

Responsible Investment Framework policy



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Clarification note

This Responsible Investment Framework policy of NN Group N.V. ('NN Group'), originally adopted in 2014, was revised and approved in May 2023.

Important legal information

This document is for internal guidance purposes only and is not intended to be relied upon by any third party. The policy may be subject to change at any time.

1. Introduction

NN Group is a long-term global institutional investor with a duty to act in the best interest of its policyholders, clients, shareholders and other stakeholders. To fulfil this duty, we acknowledge the importance of systematically incorporating Environmental, Social, and Governance (ESG) factors into our investment policies, decision-making and related processes. We strongly believe that this contributes to better informed investment decisions and helps to optimise the risk-return profile of the investment portfolios. Furthermore, incorporation of ESG factors helps to reflect NN's values in the investment process and to better align our business with the broader objectives and expectations of society.

A key part of our approach to Responsible Investing is that where possible and feasible, we aim to mitigate the negative impacts of our investments on sustainability¹ factors. These negative impacts are also called adverse impacts, whereby the most significant adverse impacts are referred to as principal adverse impacts. Principal adverse impacts can occur in different areas, such as related to environmental, social and employee matters, human rights, corruption, and bribery matters.²

A combination of methods is used to mitigate identified principal adverse impacts. The key ones are engagement, voting, and restriction. Which (combination of) methods are applied depends on the nature of the topic, as well as on the specific context of the investment that is causing the adverse impact. In addition, the exact application can differ between asset classes, investment instruments, and products. NN Group continuously seeks effective ways to further mitigate adverse impacts in a robust and meaningful way.

1.1. Objective

The objective of this NN Group Responsible Investment Framework policy (hereafter: RI Framework policy) is to support NN Group's Business Units (BUs), NN Group Investment Office, and other relevant NN Group functions in the systematic incorporation of ESG risk and opportunities into the investment process. This includes sustainability risk management³ and the consideration of adverse impacts on sustainability factors of our investment decisions.

1.2. Scope

The RI Framework policy applies to all assets managed by majority-owned NN Group businesses and businesses under NN Group's management control. In cases where NN Group has an equity interest in life insurance, pension, non-life insurance, or banking businesses, but it does not have management control, it will use its influence to apply the spirit of this policy. Everything to the extent permitted by local law or regulations.

The RI Framework policy applies to every asset category where it is possible and feasible to consider ESG factors. In the context of Responsible Investment, NN Group makes a distinction between two types of assets: Proprietary Assets and Client Assets. The RI Framework policy applies to both types:

- Proprietary Assets are defined as the assets that NN Group holds for its own account, i.e. assets that are on the balance sheet and where NN Group runs the investment risk. The proprietary asset portfolio is comprised of the general account investment portfolio of the insurance entities and the assets of NN Bank and of the holding companies within NN Group.
- Client Assets are defined as all other assets, which includes, but is not limited to assets held for unit-linked insurance products, defined contribution pension products, retail banking investment products, and pension fund propositions.

Application to Proprietary Assets

The vast majority of NN Group's Proprietary Assets is invested via discretionary mandates, whereby NN can decide in all aspects how these assets are invested. The RI requirements that external asset managers need to adhere to are included in the Asset Management Agreements between the BUs and their asset managers.

When Proprietary Assets are invested in collective funds, NN Group expects its external asset managers to implement, where possible and feasible, the key premises and objectives in this RI Framework policy and will monitor the implementation.

¹ Sustainability and ESG are used interchangeably in this policy.

² NN Group's definition of adverse impacts (including, but not limited to investments) are negative impacts on ESG factors that are caused by or (in)directly linked to NN Group's activities (strategy, investment decisions, underwriting and operations). In the context of this policy, the scope is the negative impacts caused by our investments.

³ NN Group's definition of sustainability risks (including, but not limited to investments) are risks related to ESG factors that can cause material negative impact on our long-term performance, reputation, value, balance sheet or operations. In the context of this policy, the scope is the potential impact on the financial value of our investments.

