

Responsible Investing Report 2021

Because it matters and it works.



**NN investment
partners**

March 2022 - For professional use only

Foreword

NN Investment Partners is a firm believer in responsible investing. We are defined as an asset manager by our ambition to make the world a better place and deliver attractive returns for our clients. This commitment is built into our business from the ground up, and it drives everything we do.

In our Responsible Investing Report for 2021, we want to share our passion for responsible investing and our commitment to tackling urgent challenges from global warming to social inequality. In the pages that follow, you can read about every aspect of our operation, from the integration of environmental, social and governance criteria into our investment process to the range of strategies that put our expertise and experience into action.

The report explains **why** we put responsible investing at the core of our approach and direct our efforts towards achieving sustainable outcomes and improving returns. It demonstrates **what** we achieved last year by putting our clients' capital to work, with results on key sustainability themes such as climate impact, biodiversity and social progress.

The report also shows everything that goes into running an effective responsible investing operation. It sets out in detail **how** conviction and a lot of disciplined work come together to put our principles into practice throughout the company, from our innovation and RI hub to our many investment teams and risk functions. We will continue to build on our strength in the responsible investing space in 2022 and in the years to come.

We hope you enjoy reading this report and learning why we invest responsibly, what we have achieved and how we translate our beliefs into results.



Satish Bapat,
Chief Executive Officer
NN Investment Partners

Content

Any company names used in this report are for illustration purposes only. Company name, explanation and arguments are given as an example and do not represent any recommendation to buy, hold or sell the stock, or in any way invest in these companies. The security may have been removed from portfolio at any time without any pre-notice.





Why responsible investing

Our role in driving the transition to a more sustainable world

Recognition of the need for concerted action to tackle the world's most pressing challenges is growing fast. As a result, investors around the globe are demanding more investment options that put their money to work. Their ambitions include promoting sustainability and supporting the development of solutions to issues from climate change to economic inequality.

NN Investment Partners has earned its reputation as a leader in responsible investing by helping clients realize their ambition to make the world a better place while earning attractive returns. We deliver for clients year after year because our approach is based on a firm belief in the goals and principles of responsible investing. That belief and our unwavering commitment to putting it into action are what set us apart.

Our belief in responsible investing

Responsible investing (RI) lies at the heart of everything we do. We started practising responsible investing more than two decades ago. Our commitment draws on a long tradition of working collectively for the common good that for centuries has allowed the Dutch to prosper on land reclaimed from the sea.

Putting capital to work

We are passionate about contributing to the transition to a sustainable, low-carbon economy that benefits all our stakeholders and society at large. Our role as a responsible asset manager begins with offering innovative financial products that help our clients achieve their ambitions. We then invest the capital entrusted to us in line with our principles to deliver attractive financial returns while driving progress towards our non-financial goals.

“We owe it to our stakeholders to take action and offer investment solutions to shape a sustainable future.”

Adrie Heinsbroek

Making a lasting difference

We are well aware of the challenges confronting the world today, from global warming to social inequality. We feel a deep sense of responsibility to our many stakeholders that extends far beyond short-term financial gains. Thanks to our clients, we are able to make a lasting difference in a far broader context by putting the capital we manage to work.

“Our adaptive, research-driven approach to investing allows us to take advantage of market opportunities while supporting sustainable outcomes.”

Valentijn van Nieuwenhuijzen

Unlocking value, improving returns

The consistent integration of environmental, social and governance (ESG) factors in NN IP’s investment strategies enables us to unlock potential financial value by identifying risks and opportunities in a rapidly changing market. For our clients, this means their money is directed to companies and projects that are poised to thrive in the shift to a greener, more inclusive economy. And that means a sustained improvement in the returns our products provide, as shown by the attractive absolute and relative performance of our Sustainable and Impact strategies.

Exerting influence for society at large

By using our influence as an investor, we actively steer the companies and governments we invest in towards greater transparency and more sustainable behaviour. We believe that our consistent engagement delivers results that benefit shareholders, bond investors and stakeholders. These two elements – **putting capital to work** and **improving returns** – inform every aspect of our approach. In short, we’re committed to responsible investing because it matters, and it works.



Valentijn van Nieuwenhuijzen,
Chief Investment Officer



Adrie Heinsbroek,
Chief Sustainability Officer





What

we achieved in 2021

Doing our part to help tackle the world's most urgent challenges

The proof of our commitment to responsible investing is in the results. We are in this business to deliver sustainable outcomes that make a real difference in the world and to ensure that our clients see sustained long-term growth in their returns.

2021 was a year of milestones for NN Investment Partners. We made great strides in further integrating ESG criteria into investments and set interim emissions-reduction targets for our portfolios in line with the goal of reaching net zero by 2050. We expanded our offerings of responsible investing products, tightened our investment restrictions in key environmental areas and stepped up our efforts to obtain the highest-quality ESG data and report transparently to our clients.

In putting our clients' capital to work, we also generated consistent, attractive returns across our responsible investment strategies. You can find more information on financial performance in the fact sheets for our [ESG-integrated](#), [Sustainable](#) and [Impact](#) strategies on our website.

We used our influence as an active investor to steer companies in our portfolios towards more sustainable business strategies, both through engagement and by exercising our voting rights. And we joined forces with important international initiatives to help drive progress on critical issues such as halting deforestation and providing workers with a living wage.

Taking climate action

NN IP is dedicated to helping mitigate the impact of climate change and limit global warming to 1.5 °C in line with the goals of the Paris Agreement. In 2021, we made significant progress towards achieving our environmental ambitions across our responsible investment portfolios. Here are some of our accomplishments:



47% cut in carbon emissions related to our investments¹ compared with benchmarks, a reduction of about **5.1 million tonnes of CO₂**, equivalent to nearly **1,052,000 car trips** around the world.

33% less water consumed related to our investments¹ compared with benchmarks, a reduction of about **33.6 million m³ of water**, equivalent to the annual consumption of nearly **303,000 households**.



82% less waste generation related to our investments¹ compared with benchmarks, a reduction of about **3.4 million tonnes of waste**, equivalent to the annual output of over **3.1 million households**.

¹ Aggregated numbers for total assets under management in our Sustainable and Impact investment strategies. For strategies with no designated benchmark, we select an appropriate reference index to provide the proper market context. Data coverage for carbon is 89% (85% for benchmarks). Data coverage for waste and water is improved by an in-house estimation model – for waste from 62% to 86% (benchmarks: 55% to 82%) and for water from 28% to 86% (benchmarks: 26% to 81%).

This chapter highlights some of our achievements during the past year on three key sustainability themes. With the planet close to a tipping point, we prioritized progress on **climate change** and **biodiversity**. And as the world began to address the inequalities highlighted by the pandemic, we supported positive action on a range of **social** issues.

- **37%** of NN IP assets are currently managed in line with our goal of reaching **net zero** by 2050.
- Active lead in the Climate Action 100+ engagement with BASF. We welcome its plan to reach net **zero CO₂** emissions globally by 2050 and a **25% reduction** by 2030.
- On the back of our flagship aggregate green bond strategy we launched a **new sovereign strategy completing the green bond range**.
- **Toughened our restriction criteria** to cover companies that derive more than **20%** of revenue from oil sands and thermal coal, down from 30%.
- Held **49 dialogues** with **21 companies** on **climate**.
- Voted on **68 shareholder proposals** related to the environment, and supported **96%** of them.
- Supported **100%** of Climate Action 100+ **shareholder proposals**.
- **Helped increase corporate transparency** around climate change, deforestation and water security as a participant in the Non-Disclosure Campaign conducted by **CDP**, a not-for-profit organization that runs a global disclosure system.
- Issued our **first report** in line with the recommendations of the Task Force on Climate-related Financial Disclosures.

Contributing to social progress

The pandemic has put the spotlight on social challenges from economic inequality to affordable healthcare, and the social component of the ESG agenda is catching up with its peers. We have put these issues high on our responsible investing agenda and actively support progress through our investments as well as our innovative financial-product offerings, which we plan to expand. Here is a selection of our achievements in 2021:

- Held **33 engagement dialogues** with **33 companies** on the theme of **decent work**.
- Voted on **112 shareholder proposals** on **social issues**, opposing management in 98 cases.
- Supported **85%** of **shareholder resolutions** on social issues as assessed by ShareAction.
- Backed a call for Pfizer to provide **greater disclosure** on pricing and access to **Covid-19 vaccines**.
- Explored new investment opportunities for our green bond range and developed expertise in the **social bond market**, which is set to hit **EUR 200 billion** in 2022.
- Supported **fair pay** in the garment and commodities supply chains together with Platform Living Wage Financials.
- Helped find ways to eliminate **gender-based violence** on palm oil plantations in the human rights working group of the **Roundtable on Sustainable Palm Oil**.
- Joined investors calling on the **EU** to introduce effective legislation on **human rights and environmental due diligence**.
- Addressed the **social SDGs** with **impact equity investments** in companies including **MIPS**, a leading component manufacturer that specializes in helmet-based safety and brain protection systems, and **HDFC**, which helps low- and middle-income families in India gain access to housing.

Supporting biodiversity

Biodiversity loss and climate change are two of the most pressing and intertwined challenges facing the world today. NN IP is committed to helping protect and restore biodiversity through our financial activities and investments. Last year, we stepped up our efforts on this critical issue. Here are some of the things we achieved:

- **10 engagement dialogues** with **8 companies** on **biodiversity**.
- Backed call for **US agribusiness** company Bunge to address **deforestation risks**.
- Signed financial-sector **commitment** to **eliminate commodity-driven deforestation**.
- Joined global effort to raise **investor awareness** of commodity-driven deforestation as a member of the PRI's Sustainable Commodities Practitioners Group.
- Joined the **Partnership for Biodiversity Accounting Financials**, an initiative enabling financial firms to **disclose the biodiversity impact** of loans and investments.
- Signed the **Finance for Biodiversity Pledge** to protect and restore biodiversity.

Other achievements

We deepened and expanded our commitment to responsible investing in 2021. We boosted the application of strict ESG criteria to our investments by integrating our mortgage portfolios and alternative credit strategies, and we used our influence to tackle difficult topics in our engagement and voting activities. Here are some of the things we accomplished last year:

Increased [ESG integration](#)
to **91%** of total assets
from 74% in 2020.

- **Strong growth** in assets under management in our **Sustainable** (equity, credit and multi-asset) and **Impact** (green bonds, equity) **strategies**, underscoring increased investor demand for these funds and their attractive performance in recent years.
- Ranked in the **top 10 asset managers** in a ShareAction report based on our voting record on environmental and social issues.
- More than **170 NN IP funds** classified as **Article 8 or 9** under the EU's Sustainable Finance Disclosure Regulation.
- Exercised our influence, engaging with **541 corporates** and **18 sovereigns** globally.
- Voted on **568** sustainability-related **shareholder resolutions**.



How we deliver results

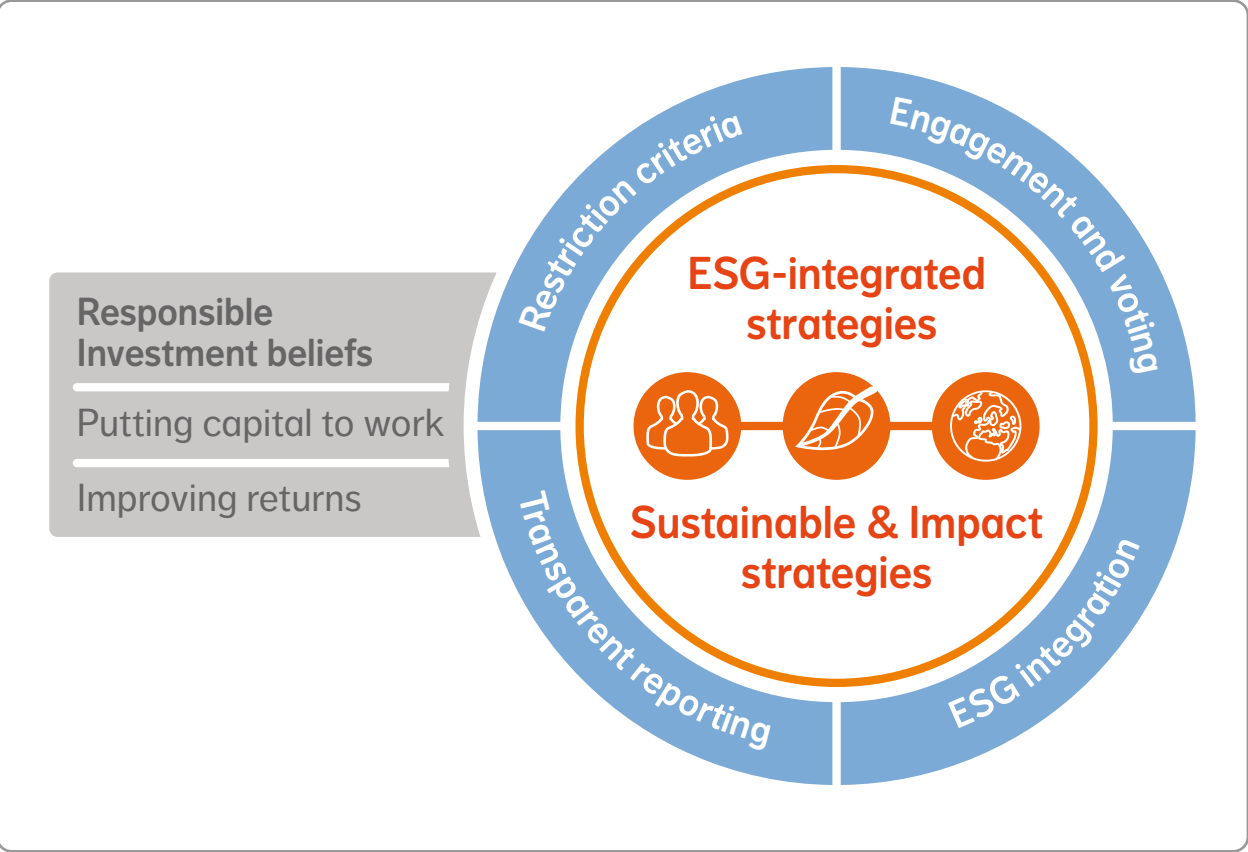
Responsible investing is built into our business from the ground up

NN Investment Partners has earned a reputation as a leader in responsible investing. We never stop innovating to make sure we stay at the front of the pack.

