.

Reporting and transparency

In addition to this Climate Action Plan, we will report annually on our performance in our Annual Report and via third party platforms like CDP.

The NN Group Annual Report 2022 also includes our disclosures in line with the Task Force on Climate-related Disclosure (TCFD) recommendations. Read more in the box 'Implementing TCFD recommendations'.

Climate action and Risk Management

During 2023, NN Group Risk will finalise its qualitative ESG Risk Assessment with a primary focus on the climate change related components (i.e. physical and transition risks) of the environmental area. This work is building upon earlier studies and analysis performed. Based on the outcomes of the ESG Risk Assessment a roadmap will be determined to quantify the preselected material balance sheet components taking into account various IPCC Scenarios, time horizons and transition pathways. Finally, an ESG risk dashboard will be developed and integrated in the regular risk dashboard environment.

Implementing TCFD recommendations

To mitigate and adapt to the impact from climate change, we must first understand the physical and transition risks and opportunities most pertinent to our business activities. In order to do so, it is important that the quality and availability of climate-related financial disclosures continue to improve.

In 2017, the Task Force on Climate-related Financial Disclosures (TCFD) published recommendations with the objective to encourage organisations to evaluate and disclose on material climate-related risks and opportunities. Through transparent disclosure of climate-related data,

they expect the financial system to be more resilient to risks related to climate change.

To support our understanding and strategies towards climate-related risk, NN expressed its support for the TCFD in 2017. As a result, we started to implement the TCFD recommendations in our Annual Report, and we started encouraging our investee companies to do the same.

Our climate-related disclosures focus on the four pillars of the TCFD framework; governance, strategy, risk management, and metrics and targets. Conducting a scenario analysis is a key part of our efforts to understand how climate-related risks and opportunities impact our business over different time horizons. We conduct these analyses separately and/or as

part of NN Group's annual Own Risk & Solvency Assessment (ORSA). We use the gained insights as further input for formulating our investment strategy and integrating climate change aspects into our insurance underwriting and risk management practices. For more information, please refer to the TCFD table on page 322 of the NN Group Annual Report 2022.





Building our net-zero roadmap

To reach our ambition, we have set specific targets for our assets, liabilities, and own operations.

GHG accounting

GHG accounting is the first step in defining a roadmap to net-zero. It allows us to measure and understand our emissions, formulate strategies to achieve reductions, and subsequently monitor the progress we are making. We distinguish between emissions associated with our assets (financed emissions), liabilities (insurance associated emissions), and our own operations.

In our carbon footprint methodology, we aim to be consistent with internationally recognised standards, such as the 'Global GHG Accounting and Reporting Standard for the Financial Industry' from the Platform Carbon Accounting Financials (PCAF). For both our financed emissions as well as our insurance-associated emissions, we make use of the corresponding PCAF Standards.

Carbon footprint measurement and reporting remain areas of ongoing development. As an active member of PCAF, we help to advance industry standards and harmonisation of measuring and reporting financed and insurance associated emissions.

Additionally, we aim to improve our data on attributed GHG emissions as well as the methodologies used to calculate these on a regular basis by applying new scientific insights, regulatory requirements and/or industry standards. Data improvements and amendments and refinements of methodologies may affect our carbon footprint analysis of today as well as future projections and pathways in future years.

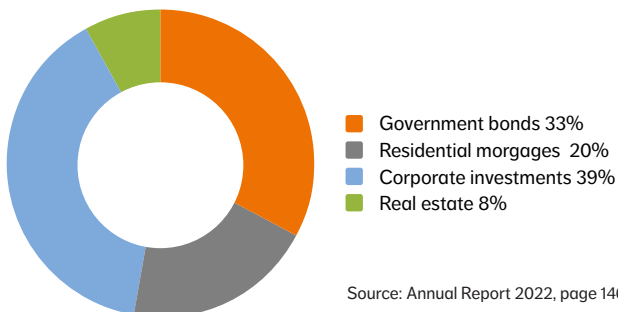
Case study

Carbon footprint of NN Group's proprietary assets

In our NN Group Annual Report 2022 (pages 146-149), we provide a carbon footprint analysis for approximately 82% of NN Group's proprietary assets on the balance sheet, which includes the general account investment portfolio of insurance entities, assets of NN Bank (primarily residential mortgages), and holding companies within NN Group. Our carbon footprint covers all major asset categories, including government bonds, corporate investments, residential mortgages, and real estate investments. The main asset types not included in this analysis were cash, derivatives, asset-backed securities, non-corporate loans, and private equity. For more information on proprietary assets and their relation to the balance sheet, please refer to Annex 'Mortgage assets on our balance sheet'.

Carbon footprint of NN Group's proprietary assets

Breakdown of assessed assets



As carbon footprint methodologies continue to evolve, we are constantly working to improve our methodology and data sources. To this end, we have updated our analysis for residential mortgages in 2022. Additionally, we are currently working on aligning our carbon calculations for government bonds with the latest recommendations from PCAF, published in December 2022.



Assets - financed emissions

For NN Group it is important that we can measure the indirect emissions of our investments, the so-called financed GHG emissions. Since 2017, NN Group has measured and disclosed emissions of its proprietary assets. Read more in the case study 'Carbon footprint of NN Group's proprietary assets'. Refer to the Annex 'Defining our assets' for an explanation of proprietary assets.

Liabilities - insurance associated emissions

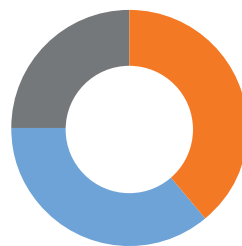
To reach our ambition for net-zero insurance underwriting, we started implementing GHG accounting in 2022 according to the current PCAF Standards. With the currently available data, we have calculated on a best effort basis the insurance associated emissions for our insurance underwriting portfolio and included the lines of business covered in the PCAF Standard. Please refer to the section on insurance underwriting for more details.

GHG emissions from our own operations

Next to the impact through our investments and liabilities, we also focus on reducing the emissions from our own business operations. Measurements cover emissions from our buildings, and business car and air travel. As shown below, the energy consumed by the NN Group sites is the main part of the emissions of our direct operations.

Breakdown of GHG emissions of our direct operations in 2022

in kilotonnes



- Energy consumed on NN sites 39%
- Car travel 36%
- Air travel 25%

Read more on the carbon footprint of our own operations on pages 36-37 and in the NN Group Annual Report 2022, page 145.

Building our roadmap from different perspectives

In the following sections, we provide an overview of the strategies we have developed for decarbonising our assets, liabilities, and our own operations. To align more with our activities and how we are organised, we have set out our strategies from different perspectives:

- Insurance general account investments
- Banking
- Insurance underwriting
- Own operations

Assets
Financed emissions

- Transition proprietary assets to net-zero GHG emissions by 2050

Refer to sections:
'Insurance General Account investments' and 'Banking'

Liabilities
Insurance-associated emissions

- Net-zero underwriting portfolio by 2050

'Insurance underwriting'

Own operations
GHG emissions

- Net-zero operations by 2040

'Own operations'

Insurance General Account investments

Decarbonising our investment portfolio is vital to achieving our net-zero goals as it represents our material scope 3 emissions, meaning it is the largest share of our total direct and indirect emissions. Our ability to achieve our goals is contingent upon the actions of our investees to commit to science-based targets aligned with the Paris 1.5°C pathway.

At year-end 2022, NN Group's general account assets that are held on behalf of our insurance entities amounted to approximately EUR 175 billion. The size and diversity of our portfolio provides opportunities to influence and support the change necessary to create a low-carbon economy.

Objectives

There is a big difference between achieving net-zero in the actual world versus in an investment portfolio. By lowering our exposure to companies in carbon intensive sectors, we could decarbonise our investment portfolio relatively fast. Carbon intensive sectors like power generation, steel, and cement are however needed in the future as well, and capital is needed for these sectors to be able to decarbonise and transition. We believe that investing in companies with ambitious and credible decarbonisation targets as opposed to divesting, has a bigger impact on achieving net-zero in the actual world.

Our approach to align our investment portfolio to the goals of the Paris Agreement is guided by the IIGCC Net-Zero Investment Framework (NZIF), which NN Group contributed to.

Actions to meet our objectives

Using the NZIF as a guide, we developed a strategy for investments in climate solutions and updated our approaches for phase-out and exclusions. We further explain these asset-class specific strategies on pages 16-30.

The key dimensions of our approach:

1. Decarbonising by investing in better climate performers

Decarbonising our portfolio in line with trajectories consistent with the Paris Agreement means not just considering a carbon footprint but taking a forward-looking view and assessing credible transition strategies. We integrate those findings in our investment selection and seek to invest in assets which have better climate strategies and/or green bonds.

2. Engage with issuers to guide them in their transition

Engagement is an important instrument in our approach, as we believe this is key to ensuring decarbonisation in the real economy. This means we develop clear climate change stewardship expectations with milestones and targets. For transitioning companies, we request to see improvement against transparent and measurable criteria.

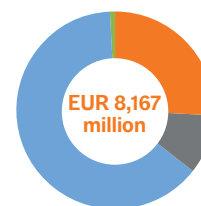
3. Investing in climate solutions

To meet this objective, we have developed an internal framework for defining 'climate solutions investments'. As an initial step in classifying climate solutions investments, and in line with guidance from PAII, we focused on energy efficiency and renewable energy.

In 2021, we have set an ambition to increase our investments in climate solutions with an additional EUR 6 billion by 2030, taking the total investments in climate solutions to around EUR 11 billion. Since then, we have invested EUR 3 billion in climate solutions, making total holdings in climate solutions EUR 8 billion. The increase is due to, among others, investments in green bonds, improvements to the existing building stock and new renewable infrastructure investments. The chart below shows the breakdown of the investments in climate solutions at year-end 2022. For more background and information, we refer to our 2022 Annual Report on page 142. Furthermore, case examples are provided on pages 18 and 19 of this Climate Action Plan publication.

NN Investments in climate solutions breakdown

at year-end 2022



- Green bonds 2,113
- Renewable energy investments 792
- Certified green buildings 5,198
- Other 64

For data and definitions, refer to Annual Report, page 142.

4. Selective divestment

While we prefer engagement over divestment, we draw the line if a company's activities and/or conduct are inconsistent with our norms-based RI criteria. When we see no potential to change a company's behaviour through engagement, we will not continue to back it as an investor within the contractual and legal possibilities. This could concern companies that engage in controversial environmental practices and where engagement has not led to any desired change. For more information on our approach to engagement, refer to the 'NN Group Engagement policy for Proprietary Assets', published on [NN Group - Responsible investment \(nn-group.com\)](https://www.nn-group.com).

From an activity perspective, we have set clear restrictions on the most environmentally harmful fossil fuel activities, for example oil sands. In addition, for NN Group's proprietary investments, we have a phase-out strategy in place that covers both thermal coal mining and coal-fired power generation. In 2022, we evaluated this phase-out strategy, and strengthened our screening criteria. We also adopted broader exclusions for unconventional exploration; in addition to oil sands, we added restrictions for shale oil and gas and Arctic drilling. In 2023, we also adopted policy criteria for conventional oil and gas companies. The combination of the unconventional and conventional oil and gas policies has resulted in NN's first comprehensive oil and gas policy that will be continuously monitored and adapted when necessary. Read more in the case studies on pages 23 to 26.

5. Considering climate risks

We assess risks and opportunities by systematically incorporating ESG and climate factors into our investment decisions, policies, and strategies across all asset classes. To make our portfolios more resilient to climate risks, it is important that we assess the financial implications of material climate-related risks across all asset classes. Furthermore, we will work on incorporating net-zero considerations into our Strategic Asset Allocation (SAA) to reflect climate change as another dimension embedded in risk-return optimisations.

NN Group conducts scenario analyses to help understand the level of risk and associated impacts on its assets caused by climate events. This is a particularly important consideration for the real assets in which we invest, such as real estate and infrastructure.

To enable effective decision-making when it concerns our resiliency to climate-related risks, comparable climate data is necessary. This is something we actively source and incorporate into our processes. We are therefore supportive of the TCFD framework to support climate reporting globally.

6. Join forces to develop best practices

We are part of the PAII Net-Zero Asset Owner initiative, and will work with our peers to continue to drive best practice around measuring financed GHG emissions and Paris Alignment strategies. For example, through our continued involvement in the PCAF and the PAII.

7. Public policy advocacy

Government policies are key to achieving the goals of the Paris Agreement. As a financial institution, we can play a part in this process by expressing our support for ambitious policy action. We join other investors and businesses in supporting the need for stronger climate policies. For example, NN Group signed the '2022 Global Investor Statement to Governments on the Climate Crisis'. To date, more than 532 institutional investors representing USD 39 trillion in assets have signed the statement. The statement urges governments to implement policies consistent with a just transition limiting global temperature rise to 1.5°C via policies such as: medium and long-term climate strategies, transitioning energy away from fossil fuels, ending deforestation, bolstering climate finance, and strengthening disclosures.

Case study

Collaborating with our asset manager

In 2020, NN Group established the Paris Alignment Council, a collaborative platform between asset owner, asset manager and investors to create a structured dialogue and oversee the strategy development. Participating in this council were members of our NN Group Investment office, with our CIO as Chair, Corporate Citizenship, and our main external asset manager amongst others. Working together with our external asset manager in the Paris Alignment Council, enabled us to have open discussions, and share ideas and knowledge, such as:

- Clarifying NN's climate ambitions and goals to transform the entire portfolio to make real world impact
- Analysing information and assessing issuers (e.g., emissions, current alignment with the Paris Agreement)
- Defining a forward-looking decarbonisation plan
- Developing an engagement programme to help high emitting issuers with no net-zero target ambition to transition
- Deciding on exit/exclusion strategy for companies identified as unwilling to align through engagement.

Collaborative action taken by the Paris Alignment Council resulted in an effective transition strategy that in our view contributes to making real world impact.

Case study

Role of green bonds

We value the role of verified green bonds as a measure of investment in climate solutions and aim to incentivise investment and growth in this aspect of the market.

Criteria for classifying Green, social and sustainability bonds

NN invests in green, social and sustainability bonds through external asset managers. By investing in green, social and sustainability bonds, we contribute to the broader sustainability transition and aim to make our contribution to the UN Sustainable Development Goals.

As different green, social and sustainability bonds achieve different degrees of positive environmental and social impact we ask our external managers to follow the NN Green, Social and Sustainability Bond Standard. This standard sets minimum requirements that NN investments need to meet to be classified as green, social and sustainability bonds. The standard follows internationally adopted frameworks, draws on current market practices and needs to be applied together with the NN Responsible Investment Framework Policy.

Example: TenneT

NN Group holds approximately EUR 151 million of corporate green bonds of TenneT. These green bonds are included in our investments in climate solutions.

TenneT is the main Transmission System Operator (TSO) for the Netherlands, and a significant part of Germany, and the company owns and operates over 24,500 kilometres of high-voltage lines and cables. The company delivers electricity to 42 million domestic and business users.

The proceeds of the green bonds are used to invest in eligible green power transmission projects in the Netherlands and Germany. They are focused on connecting large-scale offshore wind farms to the onshore electricity grid, and investments in the onshore transmission grid.

