



Active Ownership

NN Group N.V.
May 2024





You matter

We believe that people want to live life to the fullest. We empower them to do just that – through all stages of their lives – by providing sound financial products and services, by being a trusted advisor, and by contributing to the well-being of society. In times of prosperity and in times of uncertainty. We are steadfast in our commitment to help people care for what matters most to them.

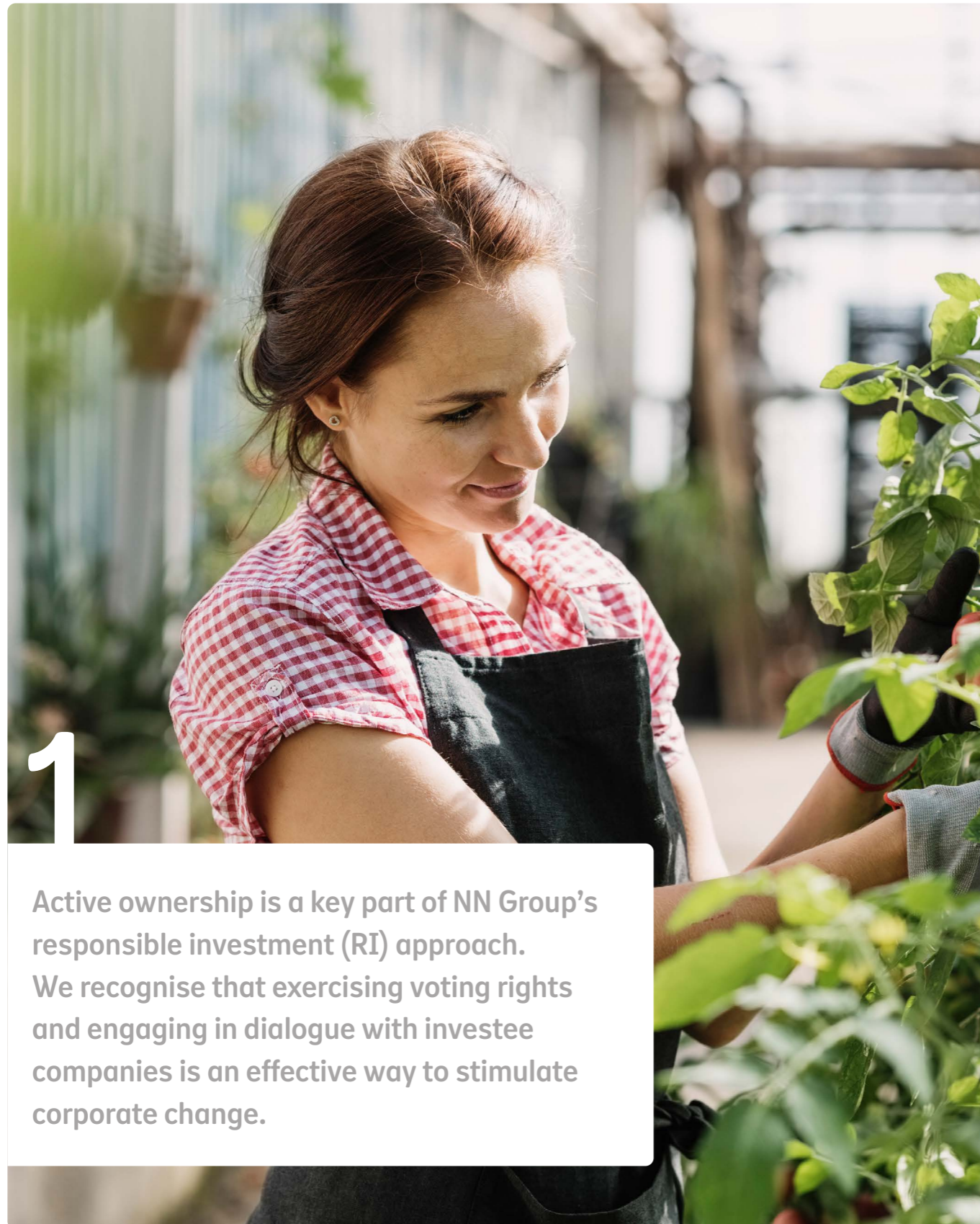
What matters to you, matters to us.

Table of contents

1 Active Ownership at NN Group	4
2 Proxy Voting	6
2.1 Exercising our voting rights	7
2.2 Voting activities on key issues	8
3 Engagement	10
3.1 Key engagement activities for 2022	12
3.2 Controversy engagement	13
3.3 Thematic engagement	15
4 Policy advocacy	24

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

Active Ownership at NN Group



Active ownership is a key part of NN Group's responsible investment (RI) approach. We recognise that exercising voting rights and engaging in dialogue with investee companies is an effective way to stimulate corporate change.

Introduction

Active ownership at NN Group encompasses the exercise of voting rights, engagement activities and policy advocacy. It enables NN Group to generate a positive impact to the business and the environment in which we operate. Moreover, we believe that active ownership can impact the financial performance of individual companies. Therefore, we are committed to investing our assets responsibly and promoting sustainable growth.

In 2022, we have reassessed our role as an asset owner. As part of this evaluation, we invested in the expansion of our Responsible Investment team, and dedicated resources to the active ownership function therein. We sought to deepen our activities and increase the positive impact we can enact as a responsible asset owner by expanding our participation in industry initiatives and collaborative engagements. In addition we partnered with an external engagement services provider.

Purpose of this report

We published our first interim report in December 2023, and this is NN Group's second active ownership report, providing an overview of our policies and activities related to active ownership of proprietary assets¹. We aim to showcase our commitment as an asset owner and report on the steps we have taken since the sale of our asset manager. We will discuss our policies, outcomes from our engagement programme, and how we leveraged our voting rights for our proprietary equity investments to further our ambitions as a responsible investor.

This report focuses on our active ownership activities in listed equities and corporate fixed income. In addition, we included an overview highlighting some of our engagement activities. We engage with policymakers and advocate for policies with the aim of influencing regulatory frameworks and promoting positive change that benefits both our investments and society. We also included an overview highlighting some of these activities.

Embedding active ownership

Our active ownership approach is part of NN Group's Responsible Investment Framework policy (RI Framework policy), which aligns with our Voting and Engagement Policies for Proprietary Assets. The RI Framework policy supports the systematic incorporation of ESG risks and opportunities into the investment process across NN Group's business units, Investment Office, and other relevant functions.

The oversight and steering of the active ownership responsibilities for the proprietary investment portfolio is performed by the Responsible Investment Committee (RI Committee), which reports on progress and challenges at least once a year to the Management Board. NN Group's RI team advises the Management Board on the overall approach to RI, and is responsible for implementing the RI Framework, including related active ownership policies and practices. The experts work closely together with different business units and Group functions to steer and advise on embedding sustainability matters in the overall investment strategy.

2023 active ownership report

This active ownership report covers our activities during the full year 2023. In 2023, we continued to develop our active ownership programme and published our first Active Ownership Report in December 2023, with the 9 months or year-to-date data on voting and engagements. For our engagement activities we distinguish between two types of engagement: controversy and thematic. In this report we give an update on those engagements.

As an asset owner, we have delegated most of our engagement activities to an external engagement service provider and asset managers and have therefore created an engagement monitoring framework which we included in this report. We also updated the monitoring framework of our proxy voting activities which we featured in the report. From now on, we intend to publish this report on an annual basis.

More information:

For more information on our policies, please refer to the [Responsible Investment Framework Policy](#), [Engagement Policy for Proprietary Assets](#), [Voting Policy for Proprietary Assets](#)

¹ Proprietary assets are those assets held for our own account – assets that are on the balance sheet and where we hold the investment risk. It comprises the general account investment portfolio of the insurance entities, the assets of NN Bank and the holding assets of NN Group.

Proxy Voting



Exercising our voting rights is an important pillar of our active ownership activities and an important link in the chain of accountability between a company and its shareholders. The right to vote at company shareholder meetings is a fundamental part of a well-functioning corporate governance system. NN Group therefore finds it important to exercise this right, wherever possible, for our equity investments.

2.1 Exercising our voting rights

Exercising voting rights is one of the most effective ways for investors to hold company management accountable. NN Group's Voting Policy for proprietary assets guides the voting considerations on behalf of NN Group's proprietary equity portfolio. This policy reflects the principle that company management should base their decisions on the long-term interests of the company and its shareholders while acting responsibly to all stakeholders.

NN Group's listed equity portfolio primarily consists of 5%+ stakes in small- to medium-sized European companies, with no more than 50 companies in the portfolio. The asset management team responsible for managing the proprietary equity portfolio implements an active investment strategy, which includes regular engagement with companies on a variety of topics, including sustainability. On occasion, NN Group representatives may also be involved in these dialogues. As proxy season approaches, the proprietary equity team stays in close contact with investee companies to stay informed about the (content of the) agendas of annual general meetings (AGMs).

To assure proper implementation of NN's voting policy, NN Group has delegated the management of its proprietary equity portfolio to Goldman Sachs Asset

Management (GSAM), who also exercises our voting rights. GSAM uses an external service provider to support the process of proxy voting whereby all voting decisions are made on a case-by-case basis in accordance with the stipulations of NN Group's Voting Policy. NN Group retains the right to provide voting instructions for individual shareholder meetings and ballot items.