Application to Client Assets

The Client Assets category is related to a wide spectrum of financial products, with distinct features and set-ups that differ between BUs and countries, and which are managed in accordance with the specific nature, structure, local market practices, client preferences, and (local) regulation applicable to these financial products. Also, in various instances, clients have the flexibility to select from a pre-selected list of mutual funds that are managed by third parties. Given the above-described diversity of the Client Assets category, the exact way that the RI Framework policy is implemented by the BUs to Client Assets may differ.

BUs will apply those elements of the RI Framework policy that are consistent with the fiduciary responsibility and the mandate provided by their clients, and relevant (local) regulation. Where such assets are invested by BUs directly or by external asset managers with discretionary mandates, BUs strive to implement, where possible and feasible, all stipulations of the RI Framework policy. Where such assets are invested via collective funds managed by external asset managers, BUs apply a principle-based approach, meaning that where possible and feasible, the key premises and objectives of the RI Framework policy are expected to be applied by the external asset manager.

To support relevant internal departments and employees with the application and implementation of the requirements of this RI Framework policy to the due diligence, selection, monitoring, and review of external asset managers and funds, NN Group has developed an internal guideline called *Guideline on application of the RI Framework policy to third party managers and funds*.

1.3. RI governance

Decision-making on RI-related topics is integrated in the existing governance and committee structure of NN Group. The Management Board of NN Group is responsible for approval of this RI Framework policy and any (material) changes to it. Furthermore, the MB NN Group discusses the progress on NN Group RI objectives and activities on a periodic basis.

The Responsible Investment (RI) Committee keeps oversight of the NN Group RI Framework policy and related standards and guidelines, and advises the Management Board on policy updates and changes to the Restricted List. Furthermore, the RI Committee oversees the process of aligning the proprietary investment portfolio to NN Group's strategic targets with regard to climate and sustainability, and defining related action plans, as well as monitoring of progress.

The RI Committee is chaired by the group Chief Investment Officer. Members include the Chief People, Communications, and Sustainability Officer and the Chief Risk Officer, who are both also members of the Management Board NN Group, and representatives of the group Responsible Investment team and Investment Risk Management.

2. Policy requirements

All NN Group's BUs need to establish processes to systematically incorporate ESG factors in the investment decision-making process and active ownership practices, thereby incorporating (where relevant and feasible) NN's seven publicly committed Responsible Investment (RI) principles, as outlined in Appendix I.

2.1. Applying NN's norms-based RI criteria

NN Group has developed norms-based RI criteria that are a reflection of relevant laws, the organisation's values, and internationally recognised standards such as the UN Global Compact, the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises⁴. These norms are likely to evolve over time. See Chapter 3 for more detail on the norms. In case there are strong indications that an issuer may be in violation of any of NN's norms-based RI criteria, a decision will be taken with regard to whether NN considers this a violation. Subsequently, in case of a violation, a decision needs to be taken on engagement or restriction.

2.2. ESG integration in research/valuation

NN Group believes that ESG factors can have a material impact on the financial value of assets, and therefore can have a significant impact on long-term performance. Where relevant and feasible, material ESG risks and opportunities are systematically integrated into the research and analyses of companies, countries and/or sectors, and in portfolio construction, across all asset classes, and both for internally and externally managed assets.

2.3. Active ownership

NN Group believes that active ownership contributes to good corporate governance and enhances the long term economic and societal value of the investee company over time. The two main ways to apply active ownership are voting at shareholder meetings and engaging with investee companies.

Voting refers to the exercise of voting rights at shareholder meetings of companies where we own shares. There are various topics that can be voted on at shareholder meetings, such as the election of board members, remuneration, mergers and acquisitions, and shareholder resolutions. Exercising our voting rights is an essential link in the chain of accountability between a company and its shareholders. NN Group finds it therefore important to exercise this right, wherever possible.

NN Group has formulated proxy voting standards for investee companies which form the basis for exercising voting rights at shareholder meetings worldwide (refer to Appendix II). These standards have been reflected in our Voting Policy for Proprietary Assets which guides the voting considerations related to NN's proprietary equity portfolio. The management of the proprietary equity portfolio has been delegated to an external asset manager, who also exercises our voting rights whereby NN Group retains the right to provide voting instructions for individual shareholder meetings and ballot items. In case the external asset manager cannot vote on behalf of NN because of a conflict of interest or other restriction, the external asset manager will enable NN to decide upon the votes. All votes cast at shareholder meetings on behalf of NN's proprietary equity portfolio are published on the website of the external asset manager.