Our commitment to responsible investing permeates every aspect of our business. It helps shape our investment decisions and the range of strategies we offer to our clients. It drives our engagement as shareholders in companies around the world and our dedication to sustainable outcomes.

Our activities and ambitions as a responsible asset manager are set out in the Responsible Investing Framework. This incorporates our beliefs, how we do things and what we offer.

NN IP's approach to responsible investing is based on four essential building blocks, starting with **restriction criteria** that reflect our principles. We consistently **integrate ESG criteria** into our investment process, and we use **engagement and voting** to steer companies in our portfolios towards more sustainable business models. Finally, we are committed to **transparent reporting**.



Our asset-management operation is structured to ensure that the influence of RI is felt at every level and in every decision. Here’s how it works:

Governance and teams

Strong leadership and governance ensure that our actions are consistent with our beliefs, while dedicated RI experts help all our investment teams achieve their non-financial goals. Read more in the [governance and teams section](#).

Restriction criteria

Our responsible investing approach starts with determining areas that are off-limits for investment. These exclusions reflect our beliefs and values, relevant laws and regulations, as well as international initiatives on critical issues from climate change to human rights. Our restriction criteria define the initial

investment universe for our strategies and provide our clients and the parties they represent with clear evidence of our ethics and principles. Read more in the [investment restrictions section](#).

Knowledge exchange

When it comes to responsible investing, the best results are achieved through collaboration. We share our expertise and data with key clients as well as a range of academic and industry researchers and international initiatives that share our sustainability goals. But sharing knowledge is a two-way street, and we use insights gained from our partners to help enhance the performance of our investments. Read more in the [knowledge exchange section](#).

Innovation

We are always working on ways to become better responsible investors. The experts who power our Innovation and Responsible Investing Platform have developed tools that harness the power of natural language processing, artificial intelligence and machine learning. This increases our capacity to process vital data and convert it into actionable insights for our investment teams. Read more in the [innovation section](#).

ESG integration

Our responsible investing strategies are built on nuanced analysis of companies and sovereigns to ensure they meet our criteria. By crunching the data on environmental impact, social engagement and governance practices, we identify the risks and opportunities associated with potential investments. Read more in the [ESG integration section](#).

Engagement

We actively uses our position as a major shareholder and debt investor to influence corporate behaviour in line with our ESG convictions. Constructive, regu-

lar dialogue with the companies we invest in allows us to support and motivate them as they adapt their business strategies to improve ESG performance. Read more in the [engagement section](#).

Voting

Exercising our voting rights as shareholders is one of the most effective ways of ensuring checks and balances are in place on the activities and conduct of the companies in our portfolio. We amplify our impact by collaborating with other like-minded institutional investors. Read more in the [voting section](#).

Transparent reporting

Reporting is one of the most concrete ways of demonstrating our commitment to responsible investing. These reports cover all facets of RI, from ESG performance metrics and greenhouse gas emissions data to exposure to potential controversies. We promote transparency by sharing as much ESG-related information as possible with our clients. Read more in the [transparent reporting section](#).

Investment Strategies

NN IP offers a range of responsible investing strategies within three clusters: ESG-integrated, Sustainable and Impact. All our strategies are grounded in our commitment to putting capital to work and improving returns. Each caters to a variety of client needs across a range of asset classes. These are presented in the section on [investment strategies](#).



Governance and teams

How we set up our operation for success

Responsible investing isn't just a specialized strategy at NN Investment Partners; it's at the core of all our asset-management activities. Our commitment extends from the CEO's office through every investment team.

We believe responsible investing enhances risk-adjusted returns and that companies with sustainable business practices and high standards of corporate governance will become the success stories of the future. We integrate environmental, social and governance (ESG) factors into our decision-making in accordance with our Responsible Investing Framework, which sets out the why and the how of our approach.

Collective leadership

To run an effective responsible investing operation, it's not enough to hire the best ESG specialists, data scientists and portfolio managers. You need to draw on their diverse expertise to inform how the business is run and where it's going. We have spent years assembling a governance structure that gives our specialists a voice on advisory and management committees. This set-up strengthens our decision-making process by ensuring that all parts of the business are represented.

Innovation engine

Leadership in the rapidly evolving world of responsible investing requires continuous adaptation and innovation. We have built our business around a unique Innovation and Responsible Investing Platform that keeps us ahead of the curve. Bringing our RI experts and technology specialists together in a single hub

sparks the development of technological solutions and facilitates their application across our investment teams.

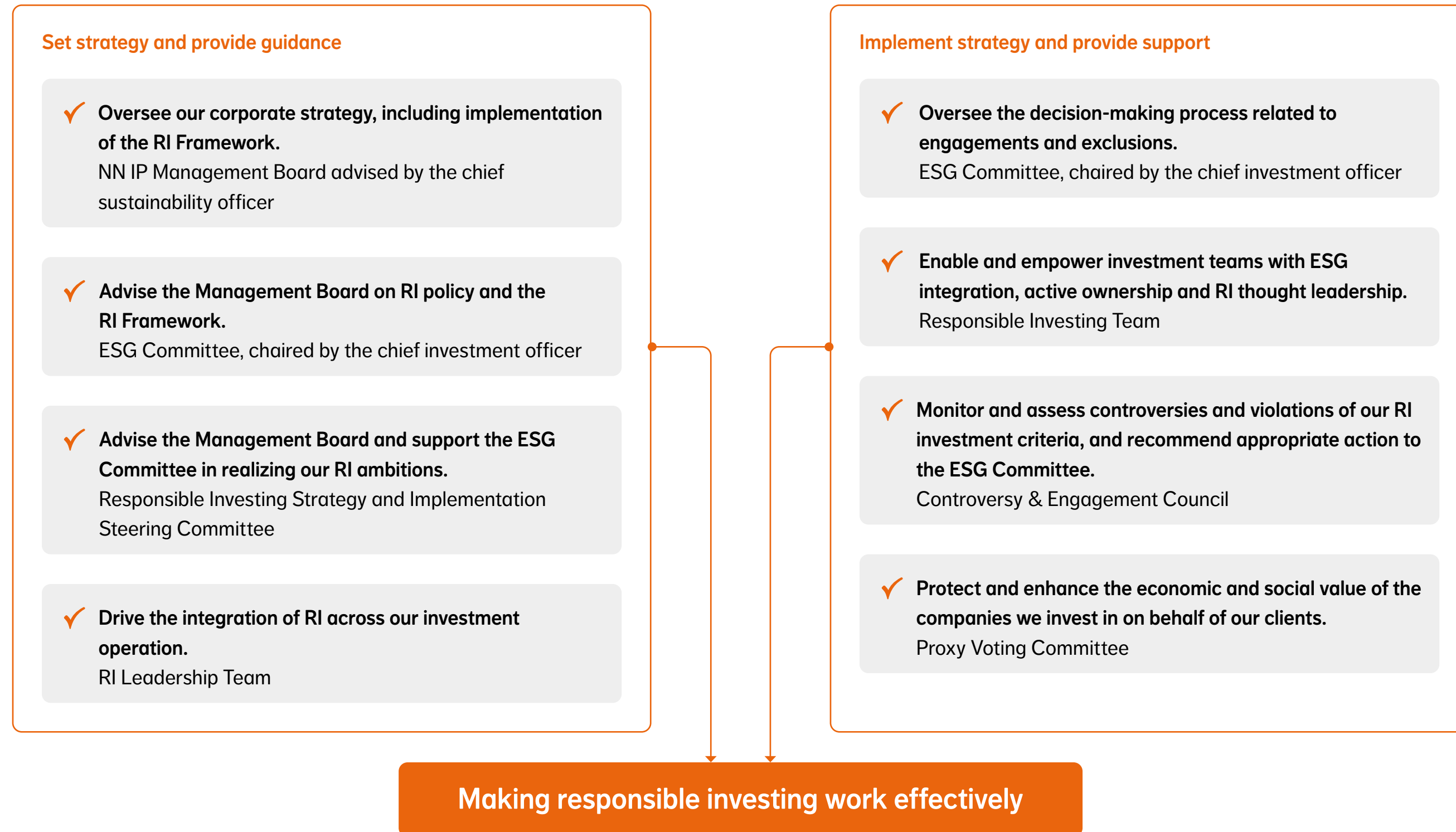
Central hub

The primary role of the Innovation and Responsible Investing Platform is to enable and empower the investment teams to achieve their sustainability goals. By placing this platform at the centre of our operation, we promote the flow of information among all teams, making us nimble in adapting to market and regulatory changes. This structure also ensures that our investment teams always have the support and guidance they need regarding ESG integration.

Essential tasks

Running an effective responsible investing operation requires continuous adaptation to market and regulatory developments around the world. For a large organization like NN IP to evolve in a unified and disciplined way, it must ensure that a long list of essential tasks is performed across the business and all our investment strategies. This list ranges from setting and implementing corporate strategy to providing support to all parts of the business and acting on behalf of our clients. The overview on the next page lays out the key functions that help make us an industry leader.

Here's how our responsible investing organization works in practice.



Investment restrictions

Setting boundaries to enforce our investing principles

We believe in engaging with companies – using our influence as a shareholder and debt investor to encourage and support responsible conduct and sustainable business strategies. But we draw the line at companies whose activities and/or conduct are inconsistent with our values as a responsible investor and our norms-based RI criteria. When we see no potential to change a company's behaviour for the better, we cannot continue to back it as an investor.

Our investment restrictions reflect our beliefs as well as relevant regulations and international norms on critical issues. They define the initial investment universe for our strategies by ruling out ineligible companies such as tobacco producers and manufacturers of controversial weapons.

In 2021, we toughened our exclusion criteria for companies involved in extracting oil sands and mining thermal coal. This decision was part of our commitment to reduce the carbon footprint of our investments in line with the global drive to net zero. Restrictions now apply to companies that derive more than 20% of their revenue from these activities, down from 30% previously.

Areas where violations of our norms-based RI criteria can occur, potentially leading to investment restrictions:

- Governance
- Human rights
- Labour rights
- Environment
- Bribery and corruption

In these areas, our exclusions fall into two categories:

1. Controversial activities

- Controversial weapons
- Controversial supplying of arms
- Thermal coal mining
- Tobacco production
- Oil sands extraction

2. Controversial conduct

- **Corporates:** Corporate issuers that severely and systematically violate the UN Global Compact principles and/or the OECD Guidelines, and where engagement is not or is no longer a viable option.
- **Countries:** Sovereign issuers involved in severe and systematic violations of human rights, against which arms embargoes have been issued by the UN Security Council.

Additional restriction criteria for our Sustainable and Impact strategies

In addition to our firmwide exclusion criteria, we apply more stringent restrictions in our Sustainable and Impact strategies. Within these investment strategies, we strive for financial performance while maintaining a strong focus on contributing to sustainable development. With this in mind, we avoid investments that are not in line with the “do no harm” principle. The additional restrictions cover a range of activities that are at odds with sustainable development, such as gambling and Arctic drilling.

To learn more about the reasons for these additional restrictions, please refer to the NN IP Responsible Investment Viewpoint Policy, available on the RI policies page of [our website](#).

Controversial conduct restriction for Sustainable and Impact strategies

For our Sustainable and Impact strategies, we assess companies and issuers of debt securities using a scale of controversial conduct that we have developed based on research from Sustainalytics, a leading vendor of ESG data. Based on this assessment, we exclude companies and issuers with the highest level of controversial conduct – level 5 – from the investment universe for these strategies.

Companies and issuers that receive a level 4 controversy score are submitted for discussion in NN IP’s Controversy and Engagement Council. Investment is only permitted as an exception if the Council concludes that the conduct in question does not directly violate our criteria based on international standards including the UN Guiding Principles on Business and Human Rights and the UN Global Compact. An exception can also be made if the Council deems that sufficient steps have been taken to address the issue. All exceptions must also be approved by NN IP’s ESG Committee.

Our norms-based RI-criteria applied to all strategies¹



Controversial weapons



Thermal coal mining



Tobacco production



Oil sands production and controversial pipelines



Arms trade with entities under embargoes

Additional criteria applied to Sustainable and Impact strategies



Adult entertainment



Arctic drilling



Fur & specialty leather



Gambling



Shale oil & gas



Nuclear energy²



Weapons

1. Restrictions resulting from controversial activities and controversial conduct are applied company-wide.

2. Partial restriction: companies involved in constructing additional nuclear-based power production installations are excluded.

Knowledge exchange

Raising the bar for RI through collaboration

We believe that the surest way to speed progress towards the goal of a sustainable future is through collaboration. By teaming up with others who share our ambitions and contributing the knowledge and experience we have acquired over many years, we can make RI more effective across the board while enhancing the performance of our own investments.

NN IP collaborates with researchers from the financial arena and the world's leading universities, applying our expertise and unique investing tools to help tackle the challenges facing all responsible investors. We share our data and best practices with asset-management groups and regulators to ensure that the industry as a whole can continue to thrive and play its part in driving the transition to a more sustainable world.

We also share as much information and insight with our clients as possible, from detailed fund updates and RI policy statements on our website to in-depth articles and interactive webinars on key topics. We are committed to preparing our clients for market and regulatory changes and helping them future-proof their portfolios.

Driving ESG insights

We never stop working on new ways to help investors make better decisions and achieve the most sustainable returns. In 2021, we joined forces with gov-

ernance services provider Glass Lewis to examine the links between companies' ESG scores and their management of the ESG aspects of their business and the associated risks.

[The study](#) found companies with a stand-alone ESG committee at board level tend to have higher ESG scores. These committees are more common in Europe and the US – regions that have the most extensive extra-financial reporting obligations. By contrast, companies that do not disclose details of their governance in this area have the lowest ESG scores.

We worked together with Glass Lewis to arrive at the study's insights and conclusions, and our proprietary RI data solutions were essential to its success. The performance data used in the study were based on our ESG Lens, a tool that assesses a wide range of data points to arrive at a single ESG score for a given company.