Shareholder engagement and escalation

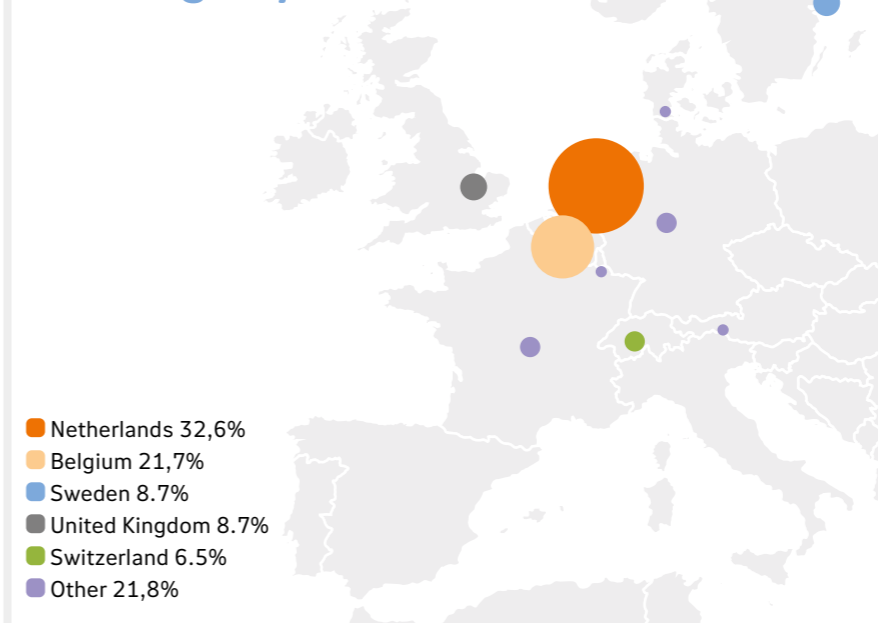
To increase the effectiveness of our activities, NN Group strives to align its engagement and voting efforts. This means that we monitor engagements and keep track of how responsive companies are to our engagement asks and how well companies are progressing on the identified change objectives. Engagement at NN Group can take several forms, including direct engagements or engagements conducted on our behalf by our external asset managers and service providers. NN Group utilises a monitoring framework to track engagement progress against specific milestones. In cases where progress is lacking, we may leverage one of the actions outlined on page 11, or we may decide to vote against routine items as a form of escalation when engagement response or progress is lacking. Further, NN Group may consider supporting, filing, or co-filing a shareholder resolution as a way to flag inaction, dissatisfaction, and encourage progress on ESG topics.

Monitoring of votes cast

NN Group monitors the voting process on alignment with NN Group's voting policy. NN's external asset manager submits a quarterly proxy voting report, allowing us to monitor whether resolutions have been voted on. If votes are missing, we request an explanation, as we believe that exercising the right to vote is important. We also conduct random sample checks on individual voting decisions to assess alignment with NN Group's voting principles. If there are voting decisions that seem to differ without a reasonable explanation, we address these with the asset manager.

To further check alignment between voting (of our equity portfolio) and engagement (including our corporate bond portfolio as well), we compare the voting report to the quarterly engagement report, and discuss opportunities for alignment in our quarterly ESG meeting with the asset management team. The figure below shows our process for monitoring external managers' engagement and proxy voting processes.

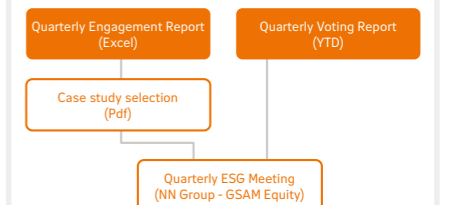
Meetings by markets



During 2023, we voted at 46 annual general meetings on 594 agenda items.

Number of meetings voted at	46
As % of votable meetings	96%
Number of items voted on	594
How we voted on agenda items (%)	
- For	92%
- Against	7%
- Abstain/other	1%

Our voting records are published on our [website](#).



Voting Policy for Proprietary Assets - update 2024

In 2024, NN Group updated its Voting Policy for Proprietary Assets. Key updates include a further elaboration of NN's views on current ESG topics, such as human rights, Paris Alignment, and biodiversity. It also clarifies expectations of investee companies and NN's external asset manager, as well as relevant updates to reflect NN's voting policy on topics such as remuneration and taxation.

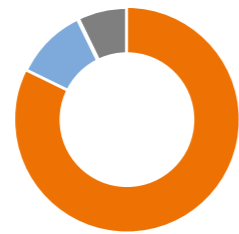
2.2 Voting activities on key issues

Voting activities were focused on three main issues: board elections, alignment of executive remuneration with company strategy, and integration of sustainability within company strategy. NN Group prioritises these issues as crucial factors for the long-term success and stability of companies.

Board elections

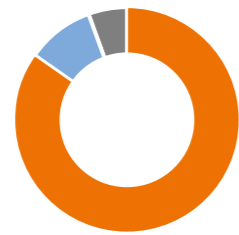
Appointing capable directors and creating a diverse, independent board is critical for the performance of a company. While we often support a company's nominees, we vote against them when we think that adding them to the board would detract from the goals of independence and diversity. NN Group may also hold the board accountable for insufficient oversight of environmental and social risks, failure to disclose reduction targets for greenhouse gas (GHG) emissions, and where there are serious breaches of our RI criteria.

Votes compared to management on board elections



Total: 153
 With management: 126
 Against management: 16
 Abstain/other: 11

Votes compared to management on remuneration



Total: 93
 With management: 79
 Against management: 9
 Abstain/other: 5

Remuneration

Executive pay and the effectiveness and complexity of companies' remuneration policies are recurrent subjects of heated discussion at AGMs. In Europe, there is 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 management's ability to manage crises are increasingly being factored into decisions on compensation.

Integrating sustainability into company long-term strategy

To ensure long-term performance for shareholders, NN Group expects that investee companies act in a responsible way to all stakeholders. This includes recognising the impact of their business decisions on the environment, as well as the social and human rights issues that may arise within the regions and supply chains where they operate. Companies should also indicate which sustainability risks are most material to their business, and how it is aligned with the strategy and accompanying objectives and targets.

In 2023, two shareholders resolutions were filed at one AGM, of the French utility company Engie. One of the resolutions was a sustainability proposal. Refer to the case study below for how NN Group voted.

Votes compared to management on shareholder proposals



Total: 2
 With management: 1
 Against management: 1
 Abstain/other: 0

Case study

Advocacy for long-term criteria in compensation plans

During the 2023 AGM of Swedish consumer product company Dometic Group AB, the company consulted shareholders about their remuneration report. NN Group did not support the proposal as there was a disconnect between company performance and actual compensation. Actual pay-outs were higher than other companies in a similar peer group, and not tied to relevant performance criteria. NN Group looks for long-term incentive plans tied to performance

criteria that capture the performance of a company over at least a three-year period, and this was missing in the compensation plans. The company also failed to disclose a change in control and clawback policy.

We are in an ongoing constructive dialogue with the company aimed at providing feedback to strengthen Dometic's remuneration policy and address NN's concerns.

Case study

Promoting board diversity

At the 2022 and 2023 AGMs of Swiss company Datwyler, we voted against the (re)election of several members of the board of directors due to diversity concerns. We believe that boards that draw on a wide range of relevant skills, backgrounds, and perspectives, perform better, and we expect companies to adhere to the quota that have been adopted in national legislation or national codes as best practice. If the percentage of female directors on the board is less than best practice levels of

30% in European markets, NN Group will vote against the (re)appointment of the chair of the board of directors and the nomination committee chair. Only two women are active on the board of directors of Datwyler, which is 25% of the entire board. There is an ongoing dialogue with the company in which we have addressed this issue, and we will continue to engage with the company on their diversity policy.

