

European SRI Transparency Code

NN (L) Patrimonial Balanced European Sustainable



Statement of Commitment

Responsible Investing is a key investment belief at **NN Investment Partners**. We have been involved in SRI since 2000 and welcome the European SRI Transparency Code. Our full response to the European SRI Transparency Code can be accessed below and is available on our web site www.nnip.com.

Compliance with the Transparency Code

NN Investment Partners is committed to transparency and we commit to share as much available ESG-related information as possible with clients and society at large including compliance with the regulatory and competitive environments that exist in the countries in which we operate. **NN Investment Partners** meets the full recommendations of the European SRI Transparency Code for its NN (L) Patrimonial Balanced European Sustainable Fund.

April 2021

Section 1. List of funds covered by the Code

- **NN (L) Patrimonial Balanced European Sustainable**

NN (L) Patrimonial Balanced European Sustainable

Domicile: Luxembourg
 ISIN Codes: P Capitalisation LU1444115874
 P Distribution LU1444116096
 X Capitalisation (hedged ii) LU0121217920
 EUR 669 mln AUM as of 31 March 2021
 Benchmark: 50% MSCI Europe Index (NR, hedged to EUR), 50%
 Bloomberg Barclays Euro Aggregate
 Inception date: 20 October 1995

2 Portfolio managers
 11 ESG Specialists
 Team of 9 strategists (5 strategists, + 1 economists + 3 data scientists)

Section 2. General information about the fund management company

2a Provide the name of the fund management company managing the fund(s) to which this Code applies.

NN Investment Partners B.V. and NN Investment Partners Luxembourg S.A. (both part of NN Investment Partners)
 Schenkade 65
 Postbus 90470
 2509LL, The Hague
 The Netherlands
www.nnip.com
info@nnip.com

2b What are the fund management company's track record and principles when it comes to integrating SRI into its processes?

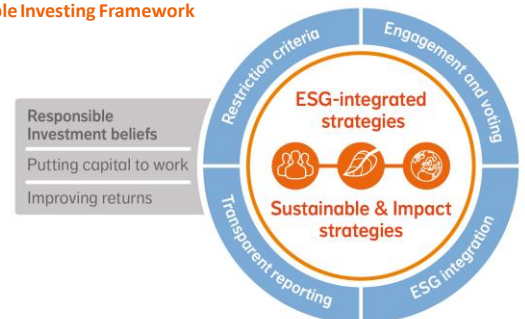
Responsible Investing is a key investment belief at NN Investment Partners (NN IP). We provide investment management services to a wide range of clients and we seek to invest their assets responsibly and with integrity, with a full understanding of the opportunities and risks involved.

NN IP's objective when managing clients' assets is to enhance long-term value. Investing responsibly with regard to social and environmental issues and encouraging strong corporate governance is embedded in our organisation's philosophy and has been incorporated into the company's core values. As an active investor, we believe that companies with good, well-managed sustainability and corporate governance practices should perform better in the long run.

2c How does the fund management company formalise its sustainable investment process?

Our Responsible Investment (RI) approach is driven by our company values and combines 4 building blocks to implement responsible investing at NN IP. It also incorporates the range of investment strategies that we offer clients to enable them to fulfil their responsible investing ambitions.

NN IP Responsible Investing Framework



1. Our **restriction criteria** enables us to take a stance on activities and behaviour that do not match with our ethics, principles and regulations. Decisions on restrictions are the starting point in defining the initial investment universe for our strategies. Restriction criteria are often related to broadly debated topics.
2. **Engagement and voting**, we select environmental, social and governance (ESG) related themes on topics that are relevant and material, and where we believe we can positively influence corporate behaviour. As equity and debtholders, we are fully aware of the potential we have to drive change for the better. We collaborate with international entities and with other institutional investors to strengthen the impact of our efforts.
3. **ESG integration**, we take into account non-financial information by defining the materiality of ESG issues linked to both companies and sovereigns for all our responsible investment strategies. We integrate the additional insights we gain from ESG data into our investment processes to mitigate risks and to leverage new opportunities.
4. **Transparent reporting**, reporting for investors is often actually the starting point of responsible investing. We promote transparency by sharing as much available ESG-related information as possible with clients. It covers, for example, exposure to potential controversies, climate emissions figures and other ESG performance metrics.