Cutting-edge research

Much of the information available to sustainable investors focuses on corporate stocks and bonds. Yet fixed-income investors also need to apply ESG criteria to sovereign debt, a key global market because of its size and liquidity. We have developed unique tools for this task, and we actively participate in pioneering research to expand the body of knowledge available to all investors.

We collaborated last year with researchers at Columbia University and Innovation Boosters to examine the correlation between a government's focus on sustainability issues and the return on its debt securities. Specifically, the study looked at emerging-market and developed countries to test whether a country's efforts to make progress towards the UN Sustainable Development Goals could boost returns. NN IP's Sovereign Lens tool, which provides a single ESG score for a given country, was integral to the study.

By analysing pre-pandemic and more recent data, the researchers found a correlation in high-yield emerging markets between returns and efforts to prevent disease and protect public health. In investment-grade countries, progress on socio-political issues had a greater impact on sovereign-debt performance. In developed markets, the study revealed surprising differences between the SDG priorities of Europe and North America.

Leading through collaboration

As a leader in responsible investing, we work closely with asset-management organizations and regulators across Europe to help shape the industry in this period of rapid expansion. We share insight on how new EU and national regulations are working in practice and what changes are needed to achieve the best outcomes. In return, we receive guidance that facilitates our adaptation to the new regulatory landscape.

The challenge of assessing the governance practices of sovereigns is a good example. The good-governance requirements in EU legislation focus on companies, but sustainable investors also need tools for factoring governance into their evaluation of sovereign issuers of debt securities including green and social bonds. We have developed our own method for assessing the sustainability profile of sovereigns that factors in the UN Sustainable Development Goals to examine environmental and social objectives.

Supporting responsible investors

NN IP shares its expertise and insight with retail and professional investors in a variety of ways, from online publications to events designed to help them achieve their RI ambitions. In 2021, these ranged from a webinar on the challenges and opportunities created by the EU's Sustainable Finance Disclosure Regulation to a summer course on the future of responsible investing.

A highlight last year was our Headlight series of RI events that included the summer course as well as webinars on making credit sustainable and the link between impact and return. The series also featured an article that examined what people view as the greatest barrier to green bond investment.

The webinars in this series were interactive, allowing viewers to pose questions to experts from NN IP and – in the spirit of knowledge exchange – from other financial firms such as ING and companies in other sectors including Volkswagen. The events in the Headlight series are available for viewing on our [website](#).



Innovation

Creating solutions that make us better responsible investors

Our leadership in responsible investing is driven by a relentless commitment to innovation.

The RI experts and technology specialists at the core of our investment operation help us stay ahead of the pack, as we continuously adapt to a rapidly evolving market.

We've built our business around a unique Innovation and Responsible Investing Platform, where the dedicated Investment Science team applies the latest technological advances in devising solutions to the challenges faced by our investment teams. These proprietary tools and research insights powered by cutting-edge models and artificial intelligence are tailored to help our portfolio managers achieve their ambitious performance goals and ESG integration.

This hub of nearly 60 innovation and RI experts is crucial to our success. Locating it at the centre of our investment operation encourages dialogue across the company and streamlines the rollout of new solutions. Combining our RI and data-science expertise in a single platform also propels our progress in responsible investing. Most of the solutions we created in 2021 were RI-themed, and the platform approach ensured that our investment teams took part in their development and received essential support in their implementation.

To keep this innovation engine revving, NN IP allocates a significant budget each year to research and development. But that investment does a lot more than produce new tools.

Building our operation around the innovation and RI hub allows us to:

Adapt nimbly to the demands of a rapidly **changing regulatory environment** and take advantage of the **latest technological advances** in creating proprietary tools for our investment teams.

Give **diverse specialists** from across the company a voice in the innovation process, **improving our responsible investing** and facilitating their **implementation by the investment teams**.

Increase the impact of our solutions by sharing them with teams **across the investment department** and applying them to the challenges faced by different strategies and asset classes.

Digesting data

One of the biggest challenges facing responsible investors is the need to crunch vast amounts of data – some of it incomplete or unaudited – and extract the critical information they need to make effective decisions. By developing data-gathering and processing tools that harness the power of artificial intelligence, we're also boosting our capacity for actionable analysis in a scalable way.

Combining RI and technology specialists in a single hub allows us to:

Create a **productive dialogue** that ensures our responsible investing beliefs help shape our **technological solutions** and the latest advances in **artificial intelligence** inform our RI approach.

Identify new challenges and opportunities early and **respond rapidly** with **innovative, tailored ESG solutions** that apply artificial intelligence to improve our responsible investing performance.

Ensure that NN IP stays at the cutting edge of responsible investing, where **advances in technology and RI expertise** combine to deliver **sustainable outcomes** while improving **clients' returns**.

A tool we created in 2021, known as **Ctrl + ESG F**, is a good example. It uses natural language processing and our state-of-the-art cloud infrastructure to give analysts and portfolio managers a quick, complete summary of all ESG-related information in any text, from annual reports to bond prospectuses.

The tool was built in cooperation with the corporate loans group within our Alternative Credit team to make their ESG analysis more efficient and robust. Other teams have since adopted Ctrl + ESG F. By using this tool, the investment department has gained additional ESG-analysis capacity equivalent to two full-time professionals.

This project has also led to further development. Based on the knowledge we gained in developing Ctrl + ESG F, we went on to create Contro(l)versy + F, which detects text related to controversial ESG topics, giving our investment teams another powerful analytical tool.

Our **DigImpact** tool, also completed last year, delivered a similar benefit. It was developed in response to the rapid growth in the investment universe of the Green Bond team, with the goal of facilitating data collection. The tool, powered by natural language processing, scans documents and suggests information related to the key performance indicators of green bonds. This allows our analysts to spend their time interpreting the data rather than collecting it. As a result, the team has seen a substantial increase in its analysis capacity.

Enhancing data

Incomplete datasets are another challenge facing responsible investors across a range of asset classes. This problem is particularly acute in emerging markets, where companies tend to receive less attention from analysts than their developed-market counterparts. NN IP's emerging-market debt team joined forces with the Investment Science team to develop a solution, which we call **ESG-Net**.

This tool applies a cutting-edge neural-network architecture to estimate ESG scores for companies that aren't currently covered in the NN IP corporate indicator. As a result, the corporate group in our Emerging-Market Debt team now has near-total ESG coverage of its investment universe, compared with 50% previously. Following its successful rollout, ESG-Net attracted interest from across the investment department. It's now applied to all securities in our corporate ESG Lens, benefiting all of our investment teams.

Unstructured data

In addition to ESG data on specific companies and countries, we also need to stay on top of trends in the industry and what our competitors are saying. To do that, we invented **WOMMBAT**, a tool that leverages our expertise in natural language processing and our cloud-computing capacity to track down relevant documents.

The WOMMBAT algorithm has already turned up more than 10,000 documents published by other asset managers and is adding more every day. The tool then mines this huge, unstructured dataset for insights that can help shape our thought-leadership output and provide answers to strategic questions on the environment for RI in asset management.

Innovation outlook

We never stop looking for ways to improve our performance as a responsible investor, and we have a lot of diverse expertise to draw on. Last year, our Investment Science team sat down with every investment team to showcase the latest advances in natural language processing and brainstorm about how the technology could benefit their work.

The hybrid, T-shaped structure¹ of our investment department, which places ESG specialists and technology specialists in the investment teams as well as the Innovation and Responsible Investing Platform, ensures that we are creating the solutions that our analysts and portfolio managers will adopt and use. This structure also stores the knowledge we gain from each project in a central location. That allows us to build on earlier innovations and seize new opportunities that require more technologically advanced solutions, as we did in 2021.

We also meet regularly with clients and prospects to show how our expertise in emerging technologies improves investment performance and helps us maintain our lead in responsible investing.

Looking ahead, the RI-innovation connection will be even more relevant than before. Initiatives currently in the works cover the whole spectrum of responsible investing, from predictive climate analytics powered by neural networks to the use of natural language processing to generate insights on how companies are addressing the social component of ESG. We're also developing machine-learning solutions to determine how ESG criteria are factored into executive compensation packages and to extract RI insights from the prospectuses of privately owned companies.

In addition to the work already in progress, we have a growing pipeline of promising ideas to explore, ensuring that 2022 will be another year of productive innovation at NN IP.

On the following page, you will see how our innovation process works in practice, from brainstorming to putting solutions into action.

¹ Source: [CFA Institute](#)

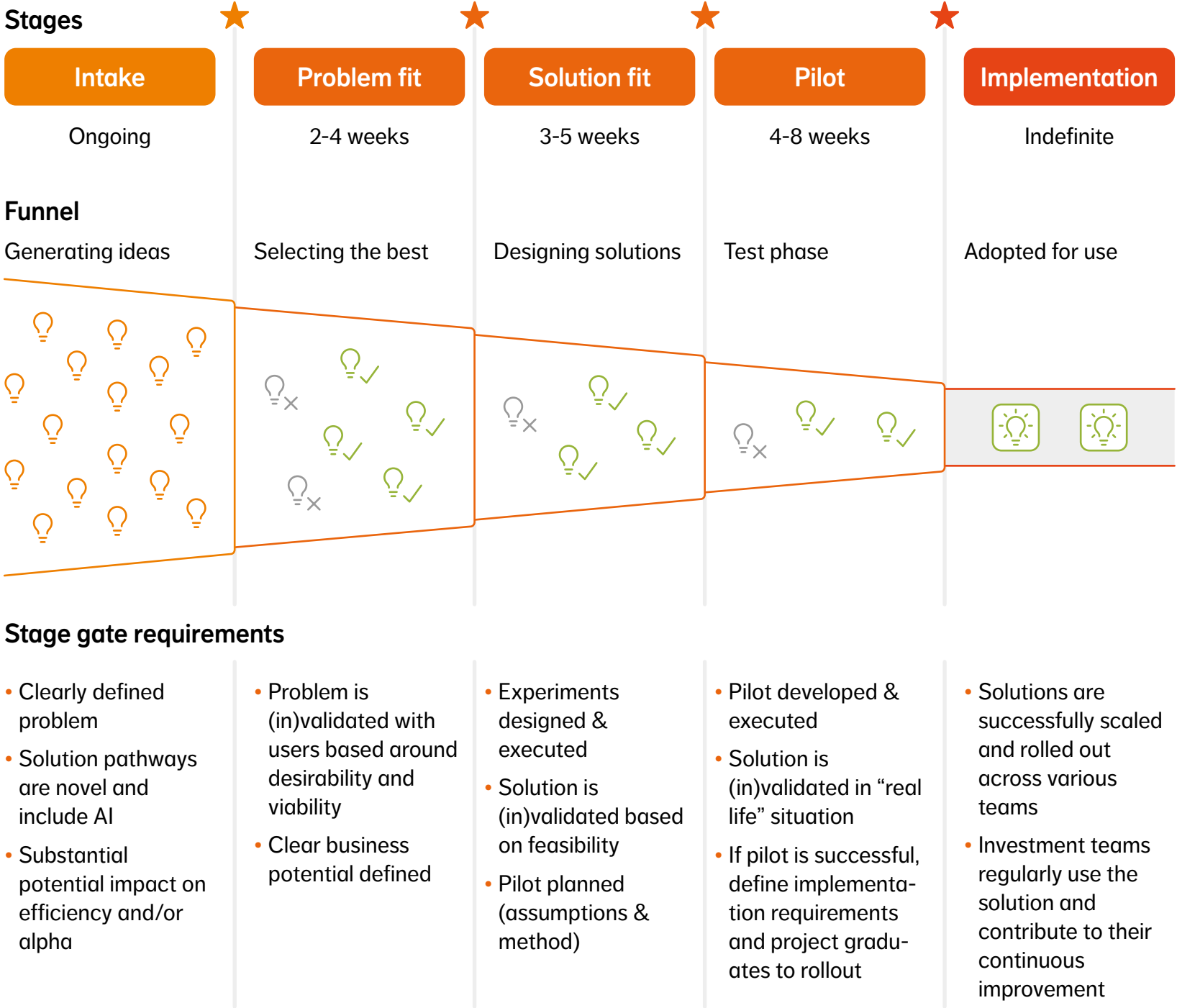
Creating solutions to boost responsible investing outcomes

Challenges

- Process vast amounts of data and extract information needed for effective investment decisions
- Enhance incomplete and unaudited data-sets for processing
- Track down unstructured data to stay on top of industry trends and competitors

Opportunities

- Help investment teams achieve ambitious performance goals
- Develop unique solutions using our expertise in emerging technologies
- Demonstrate leadership in responsible investing through innovation



Selected solutions and tools

- **Ctrl + ESG F** delivers a complete summary of ESG-related information in any text
- **Contro(l)versy+F** detects text related to controversial ESG topics
- **DigImpact** powers efficient green bond analysis
- **ESG-Net** estimates ESG scores for companies
- **WOMMBAT** helps our analysts stay on top of industry trends

★ = stage gate

ESG integration

Using data and expertise to deliver sustainable outcomes

We set a high bar for ourselves when it comes to integrating environmental, social and governance criteria into our investment decisions. We consistently look at all three factors – E, S and G – and we're transparent about the benefits and the challenges of this uncompromising approach.

For us, ESG integration isn't a box-ticking exercise or a marketing gimmick. We believe that our rigorous process provides us with far greater insight into the long-term sustainability and profitability of our investments.

This commitment is reflected in the structure of our investing department, which is built around a core of RI and engineering experts in the Innovation and Responsible Investment Platform. This design facilitates ESG integration and ensures that our analysts and portfolio managers have the best innovative tools and support they need to make better investment decisions.

At the end of 2021, 91% of NN IP's assets under management met our strict criteria for ESG integration, up sharply from 74% in 2020. With this increase – achieved largely through the addition of mortgage portfolios and alternative-credit strategies – we have exceeded our own goal of 80% integration by 2023. It also means we have now put EUR 274 billion of capital to work financing the move towards a more sustainable future.

Including Alternative Credit

Applying ESG criteria to the diverse world of alternative credit products is far from straightforward. A shortage of comparable data and lack of transparency can make it difficult for asset managers to create an auditable integration trail that demonstrates their progress.

