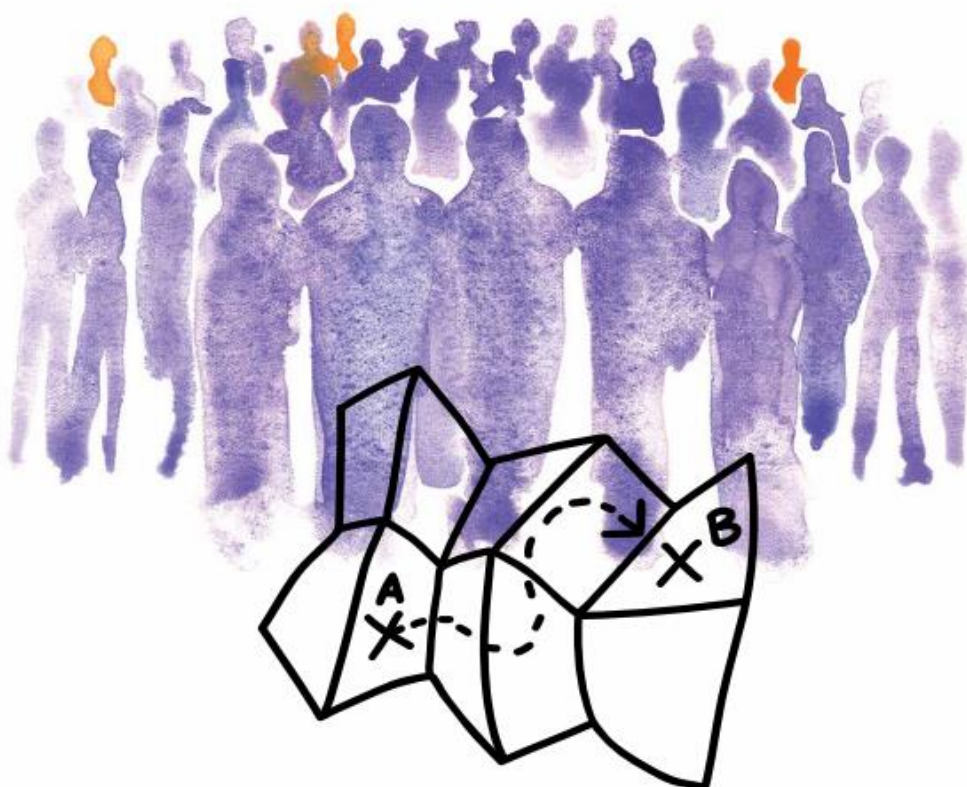


Investment Guidance paper on Human Rights

Supporting document to implement the RI Policy Framework

April 2024



Contents

1. Introduction	3
Background Guidance Papers	3
NN Group and human rights	3
2. Human rights and the role of companies	4
International frameworks	4
Companies and human rights	4
3. Understanding human rights risks and impacts	6
4. Sub-themes and emerging trends	8
Occupational health and safety	8
Access to healthcare	8
Tobacco prevention	8
Vulnerable groups	9
Children’s rights	9
Indigenous peoples’ rights	9
Land rights conflicts	9
Livelihood and standard of living	9
Human rights risks related to the energy transition	10
Equal opportunity and non-discrimination	11
Security practices	11
Data privacy, usage and ethics	12
Operating in high-risk countries or conflict-affected areas	13
Arms and controversial weapons	13
5. Concluding remarks	14
Annex 1: Standards and guidelines	15

Important legal information

Nothing in this document expressed or implied, is intended to or shall create or grant any right of any cause of action to, by or for any person (other than NN Group N.V.)

1. Introduction

At NN Group, we strive to conduct our business in a manner that is environmentally and socially responsible. This includes the respect of human rights. This guidance paper focuses on our approach to human rights in our role as an investor. It provides background on human rights and illustrates due diligence processes we apply. It further highlights relevant standards and principles to promote best practices and avoid negative impact of companies in which we invest.

Background Guidance Papers

NN Group adopted the Responsible Investment Policy Framework in 2014. We define Responsible Investment (RI) as the systematic integration of Environmental, Social, and Governance (ESG) factors into investment decision-making and active ownership practices. Our Responsible Investment Policy Framework reflects our commitment to various international and sector-specific standards and initiatives. A key part of our approach to Responsible Investing is that, where possible and feasible, we aim to mitigate the negative impacts of our investments on sustainability factors. These negative impacts are also called adverse impacts, whereby the most significant adverse impacts are referred to as principal adverse impacts (PAIs). Principal adverse impacts can occur in different areas, such as related to environmental, social and employee matters, human rights, corruption, and bribery.

NN is developing guidance papers which are intended to be a basis for discussion between NN Group and our stakeholders. They are living documents that will regularly be reviewed by NN Group to ensure that they reflect evolving risks and best practices, as well as solidify our ongoing education on these topics. The guidance papers also help our external asset managers in evaluating investments from a topic-specific perspective. By publishing this paper externally, we aim to express our position and use it to leverage change in the sphere of our investment activities.

NN Group and human rights

The basis of our approach to human rights is embedded in the NN statement of Living our Values and the NN Group Human Rights Statements, which provides the foundation on which we do business. It states that we respect human rights, advocate equal opportunities and encourage diversity of thinking. It also states we avoid or responsibly manage any negative impact our business activities may have on people or the environment and seek positive change in society.