In the NN IP RI Framework Policy, we specifically indicate that our investment beliefs are reflected in the RI approach as well as our values, relevant laws and internationally recognised standards such as the UN Global Compact Principles and OECD Guidelines for Multinational Enterprises. We use the aforementioned principles as a starting point for engagement with companies. We expect the companies in which we invest to adopt standards, policies and management processes covering and managing potential ESG risks and opportunities affecting them.

2d How are ESG risks and opportunities – including those linked to climate change – understood/taken into account by the fund management company?

As an asset manager we have a fiduciary duty to act responsibly on behalf of our clients. A set of interrelated policies such as our Stewardship Policy, Voting Policy and our extensive RI Framework provides us with a solid basis on which to make and implement well-

informed decisions. Our governance structure ensures that we continue to optimise long-term risk-adjusted returns for our clients, while staying focused on maintaining a positive impact on society at large.

NN IP's day-to-day approach to RI is organised in a structured way. We make sure the relevant people are involved in decision-making, that recommendations are shared and decisions are efficiently implemented.

The NN IP Board provides strategic direction on RI and the SISC (Strategic and Implementation Steering Committee) oversees the implementation of the RI framework and related processes and positioning. One of the tasks of the SISC is to strategically manage the responsible investment framework within NN IP and to oversee its implementation.

The Board receives input from the ESG Committee. The ESG Committee is chaired by the Chief Investment Officer (CIO) and decides on strategic/tactical RI related matters within NN IP for investments. The committee is mandated by NN IP's Board and the Chief Executive Officer and comprises members of the dedicated RI Team, the RI Leadership team and senior representatives of business segments such as risk management and product management and development, and the CIO of NN Group.

In our investment process, we take into account non-financial information by defining the materiality of ESG issues linked to both companies and sovereigns for all our responsible investing strategies. We integrate the additional insights we gain from ESG data into our investment processes to mitigate risks and to leverage new opportunities.

With regards to climate change, we aim to address the causes of climate change (mitigation) and the consequences (adaptation). We put these beliefs into practice by:

1. Integrating climate change in our investment process by using our materiality framework, corporate and sovereign indicators and by measuring the carbon footprint of our funds
2. Incentivising investment solutions to stimulate the transition to a low-carbon economy. We aim to find the right mix between encouraging corporations to make the transition to a low-carbon economy while further stimulating those that are already contributing
3. Using active ownership to create corporate change. Engagement is used to stimulate the transition to a low carbon economy and society and we use our voting rights to support proposals on disclosure and strategy on climate.
4. Reducing the CO2 footprint of our portfolio
5. Support transparency, commitments and advocacy on climate change.

By endorsing and actively participating in international initiatives, we underline our ambition and approach to responsible investing and corporate governance.

2d How many employees are directly involved in the company's sustainable investment activity?

The dedicated RI Team and the fixed income and equity strategy teams added additional FTEs in (S)RI and ESG integration and research in recent years. The RI Team is embedded in the transversal Platform for

Innovation and Responsible Investment. This allows us to optimally combine our innovation skills and expertise.

2e Is the fund management company involved in any RI initiatives?

By endorsing and being actively involved in international initiatives, NN IP underlines its ambition and approach to responsible investing.

Examples include:

- NN IP has been a signatory to the [UN Principles for Responsible Investment](#) (UN PRI) since September 2008. The PRI is a set of global best practices that provide asset managers, amongst others, possible actions and guidance for incorporating ESG issues into investment decision-making and ownership practices.
- NN IP is a member of the [International Corporate Governance Network \(ICGN\)](#), a global membership organisation with several hundred corporate governance leaders with a mission to raise standards of corporate governance worldwide.
- NN IP is also strongly involved in the activities of [Eumedion](#), the Dutch corporate governance organisation and network, where we provide active input through our representation on various committees. Eumedion represents institutional investors' interests in the field of corporate governance and related sustainability performance.
- NN IP is the sector lead for chemical companies of the [Climate Action 100+](#) and is an active member and (combined) lead investor for several electrical utility companies. We also adhere to the [ICMA Green Bond Principles](#) as we are a leading green bond investor and we partner with the [Climate Bonds Initiative](#).
- NN IP the Net Zero Asset Managers initiative. It is an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius; and to supporting investing aligned with net zero emissions by 2050 or sooner.
- NN IP also is a member of the [Farm Animal Investment Risk & Return \(FAIRR\)](#) initiative and an active member of the Dutch originated [Platform Living Wage Financials \(PLWF\)](#) that assesses and monitors investee companies on their commitment to paying a living wage to the workers in their supply chains.

