



# Climate Action Plan 2022

Turning ambition to action

NN Group N.V.  
December 2022



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 Visit our website for further information [www.nn-group.com](http://www.nn-group.com)

# Foreword

We publish this Climate Action Plan with a sense of urgency to help limit global warming to a maximum temperature rise of 1.5°C above pre-industrial levels to minimise the worst effects of climate change.

Climate change is one of the most pressing risks of our time. The world has experienced many negative changes due to global warming, including extreme weather and disruptions in livelihood. If, as a global community, we do not take rapid action, there will be lasting consequences for ecosystems, human health, and security.

The Paris Climate Agreement states that in order to avoid the worst impacts of climate change, we need to take ambitious action to limit the rise in average global temperature. In doing so, we want to be consistent with the more ambitious 1.5°C temperature target. This can only be achieved if we pursue the long-term goal of a low-carbon economy and society by 2050. It means that huge efforts are required from all actors in society.

As an international financial institution, we take the role we can play in combating climate change very serious. One of our strategic goals is to contribute to the well-being of people and the planet. Doing business with the future in mind and contributing to a world where people can thrive for many generations to come, is part of our purpose. The financial sector can play a key role in enabling a transition towards a low-carbon economy. At NN Group, we are committed to aligning our business activities, to working together with external stakeholders, and to supporting wider society in its transition.

We aim to tackle climate change across our own operations and our value chains. As an investor we aim to influence management decisions of our investees through active stewardship,

and increase our investments in climate solutions. As an insurer, we can play a key role in insuring environmental risks for our customers, and as a bank we can help our customers make their houses more sustainable for example by advising on sustainable mortgage solutions. Furthermore, adaptation is necessary to respond to risks and vulnerabilities arising from the current climate changes. As an insurer, adaptation to climate change is at the core of our business, as physical climate change risks are increasing due to the unpredictability of extreme weather events. We will develop products and services to help customers mitigate these risks.

We recognise that signing commitments and having an ambition is not enough. To make a meaningful difference, we need to create a vision, organise people around it, assemble dedicated resources, and develop a plan that we can together execute. This comprehensive Climate Action Plan sets out our initial steps and plans of action to reduce greenhouse gas (GHG) emissions to net-zero in our operations by 2040, and in our proprietary investments and insurance underwriting by 2050.

Despite our ambition and actions, combatting climate change will not be easy. Financial institutions cannot deliver the net-zero transition and real economy change alone, we see great dependencies on for example government actions, other actors in the financial industry, and clients. Furthermore, we ensure giving the right incentives to drive real world change rather than only having achieved

‘portfolio decarbonisation’.

It is our company’s ambition to be an industry leader, known for customer engagement, talented people and our contribution to society. We aim to make a real difference by supporting our 18 million customers, and by contributing to the transition to a sustainable economy. We do see however that there are several societal challenges, with for example the rising energy costs of today, and an increased cost of living. These challenges could make it for instance difficult for households to implement energy efficiency improvements to their homes. Within our different business segments we need to address these challenges.

This Climate Action Plan highlights some of the developments and challenges that we encounter on our way. It is clear that there is much more work to do, in order to build and implement our strategy going forward, and we expect to review our plan regularly over the coming years. We plan to publish the next update of this document around the summer of 2023.

**“As we continue this journey, we wish to engage our stakeholders as much as possible, as we realise that the transformative change needed to meet both the challenges and opportunities of climate change can only be achieved together.”**

**David Knibbe** Chief Executive Officer



# Ambition and Governance

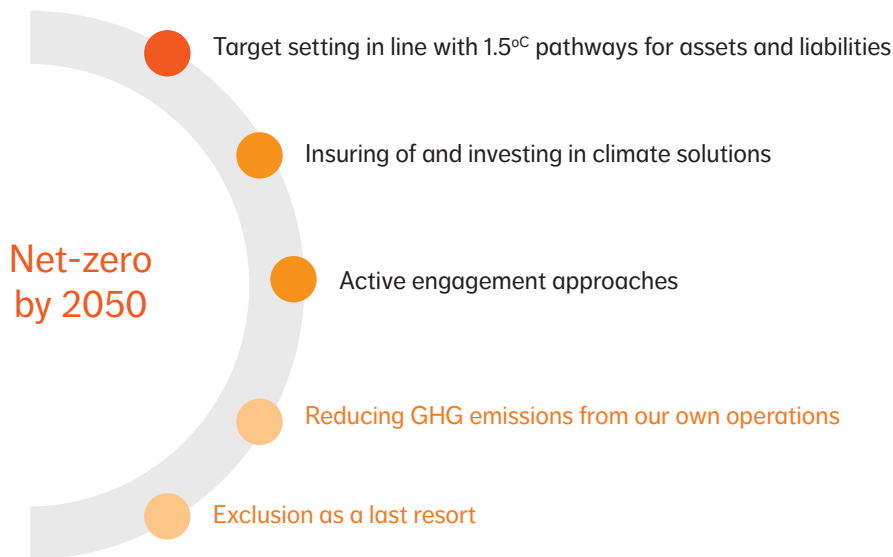
As an international financial institution, we analyse the effects of climate change on society. Therefore, we are committed to science-based principles to secure a low-carbon future that also meets the needs of generations to come. This is why we want to become a net-zero company by 2050.

NN is committed to playing its part in the climate transition. In fact, we aim to support our 18 million customers in their transition to a sustainable economy. Our approach is as follows:

- Help accelerate the transition to a low-carbon economy to limit the rise in average global temperature to 1.5°C (e.g. by using a range of levers such as engagement, capital allocation to climate solutions, and phase out and/or exclusion policies).
- Develop and offer products and services that address the environmental challenges our customers face (e.g. by developing new products and services that contribute to a low-carbon economy, or by helping to insure our customers against climate-related impact).

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

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



## Strengthening our commitment to protect and restore biodiversity

We recognise that addressing adverse impacts on the environment is not only about reducing our GHG emissions, but also about preserving and restoring our ecosystems, biodiversity and much more. As an insurer, we seek solutions that address biodiversity. For example, as one of the leading marine insurers in the Netherlands, NN Group aims to limit negative impacts to ocean' ecosystems. To underscore our intentions, NN Group signed the Marine Insurance Statement to fight pirate fishing. A responsible investor, NN Group adopts biodiversity factors in our ESG integration strategy. We apply active ownership practices to encourage investee companies to adopt more responsible environmental and social practices to enforce nature positive changes. To strengthen our commitment to protect and restore nature, NN Group signed the Finance for Biodiversity Pledge and became a member of the Finance for Biodiversity Foundation in September 2022. NN Group's strategy on biodiversity will continue to evolve as data, reporting, and standardisation improve.



## Commitments to (sector) agreements

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

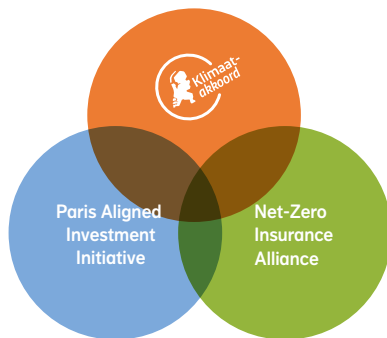
These commitments support us in developing metrics, targets and action plans. This year, we reported our initial target disclosures to the PAII Net-Zero Asset Owner Commitment. By publishing this Climate Action Plan, we live up to the Financial Sector Commitment to the Dutch Climate Agreement. For the NZIA, we will report a first set of company specific targets in 2023.

In addition, we are currently participating in several (sector) initiatives that assist us in developing methodologies and undertaking other activities that support us in realising our climate goals. For example, we participate in the PAII, in order to further develop the Net-Zero Investment Framework, which support investors to align their investment portfolios with the goals of the Paris Agreement. In the Platform Carbon Accounting Financials (PCAF) we work on developing methodologies to measure the carbon footprint of our investment and insurance portfolio. We also support initiatives, such as Climate Action 100+, which encourages the largest corporate GHG emitters to take necessary action on climate change. Please refer to the Annex 'Climate initiatives' on page 44 for a complete overview.

## Paris Climate Agreement 2015



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



### Dutch Klimaatakkoord

NN Group is signatory to the financial sector commitment to the Dutch Climate Agreement. We support the Dutch government in its ambition, and target to reduce GHG emissions. Therefore we are committed to measure the carbon footprint of our investments and financings, and publish actions plans in 2022.

### Paris Aligned Investment Initiative

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

### Net-Zero Insurance Alliance

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

NN's involvement in several sector initiatives



## Governance

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

### Strategy setting

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

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

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

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

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

which outcomes of scenario analyses, including climate change are evaluated on an annual basis. To ensure NN Group adheres to regulations related to sustainability matters, the NN Group Control functions, including Risk and Compliance, are tasked to oversee proper implementation and monitor ongoing compliance.

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

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

### Strategy execution and monitoring

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

### Purpose Council

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

Performance on strategic targets is reported via a Strategy dashboard, which is evaluated in the Purpose Council and subsequently in the Management Board meetings on a quarterly basis. The Purpose Council, chaired by the CPCSO, also performs an advisory and consultative role with regard to purpose-related areas such as sustainability matters.

### Responsible Investment Committee

The oversight and steering of the net-zero ambition for the proprietary investment portfolio is performed by the Responsible Investment Committee (RI Committee), established in 2022 and chaired by the Group Chief Investment Officer, who reports to the CEO.

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

### Responsible Insurance Underwriting Committee

To strengthen our net-zero strategy beyond investing we are setting up an equivalent Committee for Responsible Insurance Underwriting that will become operational at the beginning of 2023. This committee, chaired by the CEO of NN Re, will strategically oversee and steer our ambition towards net-zero insurance underwriting, develop a net-zero strategy for insurance and report to the Management Board on progress. Meanwhile, we set up an operational Net-Zero Insurance working group to align activities within the business units involved. This working group will advise on target setting and will help to formulate a roadmap for responsible insurance underwriting.

### Integration in operating model

For our insurance and banking activities specifically, our business units have set up a governance suiting their respective operating models and activities. Read more in the Banking chapter on page 28 and the Insurance Underwriting chapter on page 32.

### Operational Implementation

NN Group has a dedicated Corporate Citizenship department, with a Sustainability expert centre, to advise the Management Board on the implementation of the overall approach to sustainability. The experts work closely together with the different business units and functions to steer and advise on embedding sustainability matters into their business in accordance with the overall strategy. This includes our net-zero commitments, with a focus on accelerating the transition to a low-carbon economy, an RI strategy, and sustainability-related strategic targets. Following the publication of the first Climate Action Plan, a dedicated working group will be established to support the alignment and reporting.

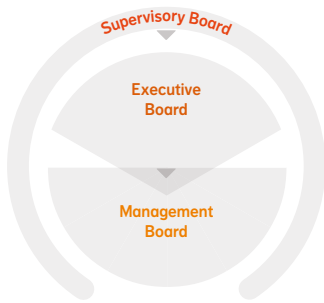
Given the increasing attention to ESG related topics and following the divestment of NN Investment Partners (NN IP) in 2022, the Responsible Investment team within the Group was expanded, and consists of several ESG and RI professionals from within NN Group's Corporate Citizenship team and the NN Group Investment Office.