At NN IP, we took these difficulties as a challenge and applied all our expertise to coming up with a solution. After a lot of innovative thinking and hard work, our Alternative Credit team developed proprietary ESG scorecards for five strategies:

- project finance and infrastructure debt
- commercial real estate debt
- structured private debt
- corporate loans
- mortgages and asset-backed securities

The results of our detailed ESG analysis are incorporated into the portfolio management process from the initial underwriting of a transaction to the monitoring of our investments, including annual credit and scoring reviews.

Why not 100%?

The short answer is that our focus is on the integrity of our process, not simply reaching a higher number. We hold ourselves to the highest standards, and this makes it challenging to reach full ESG integration. It will always be difficult to claim credibly that some strategies, such as portfolios heavy on derivatives, meet our own criteria, including our insistence on considering all three components of ESG.

In private markets, it can be hard to get the reliable data we need to compare a company with its competitors. That's why we work continuously on solutions to enhance the data we receive in these areas to meet our own strict standards.

Our goal is to integrate all asset classes without compromising our ESG criteria. By upholding our exacting approach, we can be more confident that it will stand the test of time. This is especially important now, because the European Union's new, tougher sustainable-finance regulations will make it harder for firms with more lenient standards to deliver on their ESG pledges.

Three-step integration

We follow a robust approach to integrating ESG criteria into our investment strategies to ensure accurate risk analysis and attractive returns. Our analysts and portfolio managers begin by identifying material ESG issues for each strategy and asset class.



For companies, this means looking at the key challenges and opportunities facing each sector. For example, the transition to green energy could threaten

the ability of traditional energy providers to create value for their investors, while boosting alternative-energy firms.

Next, we assess how companies are adapting their business strategies to tackle the challenges and embrace the opportunities created by the transition to a more sustainable economy. We also analyse controversies that have arisen or could arise and their potential impact on the business.

Finally, we integrate the results of our ESG analysis into the investment case for each company and take this into account during portfolio construction and subsequent monitoring.

Our approach to sovereign debt issuers is slightly different. Most ESG factors – from the quality and availability of education and healthcare to political stability and energy sources – tend to be significant for all countries around the world. We therefore assess countries using a single set of criteria and compare them from an ESG perspective.

While our approach always includes these three steps, implementation varies across strategies and asset classes. We use different data sources and tools when assessing companies and sovereigns. When looking at companies, for example, we apply our proprietary ESG Materiality Framework. Our treatment of ESG risks and opportunities can also differ.

ESG Materiality Framework

The Framework guides the decision-making process across all our investment teams and helps us identify and interpret corporate ESG factors by enhancing the focus in our analysis. It underpins other ESG integration tools, feeds into our engagement efforts and provides a starting point for dialogue with companies.

ESG materiality framework



Business model

- Environmental innovation and opportunities
- Social innovation and opportunities



Governance

- Corporate governance
- Corporate behaviour



Environmental

- Climate change
- Resource use & pollution



Social

- Product responsibility
- Human rights & human capital

The Framework consists of four pillars – business model, governance, environmental and social – each focused on two themes that help us assess a company's real-world impact. The eight themes encompass a range of material issues. Within resource use and pollution, we look at the sourcing of materials; water management, biodiversity and land use; and pollution and waste.

We then assess how significant each issue is for the 24 industry groups covered by the Framework. We do not differentiate between equity and credit, because the material factors for an industry group are the same regardless of asset class, even though the magnitude of their financial impact may differ.

Sourcing the information

To ensure that our ESG analysis tells the full story about the companies and countries we invest in, we draw on three complementary sources of information: external data, our own expertise and dialogue with the companies and sovereign issuers in our portfolios.

Data: We gather ESG data from a wide variety of reliable sources. In addition to more traditional providers, we use alternative data sets that highlight emerging trends and provide a forward-looking perspective that gives us a new angle on ESG performance.

In-house expertise: The knowledge and experience of our analysts and portfolio managers, coupled with our data science expertise and innovation, are essential to formulating a balanced investment view.

Engagement: We engage on ESG issues with many of the companies and countries we invest in, either alone or in collaboration with others. These dialogues expand our ESG knowledge and contribute to more effective analysis.

Next steps in ESG integration

We never stop working to expand and refine the integration of ESG criteria into our investment process because it's an essential part of putting the assets we manage to work for a more sustainable future. As part of this effort, we will continue to seek out the highest-quality ESG data and enhance our ability to convert it into the best results for our investors and society as a whole.



Engagement

Sharing expertise, finding common ground and encouraging change

We take an active approach to responsible investing. We expect the companies in our portfolios to adopt sustainable business strategies, and we use our influence as an investor to support and steer them as they tackle key issues from reducing their impact on the environment to promoting board diversity and paying workers a living wage.

We engage with companies on behalf of our clients. By stimulating companies to improve their performance on environmental, social and governance criteria, we ensure that our clients' money is put to work building a better world. This is also the best way to maximize the value of their investments, because we believe that sustainable corporate behaviour enhances risk-adjusted returns.

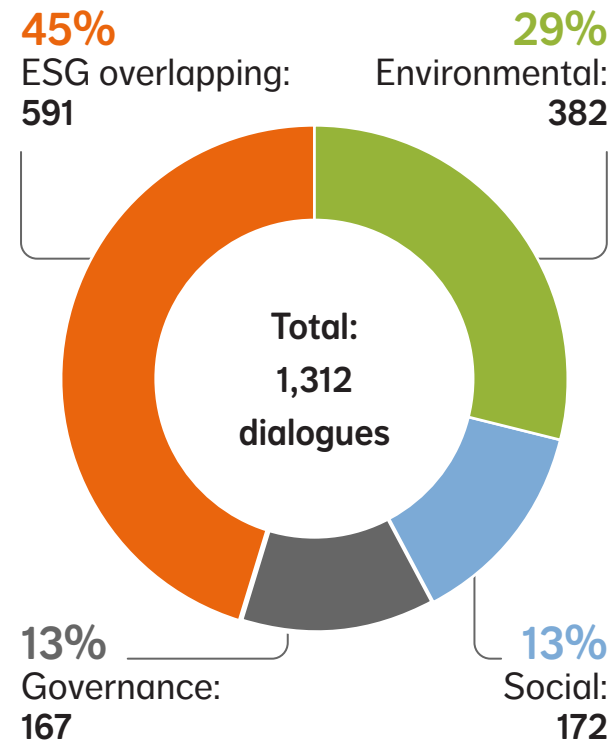
Engagement also contributes to our own sustainability ambitions. By encouraging the companies we invest in to adopt climate-action plans and cut greenhouse gas emissions, for example, we move closer to reaching the net zero target we have set for our portfolios. By pushing companies to respect

workers' rights, we contribute to a more inclusive economic transition while also enhancing the ESG status of our responsible investment products.

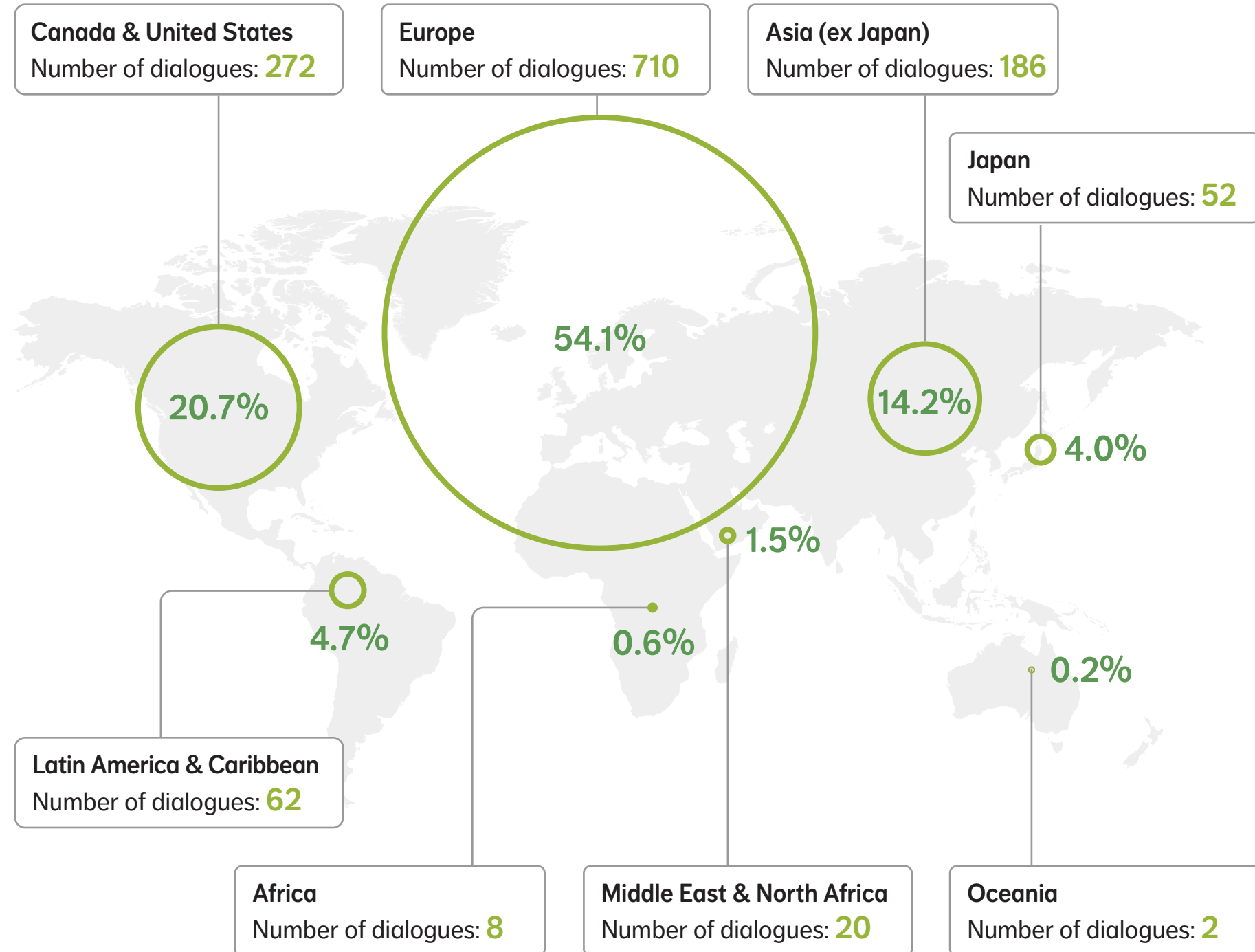
For all these reasons, we are committed to engaging on ESG issues with hundreds of companies around the world as well as national governments. We also team up with a range of engagement partners to increase our influence. In 2021, we expanded our engagement to 1,312 total dialogues, from 1,269 in the previous year.

Key engagement figures for 2021

Number of companies: **541**
 Number of sovereigns: **18**
 Number of dialogues: **1,312**



This represents all ESG dialogues and engagements conducted by our analysts, portfolio managers and RI specialists, as well as Sustainability Stewardship Services.



Our approach

Engagement with our portfolio companies can focus on addressing controversies or pursuing thematic dialogues. Our analysts and portfolio managers also reach out regularly on ESG issues that have a material impact on the value of companies. Our approach starts from the international standards of corporate behaviour developed by the United Nations, the International Corporate Governance Network and the Organisation for Economic Cooperation and Development.

Controversy engagement focuses on severe and structural breaches of our norms-based criteria in the areas of governance, human rights, labour rights, environment, bribery and corruption.

Thematic engagement focuses on issues that have a material impact on society, and where we believe our efforts can create positive change. These themes share objectives and risks as defined by the UN Sustainable Development Goals and the World Economic Forum.

Engagement strategies

We tailor our approach for each theme and company. First, we analyse an issue in detail to settle on our engagement theme. Then we determine the value chain linked to that theme and identify companies most in need of engagement and most likely to benefit. Finally, we develop a detailed plan with objectives and milestones for each company.

Some themes, such as promoting a living wage, require a long-term commitment and an industry-wide approach to change systems that are woven into the fabric of society. On other themes, such as pushing for climate-action plans in the

oil and gas industry, a more direct approach with individual companies can yield the best results.

We typically engage with a company over a three-year period, setting change objectives and milestones to track our progress. We support and advise the company and monitor its actions. If progress is insufficient or the company ignores our input, we can take additional measures such as excluding it from our investment portfolio. Adding a company to our investment restrictions list is a last resort. We prefer to pursue engagement, because our investment in a company gives us influence to change its behaviour. We restrict companies only when investment would conflict with our beliefs or engagement is no longer deemed viable.

We often team up with other investors as well as financial-industry groups and initiatives, sharing our expertise and insights on critical issues. We also play an active role in a range of sustainability initiatives. By joining forces with other institutional investors, we can strengthen our message and increase the impact of the capital we put to work. In addition to our own efforts, we also use the services of Sustainalytics Stewardship Services, which engages with companies on our behalf using predefined targets.

Engagement milestones



1. Initial communication

We contact the company to inform them that we would like to engage, why we have selected them, how we plan to proceed and what the engagement objectives are.

2. Dialogue established

Our first contact with the company aims to discuss the engagement objectives in more detail and gather information on the status of these goals.

3. Company commitment

The company commits to addressing some or all of the objectives we have identified. Initially the focus is often on easily achievable goals and we take a step-by-step approach.

4. Company strategy

The company develops a strategy to address the issues, including clear activities and targets. We encourage the company to publicly disclose this strategy.

5. Strategy effective

If the company is at an advanced stage of implementing the strategy, and all objectives have been met, the engagement process can be finalized.

Some of our engagement partners

 Click on a logo to read more

Engagement themes and achievements

Our engagement efforts focus on three main themes: **corporate governance**, **natural resources and climate change**, and **decent work**.

Strong governance

Good governance balances the needs of all stakeholders and ensures that companies operate in a fair and ethical way. It also enhances a company's stability and performance and supports its long-term strategy. Governance encompasses issues relating to remuneration, bribery and corruption and the appointment of an independent and diverse board of directors. Within this engagement theme, we focus on **board composition and responsibility**, because diversity and strong oversight at board level can affect how companies deal with political risks, new regulatory requirements and environmental and social challenges. We have added a second focus on the crucial issue of **disclosure in emerging markets**, reflecting the expanding range of our engagement.