As of 2020, TenneT has selected 19 projects which are included in their 'Green Project Portfolio'. These projects are related to the increase in renewable energy sources, such as wind and solar energy. This requires both onshore and offshore grid expansions in the Netherlands and Germany. In the next ten years, TenneT plans to build 4,000 km of additional onshore grid connections in Germany, and approximately 1,250 km onshore grid connections in the Netherlands. Around 2030, TenneT expects to have realised approximately 40 gigawatt (GW) of installed connection capacity for offshore wind farms in the Dutch and German parts of the North Sea.



Case study

Investing in sustainable infrastructure debt

In February 2023, NN Group and Rivage Investment (“Rivage”) announced the launch of Rivage Private Debt Fund for Infrastructure Climate Solutions, an innovative fund that seeks to finance infrastructure assets which provide solutions to the considerable challenges raised by climate change. The fund focusses on European projects in the sectors of wind, solar, hydro, public transport, EV charging, batteries, and energy management solutions. By contributing to green infrastructure financing necessary to reach global climate goals, the fund aims to catalyse the transition to a resilient low-carbon economy.

Accelerating the transition to a low carbon economy, is at the heart of both NN Group and Rivage’s strategic vision. By setting ambitious sustainability targets, the Infrastructure Climate Solutions Fund is designed to combine different types of debt financings for sustainable infrastructure assets in Europe. The infrastructure sector remains a key component in combatting climate change by enabling drastic carbon emissions reductions, transition to a renewable energy mix, access to clean transportation and improving energy efficiency.

Classified as “Article 9” under the EU Sustainable Finance Disclosure Regulation (the highest sustainable classification in Europe), the fund will combine a clear roadmap (an ambitious maximum on the tons of CO₂ emissions per million Euro invested) that is aligned with the requirements of the Paris Agreement and with European environmental regulations (EU Taxonomy).

NN Group is committing EUR 300 million to the fund and Rivage will invest in the fund alongside NN. The fund is managed by Rivage Investment and will benefit from Rivage’s longstanding track record of providing tailored debt financing to renewable energy and low carbon emission infrastructure projects across Europe. So far, around EUR 1.5 billion has been invested by Rivage in solar farms and wind plants in 8 European countries (Estonia, Finland, France, Germany, Italy, Netherlands, Spain, and Sweden) over the past 10 years. The new commitment in the Infrastructure Climate Solutions fund will enable us to further support the energy transition and move to net-zero in Europe. The commitment is part of NN’s target to invest an additional EUR 6 billion in climate solutions by 2030.

Examples of commitments to investments in climate solutions that we made in 2022:

- Launch of Positive Impact Programmatic Venture to invest in sustainable and affordable Dutch residential real estate; initial equity commitment of EUR 500m
- Launch of Dutch Climate Action Fund, in partnership with DIF Capital Partners, that invests in projects and companies active in climate change solutions that support the Dutch energy transition; initial commitment of EUR 125m

For more details on these investments refer to the [Climate Action Plan December 2022](#)



Asset-class specific strategies

We invest in many different asset classes with various characteristics. We believe that a single approach or target is inappropriate, and have therefore developed asset class specific strategies and targets. Currently, this includes our major asset categories: corporate investments, sovereign bonds, real estate, and mortgages.

Corporate investments

The corporate investments portfolio includes listed equities and corporate fixed income (i.e., corporate bonds and loans).

Objectives and targets

Objectives and targets set the direction and ambition of a net-zero investment strategy and act as a means to monitor the effectiveness of the strategy. We have set a top-down reference target for CO₂ emissions for the corporate investments portfolio in line with net-zero pathways. To inform the GHG emissions target-setting process for the corporate investment portfolio, we used various approaches and methods, including the IIGCC recommended carbon budget approach. In addition, we compared the carbon intensity of the portfolio against the industry average and peers, to the extent possible. The intermediate reference targets are in our view ambitious and consistent with striving for 50% global reduction in GHG emissions by 2030.

We aim to reach these reference targets by implementing a strategy for portfolio alignment which focuses on achieving real economy decarbonisation. Together with our main external asset manager, we developed a methodology to categorise the companies in the portfolio according to their alignment or potential to align to a net-zero pathway. For new investments, we use a best-in-class policy to allocate towards companies who are better positioned in their journey

to transition to a low-carbon future. For existing assets, we focus on stewardship and engagement to drive alignment, as we believe this has the best chance of realising real-world impact.

Alignment with climate goals

NN Group has gathered data and mapped its holdings against a range of criteria to determine the current alignment status of all corporate holdings:

- Achieving net-zero
- Aligned to a net-zero pathway
- Aligning towards a net-zero pathway
- Committed to aligning
- Not aligned or insufficient data

The analysis to categorise portfolio holdings includes an assessment of a company's ambition to achieve net-zero GHG emissions by 2050 and nearer term targets, disclose scope 1, 2, and material scope 3 emissions, as well as their emission intensity performance. In addition, for high impact companies (defined as those companies on the Climate Action 100+ focus list or covered via the Transition Pathway Initiative company assessment), the analysis also focusses on the presence of a quantified decarbonisation strategy and capital allocation plan.

Multiple data sources were gathered and combined with internal analyst research to perform the baseline assessment, including:

- Climate Action 100+ Net-Zero Company Benchmark
- Private vendor data for carbon footprint and carbon budget assessment
- Science Based Target initiative (SBTi)
- TPI assessment from the Transition Pathway Initiative
- CDP

Read more in the Annex on how we mapped the categorisation criteria with the data sources. We expect the data hierarchy to evolve over time as improved data quality and coverage becomes available.

Based on this methodology, NN has set a 'portfolio coverage target' that will increase the proportion of corporate assets that can be considered to be at least 'aligning' towards net-zero, as outlined in the IIGCC Net-Zero Investment Framework. Read more in the box 'Targets for NN Group's corporate investment portfolio' on the next page. The target incentivises portfolio managers to invest in companies that are aligned or are aligning. Furthermore, it incentivises engagement between investors and portfolio companies to increase the ambition and quality of science-based targets set by portfolio companies, as well as robust transition plans to deliver on those targets and relevant disclosure.

Additionally, NN Group has set a supplementary 'engagement threshold' to ensure impactful collective and direct engagement with investee companies to support them to transition in line with requirements of 1.5°C scenarios. Read more in the box 'Targets for NN Group's corporate investment portfolio'. This objective will be conditional to the continuation of the Climate Action 100+ programme.

2022 Progress on Corporate Investments' targets

The total carbon footprint (absolute) of the corporate investment portfolio decreased to 3.725 kilotons CO₂e in 2022 from 4.272 in the prior year.* Besides decarbonisation measures across corporate issuers, the decrease is also attributable to the temporary impact of lockdown measures during the Covid pandemic. Due to a time lag in underlying emissions data from corporate issuers, this is the first time that the impact of Covid (2020) is reflected in the carbon footprint of NN's corporate investment portfolio. The carbon footprint per EUR million invested increased to 131 tonnes CO₂e per EUR million from 125 in the prior year (set as the baseline). We noticed that the volatility in enterprise value and market value during the past few years has had an impact because of the calculation method of this metric.

To gain a better understanding of our progress towards emissions reduction targets, it is essential to analyse emission trends over a longer period. In addition to this, we have also established portfolio alignment objectives to aid in monitoring and enhancing the effectiveness of our strategy. The portfolio alignment objectives are based on the methodology as described in the Annex on page 51.

* These numbers deviate from the numbers on pages 52 and 147 in the NN Group N.V. Annual Report 2022. The Annual Report erroneously mentions the numbers reflecting the decrease of the carbon footprint (absolute) of the total portfolio instead of the corporate investment portfolio.

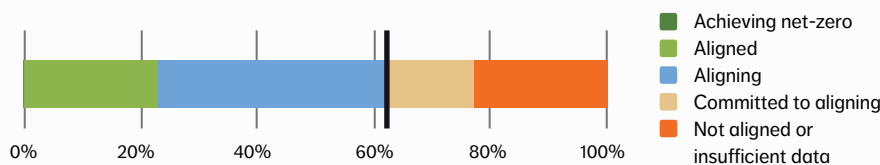
In 2022, the proportion of assets that are meeting at least 'aligning' criteria in our portfolio has increased. As a result, the 'portfolio coverage target' improved from 29% to 62%. More companies in our portfolio have stepped up their ambitions as we see reflected in an increase of Science Based Target initiative (SBTi) commitments, which contributed to an increase in the 'aligning' category refer to the chart on page 51. The 62% at year-end 2022 is above the objective that we set for 2025 (45%). For now, we have kept our portfolio coverage target unchanged, as we anticipate that underlying data sources (such as from SBTi, Climate Action 100+ Net- Zero Company Benchmark, CDP and TPI) will tighten their expectations over time.

The 'engagement threshold' stayed relatively stable versus the prior year. Based on financed emissions, 65% of companies are at least 'aligned' or subject to collective or direct engagement. Our objective is to increase this percentage to 75% by 2025. To achieve this our approach is to focus on the top 25 holdings in terms of financed emissions. We are currently evaluating our engagement plan to identify additional companies that we seek to engage with to encourage them to improve their climate ambitions and plans.

Corporate investments portfolio

Paris alignment objectives for NN's corporate investments portfolio

Portfolio coverage target (y/e 2022) based on assets

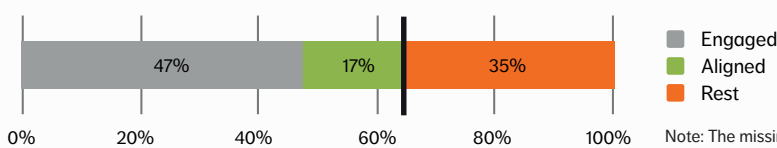


Proportion of assets meeting at least "aligning" criteria
End of 2022: 62% (2021: 29%)

Note: At present, we have not identified companies in our portfolio that are achieving net-zero

Engagement threshold (baseline)

based on financed emissions



Proportion of financed emissions in sectors that either already meet net-zero "aligned" criteria or that will be subject to direct or collective engagement actions
End of 2022: 65% (2021: 66%)

Note: The missing percentage in this table is due to rounding

Stewardship (voting and engagement)

NN Group has a listed equity portfolio where mostly 5%+ stakes are held in small to medium sized European companies. For this portfolio, a voting policy is in place (published on our corporate website [here](#)). In addition, our main external asset manager GSAM has defined an engagement strategy that prioritises a set of companies in the portfolio, whereby both NN's stake in the equity capital of the company, and its carbon contribution to our investment portfolio, are considered to achieve maximum influence and deliver impact.

Most of our corporate investment portfolio is composed of corporate bonds. Our main external asset manager is an active member of Climate Action 100+ and engages with some of the world's largest emitters using the Climate Action 100+ net-zero benchmark. NN Group also annually takes part in the CDP Non-Disclosure Campaign,

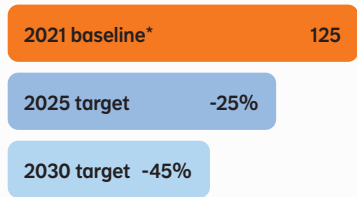
encouraging companies to disclose information on climate change, water, and deforestation risks. Additionally, we support the CDP Science Based Target Campaign to encourage companies to set long-term targets on reducing their GHG emissions.

We invited the key portfolio managers of GSAM to participate in a working group. The objective of this working group is to regularly discuss the implementation of the strategy and progress of engagements as well as to evaluate potential actions where we see continued poor performance. We base our monitoring of the companies' climate performance on the alignment criteria described here. In this working group, we also specifically focus on the top 25 holdings in terms of emissions in our portfolio. Where investee companies are not aligning to a net-zero pathway and not covered by individual or collective engagement, we will explore setting up an engagement plan.

Targets for NN Group's corporate investment portfolio

Portfolio decarbonisation reference interim targets

Reduce the financed emissions (tCO2e per EUR million)



* Based on underlying emissions data from 2019

Portfolio coverage target

Using a range of criteria to assess holdings, increase the share of assets that is considered at least 'aligning' towards net-zero



Engagement threshold

Increase the proportion of financed emissions that are either 'aligned' or under engagement and stewardship actions



Case study

Broadening our exclusions on unconventional oil and gas

Unconventional oil and gas exploration and production has the largest impact on the environment and is a significant source of GHG emissions.

Since 2019, NN Group's Responsible Investment Framework policy has defined norms-based RI criteria that resulted in the exclusion of activities in oil sands. In November 2022, NN Group adopted additional criteria for our proprietary investment portfolio around unconventional oil and gas exploration. The new criteria are as follows:

Arctic drilling

We no longer invest in, or hold, companies that directly derive more than 5% of their revenues from offshore oil and gas exploration and production in the Arctic region.

Oil (tar) sands extraction

We strengthened our existing restrictions applicable to oil sands by lowering our thresholds from 20% to 5%. This means that we will no longer invest in, or hold, companies that directly derive more than 5% of their revenues from oil sands extraction.

Shale oil and gas

NN Group will no longer make new investments in companies that directly derive more than 30% of their revenues from fracking/shale oil and gas. Our exposure has been divested.

We would like to note that, a restrictive selection process will be applied for companies that derive between 5 and 30% of their revenues from shale energy. New investments are not allowed unless these companies have a credible climate transition plan in place, to be assessed following the guidelines as outlined in the comprehensive oil and gas policy as adopted in May 2023 (read more on the following pages).



Case study

Comprehensive Oil and Gas Policy

NN Group launched its conventional oil and gas policy, in May 2023, to support its goal to transition the proprietary investment portfolio to net-zero by 2050. Our approach is to direct our investments to best-in-class companies willing to lower their emissions to net-zero by 2050. The new policy complements the existing policy on unconventional oil and gas companies, thereby developing a comprehensive oil and gas policy.

There must be a rapid transition away from fossil fuels to low carbon business activities. We believe that companies active in the sector should take early action to diversify and develop decarbonisation and business strategies. The development of our comprehensive oil and gas policy is an important step, and it stimulates investee companies to transition to a low carbon economy.

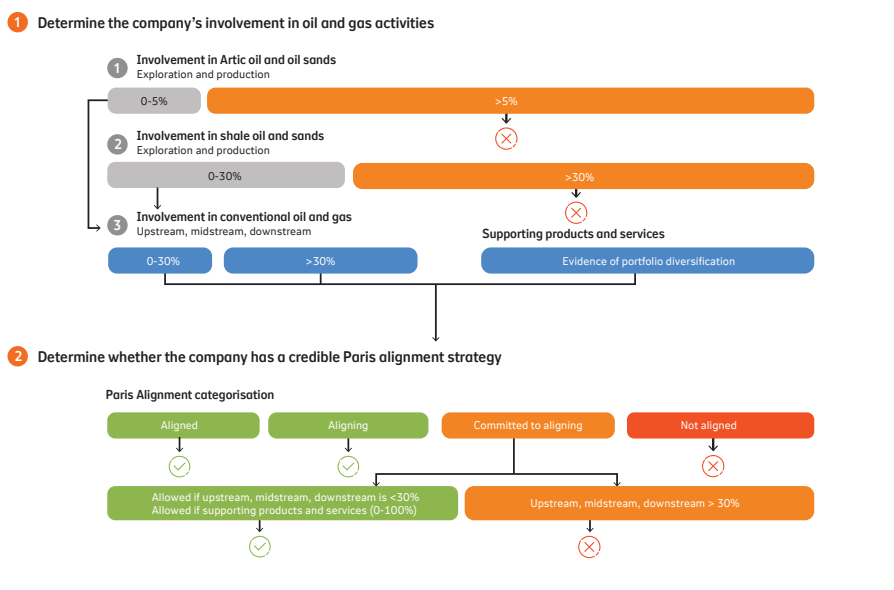
The policy makes a distinction between corporate and infrastructure investments, this includes companies and projects in the entire oil and gas supply chain. The total size of our investments is approximately 1% to 2% of proprietary assets; it is in upstream, midstream and downstream.