Engagement refers to the interaction with investee companies on ESG topics in order to understand the risks and opportunities of investment cases, and to use NN's influence as an investor to encourage companies to improve their ESG practices and mitigate adverse impact on sustainability factors, thereby ensuring sustainable long-term value that also benefits society as whole. Engagement can also be with external asset managers that manage NN Group assets with regard to their responsible investment practices, or with policy makers and regulators. NN Group has defined general engagement principles for managing NN Group's Assets (see Appendix III) and has an Engagement Policy for Proprietary Assets which includes more elaborate minimum requirements for engagement related to NN Group's Proprietary Assets.

For Client Assets, BUs will, where possible and feasible, make separate agreements about voting and engagement in the Asset Management Agreement with their assets managers in case of discretionary mandates, based on the same principles as for Proprietary Assets. Where Client Assets are invested in collective funds for which NN cannot impose the investment voting and engagement approach, BUs will consider the respective fund's voting and engagement approach to ensure that, where possible and feasible, the approach resembles the intention and objectives of the NN Group RI Framework policy.

⁴ Examples of other standards include the Equator Principles whereby where relevant we expect our investment managers to adhere to these standards, or to apply similar due diligence assessments and safeguards to ensure alignment with our requirements.

Where relevant, BUs may develop their own engagement and voting policy that is based on the same language and definitions of the NN Group RI Framework policy and its underlying documents, in order to accommodate their specific context while ensuring as much alignment and consistency as possible.

2.4. Restrictions

As NN strongly believes in the use of engagement to create beneficial change, NN applies an engagement-led divestment approach, and will only decide to restrict individual companies when engagement is not or no longer considered feasible to change the conduct or involvement in specific business activities of those companies (based on NN's norms-based RI criteria). This decision will not be taken lightly and only where we believe that restriction is a balanced and proportionate response, or when such restrictions are demanded by law. BUs are required to adhere to the centrally managed Restricted List. Refer to section 3 and 4 for more detail about NN's norms-based RI criteria and the application of restrictions.

Note that, in addition to this, BUs are required to adhere to all applicable sanction laws and regulations through application of NN Group's Financial Economic Crime (FEC) policy.

2.5. Paris Alignment Strategy

At NN Group, we believe that, as an investor, we have an important role to play in limiting global warming and helping to accelerate the transition to a low-carbon economy. In June 2020, NN has committed to transition our proprietary investment portfolio to net-zero greenhouse gas emissions by 2050, in line with the 1.5°C Paris Agreement goal. This commitment follows steps NN Group has already taken, such as adopting the phase-out strategy of thermal coal-exposed proprietary investments by 2030 (refer to the box on this page).

Our approach to achieve a net-zero investment portfolio is centred around two pillars: decarbonisation of the investment portfolio and increasing investments in climate solutions. Playing our part in helping

the real economy to decarbonise serves as a guiding principle in our approach. To ensure appropriate action, we set out to develop asset-class specific strategies in a step-by-step manner. These strategies are included in the internal Paris Alignment Standard for Proprietary Assets, which also includes guidelines for implementing the coal phase out strategy and our approach towards investments in the oil and gas supply chain. The latter is also set out in the 'Oil and Gas policy for Proprietary Assets', published on the NN Group website.

We aim to report transparently on our strategy and progress.

Coal phase-out strategy: In addition to direct exclusion of thermal coal mining companies with a 20% threshold (refer to our norms-based RI criteria in chapter 3), for NN's Proprietary Assets, a phase-out strategy is applied covering both mining and utility sectors. This strategy, adopted in 2019, 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 through a run-off of existing investments by opting not to reinvest when they mature.