For all information on NN IP's endorsement and advocacy activities, please refer to Overview of RI memberships, signatories and labels, which can be found on the [RI policies page](#) on our website.

2f What is the total number of SRI assets under the company's management?

At the end of 2020 NN IP had assets under management dedicated to sustainable and impact investments totalling 29.1 billion euro. This has been verified by an independent external auditor.

Section 3. General information about the SRI fund(s) that come under the scope of the Code

3a What is (are) the fund(s) aiming to achieve by integrating ESG factors?

ESG factors are important intangible value drivers and a key factor to identify corporate and management quality. We believe that companies that strive for high standards of corporate governance and corporate responsibility will tend to deliver long-term shareholder value over time. Integrating ESG factors enables our analysts to unlock potential value by identifying the associated opportunities and/or risks, which the fund managers then use as the basis for their investment decisions. By taking into account ESG factors we incorporate forward-looking variables and make reference to positive changes in society.

For the NN (L) Patrimonial Balanced European Sustainable fund, ESG integration is applied throughout the whole portfolio and therefore applies to both corporate and government (related) investments. The structural integration of environmental, social and governance (ESG) factors into the investment process forms the basis of our approach. This ensures we make better-informed decisions that optimise long-term risk-adjusted returns and have a positive impact on society as a whole. We are convinced of the benefits of integrating environmental, social and governance (ESG) information into the investment process. ESG is relevant because it relates to both corporate competitiveness and the strategic choices companies make. Integrating ESG factors in the financial analysis enables our analysts to unlock potential value by identifying the associated opportunities and/or risks, which we then use as the basis for their investment decisions.

3b What internal or external resources are used for ESG evaluation of the issuers who make up the investment universe of the fund(s)?

In addition to our internal ESG research, we also make use of external providers, such as Sustainalytics, Refinitiv, and ISS. This research input is available for all our investment professionals via an online web-tool, accessible with a client specific login and password. For the carbon footprint of the fund, an additional research provider is used to provide this type of information.

There is both quantitative and qualitative analysis applied by portfolio managers and analysts in the assessment of ESG factors on the business case of the company. The ESG scores and risks are integrated in the investment cases and the company's resulting ESG score is also analysed in terms of controversies and the connection to the value chain of both the company and the sector it operates in.

The investment teams has direct company contacts on sustainability issues and makes use of ESG broker reports. Meetings with NGOs also serve as an important source of ESG research. Next to this, the investment teams also cooperate closely with both the RI Team at NN IP and the Corporate Citizenship specialists within NN Group.

3c What ESG criteria are taken into account by the fund(s)?

The sub-portfolios are constructed taking into account a uniform exclusionary approach on ESG

The specialist teams target investments in companies and issuers pursuing policies of sustainable development observing environmental, social and governance principles.

Uniform exclusionary approach for corporate investments (stocks and bonds):

Investments in certain activities as well as behaviours are excluded in a uniform way throughout the portfolio.

Behaviours excluded on a total fund level are the following.

- Violation of Human Rights (UN Universal Declaration)
- Violation of UN Global Compact
- Violation of core ILO conventions (Forced labour, child labour, discrimination, freedom of association and collective bargaining)
- Violation of OECD guidelines for Multinational Enterprises (Corruption, violations of Consumer interests, environmental protection)
- Involvement in dictatorial regimes

In practise this means that we exclude corporates with a controversy score of 4 and 5 on either E, S and/or G as defined by Sustainalytics.

In exceptional cases we do have a process in place where we can override this criteria (both up- and downwards) in case we do not agree with Sustainalytics. If this occurs we have an internal ESG Controversy Council to discuss controversy that convenes at least every 2 months, and more often if required, and decides on actions like exclusions and engagement.

Activities excluded on a total fund level are the following.

- (Controversial) Weapons
- Arms trade with entities that are subject to arms embargoes
- Tobacco production
- Oil sands production & controversial pipelines
- Thermal coal mining
- Gambling & adult entertainment
- Fur & speciality leather
- Arctic drilling
- Shale oil & gas
- Nuclear energy
- (Conventional) fossil fuels

Uniform exclusionary approach regarding government and government related bond investments:

- Regarding the investments in treasuries and (government related) green bonds, countries with an D and E ESG Factors Letter Grade from Sustainalytics from the quarterly Sustainalytics Country Risk Rating Report are excluded. This approach is similar to corporate investments where also the bottom two categories from a controversy perspective are excluded.