For **new corporate investments** (equity, bonds, and loans) we apply the following guidelines:

- NN no longer allows new investments in companies active in the oil and gas supply chain that are “not aligned” under our Paris Alignment categorisation framework (refer to Annex on page 51 for more details);
- NN no longer allows new investment in companies (including state owned companies) with more than 30% of revenues from oil and gas upstream, midstream, and/or downstream activities (excluding supportive products/service companies), and no credible transition plans categorised as “committed to aligning”;
- For supporting product/service companies, we will no longer invest in companies in the “not aligned” category. For companies that are categorised as “committed to align”, we expect them to demonstrate evidence of diversifying their portfolio away from oil and gas products and services to low-carbon solutions.

A figure that illustrates the steps to determine eligibility of a corporate investment is shown below.

Schematic overview policy



For new investments in infrastructure projects we will apply the following guidelines:

- No new investments in oil and gas exploration or production (upstream) projects;
- No new infrastructure projects (pipelines, oil and gas storage facilities and others) primarily focused on oil and gas (including liquid natural gas (LNG));
- No new investments in infrastructure using gas as a fuel to produce hydrogen (blue or grey hydrogen).

For existing investments and agreements we will apply the following guidelines:

- For all existing investments, we will keep the assets until maturity and focus on dialogue with companies through direct and collaborative engagement initiatives. The engagement will focus on topics such as Paris alignment progress, alignment of capital expenditures with climate ambitions, lobby activities, and a just transition. If we see insufficient progress, or a lack of willingness or perspective in terms of transition, we will consider divestment;
- With regards to discretionary mandates, we will adjust the asset management agreements to make necessary changes where applicable;
- When it concerns fund investments for which commitments have been made, we cannot change the conditions to incorporate stricter criteria as described in this policy. We will however have an active dialogue with the fund managers to encourage them to align with NN's policy where possible.

Read more details:

[‘Oil and gas policy for proprietary assets’](#)

NN’s coal phase-out progress

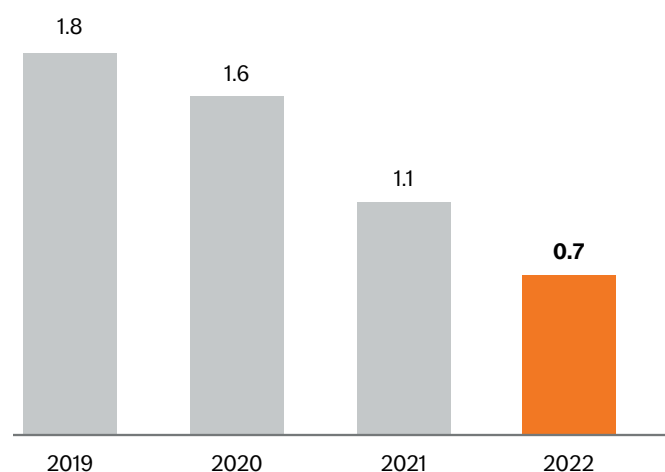
Coal is the most carbon intensive fossil fuel contributing to the rise of GHG emissions. Therefore, phasing out of thermal coal is necessary to reach the climate goals.

Since 2019, NN Group has a coal phase-out policy in place for its proprietary investments that covers both the mining and utility sectors. This policy aims to reduce the portfolio companies’ involvement in thermal coal mining and/or coal-fired power generation downwards to ‘close to zero’ (defined as between 0% and 5%) by 2030. The phase-out will be realised by the run-off of existing investments in our corporate bond portfolio and applying stringent criteria for new investments.

During 2022, NN sold investments which are not making sufficient progress in phasing out thermal coal-related activities and companies. The selective divestments partially contributed to the further decline of our coal-exposed portfolio. At year-end 2022, the portfolio of assets (all fixed income) that is subject to our objective to phase out thermal coal by 2030, amounted to EUR 752 million. Compared to three years ago, when we adopted the strategy (2019), this was EUR 1.8 billion. We will continue to monitor the existing holdings, and engage, where feasible, to reach our objective to reduce the portfolio companies’ involvement in thermal coal mining and/or coal-fired power generation downwards to ‘close to zero’.

Exposure to companies with >5% thermal coal involvement

EUR billion



Sovereign Bonds

According to the UN Emissions Gap Report 2019, emissions will need to be 55% lower in 2030 compared to 2018 to put the world on the least-cost pathway to limiting global warming to 1.5°C. At this stage many countries are not on track to achieve these goals. Therefore, in order to decarbonise our sovereign portfolio, we will need to over time select bonds with better climate performance. In addition, we also need to consider how we can support increasing investments in climate solutions. We recognise the role of eligible sovereign green bonds as a measure of investment in climate solutions and aim to incentivise investment and growth in this aspect of the market.

Alignment with climate goals – NN Country Climate Score

Following the NZIF as a guidance, we developed a scoring methodology for the countries in the investable universe; the NN Country Climate Score. The Climate Change Performance Index (CCPI) ratings from Germanwatch, forms a key part of our proprietary scoring methodology to evaluate and compare the climate performance of sovereign holdings. This index reflects both past performance in reducing emissions and investing in climate solutions, as well as forward-looking plans and goals of an issuer in delivering on climate goals. To stimulate investments in climate solutions, we give a higher score to sovereign green bonds in our proprietary scoring methodology. In determining whether sovereign bonds can be labelled as 'green', our asset manager has developed a methodology used for our proprietary portfolio based on three criteria: (i) an exclusionary issuer screening on environmental criteria, (ii) an assessment of adherence to

the Green Bond Principles, and (iii) an analysis of the issuer and underlying projects of green bonds. The assessment is used to judge whether the issuance of green bonds is aligned with the general climate change strategy of the issuer and whether the issuer has provided clear thresholds between green and non-green assets. As a result, we consider that an eligible green bond contributes to a better climate change performance of the respective country and supports the country to meet its climate commitments.

Objectives and targets

We have not established intermediate reference targets on the GHG emissions of the sovereign bond portfolio. One reason is the methodology for sovereign bonds GHG emissions accounting is still developing where the main debate is what the scope of emissions for sovereign bonds should be. Another difficulty is that we have limited room to change the composition of the portfolio given it is managed under a buy-and-hold strategy. Insurance business units might be required under local law or need to hold domestic issuance for liability matching.

NN Group has chosen therefore to steer on the portfolio weighted NN Country Climate Score. We aim for the score to be equal or better at the end of the year compared to the start of the year. Certain exemptions to reach the portfolio weighted NN Country Climate Score average minimum threshold for domestic liability matching can be allowed when Business Units require this.

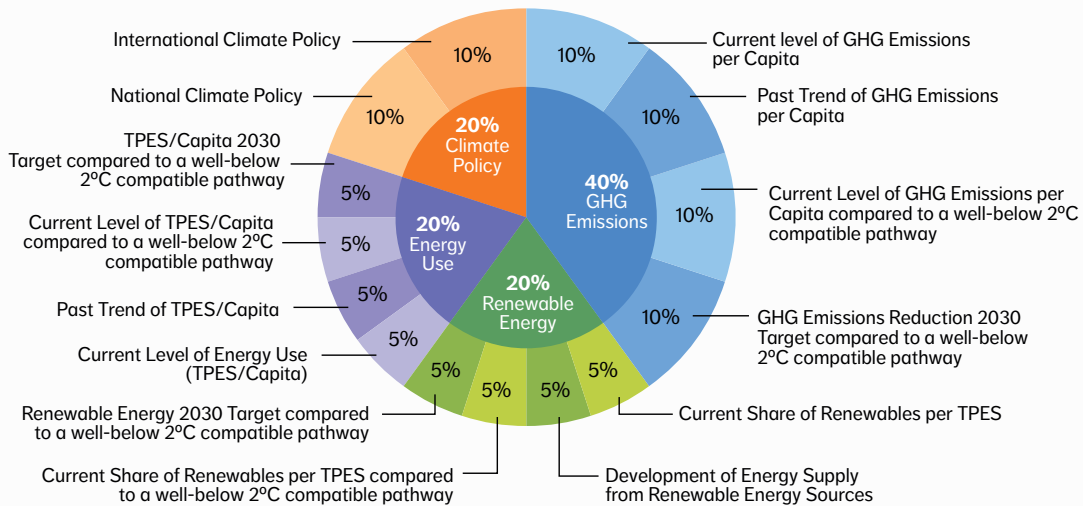
In the first year of the strategy, the portfolio weighted NN Country Climate Score slightly deteriorated. This was due to a re-allocation of assets to other asset classes, whereby some developed market bonds with better climate performance were sold. This also shows the difficulty of steering since our portfolio is dominated by developed market bonds.

Another challenge is related to data. For developing markets, many countries are not part of the CCPI. The CCPI only covers 60 countries (as of 2022) and does not include the country's exposure to fossil fuels. The current methodology addresses these limitations. We are currently reviewing this methodology to ensure that it fits with NN's strategic goals which we aim to finalise in 2023. At the same time, we are also currently working on aligning our carbon calculations for government bonds with the latest recommendations from PCAF, published in December 2022.

CCPI Country Ratings

The Germanwatch Climate Change Performance Index (CCPI) assesses each country’s performance or, more specifically, the extent of alignment with the well below 2° C pathway, using four main categories (see image below): GHG emissions, renewable energy, energy use, and climate policy.

Components of the CCPI



Physical climate change-related risks

NN Group is predominantly exposed to sovereigns bonds from developed markets where physical climate change-related risk might be less likely to have severe implications for sovereign debt. However, when looking at developing markets, countries are more exposed to the effects of climate change. Therefore, we believe it is important to capture exposed countries as part of our risk management and monitoring of sovereign risk. To measure our sovereign holdings exposure to physical climate risks and opportunities, we make use of tools such as the Notre-Dame University’s Notre Dame-Global Adaptation Index (ND-GAIN) Country Index. This index measures a country’s vulnerability to climate change and its readiness to improve resilience. Refer also to the NN Group Carbon footprint report 2020.

Engaging with sovereigns

We believe it is important that we seek to leverage our influence as an investor to promote alignment with the goals of the Paris Agreement. In 2022, our main external asset manager GSAM, engaged with several sovereign issuers globally. Furthermore, the green bond team had regular conversations with government-related issuers on national or regional climate performance and green bond alignment with the EU taxonomy. GSAM is also participating in the Policy Dialogue on Deforestation Initiative (IPDD). The IPDD is an investor-led initiative of 50 asset managers (with USD 7 trillion in assets under management) investing in Indonesia and Brazil and whose goal is to halt deforestation in those countries. Reducing (the rate of) deforestation will positively contribute to the goals of the Paris Agreement.

Real Estate

NN Group invests in real estate through both direct ownership of buildings and indirect investments via non-listed real estate funds. The portfolio is spread over sectors and regions across Europe.

In setting a net-zero strategy for NN’s real estate portfolio, we have defined specific net-zero commitments and targets for both our directly managed and indirect portfolios. The targets focus on increasing the proportion of net-zero or aligned assets as well as increasing engagement; the strategy uses guidance from external organisations such as the Net-Zero Investment Framework (NZIF).

Directly managed assets

For our directly managed assets, the aim is for all buildings to be on a 1.5°C pathway by 2030. This covers scope 1, 2, and part of scope 3 (tenant operational emissions). For operational GHG emissions (i.e. scope 1 and 2) we aim to achieve net-zero by 2040.

We are currently performing asset-level analysis, utilising the Carbon Risk Real Estate Monitor (CRREM) to model each building's pathways and define the necessary improvement plans. Key measures defined are improving energy efficiency and expanding the use of renewable energy. In the case box on the next page, we give an example of how we use the CRREM tool to analyse and define actions to bring the buildings on the 1.5°C pathways. Further work will be done on setting a quantified target for reducing kgCO₂e/square metres for the portfolio. We expect to complete this work in 2023.

As an additional objective, we aim for directly managed buildings to have a Sustainability Certificate as approved by GRESB for 100% of standing assets in the direct portfolio (beginning of 2021: 83%).

Indirect portfolio

We also defined net-zero ambitions for our (non-listed) indirect real estate portfolio. By 2030, we aim to have most of our funds (>75% based on Gross Asset Value (GAV)) committed to achieving net-zero GHG emissions by 2040 or sooner (scope 1 and 2), and the remainder by 2050 or sooner. Our main lever is engagement with the management of the funds in which we invest to increase their ambition to reach net-zero emissions.

Adaptation measures to address physical climate risks

We conducted an analysis to evaluate our real estate portfolio's potential exposure to physical climate risks and worked with our real estate manager (CBRE) to set clear objectives for addressing such risks. For more information, please refer to 'Assessing physical climate risks in real estate' on page 70 of the NN Group Annual Report 2021.

Targets for NN Group's real estate portfolio

For our directly managed assets, our aim is for all buildings to be on a 1.5°C pathway by 2030. This is for scope 1, 2, and part of scope 3 (tenant operational emissions). For operational GHG emissions (i.e., scope 1 and 2) we aim to achieve net-zero by 2040.

For our indirect real estate portfolio, our target is that by 2030 most of our real estate funds (>75% based on GAV) are committed to achieving net-zero GHG emissions by 2040 or sooner.