Natural resources and climate change

The natural world is at a tipping point. The wide-ranging effects of the climate crisis and the growing pollution of natural environments could irreversibly alter our ecosystems, agriculture, water resources, human health and security.

We acknowledge the potential effects on our investments and our responsibility to take action. Within this engagement theme, we focus on four topics: **utilities**, **deforestation**, **oil and gas** and **plastics**. This list can be expanded to include companies in other sectors where engagement fits with the overall theme.

Decent work

Eliminating poverty remains one of the greatest challenges facing humanity. In 2021, the Covid-19 crisis further exacerbated inequality on a global level, placing the poorest members of society at the greatest risk. Upholding decent labour practices and standards that go beyond legal frameworks contributes to both society and business. We therefore encourage investee companies to achieve inclusive employment throughout their own operations and global supply chains. Within this engagement theme, we focus on the subthemes of **living wage** and **child labour**. We partner with Sustainalytics in our engagement on child labour as well as **modern slavery**, promoting measures that address the root causes of these issues as well as rigorous due diligence procedures and enhanced transparency.

We made significant progress towards our engagement goals during 2021. The following pages highlight our achievements on three subthemes: **board composition and responsibility**, **oil and gas** and **utilities**.

Strong governance



Board
composition
and
responsibility

Disclosure
in EM



Natural resources and climate change



Utilities



Defores-
tation



Oil and
gas



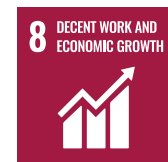
Plastics



Decent work



Living wage



Child labour

Modern slavery



ENGAGEMENT THEME:

Board composition and responsibility

8 companies | 11 dialogues

In 2021, many company boards were understandably focused on the impact of Covid-19 on their business and financial position as well as on protecting the health and well-being of their employees. Boards also had to contend with disruptions in their supply chains and customer spending. These factors, coupled with the emergence of new work models and expanding digitization, accelerated the shift towards more responsible, long-term and stakeholder-oriented business models. In our dialogues with companies, we discussed the pandemic's potential impact on their long-term strategy and the business environment. We also focused on the most important lessons companies learned during the pandemic, and their key priorities for development as the economy recovers.

Goal and approach

Our goal is to persuade companies to implement proper board-level oversight for tackling environmental and social challenges. In many cases, engaging on this topic means prompting companies to increase the diversity of their boards, in terms of skills and

Engagement progress

Board composition
& responsibility



experience as well as age, gender and ethnicity. We believe that more diverse boards are often more resilient and better equipped to handle today's challenges.

Progress in 2021

In 2021, we continued to focus on transparency, the alignment of executive pay with performance on sustainability issues, and board quality and oversight. In our discussions with companies, we raised these issues along with others that rose to the fore during the pandemic, including employee health and safety and stakeholder alignment. We also discussed the impact of the pandemic on companies and their stakeholders.

We challenged company boards to align non-financial criteria with their strategy and link them to their remuneration policy. In particular, the incorporation of non-financial metrics in a company's long-term incentive plan has been a recurring topic, because this is an important tool to safeguard sustainable business practices. We encourage boards to adopt a remuneration plan that is aligned with its sustainability targets and stimulates financial and non-financial performance. In our engagement with one investee company, we raised concerns about the absence of climate targets in its remuneration policy. The company had published a climate strategy with targets but had not integrated these into its remuneration policy. The board welcomed our input and made several significant changes to the policy to satisfy investor expectations and better incorporate its long-term sustainability objectives.

It can be difficult for investors to judge if a company's sustainability ambitions are more than just a marketing strategy. We believe companies should develop credible action plans that include sustainability commitments with measurable targets. We expect regular reporting on progress towards these targets, with a detailed explanation of steps taken.

Finally, we pushed companies again last year to improve diversity and inclusion within their organizations. In addition to setting up well-defined recruitment strategies, companies with which we engage have developed programmes to tackle cultural issues such as unconscious biases and dominant norms.

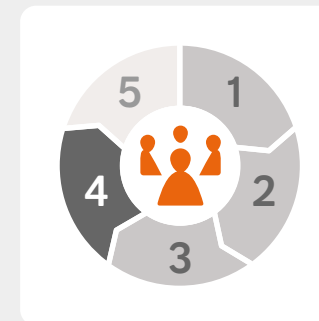
Next steps

We believe that strong corporate governance is the solid foundation of a company's potential for long-term value creation. That is why we continue to engage for successful stewardship, effective boards and responsible remuneration amidst changing market developments and societal expectations.

Company example: Philips

We have been discussing the topic of diversity, particularly gender diversity, with Philips for several years. At the annual general meeting in 2020, the company committed to making progress in this area, set targets and launched a number of internal programmes. We continued our engagement in 2021, discussing the topic during several meetings with company representatives and at the AGM. We focused on the steps Philips has taken to increase the number of women in managerial positions. The company is on the right track. The share of women in senior positions rose to 27% in 2020, exceeding its initial target of 25%. It has developed training programmes that begin with the hiring of new staff, such as unconscious bias training. It is also committed to hiring and retaining female talent. We still see room for improvement, however, and would like Philips to step up its efforts and push the representation of women in senior roles to 30%.

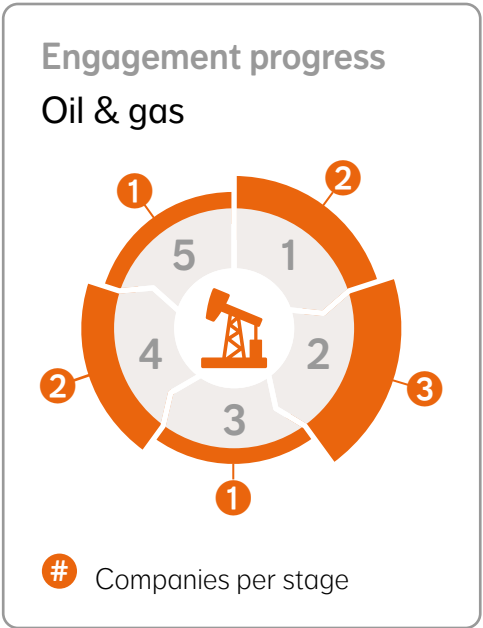
We engaged with Philips as part of our agreement with the Dutch corporate-governance forum Eumedion. This group represents the interests of institutional investors in the field of corporate governance and related sustainability performance. Within the forum, NN IP takes the lead in coordinating engagement with Philips.



ENGAGEMENT THEME:

Oil and gas

9 companies | 16 dialogues



The oil and gas industry is a leading contributor to global warming, yet energy producers are also essential players in meeting the goals of the Paris Agreement. NN IP uses its influence as an investor in these companies to drive progress on tackling climate change. We believe we can have greater impact through engagement with oil and gas companies than we would by divesting. We also recognize the increased urgency to prioritize engagement on carbon emissions with high-emitting companies.

Goal and approach

NN IP has updated its engagement objectives for the oil and gas sector in line with changing market practices, increased stakeholder expectations and our climate commitments. Our engagement goal is to ensure that companies’ actions and investments are in line with the Paris Agreement goal of limiting global warming to 1.5°C. We expect companies to take action now, because the years to 2030 are vital to keep rising temperatures in check. Our engagement objectives pertain to the oil and gas sector as a whole and can be adjusted or expanded as necessary. This will be done on a case-by-case basis, taking into account the local, cultural and regulatory context in which the company operates.

Progress in 2021

2020 was the year of commitments from oil and gas companies to reduce greenhouse-gas emissions. BP kicked it off by setting a target of net zero carbon emissions by 2050, and several other energy majors followed suit. While these announcements were well received, we noticed that many companies had left open the option to increase fossil-fuel production. Some also failed to raise their capital-expenditure commitments to fund the transition to renewable energy sources.

Some companies’ net zero plans contained proposals to offset emissions by investing in renewable energies, planting trees or using carbon-capture technologies. In 2021, we began challenging these plans. We asked if the land needed for climate solutions had been acquired, and if the emission-reduction technologies the companies mentioned had been proven at scale. We also scrutinized the alignment of climate targets with compensation. We expressed our concerns at the annual general meetings of several companies when their climate-action plans were brought to a vote.

Next steps

In the year ahead, we will encourage oil and gas companies to continue developing their decarbonization plans with clear short- and medium-term targets and science-based strategies for a successful transition to renewable energy. We will continue to focus on the implementation of strong governance frameworks that set out the board’s accountability and its oversight of climate-change policy. We will encourage companies to decarbonize capital expenditures, which are still too often heavily tilted towards high-carbon activities. Finally, we believe that oil and gas companies need to ensure a just transition, and we will pay increasing attention to this issue in the years ahead.

Company example: Ecopetrol

NN IP has supported the Climate Action 100+ engagement with Colombian national oil company Ecopetrol for several years. Our engagement has focused on sound climate governance, emissions reduction targets and increasing capex towards low-carbon technologies and renewables. In 2021, a critical milestone in this engagement was reached when Ecopetrol became the first oil and gas company in Latin America to pledge to achieve net zero carbon emissions by 2050 for scopes 1 and 2. By 2030, the company seeks to reduce its greenhouse gas emissions by 25%. In addition, Ecopetrol aims to reduce 50% of its total emissions by 2050, including scope 3. The company presented a road map for reductions over the short, medium and long term.

Ecopetrol also published its first report in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We believe Ecopetrol has positioned itself as a climate leader in the region, and we will continue to support the company in its transition.



ENGAGEMENT THEME:

Utilities

9 companies | 19 dialogues

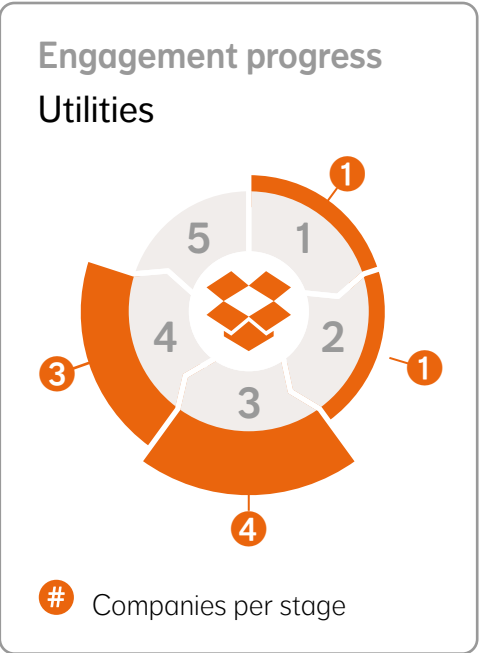
Of all sectors of the global economy, electricity and heat generation account for the largest share of direct greenhouse gas emissions. The electricity sector is also vital to the collective effort to reach net zero because of the central role it plays in the transition plans of other sectors. Our engagement with electric utilities focuses on power-generating companies and the need to transition to a low-carbon economy.

Goal and approach

Our aim in engaging with utilities is to encourage them to develop energy-transition plans consistent with the Paris Agreement goal of limiting global warming to 1.5°C, including a schedule and milestones for phasing out the use of coal. We also engage on the social impact of the transition, because focusing on inclusivity can speed up climate action and help ensure that it benefits all of society, with no one left one behind.

Progress in 2021

We saw a range of companies announce new climate commitments and build on existing decarbonization plans in 2021. In addition, more than 20 countries made new commitments to phase out coal power at the COP26 global climate conference, a list that includes five of the world’s top 20 users of coal power.



We continued to meet and even exceed our engagement objectives last year, with more utilities, including the Czech conglomerate CEZ Group, pledging to achieve net zero emissions by 2050. Italian power company Enel went farther, bringing forward its net zero target to 2040. Some companies, such as India's NTPC, raised their carbon-reduction targets after reaching their previous goals ahead of schedule. Portuguese utility EDP Group announced a plan to reduce scope 1 and 2 greenhouse gas emissions by 98% by 2030, and the new, more ambitious target was recognized by the Science Based Targets initiative. Polish energy company PGE Group made progress on climate transparency by taking part in an international survey on climate protection and water management conducted by CDP, a not-for-profit organization whose global disclosure system helps investors, companies, cities, states and regions manage their environmental impacts. Unfortunately, a few companies are either making insufficient progress or are unwilling to open a dialogue with us.

We continue to focus on assessing real-world impact. Are companies closing coal plants and cutting emissions? Or are they selling them and merely transferring the emissions to another utility? We also engage with companies on ensuring a just transition that takes into account the impact on workers, communities and other stakeholders. For example, a company planning to shut its coal plants should have a plan for retraining or relocating affected workers, and it should clearly communicate its plans and allocate funds to manage the impact.