The ESG Risk Factors Score assesses exposure to risks that can impact wealth generation and preservation of a country as well as the management of these risks. The score includes three main components; ESG performance, Trend and Events. The ESG Risk Factors Score measure and classify the ESG performance of more than 170 countries on the basis of over 25 ESG factors. The ESG Factor Score is converted into letter grades ranging from excellent to poor: A, B, C, D and E.

Sustainable Equity Portfolio

From an ESG perspective we assess companies on the following.

- Activity
- ESG factor scores / risk ratings
- ESG momentum
- ESG (controversy) behaviour
- Sustainability of business model

The above mentioned items are considered in more detail in the **security analysis process**. We focus on the materiality of ESG items on expected investment returns. In line with the outcomes of our proprietary research project with academic institute ECCE we pay particular attention to a company's **ESG momentum** and **controversy behaviour**.

- Portfolios which include companies with an average but clearly **improving ESG score** achieve above-average and statistically significant results, leading to improved Sharpe ratios.;
- Portfolios that **exclude** companies with heavy **controversies** also produce better performances.

We select on forward looking ESG momentum by taking the intentionality of the business model or product sustainability into account. We believe that these ESG factors are the most material ones and that their predictive power remains a source of alpha. As momentum is about positive change, this best-in-class approach contributes to the financing of the transition towards a more sustainable society.

Furthermore, we seek more resource efficient companies, which is highlighted by a lower carbon intensity and waste intensity versus the index (MSCI World (Net)). For this we make use of ISS Ethix, a specialist research provider on carbon footprint, and Refinitiv for waste and water use data.

Sustainable Treasuries

We apply an ESG threshold score to determine the investment universe. As mentioned previously countries with a D and E ESG Factor Letter Grade from Sustainalytics from the quarterly Sustainalytics Country Risk Rating Report are excluded.

ESG factors like corruption perception, ease of doing business, human development, rule of law, environmental emergencies and disasters are taken into account as they determine how a country deals with future challenges. The ESG factors are used to determine the country's ability to utilize and manage its national wealth (natural and produced capital, human capital, and institutional capital).

Sustainable Credit Portfolio

Bonds in this part of the portfolio are eligible if they pass the exclusion policy mentioned earlier in this document

To preserve a broad credit investment universe we do not apply an ESG "best-in-class" issuer screening. However ESG assessment is fully integrated in our bottom-up fundamental credit analysis performed by our Credit analysts, using several sources of ESG data and performing their own qualitative ESG assessment to arrive to a final Credit score on each issuer. Furthermore in line with the equity investments we aim to identify companies that benefit from broad ESG themes and focus on companies with improving ESG profile.

This ESG assessment is incorporated in all of our credit analysis, as ESG factors influence corporate creditworthiness (profitability, competitive advantage, legal & reputational risk) and, therefore, poor ESG performance can also lead to higher debt costs and lower credit ratings.

Our Credit Score Card summarises the fundamental credit analysis of each selected issuer, resulting in a NN IP Rating for the issuer. The research conducted is based on the following research principles.

- Every credit view is based on our own proprietary analysis
- Agency credit ratings are used as a source of information
- Our analysis is based on both quantitative & qualitative indicators.
- Our analysis is based on both current strength & credit outlook
- ESG factors fully integrated in our analysis
- Aligned with NN Defence Policy & UN PRI

Green Bond (government related) Portfolio

Bonds in this part of the portfolio are eligible if they pass the exclusion policy mentioned earlier in this document. Furthermore the issuer analysis conducted is fully aligned with the process mentioned above (Sustainable Credits). Here also the same PMs and analysts are involved.

Additionally, and as a starting point in our investment process for this part of the portfolio, we first determine what we define as a green bond.

We have three steps to determine the eligibility of our green bond universe. Our methodology defines a bond as 'green' when its positive impact on the environment aligns with the Paris Climate agreement (maximum 2-degree temperature rise by 2100 versus 1880):