Case study

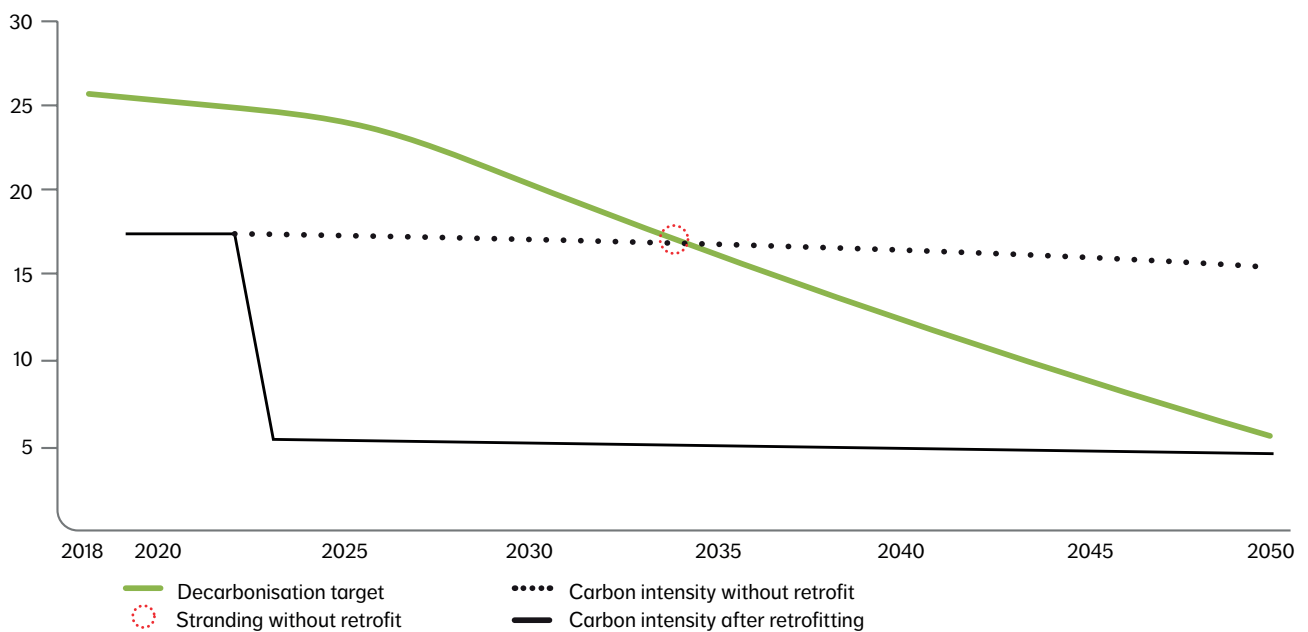
How we model buildings against the CRREM pathway

CRREM is the primary tool used in the NN Real Estate Paris Alignment Strategy to understand a building’s position and retrofits needed to align with a 1.5°C pathway. The graph below shares an example of a building, a warehouse in Belgium, from the NN portfolio. The dotted black line represents the building’s baseline and future carbon performance in terms of the GHG intensity, which is calculated as the amount of annual GHG emissions per building floor area. The green curve represents the target decarbonisation pathway of the building. The curve aligns with a 1.5°C pathway and should not be exceeded if a property intends to be in line with the goals of the Paris Agreement. If the emission intensity is above the green curve, “stranding” occurs meaning the building suffers from unanticipated or premature write-downs or devaluations. In this example without any measures taken stranding would occur in 2034.

Only appropriate retrofits reducing the GHG emissions can ensure that the building will remain aligned. Retrofits can include amongst others changing to a renewable energy source and/or better insulation. For this particular building, a proposal has been made to replace the current heating system including gas heating units by heat pumps. The system will consist of air heaters connected to a warm water network heated through electric pumps. In addition, roof renovation is taking place to improve insulation. Both these measures result in a significant decline of GHG intensity of the building in 2023 (shown by the black line) bringing the building below the target pathway.

This example resembles a building where improvements are made directly. For other buildings more steps over time might be needed to bring a building on the pathway. The aim is to have all directly-managed buildings in line with a 1.5°C pathway by 2030.

GHG intensity
kgCO₂e/m²/yr



Residential mortgages

Residential mortgages form an important asset category within the insurance general account investment portfolio. Most of these mortgages have been originated by NN Group's own banking operations. The General Account insurance also holds residential mortgages on the balance sheet from external mortgage originators. At year-end 2022, approximately EUR 32 billion are originated and/or serviced by NN Bank, and approximately EUR 6 billion is originated by external mortgage providers. Read more in the Annex 'Mortgage assets on our balance sheet'.

NN Group is working towards incorporating net-zero considerations into our investment process for the mortgage portfolio in a number of ways.

ESG integration in portfolio management

For both the NN Bank and the externally originated mortgage book, we monitor and evaluate relevant ESG aspects periodically, and engage with the originators to make progress on sustainability. Here we also focus on the need for more data insight on environmental and social factors.

Since 2019, we have annually measured the carbon footprint of the NN Bank originated and/or serviced mortgage portfolio. There are however challenges in the way carbon footprints of mortgages are calculated today. Together with NN Bank, NN Group actively participates in the PCAF to help improve and harmonise carbon measurement of mortgage portfolios.

Engage with mortgage lenders to encourage net-zero strategies and targets

For NN Bank originated and/or serviced mortgages, we combine target setting on an aggregated basis for mortgages in the general account insurance and mortgages that NN Bank holds on its own balance sheet. Read more in the case box 'Our approach to target-setting mortgages' on page 31.

In the NN Bank strategy, we focus on combining both the contribution to a low-carbon economy by encouraging borrowers to improve the energy-label of the house to reduce GHG emissions and the contribution to an inclusive society by ensuring access to finance.

For the mortgages from external originators that we hold in our insurance general account investment portfolio, NN Group does not have a direct customer relationship as we have for the NN Bank originated mortgages. This makes target setting on these mortgages more difficult. However, we do engage with the external originators to monitor their ambitions and progress and check if those are aligned with our own. We also undertake actions that are focused on data and transparency to get better insight into the portfolio and its climate impact. To date we have not calculated the footprint of this external mortgage book, but we are evaluating how we can do this in the future.

“

...encouraging borrowers to improve the energy-label of the house to reduce GHG emissions and the contribution to an inclusive society by ensuring access to finance.

Stimulate actions to decarbonise mortgages

While we encourage and seek to finance sustainability propositions focused on new origination, we are very aware that a large part of our efforts should also be focused on our existing mortgage book. We are discussing with the originators, both internal and external, how they can stimulate both new and existing mortgage clients to improve the energy efficiency of their houses. For instance, by developing specific product propositions that offer mortgage customers help and incentives for making their homes greener, such as the Woonnu label introduced by NN Bank in 2020.

Assessing climate risks of mortgages

We also perform scenario analysis and stress tests on the mortgage portfolio based on climate-change assumptions to get more clarity on how climate risk can affect the portfolio. In 2021, we updated our analysis on the impact of flood risks on our Dutch residential mortgage portfolio, and we included an analysis on drought (which can cause pole rot damage to the wooden foundations of buildings through low groundwater levels). Read more in the NN Group Annual Report 2021 on pages 76-77.

Banking

As a retail bank serving close to 1 million customers NN Bank, a fully owned subsidiary of NN Group N.V., provides mortgages, savings, insurance, and investment products. NN Bank also provides mortgage origination, administration, and management services to other NN Group entities and institutional investors.

Mortgages

NN Bank is currently ranked as the fifth largest mortgage provider in the Netherlands based on Kadaster 2022 (new production) data. With residential mortgages forming a significant part of NN Bank and NN Groups' assets (see also Annex 'Mortgage assets on our balance sheet'), it is a key focus area within our sustainability strategy. One important aspect of this strategy is supporting and engaging with mortgage customers to make their homes more energy efficient. We have set targets to steer our mortgage portfolio towards net-zero by 2050, and to monitor our progress, we have established emission reduction reference targets for 2030.

To achieve the Paris Agreement's goals, we believe that greater collaboration across the entire value chain is essential. All parties, including insulation material suppliers, distributors, installers, government, sustainability advisors, financial intermediaries, and financial institutions, will have to contribute to achieving these goals.

Action to meet our objectives

NN Bank has defined the following areas for action:

1. Engage with and encourage NN Bank's customers to reduce their GHG emissions

NN takes a directing role in engaging with customers to actively work on reducing their carbon footprint. We developed several propositions (for example Woonnu, Powerly and platform Better Living) and features (for example direct execution funnel to installation partners, B2B2C service concept for intermediaries) to spark customer activation providing customers with actionable insights and professional assistance in implementing sustainable and healthy living solutions in and around their homes. Furthermore, we are experimenting with solutions to decrease the perceived burdens towards lowering one's carbon footprint. We, for example, recently launched an experimental innovative engagement platform, where users unite themselves with other consumers to obtain better deals.

Our goal for 2023 is to engage and encourage 20,000 mortgage customers to reduce their carbon footprint.

2. Develop new mortgage-specific propositions and services

To better serve our clients, we continuously develop products and services that support their energy transition process. This includes specific and attractively priced product propositions that offer new and existing mortgage customers support and incentives for making their homes more energy efficient. An example is the Woonnu label that provides a discount for energy label B and better.

While further developing mortgage specific propositions and services, our focus will be on safeguarding an inclusive transition through empowering all customers, including services for our more vulnerable clients. In 2023 we will start adding energy consults, in cooperation with our consultancy partners, in our arrear management process to support customers in lowering energy bills and therefore optimising their household cash flow.

3. Leverage NN Bank's Green Bond Framework

We use the proceeds of bonds we issue under the Green Bond Framework to (re) finance mortgages for energy-efficient residential buildings in the Netherlands. Read more in the case box 'Aligning funding strategy with our ESG strategy'.



Case study

Aligning funding strategy with our ESG strategy

To align the funding strategy with its ESG strategy, NN Bank published a Green Bond Framework in June 2021 and has successfully issued several green bonds with a volume of EUR 1.765 billion.

NN Bank's Green Bond Framework follows best practices and market standards such as the ICMA Green Bond Principles and aligns with the EU Taxonomy Technical Screening Criteria (Delegated Acts). Compared to last year we have improved and enriched the available data and as a result we have added residential buildings built as of 1 January 2021 in the Netherlands meeting the NZEB (Nearly Zero Energy Building) – 10% criteria to our portfolio of green buildings next to the existing residential buildings built prior to 31 December 2020 in the Netherlands, as defined in the Green Bond Framework. We will continue to regularly issue green bonds in order to support sustainability improvements of our mortgage portfolio.

We ensure that the Eligible Green Portfolio matches or exceeds the amount of green bonds outstanding. We strive to grow the Eligible Green Loan Portfolio with loans meeting renovation and/or sustainability improvement measures criteria. However, to evidence EU Taxonomy alignment for these loans additional data is required.

With the input of NN Bank, NN Group published its Sustainability Bond Framework in February 2022, with the aim to finance both green and social projects. Under this framework, NN Group successfully raised green bonds with a current volume of EUR 1.5 billion. While mortgages currently constitute a major part of NN Group's Eligible Green portfolio, we aim to also grow our green investments in other areas.

4. Evaluate and adjust all other products to help customers in their sustainability journey

We believe we can also play a role in initiating and driving sustainability in our savings and retail investment products. Our retail investment product offerings have been adapted to include more Article 8 funds and we have recently launched an 'Aanvullend Pensioen Opbouw' (Supplementary Pension Build up) product containing Article 8 funds as well.

5. Contribute to (sector) initiatives and partnerships

To strengthen our customer propositions, we have joined various initiatives to gain and share knowledge and expertise on healthy and sustainable living. For example, we are one of the founding partners of 'Gezond Binnen' (Healthy Indoors), work actively together with TNO (Dutch organisation for applied scientific research), Longfonds (Lung Fund) and we have entered into a network initiative with The Green Village (Technical University of Delft) to further develop knowledge and skills in the

sustainability domain. Additionally, we will further intensify our cooperation with the financial intermediary through active support of knowledge development, activation methods, service concepts and (white label) content creation.

Having high-quality standardised data is essential to ensuring consistent reporting on our assets, allowing us to gain additional insights into our mortgage portfolio to help steer towards decarbonisation. In this respect we work together with industry peers in the Energy-Efficient Mortgages (EEM) Netherlands Hub, which NN Bank and Woonnu helped to initiate, and Partnership for Carbon Accounting Financials (PCAF) to develop harmonized standards and frameworks for energy efficient mortgages and carbon footprint measurement.

Our approach and target setting for residential mortgages

Methodology

Together with other financial institutions within PCAF, we developed a modelling approach to calculate the carbon footprint of the mortgage portfolio. The model covers the consumers absolute scope 1 and scope 2 emissions related to the energy use of properties financed through mortgages and reflects the indirect emissions in our lending portfolio. Construction emissions are not taken into account, notably building's embodied GHG emissions.

To estimate the CO₂ emissions of residential real estate, data regarding the natural gas and electricity consumption per residential object is needed. Because this data is not publicly available, PCAF has estimated the consumption per label and square meter by using Statistics Netherlands (CBS) data.

We used the tool of Carbon Risk Real Estate Monitor (CRREM) to analyse our portfolio against science-based decarbonisation pathways aligned with the Paris agreement. The pathways are calculated based on a carbon budget to stay within the boundaries of 1.5°C of global warming. The CRREM methodology is increasingly used by the financial sector and is aligned with recommendations from the Science Based Target initiative (SBTi). CRREM's scenario is real estate and mortgages specific, meaning it considers the sector's carbon budget and relevant technological developments in the decarbonisation pathways. The pathways are updated on a regular basis with the latest scientific input and stakeholder feedback. As a result, targets may change over time.

As CRREM uses physical emission intensity per m², we use data from the Dutch land register (Kadaster) to convert the current emissions to this metric. Based on these methodological decisions, we have developed a model in 2022 for the total portfolio of Dutch mortgages originated and/or serviced by NN Bank as represented on the NN Group balance sheet.

The model shows us we need to reduce our emission intensity to 18.0 kgCO₂/m² by 2030 according to the 2021 CRREM pathway for the Netherlands and the available CBS emission figures, a 34% reduction compared to our baseline 2021. Based on the currently used PCAF methodology this is equal to approximately an energy label A++ footprint or better on average for the whole portfolio in 2030. At the end of 2022, 30% of NN's mortgage portfolio was label A or better (provisional and definitive labels of dwellings, sources RVO, Kadaster).

The model also shows that we depend on government policies and actions. Greening the electricity grid is an important decarbonisation contributor in the residential housing market. In the current Dutch Climate Agreement, the government aims to accelerate the availability of renewable energy, with a target of a 70% renewable share by 2030. Our level of success also depends heavily on the success of the Dutch government in achieving these goals.

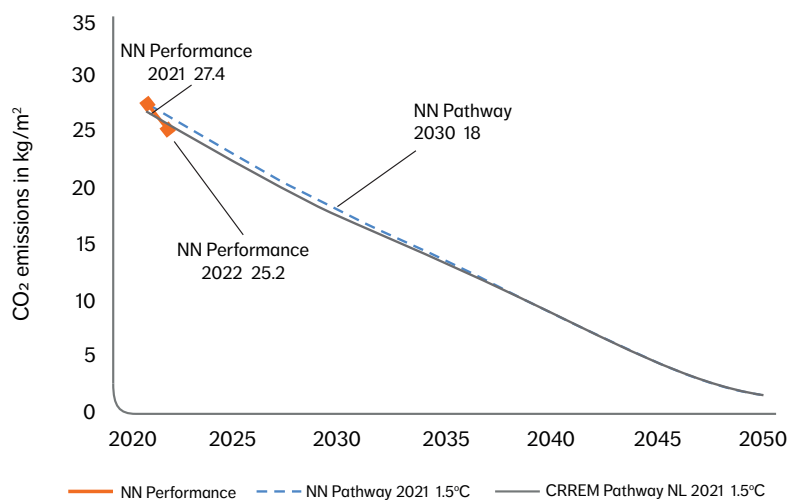
Targets for NN's residential mortgage portfolio

For our residential mortgage portfolio, our aim is to achieve the following financed emissions reductions:

- Baseline 2021: 27.4 kgCO₂/m²
- Target 2030: 18.0 kgCO₂/m² (-34%).



2021 CRREM Path NN vs actual emission intensity



January 2023 CRREM pathway

In January 2023 the CRREM pathway was updated through a collaboration with SBTi, and because of an adjustment of the global CO₂ budgets by the Intergovernmental Panel on Climate Change (IPCC). Several sectors, including real estate, have made insufficient progress in reducing carbon emissions to stay within the boundaries of 1.5°C of global warming.