To meet regulatory requirements, to further embed sustainability in our products and services, and to build sustainability capabilities throughout the organisation, we have set up a Task force Sustainability in Business (TFSB) for, in principle, a period of two years. With the additional dedicated resources we aim to accelerate our efforts and provide our businesses guidance and support in implementation.

# Sustainability is embedded in our governance

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




## Strategy setting



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



## Strategy execution and monitoring



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

## Operational implementation

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

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

## Risk management

### Enterprise Risk Management (ERM) and Investment Risk Management (IRM)

- Integrates sustainability in risk framework & policies, risk management and reporting, and helps mitigate strategic, financial and non-financial risks



## Executive Board compensation

Several strategic targets that were linked to the Executive Board's variable remuneration are related to sustainability, including the contribution to the transition to a low-carbon economy and the reduction of our direct environmental footprint. These climate-related targets set measurable reduction targets for a specific year. Read more in the NN Group Annual Report 2021 on page 119.

## Education and training

The Executive Board, Management Board, Supervisory Board and senior management attend knowledge sessions on our sustainability developments, the regulatory landscape, and our net-zero strategy from internal and external experts. While many specialised roles have received workshops on different sustainability aspects, we will introduce more general sustainability training for all employees in 2023.

\* Operational in 2023



## Risk Function

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

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

## Remuneration

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

## Reporting and transparency

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

The NN Group Annual Report 2021 also includes our disclosures in line with the Task Force on Climate-related Disclosure (TCFD) recommendations. Read more in the box 'Implementing TCFD recommendations'.

## Climate action and Risk Management

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

## Implementing TCFD recommendations

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

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

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

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

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

part of NN Group's annual Own Risk & Solvency Assessment (ORSA). We use the gained insights as further input for formulating our investment strategy and integrating climate change aspects into our insurance underwriting and risk management practices. Read more on our approach in the TCFD section of the NN Group Annual Report 2021 on pages 66-77





# Building our net-zero roadmap

We acknowledge that having a strong ambition is important but not enough. For our assets, liabilities, and own operations, we have taken several steps and plan to do more. This chapter sets out the actions already taken. First, it is important to understand how we measure the GHG emissions produced directly and indirectly from our business or organisation's activities.

## GHG accounting

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

## Assets - financed emissions

For NN Group it is important that we can measure the indirect emissions of our investments, the so-called financed GHG emissions. Since 2017, NN Group has measured and disclosed emissions of its proprietary assets. Refer to the Annex 'Defining our assets' on page 41 for an explanation of proprietary assets. In our carbon footprint methodology, we aim to be consistent with internationally recognised standards, such as the 'Global GHG Accounting and Reporting Standard for the Financial Industry' from the Platform Carbon Accounting Financials (PCAF).

Carbon footprint measurement and reporting remain areas of ongoing development. As such, data improvements and refinements of our methodology may affect our carbon footprint analysis in future years. As an active member of the PCAF,

we help to advance industry standards and harmonisation of both measuring and reporting financed emissions. Read more in the case study 'Carbon footprint of NN Group's proprietary assets'.

Case study

# Carbon footprint of NN Group's proprietary assets

In our NN Group Annual Report 2021, we covered approximately 80% of NN Group's total proprietary asset portfolio on the balance sheet with a carbon footprint. This asset portfolio comprises the general account assets of the insurance entities, and the assets of NN Bank and NN Group. In the context of an investment portfolio, a carbon footprint measures the amount and intensity of greenhouse gas (GHG) emissions associated with the underlying portfolio holdings. Emissions are expressed in tonnes of carbon dioxide equivalents (CO<sub>2</sub>e).

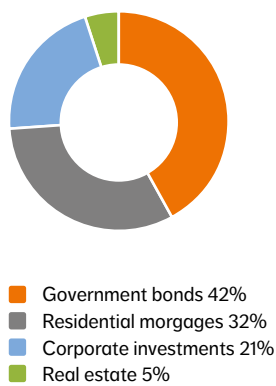
This carbon footprint includes all our main asset categories; government bonds, corporate investments, residential mortgages, and real estate investments. The main asset types that were not included in this carbon footprint analysis are cash, derivatives, asset-backed securities, non-corporate loans, and private equity.

Carbon footprinting is a good starting point for understanding exposure to climate risks, identifying the relatively carbon-intensive securities and informing engagement with investee companies. However, there are limitations with respect to the quality and availability of emissions data, especially for private companies and for scope 3 emissions of companies. Furthermore, the carbon footprint provides a snapshot of today's emissions, but is limited in what it can say about how companies are making the transition to a low-carbon economy. In our investment process, we therefore aim to capture broader ESG assessment and analyses of companies including forward-looking climate strategies.

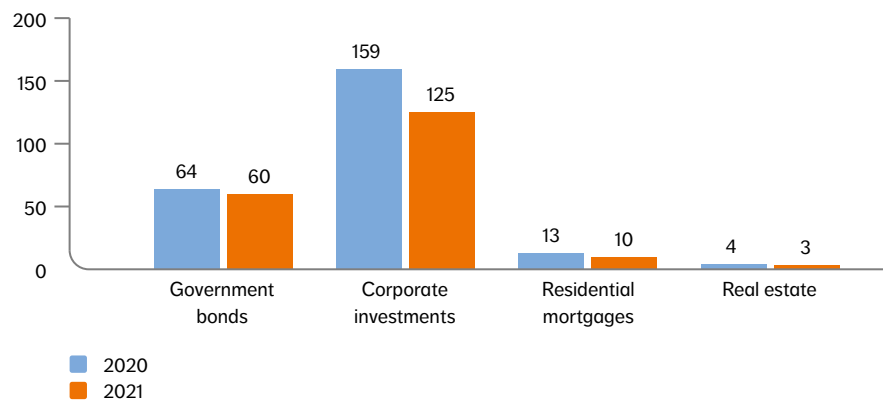
Read more in the NN Group Annual Report 2021, pages 131-134.

## Carbon footprint of NN Group's proprietary assets

Breakdown of assessed assets



Carbon footprint (tCO<sub>2</sub>e per EUR million)



**Liabilities - insurance associated emissions**

To reach our ambition for net-zero insurance underwriting, we have to start with GHG accounting of our insurance associated emissions. NN Group will apply PCAF’s new standard for measuring GHG emissions for our insurance underwriting portfolio.

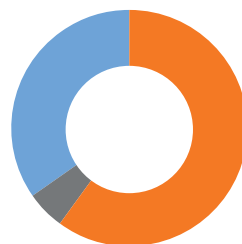
NN Group joined the PCAF Insurance Associated Emissions working group to contribute to developing PCAF’s first standard for measuring insurance associated emissions. PCAF Guidelines for commercial and personal motor lines insurance were recently completed. We have started making the first calculations for insurance associated emissions for these lines of our insurance underwriting portfolio. Please refer to the section on insurance underwriting for more details.

**GHG emissions from our own operations**

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

**Breakdown of GHG emissions of our direct operations in 2021**

in kilotonnes



- Energy consumed on NN sites 55%
- Air travel 6%
- Car travel 38%

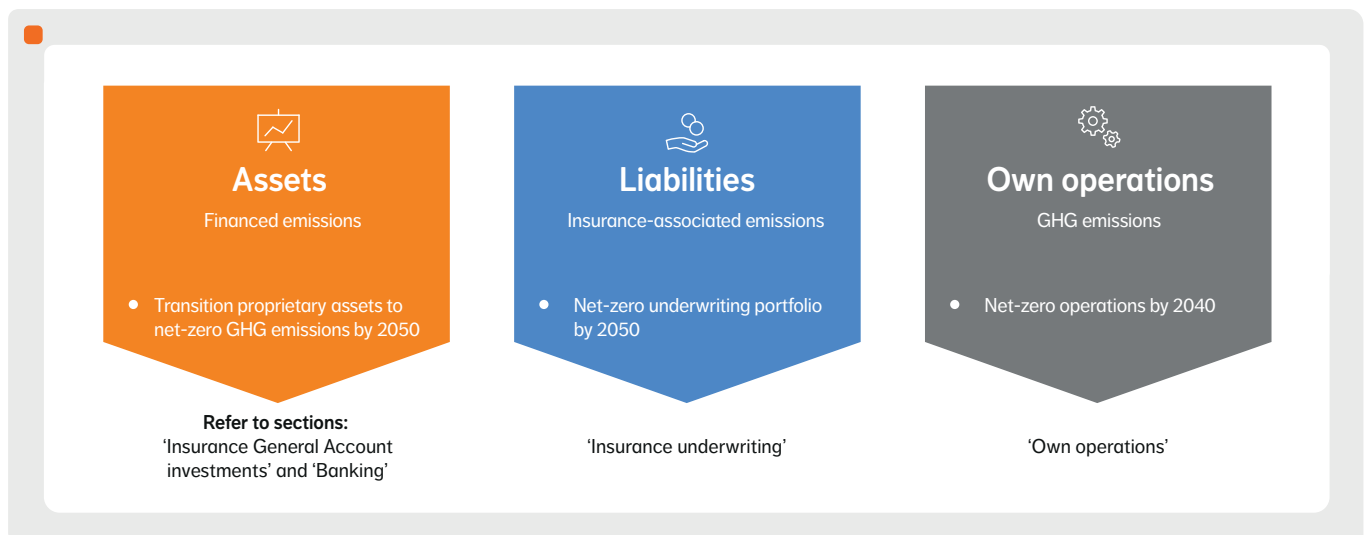
impacted by travel restrictions due to the Covid-19 pandemic.

Read more on our carbon footprint of our own operations on pages 36-37 and in the NN Group Annual Report 2021, page 130.

**Building our roadmap from different perspectives**

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

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



## Insurance General Account investments

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

At year-end 2021, NN Group's general account assets that are held on behalf of our insurance entities amounted to approximately EUR 175 billion. The size and diversity of our portfolio provides opportunities to influence and support the change necessary to create a low-carbon economy.

### Objectives

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

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

### Actions to meet our objectives

Using the NZIF as a guide, we developed in collaboration with NN IP, asset class specific strategies to align our portfolio to the Paris Agreement's goals. We have developed strategies for corporate investments, sovereign bonds, and real estate, and we adopted a strategy for investments in climate solutions and

updated our approaches for phase-out and exclusions. We further explain these asset-class specific strategies on pages 17 - 27. The key dimensions of our approach:

#### 1. Decarbonising by investing in better climate performers -

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

#### 2. Engage with issuers to guide them in their transition -

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

#### 3. Investing in climate solutions -

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

In 2021, we have set an ambition to increase our investments in climate solutions with an additional EUR 6 billion by 2030, taking the total investments in climate solutions to around EUR 11 billion. Since then, we announced two new investment commitments totalling EUR 625 million. Read more in the case studies on pages 15 - 17. In our Annual Report, we will track our progress against our definition and methodology. Read more in the NN Group Annual Report 2021, on pages 127 - 128.

#### 4. Selective divestment -

While we prefer engagement over divestment, we draw the line if a company's activities and/or conduct are inconsistent with our norms-based RI criteria. When we see no potential to change a company's behaviour through engagement, we will not continue to back it as an investor within the contractual and legal possibilities. This could concern companies that engage in controversial environmental practices and where engagement has not led to any desired change. From an activity perspective, we have set clear restrictions on the most environmentally harmful fossil fuel activities, for example oil sands and shale oil and gas.