In 2022, we sharpened our phase-out strategy implementation as follows:

- No new investments are allowed for corporates with more than 5% thermal coal involvement (measured in revenues for mining companies and in generation capacity for utility companies). On a case-by-case basis, exemption can be considered based on an assessment of a company's coal phase-out plans to determine its credibility, considering aspects such as having independently verified, science-based targets.
- For existing exposures we will monitor closely the progress and consider collective or individual engagement when necessary with corporates to ensure their coal phase-out plans are progressing in line with our target. and otherwise divestment is considered.

3. Violations of NN's Norms-Based RI Criteria

As referred to in section 2.1, NN has developed minimum requirements based on the organisation's values, relevant laws, and internationally recognized standards such as the UN Global Compact, the UN Guiding Principles on Business and Human Rights (UNGPs), and the OECD Guidelines for Multinational Enterprises (OECD Guidelines). These minimum requirements are referred to as NN's norms-based RI criteria.

In case there are strong indications that an issuer may be in violation of any of NN's norms-based RI criteria, a decision needs to be taken with regard to whether NN considers this a violation. Examples of such indications can be research from NN's external ESG research or engagement provider(s), inputs from own (investment) staff, inputs from our external asset managers, or information from NGOs or media sources.

3.1. Violation areas and criteria

Violations can currently occur in relation to the following areas:

- Governance
- Human Rights
- Labour Rights
- Environment
- Bribery and Corruption

Across these areas, NN's norms-based RI criteria consist of two main categories: 'Involvement in specific products or services' and 'Controversial conduct', as set out in the table below.

Categories	
Involvement in specific products or services	<ul style="list-style-type: none"> • Controversial Weapons • Arms trade to entities that are subject to arms embargoes • Tobacco production • Oil sands production • Mining of thermal coal
Controversial conduct	<ul style="list-style-type: none"> • Corporates: Issuers that severely and systematically violate the UN Global Compact, the UNGPs, and/or the OECD Guidelines • Countries: Sovereign issuers involved in severe and systematic violations of Human Rights, against which arms embargoes have been issued by the UN Security Council

3.2. Applicable actions in case of violations

NN's approach is to first engage with companies to address the violation. If engagement is not considered feasible, the company will be put on the Restricted List directly. If engagement to address the violation is considered feasible, a formal engagement process needs to be started in order for the company to remain eligible for investment. If, after a three-year period, the engagement does not lead to the desired changes, NN will consider the company ineligible for investment and will decide to remove the company from its investment universe. The NN Group RI Committee has the discretion to extend the engagement period based on the assessment that engagement is still feasible, which is reviewed on a case-by-case basis.

The section below sets out NN's norms-based RI criteria in more detail.

Development, production, maintenance, or trade of Controversial Weapons

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

We restrict companies that are involved in activities such as production, research and development, maintenance, system integration and testing of products or services that are considered dedicated and essential for the lethal use of these type of weapons. In defining these weapons, we follow widely accepted international conventions or, where not available, we have developed our own criteria.

Separate criteria have been developed for nuclear weapons in addition to the criteria above since they have a different character than other weapon types. The ownership, production, proliferation, and use of nuclear weapons are strictly regulated and monitored via the Non- Proliferation Treaty (NPT) of 1968, and if necessary sanctioned by the international community.

NN restricts companies that are involved in nuclear weapon activities and that: (i) are domiciled in countries that are not a signatory to the NPT, or (ii) contribute to nuclear weapons programmes of non-NATO member states.

Note that for NN's Proprietary Assets managed on a fully discretionary basis, we restrict nuclear weapon companies regardless of country of domicile or nuclear weapon programme.

The controversial supply of arms

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

Companies are identified if they are involved in activities in making weapons, weapons systems, or related materiel or services available to countries in which there is a serious risk that the weapons can be used for internal repression, serious violations of human rights or for any other purpose which cannot reasonably be considered consistent with normal and legitimate national security and defence.

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

On a case-by-case basis, NN may decide to deviate from these criteria.

Tobacco production

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

NN Group, for its Proprietary Assets, restricts tobacco producers based on a 5% revenue threshold.