When investing in companies, there is the potential that we are directly linked to challenging human rights situations. Implementing a due diligence process to incorporate ESG considerations – which include risks to people from business activities and relationships – in investment analysis and active ownership practices will help us to identify, prevent and mitigate sustainability-related negative (human rights) impacts, including human rights risks. In addition, we believe such a process will support us in making better informed business decisions and in identifying sound and beneficial opportunities.

This paper starts by introducing the international framework and principles that are the foundation of human rights. This is followed by an explanation of how human rights risks relate to among others the societal setting, sectors and industries companies are active in. Furthermore, it further provides examples of sub-themes and developments within these themes which we believe are important in relation to human rights risks, impacts and opportunities in the investment context.

2. Human rights and the role of companies

International frameworks

Human rights are rights inherent to all human beings, regardless of their nationality, place of residence, sex, national or ethnic origin, colour, religion, language, or any other status. We are all equally entitled to our human rights without discrimination. These rights are all interrelated, interdependent and indivisible.

Human rights were first recognised internationally by the Universal Declaration of Human Rights (UDHR), adopted in 1948 by the United Nations. They are often expressed and guaranteed by law, in the form of treaties, general principles and other sources of international or national law. A key instrument of international human rights law is the International Bill of Human Rights.

The International Bill of Human Rights

The International Bill of Human Rights consists of generally recognised human rights which are set out in the Universal Declaration of Human Rights (1948) and its two legally binding documents:

- The **International Covenant on Civil and Political Rights (ICCPR)**: Adopted by the United Nations General Assembly in 1966, the ICCPR is a legally binding treaty that focuses on civil and political rights, such as the right to life, freedom from slavery and forced labour, non-discrimination, and freedom of expression and association.
- The **International Covenant on Economic, Social and Cultural Rights (ICESCR)**: Also adopted by the United Nations General Assembly in 1966, the ICESCR is another legally binding treaty that focuses on economic, social and cultural rights, such as the right to work, fair wages, safe and healthy conditions, join labour unions, health, and education.

In conjunction with the International Bill of Human Rights, the International Labour Organization (ILO) has established standards that form a crucial part of the international human rights framework. These standards comprise the eight core ILO conventions listed in Annex 1.

Apart from the above-mentioned declarations, several other standards and principles have been developed to safeguard the human rights of various vulnerable groups. Some of the relevant standards are also listed in Annex 1.

Companies and human rights

The primary responsibility to protect human rights lies with governments. However, companies have an important role to play as well. Companies can impact human rights in significant ways, both positively and negatively. They can promote human rights and raise standards for people across the globe by virtue of their business activities. However, they can also have a negative impact on human rights on human rights by their own doing or when they are associated with human rights abuses committed by others, including state actors.

The UN Guiding Principles on Business and Human Rights (UNGPs), endorsed by the international community in 2011, are considered the global standard that sets out what companies should do to respect human rights. These principles rest on the three pillars of the UN “Protect, Respect and Remedy” Framework that Professor John Ruggie (the former UN Secretary-General’s Special Representative on business & human rights) proposed to the Human Rights Council in 2008. These three pillars are:

- States have a **duty to protect** against human rights abuses by third parties, including businesses, through policies, legislation, and adjudication.
- Corporates have a **responsibility to respect** human rights, avoid infringing on others’ human rights, and address negative impacts related to their activities.
- **Access to remedy** is needed for individuals and groups negatively impacted by business and government activities.

To meet the responsibility to respect human rights, as set out in the second pillar, the Guiding Principles make clear that companies should have in place:

- A policy commitment to respect human rights.
- Due diligence processes to identify, mitigated and account for human rights impacts.
- Processes to enable the remediation of any adverse human rights impact.

The UNGPs have played a key role in the development of similar standards and guidelines by other international organisations such as the OECD Guidelines for Multinational Enterprises (OECD Guidelines) and the UN Global Compact (UNGC). They have also been incorporated in sector specific standards, such as the Equator Principles in the finance sector.

In addition, the European Union has incorporated the UNGPs and the OECD Guidelines into its Sustainable Finance Regulations package. This package includes the Sustainable Finance Disclosure Regulation (SFDR), the Corporate Sustainability Reporting Directive (CSRD), and the forthcoming Corporate Sustainability Due Diligence Directive (CSDDD). The Sustainable

Finance Regulations package aims to promote responsible business conduct and ensure that companies take into account environmental, social, and human rights considerations in their operations and investments, among others by increasing transparency.

NN Group shares the perspective on the human rights responsibilities of companies and other entities as outlined in the UNGPs and the OECD Guidelines. As a responsible asset owner, NN Group expects the companies in which it invests to do the same. This means that we expect companies to adopt and implement policies and practices ensuring they comply with

internationally recognised human rights standards throughout their operations and up- and downstream value chain. Some of the key requirements for companies include demonstrating a policy commitment towards ESG topics, including human rights, implementing a due diligence process to identify and address human rights impacts, and implementing remediation mechanisms. Additionally, companies are expected to integrate human rights and other ESG-criteria, such as compliance with health requirements, into procurement and operational policies and in contracts with suppliers and (sub)contractors, as appropriate.