Case study

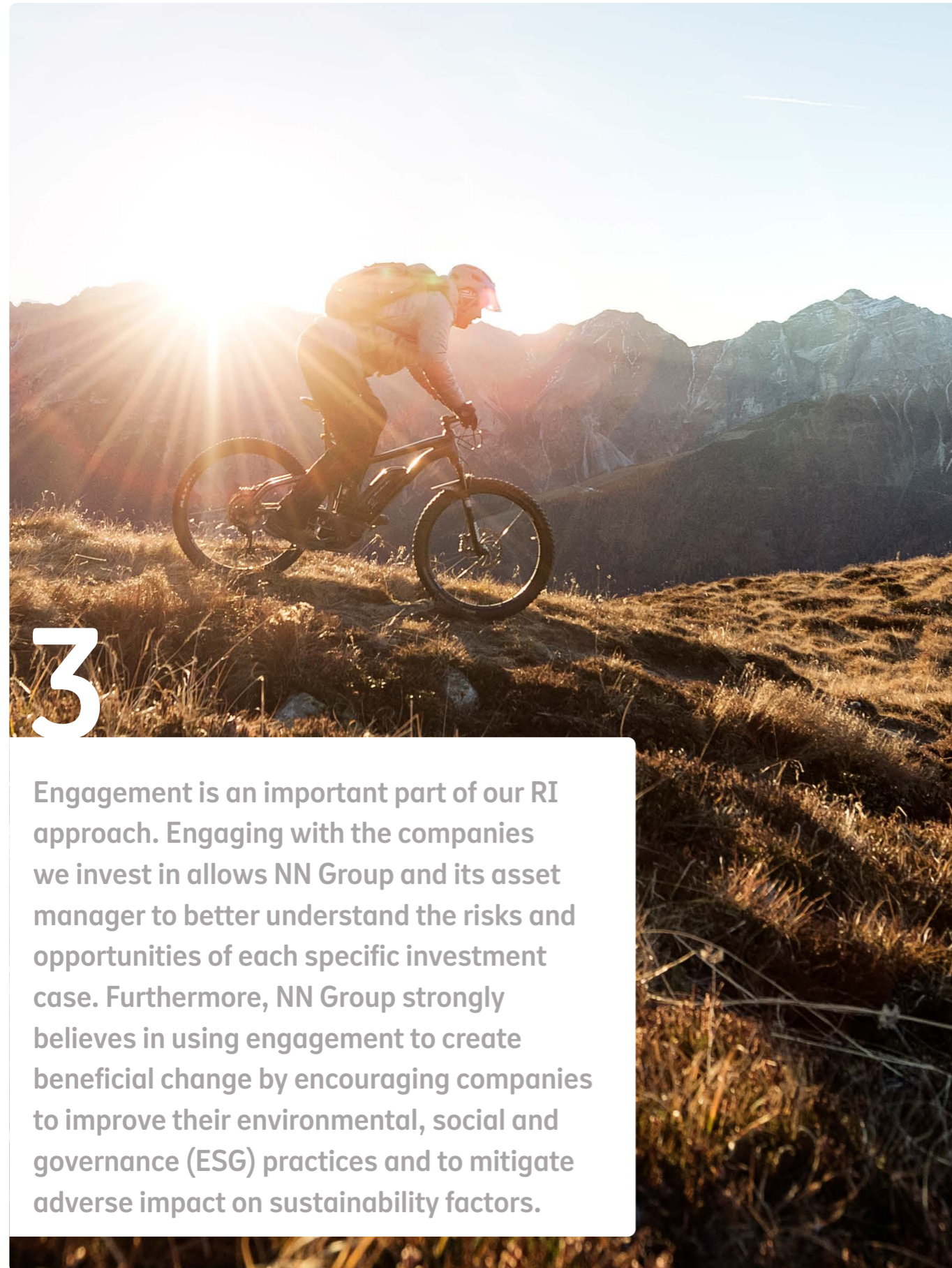
Support of sustainability shareholder resolution

At the 2023 AGM of French utility company Engie, several shareholders filed a shareholder resolution asking for a 'Say on Climate'. Engie already has GHG emissions reduction targets in place, and the company has shown progress by reducing its GHG emissions and its coal-fired generation capacity. It was unclear, however, how Engie's emissions targets compare to a Paris-aligned 1.5°C scenario, how its electricity generation mix will develop, and how the company will align its capital expenditures with its climate targets.

In the lead up of the AGM, Engie committed to including an addendum to its climate report, and to disclose the

breakdown of its electricity generation mix up to 2030. The company also committed to consulting shareholders on its climate strategy every three years through a 'Say on Climate' vote. The company did not commit to an annual vote, however. NN supported the shareholder resolution, as we believe it will lead to more disclosure and a better stakeholder dialogue. 24% of the shareholders supported the resolution which did not meet the required 66% threshold to pass. However, the shareholder support sends the company a strong signal. NN will continue its engagement on Engie's climate ambition.

Engagement



3

Engagement is an important part of our RI approach. Engaging with the companies we invest in allows NN Group and its asset manager to better understand the risks and opportunities of each specific investment case. Furthermore, NN Group strongly believes in using engagement to create beneficial change by encouraging companies to improve their environmental, social and governance (ESG) practices and to mitigate adverse impact on sustainability factors.

Engage or restrict?

NN Group aims to engage with companies and promote positive change. However, in some cases, we find it necessary to restrict investment. We view this as a last resort because adding a company to our exclusion list limits our ability to influence sustainability issues. Therefore, we prefer an engagement-led divestment approach, restricting companies only when engagement is infeasible or unlikely to change their conduct or involvement in certain business activities.

Types of engagement

NN Group uses internationally accepted standards of corporate behaviour as the starting point for our engagement. These include the guidelines/principles developed by the UN Global Compact principles, the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights. We distinguish between two types of engagement:

- **Controversy engagement** focuses on companies that severely and structurally breach our norms-based criteria in the areas of governance, human rights, labour, environment, and bribery and corruption.
- **Thematic engagement** focuses on different themes that have a material impact on society, and where we believe our engagement efforts can achieve beneficial change. The exact engagement themes are selected in consultation with internal and external stakeholders.

How NN Group engages with companies depends on the specific company case and our investment exposure. As an asset owner, we delegate most of our engagement activities to an external engagement service provider and asset managers. This enables us to pool our assets with other peers, maximising our engagement impact. Our RI team works closely with these parties. Our engagement approach includes a range of possible approaches, such as:

- **Direct engagements**, led and carried out by the NN Group RI team.
- **Collaborative engagements**, where NN Group either leads or is represented by our peers.
- Engagements executed by our **external engagement service provider** Morningstar Sustainalytics.
- Engagements executed by our **external asset managers**.

Engagement in practice

In the case of engagements executed either directly by NN Group or by external parties, the engagement approach and objectives are tailor-made for each specific theme and company. To have the most impact, we first carefully analyse a problem in detail to determine our engagement theme. We then identify the value chain linked to that theme in order to select those companies where engagement is most needed and can be most effective. Before we contact our engagement candidates, we create a theme-specific methodology with objectives and milestones for each company.

Our controversy engagements typically last for a three-year period, unless the engagement feasibility changes within the period or the company is no longer in violation of our norms-based criteria. We have a Controversy and Engagement Council that meets quarterly to monitor engagement progress, irrespective of whether that engagement is directly undertaken by NN Group, through collaborations, or through external service providers. Read more in section 3.2.

NN Group aims to align its engagement and voting efforts. We may decide to vote against routine items as a form of escalation when the engagement response or progress is lacking. We may also consider filing or co-filing a shareholder resolution as a way to flag inaction and accelerate progress on sustainability topics.

Furthermore, we developed escalation tactics, which can occur in distinct circumstances for both corporate fixed income and equity holdings, and we described these in the Engagement Policy for Proprietary Assets.

Engagement collaborations

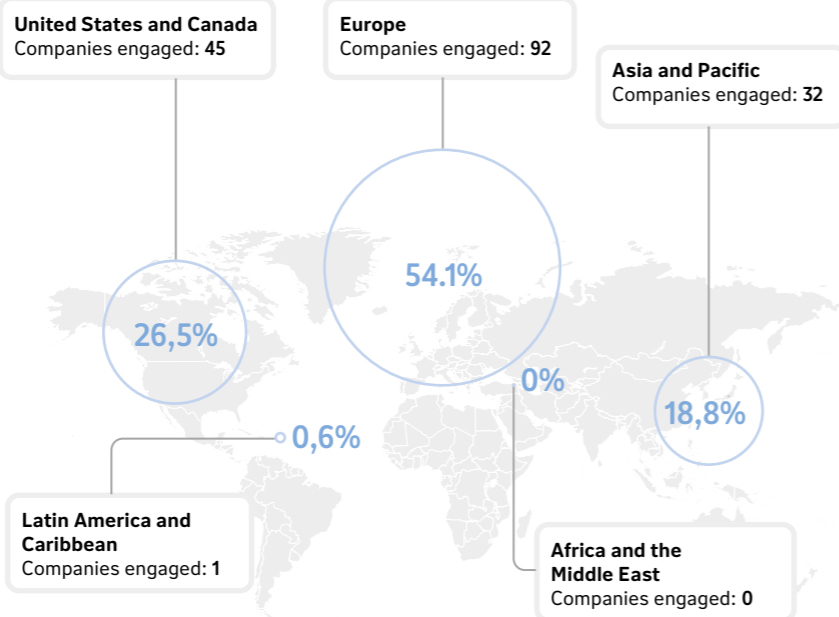
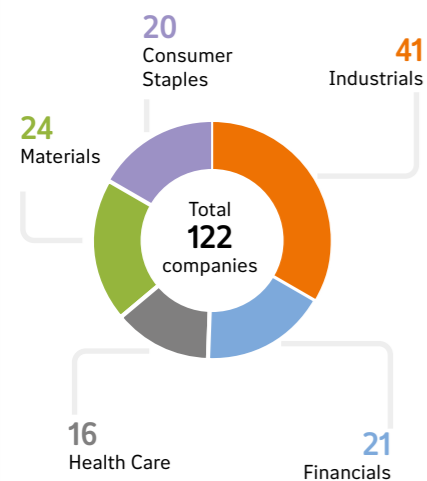
NN Group collaborates with other investors through initiatives to achieve maximum investor influence and to pool resources and expertise, all within legal boundaries. The RI team coordinates these collaborations for alignment and consistency, and to avoid duplications. For example, we participate in initiatives such as the Dutch Climate Coalition (DCC) and Platform Living Wages Financials. Collaboration is crucial to address many themes that we work on, such as living wage, human rights, and low-carbon transition. Given the deeply ingrained nature on some of these issues in society, industry-wide collaborations provide a powerful means to drive fundamental change and achieve lasting impact.