While we are still analysing the exact implications of this update, our preliminary results indicate that the new pathway is considerably stricter than the 2021 CRREM pathway. A steeper pathway poses even more challenges, not only for our organisation but also for the Dutch government and the real estate value chain as a whole.

In view of these challenges, we firmly believe that collaboration and close cooperation between all parties in the residential real estate value chain are crucial to achieving the necessary results. Our joint efforts should focus on finding solutions to pressing issues, such as minimising social impact, ensuring an inclusive energy transition for all households, and ensuring the availability of sufficient materials and labour. Only by working together can we hope to address these challenges and achieve meaningful progress.

In the upcoming period, we will be further evaluating the updated pathways to determine the best way to leverage our resources and make a meaningful contribution. We also plan to engage with other stakeholders involved in these efforts to ensure that we are aligned and working together towards a common goal. It is worth noting that the government has plans to update the Dutch Climate Agreement in 2025 and can be expected to consider the updated decarbonisation pathways as part of this process.

In our next Climate Action Plan, we intend to provide further insights into our plans and actions, particularly with regard to the January 2023 CRREM pathway.

External factors and ability to influence

As part of the target-setting process, NN Bank has made an inventory of external dependencies. It provides us with input to continue to develop our strategy.



Social impact

Social impact

We believe that social impact will be a determining factor in the speed of decarbonisation. In the current environment, we see broader societal challenges emerging. Households that are confronted with rising energy bills will have an incentive to improve the energy efficiency of their homes. However the financial room to do so is limited due to an increased cost of living. Home improvements are also challenged by the lack of a technically schooled labour force and materials. As a financial institution we can support and educate homeowners regarding how to make their homes more sustainable but can also create awareness.



Government action

Government action

Besides our own efforts, we depend on all parties in the value chain to make the energy transition successful. In this respect, the government plays a pivotal role. We believe that government action has a significant impact on whether we will be able to reach the targets and has different levers of impact as well. For example, by implementing regulation & policies, creating financial incentives, meeting government ambitions, creating public awareness and providing the necessary infrastructure to green our energy sources.



Data accuracy

Data accuracy

Furthermore, data accuracy is key in determining our progress towards reaching our climate ambitions. A standardised approach and data collection would enhance comparability and collaboration between all parties, which subsequently would support the realisation of targets. Whilst we are working together with other financial institutions, we also see opportunities to cooperate more with the government to help address these challenges.



Technological advancements



Market standardisation



Public awareness and education



Supply chain developments



Availability of labour



Pricing effects

Case study

Data quality related to the carbon footprint of mortgages

Accurate and reliable data is essential when it comes to evaluating the carbon emissions associated with an investment or loan portfolio, as well as monitoring the progress towards achieving emissions reduction targets.

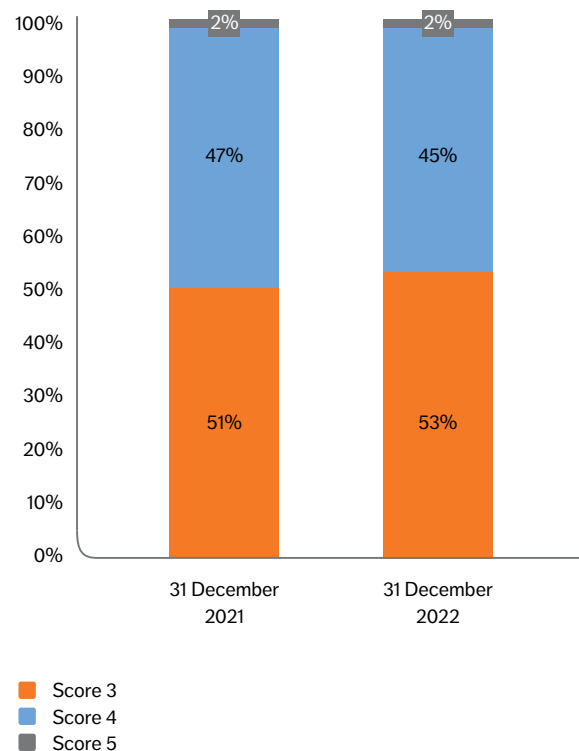
Within PCAF, 5 levels of data quality are being distinguished whereby level 1 is the highest and level 5 the lowest level.

Our current modelling approach for measuring the financed emissions of the mortgage portfolio can achieve a maximum data quality score of 3, as we rely on energy labels instead of actual energy usage data. Consequently, the determination of the PCAF data quality score is based on several factors including the presence of an energy label, the type of energy label (definitive, which earns a PCAF score of 3, or provisional, which earns a PCAF score of 4), and the surface area. When the surface area is unknown (PCAF score 5), the average surface area of the portfolio is used to calculate the emissions per square meter.

At the end of 2022, 53% of NN's mortgage portfolio had PCAF Data Quality Score 3, as shown in the picture.

To further improve the data quality towards actual energy usage per household the PCAF NL working group on mortgages is collaborating with external parties.

PCAF Data Quality Score mortgage portfolio NN Group
in %



Insurance underwriting

The insurance industry has an important role to play in challenges around climate change. Insurance companies can help to build more climate-resilient communities by providing coverage for climate-related risks, such as flood, precipitation, storm damage, or wildfires and by investing in sustainable infrastructure and businesses. Insurers can also enable the transition by helping to reduce GHG emissions by incentivising and supporting the adoption of low-carbon technologies and practices among its customers.

By supporting the transition to a low-carbon economy, NN can help to reduce the risks of climate change to society and the economy, while also contributing to a more sustainable future for all. The objective is to become net zero with our underwriting portfolio by 2050 latest.

Our approach is threefold:

1. Decarbonisation of our underwriting portfolio by reducing insurance-associated GHG emissions.
2. Engagement in the value chain to accelerate action to reach net-zero in the real economy.
3. Insuring climate solutions to play our part in enabling the transition to a net-zero economy.

We see both engagement as well as insuring climate solutions as essential approaches to reach GHG reduction in the real economy and subsequently decarbonisation in our underwriting portfolio. Please refer to the box 'Our approach'.

NOTE: The real economy refers to the actual production and consumption of goods and services in an economy. The financial sector can be influenced by the real economy, but it can also have an impact on the real economy through its financial activities. However, it is important to note that the real economy has a more direct impact on net-zero pathways.'

Our approach

Engagement to enable change in the real economy

NN believes an effective way to contribute to net-zero target setting for insurance is through engaging with our stakeholders (such as intermediary advisors and clients) in the value chain and subsequently the real economy to drive positive change. This approach allows us to use our influence as a financial services company to encourage companies to adopt more sustainable practices, reduce their exposure to risk, and contribute to a more sustainable economy. By engaging with companies, we can encourage them to take a proactive approach to sustainability, identifying and addressing potential risks and opportunities.

Overall, we believe that engagement with companies, rather than exclusion, is the most effective approach to achieving sustainable outcomes and to mitigating risks for both the insurance industry and society as a whole. Yet, NN recognises that certain sectors and activities, such as those in fossil fuels industry, have a such negative impact on the environment that we should apply exclusions. However, we also acknowledge that certain activities still play an important role in the global economy and that exclusion alone may not be the most effective approach to achieving sustainable outcomes. We should therefore focus on engaging and steering towards sustainable solutions first.

Insuring climate solutions

Climate change presents risks and opportunities, and these are expected to increase over the mid- to long term. It is difficult to quantify climate change-related risks, as both physical and transition risks are characterised by deep uncertainty and non-linearity, meaning their chances of occurrence are not reflected in past data and the possibility of extreme events cannot be ruled out. What we can state is that climate change will impact NN and its customers.

Within our insurance business, we manage physical climate risks in various ways. Resilience and adaptation should be included in our climate change approach. Therefore, we also seek to leverage opportunities for insuring environmental risks. We offer and develop a range of products that help customers adapt to, and mitigate climate change, such as coverage against severe weather events and defined contribution lifecycle pension products that promote sustainable characteristics. We also adapted existing features in our insurance offerings to address the climate-related need of our customers. For example, we provide cover for solar panels on residential and commercial insurance policies. For us to be able to insure these new risks, we continuously research new technologies as solar panels and their effects in case of damage.

Prevention

Helping our customers in taking preventive measures to become more climate-resilient in the future is also part of our approach. For example, by providing insurance products that protect against physical climate impacts and support low-carbon business models.

Also, within our property & casualty (P&C) business, NN helps customers take precautionary measures. E.g. we took a proactive approach to last year's February storm by providing tips to our customers on how to prevent damage to their properties. Aim is to prevent and minimise claims caused by windstorms, fire and other events.

Case study

Measuring insurance associated-emissions

NN Group is member of the PCAF working group on Insurance. In 2022, the working group developed a global GHG accounting methodology for standardising the measurement and reporting of insurance-associated emissions.

The PCAF standard defines insurance-associated emissions as GHG emissions in the real economy, which are associated with specific re/insurance policies aggregated in the re/insurance portfolio. This definition is for accounting purposes only. It is not intended, and should not be interpreted as, an admission of liability by any re/insurer for any emissions caused, or contributed to, by an insured or an insured activity. The main difference between financed and insurance-associated emissions is that insurers transfer risk associated with economic activities, but lack ownership of, or direct control over, customers' activities. When clients buy insurance products to enable them in their economic activities, insurers may be able to influence their actions.

The PCAF standard will enable (re)insurance companies to measure and disclose GHG emissions associated with the (re)insurance underwriting portfolios and as such, understand the climate impact of the insurance underwriting portfolio. This creates transparency, helps in managing climate related risks and in developing climate-friendly products, and enables to align insurance underwriting with the Paris Agreement.

Over 2022, NN ran first calculations to measure insurance-associated emissions for the business lines of the insurance underwriting portfolio in scope of the PCAF Standard. These measurements give insights into the carbon intensity of our underwriting portfolio, enabling us to set initial targets on those parts of our underwriting portfolio that are most material. We note that the data quality used to calculate insurance-associated emissions is key in determining our progress towards reaching our climate ambitions. As actual emission figures of individual SME companies are not yet available, we have used industrial sector average emission figures in our first calculations of insurance-associated emissions for our commercial lines underwriting portfolio in scope of the PCAF standard as a best effort estimate.

These industrial sector average emission figures used may be subject to change over time, for example in granularity or through other metrics and technologies. We also realise that individual company emission data may deviate from applicable and available industrial sector average emission data. As we continuously strive to improve the availability and quality of the data used for calculations including of our own data over time, we may therefore need to make adjustments to our emissions calculations. In addition to potential changes in the data being used for calculations it is possible that calculation methodologies, such as the ones we currently use, are subject to change as a result of new scientific insights, assumptions, regulatory requirements, new industry standards, or other developments. We aim to be transparent on such changes to allow for proper tracking of progress.



Actions to meet our objectives

NN Group recognises that achieving a net-zero insurance underwriting portfolio could best be achieved in joint action. We believe that knowledge sharing with key players in the international (re)insurance market is essential in the transition towards a net-zero economy. For the last two years, NN was, as member of several NZIA working groups, actively involved in the Alliance's work to provide the sector with open-sourced guidance on how to reach net-zero for insurance underwriting. NN has built its first set of targets in line with the NZIA work additionally using sector methodologies like PCAF. In line with this NN Group set first intermediate targets for its Non-life portfolio, focussing on commercial lines (our Property & Casualty insurances for businesses) and private motor (insurance underwriting for passenger cars; light-duty vehicles fuelled by fossil or renewable energy owned by individuals or households for personal transportation).

As the scope in for example the PCAF methodology broadens we will update our scope accordingly. Please refer to the case box on the previous page to learn more on the PCAF standards and how it relates to our net-zero target setting.

NN Life & Pensions

We acknowledge we can also have impact with our life and pensions business. Within NN Life & Pensions, a specific ESG policy - in line with the NN Group Responsible Investment (RI) policy - is tuned to the product characteristics and client needs of the Defined Contribution pension products. The ambition is aligned with NN's net zero target by 2050. Assets under Management in scope per year-end 2022 are EUR 21.3 billion. To raise awareness around climate change, we provide our customers with an overview of the sustainability impact of their invested premiums. Please refer to the case box on the right for more information.

Case study

Raising awareness

We believe that creating awareness around climate change will encourage actions needed for the transition. The NN Life & Pensions online platform Human Capital Planner (HCP), provides employers and pension advisors with relevant insights and tools. The HCP shows the sustainability impact of invested premiums and the impact of lifecycle investments in terms of CO₂ reductions, water savings and waste reductions. In November 2022 the HCP (and the HCP Pensioen Pulse) won the prestigious and renowned PensioenWegwijzer Award for its 'innovative and widely applicable' approach. The PensioenWegwijzer is a prize for initiatives that make it easy for people to gain insight into their pension and, where necessary, to take action.



Intermediate target-setting 2030 for NN Non-Life

In our approach to accomplish net-zero insurance underwriting by 2050, we are aiming to achieve net-zero, and enable and influence change in the real economy. Therefore we have set intermediate targets for 2030 in threefold: (i) decarbonisation for our underwriting portfolio, (ii) engagement in the value chain and (iii) insuring the transition.

Reducing insurance-associated emissions is an important step in realising a net-zero insurance underwriting portfolio by 2050. As an overall target, NN Group strengthened its coal policy for insurance underwriting which was first developed in 2019. Read more in the case box.

Coal policy

NN Group does not provide insurance services to companies that derive their revenues from thermal coal mining or unconventional oil and gas. Exempt from this policy for coal exclusion is our marine cargo business where this includes package and company insurance. Stand-alone coverage of thermal coal transport is not part of NN's existing product offering, and will not be considered in the future. This decision will not apply to the provision of products or services if they are intended for the benefit of employees, such as pension products and workers compensation. While our insurance underwriting exposure is limited, we believe this gives a strong signal to the real economy.

To further be able to set well-founded targets, we started with calculating our insurance-associated emissions (IAE) based on the PCAF methodology. As the current PCAF standard covers measure methods for specific commercial lines and private motor, we will further focus on these two segments in our intermediate target-setting 2030. (read more in the case box 'Measuring insurance-associated emissions' on page 37).

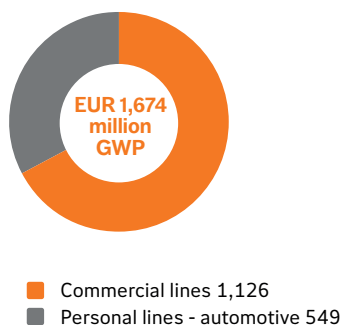
Private motor vehicles and commercial lines

Our total Gross Written Premium (GWP) for the business lines in scope of the PCAF standard is EUR 1.674 million with the majority being in commercial lines in the Netherlands. Of this portfolio, we calculated the IAE for specific sectors. Even though private motor represents a smaller part of the total GWP in scope, it covers a large part of our insurance associated emissions (in excess of 80%), partly due to the large attribution factor allocated to private motor in the PCAF methodology. Please refer to figure 1.



Figure 1: GWP and IAE for commercial and personal lines – automotive (2022)

In scope of net-zero target setting for NN Non-Life



Business lines	IAE kt CO ₂ e
Personal motor (second hand)	352
Commercial lines +	62
Total	414

NOTE: We note that the data quality used to calculate insurance-associated emissions is key in determining our progress towards reaching our climate ambitions. As actual emission figures of individual SME companies are not yet available, we have used industrial sector average emission figures in our first calculations of insurance-associated emissions. Please refer to the text box on insurance-associated emissions.