3. Understanding human rights risks and impacts

We have a responsibility to respect human rights. A good understanding of human rights risks allows us to identify investment impacts (positive and negative), risks and opportunities. These insights provide the means to focus dialogue and engagement on the topics that are relevant to the companies in which we invest. While all companies are exposed to some degree of human rights risks, the severity and likelihood of those risks will vary based on factors such as the region, industry, and specific circumstances of the company's operations and supply chain.

NN's Responsible Investment team conducted an assessment based on human rights-related incidents and controversies related to companies' activities. This assessment is based on data points retrieved from our external ESG data provider Sustainalytics, who base their research on public information. The analysis has not been limited to NN Group's investment universe. Instead, we assessed the entire investment universe that was made available to us, we therefore note that not all sectors and issues are fully covered. This approach was taken to ensure a comprehensive perspective on human rights risks and impacts. The data points provided relate to the involvement (both through direct operations and their supply chains) of companies in incidents and controversies across the following human rights-related topics:

- 1. Society & Community Incidents**
 - Access to basic services
 - Community relations
 - Sanctions
 - Social impact of products
 - Human rights related to the society in which the company operates
 - Weapons
- 2. Social supply chain incidents**
 - Labour relations
 - Other employee-related human rights
 - Community relations
 - Occupational health and safety
 - Human rights related to society
- 3. Employee incidents**
 - Labour relations
 - Occupational health and safety
 - Other employee related human rights violations

Our assessment involved an analysis of the severity of the impact of incidents on society and the environment, as well as the level of financial risk posed to the company. Additionally, we evaluated the probability of a company within a specific industry getting involved in a severe incident. We also took into account labour rights, recognising the interdependence between human rights and labour rights. Labour rights have however been addressed separately in the Investment Guidance Paper on Labour Rights. Per human rights-related topic, the company's own operations and its supply chain as well the company's adverse impacts on human rights and human rights risk exposure were considered in the risk and impact assessment, whereby we took the most conservative approach (a medium score on financial risks and a high score on adverse impacts rounds up to a high-risk score).

Table 1: Human Rights Sector Matrix

GICS SECTOR	OWN OPERATIONS	SUPPLY CHAIN
Consumer Discretionary	Medium	High
Consumer Staples	High	High
Energy	High	Medium
Financials	Medium	Medium
Healthcare	Medium	Medium
Industrials	Medium	Medium
Information Technology	Low	High
Materials	High	High
Real Estate	Low	Low
Telecommunication Services	Medium	Low
Utilities	High	Medium

Note: This sector breakdown is based on the Global Industry Classification Standard (GICS).

The assessment indicates that the consumer discretionary, consumer staples, energy, information technology, materials, and utilities sectors pose the highest human rights-related risks. These risks and negative impacts can manifest in a company's own operations and/or in their supply chains. Conducting a thorough analysis of these risks and impacts during the due diligence process is important when considering investment in high-risk sectors. Furthermore, an effective due diligence process ideally also includes stakeholder engagement as it provides valuable insights into the risks to and impacts on people.

It should be kept in mind that these assessments are based on public incidents and controversies data, and that the assessment is based on historical data at a specific point in time (November 2023), so it is important to update the analysis regularly as new incidents emerge and are resolved

Table 2 contains examples of the human rights-related risks, opportunities and impacts for several industry groups. However, it is essential to keep in mind that the human rights performance profile will vary from company to company. An analysis of a company's human rights performance should therefore always be carried out at the individual company level.

Table 2: Examples of key human rights risks, opportunities, and impacts

Industries (GICS)	Main human rights risks
Oil & Gas producers (Energy)	<ul style="list-style-type: none"> • Working conditions, particularly health and safety, both own operations and supply chain • Conflicts with local communities (land rights, indigenous and cultural rights, social risks related to environmental impacts such as pollution and water stress) • Complicity in human rights violations (e.g. through relationships with entities such as national and private security forces that may violate human rights) <p><i>Positive impacts:</i> contribute to improving standard of living of local community (infrastructure, health, education, employment, etc.)</p>
Diversified metals (Materials)	<ul style="list-style-type: none"> • Working conditions, particularly health and safety, both own operations and supply chain, and use of forced and child labour • Conflicts with local communities (land rights, indigenous and cultural rights, social risks related to environmental impacts such as pollution and water stress) • Complicity in human rights violations (e.g. through relationships with entities such as security forces that may violate human rights) <p><i>Positive impacts:</i> contribute to improving the standard of living of local communities (infrastructure, health, education, employment, etc.)</p>
Food products (Consumer staples)	<ul style="list-style-type: none"> • Workers' treatment, particularly in the supply chain (unsafe conditions, low wages and long working hours, forced and child labour) • Impact on local communities: conflicts over land/ water rights, environmental impact of manufacturing processes which can lead to e.g. water stress • Product quality and safety for consumers <p><i>Positive impacts:</i> contribute to tackling global nutrition challenges by e.g. producing healthier foods, ensure affordable pricing, and marketing and labelling products responsibly</p>
Pharmaceuticals (Healthcare)	<ul style="list-style-type: none"> • Product quality and safety (consequences of product recalls for consumers), and false or deceptive marketing practices • Social impact of products (e.g. pricing concerns/access to healthcare) • Data privacy and security of supplier and consumer-information <p><i>Positive impacts:</i> advancing research and science to improve global health, and contribute to access to medicine in developing countries</p>
Software & services (Information technology)	<ul style="list-style-type: none"> • Data privacy and security of end-user-information, call for more transparency on government surveillance • Working conditions, both in own operations and in the supply chain (unsafe conditions, low wages and long working hours and use of forced and child labour) • Product quality and safety for consumers and in the supply chain <p><i>Positive impacts:</i> reducing the 'digital divide'</p>

4. Sub-themes and emerging trends

In this chapter, we discuss several sub-themes which we believe are important in relation to human rights. These examples are based on gathered feedback, human rights standards, and sectoral guidelines.