3.1 Key engagement activities for 2023

Year-to-date figures up to and including December 2023

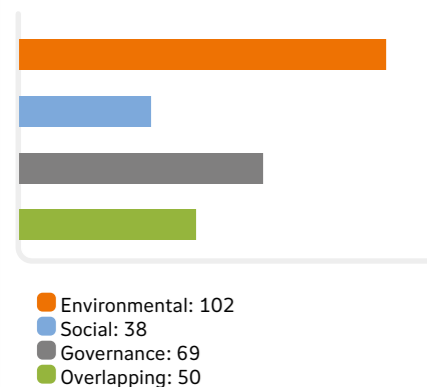
Top five engaged sectors

Companies engaged by sector.



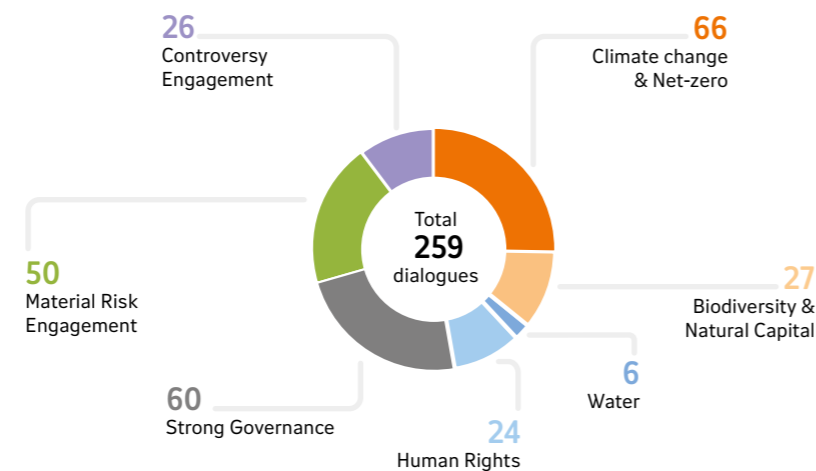
Stewardship per engagement topic

Company by ESG issue and objective. Stewardship can cover one or more issues and objectives reflected in overlapping issue statistics.



Per engagement topic

Dialogue and activity mapped to engagement topics. Each dialogue can be mapped to one or more topics.



Note that in counting the total number of companies engaged, we count companies only one time when engaged on multiple themes. Furthermore, for the engagements on climate change & net-zero, we only include those CA100+ engagements where our external asset manager or our engagement service provider is actively participating. The methodology for our Paris alignment engagement threshold objective is slightly different as outlined in section 3.3.1.

3.2 Controversy engagement

NN Group has established norms-based RI criteria that focus on governance, human rights, labour, environment, and bribery and corruption. These criteria are considered a minimum requirement for managing proprietary assets. When a company severely and structurally breaches these criteria, we initiate a formal engagement process.

Potential violations of NN Group's norms-based RI criteria can be raised by external ESG research or engagement providers, input from asset managers, information from NGOs or media sources, and our staff research. If such indications arise, the Council is responsible for determining whether this constitutes a violation.

The Controversy and Engagement Council plays a key role in monitoring and overseeing our direct, collaborative, and delegated controversy engagement activities. Established in 2023, the Council is chaired by the Active Ownership function of the RI team, with members from our Investment Office and Corporate Citizenship department.

If the Council determines that engagement to address the violations is feasible, the company in question will be included in our engagement programme. The company can then be engaged directly, or through external asset managers and/or our external engagement provider.

The Council meets quarterly to discuss progress on engagement activities and determine necessary steps to achieve engagement objectives at the individual company level. In addition to its oversight and advisory function, the Council provides inputs and recommendations to the RI Committee, which validates whether engagement remains feasible or if a company should be added to the NN Group Restricted List.

Case study

Operating in high-risk countries

Within the Controversy & Engagement Council we have discussed three companies in 2023 of which the engagement by our external engagement service provider has not been successful. Two of these companies have operations in conflict and high risk countries, while the third has unmitigated environmental practices. Sustainalytics has attempted to engage with both companies about their operations in Sudan and Myanmar, with a focus on human rights issues. However, after careful evaluation, it was concluded that the companies were not taking adequate action to address the situation. Neither company has disclosed evidence of having formal management systems or policies in place that aim to avoid or minimise the risk of becoming implicated in human rights violations in these regions.

discharging tailings waste into marine waters. Sustainalytics has made repeated efforts to contact the company and challenge them on mining waste treatment practices. However, the company has been slow to respond and failed to provide the requested information. Despite being urged to improve, the company showed little willingness to continue the engagement and claimed to have followed all local requirements without providing any supporting documents.

Given the limited chances of a successful engagement and the insufficient improvement of the issues, the Council provided the NN Group RI Committee a recommendation to divest from these companies. After considering the recommendations, the RI Committee advised the Management Board to put the companies on our restricted list and divest our exposures, all in bonds. As a result, we no longer hold these companies in our portfolio.

The Council also evaluated the engagement efforts with Minmetals Bounteous Finance (Minmetals), which has been

EACOP & Tilenga: Concerns on human rights due diligence and biodiversity impacts

In 2006, the discovery of oil in the Lake Albert Basin in Uganda prompted the Ugandan government to develop the resources under two upstream projects, the Tilenga and Kingfisher projects. TotalEnergies owns majority stakes in both projects, and operates the Tilenga project. To facilitate the export of oil to international markets, the invested parties are constructing EACOP, a cross-border buried pipeline that runs 1,443 km from Kabaale, Hoima district in Uganda to the Chongoleani Peninsula near Tanga Port in Tanzania. In the years since, stakeholders have raised concerns about the economic benefits, alleged human rights violations, the principle of free and informed consent, as well as the potential negative impacts on sensitive biodiversity and ecosystems associated with these projects.

NN Group's engagement with TotalEnergies on EACOP & Tilenga began in early 2023, initially together with investors collaborating in the Dutch Climate Coalition (DCC), and then directly with the company. In parallel, we have exchanged insights with a range of civil society organisations on specific stakeholder concerns and gathered information from project affected people (PAPs) in Uganda.

Our dialogue has been focused on human rights due diligence and biodiversity impact mitigation of EACOP and Tilenga. The actual and potential long-term impacts, to both communities and to sensitive ecosystems like protected areas, rivers and wetlands, remain a crucial concern for NN. Building on the significant research conducted by the company on the projects and their impacts on the region, our engagement seeks to:

- **Encourage more transparency** into how impact on biodiversity and ecosystems are to be mitigated, through the disclosure of local, quantitative and timebound biodiversity action plans and habitat mitigation plans. In addition to these, we expect additional disclosure into the roles and responsibilities of various actors, including subcontractors, local partners (NGOs), and TotalEnergies.

- **Establish long-term preventative and mitigating measures.** We seek to keep attention for our concerns that all (biodiversity) protected areas along the project route receive comprehensive long-term mitigation strategies designed by independent experts with meaningful long-term mitigating financial resources, monitoring systems and transparent communication plans in place.
- **Encourage ongoing, long-term, consideration of impacts on local communities.** As EACOP & Tilenga are developed, it is critical that communities' circumstances are considered in a timely, transparent, and equitable manner. Lessons learned from earlier-stage developments should be institutionalised to avoid repetition of these in other areas of the projects, and remediation.

To date TotalEnergies has remained cooperative, answering questions and providing reference materials on a broad range of topics. In 2024, together with a group of international institutional investors, NN participated in a site visit to Tilenga and EACOP in Uganda where we had the opportunity to meet with a range of stakeholders from the private, public and civil society sectors, as well as affected community members from each of the three projects under discussion.

In 2024, NN intends to continue the dialogue with TotalEnergies, with consideration from external stakeholders including civil society organizations, local communities, and investor groups. We seek to outline concrete feedback and time-bound expectations to the company.

3.3 Thematic engagement

Thematic engagement at NN Group focuses on issues that have a material impact on society, and where we believe our engagement efforts can drive positive change. The RI team leads this effort, selecting themes in consultation with stakeholders and using the World Economic Forum's material risks and the objectives as defined by the Sustainable Development Goals (SDGs) to narrow our focus. The priority areas/themes for engagement that we have identified and will guide our efforts over the next three to five years are shown in below graph. These themes also overlap with the findings from the double materiality assessment outlined in our [Annual Report](#).

3.3.1 Climate change & net-zero

Climate change risks are increasingly apparent, with scientists warning that immediate and ambitious action is necessary to limit global warming to 1.5°C. Without such action, the consequences for ecosystems, human health, and security will be severe. As a large financial services company, NN Group recognises its responsibility to address these challenges. NN Group has an ambition to transition our proprietary investment portfolio to net-zero GHG emissions by 2050.