Next steps

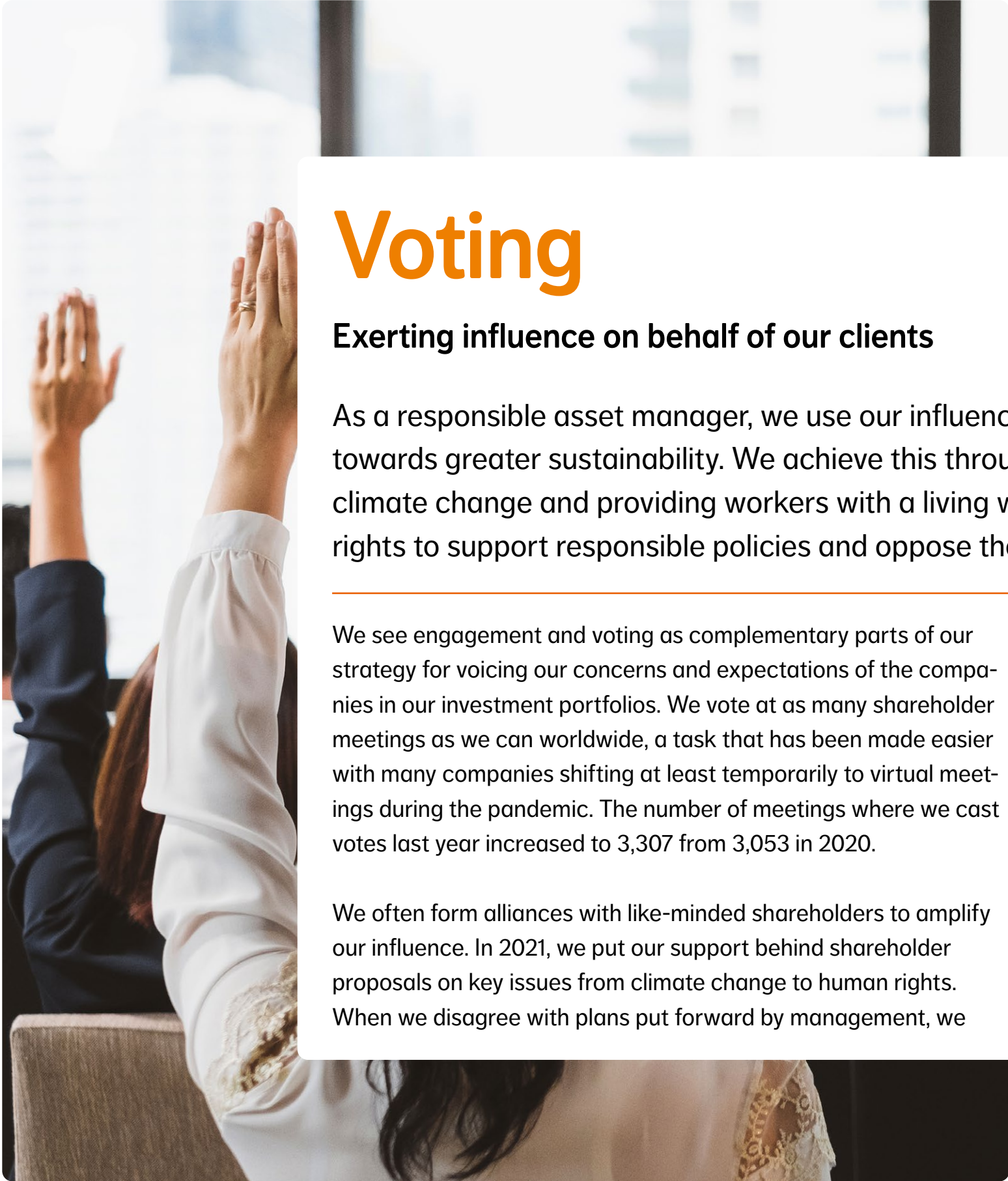
We will be focused in 2022 on whether companies can deliver on their commitments. Often success depends not only on a company's ambition, but also on external factors that influence the transition. These include regulations and government policy decisions, changing market conditions and a company's ability to increase its renewables offering and grid development. Companies are aware of these dependencies and are actively involved with stakeholders to find solutions.

In the years ahead, we will carefully track the progress companies make on their decarbonization plans. It will also be important for companies to gain recognition of their targets by the Science Based Targets initiative to ensure they are in line with the Paris Agreement.

Company example: CEZ Group

CEZ made good progress in 2021, releasing its vision for 2030 containing targets related to climate change. It committed to achieve net zero by 2050 and to curb emissions in line with the Paris Agreement scenario of "well below 2 degrees" by 2025. The Czech company has also pledged to shut coal-burning power plants, some by 2030, while for others closure plans depend on energy-security issues and the availability of renewables. We will continue to engage with CEZ in 2022 on the possibility of setting a science-based target based on a 1.5 degree scenario and on the company's progress on realizing its 2030 vision.





Voting

Exerting influence on behalf of our clients

As a responsible asset manager, we use our influence to put the companies we invest in on the path towards greater sustainability. We achieve this through regular engagement on critical issues such as climate change and providing workers with a living wage. As a shareholder, we also exercise our voting rights to support responsible policies and oppose those that conflict with our beliefs.

We see engagement and voting as complementary parts of our strategy for voicing our concerns and expectations of the companies in our investment portfolios. We vote at as many shareholder meetings as we can worldwide, a task that has been made easier with many companies shifting at least temporarily to virtual meetings during the pandemic. The number of meetings where we cast votes last year increased to 3,307 from 3,053 in 2020.

We often form alliances with like-minded shareholders to amplify our influence. In 2021, we put our support behind shareholder proposals on key issues from climate change to human rights. When we disagree with plans put forward by management, we

don't hesitate to oppose them. Last year, we voted against proposals on topics ranging from executive pay to board elections and climate plans.

Top 10 Voting Record

Our strong voting record also underscores our leadership in responsible investing. NN IP ranked in the top 10 among the world's largest asset managers based on our votes last year on social and environmental issues, according to analysis from the non-profit RI group ShareAction¹. NN IP supported 90% of the shareholder resolutions covered in the report, including 98% of those related to the environment.

¹ Source: [ShareAction](#)

Key voting figures for 2021

How and where we voted in 2021

Voting summary overview

Number of meetings: **3,307**

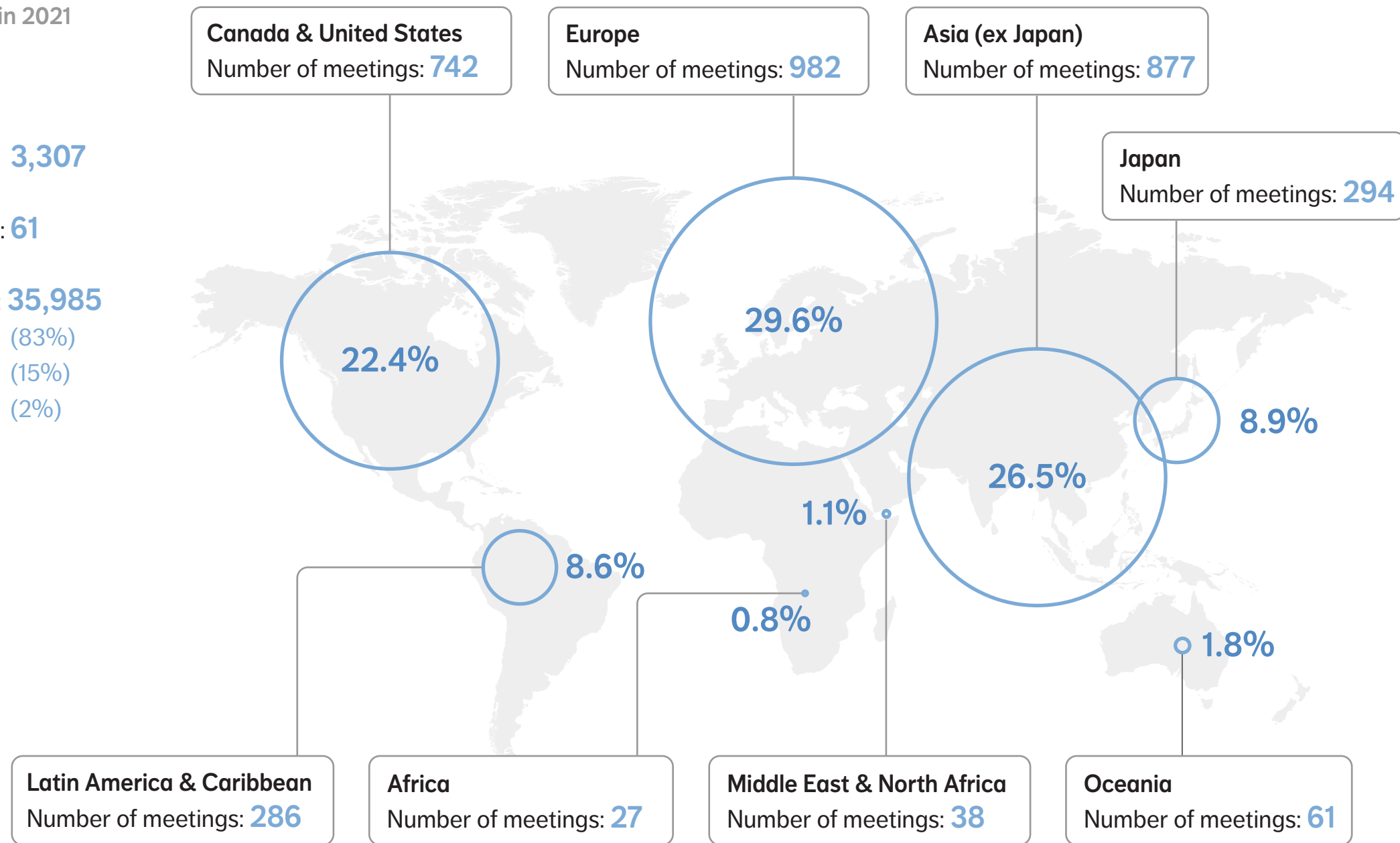
Countries where we voted: **61**

Number of items voted on: **35,985**

For: **29,977** (83%)

Against: **5,332** (15%)

Abstain/other: **676** (2%)



These figures represent voting activities for client assets as well as NN Group proprietary assets.

Key voting topics

In 2021, we focused our voting activity on four broad areas: **1)** board elections, **2)** remuneration, **3)** shareholder proposals related to sustainability, and **4)** companies’ climate-action plans.

Board elections

Appointing capable directors and creating a diverse, independent board is critical to moving a company in the right direction. While we often support a company’s nominees, we vote against them when we think that adding them to the board would detract from the goals of independence and diversity.

We may also hold the board accountable for insufficient oversight of environmental and social risks, failure to disclose reduction targets for greenhouse gas emissions and in the event of serious breaches of our responsible investing criteria.

Company example: ExxonMobil

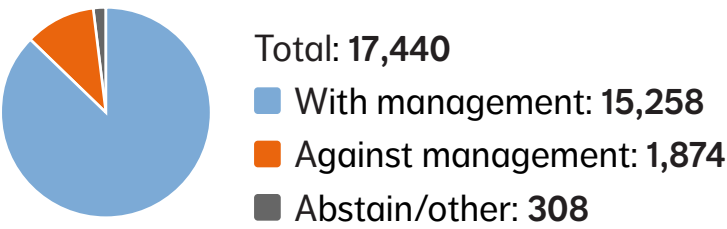
ExxonMobil, the world’s largest public oil company and one of the largest greenhouse gas emitters, has long faced criticism and pressure from activists and shareholders who want the company to adopt carbon reduction targets. ExxonMobil has largely resisted or ignored these calls and consistently

excluded climate-related shareholder proposals from the annual general shareholder meeting. To express our dissatisfaction, we have voted against the company’s entire board in each of the past few years. In 2021, activist shareholders put forward an alternative slate of four directors to promote the adoption of a sustainable business strategy. We voted for all four of these candidates in the belief that they would bring fresh perspectives and experience to the table. Three of them won seats on the board. We opposed all of the incumbent directors.

Remuneration

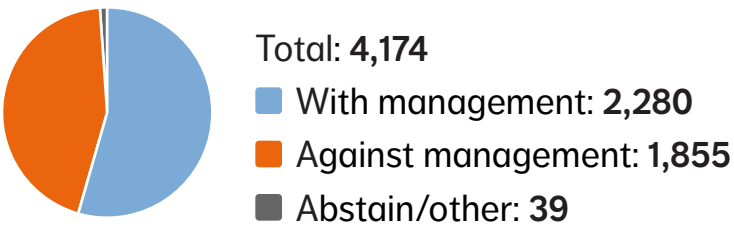
Executive pay and the effectiveness and complexity of companies’ remuneration policies are perennial subjects of heated discussion at annual shareholder meetings. The pandemic has triggered a broader debate on high levels of compensation for executives in the context of glaring income inequality. In addition, issues such as sustainability, employee health and safety, company goals and

Votes compared to management on board elections



These figures represent voting activities for client assets, not including NN Group proprietary assets.

Votes compared to management on remuneration



These figures represent voting activities for client assets, not including NN Group proprietary assets.

management’s ability to manage crises are increasingly being factored into decisions on compensation.

Company example: Unilever

Unilever asked shareholders to support its updated remuneration policy. NN IP voted against the proposal based on our concerns about the method for measuring performance against targets. In Unilever’s long-term incentive plan, targets would only be measured in the final year of the performance period. We believe long-term incentives should encourage executives to achieve steady, sustainable growth, and that performance should therefore be measured over the entire three-year performance period.

Sustainability-related shareholder proposals

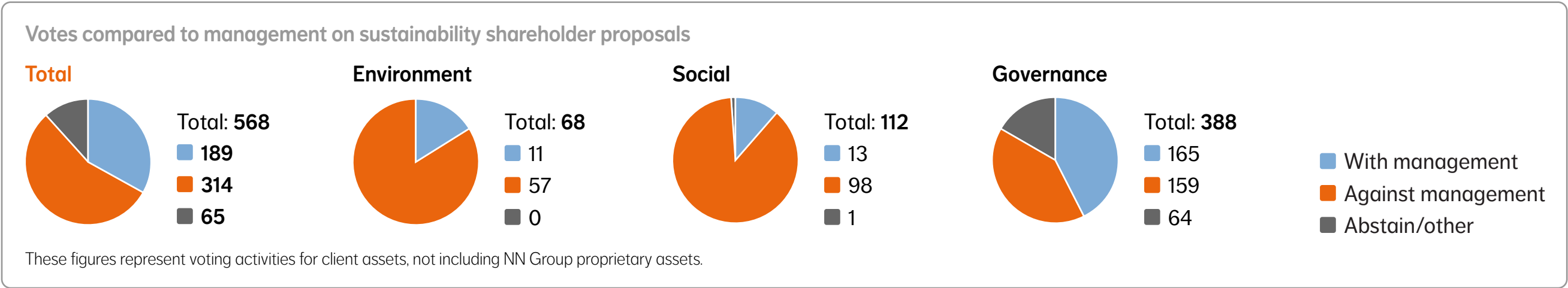
We actively support proposals submitted by shareholders that address sustainability issues that can affect a company’s ability to create value in the long term. Voting for such resolutions is an important part of our stewardship efforts. In 2021, we exercised our vote on issues ranging from climate change mitigation and equitable vaccine access to worker health and safety.

Company example: Amazon

As in previous years, Amazon faced heavy pressure on human-rights issues from shareholder groups in 2021, with at least 11 proposals addressing alleged misconduct. Some of these called on Amazon to investigate allegations of racism related to its employees, operations and products; others sought disclosure of promotion velocity rates at Amazon to assess any bias against women and minority groups. Corporate management opposed all the shareholder resolutions, saying it was already doing enough to monitor and report on these issues. Despite backing from NN IP and other investors, the proposals fell short of the required majority. Still, significant minority support from shareholders ramps up pressure on the board to take action.