We analysed our current footprint analysis in relation to specific sectoral GHG-reduction pathways for the commercial sectors which have the highest IAE exposure for NN Non-Life. The sectoral decarbonisation pathways were built on current and planned Dutch governmental measures included in the Dutch Klimaatnota. Feasibility of the governmental measures is tested in line with the KEV (Klimaat en Energie Verkenning) 2022 sectoral pathways. Please refer to figure 2 and 3.

Guiding SME to net-zero

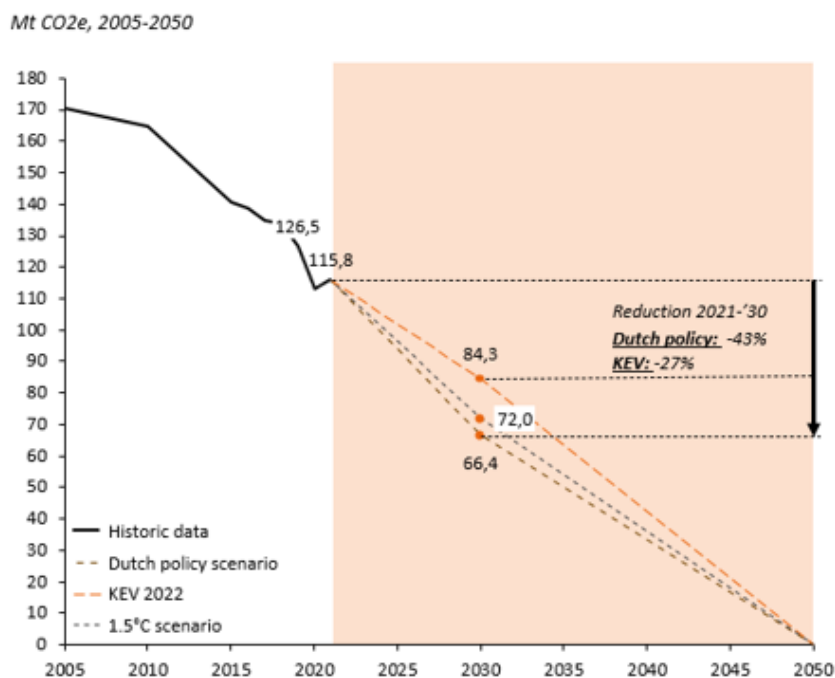
1. Decarbonisation targets for our commercial lines

The Dutch climate policy pathway for the ESR* sectors targets a 43% reduction between 2021-'30 (36% between 2022-'30), being slightly more ambitious than the 1.5 C scenario.

NN has set an intermediate carbon reduction target for the commercial lines in scope of the PCAF Standard on IAE with minimum of 26% reduction in 2030 compared to 2022.

In deciding on this target, we took the Dutch policy measures (based on the ESR sectors) and the KEV scenario's leading to decarbonisation pathways for our commercial lines into account. Additionally we took into account future inflation, economic growth assumptions, and limitations on data quality of the calculated IAE.

Figure 2: Decarbonisation pathways for ESR sectors (Scope 1 & 2)



We assume an overall reduction target of 26% GHG emissions by 2030 (versus baseline year 2022) for our commercial lines in scope of the PCAF Standard on IAE, is feasible. This is the goal NN aims for.** We will take our role as an insurer by increasing our efforts to encourage our intermediaries and clients to reduce their carbon emissions subsequently.



*The Dutch Climate Agreement includes measures across various sectors, including the ESR sectors. The ESR sectors refer to the sectors covered by the European Union's Effort Sharing Regulation (ESR), which includes a.o. emissions from transportation, buildings, agriculture, waste management, and small industry.

**26% Reduction is in line with IPCC's lower bound target (Source: AR6 WGIII C1 5th and 95th percentile interval) for net-global GHG (CO2e) emissions reductions by 2030.

2. Intermediate targets on engagement for insurance underwriting

Creating real world impact is an essential part of creating a net-zero insurance underwriting portfolio. We can only reach the goals of the Paris Agreement by influencing change in the real economy. Engagement with our clients is an important driver of change to steer the reduction pathways of our commercial line portfolios. We have set intermediate targets on engaging with intermediaries (among others to start with our top 50 intermediaries to engage on their clients with the highest IAE). NN will educate and inform intermediary advisors through our portals and online newsletters and via our partnership with INSVER*. We seek active engagement with clients with the highest IAE in cooperation with advisors, and by doing so we help our clients to develop their own transition plan. These activities will be part of our strategic portfolio management.

3. Insuring climate solutions

For our commercial lines we will focus on leveraging our insurance knowledge for activities that enable and accelerate the transition to a net-zero economy. We have implemented a dedicated insurance underwriting team focussing on new sustainability-related risks, for which we do not already offer an insurance solution. Insuring these new risks does not only help our clients, it also enables the transition to a sustainable economy. Additionally, we also improve our knowledge on new technologies and possibilities for products and services aiming for a net-zero economy. We will share this information with our advisors to improve their knowledge as well. Yearly we will conduct research on five net-zero climate risk technologies followed up by product and services development. This is aligned with our strategic portfolio management for selective growth where we focus on specific growth in low-emission sectors.

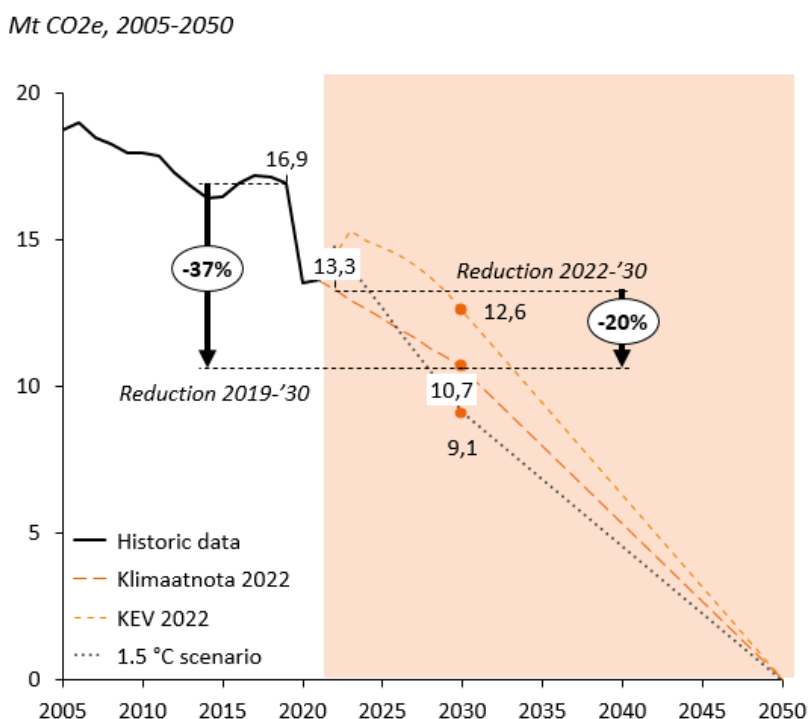
*INSVER is an sustainability platform for the insurance industry, their aim is to educate and inform the intermediary advisors. We are one of the partners.

Guiding motor vehicles to net-zero

1. Decarbonisation for private motor

We acknowledge the importance of establishing carbon reduction for our private motor portfolio and are committed to net-zero mobility towards 2050. However, we realise that achieving substantial progress in emission reduction by 2030 will be challenging. Currently, for private motor vehicles the transition path for the entire Dutch market is estimated to reach only 20% emission reduction between 2022 and 2030 taking the current policy measures of the Dutch government into account.

Figure 3: Decarbonisation pathway for Dutch passenger cars



It's important to note that the estimated transition path towards a 20% reduction in emissions by 2030 includes both new and used vehicles. However, as electric vehicles (EVs) will be introduced to the second-hand market at a later stage, we can expect a delayed effect of carbon reduction in that specific market. The reduction in GHG emissions for second-hand passenger cars is expected to be around 16-19% by 2030 compared to the baseline year of 2021. Given that a significant portion of NN's private motor portfolio is made up of second-hand vehicles, we anticipate a delay in carbon reduction for our portfolio as well until new EV introductions are made available. This makes it very challenging realising emission reduction goals towards 2030. The segment of second-hand passenger cars serves a significant part of Dutch households that can not afford new cars and are not catered through company lease fleets. Mobility for these households is important from a social perspective, and thus NN intends to support this segment through the transition. For the larger part we are therefore dependent on external factors such as the attractiveness, including pricing of EVs, or other non-internal combustion engines for a mass audience, continuous and accelerated support by the government, incentives to drive less/ more sustainable, the pace of development and manufacturing of EV manufacturers and other technological improvements. As NN we are committed to take our role to decrease the carbon emissions where we can. However, excluding clients (e.g., not insuring fuel powered motor or prohibitive pricing) does not present a sustainable solution. For this reason, we do not set an interim target yet.

2. Engagement for our private motor portfolio to net-zero

NN will actively promote sustainable driving by encouraging our customers to drive less (kilometres) and engage with clients and intermediaries to promote switching to electric vehicles (EV) where possible, e.g. leveraging propositions as Hello Mobility, Electrifleet and OHRA KM insurance.

3. Insuring the net zero mobility transition

We will leverage our knowledge on net zero mobility by means of research and explorations on changes within the private motor market and subsequently strive to develop sustainable products and services (e.g., attractive EV proposition, sustainable driving with mileage insurance and explore the EV private lease market).

Additionally, we will further develop and enlarge our sustainable repair network (SchadeGarant, GlasGarant) for both our property and mobility business in the coming years. Our ambition is to switch to sustainable repair as a default for all our insurance products, reducing resources usage.

Further actions to incorporate sustainability in underwriting activities

We are undertaking several initiatives to incorporate sustainability into our core underwriting processes. Such as incorporating sustainability related criteria (based on EU Taxonomy and IDD legislation) in our Product Approval and Review Process, efforts to assess the impact of climate change related perils based on forward looking scenarios, projects to increase the number of products that address environmental challenges, and implementing education programmes to provide more guidance in the field of sustainability to our employees.

Read more in the case boxes for examples on how we work towards adaptation ('Impact of floods') and mitigation ('Insuring recycling companies').

Targets for NN Non-life underwriting portfolio

In summary, we are committed to do what we can to reduce the carbon footprint of NN Netherlands Non-life underwriting portfolio to net zero by 2050, in line with the Paris Agreement. Our approach is to contribute to the real economy, taking a just transition into account. We are setting intermediate carbon reduction targets on our commercial lines segment, to reduce 26% carbon emissions in 2030 compared to 2022*. For the reasons explained above we do not set an interim (2030) target on motor vehicles yet. However, we remain confident that our long term goal can be achieved in this segment too. For both segments, and our complete underwriting portfolio, we will increase our efforts to engage with our clients and intermediaries and insure the transition by concrete actions from 2023 to 2030 and beyond.

*Main assumption to take into account with this intermediate target setting: Governmental measures will have to resort the proposed effect on our clients. Also, we currently rely heavily on sector averages and the data quality is to improve year by year.

Case study

Impact of floods

During the summer of 2021, southern parts of the Netherlands and Belgium were affected by flooding events that were partly attributed to climate change related effects. NN made immediate possible payment advances and provided additional coverage to customers in Belgium and the Netherlands. In line with EIOPA's objective to close existing protection gaps as much as possible, Netherlands Non-life has expanded the coverage under its policies with protection against a breach of secondary dikes.

Furthermore, NN Group believes that a joint approach with Non-life insurers in the Netherlands, reinsurers, and environmental authorities is needed to provide additional protection against losses resulting from breaches of primary dikes. Through our membership of the Dutch Association of Insurers and our intensive involvement in climate change related topics, Netherlands Non-life encourages the investigation of risk mitigating market solutions.



Case study

Insurance for recycling companies in the Netherlands

In the Netherlands, we have around 2,000 companies involved in dismantling, demolition and recycling of waste. These companies are often exposed to a high risk of fire and, moreover, there is often limited awareness of prevention, which causes more loss events for this type of industry. This results in lack of insurance offerings for these companies. Yet, from a sustainability perspective, recycling is essential. That is why our Non-life business conducted a pilot with 65 recycling companies in The Netherlands to investigate how this sector can be better insured in 2022.

Risk experts have looked at the recycling industry and mapped out what the market looks like, which companies are and which are not insurable (on the basis of certain premiums and conditions). We have assessed what kind of materials recyclers worked with, such as furniture, electronics, batteries or sand and also assessed the type of recycling activities they performed.



NN colleagues also performed onsite visits to participating companies to investigate the need to impose certain measures or conditionalities for insurance. As a result, we now insure recycling companies, whose activities focus solely on collecting, storing, sorting and processing waste. We offer a range of insurances with similar conditions as we offer other companies.

Own operations

As a financial service provider, our direct environmental impact is relatively limited as we mainly operate in an office environment. Nevertheless, we have an ambition to approach the environment with care and inform and strengthen engagement with our stakeholders. Therefore, we aim to effectively manage our direct environmental footprint by reducing our use of natural resources, seeking green alternatives and offsetting the remainder of our GHG emissions.

In line with our overall goal to accelerate the transition to a low carbon economy, we aim for net-zero GHG emissions for our operations by 2040. We have adopted

interim reduction targets for 2025 and 2030 across three scopes:

- **Scope 1:** Natural gas and company cars
- **Scope 2:** District heating and electricity
- **Scope 3:** Business air travel

Our target to reduce scope 1 and 2 is more ambitious as we can exert direct influence here. We acknowledge the existence of other upstream scope 3 emissions, for example purchased goods and services, waste, and employee commuting. We aim to include these emissions, by continuously improving the calculation methodology and data gathering process.

Actions to meet our objectives

For scope 1 and 2, we reduced our emissions by implementing energy efficiency measures in our buildings. In the Netherlands, we are transitioning to an electric car fleet and reduced our energy consumption.

We intend to achieve our targets through the increased use of energy efficient technologies and renewable energy. To facilitate the transition to electric cars in our fleet, we updated our lease car policy in the Netherlands to only allow fossil free (i.e., 100% electric) lease cars from 2022 onwards. Our goal is to transition to a 100% electric car fleet in 2025. For our fleets in other countries, we are aiming to transition to more fuel efficient cars considering the infrastructure.

Scope 3 business air travel increased in 2022 with the Covid-19 pandemic restrictions being lifted. Nevertheless we realised a 46% reduction in 2022 compared to 2019 and have already achieved our business air travel reduction target of 25% in 2025. We are underway to achieve our business air travel reduction target of 50% in 2030. To further reduce these emissions, we will introduce an updated business travel policy in 2023, and continue to monitor business flights and take measures if necessary. Available options to reduce business travel focus on alternatives such as organising online meetings and replacing air travel by low-carbon transport.

NN Group aims for a flexible way of working and supports employees for example by promoting the use of public transportation. In the beginning of 2023 a bicycle plan was introduced to promote cycling and sustainable travel among colleagues. During the pandemic NN Group elaborated on its hybrid way of working. First in The Netherlands, and subsequently also in the other countries. The hybrid way of working encourages employees to regularly work from home. As a consequence, our employees work in the office two days a week on average. Our updated 'working from home' policy, prescribes 40% office capacity.