Paris Alignment Strategy

NN Group has a Paris Alignment Strategy in place to align our investments with our net-zero ambitions. This strategy for corporate investments (corporate fixed income and equity) categorises companies according to their alignment or potential to align with net-zero pathways. Please refer to the Climate Action Plan 2023 page 51 for more information. This categorisation assessment encompasses several criteria, such as:

- Consistent 2050 goals
- Emissions reduction targets
- Emissions intensity performance and disclosure
- Decarbonisation strategy
- Capital allocation alignment

For GHG emissions in the corporate investment portfolio, we aim to reach our reference reduction target for GHG emissions by implementing a strategy that focuses on real economy decarbonisation. To monitor and steer progress towards decarbonisation, we have established portfolio alignment objectives, including:

- **Portfolio coverage target:** This sets a percentage of assets that should align with net-zero goals to improve the corporate investment portfolio in the long term. It is defined as: the

proportion of assets that is at least 'aligning' towards net-zero. Portfolio managers are encouraged to invest in companies that are better positioned to transition to a low-carbon future within their sector and focus on stewardship and engagement to drive alignment for existing assets.

- The **Engagement threshold** objective complements the portfolio coverage target by targeting engagement with the highest emitting assets in our portfolio. This threshold is defined as the percentage of financed emissions in material sectors that are either net-zero, aligned with a net-zero pathway, or the subject of direct or collective engagement and stewardship actions.

To continuously calculate the engagement threshold, we map our total corporate investment portfolio to the Climate Action 100+ (CA100+) engagement programme in its entirety. In addition to this, we have added additional direct engagements that our external asset manager and external engagement provider conduct outside of the CA100+ scope.

While our external asset manager participates in a specific number of engagements under the CA100+



engagement platform, as part of our own Paris Alignment Strategy, we monitor the engagement progress for all companies considered under this strategy by looking at indicators from CA100+ benchmark to understand their Paris alignment status to assess the alignment of companies with the Paris goals.

To effectively implement our strategy and progress on our engagements, NN Group engages regularly with our external asset manager to evaluate potential actions where we see continued poor performance. To achieve this, we have established a working group that includes key portfolio managers from our external asset manager. Within this working group, we specifically focus on the top 25 holdings in terms of financed emissions in our portfolio. Where investee companies are not aligning to a net-zero pathway and are not covered by individual or collective engagement, we will explore setting up an engagement plan to maximise our impact towards achieving our net-zero targets. In 2023, one action taken included establishing engagement with a

private company in our loan portfolio. While this company is not part of any collective engagement efforts, its presence in the cement sector makes it an important contributor to our portfolio's financed emissions.

NN Group reports annually on the development of our engagement thresholds in our Annual Report and Climate Action Plan. At year-end 2023, based on financed emissions, 70% of companies in our corporate portfolio are at least 'aligned' or subject to collective or direct engagement. Our objective is to increase this percentage to 75% by 2025.

To further increase our engagement efforts, we have started participating in a new net-zero engagement programme through Sustainalytics. Through this programme and other initiatives, we aim to maximise our influence and deliver impact towards achieving our net-zero targets. Refer to the case study 'Sustainalytics Net Zero Transition Engagement Programme' for more information.



Climate Action 100+ (CA100+) is an investor-led initiative to ensure the world's largest corporate GHG emitters take necessary action on climate change by engaging with companies to improve climate change governance, cut emissions, and strengthen climate-related financial disclosures.

Case study

Examples of net-zero engagements

Engagement with energy services provider

Fugro is a Dutch geo-data specialist providing insights into the built and natural environment, covering end markets in energy, infrastructure and water. Our ongoing engagement with Fugro focuses on carbon reduction and the impact of the energy transition on the company's strategy. Over the past ten years, revenue flows have changed significantly for the company. In the past, the majority of Fugro's revenue came from oil and gas-related activities. Nowadays, the majority of revenues are derived from renewable energy activities, especially offshore wind, green infrastructure, and water projects such as coastal protection.

In addition to contributing to the energy transition, Fugro wants to contribute to the safe maintenance of existing traditional energy installations and infrastructure. This minimises environmental damage and safety risks. The company also collects data on the oceans and the natural environment on land, for example, to monitor biodiversity. In our engagement we have focused on their net-zero ambitions. The company aims to be carbon neutral by 2035, covering all direct and indirect emissions from their operations (scope 1 and scope 2). The company initially did not include scope 3 targets, however, and our engagement focused on developing these. The company has committed to achieving net-zero for scope 3 by 2050, and they are in the final stages of developing science-based targets for their absolute CO2 emissions reduction covering scope 1, 2 and 3.

Engagement with utility company

In 2023, our asset manager participated in a Climate Action 100+ (CA 100+) engagement with a Czech utility company to discuss the company's climate transition plan. This engagement was a follow-up of earlier engagements in prior years. The company has increased their disclosures on climate related risks and published a detailed stand-alone Task Force on Climate-Related Financial Disclosures (TCFD) report in February 2023 and a new intensity reduction waterfall chart linked to their strategic initiatives. Investors encouraged the company to disclose more around capex plans over time and how they link to stated emissions reduction targets. While the company has demonstrated progress in its climate objectives, as per our Paris Alignment assessment, it needs to take further steps on targets and strategy. As a 'high-impact' company, we also require capital allocation to support its transition to a low-carbon economy and we are seeking enhanced disclosures on this matter. As a fixed income investor, we will strive to continuing our engagement with the company to monitor progress and discuss further steps with our asset manager.

Case study

Sustainalytics Net Zero Transition Engagement Programme

The Sustainalytics' Net Zero Transition Engagement Programme targets companies in transportation, energy and industrial sectors, which are major contributors to GHG emissions and face significant challenges in transitioning to net-zero emissions. Companies in sectors such as steel and cement production must make substantial changes to achieve net-zero emissions. The programme aims to address these challenges by engaging companies to set ambitious targets aligned with the Paris Agreement's goal and encouraging them to develop and implement robust decarbonisation strategies consistent with the transition to a net-zero economy.

Holcim is part of the engagement programme, the company has already taken several steps to improve its climate change ambitions, including implementing science-based targets, and committing to reach net-zero greenhouse gas emissions

across the value chain by 2050. The company has a decarbonisation team working centrally that manages their targets, including making renewable energy a key part of early reduction strategies alongside, for example, alternative fuels. Holcim's capital expenditures (CapEx) strategy to 2025 is to increase CapEx slowly towards sustainability-related investments for which it has targets in place. This is followed by other actions, such as an increase in carbon capture, utilisation and storage (CCUS) infrastructure.

While there are some gaps concerning Holcim's long-term strategy and using CapEx to achieve its transition, the engagement is focused on the actual achievement of their 2030 targets across key areas of scope 1, 2 and 3 emissions, as well as obtaining more clarity on the post-2030 transition of assets to its low-carbon approach

Case study

Engaging food production and retail companies on biodiversity

Companies involved in agricultural value chains are highly exposed to risks from their impact and/or dependencies on biodiversity. Some companies are directly exposed by their own operations, while others are exposed through complex supply chains. As part of their Biodiversity engagement programme, Sustainalytics seeks to promote good governance of biodiversity-related risks and opportunities to reduce negative impacts and promote nature-positive outcomes.

The programme has initiated engagement with several companies in our proprietary investment portfolio, including three companies in the food products and retailers' sector that have taken steps to address biodiversity-related risks and opportunities. Given the sector's significant (adverse) impact potential on nature and/or biodiversity loss, companies in this sector are of particular relevance to the biodiversity theme.

Based on Sustainalytics' engagements, we see that companies in the sector are at different stages in identifying and managing their biodiversity-related risks and opportunities. The first company has identified 'Land and Water' as a key materiality topic and aims to protect natural resources and find solutions for sustainable land and water use. The company has established an ESG governance structure and a policy to achieve a deforestation-free supply chain.

The second company recognises biodiversity as a material risk and opportunity and has established a strategic approach to addressing key biodiversity issues. The company has set science-based targets for nature and has identified and developed metrics and performance targets. However, an important shortcoming is the lack of expertise among the company directors on nature-related risks and opportunities.

The third company is at an earlier stage in its biodiversity monitoring process, building its team's capacity on biodiversity, and exploring initial risk assessments. The company has a position statement in relation to how it approaches biodiversity and has focused on deforestation in key commodities.

While each company is at a different stage in assessing its impact on biodiversity and its dependencies, each has recognised its importance to their business and stakeholders and is taking steps to strengthen their approaches. Through Sustainalytics' programme and our direct engagements in programmes such as Nature Action 100 or the Ceres Valuing Water Initiative, NN Group will continue to encourage sector-specific goals and targets for the companies in our proprietary investment portfolio for enhanced alignment with our biodiversity ambitions.

3.3.2. Biodiversity & Natural Capital

Climate action and biodiversity loss are critical themes in RI. Without urgent action to reverse human-caused ecosystem degradation and limit climate change, biodiversity loss will continue to accelerate. In the past 50 years, wild

organism abundance has declined by about half across many groups, including birds, mammals, and insects. Rare and endemic species hotspots, which make up a disproportionate fraction of global biodiversity, have been particularly affected. Over one million plant and animal

species are at high risk of extinction due to human activities.