In addition, for NN Group's proprietary investments, we have a phase-out strategy in place that covers both thermal coal mining and coal-fired power generation. In 2022, we evaluated this phase-out strategy, and strengthened our screening criteria. We also adopted broader exclusions for unconventional exploration; in addition to oil sands, we added restrictions for shale oil and gas and arctic drilling. We see this as a first step in developing a comprehensive oil and gas policy for NN Group's proprietary investments, which we plan to complete and communicate in 2023. Read more in the case studies on pages 20 - 23.

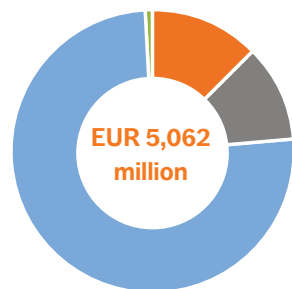
“  
...we have set an ambition to increase our investments in climate solutions with an additional EUR 6 billion by 2030.”

## 5. Considering climate risks

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

### NN Investments in climate solutions breakdown

at year-end 2021



- Green bonds 637
- Renewable energy investments 566
- Certified green buildings 3,817
- Other 41

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

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

## 6. Join forces to develop best practices

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

## 7. Public policy advocacy -

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

### Case study

## Collaborating with our asset manager

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

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

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

## Case study

# Role of green bonds

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

### Green bond criteria

We are using the methodology developed by our external asset manager NN IP to determine which bonds can be labelled as 'green' and are hence eligible for counting towards our investments in climate solutions target. In this methodology, NN IP makes use of double screening, analysing both the issuer as well as the project(s). NN IP's green bond criteria are based on:

- **Alignment with the Green Bond Principles (GBP).** NN IP has developed a Green Bond Assessment Framework which includes the CBI taxonomy & EU Taxonomy on top of the four Green Bond Principles.
- **The strategic objectives of the issuer.** The strategic objectives must be aligned with the objectives of the green bond. Issuers with serious and structural issues concerning ESG controversies are excluded.
- **Project exclusions.** Excluded projects are adult entertainment, arctic drilling, fur and specialty leather, gambling, unconventional oil and gas, thermal coal, tobacco and weapons.

### Example: TenneT

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

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

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

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



## Case study

## Investing in Dutch sustainable residential real estate

In April 2022, NN Group announced the launch of its Positive Impact Programmatic Venture (PIPV), a collaboration between NN Group and CBRE Investment Management with an initial equity commitment of EUR 500 million. The venture will invest in Dutch sustainable and affordable residential real estate with the aim to improve energy efficiency and reduce carbon emissions. PIPV contributes to NN Group's target to increase investments in climate solutions by at least EUR 6 billion by 2030.

The programme aims to make an impact on a broad range of ESG themes. The ambition is to achieve alignment with the environmental objectives of the EU Taxonomy for all investment properties, while also focusing on providing mid-priced rental properties for households that do not qualify for social housing.

PIPV targets a reduction of 80% of landlord-controlled GHG emissions, procuring 100% renewable electricity by 2030, and net-zero operational emissions by 2035. Assets must achieve a high standard of energy performance, being at least 10% more efficient than the Nearly Zero Energy Buildings requirements as defined by the Dutch 'Bijna Energieneutrale Gebouwen' (BENG).

Promotion of circularity, water conservation, biodiversity protection and pollution prevention will all be non-negotiable elements incorporated in the asset selection and construction design of the targeted PIPV properties. Going forward, the programme aims to include life cycle assessment of materials employed in the construction phase as part of the development design, with the ambition to move towards innovative and traditional biomaterials for limiting embodied carbon and further reducing waste and pollution.

Simultaneously, the programme will add to the supply of affordable rental homes in high-demand areas. A positive impact on communities and the well-being of tenants also plays a critical role in the objectives of the venture, with tenant satisfaction regularly assessed throughout their tenure. With the programme's aim to reduce energy consumption, this also helps tenants as they will benefit from lower energy costs.

The programme has made its first acquisition with the forward funding agreement to acquire Lighthouse, a residential asset located in a popular location in Eindhoven, the Netherlands. The Lighthouse building is shown in the photo.





## Case study

# Investing in the Dutch energy transition

In July 2022, NN Group announced the launch of the Dutch Climate Action Fund. The fund is a partnership with DIF Capital Partners. NN Group is a cornerstone investor with an initial commitment of EUR 125 million, and DIF Capital Partners will manage the fund.

The Dutch Climate Action Fund will invest in projects and companies active in climate solutions that support the Dutch energy transition and will help to reduce GHG emissions in the Netherlands. These investments are targeted towards pioneers in their markets as well as investments in more traditional clean energy sectors. The fund may invest in energy efficiency, e-mobility, energy storage and hydrogen, as well as in renewable energy generation such as onshore wind and solar farms. Renewable energy generation is expected

to be a catalyst for electrification of industries, buildings and transportation, driving a significant part of emission reduction and therefore investment needs. The Dutch Climate Action Fund focuses on equity investments of up to EUR 25 million per investment.

The fund's investments aim to support and promote the United Nations SDG number 7 (affordable and clean energy), number 11 (sustainable cities and communities) and number 13 (climate action). Actual contribution to these SDGs, as well as reporting against the progress of achieving selected KPIs will be assessed for each investment opportunity. The investments in the fund are part of NN Group's target to invest an additional amount of EUR 6 billion in climate solutions by 2030.

### Asset-class specific strategies

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

### Corporate investments

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

### Objectives and targets

Objectives and targets set the direction and ambition of a net-zero investment strategy and act as a means to monitor the effectiveness of the strategy. We have set a top-down reference target for CO<sub>2</sub> emissions for the corporate Investments portfolio in line with net-zero pathways. To inform the GHG emissions target-setting process for the corporate investment portfolio, we used various approaches and methods, including

the IIGCC recommended carbon budget approach. In addition, we compared the carbon intensity of the portfolio against the industry average and peers, to the extent possible. The intermediate reference targets are in our view ambitious and consistent with striving for 50% global reduction in GHG emissions by 2030. We aim to reach these reference targets by implementing a strategy for portfolio alignment which focuses on achieving real economy decarbonisation. Together with NN IP, we developed a methodology to categorise the companies in the portfolio according to their alignment or potential to align to a net-zero pathway. For new investments, we use a best-in-class policy to allocate towards companies who are better positioned in their journey to transition to a low-carbon future. For existing assets, we focus on stewardship and engagement to drive alignment, as we believe this has the best chance of realising real-world impact.

### Alignment with climate goals

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

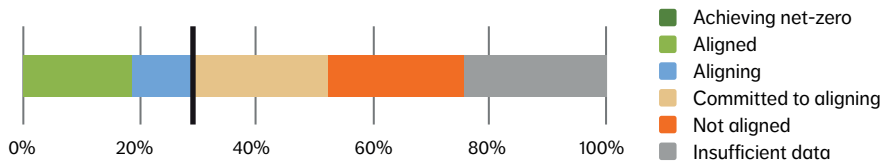
- Achieving net-zero
- Aligned to a net-zero pathway
- Aligning towards a net-zero pathway
- Committed to aligning
- Not aligned (or no data available)

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

## Corporate investments portfolio

### Portfolio coverage target (baseline)

based on assets

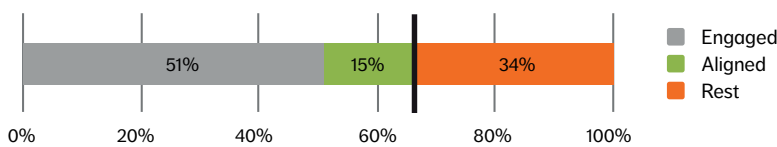


Proportion of assets meeting at least “aligning” criteria

End of 2021: 29% Target to be achieved by 2025: 45%

### Engagement threshold (baseline)

based on financed emissions



Proportion of financed emissions in sectors that either already meet net-zero “aligned” criteria or that will be subject to direct or collective engagement actions

End of 2021: 66% 2025: 75%

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

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

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

Based on this methodology, NN has set a ‘portfolio coverage target’ that will increase the proportion of assets in scope of the assessment that can be considered to be at least ‘aligning’ towards net-zero, as outlined in the IIGCC Net-Zero Investment Framework. Read more in the box ‘Targets for NN Group’s corporate investment portfolio’ on the next page.

The target incentivises portfolio managers to invest in companies that are aligned or are aligning. Furthermore, it incentivises engagement between investors and portfolio companies to increase the ambition and quality of science-based targets set by portfolio companies, as well as robust transition plans to deliver on those targets and relevant disclosure.

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

### Stewardship (voting and engagement)

NN Group has a listed equity portfolio where mostly 5%+ stakes are held in small to medium sized European companies. For this portfolio, a voting policy is in place. In addition, NN IP has defined an engagement strategy that prioritises a set of companies in the portfolio, whereby both NN’s stake in the equity capital of the company, and its carbon contribution to our investment portfolio, are considered to achieve maximum influence and deliver impact.

Most of our corporate investment portfolio is composed of corporate bonds. NN IP is an active member of Climate Action 100+ and engages with some of the world’s largest emitters using the Climate Action 100+ net-zero benchmark. NN Group also annually takes part in the CDP Non-Disclosure Campaign, encouraging companies to disclose information on climate change, water, and deforestation risks. Additionally, we support the CDP Science Based Target Campaign to encourage companies to set long-term targets on reducing their GHG emissions.

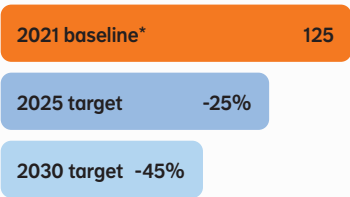
We invited the key portfolio management teams (PMs) of NN IP to participate in a working group. The objective of this working group is to regularly discuss the implementation of the strategy and progress of engagements as well as to evaluate potential actions where we see continued poor performance.. We base our monitoring of the companies' climate performance on the alignment criteria described [here](#).

In this working group, we also specifically focus on the top 25 holdings in terms of emissions in our portfolio. Where investee companies are not aligning to a net-zero pathway and not covered by individual or collective engagement, we will explore setting up an engagement plan.

## Targets for NN Group's corporate investment portfolio

### Portfolio decarbonisation reference interim targets

Reduce the financed emissions (tCO2e per EUR million)



\* Based on underlying emissions data from 2019

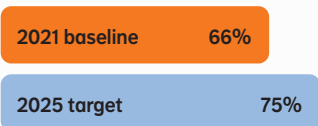
### Portfolio coverage target

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



### Engagement threshold

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



## Case study

# Broadening our exclusions on unconventional oil and gas

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

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

### Arctic drilling

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

### Oil (tar) sands extraction

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

### Shale oil and gas

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

We would like to note that, a restrictive selection process will be applied for companies that do derive their revenues from shale energy, but within the threshold of 30%. New investments are not allowed unless these companies have a credible climate transition plan in place. This will be decided on a case-by-case basis.

We have selected a 30% threshold for shale oil and gas, because we believe that these companies could diversify their activities. Furthermore, techniques used in fracking can prove valuable for development of low-carbon solutions such as geothermal energy. However, further research is needed to understand whether the industry is contributing to low-carbon solutions in the right pace needed for the transition. To ensure the effectiveness of these criteria and that it continues to reflect climate and technological developments, we will therefore review our policy during 2023.



