

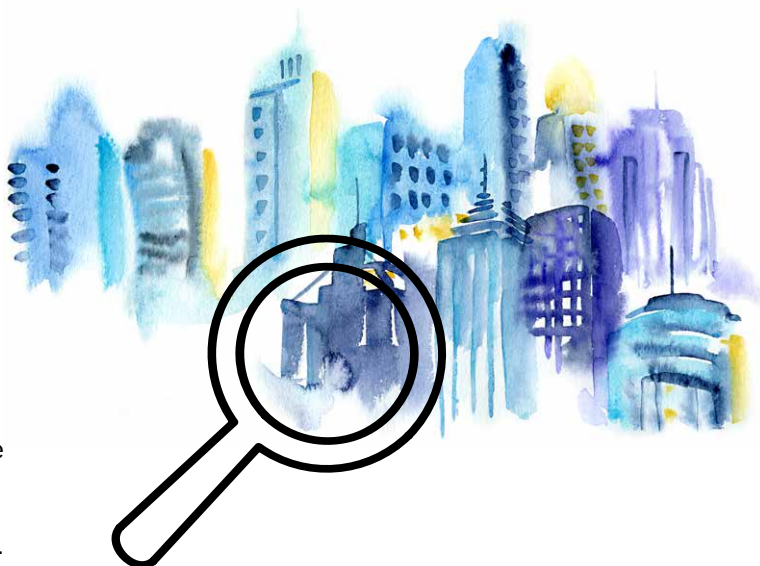
RI Guidelines Proprietary Assets – Real Estate

NN Group manages a real estate investment portfolio for its own account which includes both direct and indirect real estate. We recognise that real estate can both contribute to and be affected by sustainability challenges that society faces globally. Therefore, we believe that consideration of environmental, social, governance (ESG) factors is a key component in being a responsible investor.

Objectives and scope

This guideline sets out how NN Group takes ESG factors into consideration with regards to real estate investments. This document is part of the Responsible Investment (RI) Guidelines for Proprietary Assets, which consists of guidelines to assist the implementation of the overall [Responsible Investment Policy Framework](#) of NN Group.

The scope of this guideline covers NN Group's direct and indirect real estate portfolios (i.e. investments in underlying properties directly and indirectly via private real estate funds). The implementation and implications of this guideline differ between these portfolios as addressed in this document. NN Group has appointed external real estate managers to manage its proprietary real estate investments.



Vision and strategy

NN Group is committed to responsibly investing its assets. It recognises that ESG factors have the potential to influence the long-term financial performance of its real estate investments. Beyond this rationale, NN Group believes that considering ESG issues is also a matter of good corporate citizenship.

NN Group's strategy is to constantly enhance the sustainability performance of its real estate portfolio by: (i) systematically integrating ESG factors into the investment and decision-making processes and (ii) actively engaging with its managers in order to improve the ESG performance of underlying assets.

NN Group has chosen the Global Real Estate Sustainability Benchmark (GRESB) as the primary tool to assess the sustainability performance of its real estate portfolios. Since 2014, NN Group has been a member of GRESB and requires all real estate and fund managers to participate in GRESB's annual survey. The benchmark is aligned with international reporting frameworks such as the Global Reporting Initiative (GRI) and the United Nations' Principles for Responsible Investment (UN PRI). The benchmark allows for identification of areas where sustainability performance can be enhanced and provides a detailed comparison with peers. Furthermore, it enables NN Group to set up a dialogue with its real estate managers to evaluate long-term goals and set targets.

ESG considerations in real estate

The following are ESG factors on which NN Group focuses:

- **Environmental:** Climate change imposes investment challenges as the real estate sector accounts for an important contribution to the worldwide greenhouse gas emissions. NN Group focuses on energy, water, carbon and waste efficiency of underlying assets by encouraging its managers to cooperate with tenants to reduce environmental impact.
- **Social:** Respect for human rights and striving for good working conditions are important standards throughout our business. As NN Group mainly invests in existing properties, it focuses on providing safe, healthy and secure working/living environments. Stimulating active engagement between property managers and tenants, e.g. through regular dialogue and surveys, is important in improving existing property performance.
- **Governance:** Good corporate governance is essential for a transparent way of doing business and is intrinsically linked to protecting the long-term value of our assets. NN Group focuses on adequate investment decision-making processes, accountability and transparency from its managers. The latter is also an important element of GRESB. For instance, NN Group encourages companies in the real estate sector to report in accordance with leading best practice recommendations, guidelines and frameworks for sustainability reporting such as INREV's Best Practice Recommendations (for private funds).