- **Step 1 - Alignment with the Green Bond Principles ("GBP").**
Each green bond has to align with all the four principles defined by the GBP:
 - **Use of Proceeds:** 90% of the proceeds have to be used for alternative energy, energy efficiency, pollution prevention and control, sustainable water, green buildings, low-carbon transport or other green categories. The use of a second party opinion and/or CBI certification is strongly preferred, Controversial sectors are excluded (e.g. Tobacco, Fossil fuels, nuclear, etc.)
 - **Project Evaluation:** there must be a clear process how to identify projects and which criteria are being used
 - **Management of Proceeds:** proceeds must be separated from the general account of the issuer such that all times proceeds are traceable
 - **Reporting:** the issuer must at least once a year report on the proceeds of the green bond. Using environmental Key Performance Indicators (eKPIs) as defined by the GBP is strongly preferred. Third party auditing of this report is strongly preferred.
- **Step 2 - Alignment with the Climate Bond Initiative (CBI) taxonomy.**
The Climate Bond Initiative has defined minimum sector criteria for an issuer to align the impact of a green bond with the maximum temperature rise of two degrees by 2100. NN IP has access to all these sector criteria and the database which CBI is keeping track according to its own taxonomy. NN IP assess how green bonds compare to the CBI taxonomy.
- **Step 3 - ESG profile of the issuer.**
To avoid greenwashing, NN IP also considers the profile of the issuer. ESG-controversies and scorings are considered. Also, it is very common to have a personal call or meeting with the issuer on these topics.

3d What principles and criteria linked to climate change are taken into account in the funds?

NN IP is committed to the Paris Agreement and the funds exclude the following activities which have a clear negative impact on global warming: next to the firm wide restrictions on thermal coal mining, oil sands exploration and controversial pipelines there are specific restrictions for these funds; Arctic drilling and shale oil and gas exploration.

This is more elaborately described in the [NN IP RI Viewpoint policy](#).

The NN (L) Patrimonial Balanced European Sustainable is a diversified fund.

The fund measures the carbon footprint and aims for a lower carbon footprint than the benchmark, reflected in the individual asset classes of the fund.

For the equity part of the portfolio:

the fund invest in sustainable solutions that are, amongst others, linked to renewable and cleaner forms of energy and clean mobility.

For the Credit part of the portfolio:

No particular climate change principles and criteria exist, other than the criteria already described in 3c, which includes for example the exclusion of oil sands.

For the Green Bond part of the portfolio:

By design Green Bond have a focus on environmental impact. The three steps that determine the eligibility of our green bond universe – as described in 3c – are therefore directly or indirectly related to climate change. For us, it is of vital importance to look at both the issue and the issuer to determine whether the bonds qualify for our fund, not solely relying on the 'label' or second-party opinions. The external criteria we take into account are the Green Bond Principles and alignment with the CBI taxonomy.

Illustrating the importance of climate change to the Green Bond part of the portfolio, our Green Bond fund has been awarded with the GreenFin label. The GreenFin certification is focused on financing energy transition, ensuring transparency and quality of the environmental characteristics of the investments.

3e What is the ESG analysis and evaluation methodology of the fund manager/fund management company (how is the investment universe built, what rating scale is used etc.)?

For the equity part of the portfolio of the NN (L) Patrimonial Balanced European Sustainable the following holds: we believe our added value lies in identifying long-term winners through proprietary fundamental bottom-up stock picking, focusing on sustainable business models and material ESG aspects that are often overlooked by the broader market.

We make use of fully integrated ESG research, to benefit from the market's inability to correctly price/value ESG behaviour and risks, and its effect on long-term value creation. Material ESG factors have a strong influence on intrinsic company values which are often not fully recognised by the market. They help in identifying corporate opportunities, threats, strengths and weaknesses. Our ESG approach, in combination with applying the latest research insights, contribute to generating a complete, and in our view, superior fundamental analysis of corporations.

Avoiding controversial ESG behaviours is also a source of financial value creation, through the elimination of tail risks, and thus a factor in improving the Sharpe ratio (as was evidenced by the findings of our joint research project with academic institute ECCE).

Finally, we focus on the direction of the abovementioned ESG and financial metrics. For example, positive fundamental financial momentum and positive ESG momentum. These are leading indicators

of future financial outperformance (another outcome of our ECCE academic research project).

Credit & Green Bond part of the portfolio:

As an integral part of our credit research process, ESG analysis is carried out by NN IP's credit analysts. Analysts have access to the ESG database, which includes information on how each company scores on different ESG factors compared to its sector average, and if there are any structural issues or controversies from an ESG perspective. The analysts incorporate the results of their analysis into credit research templates, called company score cards, ensuring that they have looked at all material aspects. The ESG factors covered include amongst others environmental damage and climate change, corruption, human rights, health and safety, as well as good corporate governance.

3f How often is the ESG evaluation of the issuers reviewed? How are any controversies managed?