Collaborating with other employers

NN in the Netherlands is one of the participants in the 'Anders Reizen' (travel differently) network, which consists of 70 Dutch organisations with a representation of 500,000 employees. The network's ambition is to halve GHG emissions from commuting and business travel by 2030 (compared to 2016).

During the 'European Mobility Week' in September 2022, NN Group and other employers in and around The Hague committed to sustainable travel. We believe it is important to take joint action with other employers, and exchange best practices and collectively reduce emissions.

Obstacles and challenges

As a tenant, we lack operational control in most of our offices. This means that we have limited options to reduce emissions as we are dependent on the landlord. This affects the available options to reduce energy consumption, which makes us resort to offsetting programmes. Another obstacle is the lack of charging stations in most of our countries and the limited range of electric cars, which hampers the transition of our lease fleet to electric.

Offsetting programmes

Net-zero targets aim for abatement and removals instead of offsetting. We will continue to reduce those emissions that are feasible, and will neutralise residual emissions from hard-to-abate emission sources.

NN Group has been engaged in GHG emissions offsetting through funding external carbon removal projects since 2014. This contributes to offsetting our scope 1, 2 and 3 (business air travel) emissions. In our GHG offsetting programme, we believe priority should be on conservation before reforestation. In 2021, NN Group cooperated with Southpole and selected a third party validated and verified forest conservation project in Peru. Read more in the case box 'Forest conservation in Peru' on the next page.

Targets for reducing our own emissions

Reduce GHG emissions from our operations compared to 2019:

2025 target: -35%

- Scope 1 and 2 (market-based): 45% reduction
- Scope 3 business air travel: 25% reduction

2030 target: -70%

- Scope 1 and 2 (market-based): 75% reduction
- Scope 3 business air travel: 50% reduction



We are looking into climate mitigation projects to offset our emissions with an additional climate impact. In the meantime, we await a clear and science-based guidance on options for the credible use of offsets.

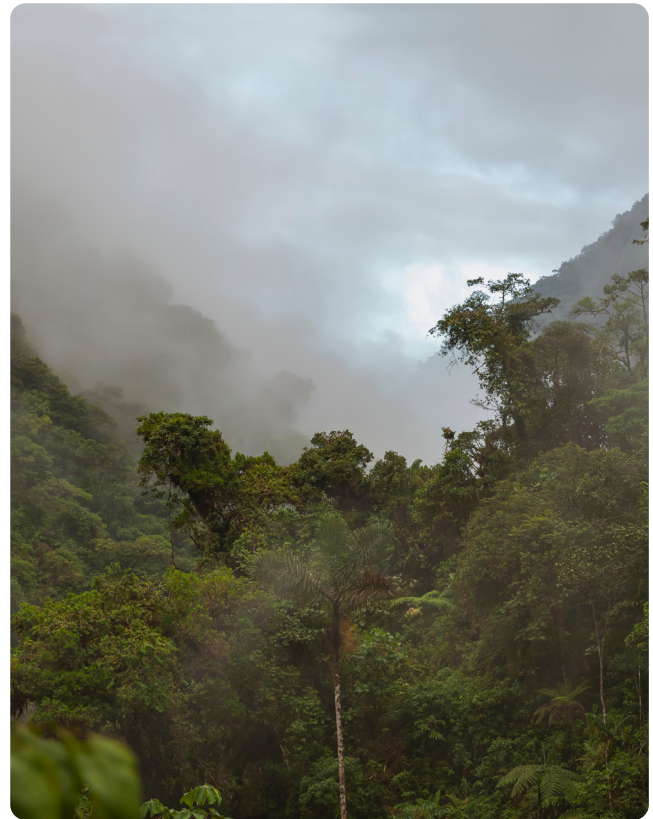
Case study

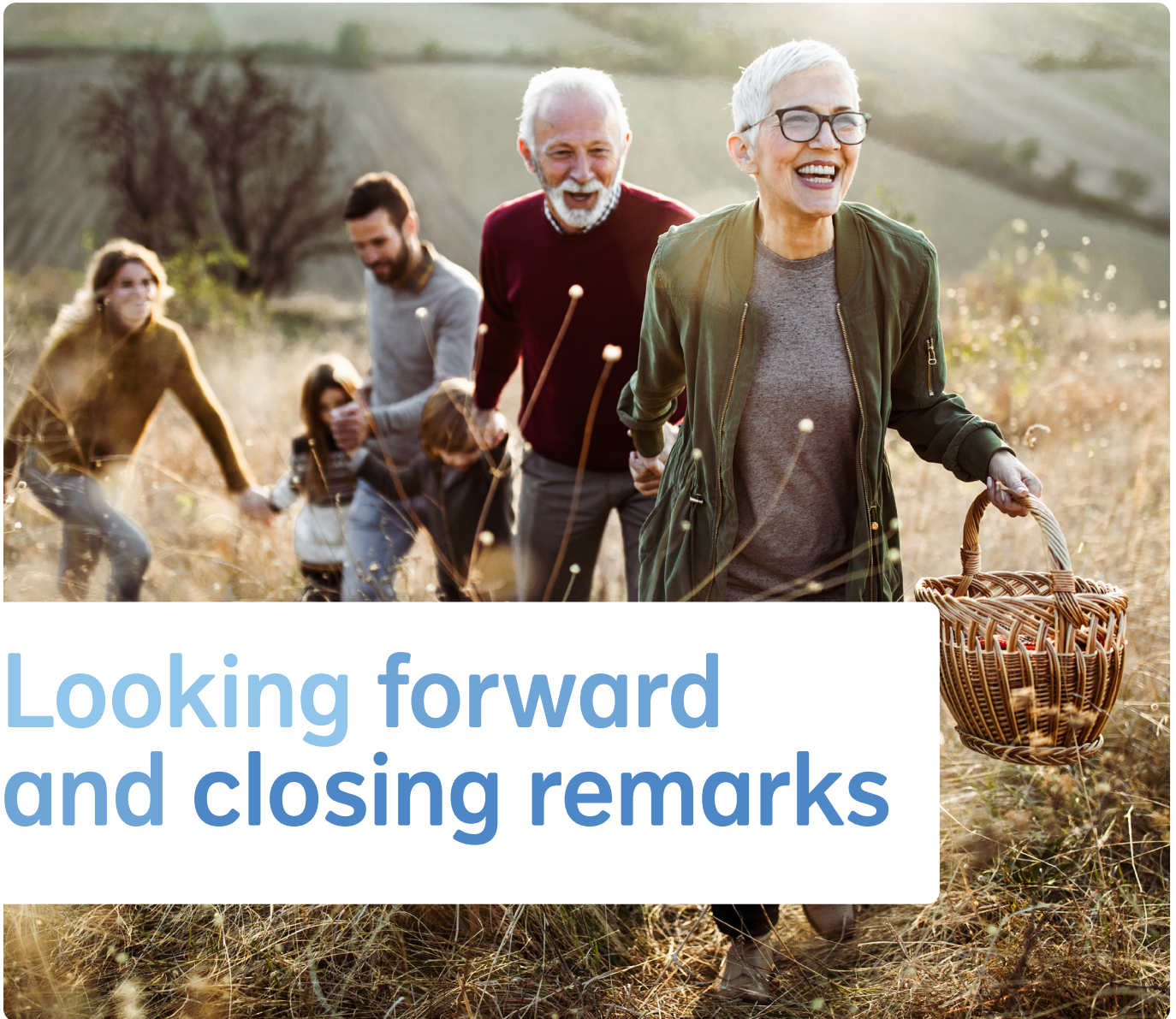
Forest conservation in Peru

In 2021, NN Group invested in forest conservation by purchasing voluntary carbon credits from the Alto Huayabamba Conservation in Peru.

Located in the Mariscal Cáceres Province of Northern Peru, the project aims to conserve two globally recognised ecosystems of exceptional biodiversity in the Alto Huayabamba area. Its aim is to reduce emissions associated with deforestation and land degradation. It does this through working with the local community to implement sustainable initiatives, such as organic honey and quinoa production, effective land management, environmental education and strengthening local governance. Another core aim of the project is to maintain the water balance of the upper basin of the Huayabamba River, which supplies water for families living further downstream.

This project adheres to the Verified Carbon Standard (VCS) and Climate, Community & Biodiversity (CCB) Standards which supports emissions reduction, and contributes to a positive impact on communities and the environment. Read more on southpole.com.





Looking forward and closing remarks

The road ahead

Looking forward, we see that our climate approach and commitments to net-zero will change our business in several ways. First, we will strive for decarbonisation in particular by engaging with investees and insurance and banking customers to help them make the transition to net-zero. Second, we will expand our investments, insurance and banking activities in green solutions. Meanwhile, we will keep expanding solutions for our customers to help them become more climate resilient and adapt to the changing environment.

Challenges

While we will do our utmost to help limit global warming by 1.5°C, we acknowledge that we will face many challenges on the road ahead. We see the following main challenges:

1. External dependencies

To reach our targets and goals, and more importantly to make impact in the real economy, we are dependent on factors which are outside of NN's direct influence. For instance, with our mortgage portfolio, government policy and actions are required to ensure that the electricity grid decarbonises, which will be key to driving decarbonisation of homes. Also, a major driver for change in our insurance underwriting portfolio is

behaviour and choosing a low-carbon lifestyle by our customers, for example by driving an electric car.

2. Ensuring a just transition

The transition towards net-zero requires a great effort from society. We recognise the transition's speed and action needed to keep global warming within 1.5°C. The Paris Agreement additionally recognises the crucial importance of a just transition towards a more sustainable future, calling for "appropriate measures to ensure a just transition of the workforce and the creation of decent work and quality jobs" in the context of efforts to limit global warming to below 1.5°C.

A just transition refers to the idea that the shift towards a more sustainable economy should prioritise the needs and well-being of workers and communities that may be impacted by the transition and its speed. It is important to acknowledge that the transition to a net-zero economy cannot happen overnight and that not all countries or communities are able to transition at the same pace. In fact, those groups that are most vulnerable to and disproportionately impacted by the negative consequences of climate change are often the ones for whom a fast transition is most difficult.

It is essential to consider an orderly, resilient and inclusive net-zero pathway to achieve a fair transition where no one is left behind. This reduces inequality and ensures that everyone benefits from the new economy. We acknowledge the significance of a just transition and are committed to work towards a more sustainable future that prioritises the needs of all (vulnerable) groups.

3. Climate data

Target setting encompasses significant complexity and challenges, especially around data. For our insurance underwriting portfolio and the insurance industry at large, we see difficulties in determining the carbon footprint of our portfolio. For example, our underwriting portfolio primarily consists of small and medium enterprises (SME) as customers who are not obliged to report on their emissions. We also experience complexities with investment and lending, where methodologies and data are further developed, but issues remain regarding data quality and availability. For the residential mortgage portfolio, for instance, we depend on estimates for energy efficiency where we prefer to

have insights on households' real emissions. On our road to net-zero we will also seek to address biodiversity-related risk and opportunities, where data and insights are even more challenging. NN Group is still at the beginning of improving our knowledge of biodiversity risks and opportunities, but we aim to create a more integrated approach to climate and nature in the coming years.

4. Evolving target-setting methodologies

Financial institutions are using science-based pathways in order to develop strategy and target setting for their portfolios. These methodologies are under constant evaluation and development. Science based research indicates that it is not possible to reach zero emissions in the total global economy. It will therefore be necessary to remove GHGs from the atmosphere to limit the global temperature increase to 1.5°C. This can be done through nature-based or technology-based solutions such as direct air capture and storage. Where the first five-to-ten years are primarily focused on realising GHG reduction as much as possible, the end-stage where focus will increase on the abatement of GHG is more uncertain. Guidance for financial institutions to approach this end-stage is still being developed. Financial institutions could play a potential role in helping to finance or to insure solutions that contribute to removing emissions in the real economy. NN Group is closely following these discussions, and we aim to improve our understanding continuously. For instance, we are reviewing whether nature-based solutions such as reforestation projects could offer a potential investment opportunity.

Closing remarks

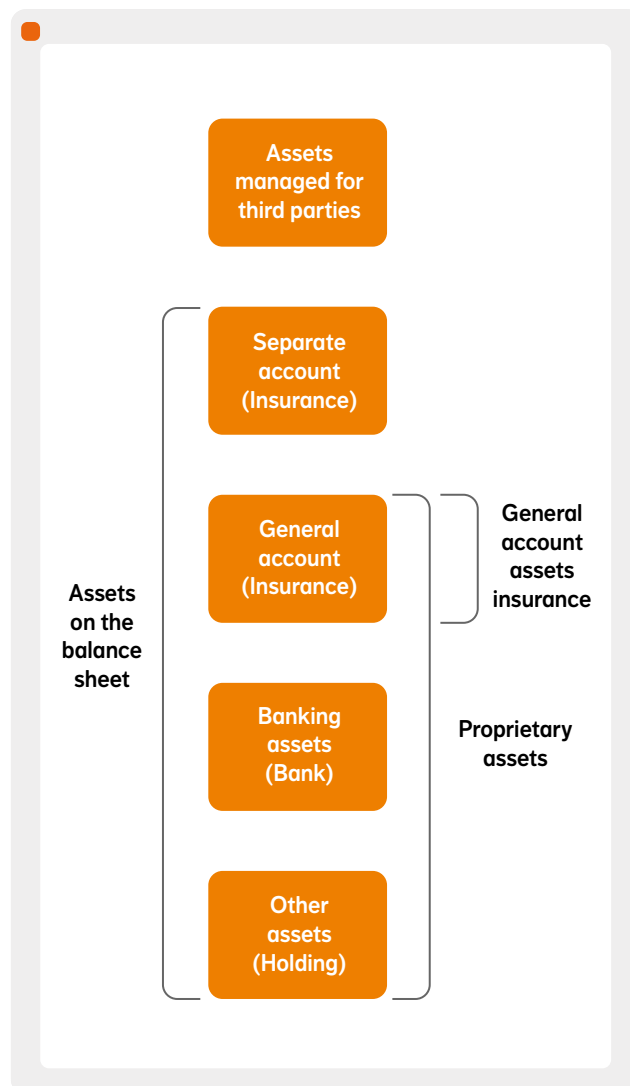
As NN, we are committed to doing our part to accelerate the transition to a low-carbon economy. Aligning our business towards the goals of the Paris Agreement will be difficult, but such challenges will not discourage us from taking next steps. It is our aim to do our utmost, engage and collaborate with all parties involved, and to make a positive change. On the way, we will continue to report transparently on our progress and the challenges we face. By acting together as a global society, we aim to accelerate a net-zero just transition that meets the Paris Agreement's goals in a way that matters to everyone.

Annex: Defining our assets

In this report we use various terms when addressing our assets. Proprietary assets refers to the assets held for our own account, i.e. assets that are on the balance sheet and where we run the investment risk. The proprietary asset portfolio comprises of the general account investment portfolio of the insurance entities and the assets of NN Bank (primarily residential mortgages) and NN Group. Together it comprises approximately 80% of the IFRS balance sheet.

Separate account assets of the insurance entities are also on the balance sheet. For these assets, the policyholders bear the investment risk. These separate account assets consist of primarily unit-linked portfolios as well as certain group pension business in the Netherlands.