Direct Real Estate Portfolio

ESG-integration into investment processes

One of NN Group's key principles for responsible investment (RI) is to systematically integrate material ESG factors in the investment processes. NN Group expects its real estate managers to:

- Have policies, internal guidelines and governance models in place that indicate how ESG-related factors will be consistently integrated into the investment practices and processes of all real estate assets in which NN's Proprietary Assets are invested.
- Where relevant, ensure that ESG factors are considered with regards to the research, analysis and portfolio construction.
- Ensure that all new acquisitions carry a relevant energy or sustainability performance certificate such as LEED or BREAAM. Where this is not the case, there should be a plan in place to realise this post-investment within a reasonable timeframe.

Engagement

NN Group strives to constantly improve the ESG performance of its underlying assets. NN Group will actively explain and discuss its priorities, guidelines and ESG issues with real estate managers.

NN Group has the following expectations of its real estate managers:

- Include a sustainability paragraph, containing an overview of current sustainability performance and actions to improve, in all acquisitions and divestment proposals.
- Provide consistent information to GRESB for the purpose of benchmarking the NN Group portfolio.
- Include sustainability clauses within the property management agreement upon signing of a new agreement or renewing current agreements at the end of the contract period.
- Perform customer due diligence checks on new business partners and tenants.
- Act as a good landlord. NN Group considers good landlordship in complying with applicable laws, valuing stakeholder relations, engaging in dialogue and where possible supporting tenants in addressing their sustainability objectives.

Furthermore, NN Group encourages its real estate managers to:

- Work with peers, participate in initiatives such as GRESB and INREV to promote sustainable and socially responsible policies and develop and enhance ESG standards.
- Strive for the use of sustainable materials such as FSC Wood and more efficient installations at time of renovation.
- Actively involve and engage suppliers and tenants by providing feedback on their sustainable performance and set up a dialogue to discuss areas for improvement.
- Seek for mutual benefit in case businesses must leave their premises due to renovation of the properties or relocation of tenants. Mutual benefit can be, for example, an incentive paid to the tenant to find an alternative location.

Monitoring

NN Group expects its real estate managers to implement proper controlling mechanisms and ensure effective and consistent regular monitoring and reporting. Quarterly and annual performance reporting should contain information regarding:

- Compliance with the RI Policy Framework and underlying policies and guidelines, including any instances where those policies and guidelines were set aside in order to achieve investment objectives
- Potential material ESG concerns/incidents and opportunities associated with managing investments and an explanation of how the manager has sought to identify, monitor and manage them
- Progress made on further integrating ESG-related aspects in the investment process in the reporting period, including planned steps and aspiration/objectives

ESG performance will be part of the existing regular performance reviews with real estate managers. NN Group uses GRESB to assess and monitor ESG performance and actively discusses its goals and areas for improvement with its real estate managers.

Indirect Real Estate Portfolio

NN Group also invests in private real estate companies that manage real estate funds.

Pre-investment

The external real estate managers that are mandated to manage NN Group's portfolio will propose new investments taking ESG criteria into account.

Prior to investing, NN Group actively ensures that its real estate managers evaluate the extent to which fund managers have the policies and expertise needed to invest in accordance with our policy. NN Group requires all fund managers to have: (i) a clear ESG vision and policy; and (ii) a consistent process in place to systematically integrate ESG factors into investment practices and processes. To ascertain this performance, ESG is a separate section within the fund manager due diligence. Other critically important factors in the due diligence include the fund manager's approach to strategy, organisation, internal control policies and procedures (including corporate codes of conduct), the fund managers' compensation, reputation and potential conflicts of interest.

NN Group acknowledges that there is no standard approach for ESG integration in the market. Furthermore, tools and practices are still developing. As such, it is the ultimate decision of the external managers as to how ESG factors are integrated in the investment processes. NN Group will monitor the progress with regard to ESG integration and discuss best practices and possible areas of improvement with the managers on a regular basis.

Post-investment

Once invested, NN Group's on-going role encompasses monitoring the ESG performance of its portfolio. NN Group asks all fund managers to participate annually in the GRESB survey. Using the survey results as a basis, NN Group discusses ESG performance and areas for improvement with the real estate managers. Where possible, it will also engage directly with the fund managers through advisory committees or Annual Boards.

Important legal information

This document is not intended to be relied upon by any third party.

The guidelines may be subject to change at any time.

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