## Case study

## Next steps in developing a comprehensive oil and gas policy

While the world decarbonises, the need for oil and gas remains until sufficient renewable energy sources are available to meet society's needs. Gas in particular is recognised as a transitional fuel (under strict conditions) by the EU Taxonomy until 2030. As countries opt for other low-emission resources, the demand for oil and gas will start to decrease. For example, concerns around energy security and market volatility caused by geopolitical drivers, have reinforced the necessity of low-emissions sources, but further efforts are still required (reference: IEA (2022) [World Energy Outlook 2022](#). International Energy Agency, [www.iea.org](http://www.iea.org)).

To decarbonise our balance sheet in a way that accelerates a just transition towards a low-carbon economy, NN Group recognises that we must be extra vigilant with our approach towards the oil and gas industry.

As a first step in developing a policy for the oil and gas industry, we focused on strengthening our criteria for unconventional oil and gas. The second step is to develop a policy on conventional oil and gas that is in line with what is required to achieve a just transition to net-zero in the real economy by 2050.

When looking at the global oil and gas value chain, we distinguish between companies active in upstream (exploration and production), midstream (transportation and storage), and downstream (refining, retail, services and trade) activities. Our current exposure to all of these subsectors is approximate 1-2% of total proprietary assets.

NN Group's approach will focus on investing in companies that have credible net-zero commitments, as we see these companies as being equipped with the necessary resources and skills to make the transition.



## Addressing thermal coal in our investment portfolio

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

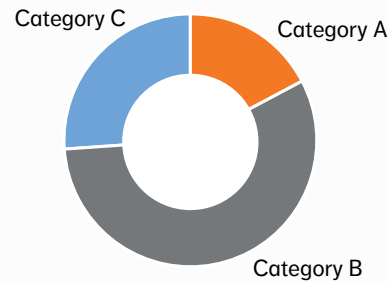
Since 2019, NN Group has a coal phase-out policy in place for its proprietary investments that covers both the mining and utility sectors. This policy aims to reduce the portfolio companies' involvement in thermal coal mining and/or coal-fired power generation downwards to 'close to zero' (defined as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

### Changes to our coal phase-out policy

In May 2022, to address the increased climate and investment risk of thermal coal, NN Group took further action to increase restrictions on new investments within its coal phase-out policy. In place of our initial plan to progressively lower the involvement thresholds, we no longer allow new investments in companies that have more than 5% involvement in thermal coal activities (defined as percentage of revenues for mining, and percentage of installed power generation capacity for power generation). We consider exemptions on a case-by-case basis. Based on an assessment of a company's phase-out plans, NN will determine the company's credibility and will consider aspects such as having independently verified, science-based targets (such as through SBTi) to reach net-zero emissions.

Furthermore, we evaluated our existing holdings and divided them in three categories based on their commitment to exit coal by 2030.

### Portfolio evaluation



#### Category A:

Companies that have a clear plan to exit coal by 2030.

- The companies made substantial progress and are part of the Climate Action 100+ programme, where NN Group advocates for Paris aligned strategies; and
- They are committed to the Science Based Target initiative (SBTi) with a credible coal exit plan before 2030.

Because of this profile, we argue that these companies are leaders in the transition and potential (re-) investment in these companies is permitted. Examples of Category A companies include Enel and Ørsted. Enel has a full coal retirement plan by 2027, ahead and within a 1.5°C pathway; in 2021, remaining coal involvement was close to 8%. Ørsted plans to fully exit coal by 2023 and has a strong transition record. Renewable energy amounts for 90% of its power generation mix (offshore and onshore wind, solar PV, and sustainable biomass), with coal power amounting to 8% in 2021.

#### Category B:

Companies that show progress but are not yet fully aligned with a 2030 exit.

- Most companies are under engagement through the Climate Action 100+ programme and demonstrate satisfactory progress;
- The holdings that are not subject to engagement have made a commitment to the SBTi, which leads to the obligation of verification of science-based targets within 24 months.

For this category, we do not allow (re) investment and we closely monitor companies' progress. Examples of companies in this category include RWE and CEZ. In 2021, RWE had a thermal coal power generation capacity of around 25%, with a partially retired fleet by 2040. In October 2022, RWE announced it had brought forward its exit from coal power to 2030. CEZ's, installed capacity in coal-fired power plants in 2021 is approximately 36.5% (value calculated from CEZ's 2021 annual report). Based on their Climate Action 100+ evaluation in 2021, their phase-out plan was not consistent with the Paris aligned pathway. Through positive Climate Action 100+ engagement, with NN IP as main lead, CEZ demonstrated positive momentum in setting science-based targets; later verified by SBTi in June 2022. Considering the challenges with the energy crisis, setbacks could develop. Therefore, NN Group will continue to monitor the progress in the coming years

#### Category C:

Companies that have not demonstrated sufficient progress to reduce their exposure to coal.

- Whilst some of them have net-zero commitments or coal exit plans, these are beyond 2030 and in some cases, we found their plans and aims to be inconsistent.

Instead of keeping them until maturity, we have decided to immediately divest. The sale of bond investments affected corporates in the US, Indonesia, and Japan with an aggregate amount of around EUR 150 million.

### Reporting on progress

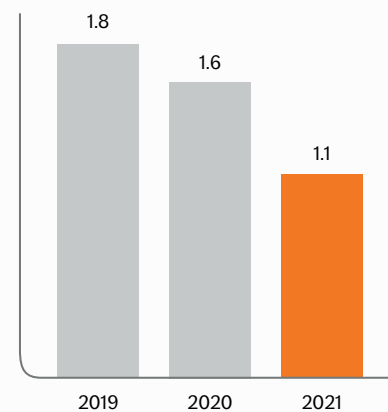
Since adopting our policy in 2019, we have reported on the total book of assets that was subject to the phase out strategy in our Annual Reports. At year-end 2021, the total amount was EUR 1.1 billion (all corporate bonds), or less than 1% of the total proprietary assets. This compared to EUR 1.6 billion

in 2020 and EUR 1.8 billion in 2019. These declines were due to a combination of bonds reaching maturity and companies delivering on coal exit commitments as a result of which coal involvement dropped to 5% or lower.

We expect that the combination of companies making further steps on executing their coal-phase out plans, maturities of bonds in our portfolio, and the selective divestments we made in 2022, will result in further declines in our coal-exposed portfolio, helping to reach our 2030 target.

### Exposure to companies with >5% thermal coal involvement

EUR billion



### Sovereign Bonds

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

### Alignment with climate goals – NN Country Climate Score

Following the NZIF as a guidance, we developed a scoring methodology for the countries in the investable universe; the NN Country Climate Score. The Climate Change Performance Index (CCPI) ratings from Germanwatch, forms a key part of our proprietary scoring methodology to evaluate and compare the climate performance of sovereign holdings. This index reflects both past performance in reducing emissions and investing in climate solutions, as well as forward-looking plans and goals of an issuer in delivering on climate goals. To stimulate investments in climate

solutions, we give a higher score to sovereign green bonds in our proprietary scoring methodology. In determining whether sovereign bonds can be labelled as 'green', NN IP has developed a proprietary methodology based on three criteria: (i) an exclusionary issuer screening on environmental criteria, (ii) an assessment of adherence to the Green Bond Principles, and (iii) an analysis of the issuer and underlying projects of green bonds. The assessment is used to judge whether the issuance of green bonds is aligned with the general climate change strategy of the issuer and whether the issuer has provided clear thresholds between green and non-green assets. As a result, we consider that an eligible green bond contributes to a better climate change performance of the respective country and supports the country to meet its climate commitments.

### Objectives and targets

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

might be required under local law or need to hold domestic issuance for liability matching.

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

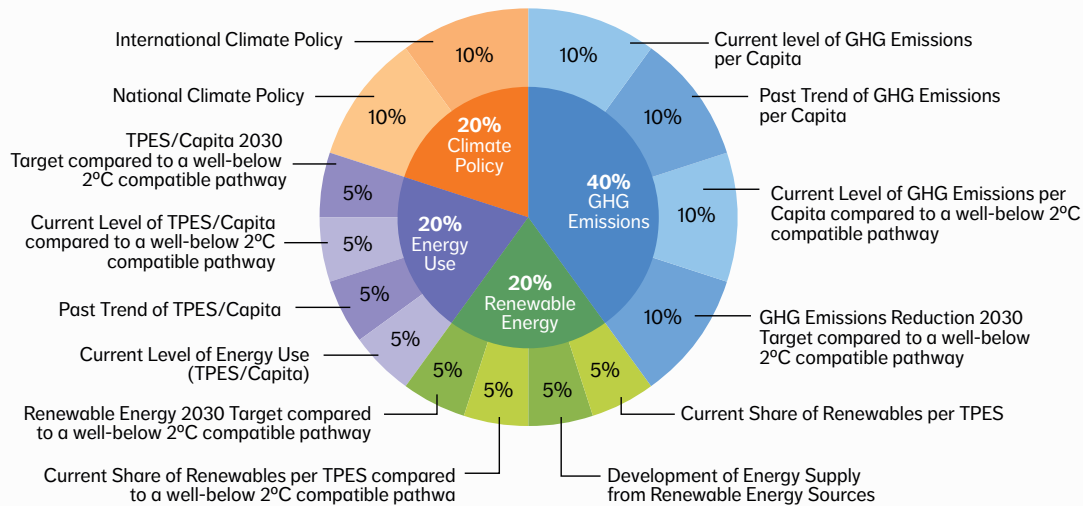
In the first year of the strategy, the portfolio weighted NN Country Climate Score slightly deteriorated. This was due to a re-allocation of assets to other asset classes, whereby some developed market bonds with better climate performance were sold. This also shows the difficulty of steering since our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

Another challenge is related to data. For developing markets, many countries are not part of the CCPI. The CCPI only covers 60 countries (as of 2022) and does not include the country's exposure to fossil fuels. NN IP's methodology addresses these limitations. We are currently reviewing this methodology to ensure that it fits with NN's strategic goals which we aim to finalise in 2023.

# CCPI Country Ratings

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

## Components of the CCPI



### Physical climate change-related risks

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

### Engaging with sovereigns

We believe it is important that we seek to leverage our influence as an investor to promote alignment with the goals of the Paris Agreement. In 2021, our asset manager NN IP engaged with several sovereign issuers globally. Furthermore, the green bond team had regular conversations with government-related issuers on national or regional climate performance and green bond alignment with the EU taxonomy. NN IP also engaged on deforestation with the governments of Brazil and Indonesia as part of the Policy Dialogue on Deforestation Initiative (IPDD). The IPDD is an investor-led initiative of 50 asset managers (with USD 7 trillion in assets under management) investing in Indonesia and Brazil and whose goal is to halt deforestation in those countries. Reducing (the rate of) deforestation will positively contribute to the goals of the Paris Agreement.

### Real Estate

NN Group invests in real estate both directly and indirectly through non-listed real estate funds. The portfolio is spread over sectors and regions across Europe.