Unconventional oil and gas

Oil sands production

Oil sands, also known as tar sands or crude bitumen, is a form of heavy oil found in sand and rock. NN recognises that oil sands development poses serious environmental and social challenges. This is because the greenhouse gas emissions associated with producing fuels from oil sands are higher than conventional crude oil. Furthermore, the production of oil sands and its transport via pipelines generates significant human rights concerns and is a serious cause of local environmental pollution.

We therefore restrict companies that derive more than 20% of their revenues from oil sands extraction. In addition, we restrict pipeline operators when involved in oil sands transportation projects that are in dispute, and when engagement is not (or no longer) expected to achieve the desired results.

Note that on top of these restrictions, NN Group will adopt a more stringent policy for its Proprietary Assets, by restricting companies that are directly involved in oil sands extraction, deriving more than 5% of their revenues thereof.

In addition to restrictions related to Oil sands production, NN has defined restrictions for other unconventional oil and gas areas: Arctic drilling and Shale oil & gas. These restrictions apply to NN's Proprietary Assets.

Arctic drilling

Exploring for oil and natural gas in the Arctic is controversial in the context of global climate change as well as because of higher environmental and social risks. The region's remote location, extreme weather conditions, and vast size present great challenges. Arctic drilling poses a higher risk of oil spills, having the potential to affect biodiversity and local communities.

For these reasons, NN Group will restrict companies that are directly involved in offshore oil and gas exploration and production in the Arctic region, deriving more than 5% of their revenues thereof.

Shale oil & gas

Shale energy refers to the natural gas and oil within shale formations. The combination of horizontal drilling and hydraulic fracturing allows access to large volumes of shale gas. The drilling and fracturing of wells require substantial amounts of water. In some areas, significant use of water for shale gas production may affect the availability of water for other uses and can affect biodiversity and local communities. Because of the quantities of water used and complexities of the chemicals added in the hydraulic fracturing fluids, treatment and disposal of wastewater is an important and challenging issue.

For these reasons, NN Group will restrict companies that are directly involved in shale oil and gas, deriving more than 30% of their revenues thereof. Furthermore, new investment in companies that derive between 5 and 30% of their revenues from shale energy is only allowed if the company has a credible transition plan.

Comprehensive oil and gas policy

NN Group acknowledges that urgent action is required to reduce dependency on fossil fuels and facilitate the transition to a low carbon renewable economy. Therefore, NN also applies strict criteria built upon our Paris alignment strategy for new investments in companies involved in conventional oil and gas across the supply chain. For more details on our approach towards unconventional and conventional oil and gas, please refer to the 'Oil and Gas policy for Proprietary Assets', published on the NN Group website.

Mining of thermal coal

Thermal coal is predominantly used for power and heat generation. From all fossil fuel energy sources, thermal coal is seen to generate the highest volume of greenhouse gas emissions when combusted. NN recognises that meeting the Paris Agreement ambition requires that the world has to replace fossil fuels with low-carbon energy sources.

We therefore restrict companies that derive more than 20% of their revenues from mining thermal coal. Metallurgical coal or coking coal (a key raw material in steel production) is not governed by these criteria.

Note that for NN's Proprietary Assets, a phase-out strategy is applied that reduces 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. For more detail refer to section 2.5 - Paris Alignment Strategy.

Controversial Conduct - Corporates

NN expects the companies it invests in to act in accordance with the UN Global Compact, the UNGPs, and the OECD Guidelines. If NN assesses companies violate these standards severely and systematically, an engagement process needs to be started in order for the company to remain eligible for investment. If after a three-year period the engagement does not lead to the desired changes, NN will consider the company ineligible for investment and will decide to remove the company from its investment universe. The NN Group RI Committee has the discretion to extend the engagement period based on the assessment that engagement is still feasible, which is reviewed on a case-by-case basis.

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

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

For involvement in Controversial Weapons, the ownership threshold under 2. is set at 25% or more.

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

Controversial Conduct - Countries

NN Group restricts countries that are subject to country-wide arms embargo sanctions imposed by the United Nations. On a case-by-case basis, we may decide to also restrict countries on other grounds.

Note that in addition to this, BUs will adhere to all applicable sanction laws and regulations through application of NN Group's Financial Economic Crime (FEC) policy.