The relationship between human rights and labour rights is not always clear-cut, as labour rights are frequently included in human rights documents. Consequently, some overlap exists between this Investment Guidance Paper and the Investment Guidance Paper on Labour Rights. To avoid redundancy and provide more focused guidance, we have chosen to explore certain topics in greater depth in the Labour Rights paper, such as child and forced labour. However, other areas of overlap, including occupational health and safety, are discussed in this paper with an emphasis on their impact on communities and society.

Occupational health and safety

The consequences of work-related accidents, occupational health impacts and diseases are generally well understood and broadly considered to be a material social issue for many industries. Our internal analysis also indicated 'health and safety' as the most frequently mentioned human rights risk across industries. However, companies must be aware of these issues beyond their own workforce. They need to be aware of the risks and take a precautionary approach in protecting the safety and security of their products or operations in a matter that is consistent with human rights and remediate adverse impacts. Companies that fail to include a broader perspective may incur high (operational) costs, regulatory actions and lawsuits resulting in reputational damage. For example, when they are faced with a deterioration of the health of communities nearby to production locations, or when product safety and quality-related accidents occur, violating health and safety laws. The OECD Guidelines for Multinational Enterprises offer recommendations and practical guidance for companies on health and safety matters. We encourage companies to protect health and safety standards as broadly as possible and consider including community rights concerning health, safety, and security topics.

Access to healthcare

Access to affordable healthcare is a critical human rights issue, especially for people in developing countries and low-income earners in developed countries. Several organisations advocate for this goal, including the Access to Medicine Foundation (see case box) and the Global Health Technologies Coalition, which promotes the development of new technologies to improve health outcomes in the developing world. The Medicines Patent Pool also works to increase access to affordable medicines for people living with HIV/AIDS, tuberculosis, and hepatitis C.

Access to Medicine Foundation

The [Access to Medicine Foundation](#) is a valuable resource for investors who want to include factors related to global health challenges, such as the supply of medicine to vulnerable groups, in their investment decision-making process. The Foundation's goal is to encourage best practices in the pharmaceutical industry by conducting research, publishing reports, and evaluating pharmaceutical companies based on their efforts to improve access to medicine in low- and middle-income countries. Its reports and benchmarks provide important insights for investors to assess how well pharmaceutical companies are addressing these challenges, enabling them to make informed investment decisions and engage with pharmaceutical companies on relevant issues.

The World Health Organization (WHO) plays a vital role in promoting global health and wellbeing as set out in its Constitution. While particularly important for companies operating in the healthcare or nutrition industry, the WHO's guidance on various health issues can be relevant to companies in other industries as well. The WHO has identified addressing antimicrobial resistance as a key priority due to its growing threat to public health. To combat this issue, the WHO advocates for the appropriate use of antibiotics to minimize antimicrobial resistance. Additionally, ensuring the safe use of breast-milk substitutes is another priority area for the WHO, which has developed the International Code of Marketing of Breast-milk Substitutes. Investors should be aware of the WHO's guidance and the importance of promoting global health and wellbeing. Companies in the healthcare or nutrition sectors should take note of the WHO's recommendations to ensure safe practices, while those in other industries should also consider how they can align with the WHO's guidance to promote global health..

Tobacco prevention

In addition to the aforementioned priorities, the WHO promotes tobacco control (see the case box on tobacco restrictions). The tobacco epidemic is a significant public health threat. Based on the WHO's research, tobacco causes over 8 million deaths worldwide each year. It is clear that all forms of tobacco use are harmful, and there is no safe level of exposure. The majority of tobacco users are in low- and middle-income countries, where tobacco-related illness and death have the greatest impact. Tobacco use contributes to poverty, as spending on tobacco diverts resources from basic needs. Furthermore, the economic costs of tobacco use are significant, including healthcare costs and lost human capital. Details on our criteria with respect to

tobacco can be found in our RI Framework policy.

Further tightening of restrictions on tobacco

NN Group has excluded producers of tobacco products (such as cigarettes, cigars, and tobacco) from its investments since 2018, due to the concerns described in this Investment Guidance Paper.

In 2023, we joined a larger group of financial institutions as a signatory of the **Financial Sector Statement on Tobacco Control**, urging governments to accelerate implementation of the World Health Organization Framework Convention on Tobacco Control (WHO FCTC) to achieve the health and economic benefits of tobacco control. In addition, we evaluated our exclusion criteria for tobacco production and decided to expand our policy by adding e-cigarettes to the restricted list. We also lowered the exclusion threshold for revenues from tobacco production from 50% to 5% for our proprietary assets. We believe engaging with the tobacco industry will not lead to fundamental changes and that the sector is associated with human rights violations and negative environmental impacts. The supply chain for tobacco farming, which engages over 17 million people, is particularly susceptible to such violations.