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

### Directly managed assets

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



We are currently performing asset-level analysis, utilising the Carbon Risk Real Estate Monitor (CRREM) to model each building's pathways and define the necessary improvement plans. Key measures defined are improving energy efficiency and expanding the use of renewable energy. In the case box on the next page, we give an example of how we use the CRREM tool to analyse and define actions to bring the buildings on the 1.5°C pathways. Further work will be done on setting a quantified target for reducing kgCO<sub>2e</sub>/square metres for the portfolio. We expect to complete this work in 2023.

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

#### **Indirect portfolio**

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

#### **Adaptation measures to address physical climate risks**

In 2021, we performed a first analysis to assess our potential exposure to physical climate risks in our real estate portfolio. Together with our real estate manager (CBRE), we have set clear objectives to address physical climate risks in our portfolio. Read more in 'Assessing physical climate risks in real estate' on page 70 of the NN Group Annual Report 2021.

## Targets for NN Group's real estate portfolio

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

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



Case study

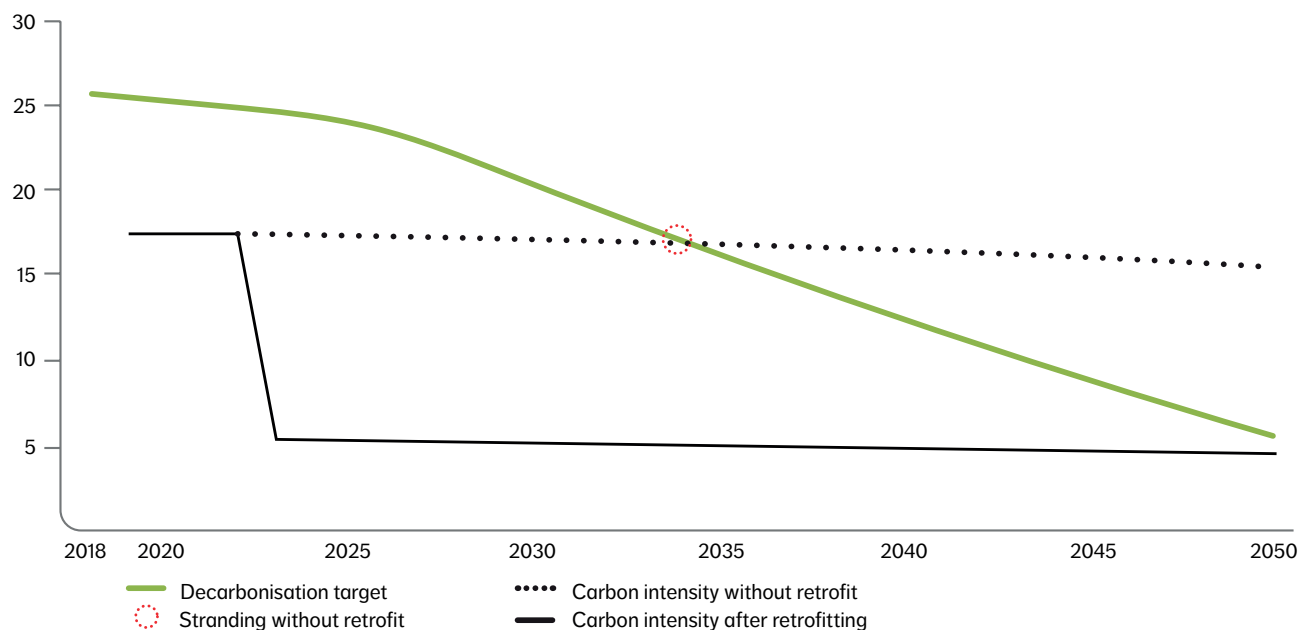
## How we model our buildings against the CRREM pathway

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

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

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

**GHG intensity**  
kgCO<sub>2</sub>e/m<sup>2</sup>/yr



### Residential mortgages

Residential mortgages form an important asset category within the insurance general account investment portfolio. Most of these mortgages have been originated by NN Group's own banking operations. The General Account insurance also holds residential mortgages on the balance sheet from external mortgage originators. At year-end 2021, approximately EUR 32 billion are originated and/or serviced by NN Bank, and approximately EUR 7 billion is originated by external mortgage providers. Read more in the Annex 'Mortgage assets on our balance sheet' on page 42..

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

### ESG integration in portfolio management

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

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

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

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

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

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

### Stimulate actions to decarbonise mortgages

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

### Assessing climate risks of mortgages

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

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

## Banking

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

### Mortgages

NN Bank is the Netherlands' fourth largest mortgage provider according to Kadaster 2021. With residential mortgages being a significant part of NN Group's assets (read more in the Annex 'Mortgage assets on our balance sheet' on page 42), they are a key area of NN Bank's sustainability strategy. The bank has an important role to play in supporting and engaging with our mortgage customers to make their homes more energy efficient.

NN Bank steers its mortgage portfolio towards becoming net-zero by 2050, or earlier, to become aligned with the Paris Agreement 1.5°C pathway. We will set emissions reduction reference targets for 2030 for our mortgage portfolio in order to monitor our progression. Read more in the case box 'Our approach to target-setting mortgages' on page 31.

NN Bank's investment portfolio will respond to changes in customers' preferences for ESG investing, for instance legislative modifications.

To achieve the goals of the Paris Agreement, we believe that more collaboration across the overall market is vital; each party in the sustainability chain, from suppliers of insulation materials, distributors and installers, to sustainability advisors, financial intermediaries and financial institutes, all contribute.

### ESG Governance at NN Bank

Essential in achieving our ambition is an organisational structure that ensures our ESG strategy is sufficiently embedded throughout the bank. In 2022, NN Bank set up an ESG office that will provide ESG knowledge, programme management and monitoring of the NN Bank's ESG strategy. NN Bank's CEO leads the ESG governance structure and is accountable for ESG matters, and the Management Team is responsible for strategic direction and implementing the ESG strategy.

Next to having a clear organisational structure, having a clear scope is essential. Therefore, we will have both a product and a customer activation scope for each of NN Bank's business lines. The customer activation scope aims to activate our current and future customers, while the product scope is more focused on sustainably organising NN Bank's products and services.

NN Bank is in the process of defining one or more key metrics. This will enable us to monitor progress and performance as we work towards net-zero. We will also use these metrics to evaluate our own performance and progress in relation to our peers and other relevant benchmarks. This will be an ongoing process.

### Action to meet our objectives

NN Bank has defined the following areas for action:

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

We aim to spark customer activation through an innovative engagement platform. This platform aims to provide our customers with relevant sustainability propositions, information, and tools, including financial solutions. Recently, we developed several propositions (e.g. Powerly and platform Better Living) to provide customers with actionable insights and professional assistance in implementing of sustainable and healthy living solutions in and around their homes. Read more in the case box 'Transitioning towards

greener homes' on page 30.

#### 2. Develop new mortgage-specific propositions and services

To better serve our clients, we will develop products and services that support them in their transition. This includes specific product propositions that offer new mortgage customers help and incentives for making their homes greener, such as the Woonnu label introduced in 2020.

To ensure that both our existing and new customers are motivated and encouraged to improve the sustainability of their homes, we will assess, and where necessary and possible adjust the policies of our mortgage-related products.

As part of the development of mortgage-specific propositions and services, our focus will be on safeguarding an inclusive transition through empowering all customers, including our more vulnerable clients.

#### 3. Leverage NN Bank's Green Bond Framework

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

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

NN Bank also provides retail customers with consumer loans. Because these loans could provide an additional way for our customers to make their homes more sustainable, we will assess and adjust the terms of our consumer loan products portfolio where necessary and possible. We believe we can also play a role in initiating and driving sustainability in our savings and retail investment products. Read more in the case box 'Driving sustainability through responsible saving and investing' on the next page.

## 5. Contribute to (sector) initiatives and partnerships

To strengthen our customer propositions, we have joined various initiatives to gain and share knowledge and expertise on healthy and sustainable living. For example, we are a partner of 'Gezond Binnen' (Healthy Indoors), actively working together with TNO (Dutch organisation for applied scientific research), Longfonds (Lung Fund) and we have entered into a network initiative with The Green Village (Technical University of Delft). Additionally, we will further intensify our cooperation with the financial intermediary.

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

### Case study

## Driving sustainability through responsible saving and investing

NN Bank aims to provide its retail clients with relevant savings and investment products, as we believe prudent and responsible investing is key to long-term value creation. By giving our customers insights into the sustainability of their investments, we aim to empower them to make choices that fit their sustainability journey.

At 'Beheerd Beleggen', our discretionary portfolio management product offered in the Netherlands, we are in the process of adapting our product so that we can offer a range of investment funds that meet the Sustainable Finance Disclosure Regulation (SFDR) guidelines and can help investors reach their individual investment goals. We will also look to include selected funds that promote the reduction of GHG emissions. As metrics and data develop, and in line with SFDR requirements, we plan to provide reports to our customers in the future on their investment products including the GHG emissions.

NN Bank contributes towards the ESG vision and approach set out in NN Group's Responsible Investment Framework policy through its own investment portfolio, which mainly consists of government and covered bonds. Read more about how NN Group manages the bond portfolios considering our aim to reach net-zero GHG emissions by 2050 on pages 23 - 24.

### Case study

## Aligning funding strategy with our ESG strategy

To align the funding strategy with our ESG strategy, NN Bank published a Green Bond Framework in June 2021 and has successfully issued several green bonds since with a current volume of just over EUR 1 billion.

NN Bank's Green Bond Framework follows best practices and market standards such as the ICMA Green Bond Principles, and aligns with the EU Taxonomy Technical Screening Criteria (Delegated Acts). Currently NN Bank's portfolio of green buildings includes existing residential buildings built prior to 31 December 2020 in the Netherlands, as defined in the Green Bond Framework.

We will continue to regularly issue green bonds in order to support sustainability improvements of our mortgage portfolio. We ensure that the Eligible Green Portfolio matches or exceeds the amount of green bonds outstanding. We strive to grow the Eligible Green Loan Portfolio with loans meeting the NZEB (Nearly Zero Energy Building) -10% and/or sustainability improvements eligibility criteria. However, to evidence EU Taxonomy alignment for these loans additional data is required.

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

## Case study

## Transitioning towards greener homes

Making our homes more sustainable is not only good for the planet, but it can also result in a lower energy bill and may even increase a home's value. In 2020 and 2021, NN Bank launched several initiatives to support homeowners in making their homes more energy efficient and sustainable.

Through our mortgage provider Woonnu, a subsidiary of NN Bank, we aim to address the challenges that consumers face when considering a sustainability conversion of their property, both in terms of process and financing.

Woonnu integrates the sustainability advice (free of charge) into the mortgage application process and supports the consumer in managing and completing the property conversion. Woonnu also rewards consumers financially when they achieve a sustainability conversion. An improvement in energy label to at least an energy label B immediately translates into a lower mortgage interest rate for the full loan amount and the full (remaining) tenor.

The Woonnu proposition focuses on both the consumer, and financial intermediaries. Through masterclasses, training and tooling, Woonnu helps intermediaries position and embrace the sustainability conversion towards their customers.

The success of Woonnu's mortgage offering resulted in a volume in new mortgages of EUR 1.4 billion in 2021, achieving a market share of approximately 1%.

Through webbased platform Powerly, the bank provides customers with tailored advice on how to make their homes more eco-friendly, with practical tips and implementation partners for, for example, solar panels, insulation, heat pumps and green roofs.