Company example: Pfizer

NN IP supported a shareholder proposal demanding greater disclosure and transparency on pricing and access to Covid-19 vaccines. Similar proposals were filed at other pharmaceutical companies. Nearly 30% of shareholders backed the resolution. NN IP also signed a joint investor statement calling for a fair, equitable global response to the pandemic, including support for the Access to Covid-19 Tools Accelerator. This global collaboration was initiated by



the World Health Organization to speed development, production and access to vaccines, therapies and diagnostic tools. Despite falling short of the required majority, the resolution along with the investor statement helped put Pfizer in the spotlight. The company has committed to provide 2 billion vaccine doses to low- and middle-income countries, with half to be delivered in 2022. It also pledged to assist in distribution of the vaccines.

Company example: Tyson Foods

Tyson Foods, the largest US food company, has faced scrutiny over the years on safety issues and its impact on the environment. Employees have also raised concerns about insufficient Covid-19 protections and lack of meaningful worker engagement. NN IP supported a shareholder proposal calling on the company to disclose more information on its human rights due diligence processes in line with the United Nations Guiding Principles on Business and Human Rights. We acknowledge that Tyson's poor management of worker health and safety exposes it to litigation, reputational, financial and human-capital management risks. We voted for the proposal because we don't believe the company is doing enough to identify, assess, prevent, mitigate and remedy actual and potential human rights issues. The measure passed with strong backing from Tyson's independent shareholders.

Company example: Microsoft

Microsoft faced several shareholder proposals on its practices regarding gender and racial pay equity, workplace sexual harassment policies and its implementation of the Fair Chance Business Pledge launched in 2016 by then US President Barack Obama. NN IP backed the resolution, which called on the company to assess and report on the effectiveness of its policies. Nearly 80% of shareholders supported the proposal. Another proposal sought a ban on sales of facial-recognition technology to government entities. We voted against it because Microsoft had already vowed not to sell this technology to US police

Shareholder proposals related to climate and environment

We supported **96%**
(out of 68) shareholder proposals
related to the **environment**

We supported **100%**
(out of 14) **Climate Action 100+**
shareholder proposals

These figures represent voting activities for client assets, not including NN Group proprietary assets.

departments. NN IP will continue to push for the company to adopt robust human rights due diligence processes to address risks related to this technology.

Company example: Bunge

As a large agribusiness and food-production company, Bunge faces deforestation risks in its soy supply chain. A shareholder proposal recommended that the company assess the possibility of setting a deadline for eliminating these risks, and also sought increased monitoring of suppliers' non-compliance. The Bunge board backed the resolution, which likely contributed to its 99% support from shareholders, including NN IP. We are actively involved in collaborative initiatives to halt deforestation and make a positive change in the global protein value chain. In addition to the environmental impact of soy production, we also focus on the social aspects and engage with growers, traders and processors on human rights and labour standards on plantations.

Company example: Barclays

Barclays was called on to set, disclose and implement a strategy for phasing out all financing of coal, oil and gas projects and companies on a schedule consistent with the Paris Agreement. NN IP was part of a small minority that voted in

favour of the resolution. We believe the banking sector has an essential role to play in financing the transition to sustainable energy and supporting decarbonisation efforts.

Climate action

The growing number of companies that put their climate action plans to a shareholder vote moved “say on climate” to the forefront in 2021. These advisory votes help ensure that shareholders understand how companies are integrating climate into their long-term business strategies and give them a formal say on companies’ energy transition plans. This enhances investor engagement on climate and alignment between investor expectations and company actions. Yet the current lack of standardization puts a burden on investors and could lead to inefficiency and incompleteness in these plans. We also believe the focus on climate change highlights the need for similar investor involvement on other material sustainability issues.

Company example: TotalEnergies

The board of French oil and gas major TotalEnergies last year consulted with shareholders for the first time on its plans for sustainable development and the energy transition. An advisory vote was held at the AGM on the strategy and targets set for 2030. While we support the company’s pledge to become carbon-neutral by 2050, we are not convinced its short- and medium-term emissions reduction targets are aligned with a 1.5 °C scenario. We therefore abstained from voting, part of a small minority that withheld support for the plan. We continue to engage with the company on a range of ESG issues, including emphasizing the importance of a science-based approach to climate change.

Company example: BHP

The BHP board sought shareholder approval of its climate plan for the first time. We let the company know that while we supported its initiative in calling

an advisory vote, we could not endorse its strategy. Our chief reason was that BHP’s climate disclosures contain no target for reducing scope 3 emissions relating to the further processing and use of its products after they have been sold. As a result, we abstained from voting on the measure.

Looking ahead to the 2022 AGM season

We have updated our voting policy for 2022, with particular focus on integrating climate-related metrics and raising our expectations for gender diversity on company boards.

In voting on climate issues, we will pay particular attention to companies in the Climate Action 100+ focus list. This is an investor-led initiative to ensure the world’s largest corporate greenhouse-gas emitters take necessary action on climate change. We will target these companies by:

- Opposing the reappointment of the board chair if the company has not committed to achieve net zero emissions by 2050 at the latest.
- Voting against the remuneration report and policy if the company has not incorporated climate-change performance metrics into the executive compensation scheme.
- Voting against the annual accounts and reports if the company has not provided climate-related disclosures in accordance with TCFD.

On gender diversity, we will apply more exacting thresholds and vote against the reappointment of the board chair and the nomination committee chair if the share of female directors is below 30% in most developed-market countries.

Transparent reporting

Giving investors the RI information they need to succeed

We believe transparency is the hallmark of a responsible investment manager. We know clear, accurate information is crucial for assessing the level of sustainability and the environmental and social impact of an investment. We are dedicated to providing as much information as possible at every opportunity, from our first conversation with a potential client to our annual Responsible Investing Report.

As a European asset manager, NN IP is held to some of the strictest sustainability reporting requirements in the world – and even more ambitious rules are set to come into effect next year. Yet while we gear up to comply with those changes, we are also continuously raising the bar for the quality and quantity of information we provide to our customers.

In responsible investing, comprehensive data on companies can be hard to come by. Regulators, especially in Europe, are ramping up their corporate non-financial and diversity disclosure requirements, but many companies still publish insufficient information. That's where NN IP as a leader in sustainable investing steps up, sourcing the best available data and enhancing it with our deep market knowledge and proprietary tools.

Transparent reporting is a pillar of our approach to responsible investing. We share everything from the guiding RI principles on our website to the classification of individual funds under European Union regulations. And we

never stop innovating to ensure our clients have the information they need to achieve their sustainable-investing ambitions.

Data upgrade

When it comes to regulatory reporting, the EU's Sustainable Finance Disclosure Regulation is changing the game. While the full effect of SFDR won't be felt until next year at the earliest, NN IP is already hard at work to ensure we're fully compliant on day one. One of our biggest steps in 2021 was hiring Sustainalytics, a leading vendor of ESG data, and the SDI Asset Owner Platform which provides data on the alignment of corporate activities with the SDGs, to facilitate our preparations for reporting under SFDR.

We made the choice after a rigorous selection process that included testing the solutions offered by multiple firms on NN IP portfolios across a range of asset classes. This new resource will help ensure that our reporting continues to be maximally transparent and beneficial to our clients.

Climate disclosure

This year we have published our [first annual report](#) in line with the international Task Force on Climate-related Financial Disclosures. As a supporter of the TCFD, an initiative of the Financial Stability Board, we are committed to its goal of increasing and improving reporting of climate-related financial information. Our report will provide investors with insight into our governance, strategy and policies on climate-related risks and opportunities.

UN Principles for Responsible Investment

In addition to this new report, we continue to provide our clients the fullest possible information on all aspects of our RI activities.

NN IP is a signatory to the United Nations-backed Principles for Responsible Investment, an international network of investors contributing to the development of a more sustainable global financial system. The PRI's six principles align with our own, including a commitment to transparent reporting.

We uphold this principle in many ways. Twice a year, we give an update on the share of our assets under management that are ESG-integrated – currently 91%. In 2020, we began producing an annual ESG report for fiduciary clients, enabling them in turn to communicate more clearly on their RI policies to their stakeholders, such as pension fund providers.

Signatory of:



EU regulations

The new regulations introduced by the EU as part of its Action Plan for Financing Sustainable Growth are enhancing transparency for investors by requiring financial-services providers like NN IP as well as non-financial companies to disclose more relevant information.

We comply with these rules in a variety of ways, such as disclosing the classification of funds and mandates under SFDR in precontractual agreements, and by publishing our policies related to sustainability on our website. We are also working hard on implementing SFDR's so-called level 2 technical requirements, which include reporting a wealth of further information on sustainability.

Environmental reporting

For our Sustainable and Impact strategies, we carry out environmental reporting at fund level, for example on carbon, water and waste footprints and intensity, and measure these against their respective benchmarks. For funds not linked to a benchmark, we use an appropriate reference index to provide market context. We also use equivalents such as car trips around the world and household waste to add a human dimension to the large-figure emission footprints of investment funds.

Impact reporting

For our impact equity and green bond strategies, we provide additional reporting. In 2021, we published our second [Impact Equity Report](#), which shows how these strategies align with the UN's Sustainable Development Goals as well as identifying companies that are developing innovative solutions to the world's most pressing challenges.

We also published our first [Green Bond Funds Impact Report](#) last year, showing how we help finance the transition to a more sustainable world and how our green bonds deliver impact and help tackle climate change. We also disclose the exposure of our green bond portfolios to the UN's Sustainable Development Goals in monthly strategy briefs.

Engagement and voting

We report on our engagement and voting activities in our annual Responsible Investing Report, sharing the issues we are focused on and the progress we have made. Our voting activities are disclosed and updated [online](#). Client-related reporting will be expanded throughout 2022.



Investment strategies

Putting our clients' capital to work

NN Investment Partners is committed to helping investors find the approach that best meets their responsible investing objectives as well as their financial goals. We offer a broad selection of strategies that reflects the depth and range of our expertise and experience in responsible investing.

We now apply strict environmental, social and governance criteria to 91% of our assets under management, up dramatically from 74% in 2020 thanks largely to the integration of our alternative credit strategies and mortgage portfolios. For our clients, this means an even wider choice of investing options tailored to their ambitions.

Our RI strategies are divided between three categories: **ESG-integrated**, **Sustainable** and **Impact**. These are designed to allow clients to reach their goals, from a broad commitment to sustainable development to specific portfolio allocation requirements or the impact they want to achieve.

A key element of our commitment to responsible investing is transparency. When investors choose an NN IP strategy, they know exactly what they're getting. We apply certain norms-based RI criteria to all our investment strategies, with additional criteria set for our Sustainable and Impact products. The classification of our funds according to the EU's Sustainable Finance Disclosure Regulation is published on our website. We currently have more than 170 funds classified under SFDR as Article 8 (meaning they promote environmental and/or social characteristics) or Article 9 (funds that have sustainable investment as their objective). The classification landscape under SFDR is still changing as the regulation evolves.

ESG-integrated

The majority of our clients are looking for a strategy based on the uncompromising application of ESG criteria to investment decisions. We consistently look at all three factors – E, S and G – in a rigorous process designed to unlock potential value by identifying the risks and opportunities associated with companies as well as sovereigns. We frequently engage with many of the companies we invest in, placing a strong emphasis on ESG issues including the level and transparency of corporate disclosure. Assets in our ESG-integrated strategies have soared to EUR 236 billion from EUR 194 billion in 2020.

Sustainable

A growing number of investors are interested in strategies with a stronger sustainability focus. NN IP offers both actively managed and enhanced index/semi-passive sustainable strategies and reports transparently on issues from climate impact to the controversial activities these strategies avoid.

Our active sustainable strategies are well-suited to clients who value the instincts and insights of a seasoned portfolio manager, while our enhanced index strategies are a good fit for investors seeking to invest sustainably while

matching the returns of a traditional benchmark. Assets under management in our sustainable strategies have increased to EUR 30.2 billion from just under EUR 23 billion in 2020.

Impact

For clients who want their capital to help tackle some of the world’s most pressing problems, impact strategies are the ultimate step in responsible investing. These funds focus on companies and issuers that are developing solutions to critical issues from sustainable energy to affordable healthcare and inclusive connectivity. Demand for impact-investing products is on the rise, driven by

increased allocations from long-term strategic investors such as family offices and pension funds as well as investors’ calls for action on key issues steering companies’ behaviour. Our strategies report on the impact they generate and their exposure to the UN Sustainable Development Goals, to which they are closely connected. Impact assets under management have risen to EUR 7.7 billion from EUR 6.3 billion in 2020.

In the following pages, we look more closely at the three types of responsible investing solutions that we offer.

Total assets under management that integrate ESG criteria: EUR 273.7 bln¹

 Traditional strategies EUR 27.5 bln • Liquid Alternatives • Multi Asset²	 ESG-integrated strategies EUR 235.8 bln • Investment Grade Credits • Emerging Market Debt • Alternative Credits • High Yield • European Equity • Global Equity³ • Adaptive Investing • Convertible Bonds • LDI, Rates and Money Markets	 Sustainable strategies EUR 30.2 bln • Sustainable Equity • Sustainable Credits • Sustainable Multi Asset • Enhanced Index Sustainable Equity • Sustainable Infrastructure Debt	 Impact strategies EUR 7.7 bln • Green Bonds • Impact Equity • Emerging Markets Loans
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1. Data as per 31/12/2021. ESG is integrated into 91% of NN IP’s AuM: EUR 273.7 billion.
2. Multi-asset strategies: many of the underlying funds are ESG-integrated or would classify as sustainable, however, some of the externally managed underlying funds are not yet ESG-integrated.
3. Some Global Equity strategies which are outsourced to external managers do not yet qualify as ESG-integrated. These include US High Dividend, Asia Income and Greater China Equity.



ESG-integrated strategies

We believe that factoring ESG criteria into investment process reveals a lot about how well companies and countries are positioned to rise to the challenges and seize the opportunities of the future. Integrating these criteria improves decision-making and long-term risk-adjusted returns.