Vulnerable groups

NN expects companies to respect the rights of vulnerable groups. Vulnerable groups are those who are at a higher risk of being exploited, discriminated against, or mistreated. Examples of vulnerable groups include women and girls, children, migrant workers, indigenous peoples, the elderly, persons with disabilities, LGBTQ+ individuals, and refugees and asylum seekers. Vulnerability can arise from a variety of factors, such as poverty, social exclusion, discrimination, and marginalisation. The 2023 update of the OECD guidelines focuses specifically on protection of at-risk individuals, such as human rights defenders, indigenous peoples, and other marginalised and vulnerable groups. In their responsibility to respect human rights, companies are required to give special consideration to any adverse impacts on these individuals and groups, particularly in situations where they are at increased risk. Below, we elaborate more on the expectations we have from companies with respect to the treatment of vulnerable groups.

Children's rights

Children traditionally have been discussed in the corporate world mainly in relation to child labour, but the recognition of companies' broader role in respecting and supporting children's rights has started to gain ground in recent years. One important catalyst for this was the Children's Rights and Business Principles released in 2012. These are a set of ten principles on how companies can positively impact the workplace, marketplace and

community to respect and support children's rights. They are the result of collaboration between UNICEF, the UN Global Compact and Save the Children. In addition, the Dutch Child Labour Due Diligence law of 2019 aims to promote children's rights and hold companies accountable for preventing child labour in their supply chains. NN Group welcomes guidance on this issue as it helps us understand how businesses impact children's rights and where improvements can be made. We believe that this is an area where companies will increasingly face public scrutiny and that those who integrate children's rights into their business can benefit from opportunities. Therefore, as a responsible investor, we pay attention to this topic in our investments.

Indigenous peoples' rights

Indigenous peoples are so-called because they were living on their lands when settlers came from elsewhere. Indigenous peoples have often suffered as a result of business developments. There is a widespread international recognition that indigenous peoples have distinct rights and interests, and a growing expectation that these need to be respected by companies. The rights of indigenous peoples have been a particular focus in international standards, such as the UN Declaration on the Rights of Indigenous Peoples (2007). The principle contained therein on Free, Prior and Informed Consent (FPIC, refer also to the section 'land rights conflicts') is of particular importance to respecting the human rights of this stakeholder group. FPIC refers to a process whereby affected people should be properly informed of the risks of a commercial development and have an opportunity to express a willingness to accept such risks, or not. We expect companies to implement FPIC and grievance mechanisms when developing new projects affecting indigenous people.

Land rights conflicts

Companies are investing in land as global demand for food, fuel, forests, and minerals continues to grow. Land rights are crucial to ensure access to productive resources, which in turn is crucial for the realisation of the right to food. However, as the pressure for land resources continues to intensify, the human rights of vulnerable populations (such as small-scale farmers or indigenous communities) may come at risk. In particular their fundamental right to property and effective remedy when violations occur. NN Group expects companies to prevent conflicts over land rights. When acquiring natural resources, companies should engage in meaningful consultation with local communities and obtain FPIC (see Indigenous peoples' rights) of the land-users involved.

Livelihood and standard of living

Business activity can enhance local communities' livelihood and standard of living but can also have negative impacts. Livelihood refers to a means of securing basic necessities of life such as food, water, medicine, clothing and housing. It encompasses people's activities to make a living. A living wage (see Investment

Guidance Paper on Labour Rights) is needed to have a decent livelihood. Treats to local communities' livelihoods, such as concerns over water access and quality, are one of the leading causes for community conflicts. According to UN estimates, water scarcity affects more than 40 percent of the global population and it is projected to rise¹.

This poses significant challenges for water-intensive industries, for instance agriculture and mining. As such, companies that compete with local communities for the use of increasingly scarce water resources may suffer from operational risks and reputational damage over excessive water use or pollution. Those companies that are improving their management of water resources in their operations and throughout their supply chain will be best placed to mitigate related risks.

Human rights risks related to the energy transition

As the world moves towards a greener future, we must ensure that this transition is socially just. A just transition means maximising the social and economic benefits of environmental action while leaving no one behind. To ensure a just transition, companies should carefully assess their impacts, prioritise actions and engage with stakeholders on a continuous basis. Companies operating in emerging markets face unique challenges. While a transition to a low carbon economy can bring benefits for local communities, such as improved public health and new job opportunities, it can also create job losses and new forms of inequality.

A concrete example of a high-risk sector from a just transition-perspective is the mining sector. This includes the sourcing of minerals needed for the transition to a low-carbon economy. The mining sector is a critical driver of economic growth and development and has an important role to play in the energy transition, but it has also been associated with a range of environmental and social issues.

A fair transition in the mining industry should minimise negative impacts on local communities, including environmental, social, and labour aspects. Companies must consider the long-term environmental and health effects after mine closure, especially in the context of the transition towards a low-carbon economy. Companies should involve local communities and other stakeholders in decision-making and develop plans for mine closure that mitigate negative impacts and support sustainable and equitable solutions. By prioritising the needs of local communities and the environment, mining companies can play a critical role in achieving a fair transition to a sustainable future.