Climate change, loss of biodiversity, land degradation, and accumulation of chemicals and waste are interrelated and caused by the same indirect drivers.

According to a World Economic Forum risk analysis (2022), rising temperatures due to climate change are strongly linked to biodiversity loss. Degraded ecosystems resulting from pollution, deforestation or climate change lead to reduced availability of natural resources, which affects many companies relying on these resources for their business models. Furthermore, some companies contribute to land and water pollution, deforestation and climate change, while others relying on agricultural and fishery products are at risk of biodiversity loss.

NN Group is committed to promoting the protection and restoration of biodiversity and ecosystems through our financing activities and investments. In October 2022, we became a signatory of the Finance for Biodiversity (FfB) Pledge. As part of this Pledge, we are committed to contributing to the conservation and restoration of biodiversity through our proprietary investment portfolio and are involved in several working groups through the Finance for Biodiversity Foundation.

The second pillar of the FfB pledge relates to Active Ownership and engaging with companies, which remains one of the key elements of our responsible investment strategy. We have placed a high priority on expanding our engagement initiatives in biodiversity, including the Nature Action

100 engagement initiative, which can be considered the biodiversity equivalent of the well-known Climate Action 100+ initiative. Additionally, we have joined several other collaborative engagement efforts described in this engagement chapter. Going forward, we will work on further developing our engagement efforts by setting specific targets and seeking alignment with our existing framework on climate change.

In 2022, NN Group participated in an engagement effort as part of the Dutch Agreement for Responsible Business Conduct (IMVO) for the insurance sector to promote sustainable agricultural practices with companies. In the coming years, biodiversity will be an important focus area, and we are participating in various initiatives to strengthen engagement in these areas. This includes the Sustainalytics' Biodiversity & Natural Capital Engagement Programme, and Nature Action 100. Refer to the box on the next page for more details.

3.3.3 Water

While NN group takes a holistic approach on biodiversity and natural capital, we see the importance of sustainable water management for supporting ecosystem services and habitats. The World Economic Forum Global Risks Report 2022 highlights the concerning status of global water

resources, which is becoming a more serious issue due to rising temperatures and extreme, less predictable patterns of weather and water worldwide. The increase in droughts and floods negatively impacts the availability of clean freshwater sources, particularly in large river basins already occupied by communities, companies, and small holders. There are clear interconnections and dependencies between themes such as biodiversity, climate mitigation, and water resources, with a heavy reliance on water resources to increase systems' resilience to climate change.

The combination of poor water management and climate change has led to global water shortages and pollution, posing significant financial risks for companies. These risks arise from factors such as competition for water, weak regulation, growing demand, ageing infrastructure, water scarcity, and contamination. To address these challenges, NN Group is participating in the Bridge water research project (refer to the box below) and has also joined the Ceres' Valuing Water Finance Initiative. This initiative is a collective engagement effort that aims to encourage companies with a high-water footprint to recognise and address water as a financial risk. For more information, please refer to the box on the next page.

Case study

Bridge: Water risks & institutional investors

NN Group has taken steps to strengthen efforts in investor initiatives in water and natural capital by joining the Bridge project. This research project complements our membership in the Ceres Valuing Water Finance Initiative and aims to deepen the collective understanding of water-related risks. Together with other participants Deltares, Achmea Investment Management, SCOR and WWF, we want to encourage a shift in how investors understand and consider context-specific, water-related risks.

The study will focus on critical watershed areas in Sao Paolo (Brazil) and Chennai (India), which have been experiencing water stress for a prolonged period. Chronic water shortages, caused by water scarcity and drought conditions, have resulted in severe shortages in these areas, negatively impacting businesses and local communities. As climate change intensifies, drought conditions are expected to worsen, posing significant challenges for businesses operating around these water basins. In both areas, a broad range of economic activities is represented, such as the

agricultural and manufacturing sectors in Sao Paulo, and technology, textile, and automobile manufacturing industries in Chennai. Due to the interconnectedness of global supply chains, local water issues can have an impact on global commodities and businesses as well.

The Bridge project aims to develop a new approach to mapping water-related risks by combining current and future basin water risks, such as water scarcity, droughts, or floods, with water-related performance of companies. This includes how companies manage or impact water resources, including how they use, conserve, or pollute water. By applying more location-specific tools and conducting a systems analysis of cascading risks, the study aims to bridge the gap between location-specific risks and portfolio-wide risks. This approach will provide investors with a unique perspective to engage with investee companies on water-related performance in the future, and to better understand the long-term financial implications of water risks to their portfolios.

Deltares



achmea
Investment Management



SCOR

Case study

Aligning initiatives on water and biodiversity

NN Group's involvement in various initiatives demonstrate our alignment on the important issues of biodiversity and water. We participate in the CERES Valuing Water Finance Initiative, Sustainalytics' Biodiversity & Natural Capital engagement programme, and the Nature Action 100 initiative. These initiatives share a common goal of promoting sustainable practices and addressing environmental risks related to biodiversity and water. All three initiatives encourage companies to disclose information related to their environmental impact and all recognise the importance of effective management and governance systems to mitigate financial risks associated with environmental challenges and promote sustainable practices.

Nature Action 100



- NN Group joined the Nature Action 100 initiative in September 2023.
- Global investor program to reverse nature and biodiversity loss and encourage companies to take more ambitious actions to protect nature.
- Launched by a group of investment firms and co-led by Ceres, IIGCC, Finance for Biodiversity Foundation, and Planet Tracker.
- The initiative identified eight sectors that are systemically important in reversing nature and biodiversity loss by 2030. These sectors are biotechnology and pharmaceuticals, chemicals, household and personal goods, consumer goods retail, food, food and beverage retail, forestry and paper, and metals and mining.
- The expectations outline **six actions** in the areas of:
 - Ambition;
 - Assessment;
 - Targets;
 - Implementation;
 - Governance; and
 - Engagement
- We will be participating in three company engagement investor groups, with the aim of leveraging our investments to positively influence company progress on their progress in this area.

Biodiversity & Natural Capital Engagement



- Morningstar Sustainalytics' engagement program that seeks to strengthen issuers' management of biodiversity-related impacts, dependencies, and opportunities.
- Uses an outcome scorecard to guide dialogues and track progress.
- The framework includes five outcomes, with four corresponding to the core pillars of the Task Force for Nature-related Financial Disclosures (TNFD), i.e. Governance, Strategy, Risk management, Metrics and Targets. Additional outcome on disclosure aims for key information on biodiversity to be disclosed to stakeholders.
- As a participating investor, NN group is represented by Morningstar Sustainalytics in the program.
- We will actively monitor and/or participate in ongoing engagements with companies on NN's priority engagement list and where we have significant investment exposure.

CERES Valuing Water Finance Initiative



- NN Group joined the Ceres' Valuing Water Finance Initiative in 2023.
- Global investor-led effort that aims to engage companies with a high-water footprint to value and act on water as a financial risk.
- The initiative developed a water valuation framework and identified 72 companies to engage with.
- Investors encourage companies to adopt and implement the **Corporate Expectations for Valuing Water**, which sets out expectations in the following six areas:
 - Water quantity;
 - Water quality;
 - Ecosystem protection;
 - Access to Water/Sanitation;
 - Board oversight; and Public Policy engagement
- We currently participate in two investor engagement groups and continue to monitor the possibilities of additional engagements based on investment exposure and potential for positive impact.

3.3.4. Human Rights

At NN Group, we acknowledge our responsibility to respect and protect human rights. We believe that human rights are essential considerations for our business practices and investment decisions. To guide our approach, we have an RI Framework policy and norms-based activities based on internationally recognised standards such as the UN Global Compact principles, the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights.

We believe that protecting human rights is not only the right thing to do, but it is also important for sustainable long-term growth. Issues such as inequality, discrimination, and labour rights violations can impact the well-being of communities and markets. That is why we have identified human rights as a key engagement theme for the next three to five years. Our norms-based and controversy engagements are already based on identifying severe and structural breaches of norms-based criteria, including human rights (as outlined on page 13). As active owners, we aim to encourage the companies we invest in to align their practices with human rights standards.

NN Group will operationalise our thematic commitment to human rights in several ways. We are active participants in Sustainalytics' thematic engagement programme Human Rights Accelerator and are an active member of Platform Living Wage Financials (PLWF).

NN Group was previously represented in PLWF through its asset manager, NN Investment Partners. 2023 marked the first year where our organisation became a direct member and is actively leading engagements. In the first quarter of 2024, NN Group expanded its contribution to the Platform, taking on engagements in additional companies in the food retail sector, and taking on a practical role as co-lead for the Platform's AgriFood and Retail investor Working Group, helping to coordinate investors and their engagement processes, and support the Platform's thought leadership contributions. Our ambition is to continue to collaborate and broaden our engagement contributions in the coming years.

Human Rights Accelerator programme
Sustainalytics' Human Rights Accelerator programme aims to accelerate the adoption of the UN Guiding Principles on Business and Human Rights (UNGPs) by engaging with companies in metals and mining, infrastructure, electronics, food, and services sectors. The programme addresses specific human rights issues, including child labour, livelihood, living income, living wages, and community rights. It seeks to ensure that companies respect fundamental human rights and mitigate financial material risks.

