

# European SRI Transparency Code

NN Equity Investment Fund • NN Duurzaam Aandelen Fonds • NN (L) Global Sustainable Equity • NN (L) European Sustainable Equity • NN Europa Duurzaam Aandelen Fonds • NN Global Sustainable Opportunities Fund • NN (L) Global Equity Impact Opportunities • NN (L) Health & Well-Being • NN (L) Climate & Environment • NN (L) Smart Connectivity • NN Enhanced Index Sustainable Equity • NN Enhanced Index Emerging Markets Sustainable Equity • NN Enhanced Index Europe Sustainable Equity • NN Enhanced Index North America Sustainable Equity



## 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. This is our tenth statement of commitment and covers the period January 2019 to December 2019. Our full response to the European SRI Transparency Code can be accessed below and is available on our web site [www.nnip.com](http://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 Equity Investment Fund, NN Duurzaam Aandelen Fonds, NN (L) Global Sustainable Equity, NN (L) European Sustainable Equity, NN Europa Duurzaam Aandelen Fonds, NN Global Sustainable Opportunities Fund, NN (L) Global Equity Impact Opportunities, NN (L) Health & Well-Being, NN (L) Climate & Environment, NN (L) Smart Connectivity, NN Enhanced Index Sustainable Equity, NN Enhanced Index Emerging Markets Sustainable Equity, NN Enhanced Index Europe Sustainable Equity, and NN Enhanced Index North America Sustainable Equity

December 2020

## Section 1. List of funds covered by the Code

Several/many SRI funds invest in the same asset class and share both a dominant SRI strategy and the same methodology. Such funds can be grouped into the same application to sign up to the Code.

- **NN Equity Investment Fund**
- **NN Duurzaam Aandelen Fonds**
- **NN (L) Global Sustainable Equity**
- **NN (L) European Sustainable Equity**
- **NN Europa Duurzaam Aandelen Fonds**
- **NN Global Sustainable Opportunities Fund**
- **NN (L) Global Equity Impact Opportunities**
- **NN (L) Health & Well-Being**
- **NN (L) Climate & Environment**
- **NN (L) Smart Connectivity**
- **NN Enhanced Index Sustainable Equity**
- **NN Enhanced Index Emerging Markets Sustainable Equity**
- **NN Enhanced Index Europe Sustainable Equity**
- **NN Enhanced Index North America Sustainable Equity**

### **NN Enhanced Index North America Sustainable Equity**

#### **NN Equity Investment Fund**

Domiciled: The Netherlands

ISIN Codes: NL0000286318

EUR 714 mln AUM as of 31 December 2019

Benchmark: MSCI World DM Index

Inception date: 1 February 2000

3 Portfolio managers

9 ESG Specialists

Team of 9 analysts (7 equity analysts + 2 data scientists)

### **NN Duurzaam Aandelen Fonds**

Domiciled: The Netherlands

ISIN Codes: NL0006311789 - NL0010623039 - NL0010157459

EUR 2,153 mln AUM as of 31 December 2019

Benchmark: MSCI World DM Index

Inception date: 31 May 2000

3 Portfolio managers

9 ESG Specialists

Team of 9 analysts (7 equity analysts + 2 data scientists)

### **NN (L) Global Sustainable Equity**

Domicile: Luxembourg

ISIN Codes: P Capitalisation LU0191250769

P Distribution LU0119216710

I Capitalisation LU0119216553

X Capitalisation LU0121204431

EUR 1,993 mln AUM as of 31 December 2019

Benchmark: MSCI World DM Index

Inception date: 31 July 2000

3 Portfolio managers

9 ESG Specialists

Team of 9 analysts (7 equity analysts + 2 data scientists)

### **NN (L) European Sustainable Equity**

Domicile: Luxembourg

ISIN Codes: P Capitalisation LU0991964320

I Capitalisation LU0991964247

EUR 388 mln AUM as of 31 December 2019

Benchmark: MSCI Europe DM Index

Inception date: 19 December 2013

3 Portfolio managers

9 ESG Specialists

Team of 9 analysts (7 equity analysts + 2 data scientists)

### **NN Europa Duurzaam Aandelen Fonds**

Domicile: The Netherlands

ISIN Codes: NL0010583423

EUR 720mln AUM as of 31 December 2019

Benchmark: MSCI Europe DM Index

Inception date: 1 October 2005

3 Portfolio managers

9 ESG Specialists

Team of 9 analysts (7 equity analysts + 2 data scientists)

### **NN Global Sustainable Opportunities Fund**

Domiciled: The Netherlands

ISIN Codes: NL0009265404

EUR 254 mln AUM as of 31 December 2019

Inception date: 2 April 2001

2 Portfolio managers

9 ESG Specialists

Team of 9 analysts (7 equity analysts + 2 data scientists)