4. Restrictions application

Compliance with NN's norms-based RI restrictions is managed through the Restricted List. This list applies globally in the organisation as described below.

4.1. Proprietary Assets

The Restricted List applies to all financial instruments (e.g. equity, corporate bonds, loans) in proprietary portfolios managed by or on behalf of NN Group, except for index derivatives.

Specific additional requirements apply to Proprietary Assets that are invested via mandates for which NN can decide for all aspects how the assets are invested (i.e. fully discretionary). Such discretionary mandates represent the vast majority of Proprietary Assets. At present, these additional requirements include the restriction of issuers involved in nuclear weapons irrespective of the country of domicile or of the nuclear weapons programme that it delivers to.

For Proprietary Assets that NN invests via private limited partnerships (e.g. hedge funds, private equity funds) and whereby other investors also participate, NN cannot enforce that the Restricted List is applied. For these assets, NN ensures that this policy is communicated to the manager, that it is taken into account in the due diligence process and that the restricted areas are referred to in the Asset Management Agreement or related arrangements. NN will monitor whether there are investments in issuers that are on NN's Restricted List and will encourage the external asset managers to adopt policies that include similar restriction criteria.

Where Proprietary Assets are invested in mutual funds, different requirements apply. Because in a mutual fund managed by a third party there are multiple investors that participate, NN Group's policy on restrictions cannot be imposed on these funds. For these funds NN Group will consider the respective fund's restrictions approach to ensure that, where possible and feasible, the approach resembles the intention and objectives of the NN Group RI Framework policy. In all cases, (local) regulations are adhered to such as legislation prohibiting the financing of companies involved in specific types of Controversial Weapons. This is further described in NN Group's internal Guideline on application of the RI Framework policy to third party managers and funds.

4.2. Client Assets

The Client Assets category is related to a wide spectrum of financial products, with distinct features and set-ups that differ between Business Unit and countries, and which are managed in accordance with the specific nature, structure, and (local) regulation applicable to these financial products. Therefore the way the Restricted List can be implemented can differ. Where Client Assets are invested by BUs directly or by external asset managers based on discretionary mandates the Restricted List is directly implemented where possible and feasible.

Where the Client Assets are managed via fund structures in which also other parties are invested, the NN Group Restricted List cannot be imposed on these funds. For these funds BUs will consider the respective fund's restrictions approach to ensure that, where possible and feasible, the approach resembles the intention and objectives of the NN Group RI Framework policy. In all cases, (local) regulations are adhered to such as legislation prohibiting the financing of companies involved in specific types of Controversial Weapons. This is further described in NN Group's internal Guideline on application of the RI Framework policy to third party managers and funds.

4.3. Other requirements

The approval process of the Restricted List, which is periodically updated, is managed by the RI team of NN Group. The NN RI Committee has a mandatory advisory role with respect to changes on the Restricted List which have to be approved by the NN Group Management Board.

The Restricted List is not exhaustive, and therefore asset managers are required to judge if restrictions are applicable to investments. If in doubt, the NN Group RI team is to be consulted.

4.4. Compliance

Unless sanctions, laws or regulations stipulate otherwise, it is allowed to take an appropriate period of time in order to become fully compliant with the updated Restricted List. This ensures that divestment decisions can be made taking into account market circumstances. However, for publicly traded securities, this period should be no longer than 3 months after communication of the Restricted List.⁵

⁵ In case a restriction is based on newly introduced norms-based RI criteria, a longer period may be chosen. This will be decided on a case-by-case basis.

Appendix I: Key responsible investment principles

NN Group uses seven principles to highlight the measures it will take to systematically integrate ESG into our investment decision-making and ownership practices, for the benefit of all stakeholders.

1. We incorporate ESG factors into the investment analysis and decision-making processes

We consider ESG aspects that are often out-of-scope of traditional financial analysis but can have a significant impact on long-term performance. We recognise that the consideration of ESG aspects also helps to better align our business with the broader objectives and expectations of society.