The engagement seeks to implement a human rights framework that identifies and addresses human rights risks and adverse impacts across a company's operations, with a focus on high-risk issues and sectors such as large-scale mining and infrastructure projects, low-paid service jobs, and electronics and food production. The objective of the engagement is to build resilient sectors and companies that uphold the basic human rights of communities, workers and producers in a post-pandemic economy.

The three-year engagement targets for approximate 20 companies in the identified sectors are transitioning to the next phase due to commence in 2025 by Sustainalytics. We are proactively providing input to the strategy setting of this next phase and will disclose more details in 2025/2026.

Platform Living Wages Financials
Platform Living Wage Financials (PLWF) is a collaborative platform of 20 financial institutions with over EUR 6.9 trillion of Assets under Management, that encourages and monitors investee companies to enable living wages and incomes in their global supply chains.

The coalition uses its influence and leverage to engage with more than 50 companies from various sectors, including listed garment and footwear brands, food producing companies, and food retail companies.

The PLWF evaluates companies based on an externally assured living wage assessment methodology that is aligned with the reporting framework of the UNGPs. This methodology is open source and can be found on the PLWF website

(www.livingwage.nl). The platform aims to motivate companies to follow better-performing peers. It does this by guiding and assessing companies on living wages and incomes in their direct operations or supply chains and by developing a benchmark to determine which companies have been leading on the issue and which need to do more.

NN Group participates in the PLWF's Food & Agri Working Group. In the food & agricultural sector, the issues of child labour, lack of education, and deforestation arise due to a lack of a living wage. Products like coffee and cocoa, where PLWF focuses its activities for these sectors, are commodities where prices are often set at a market rate and driven by global developments rather than the local situation. Buyers often have only limited influence over how the price is set and how much the farmers receive, making it difficult to ensure even minimum wages. The ability to trace exactly where the products originate and establish long-term relationships with producers is also a challenge.

Implementing a living wage helps to raise the standard of living for workers and their families. A living wage enables them to meet their basic needs. Moreover, a living wage can act as a catalyst for improvement in other areas of the labour market. For instance, there is less likelihood of child labour when parents earn enough to support their families.

The PLWF's objective is to encourage companies to adopt good practices and promote social and economic resilience in their supply chains. By raising awareness of the issue and putting it on their corporate agenda, investee companies can work towards enabling living wages and incomes in their global supply chains. Individual companies cannot solve a systemic issue such as living wage and income on their own, which is why the PLWF takes a sector-wide approach. The engagement includes more than 30 listed garment and footwear brands and over 20 food producing and food retail companies.

NN Group is participating in the engagements with food companies and is the lead engager on Nestlé and Ahold Delhaize in 2024.

Case study

A food company's efforts to address living wage

Nestlé is a Swiss multinational food and beverage company. NN Group led the assessment and engagement with Nestlé in 2023. We commend the company for its substantial efforts to measure and close living wage/income gaps across cocoa and coffee commodities, and encourage disclosure of operationalisation details and quantitative data across geographies.

Nestlé conducted a human rights salience assessment in 2022 and developed ten individual Action Plans for each of the salient issues identified, including dedicated Action Plans on Living Wage and Living Income. While this is a unique approach, first reporting on the individual action plans is expected in 2025. And while the individual action plans outline implementation suggestions and KPIs, details around quantitative data to be leveraged in operationalising these KPIs is not yet specified.

A few key areas that NN Group will continue to monitor over the coming years are Nestlé's implementation of its Living Wage and Living Income Action Plans, additional quantitative data on wage/income gaps per commodity and geography, and enhancements to purchasing practices to complement existing best practice programmes aimed at improving raw material quality and compensate for good farming practices. Examples of such programmes include the Nestlé Cocoa Plan, Nestlé Income Accelerator, and commodity specific plans such as the Nespresso AAA Sustainable Quality Program.

For additional information on Nestlé's performance, the other companies assessed by the PLWF investors in 2023, and trends in the agricultural, food/retail, and garment industries, please see the [PLWF 2023 Annual Report](#).

3.4 Engagement monitoring

As an asset owner, NN Group delegates a significant portion of its engagement activities to its external asset managers and Sustainalytics. To keep alignment with our Responsible Investment Framework Policy and commitment, we monitor engagements across four main aspects, referencing industry guidelines such as the [Net Zero Stewardship toolkit](#) published by IIGCC, the [Future of Investor Engagement](#) from the Net Zero Asset Owner Alliance.

In 2023, NN Group has piloted a number of options to enhance the oversight of engagement carried out by external parties.

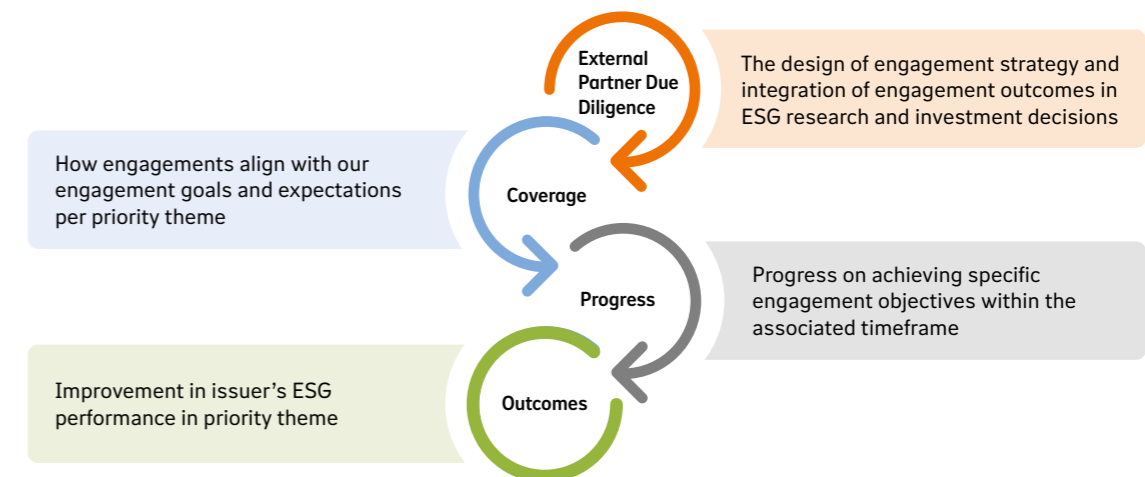
External Partner Due Diligence

NN Group provides feedback to our external asset manager and Sustainalytics on the design and implementation of their thematic engagement strategies where possible. Through regular discussions on ESG integration, engagement goals and reporting, we explore how their approach could better align with industry standards and best practices.





Coverage

NN Group sets out thematic engagement goals as the long-term vision we aspire to steer our portfolio towards. We have developed thematic ambitions for the key thematic topics we have identified, including Climate Change & Net Zero, Water, Biodiversity & Natural Capital, and Human Rights. Refer to the table on the next page.

While NN has defined specific engagement objectives and milestones for our direct and collaborative engagements, we have also started to explore how to encompass engagements carried out by our external managers and Sustainalytics by defining a set of short- to medium-term actions as engagement objectives per theme. This involves reviewing the rationales of these engagements and how they align with our own thematic objectives. This process can help identify engagement gaps where we could encourage further action on the specific engagement, either through external parties or our own participation (see the case study on the next page).



NN Group's thematic engagement goals

Theme	Engagement goals
Climate Change & Net Zero 	NN Group aims to steer companies to implement a timely and credible transition in line with a maximum temperature rise of 1.5°C, improving their Paris Alignment status over time. We expect companies to improve across the key alignment criteria outlined in the Net Zero Investment Framework and take concrete actions to address the risks and opportunities associated with climate change.
Water 	NN Group encourages companies to adopt sustainable water management practices that reduce their impacts on water availability, quality, natural ecosystems, access to water and sanitation. This can be achieved by setting science-based targets or policies that are time-bound, providing diligent disclosure on progress, sufficient Board oversights, and advocating public policies in line with such commitment.
Biodiversity & Natural Capital 	NN Group encourages companies to strengthen their management of biodiversity-related impacts, dependencies, risks, and opportunities. This can be achieved by setting ambitious targets, assessing and disclosing nature-related impacts and risks in line with the Task Force for Nature-related Financial Disclosures (TNFD), and developing an implementation plan with board oversight, stakeholder engagement, and policy engagement.
Human Rights 	NN Group supports companies in establishing robust and effective human rights due diligence (HRDD) systems that align with the UN Guiding Principles on Business and Human Rights (UNGPs). By doing so, we aim to trigger improvement in the livelihoods of workers and local communities involved in supply chains and address the root causes of salient human rights risks in selected focus sectors.