In 2021, NN Bank launched the Beter Living platform, focusing on both sustainable and healthy living. The platform provides customers with insights into their current CO<sub>2</sub> footprint, tailored advice on how to make their homes more sustainable, and insight into the air quality inside their homes.

The image displays several digital interfaces related to sustainable home financing:

- Energy Label A:** A 3D cutaway of a house with a green 'A' energy label on the roof.
- Mortgage Calculator:** A screen titled 'Een indicatie van wat verduurzamen van jouw huis je kan opleveren' (An indication of what you can achieve by greening your home). It shows a 'Totaal bedrag' of €19,999 and a 'Maandbedrag' of €23,539. A graph shows a decreasing trend in costs over time.
- Verduurzamingscheck:** A screen titled 'De hypotheek die duurzamer wonen belooft' (The mortgage that promises greener living). It features a 'Verduurzamingscheck' section with a 'Bereken' button.
- Woonnu Platform:** A screen titled 'Dit kun je doen om alles uit je huis te halen' (What you can do to get the most out of your home). It includes a 'Maatregelen' section with a list of items and a 'Looptijd' section with 'Investering: € 4.374,-' and 'Besparing: € 50,- p/m'.
- Bottom Navigation:** A row of four icons with text: 'Ik heb al een duurzame woning', 'Ik wil verduurzamen', 'Verduurzamen interessant voor mij?', and 'Hypotheek oversluiten'.

## Case study

# Our approach to target-setting mortgages

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

### Methodological decisions

We used the tool of Carbon Risk Real Estate Monitor (CRREM) to analyse our portfolio against science based decarbonisation pathways aligned with the Paris agreement. The CRREM methodology is increasingly used by the financial sector, and is aligned with recommendations from the Science Based Target initiative (SBTi). CRREM's scenario is real estate and mortgages specific, meaning it considers the sector's carbon budget and relevant technological developments in the decarbonisation pathway.

Different pathways can be analysed; we have chosen the available 1.5°C pathway for the Netherlands, as it represents the current and expected emission intensity more accurately than a global or European pathway. As CRREM uses physical emission intensity per m<sup>2</sup>, we used data from the Dutch land register (Kadaster) to convert the current emissions to this metric. Based on these methodological decisions, we have developed a model that shows that we need to reduce our emission intensity to 21.9 kgCO<sub>2</sub>/m<sup>2</sup> by 2030. Review and validation of the model is currently being performed whilst we are also finalising the baseline figure under the new methodology. We expect to finalise this work in the first quarter of 2023.

### External dependencies

The work to model decarbonisation pathways for residential mortgages in the Netherlands provided us with several important insights. First, the CRREM (Netherlands) 1.5°C scenario suggests an average CO<sub>2</sub> footprint per household equal to, based on the current used methodology, an energy label A+ footprint in 2030. At year-end 2021, 29% of NN's mortgage portfolio was label A or better (provisional and definitive labels, source RVO). This shows that there is still substantial progress to be made.

Secondly, the model shows us that we depend on government policy and action. Decarbonisation of the residential housing market can be achieved by greening the electricity grid. The Dutch government aims to accelerate the availability of renewable energy, with a target of a 70% renewable share by 2030. In addition, the government can provide subsidies and financial incentives to support homeowners to improve the sustainability transition of their homes.

### External factors and ability to influence

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

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

[Continue on next page >](#)

## Case study (continued)

Data accuracy is key in determining our progress towards reaching our climate ambitions. We depend on proxies for energy labels, as only 57.5% of homes have a definitive label in the Netherlands (Source: RVO per January 2022). Improved data availability and accuracy will help NN Bank gain additional insights into its portfolio and provide additional opportunities to steer its portfolio towards decarbonisation. Furthermore, a standardised approach and data collection would enhance comparability and collaboration, which could support the realisation of targets. Whilst we are working together with other financial institutions, we also see opportunity to cooperate more with the government to help address these challenges.

Finally, while we aim to set our targets with regard to the best scientific practices currently available, our targets and pathways are likely to change as new information, methodologies, technologies and science emerge. Our approach will also evolve as we improve our gathering, analysing and reporting of data.



Social impact



Government action



Data accuracy



Technological advancements



Market standardisation



Public awareness and education



Supply chain developments



Availability of labour



Pricing effects

## Insurance underwriting

As an insurer, it is NN's strategic ambition to support the acceleration of the transition to a low-carbon economy.

### Objectives

The insurance industry is uniquely positioned to play an important role in supporting the transition to a net-zero emissions economy, helping to mitigate GHG emissions and build climate-resilient communities in line with the Paris Agreement. Here, we believe our approach should be twofold:

- Decarbonisation of our underwriting portfolio
- Offering climate solutions

For the insurance industry, contributing to the decarbonisation of the economy as part of climate action is relatively new. We believe we cannot reach net-zero underwriting alone. This is why NN Group was amongst the first insurers to join NZIA. The NZIA brings together insurers and reinsurers to play their part in accelerating the transition to net-zero emissions economies

Together with all NZIA members, NN Group has committed to transition our underwriting portfolios to net-zero GHG emissions by 2050. We believe that knowledge sharing with key players in the international (re)insurance market is essential in the transition.

The NZIA target-setting protocol – to be published in January 2023 – will give first minimum requirements for target setting. NN Group will by July 2023:

- Establish initial targets in line the minimum requirements of the NZIA target-setting protocol.
- Report publicly on an annual basis on progress against our intermediate targets.
- Set independent underwriting criteria and guidelines for the most GHG intensive and GHG-emitting activities within our insurance underwriting portfolio.

When the NZIA will set additional requirements for insurance underwriting, NN will update accordingly.



### ESG Governance at Netherlands Non-life

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

Physical Risk Climate Change Tool, and carbon footprint calculations for our underwriting portfolio.

### ESG Governance at NN Life & Pensions

To align with NN Group's strategy and further integrate sustainability, NN Life & Pensions focuses on four main themes. The first theme 'net-zero investments' is governed through our local Asset & Liability Committee. The second, third and fourth theme 'regulations', 'business' and 'capability build-up' are governed through a Sustainability working group that acts under the direct responsibility of two NN L&P Management Board members. Within this working group, the alignment with our overall strategy including NN L&P's own contribution to

society is secured. For each theme, a responsible team member is appointed to support and monitor a set of KPIs, and report on the status towards the respective NN L&P Management Board members on a monthly basis. Moreover, NN L&P's Sustainability Risk Manager, responsible for embedding sustainability risks in the risk management function and the sustainability oversight role, is a key member of this working group.

## Case study

### Measuring insurance-associated emissions

In the last quarter of 2021, NN Group joined the PCAF working group on Insurance to collaborate with international (re)insurers to develop a new global GHG accounting methodology for standardising the measurement and reporting of insured associated emissions.

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

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

Over 2022, NN is running first calculations based on the proposed PCAF standard to measure insurance-associated emissions for the commercial and private motor lines of the insurance underwriting portfolio. These measurements give insights into the carbon intensity of our portfolio, enabling us to set targets on those part of our portfolio that are most material.



## Coal policy

NN Group does not provide insurance services to companies that derive more than 30% of their revenues from thermal coal mining or that use at least 30% thermal coal for power generation. Furthermore, NN will ensure that by 2030, it only provides new insurance covers to clients that have 5% or lower exposure to coal-related activities. Exempt from this policy is our marine cargo business where this includes package and company insurance. Stand-alone coverage of thermal coal transport is not part of NN's existing product offering, and will not be considered in the future. This decision will not apply to the provision of products or services if they are intended for the benefit of employees, such as pension products and workers compensation. While our insurance underwriting exposure is limited, we believe this gives a strong signal to the real economy.

### Actions to meet our objectives

#### 1. Decarbonisation of our underwriting portfolio

Reducing insurance-associated emissions is an important step in reaching a net-zero insurance underwriting portfolio by 2050. However, to be able to set targets, we must first be able to measure GHG emissions associated with our insurance underwriting portfolio. Over 2022, PCAF for insurance developed a standard for measurement. Read more in the case study 'Measuring insurance-associated emissions'.

As one of the first steps, NN Group adopted a coal policy for insurance underwriting in 2019. Read more in the box 'Coal policy.' As part of our NZIA commitment, we will publish an elaborated decarbonisation pathway

for our insurance underwriting portfolio aligned with the NZIA target-setting protocol requirements.

#### Case study

## Responsible Investment at NN Life & Pensions in Lifecycle pension products

At NN Life & Pensions, a specific ESG policy - in line with the NN Group Responsible Investment (RI) policy - is tuned to the product characteristics and client needs of the Defined Contribution pension products. The ambition is aligned with NN's net zero target by 2050. AuM in scope per year-end 2021 are EUR 19.3 billion.

#### 2. Engagement for insurance underwriting

We see creating real world impact an essential part of creating a net-zero insurance underwriting portfolio. We can only influence the goals of the Paris Agreement by influencing change in the real economy. Engagement with our clients to help them in their transition towards net-zero will be key in our own net-zero pathway. While we are still exploring how to engage as an insurer, we have not yet set specific targets. We start in areas where we see opportunities. For example, as insurer, we are in a position to steer sustainability in activities concerning our repair work for losses. For example, Netherlands Non-life initiated a

#### Case study

## Raising awareness

We believe that creating awareness around climate change will encourage actions needed for the transition. The NN Life & Pensions online platform Human Capital Planner (HCP), provides employers and pension advisors with relevant insights and tools. The HCP shows the sustainability impact of invested premiums and the impact of lifecycle investments in terms of CO<sub>2</sub> reductions, water savings and waste reductions. In November 2022 the HCP (and the HCP Pensioen Pulse) won the prestigious and renowned PensioenWegwijzer Award for its 'innovative and widely applicable' approach. The PensioenWegwijzer is a prize for initiatives that make it easy for people to gain insight into their pension and, where necessary, to take action.



sustainable car repair network for customers. It uses electric service cars and circular repair materials and aims to keep the negative environmental impact of any repairs to a minimum.

#### 3. Insuring climate insurance solutions

Climate change presents risks and opportunities, and these are expected to increase over the mid- to long term. It is difficult to quantify climate

change-related risks, as both physical and transition risks are characterised by deep uncertainty and non-linearity, meaning their chances of occurrence are not reflected in past data and the possibility of extreme events cannot be ruled out. What we can state is that climate change will impact us and our customers.

Within our insurance business, we manage physical climate risks in various ways. Resilience and adaptation should be included in our climate change approach. Therefore we also seek to leverage opportunities for insuring environmental risks. We offer and develop a range of products that help customers adapt to, and mitigate climate change, such as coverage against severe weather events and defined contribution lifecycle pension products that promote sustainable

characteristics. We also adapted existing features in our insurance offerings to address the need of our customers. For example, we provide cover for solar panels on residential insurance policies without charging an additional premium.

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

Also, within our property & casualty (P&C) business, NN helps customers take precautionary measures. Aim is to prevent and minimise claims caused by windstorms, fire and other events.