All company profiles are fully updated at least once a year by our internal ESG research and via our partnerships with various external providers, such as Sustainalytics, Refinitiv and ISS. This is continuously monitored by our internal research team. There are additional monitoring of media and news sources that result in monthly updates of all companies when relevant and are subsequently distributed via an alert service.

Regarding funds, the holdings are subjected to ongoing day-to-day monitoring.

If a company becomes active in a sensitive country (e.g. Sudan), or gets seriously involved in controversies such as those relating to human rights issues, or fails to comply with our restrictions criteria, then the company might be subject to exclusion, or will be engaged upon.

The occurrence of controversies is addressed in the Controversy and Engagement Council. This Council has an advisory role to the ESG Committee, and meets every month to discuss engagement activities, the progress made and next steps to achieve the engagement milestones. The Council is chaired by the Responsible Investment team, and several portfolio managers and analysts are a member of this council. When a severe controversy is signalled, the issuer will be added to the agenda for discussion during the next Council Meeting, which usually takes place every 2 months. Of course, the PMs can already act upon the new information instantly if they deem this appropriate.

The ESG Committee is chaired by NN IP's CIO and composed of the Responsible Investment Team and managers representing NN IP's business segments as well as a representative from NN's Investment Office and Corporate Citizenship department. The ESG committee meets on a quarterly basis, discusses all relevant developments and decides on firm-wide exclusions.

The Exclusion List of companies is updated quarterly.

Section 4. Investment process

4a How are the results of the ESG research integrated into portfolio construction?

For the NN (L) Patrimonial Balanced European Sustainable fund, ESG integration is applied throughout the whole portfolio and therefore applies to equity, corporate and government (related) investments. The structural integration of environmental, social and governance (ESG) factors into the investment process forms the basis of our approach. This ensures we make better-informed decisions that optimise long-term risk-adjusted returns and have a positive impact on society as a whole. We are convinced of the benefits of integrating environmental, social and governance (ESG) information into the investment process. ESG is relevant because it relates to both corporate competitiveness and the strategic choices companies make. Integrating ESG factors in the financial analysis enables our analysts to unlock potential value by identifying the associated opportunities and/or risks, which we then use as the basis for their investment decisions.

Equity part of the portfolio:

After applying our norms-based restrictions criteria, the investment universe is subjected to our financial criteria (using our proprietary ranking and financial analysis tool). This ranking tool is used to prioritise bottom-up research, including three main screens on Valuation, Quality and Momentum.

Credit & Green Bond part of the portfolio:

As described in question 3e, ESG analysis is carried out by NN IP's equity analysts, and credit analysts as an integral part of our credit research process.

The portfolio managers use credit analysts' input in their decision making. It is fully integrated into the investment process and ESG is taken into account in every investment decision.

4b How are criteria specific to climate change integrated into portfolio construction?

NN IP is committed to the Paris Agreement and the funds exclude certain activities which have a clear negative impact on global warming. These include, alongside firm-wide restrictions on thermal coal mining, oil sands exploration, controversial pipelines, arctic drilling and shale oil and gas exploration.

In other sectors the analysts and portfolio managers analyse the role of the sector and company in the energy transition and analysts take a close view on the value chain of the companies. In our engagement the topic of climate change risk assessment is also specifically addressed.

In general the fund measures the carbon footprint and aims for a lower carbon footprint than the benchmark, reflected in the individual sleeves of which the fund consists.

4c How are issuers that are present in the portfolio, but not subject to ESG analysis evaluated (not including mutual funds)?

All issuers present in the portfolio are subject to ESG due diligence before they are admitted into the portfolio.

4d Has the ESG evaluation or investment process changed in the last 12 months?

Together with our Responsible Investment team, we are continuously improving our ESG evaluation process.

4e Is a part of the fund(s) invested in entities pursuing strong social goals/social enterprises (impact investing)?

This approach is included in the portfolio through the investment in 'green bonds'. Here we select bonds that have a measurable positive environmental impact and offer attractive financial returns.

Using this approach we define a bond as 'green' when its positive impact on the environment is high such that temperature rise aligns with the Paris Climate agreement (maximum 2 degree temperature rise by 2100 versus 1880). We assess:

- If the green bond is in alignment with the Climate Bond Initiative (CBI) taxonomy which has defined minimum sector criteria for an issuer to align the impact of a green bond with the maximum temperature rise of two degrees by 2100;
- If the green bond is issued in alignment with the Green Bond Principles. For example one of the principles states that at least 90% of the proceeds have to be used for alternative energy, energy efficiency, pollution prevention and control, sustainable water, green buildings, low-carbon transport or other green categories;
- Next to that to avoid greenwashing we consider the ESG profile of the issuer as well.