Progress

To gauge the effectiveness of engagement in meeting objectives, NN Group has started to track engagement progress in five milestones (refer to the picture). While we acknowledge that the timeline for progress may vary on a case-by-case basis, we expect to see some actions or updates from companies within a 12 to 36 months' timeframe. This time-bound review process helps identify potentially lagging engagements for further discussion and actions. Our goal is not to prescribe a standard set of actions and timelines across all engagements, but to increase oversight and accountability and address any bottlenecks in engagements.¹

Outcomes

Improving a company's ESG performance to create real-world impacts is an important outcome of engagement. In addition to tracking relevant ESG metrics, we consider various external benchmarks and reports to assess outcomes and compare them with that of peers and best practices.

¹ The five bounds of corporate engagement are detailed in the NZAOA publication [The Future of Investor Engagement](#)

Another type of engagement outcome is the action taken by the engager based on the progress made such as escalation. NN is currently working on refining the scope and process within our existing responsible investment governance structure and seeking greater transparency from our external asset manager and Sustainalytics.

Challenges

When exploring our monitoring approach, we encountered several challenges. These include the lack of standardised objectives across different engagement

programmes focusing on the same themes, the absence of timeframes associated with engagement objectives, limited transparency regarding escalation strategies and implementation, and the need to balance resources requirement with the breadth and depth of the review by our team. Some themes also have more external benchmarks and frameworks available to support our monitoring, whereas others are still in their nascency. In 2024, we will continue to work with our external partners to identify ways to overcome these challenges and enhance our internal process moving forward.

Five milestones to track engagement progress

- 1 Acknowledged:** After establishing a two-way dialogue with the company, engagement objectives have been communicated to the company, or the company has committed to work towards the objectives.
- 2 Early Progress:** The company has taken initial actions taken towards the objective such as planning and scoping of implementation
- 3 Advanced Progress:** The company demonstrates ongoing progress on implementation
- 4 Concluded:** Engagement objective has been fulfilled and supported by disclosure of implementation outcomes
- 5 Withdrawn:** Discontinued engagements due to changes in materiality or ineffective dialogues

Case study

Example – Monitoring climate engagements

In 2023, NN Group deepened our monitoring framework for climate engagements to support the implementation of our Paris Alignment strategy for corporates. Besides conducting due diligence on external partners, we explored different options to increase oversight on the other three aspects.

Coverage – engagement threshold and objectives: On a quarterly basis, NN discusses gaps in engagement threshold or top emitting holdings with our external asset managers. We also find attribution analysis helpful for understanding the changes in our engagement threshold. For example, allocation has a dominant effect on the 2022-2023 changes in our engagement threshold, followed by changes in engagement, carbon performance and alignment status of companies. We are working to further incorporate these insights in our regular discussions with our internal stakeholders and external asset managers on the link between engagement and investment decisions.

Furthermore, we compared the objectives of engagements done by our external asset managers and Sustainalytics with the alignment criteria set out in the Net Zero Investment Framework. We noted the limited focus on some criteria, such as just transition and policy engagement, and will further explore how to best address these gaps (e.g. engagement across value chain).

Progress – engagement milestones: NN Group assigned engagement milestones to climate-related dialogues using the engagement data provided by our external partners. These dialogues are set to be reviewed by our RI team every 12 months (maximum). Engagements without any progress or justifications will be flagged for further actions based on our internal guidelines, including but not limited to, requesting deep-dive discussions with the engager(s), participating in direct or collaborative engagement, proposing investment restrictions, etc. As an initial step, this review focuses on the top 25 corporate emitters while we work to streamline the necessary governance and reporting. Some ideas we will explore in the coming year are to set out company- or sector-specific engagement strategy and incorporate forward-looking and opportunity-related considerations to guide this review.

Outcomes – additional climate metrics: Although alignment status is key for our Paris alignment objectives and company climate performance, some aspects of transition may not always or imminently be reflected in these metrics. NN shortlisted more than 10 additional metrics to assess the credibility of companies' transition such as recent emissions reduction compared to their Science-Based Target pathways, sector trends from the International Energy Agency Net Zero Scenario, and some sector-specific actions such as methane reduction targets for oil & gas companies. These metrics aim to prompt further review similar to the milestone review process described above and will be adjusted according to the latest available data and industry best practices.

Policy advocacy



4

As a financial services company, we have a responsibility to advocate for policies that align with our values and promote long-term sustainable growth. We engage with policymakers through public consultations, policy proposals, and meetings to drive positive change in regulatory frameworks that benefit both our investments and society. In this chapter, we share examples of our 2023 initiatives to impact standard setters, policymakers, and other stakeholders.

Investor Statement on Tobacco

Together with 56 other investors with combined over USD 2.9 trillion Assets under Management, we co-signed the Investor Statement on Tobacco 2023. The statement was submitted to governments during the 2023 United Nations General Assembly. It represents a unified investor call on governments to accelerate implementation of the World Health Organization Framework Convention on Tobacco Control (WHO FCTC). As a financial institution, NN Group promotes the advantages of tobacco control, including health, environmental and economic benefits. We are a signatory of the Tobacco Free portfolios pledge since 2018 and exclude tobacco producers from our investments



Dutch Climate agreement

The Dutch Association of Insurers acknowledges the significance of climate change in the insurance industry and seeks to strengthen its social role and explore insurance solutions, particularly in the area of insurability. It has played an important role in the IMVO, a multi-stakeholder initiative that identifies and mitigates potential negative ESG impacts from investments. It is a party to the commitment of the financial sector to the Dutch Climate agreement (Klimaatakkoord).

NN actively participates in the Dutch Insurance Association and is a signatory to the IMVO and the financial sector agreement to the Dutch Climate agreement.



European Commission's Climate Resilience Dialogue

NN Group joined the European Commission's Climate Resilience Dialogue in 2023 as a member of the Pan European Insurance Forum (PEIF). The Climate Resilience Dialogue is a group that works to reduce the Climate Protection Gap and increase investment in good adaptation solutions to protect against the impacts of climate change. Part of the EU green deal strategy on adaptation to climate change and the strategy for financing the transition to a sustainable economy



More information:

Overview of NN Group's memberships and endorsements

For information on how we conduct our engagements, please refer to the NN Group Stakeholder Engagement policy.

World Economic Forum COP28 Open Letter

As a member of the World Economic Forum (WEF) Alliance of CEO Climate Leaders, NN has joined in supporting an open letter to world leaders at COP28. In this letter, published in October 2023, we are calling for policy actions that will help us accelerate and scale our efforts to decarbonise. Specifically, we urge policymakers to invest in renewable energy and power networks, adopt low-emission public procurement practices, boost carbon removal efforts, and simplify climate disclosure and measuring standards. These actions will help us to significantly reduce carbon emissions and mitigate the effects of climate change.



Business Benchmark on Farm Animal Welfare

The Business Benchmark on Farm Animal Welfare (BBFAW) measures farm animal welfare management, policy commitment, performance, and disclosure for food companies globally. It provides insight for investors, companies, NGOs, and other stakeholders to understand corporate practices and performance in this area. As part of our efforts to promote better animal welfare practices, we screened our proprietary portfolio using BBFAW's annual benchmark and identified a limited number of companies with the lowest scores. We will send letters to these companies, referencing the BBFAW benchmark and outlining our policy and expectations to encourage them to use it as a practical tool to manage their farm animal welfare issues and guide their reporting. We will be monitoring our portfolio annually to track progress.



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Disclaimer

This NN Group Active Ownership Report provides an overview of our policies and activities related to active ownership of proprietary assets. We aim to showcase our commitment as an asset owner and report on the steps we have taken since the sale of our asset manager. We will discuss our policies, outcomes from our engagement programme, and how we have leveraged our voting rights of our proprietary equity investments to further our ambitions as a responsible investor.

Certain of the statements contained in this Active Ownership Report are not historical facts, including, without limitation, certain statements made of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation: (1) changes in general economic conditions, in particular economic conditions in NN Group's core markets, (2) changes in performance of financial markets, including developing markets, (3) consequences of a potential (partial) break-up of the euro or European Union countries leaving the European Union, (4) changes in the availability of, and costs associated with, sources of liquidity as well as conditions in the credit markets generally, (5) the frequency and severity of insured loss events, (6) changes affecting mortality and morbidity levels and trends, (7) changes affecting persistency levels, (8) changes affecting interest rate levels, (9) changes affecting currency exchange rates, (10) changes in investor, customer and policyholder behaviour, (11) changes in general competitive factors, (12) changes in laws and regulations and the interpretation and application thereof, (13) changes in the policies and actions of governments and/or regulatory authorities, (14) conclusions with regard to accounting assumptions and methodologies, (15) changes in ownership that could affect the future availability to NN Group of net operating loss, net capital and built-in loss carry forwards, (16) changes in credit and financial strength ratings, (17) NN Group's ability to achieve projected operational synergies, (18) catastrophes and terrorist-related events, (19) operational and IT risks, such as system disruptions or failures, breaches of security, cyber-attacks, human error, changes in operational practices or inadequate controls including in respect of third parties with which we do business, (20) risks and challenges related to cybercrime including the effects of cyberattacks and changes in legislation and regulation related to cybersecurity and data privacy, (21) business, operational, regulatory, reputation and other risks and challenges in connection with ESG related matters and/or driven by ESG factors including climate change, (22) the inability to retain key personnel, (23) adverse developments in legal and other proceedings and (24) the other risks and uncertainties contained in recent public disclosures made by NN Group.

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