#### 4. Incorporate sustainability in underwriting

We are undertaking several initiatives to incorporate sustainability into our core underwriting processes:

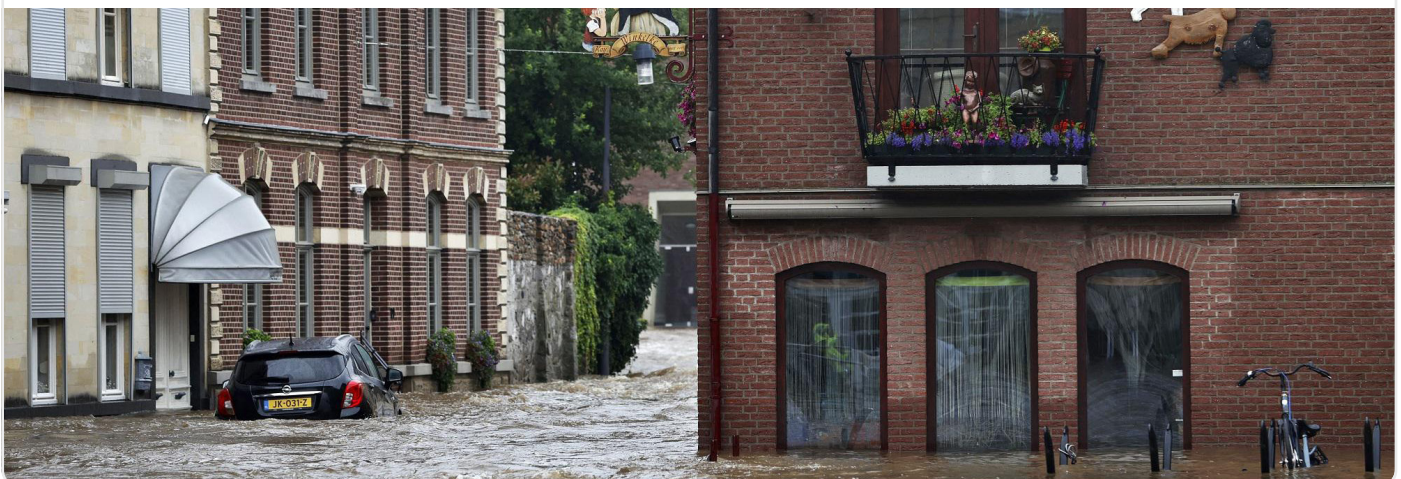
- Incorporating sustainability related criteria (based on EU Taxonomy and IDD legislation) in our Product Approval and Review Process;
- Efforts to assess the impact of climate change related perils based on forward looking scenarios;
- Project to increase the number of products that address environmental challenges;
- Implementing education programmes to provide more guidance in the field of sustainability to all our employees.

### Case study

## Impact of floods

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

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



## Case study

# Insurance for recycling companies in the Netherlands

In the Netherlands, we have around 2000 companies involved in dismantling, demolition and recycling of waste. These companies are often exposed to a high risk of fire and, moreover, there is often limited awareness of prevention, which causes more losses for this type of industry. This results in insurability issues. Yet, from a sustainability perspective, recycling is essential. That is why our Non-life business conducted a pilot with 65 recycling companies in The Netherlands to investigate how this sector can be better insured.

The pilot started with an analysis of the sector. Risk experts have looked at the recycling industry and mapped out what the market looks like, which companies are and which are not insurable (under which premiums and conditions). We have looked on the one hand at what kind of materials recyclers worked with, such as furniture, electronics, batteries or sand. On the other hand, we looked at the type of recycling activities; for example processing, collecting and storing of materials. The result of the analysis is that we do not yet insure waste incineration, but focus on collecting, storing, sorting and processing and see what is possible there.



Next, NN colleagues visited participating companies to investigate possible conditions for insurance. As a result of the pilot around half of the cases were judged eligible for insurance, one quarter required further investigation, and the remainder were considered to be ineligible due to business operations. Going forward, we have decided we are able to insure recycling companies under certain circumstances. We will also offer the same fair conditions to more companies that are supporting the sustainable transition.

## Own operations

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

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

interim reduction targets for 2025 and 2030 across three scopes:

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

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

## Actions to meet our objectives

The chart on the next page clarifies our reduction goals and shows the progress we made until the end of 2021. The solid line represents our actual emissions versus the dashed line that represents our targets. We are aligned to reach our 2025 target for both scope 1 and 2 and scope 3 business air travel. For scope 1 and 2, we reduced our emissions by implementing energy efficiency measures in our buildings. In the Netherlands, we are transitioning to an electric car fleet and decreased our reliance on natural gas by using district heating instead in one of our offices which contributed to the shown emissions reduction as well.

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

Scope 3 business air travel has decreased in 2020 and 2021 mostly due to the restrictions caused by the Covid-19 pandemic. We expect to see an increase during 2022. We will introduce an updated business travel policy in 2023, and continue to monitor business flights and take measures if necessary. Available options to reduce business travel focus on alternatives such as organising online meetings and replacing air travel by rail.

NN Group aims for a flexible way of working and supports employees for example by promoting the use of public transportation. During the pandemic NN in the Netherlands introduced a hybrid way of working to encourage employees to work from home. Our updated 'working from home' policy, prescribes 40% office capacity. As a consequence, our employees work in the office two days a week on average.

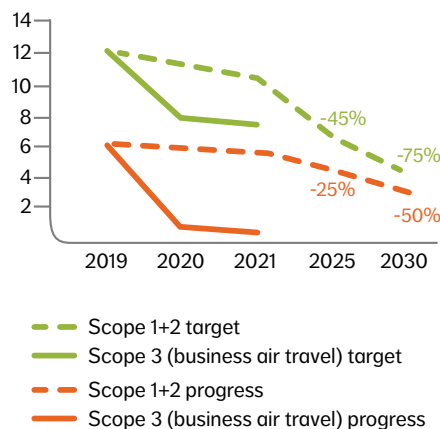
### Collaborating with other employers

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

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

### Business operations targets and progress

GHG emissions in kilotonnes CO<sub>2</sub>e



### Obstacles and challenges

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

### Offsetting programmes

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

## Targets for reducing our own emissions

Reduce GHG emissions from our operations compared to 2019:

### 2025 target: -35%

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

### 2030 target: -70%

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



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

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

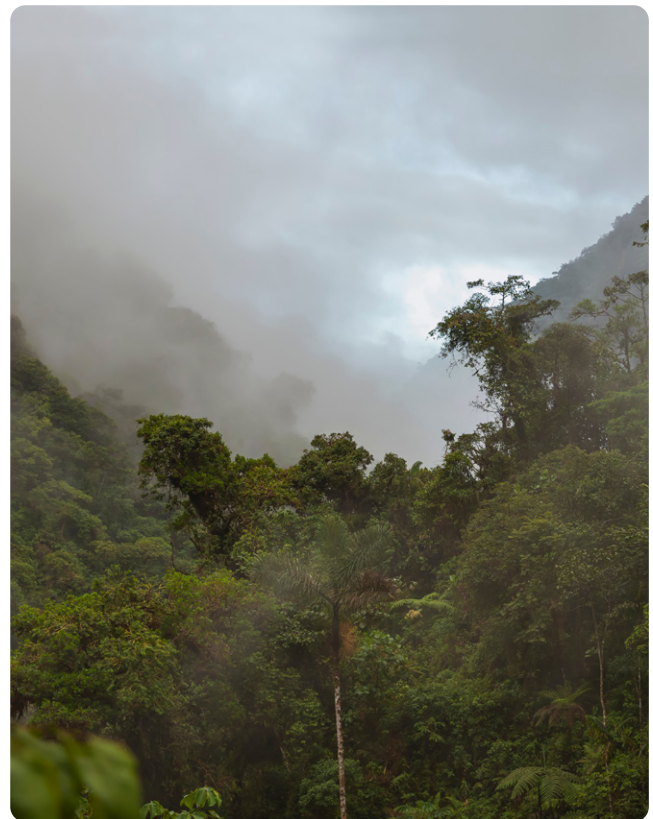
## Case study

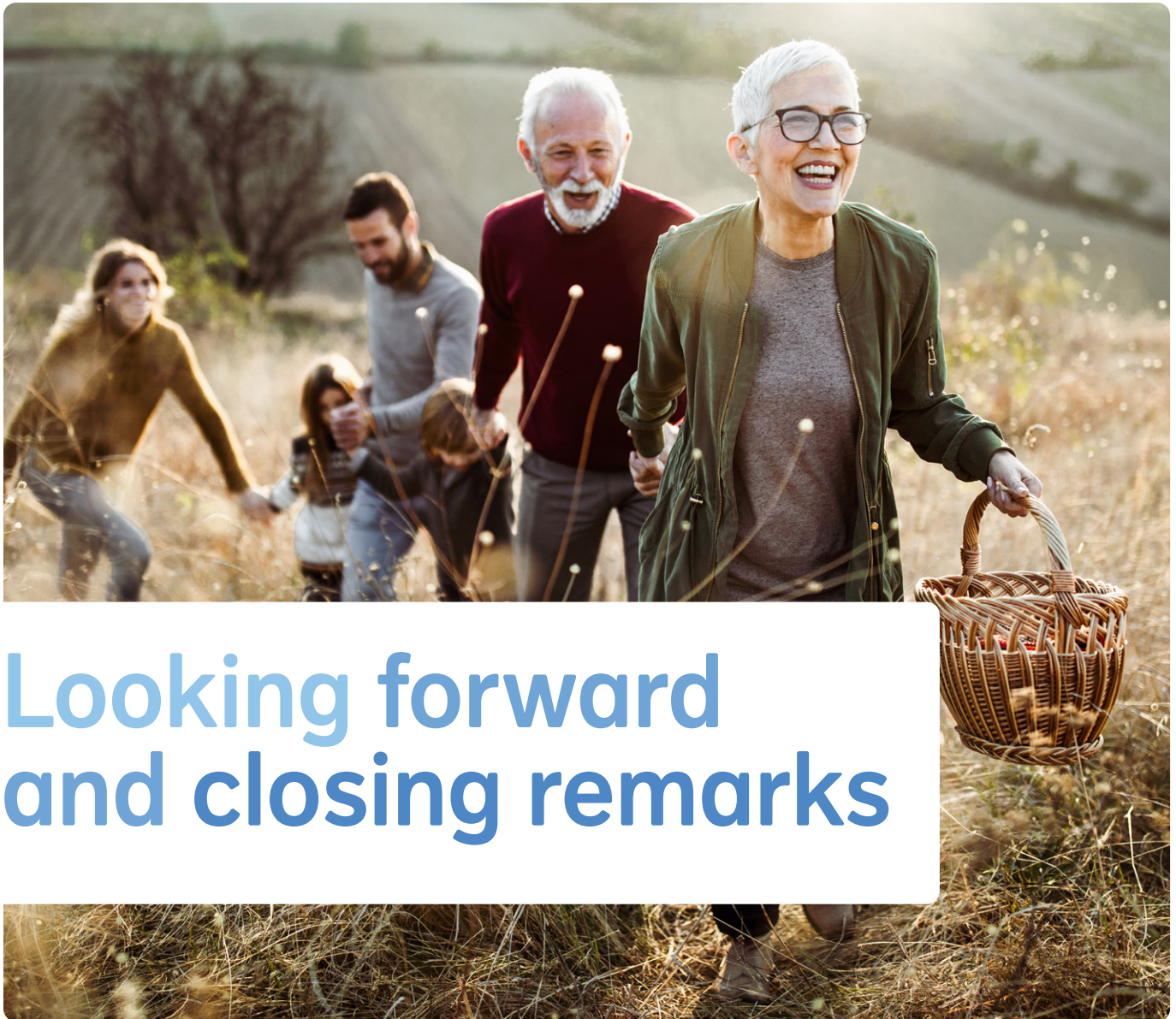
# Forest conservation in Peru

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

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

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





# Looking forward and closing remarks

## The road ahead

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

## Challenges

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

### 1. External dependencies

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

### 2. Ensuring a just transition

To transition away from fossil fuels by mid-century and towards a low-carbon economy, it is important to recognise that not all countries or aspects of society will transition at the same rate. The transition will inevitably impact society, particularly the most vulnerable groups of people. It is necessary to consider a net-zero pathway that is orderly, resilient and inclusive to lead a just transition in which no one is left behind.