4f Does (do) the fund(s) engage in securities lending activities?

No, the funds do not engage in securities lending activities.

4g Does (do) the fund(s) use derivative instruments?

The NN (L) Patrimonial Balanced European Sustainable fund make use of derivative instruments, for duration management.

4h Does (do) the fund(s) invest in mutual funds?

The fund do not invest in mutual funds.

Section 5. ESG Controls

5a What internal and/or external control mechanisms are in place to ensure compliance of the portfolio with the ESG rules on managing the fund(s) as defined in section 4?

The holdings within the funds are subject to continuous monitoring. Portfolio managers and analysts are responsible for conducting the checks. On a continuous basis, analysts provide portfolio managers with an update of the ESG profile of all companies covered. This generally includes the ESG score, controversy and ESG momentum. Consequently, they monitor whether any material changes took place. In addition, portfolio managers and analysts continuously monitor if a significant event could have a material impact on a company's analysis. The NN IP Controversy and Engagement Council also monitors controversies and the progress of the engagement with companies.

Representatives of the funds are members of the Council.

If a company does not comply any more with one or more of our criteria - this could for example happen if a company extends its activities by acquiring another company active in an area, which is excluded from our universe, e.g. nuclear energy (applicable to our SRI equity funds) - then the strategy would redeem its position in the company. The portfolio managers will proceed within six months. This time frame allows to take all elements into consideration to execute the transactions (amongst others the situation in financial markets).

Another reason for disinvestment would be if a company suddenly becomes active in a sensitive country (e.g. Sudan), or gets seriously involved in controversies, such as those relating to human rights issues.

The fund is also audited on its ESG criteria on an annual basis by an external independent auditor.

The portfolio management activity is also monitored by:

- The front office compliance tools which are set to prevent ineligible instruments to enter the portfolio
- The monthly internal portfolio diagnostic report which gathers all risk inherent to the portfolios
- NN IP's Management Team Investments which regularly monitors the investment approach, esg integration, implementation, risk management, and risk budgets. If necessary it will intervene and address current or potential issues.

The NN (L) Patrimonial Balanced European Sustainable is among the few diversified strategy, in their respective categories, to be awarded the SRI Label from the ministère de l'Économie et des Finances in France, which recognises the fund's standards in term of transparency and extra-financial analysis. Next to this label the above strategy also received the Belgian Towards Sustainability label.

Section 6. Impact measures and ESG Reporting

6a How is the ESG quality of the fund(s) assessed?

For this strategy , we exclude all controversies 4 and 5 based on Sustainalytics' assessment of controversies.

For Equity and Credit parts of the portfolio, we monitor the weight of the different controversy categories in our funds versus the benchmark.

We also measure the carbon footprint of our investments and have developed a proprietary ESG score, which allow us to compare the fund to the benchmark based on this metric.

Regarding the Green Bond part of the portfolio, we measure amongst others the CO2 emissions saved per € 1m invested in the fund and many details on the green bond projects, which can differ per sector.

6b What ESG indicators are used by the fund(s)?

For indicated fund, we determine the relative position of companies in their sectors by using Sustainalytics scores and our internal analysis based on ESG criteria. These ESG scores are mainly based on risks that a certain company faces and needs to manage.

6c What communication resources are used to provide investors with information about the SRI management of the fund(s)?

In the monthly report – the Strategy Briefs - of our funds, we describe the ESG characteristics of the funds. In our balanced sustainable fund strategy briefs, we show:

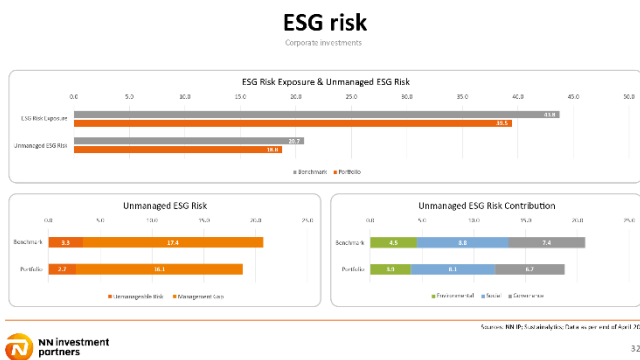
- the UN sustainable Development Goal exposure
- Carbon footprint vs benchmark
- Carbon intensity vs benchmark
- Waste footprint vs benchmark
- Waste intensity vs benchmark
- Annual Green House Gas Emissions Avoided (tons CO2)