Additionally, companies should respect artisanal and small-scale mining (ASM), which involves informal mining in remote areas

using basic tools. Although ASM provides livelihoods for local communities, it can lead to environmental degradation, health risks, and child labour. To support ASM communities and promote sustainability, companies can use the relevant OECD Guidelines² as guidance to ensure that ASM activities are carried out responsibly and sustainably, while also promoting a just transition in the mining industry.

Certifications are important in high-risk sectors with many potential adverse impacts, as they provide independent verification of responsible practices. NN recognises the value of certification programmes in helping companies improve their performance and achieve higher sectoral standards, which is a critical element of a just transition.

Some examples of certification programmes have been included in Annex 1. The Climate Action 100+ initiative, of which NN Group is a supporter, is engaging with the mining industry to address the issues mentioned earlier. The initiative recognises that a just transition is crucial to achieving the net zero emissions target outlined in the Paris Agreement and has therefore included a Just Transition indicator in its Net Zero Company Benchmark since 2022.

Case: Engagement with high-risk sectors

Through our engagement provider Sustainalytics, NN engages with companies to help them develop robust human rights due diligence systems that meet the global standard set by the United Nations Guiding Principles (UNGP). The main goal is to prevent negative impacts on people, with a particular focus on workers and local communities in the electronics, mining, and cocoa sectors.

These sectors were chosen based on an assessment of the most severe human rights issues and opportunities for change. In the electronics sector, the aim is to improve remuneration and mitigate risks of child labour associated with raw material sourcing. In the mining sector, the focus is on protecting community rights and supporting economic wellbeing. The cocoa sector engagement seeks to leverage existing momentum for positive impact and scale up effective child labour prevention and monitoring systems.

These thematic engagement aims to create a space for cross-sectoral learning on these topics and promote poverty eradication, decent work, economic opportunities, and reducing inequalities.

² See Annex 1

Moreover, the Institutional Investor Group on Climate Change (IIGCC) published the [Net Zero Standard for Diversified Mining](#) in September 2023 which helps investors to assess the that progress of diversified mining companies as they move to net-zero. This standard includes dedicated just transition metrics. For more context and supporting information on the Net Zero Standard, the accompanying document, [Investor Expectations for Diversified Mining](#), is a valuable resource.

Moreover, the ILO's [Just Transition Finance Tool for banking and investing activities](#) and the Impact Investing Institute's [Just Transition Criteria Tool](#) can be applied to other high-risk sectors, such as energy, transportation, and agriculture, to help investors align their investments with a just transition.

Equal opportunity and non-discrimination

Diversity in NN Group includes visible and invisible differences and values the uniqueness of individuals. Inclusion means creating a supportive and engaging workplace where everyone is respected and included all the time. We expect investee companies to have an impact on creating equal opportunities, for instance by paying particular attention to vulnerable and marginalised individuals and groups, as well as gender aspects. When companies discriminate in hiring practices, for instance by not employing persons of a particular (ethnic) minority or any other status, they violate human rights and also forgo creating a society that supports diversity and inclusion. At NN Group, we believe that equality and diversity are vital factors for a sustainable and resilient society. This implies that everyone can participate in economic life across all sectors and throughout all levels of economic activity.

Also, from an investor perspective the consideration of equal opportunity and diversity is of importance across industries which can improve productivity, help avoiding workplace complaints and customer engagement. Companies that pay more attention to these aspects are seen to be better able to manage human rights risks, but also to innovate and find new opportunities, thereby preserving and generating shareholder value. We therefore encourage companies to give priority to these aspects in their human rights approach. This includes having special attention for respecting the rights of women, especially to prevent discrimination and to improve gender equality, but also applies to other vulnerable groups such as disabled people and migrant workers. Irrespective of local laws and context, companies can take actions to eliminate unfair treatment and discriminatory practices both within and beyond the workplace.

Security practices

It can be challenging for companies that operate in certain countries to maintain the safety and security of their employees and sites whilst ensuring respect for human rights. When companies make use of (public or private) security forces, they

Non-financial reporting on human rights

Non-financial reporting requirements drive companies towards greater transparency and accountability and will therefore encourage companies to improve their sustainability performance. Increased transparency also enables investors to identify frontrunners and laggards. NN Group therefore encourages companies, especially those active in high-risk sectors, to apply a reporting framework that addresses different aspects of non-financial performance, such as the UN Guiding Principles Reporting Framework, the Global Reporting Initiative (GRI) G4 Framework (including the sector specific disclosures, such as those for the mining and minerals sectors) and the International <IR> Framework.

The European Union (EU) has introduced a package of Sustainable Finance regulations, capturing some of the formerly voluntary non-financial reporting frameworks. This package includes the Sustainable Finance Disclosure Regulation (SFDR) and the Corporate Sustainability Reporting Directive (CSRD), see also page 4/5 of this paper. Both SFDR and CSRD aim to provide transparency, among others by means of Principal Adverse Impact (PAI)-indicators. PAI-indicators are standardised and predetermined indicators to measure the negative effects of an investment entity's activities on sustainability factors such as human rights, the environment, and social issues.

There are several PAI-indicators related to adverse impacts of companies on human rights, including indicators on: violations of the UN Global Compact principles and OECD Guidelines, exposure to controversial weapons, the existence of human rights policies and a due diligence process to identify adverse human rights impacts and the number of identified cases of severe human rights issues and incidents an investee company has been connected to.