2. We make active and considered use of our voting rights

Voting at shareholder meetings is one of the best ways to let our voice be heard and promote our policy standards. By voting, we encourage companies in which we invest to comply not only with local legal requirements, but also with internationally accepted corporate governance standards. These standards include the OECD Principles of Corporate Governance and the International Corporate Governance Network (ICGN)'s Global Governance Principles.

3. We initiate dialogue to address ESG issues and encourage positive change

We use our influence to encourage companies to adopt appropriate ESG practices. Thereby, internationally accepted standards such as the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises provide a starting point for our dialogue and engagement with companies. To emphasise our message, NN Group engages collaboratively with other institutional investors and/or through initiatives such as the PRI. In this way, we maximise investor influence and sharing of resources and expertise when engaging with companies.

4. We advocate policy and legislation that support sustainability and shareholder rights

We engage with policymakers to develop sustainable government policies and a more sustainable global financial system. We often work with other investors, as this can be more effective.

5. We may use investment restrictions as a last resort

We aim to include, not exclude, entities for investment consideration. However, we may use restrictions to set a minimum standard, in recognition of law and/or international consensus.

6. We identify and consider sustainable investment opportunities

NN Group wants to play a role in addressing global sustainability challenges, such as climate change, resource scarcity and demographic change. We consider investment opportunities that offer solutions to those challenges whilst meeting our investment criteria.

7. We are transparent on our RI activities

Public disclosure of progress is important to the credibility of an organisation. Thereby, stakeholders can better understand how we are managing relevant ESG and sustainability issues. Transparency is also an important driver for continuous improvement.

Appendix II: Proxy voting standards for investee companies

NN Group expects the companies in which we invest to respect the following principles

1. All shareholders should be given the opportunity to participate effectively, and on an informed basis, in shareholder meetings. The exercise of ownership rights by all shareholders should be facilitated, including giving shareholders timely and adequate notice of all matters proposed for a shareholder vote.
2. Investee companies should maintain transparency in their organisation and decision-making procedures, business model, strategy, and risk oversight. They should disclose information necessary to enable shareholders to make an informed decision on voting issues and on whether to buy, hold, or sell a security issued by the company.
3. NN expects investee companies to comply with generally accepted corporate governance best practices, such as reflected in the OECD Principles of Corporate Governance and the Global Corporate Governance Principles of the International Corporate Governance Network (ICGN). We also expect investee companies to comply with the corporate governance standards that are applicable in their country of domicile.
4. Investee company management should be accountable to shareholders and other stakeholders. Both management/executive directors and supervisory board/non-executive directors should base their decisions on the long-term interests of the company and its shareholders and other stakeholders.
5. Merger and acquisition proposals should be considered in the interest of enhancing long-term shareholder value.
6. To ensure long-term performance for the shareholders, investee companies should act responsibly to all stakeholders. This includes recognition of the impact of business decisions on the environment, as well as recognition of the impact of their business decisions on social and human rights issues in the regions in which they do business.
7. The interests of management should be aligned with the long-term interests of the company and its shareholders, also when it comes to executive remuneration.

Appendix III: Engagement standards for managing NN Group's assets

NN Group expects asset managers managing NN Group's Proprietary or Client Assets to apply, where possible and feasible, the following principles:

1. Have a publicly available engagement policy describing the engagement approach, including its governance, objectives, and key topics or themes.
2. Monitor investee entities on material issues, including, but not limited to, sustainability risks and opportunities, and governance practices.
3. Where appropriate, consider acting with other investors to increase investor impact and influence, while having due regard to applicable rules on acting in concert.
4. Each engagement should be supported by an engagement plan. This plan should include, where possible, elements such as main objectives of the engagement, milestones, timeframes, engagement activities to be carried out (calls, meetings) and escalation approach.
5. To maximize the effectiveness of engagement activities, whenever feasible and appropriate, consistency between engagement and voting decisions should be sought.
6. There should be at least annual reporting on the execution and results of the engagement activities. This reporting should include quantitative and where appropriate qualitative information.
7. Where asset management activities are externally delegated, the abovementioned principles and practices should be adhered to by the asset manager and monitored by the delegating party.