On top of that, we describe our strategies on the website and regularly share articles or publications that provide insights on the market in general or the strategy in particular. Please find below the list of documents and links where you can find further information on NN IP RI approach:

- [NN IP - About Responsible Investing](#)
- [NNIP Responsible Investment Framework Policy](#)
- [UN PRI: RI transparency Report](#)
- [NN IP Annual RI Report](#)
- [Dedicated fund pages.](#)

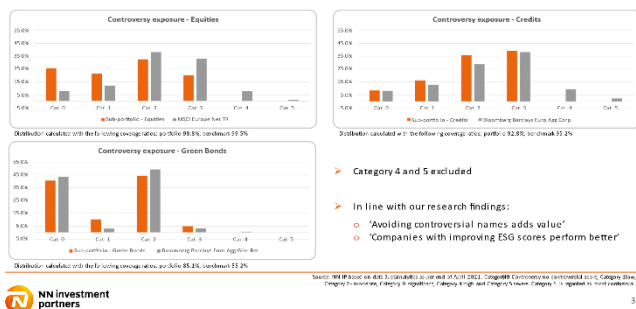
At the reporting level, on a monthly basis, we report on the following indicators:

ESG risk:



ESG controversies:

Positioning – ESG controversies (end of April 2021)



Definitions of key terms used in the Code

Term	Definition
Divestments	Companies that are sold from the fund portfolio.
ESG	Environment, Social and Governance
Engagement	A long-term process of dialogue with companies by investors which seeks to positively influence company behaviour in relation to their social, ethical, governance and environmental practices. This includes vote at AGM, filing or co-filing shareholder proposals, asking questions at AGM, collaborative engagement initiatives, individual company contact and dialogue with policy makers and industry organisations.
Exclusion	The exclusion of sectors or companies from a fund if involved in certain activities based on specific ESG criteria.
Fund manager	The entity responsible for overall management of the fund.
Fund(s)	A legal entity, the purpose of which is solely the acquisition of portfolio investments. This also includes compartments and sub-funds.
Fund Purpose	The spirit and overall focus of the fund, but not the investment criteria employed.
Holdings	Equities and/or bonds of companies that collectively comprise the fund portfolio.
Portfolio	A collection of investments managed by the fund manager.
Signatories	Fund(s) and/or fund manager that commits to disclose SRI information in line with the Code.
SRI	SRI, a generic term covering sustainable, responsible, ethical, environmental, social investments and any other investment process that integrates financial analysis with the influence of environmental, social and governance (ESG) issues. It includes an explicit written policy to make use of ESG criteria. NN IP uses RI as a term.
Voting Policy	Policy of a fund to exercise its voting rights as investors to influence company behaviour.

About Eurosif

EUROSIF, the European Sustainable Investment Forum, is the pan-European network whose mission is to address sustainability through the financial markets. Eurosif works as a partnership of the national Sustainable Investment Forums (SIFs) within the EU and with the support and involvement of Member Affiliates. Recognised as the premier European forum for sustainable investment, Eurosif's Member Affiliates are drawn from leading pension funds, asset managers, NGO's, trade unions, academic institutes and research providers, together representing assets totalling over €1 trillion. Eurosif's work includes a focus across asset classes - equity and fixed income markets, microfinance, renewable energy, property, private equity and hedge funds - all centred around the industry trends and future legislation affecting this space. The key benefits that Eurosif affiliate members receive include EU interfacing, SRI information and European wide initiatives that integrate Environmental, Social and Governance (ESG) issues into the financial services sector. For the full list of Eurosif Member Affiliates, please see www.eurosif.org.

National social/sustainable investment forum to date include:

- Belsif, Belgium
- Dansif, Denmark
- FNG – The German, Austrian and Swiss Sustainable Investment Forum
- Forum per la Finanza Sostenibile, Italy
- Forum pour l'Investissement Responsable, France
- Norsif, Norway
- Spainsif, Spain
- Swesif, Sweden
- UKSIF, UK
- VBDO (Vereniging van Beleggers voor Duurzame Ontwikkeling), The Netherlands

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