NN Group believes that – as the underlying data availability and quality improves over time – PAI data will prove to be a valuable additional source of information to assess the sustainability performance of investee companies and countries.

can unwittingly become involved in human rights abuses when these security forces use violence against local communities.

There are various industry standards and practices that help companies to assess the human rights risks in these situations.

The **Voluntary Principles on Security and Human Rights (VPSHR)** offer guidelines to companies in the extractives industry (oil, gas and mining) with respect to, amongst others, their security practices. The principles cover issues such as risk assessments, engagement with public security forces, and grievance mechanisms for affected communities. In addition to the VPSHR, the **International Council on Mining and Metals (ICMM)** has developed a set of 10 principles regarding sustainability for mining and metals companies that include commitments to respect human rights, engage with communities, and implement effective grievance mechanisms. NN Group encourages companies in the extractives sector to adhere to these standards and guidelines, particularly when engaging security forces, although not limited to this context.

Data privacy, usage and ethics

In the current digital age, processing personal data has become an essential part of business operations. However, with the availability of vast amounts of (personal) data, there have been continuous concerns regarding privacy and data usage, and individuals' rights to know how their data is being collected and used. The General Data Protection Regulation (GDPR) has set uniform regulation within the EU, imposing restrictions on personal data processing, storage, and protection. Under GDPR, companies must obtain explicit consent from individuals before collecting and processing their personal data. Individuals also have the right to access their personal data, request its erasure, and object to its processing. Failure to process personal data lawfully can lead to operational, regulatory, and reputational risks. NN Group **commits** to obtaining and processing personal data in a fair and transparent manner, and we expect the same from companies of which we obtain services or we invest in.

AI has advanced rapidly, and its use will profoundly affect data processing. While AI can help companies analysing customer propositions and create enhanced tailor-made solutions, it can also pose a threat to human rights risks such as biases, discrimination, and violations of privacy rights. Furthermore, decision-making processes incorporating AI may have significant social and economic consequences, such as unequal access to (financial) resources and opportunities. Addressing these risks requires a comprehensive approach that considers the ethical implications of AI development and deployment, including ensuring transparency, accountability, and respect for human rights. In the case box "Artificial Intelligence at NN Group" we explain how NN Group deals with ethical issues related to AI.

While risks related to processing (personal) data at large scale and AI are not limited to deployment, they can also arise upstream in the value chain. This includes social and human rights risks that can emerge from the sourcing of materials and components (see the section about **human rights related to the energy transition**), as well as the production of hardware and software. For more information about labour rights risks

specifically, please refer to the Investment Guidance Paper on Labour Rights.

To help companies navigate through this complex landscape, we recommend considering the 2023 update to the OECD Guidelines, which includes recommendations on responsible business conduct in the digital age. Additionally, we urge companies to collaborate on best practices in data management, such as through participation in multilateral initiatives like the Global Network Initiative or the Electronics Industry Citizenship Coalition. By prioritising customer privacy, anti-discrimination, and ethical considerations, companies can better capture digital opportunities and maintain customer trust. Investors should, to properly assess the risks associated with big data and AI, consider transparency around companies' data management policies, as well as policies and practices related to ethical and responsible AI, cybersecurity, and human rights.

Artificial Intelligence at NN Group

At NN Group, we recognise that data is crucial to serving customers effectively, and we are committed to exploring the potential use cases of AI. By being one of the front runners in using AI - along with other tools and strategies - for analysing customer propositions, we aim to strengthen our customer relationships, foster intuitive partnerships, and create superior tailor-made solutions. Our current focus is on product/market optimisation, process efficiency, fraud and claim analytics, and we are continually exploring other potential use cases.

To ensure that AI use cases are trustworthy, NN Group has developed the 'NN AI Guidelines', based on the seven requirements of trustworthy AI. We have incorporated these Guidelines into our governance and established an AI Working Group that validates AI systems/models, focusing on relevant aspects of trustworthy AI. We deploy AI in line with **the Ethical Framework for data-driven applications** of the Dutch Association of Insurers. NN is closely monitoring and acting proactively to relevant upcoming legislation, such as the proposed EU AI Act, proposing rules for the development, deployment, and use of AI systems, including transparency, accountability, and non-discrimination requirements, as well as requirements for high-risk AI applications. Another proposed regulation relevant to this context is the EU AI Liability Directive, which focuses on providing remedies for situations where AI systems cause harm.

Operating in high-risk countries or conflict-affected areas

The impact of governments violating human rights of communities in high-risk countries or conflict-affected areas is a concern for us as an investor. If companies we invest in associate themselves with governments who are complicit in gross human rights abuses, they may expose themselves to serious reputational and financial threats.

The 2023 update to the OECD guidelines specifically mandates enhanced due diligence by companies in situations of armed conflict or gross abuses, including violations of international humanitarian law. We expect companies to adhere to the OECD Guidelines and to observe internationally recognised human rights standards and legislation. Therefore, we also expect them to enhance due diligence procedures and management oversight when they operate in countries with weak governance or in (the proximity of) conflict zones.