We offer a broad range of ESG-integrated strategies across various asset classes. We set the universe of investable companies and issuers for these strategies by restricting companies engaged in certain behaviour and activities from our portfolios. More information on the restriction process can be found in the chapter on [investment restrictions](#).

We are active investors. We expect the companies in our portfolios to pursue sustainable business strategies, and we engage regularly with them, offering support and guidance on issues from climate policy to board diversity. This process is described in the chapter on [engagement](#). We also use our voting rights as a share-

holder to steer companies towards greater sustainability and oppose policies that conflict with our beliefs, as explained in the chapter on [voting](#).

In our view, successful integration of ESG criteria hinges on two factors. The first is the ability to connect the capacity of a company or a government for value creation with their most significant, long-term challenges. The second is obtaining and processing relevant data to extract the critical information needed to do this successfully. To learn more about this, please see the chapter on [ESG integration](#).

Mortgages

Overcoming the challenges of ESG integration for mortgage investments

NN IP has been steadily including material ESG criteria in the investment process for more than a decade. In 2021, we made a big leap forward by bringing our mortgage portfolios – with EUR 44 billion of assets under management – into line with these strict standards.

We set a strict ESG policy for these portfolios, which consist primarily of Dutch mortgages along with some international mortgages. Our integrated ESG approach covers the whole value chain from the origination of mortgages to asset management. We work closely with lenders including NN Bank and Venn Hypotheken to ensure that ESG criteria are factored into the loans acquired by our investment funds. In the case of Venn, we also sit on the board thanks to our majority stake in the company, allowing us to help set ESG policy for mortgage origination.

Our mortgage-integration policy ensures that the portfolios we manage contribute to the transition to a low-carbon economy through steps such as encouraging borrowers to improve the energy-efficiency rating of their homes. We support the creation of a more inclusive society by expanding access to home loans for the broadest possible range of borrowers. We also play an important role in a range of industry groups that are working to improve ESG regulation and stimulate the financing of energy-efficient residential real estate.

European Equity

ESG integration: from risk mitigation to a source of alpha

We believe a company's conduct and governance, together with its environmental and social profile, strongly influence its capacity to create value. Companies that build ESG best practices into their business strategies stand to generate better returns with lower risks over the long term.

That's why ESG analysis at NN IP isn't bolted on to the stock-assessment process; it's an essential tool. We integrate ESG criteria into our European equities strategy, with more than EUR 6 billion in assets under management, using a three-step approach:

- Identifying ESG factors using our materiality framework and negative screening
- Integrating ESG analysis into our stock-valuation model, using our ESG Lens scoring
- Monitoring and engagement

This disciplined, bottom-up investment process that integrates ESG criteria helps future-proof our portfolios and makes us a better steward of our clients' capital. Through active portfolio management and company engagement, we can generate potential attractive returns while playing a key role in moving society towards a more sustainable future.



Sustainable strategies

Sustainable investing at NN IP means looking beyond today's top performers. By analysing the approaches that companies and sovereigns take to sustainability, and assessing their actions and ambitions, we believe we can find tomorrow's winners and identify potential laggards.

Our sustainable strategies integrate ESG factors throughout the investment process and take the same active approach as our ESG-integrated strategies, though with a greater emphasis on engagement. They offer diversified alpha potential by investing in companies and sovereigns with an established track record on sustainability as well as those that are actively pursuing greater sustainability. As a result, we don't just look at current ESG scores and performance; we also assess underlying ESG momentum and evidence of progress.

These strategies invest in companies that support the transition to a more sustainable world within their sector and can acquire a competitive advantage as a result. Renewable energy may be the most talked-about aspect of the transition, but every industry and region needs to adapt and find solutions to the challenges ahead if they are to survive and flourish.

Additional restrictions based on activities and behaviour

Our sustainable strategies apply more stringent investment restrictions than our ESG-integrated strategies, excluding companies involved in a range of activities that are at odds with sustainable development, such as gambling and Arctic drilling. To read more about this, see the chapter on [investment restrictions](#).

To reduce risk and stimulate positive change, we also assess companies' behaviour. If we discover material controversies on ESG issues, we discuss these in the Controversy and Engagement Council and decide on the best way forward.

Reporting on environmental impact and controversy scores

We measure all our sustainable portfolios against their respective benchmarks for carbon, water and waste emissions, and these strategies tend to invest in companies that have smaller carbon footprints, use less water or create less waste than the average market index. Our sustainable credit strategies use Sustainalytics data to report on controversy scores versus the benchmark.



Sustainable Equity

How sustainable business models lead to value creation

Our European and global sustainable equity strategies seek out high-quality companies that make a positive contribution to a more sustainable world. By applying our rigorous ESG investment process, we narrow a wide investable universe to a portfolio of about 50 holdings that meet our criteria.

Three key ingredients lead to sustainable value creation for stakeholders from a financial and societal perspective. First, a strong, scalable business model that gives a company a sustainable competitive advantage is essential for long-term value creation. Sustainable behaviour is also critical; we invest in companies that effectively manage the ESG risks and opportunities that affect their businesses.

Finally, we seek out companies capable of adapting to an evolving world, in particular those that are developing innovative solutions to major challenges from renewable energy to affordable healthcare. Companies that have these three ingredients are most likely to thrive in the years ahead, contributing to sustainable outcomes and improving our clients' returns.

Sustainable Multi-Asset

Combining the best of our sustainability expertise

NN IP's Patrimonial Balanced European Sustainable strategy is an all-in-one solution designed to increase the wealth of our investors in a responsible manner. It applies the full breadth of our expertise, investing in European stocks and euro-denominated fixed-income instruments issued by companies and sovereigns that are pursuing policies of sustainable development.

This was one of the first sustainable multi-asset strategies to combine top-down asset allocation with a uniform sustainability approach across asset classes. It contains no corporate derivatives or fund-of-fund investments, which helps ensure that it steers clear of controversial activities and behaviour.

The strategy is actively managed, responding to changing market conditions by using fundamental and behavioural analysis that can change asset allocations over time against an investment profile divided evenly between stocks and bonds. Given the success of our European strategy, and the rising demand for sustainable investment products worldwide, we are developing a global strategy that will apply the same strict, responsible approach.



Impact strategies

Impact strategies are designed for investors who want to make a positive net change in the world by seeking out companies and governments that are developing solutions on issues from clean energy and greenhouse-gas emissions to affordable healthcare and inclusive education.

Impact investing has expanded rapidly since the adoption of the UN Sustainable Development Goals and the signing of the Paris Climate Agreement in 2015. These international initiatives focused attention on the biggest challenges facing the world, and many investors responded by raising their sustainable ambitions and putting their capital to work to make a significant real-world impact.

In terms of market development, impact investing today is where sustainable investing was 10 to 15 years ago. Many investors are still trying to figure out what the impact approach is really about, but understanding – and investment flows – are catching up fast.

At NN IP, we run three strategies covering the full corporate capital structure and risk/return spectrum from equities to bonds and loans. Our strategies invest in companies whose products or solutions make a clear impact and contribute to achieving the sustainable development priorities set by the UN.

Achieving maximum impact

Making an impact starts with finding companies that are making a difference. For our **impact equity** strategies, we have a proprietary database of companies whose core business is aligned with the UN development goals under the investment themes of people, planet and prosperity. When analysing impact, we also consider whether a company's positive contribution is material, intentional and transformational.

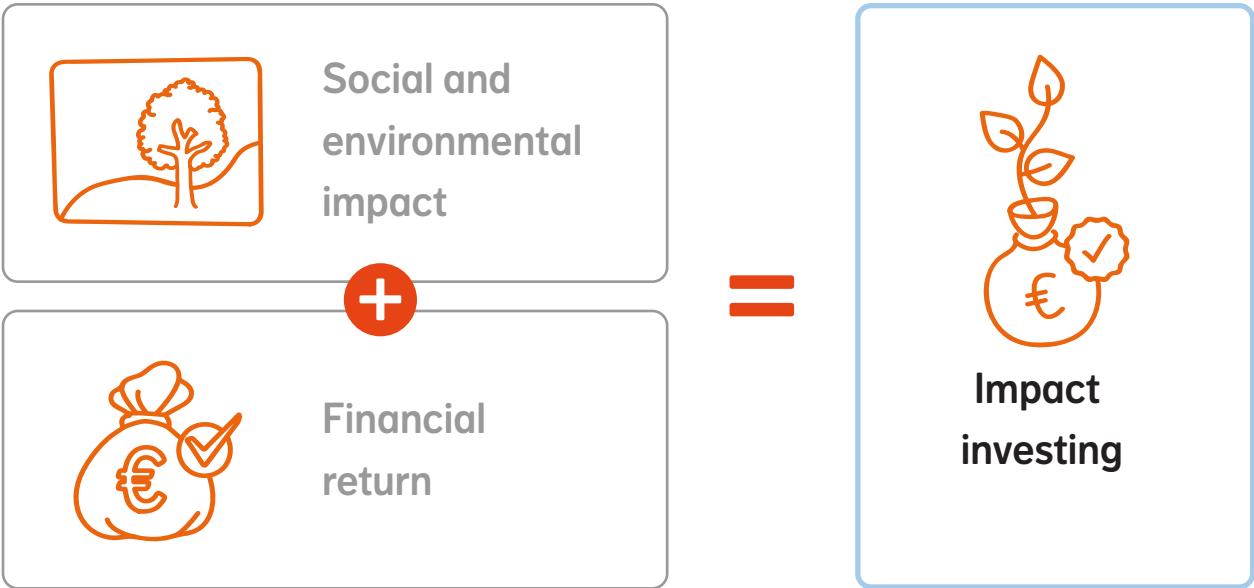
Our **green bond** investments are in line with the Green Bond Principles set out by the International Capital Market Association. We also avoid issuers with serious ESG controversies. The result is that we exclude 29% of the global total of bonds outstanding that carry a green label.

Our **Emerging Market Loans** strategy is built on a partnership with the Dutch Entrepreneurial Development Bank (FMO). By co-invest-

ing in loans arranged by FMO, the strategy provides investors with a diversified portfolio of emerging-market loans offering stable, attractive expected returns and measurable impact.

Having established the investable universe for each strategy, we apply fundamental analysis and select the best stocks or bonds to provide the best returns within the context of a given risk profile and investment mandate. Having assembled diverse, liquid portfolios, we actively engage with companies and issuers to minimize greenwashing risks, optimize financial results and share best practices.

Finally, we provide transparent reporting on the impact our strategies have made relative to the relevant UN sustainable development goals. We also analyse and report on a range of environmental and social results. Indicators for environmental performance include carbon emissions, waste generation and water usage. Social results can include the number of people helped or jobs created.



Impact Equity

Investment opportunities abound as companies tackle critical global issues

The Covid-19 pandemic has affected every aspect of our lives, exposing inequality and placing a spotlight on social issues. At the same time, the climate crisis is becoming more urgent every year as the world comes closer to environmental tipping points.

Faced with these challenges, many companies are going beyond just making their own operations sustainable and are developing solutions to protect the planet and create a more fair and inclusive society. For investors who want to make an impact, these companies present a range of opportunities.

In our impact equity strategies we have identified about 700 public companies that fit this bill and we have invested in 80 of them. These companies provide solutions to issues including affordable healthcare, water management, the energy transition and more resilient infrastructure. We have also invested a lot of time and effort ensuring that our impact reporting is transparent and setting key performance indicators so our clients know exactly what they're investing in.

Green Bonds

A recognized leader in the green bond market

NN IP is a pioneer in the green bond market. Our long track record of delivering significant impact and strong, consistent returns, along with our full range of green bond products, have made us the partner of choice for many sustainable fixed-income investors.

Assets under management in our green bond strategies have grown close to EUR 5 billion since we launched our first fund in 2016. We now offer four fund options, and our flagship aggregate green bond fund has a 5-star rating from Morningstar. Thanks to our experience and position in the market, we have developed strong relationships with corporate and government-related issuers.

Our success is built on a disciplined, robust investment style. Our dedicated green bond team of portfolio managers and analysts works closely with other analysts in our global investment-grade credit department to assess whether a bond and its issuer meet our strict criteria. The Responsible Investing team also reviews every green bond before it becomes eligible for investment.



About NN Investment Partners

Managing assets responsibly: it matters and it works

As a responsible investor, we're dedicated to improving both returns for our clients and the world we live in. Our professionals deliver on this commitment every day, continually adapting to changing markets and innovating to take advantage of opportunities wherever they arise.

What we do

With approximately EUR 301 billion in assets under management, NN IP has the opportunity to make a real difference for our clients and society as a whole. We put that capital to work, investing responsibly to generate attractive returns and contribute to a sustainable future.

We put our resources, expertise and networks to use for the benefit of our customers, the advancement of our communities, the preservation of our planet and the promotion of an inclusive and sustainable economy.

Who we are

- We are dedicated responsible investing experts who help all our investment teams achieve their financial and non-financial goals.
- We are innovative technology specialists who build the tools that allow us to process vast amounts of data to make investing more efficient and effective.
- We are analysts and portfolio managers who turn this data into actionable insights and evidence-based investment decisions.
- We are more than 900 diverse professionals united in our mission to serve our clients across Europe, North America, Latin America, Asia and the Middle East.
- NN Investment Partners is part of NN Group, an international financial services company, active in 20 countries, with a strong presence in a number of European countries and Japan.
- Goldman Sachs has agreed to acquire NN IP in a deal intended to be completed by the end of the first quarter of 2022, pending regulatory approval.¹

¹ The transaction is pending regulatory approval as of March 2022.

NN Investment Partners in numbers

€ 301 bln
AuM

91% of assets
ESG-integrated

Over **900**
professionals

Nearly **40**
nationalities

Voted at **3,307** shareholder meetings to hold management accountable and represent our clients

150+ years
of managing risk and return

More than **170 funds**
classified as **Article 8 and 9 under SFDR**

Engaged with **559** companies and sovereigns
to make a difference

A+ strategy and governance
UN PRI rating since 2015

Figures as of 31 December 2021

Practising what we preach

NN IP's commitment to sustainability and diversity

 Click on the boxes below to learn more about how we demonstrated these values in 2021.



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