### 3. Climate data

Target setting encompasses significant complexity and challenges, especially around data. For our insurance underwriting portfolio and the insurance industry at large, we see difficulties in determining the carbon footprint of our portfolio. For example, at NN Group, our underwriting portfolio primarily consists of SME customers who are not obliged to report on their emissions. This is an essential step before we can progress further with our decarbonisation strategy. We also experience complexities with investment and lending, where methodologies and data are further developed, but issues remain regarding data quality and availability. For the residential mortgage portfolio, for instance, we depend on estimates for energy efficiency where we prefer to have insights on households' real emissions.

On our road to net-zero we will also seek to address biodiversity-related risk and opportunities, where data and insights are even more challenging. NN Group is still at the beginning of improving our knowledge of biodiversity risks and opportunities, but we aim to create a more integrated approach to climate and nature in the coming years. Read more in the box 'Strengthening our commitment to protect and restore biodiversity' on page 5.

### 4. Evolving target-setting methodologies

Financial institutions are using science based pathways in order to develop strategy and target setting for their portfolios. These methodologies are under constant evaluation and development. Science based research indicates that it is not possible to reach zero emissions in the total global economy. It will therefore be necessary to remove GHGs from the atmosphere to limit the global temperature increase to 1.5°C. This can be done through nature-based or technology-based solutions such as direct air capture and storage.

Where the first five-to-ten years are primarily focused on realising GHG reduction as much as possible, the end-stage where focus will increase on the abatement of GHG is more uncertain. Guidance for financial institutions to approach this end-stage is still being developed. Financial institutions could play a potential role in helping to finance or to insure solutions that contribute to removing emissions in the real economy. NN Group is closely following these discussions, and we aim to improve our understanding continuously. For instance, we are reviewing whether nature-based solutions such as reforestation projects could offer a potential investment opportunity.

## Closing remarks

As NN, we are committed to doing our part to accelerate the transition to a low-carbon economy. Aligning our business towards the goals of the Paris Agreement will be difficult, but such challenges will not discourage us from taking next steps. It is our aim to do our utmost, engage and collaborate with all parties involved, and to make a positive change. On the way, we will continue to report transparently on our progress and the challenges we face.

By acting together as a global society, we can accelerate a net-zero just transition that meets the Paris Agreement's goals in a way that matters to everyone.

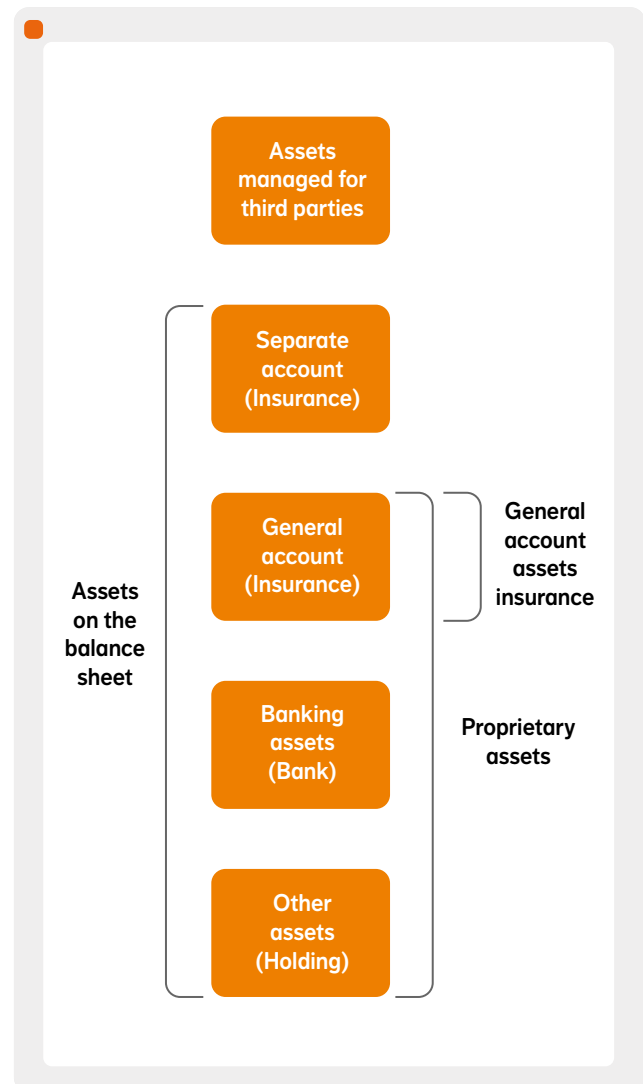


# Annex: Defining our assets

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

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

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



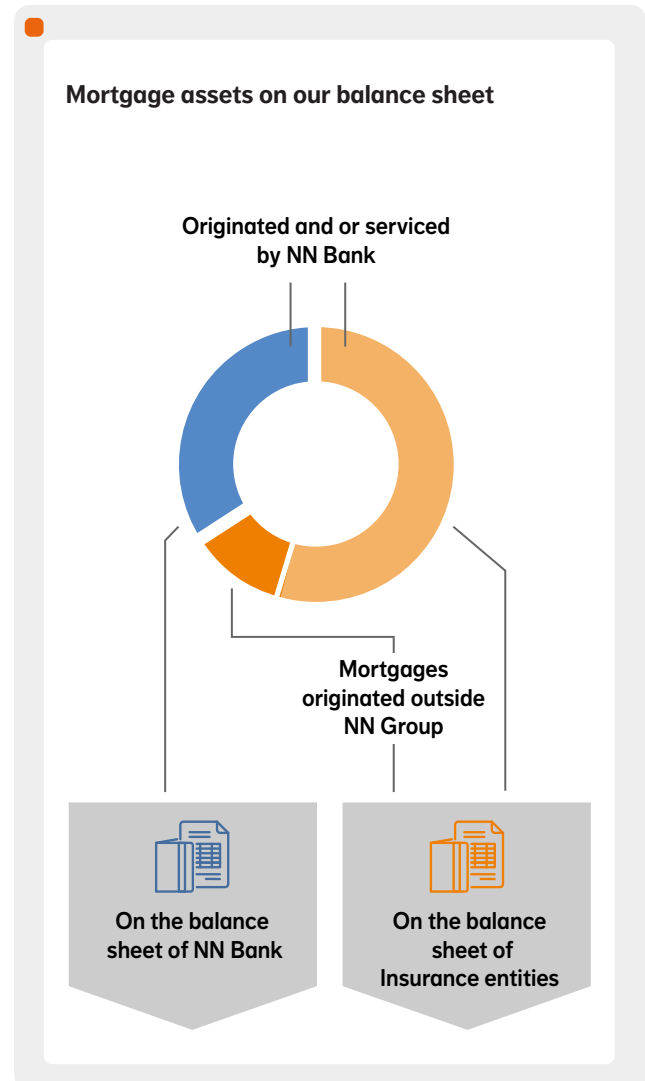
# Annex: Mortgage assets on our balance sheet

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

## Carbon footprint of residential mortgage assets

In NN Group's carbon footprint as reported at year-end 2021, we measured emissions associated with approximately EUR 52 billion of residential mortgages. This represents the total portfolio on the NN Group balance sheet of Dutch mortgages originated and/or serviced by our own banking business, NN Bank. Of this EUR 52 billion, approximately 60% of these mortgage assets are held on the balance sheet of the insurance entities in the General Account portfolio, and approximately 40% is on the NN Bank balance sheet.

The General Account insurance also holds approximately EUR 7 billion of residential mortgages on the balance sheet from external mortgage originators. The latter is not included in our current carbon footprint reporting.



# Annex: Categorisation framework

## Corporate Investments

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

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

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

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

Notes:

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

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

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

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

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

# Annex: Climate change initiatives

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

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

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

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

engagement and/or the offering of sustainable products – to contribute to the transition towards a low-carbon economy.

## **Energy Efficient Mortgages Initiative (EEMI) & Energy Efficient Market Label (EEML)**

– NN Bank is a member of the EEMI and EEML. By joining the EEMI and EEML initiative, we can actively contribute to developing sustainable investments in energy-efficient mortgage loans at Nationale-Nederlanden Bank and our sustainable mortgage label Woonnu. The EEMI and EEML both aim to make the mortgage market and mortgage investments more sustainable. The EEMI is the direct point of contact for the European Commission and represents the European mortgage sector. The EEML shows consumers, financiers and investors in a transparent way that the loans granted by a financial institution contribute to making the built environment more sustainable.

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

## **Global Investor Statement to Governments on Climate Change 2022**

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

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

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

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

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

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

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

### **Paris Aligned Investment Initiative (PAII) Net-Zero Asset Owner Commitment**

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

### **Partnership for Carbon Accounting Financials (PCAF)**

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

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

## Contact and legal information

### Prepared by

NN Group Corporate Relations

### Contact us

NN Group N.V.  
Schenkkade 65  
2595 AS The Hague  
The Netherlands  
P.O. Box 90504, 2509 LM The Hague  
The Netherlands  
[www.nn-group.com](http://www.nn-group.com)

Commercial register no. 52387534

For further information on NN Group, please visit our corporate website or contact us via [external.communications@nn-group.com](mailto:external.communications@nn-group.com)

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

### Disclaimer

NN Group's Consolidated Annual Accounts are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") and with Part 9 of Book 2 of the Dutch Civil Code. In preparing the financial information in this document, the same accounting principles are applied as in the NN Group N.V. condensed consolidated interim accounts for the period ended 30 June 2022. All figures in this document are unaudited. Small differences are possible in the tables due to rounding.

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(9) changes affecting interest rate levels, (10) changes affecting currency exchange rates, (11) changes in investor, customer and policyholder behaviour, (12) changes in general competitive factors, (13) changes in laws and regulations and the interpretation and application thereof, (14) changes in the policies and actions of governments and/or regulatory authorities, (15) conclusions with regard to accounting assumptions and methodologies, (16) changes in ownership that could affect the future availability to NN Group of net operating loss, net capital and built-in loss carry forwards, (17) changes in credit and financial strength ratings, (18) NN Group's ability to achieve projected operational synergies, (19) catastrophes and terrorist-related events, (20) adverse developments in legal and other proceedings and (21) the other risks and uncertainties contained in recent public disclosures made by NN Group.

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NN Group N.V.  
Schenkade 65  
2595 AS The Hague  
P.O. Box 90504, 2509 LM The Hague  
The Netherlands  
[www.nn-group.com](http://www.nn-group.com)