Finally, our insurance and bank operations also offer customer propositions such as defined contribution pensions, and (retail) investment products. These assets are not included on the balance sheet. With the sale of NN Investment Partners in 2022, the assets that they manage for third party clients are no longer reported by NN Group.



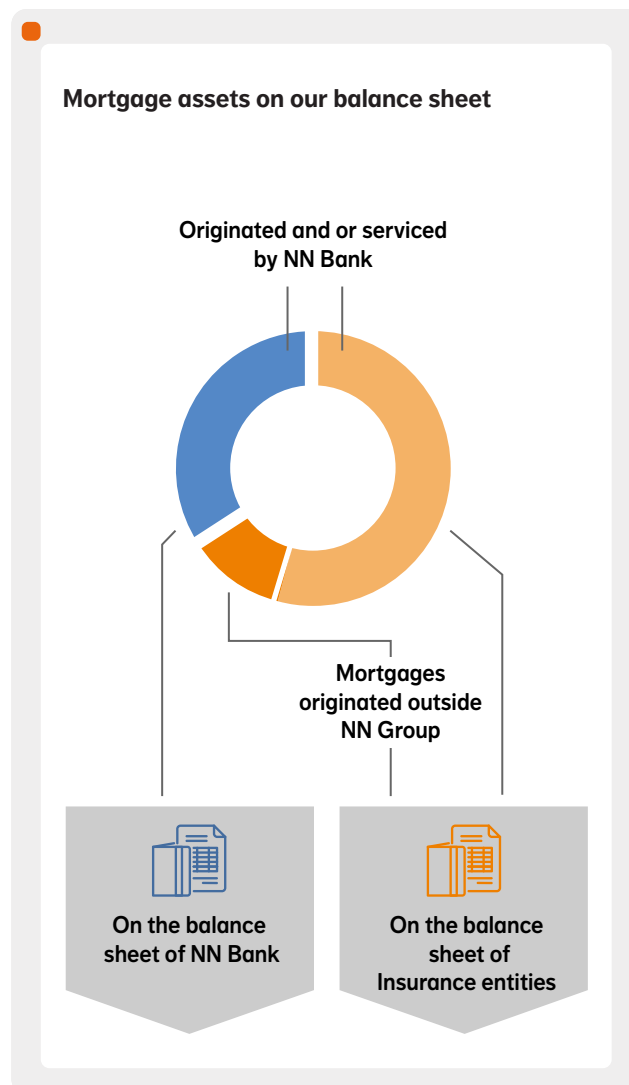
Annex: Mortgage assets on our balance sheet

Residential mortgages form an important asset category on the NN Group balance sheet. Most of these mortgages are originated and/or serviced by NN Group's own banking business NN Bank. Within this portfolio, the large majority of mortgages were originated under the Nationale-Nederlanden or former Delta Lloyd brands.

Carbon footprint of residential mortgage assets

In NN Group's carbon footprint as reported at year-end 2022, we measured emissions associated with approximately EUR 53 billion of residential mortgages. This represents the total portfolio on the NN Group balance sheet of Dutch mortgages originated and/or serviced by our own banking business, NN Bank. Of this EUR 53 billion, approximately 60% of these mortgage assets are held on the balance sheet of the insurance entities in the General Account portfolio, and approximately 40% is on the NN Bank balance sheet.

The General Account insurance also holds approximately EUR 6 billion of residential mortgages on the balance sheet from external mortgage originators. The latter is not included in our current carbon footprint reporting.



Annex: Categorisation framework

Corporate Investments

For the corporate investment portfolio, NN Group developed a methodology, using the six alignment criteria based on the IIGCC Net-Zero Investment Framework implementation guide. These alignment criteria are:

- **Ambition:** A long-term goal consistent with achieving global net-zero by 2050 or sooner
- **Targets:** Short- and medium-term emissions reduction target (scope 1, 2 and material scope 3)
- **Emissions performance:** Current emissions intensity performance
- **Disclosure:** Disclosure of scope 1, 2 and material scope 3 emissions
- **Decarbonisation strategy:** A quantified plan setting out the measures that will be deployed to deliver GHG emissions targets, proportions of revenues that are green and, where relevant, increases in green revenues
- **Capital allocation alignment:** A clear demonstration that the capital expenditures of the company are consistent with achieving net-zero emissions by 2050

NN Group developed a data hierarchy to identify the current and forward-looking data sources that best fit each alignment criteria, as defined by data type 3 (raw dataset as listed in the IIGCC Net-Zero Investment Framework recommended public data sources, with additional private vendor data to increase the coverage). The resulting data hierarchy is shown in the table below.

Alignment criteria	Data hierarchy		
	1st order data source	2nd order data source	3rd order data source
1. 2050 net-zero ambition	Meet CA100+ indicator 1	SBTi verified or committed	CDP climate score A or B (partial)
2. Short- and medium-term targets	Meet CA100+ Indicator 3	SBTi verified or committed	
3. Emissions performance	SBTi verified	Private vendor data	
4. Emissions disclosure	SBTi verified	Reported scope 1 and 2, and material scope 3	
5. Decarbonisation Strategy	Meet CA100+ indicator 5		
6. Capital allocation alignment	Meet CA100+ Indicator 6		

Notes:

- Data source 2nd (and 3rd order) may only be used if data in preceding order is not available
- Scope 3 is considered to be material if company is categorised in a sector with material scope 3 emissions

As a next step, we categorise the companies in the portfolio according to their alignment or potential to align to a net-zero pathway. The categorisations are as follows:

Achieving net-zero	Companies that have current emissions intensity performance at, or close to, net-zero emissions with an investment plan or business model expected to continue to achieve that goal over time.
Aligned to a net-zero pathway	High impact companies ¹ : meeting criteria 1 – 6 Low impact companies: meeting criteria 2 - 4
Aligning	High impact companies: meeting criteria 2, 4 and full or partial 5 Low impact companies: meeting criteria 2 and 4, or 3 and 4
Committed to aligning	Meeting criteria 1 by setting clear goal to achieve net-zero emissions by 2050
Not aligned	The rest, or when no data available

1. High impact companies are defined as those companies on the Climate Action 100+ focus list or covered via the TPI company assessment.

It is clear that data gaps exist, particularly concerning the credibility of corporate decarbonisation strategies and capital allocation plans (criteria 5 and 6, respectively). In addition to public data sources, NN's external asset manager utilises research from their analysts to inform their view of a corporate's alignment status. Analysts can incorporate information and fundamental analysis to provide a more recent and granular picture of a company's alignment. NN Group expects that the data hierarchy will evolve over time as improved data quality and coverage becomes available.

Annex: Climate change initiatives

We support and actively engage with a range of climate change associations and initiatives to help lead progress towards a low-carbon economy. Examples include (in alphabetical order):

CDP – NN Group is an investor signatory to CDP, formerly known as the Carbon Disclosure Project. This international organisation aims to transform the way the world does business to prevent climate change and protect our natural resources. The CDP encourages measurement and disclosure to improve the management of environmental risk. In doing so, it has incentivised thousands of companies to disclose their environmental performance. This information is made available to investors to help them mitigate risk, capitalise on opportunities and make investment decisions that drive action towards a more sustainable world.

Ceres Valuing Water Finance initiative (VWFI) – In 2023, NN Group joined the Ceres' VWFI, which is a global investor-led effort to engage companies to value and act on water as a financial risk and drive the necessary large-scale change to better protect water systems.

Climate Action 100+ – NN Group is a supporter of this collaborative initiative between asset managers and asset owners. We engage with high-carbon emitters, influence disclosure and encourage positive behaviour in relation to climate risk management and energy transition strategies in line with TCFD.

Dutch Climate Agreement – NN Group has signed the commitment of the financial sector to the Dutch Climate Agreement. The Dutch government aims to reduce greenhouse gas emissions in line with the goals of the Paris Agreement. It concerns all sectors of the Dutch economy and society, and requires support from and collaboration with all stakeholders. With this commitment, the financial sector supports the energy transition and the offering of sustainable financial solutions. Furthermore, signatories should measure the carbon footprint of their relevant investments and explore measures – exclusion, engagement and/or the offering of sustainable products – to contribute to the transition towards a low-carbon economy.

Energy Efficient Mortgages Initiative (EEMI) & Energy Efficient Market Label (EEML) – NN Bank is a member of the EEMI and EEML. By joining the EEMI and EEML initiative, we can actively contribute to developing sustainable investments in energy-efficient mortgage loans at NN Bank and our sustainable mortgage label Woonnu.

The EEMI and EEML both aim to make the mortgage market and mortgage investments more sustainable. The EEMI is the direct point of contact for the European Commission and represents the European mortgage sector. The EEML shows consumers, financiers and investors in a transparent way that the loans granted by a financial institution contribute to making the built environment more sustainable.

Finance for Biodiversity Pledge – In 2022, NN Group signed the Finance for Biodiversity Pledge and joined the Finance for Biodiversity Foundation. Worldwide, 111 financial institutions have signed the Pledge, which is a commitment to protect and restore biodiversity through finance activities and investments.

Global Investor Statement to Governments on Climate Change 2022 – NN Group is a signatory of the Global Investor Statement on Climate Change. The statement urges governments to implement policies consistent with a just transition limiting global temperature rise to 1.5°C via policies such as: medium- and long-term climate strategies, transitioning energy away from fossil fuels, ending deforestation, bolstering climate finance, and strengthening disclosures.

GRESB – NN Group is an investor member of GRESB. NN Group uses the annual Real Estate Assessment to evaluate and engage with its real estate investments with the aim of improving the sustainability performance of its portfolio. GRESB is a mission-driven and industry-led organisation that provides actionable and transparent environmental, social and governance (ESG) data to financial markets. They collect, validate, score and benchmark ESG data to provide business intelligence, engagement tools and regulatory reporting solutions for investors, asset managers and the wider industry.

PRI – Following the divestment of NN Investment Partners, NN Group became a signatory to the Principles for Responsible Investment (PRI) in 2022. This is an international network of investors working together to put its six Principles for Responsible Investment into practice. Its goal is to understand the implications of sustainability for investors and support signatories in incorporating these issues into their investment decision-making and ownership practices. In implementing the Principles, we contribute to the development of a more sustainable global financial system.

International Investors Group on Climate Change (IIGCC) – NN Group is a member of the IIGCC. IIGCC is an investor network that collaborates on the topic of climate change. It has more than 350 members representing over EUR 51 trillion of Assets under Management. IIGCC's purpose is to provide a collaborative platform for investors to encourage public policies, investment practices, and corporate behaviour that address long-term risks and opportunities associated with climate change.

Net-Zero Insurance Alliance (NZIA) – The UN-convened (UNEP FI) NZIA brings together insurers and reinsurers to play their part in accelerating the transition to net-zero emissions economies. They are committing to individually transition their underwriting portfolios to net-zero GHG emissions by 2050, consistent with a maximum temperature rise of 1.5°C above pre-industrial levels by 2100.

Paris Pledge for Action – In 2015, NN Group signed the Pledge for Action, demonstrating leadership, commitment and solidarity towards the agreement reached in Paris.

Taskforce on Climate-related Financial Disclosures (TCFD) – NN Group has endorsed the final recommendations of the TCFD. A consistent and comparable disclosure framework helps insurers and investors to more effectively assess the financial implications of climate change. As such, NN Group will promote these financial reporting standards to its investee companies, and will take steps to further align its own reporting with the TCFD recommendations.

Paris Aligned Investment Initiative (PAII) Net-Zero Asset Owner Commitment – The PAII enables investors across the globe in supporting the goal of net-zero GHG emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C. By joining the PAII Net-Zero Asset Owner Commitment, NN Group acknowledges the importance of emission reductions in the real economy within the sectors and companies we invest in. We are committed to transitioning our proprietary investment portfolio to achieve net-zero emissions by 2050, and are undertaking a comprehensive set of actions available to investors, drawing on the Paris Aligned Investment Initiative's Net-Zero Investment Framework. These actions include setting objectives and targets, implementing a stewardship and engagement strategy, engaging with other stakeholders on this topic, and reporting on progress.

Partnership for Carbon Accounting Financials (PCAF) – The PCAF is a collaboration between financial institutions to develop and implement a harmonised approach to measuring and disclosing GHG emissions associated with investments. Originally created by a group of Dutch financial institutions in 2015, today over 340 financial institutions are members of the PCAF.

World Economic Forum (WEF) – NN Group is a partner of the WEF. NN Group is a member of the 'Alliance of CEO Climate Leaders', which is a CEO-led community. The alliance is committed to raising climate ambition and accelerating the net-zero transition by setting science-based targets, disclosing emissions and catalysing decarbonisation and partnerships across global value chains.

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For further information on NN Group's sustainability strategy, policies and performance, please visit www.nn-group.com/sustainability.htm or contact us via sustainability@nn-group.com

Disclaimer

This Climate Action Plan (2023 – update) elaborates on our plans of action to reduce greenhouse gas (GHG) emissions to net-zero in our operations by 2040, and in our proprietary investments and insurance underwriting by 2050. Any projected and estimated future results are based on assumptions and estimates about future climate (change related) conditions that are subject to uncertainties and should not be relied upon as a guarantee of future performance or outcomes.

Actual future results may differ materially from the projections and estimates due to various factors, including but not limited to changes in climate (change related) conditions, regulatory requirements, market conditions, availability of (scientific) data, evolving scientific insights and whether society as a whole will be net-zero in 2050.

Certain of the statements contained in this Climate Action Plan (2023 – update) are not historical facts, including, without limitation, certain statements made of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation: (1) changes in general economic conditions, in particular economic conditions in NN Group's core markets, (2) the effects of the Covid-19 pandemic and related response measures, including lockdowns and travel restrictions, on economic conditions in countries in which NN Group operates, on NN Group's business and operations and on NN Group's employees, customers and counterparties (3) changes in performance of financial markets, including developing markets, (4) consequences of a potential (partial) break-up of the euro or European Union countries leaving the European Union, (5) changes in the availability of, and costs associated with, sources of liquidity as well as conditions in the credit markets generally, (6) the frequency and severity of insured loss events, (7) changes affecting mortality and morbidity levels and trends, (8) changes affecting persistency levels, (9) changes affecting interest rate levels, (10) changes affecting currency exchange rates, (11) changes in investor, customer and policyholder behaviour, (12) changes in general competitive

factors, (13) changes in laws and regulations and the interpretation and application thereof, (14) changes in the policies and actions of governments and/or regulatory authorities, (15) conclusions with regard to accounting assumptions and methodologies, (16) changes in ownership that could affect the future availability to NN Group of net operating loss, net capital and built-in loss carry forwards, (17) changes in credit and financial strength ratings, (18) NN Group's ability to achieve projected operational synergies, (19) catastrophes and terrorist-related events, (20) operational and IT risks, such as system disruptions or failures, breaches of security, cyber-attacks, human error, changes in operational practices or inadequate controls including in respect of third parties with which we do business, (21) risks and challenges related to cybercrime including the effects of cyberattacks and changes in legislation and regulation related to cybersecurity and data privacy, (22) business, operational, regulatory, reputation and other risks and challenges in connection with ESG related matters and/or driven by ESG factors including climate change, (23) adverse developments in legal and other proceedings and (24) the other risks and uncertainties contained in recent public disclosures made by NN Group.

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