Arms and controversial weapons

We are concerned that the defence industry, by producing arms and controversial weapons, can - as a global and much diversified industry - give rise to severe human rights violations. This is especially notable when weapons or related systems end up in countries where these can be used to fuel armed conflict or for

the purposes of internal suppression. If companies are selling arms to countries, or non-state actors considered to be at high risk of violence against civilians, they risk being complicit in human rights abuses.

NN group applies group-wide restrictions on controversial weapons and arms trade. Companies that demonstrably have activities in the trade of arms to central governments or non-state actors that are sanctioned by a UN or EU arms embargo are part of an exclusion list.

This is also the case for companies that develop, produce, maintain or trade 'controversial weapons'. Weapons that we define as controversial include anti-personnel landmines, cluster munitions, depleted uranium ammunition, white phosphorous munitions, biological, chemical and nuclear weapons.

Additionally, if an issuer is found to be in violation of the UN Global Compact principles and OECD Guidelines and cannot be engaged in a meaningful and effective way, we may decide to exclude that issuer from our investment universe. More details on our criteria and how we apply our defence restrictions can be found in our RI Framework policy.

5. Concluding remarks

NN's Responsible Investment Policy Framework highlights the measures we will take to systematically integrate sustainability factors in the investment decision making and active ownership practices. NN has developed norms-based RI criteria, including those related to human rights, which are a reflection of relevant laws, the organisation's values, and internationally recognised standards such as the UN Global Compact, the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises. In case there are strong indications that an issuer may be in violation of any of NN's norms-based RI criteria, a decision will be taken with regard to whether NN considers this a violation. Subsequently, in case of a violation, a decision will be taken on engagement or restriction.

NN Group will encourage our asset managers to use this paper as guidance to identify and address adverse impacts on people and to engage in a dialogue with companies to address human rights-related risks, which could in our view affect the value of investments. Where needed, we will support these processes with additional tools or guidance materials. This may include more detailed theme or sector policies for areas to be identified of high risk.

This paper is developed to help our asset managers in evaluating investments from a human rights perspective. By publishing this paper also externally, we aim to express our position and use it to leverage change in the sphere of our investment activities.

Annex 1: Standards and guidelines

List of international standards, principles, guidance and other sources consulted:

International standards and principles

Universal Declaration on Human Rights

The International Bill of Human Rights

International Covenant on Civil and Political Rights

International Covenant on Economic, Social and Cultural Rights

Protect, Respect and Remedy Framework: The UN Guiding Principles on Business and Human Rights

Convention of the Rights of the Child

Convention on the Elimination of All Forms of Discrimination against Women

UN Global Compact principles

OECD Guidelines for Multinational Enterprises

UN Declaration on the Rights of Indigenous People

The ILO's Declaration on Fundamental Principles and Rights at Work. This declaration highlights a set of core conventions:

- Freedom of Association and Protection of the Right to Organise Convention, 1948, No 87
- Right to Organise and Collective Bargaining Convention, 1951, No 98
- Forced Labour Convention, 1930, No 29
- Abolition of Forced Labour Convention, 1957, No 105
- Minimum Age Convention, 1973, No 138
- Worst Forms of Child Labour Convention, 1999, No 182
- Equal Remuneration Convention, 1951, No 100
- Discrimination (Employment and Occupation) Convention, 1958, No 111
- Occupational Safety and Health Convention, 1981, No 155

ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy

Children's Rights and Business Principles

Financial sector specific standards

The CRO Forum is a group of professional risk managers from the insurance industry that focuses on developing and promoting industry best practices in risk management. The CRO Forum published a [position paper](#) on human rights in 2014.

The Thun Group is a multilateral initiative that focuses specifically on human rights within the banking sector. The group published a [discussion paper on human rights](#) in 2013.

Equator Principles: this is a set of voluntary guidelines to help financial institutions address the environmental and social risks associated with project finance. The Equator Principles are based on the [IFC Performance Standards](#).

Reporting frameworks

UN Guiding Principles Reporting Framework

Global Reporting Initiative (GRI) G4 and relevant sector disclosures, o.a.:

- Construction and Real Estate
- Electric Utilities
- Financial Services
- Food Processing
- Media
- Mining and Metals
- Oil and gas

International <IR> Framework

Just transition-related guidelines, standards and certification programmes

Some guidelines, standards, and certifications programmes related to a just transition in the mining sector are:

- [The Better Mining program](#)
- [The Fairmined Standard](#) (managed by the Alliance for Responsible Mining)
- [The Initiative for Responsible Mining Assurance \(IRMA\)](#)
- [OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas](#)

Abbreviations

CSRD – Corporate Sustainability Reporting Directive

CSDDD – Corporate Sustainability Due Diligence Directive

IFC – International Finance Corporation

IFC Performance Standards – The IFC Environmental and Social Performance Standards

ILO – International Labour Organization

International <IR> Framework – the International Integrated Reporting Framework

OECD – Organization for Economic Cooperation and Development

OECD Guidelines – OECD Guidelines for Multinational Enterprises

PAIs or PAI-indicators – Principal Adverse Impacts or Principal Adverse Impact-indicators

SFDR – Sustainable Finance Disclosure Regulation

UN – United Nations

UNGPs – UN Guiding Principles on Business and Human Rights

UNGC – UN Global Compact

End notes

¹ Source: Facts and statistics, UN Sustainable Development Goal 6: Water and sanitation