### **NN (L) Global Equity Impact Opportunities**

Domiciled: Luxembourg

ISIN Codes: LU0250161907

EUR 314 mln AUM as of 31 December 2019

Inception date: 24 April 2006

2 Portfolio managers

9 ESG Specialists

Team of 9 analysts (7 equity analysts + 2 data scientists)

### **NN (L) Health & Well-Being**

Domiciled: Luxembourg

ISIN Codes: LU0119214772

EUR 134 mln AUM as of 31 December 2019

Inception date: 6 December 2019

2 Portfolio managers

9 ESG Specialists

Team of 9 analysts (7 equity analysts + 2 data scientists)

### **NN (L) Climate & Environment**

Domiciled: Luxembourg

ISIN Codes: LU0332194231

EUR 89 mln AUM as of 31 December 2019  
Inception date: 6 December 2019

2 Portfolio managers  
9 ESG Specialists  
Team of 9 analysts (7 equity analysts + 2 data scientists)

**NN (L) Smart Connectivity**

Domiciled: Luxembourg  
ISIN Codes: LU0242142221  
EUR 183 mln AUM as of 31 December 2019  
Inception date: 6 December 2019

2 Portfolio managers  
9 ESG Specialists  
Team of 9 analysts (7 equity analysts + 2 data scientists)

**NN Enhanced Index Sustainable Equity**

Domiciled: The Netherlands, Luxembourg  
ISIN Codes: T Capitalisation NL0009712488  
I Distribution NL0012125728  
A – P Capitalisation NL0012125736  
Lux share class LU2037300980  
EUR 3,913mln AUM as of 31 December 2019  
Benchmark: MSCI World DM Index  
Inception date: 27 April 2011

Co-managed in partnership with Irish Life Investment Managers

**NN Enhanced Index Emerging Markets Sustainable Equity**

Domiciled: The Netherlands, Luxembourg  
ISIN Codes: Dutch share class NL0006311771  
Lux share class LU0051128774  
EUR 720mln AUM as of 31 December 2019  
Benchmark: MSCI EM Index  
Inception date: 1 February 2019

Co-managed in partnership with Irish Life Investment Managers

**NN Enhanced Index Europe Sustainable Equity**

Domiciled: Luxembourg  
ISIN Codes: LU2037300550  
EUR 27mln AUM as of 31 December 2019  
Benchmark: MSCI Europe DM Index  
Inception date: 1 October 2019

Co-managed in partnership with Irish Life Investment Managers

**NN Enhanced Index North America Sustainable Equity**

Domiciled: Luxembourg  
ISIN Codes: LU2037301368  
EUR 26mln AUM as of 31 December 2019  
Benchmark: MSCI North America Index  
Inception date: 1 October 2019

Co-managed in partnership with Irish Life Investment Managers

## 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)**

Schenkkade 65  
Postbus 90470  
2509LL, The Hague  
The Netherlands  
[www.nnip.com](http://www.nnip.com)  
[info@nnip.com](mailto:info@nnip.com)

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

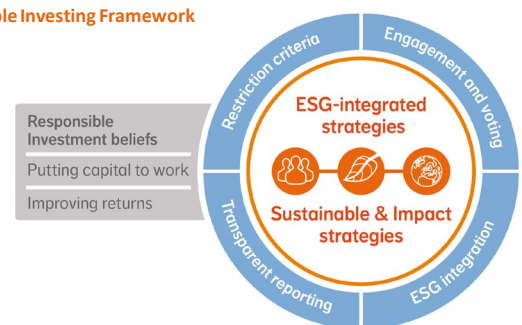
Responsible Investing is a key investment belief at NN Investment Partners (NN IP). We provide investment management services to a wide range of clients and we seek to invest their assets responsibly and with integrity, with a full understanding of the opportunities and risks involved.

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 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 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 and senior representatives of business segments of NN IP 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
4. Reducing the CO2 footprint of our portfolio
5. We take an engagement-led (dis)investment approach in stimulating the transition to a low carbon economy
6. 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 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 assess and monitor 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.

### **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 bn 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 Enhanced Index funds, the ESG criteria implementation approach is rules-based and screens out negative impacts on sustainable development, while increasing the universe for companies that make an effort in and contribute to sustainable development.

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

The fund manager is mainly using an external independent sustainable research provider, Sustainalytics, which provides information on ESG performance and risks of companies. 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 have 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 NN Equity Investment fund, NN Duurzaam Aandelen Fonds, NN (L) Global Sustainable Equity, NN (L) European Sustainable Equity and NN Europa Duurzaam Aandelen Fonds are equity funds which apply the following ESG approach:

- Search for sustainable business models
- Exclusion: normative, activities, behaviours
- ESG integration
- Engagement
- ESG momentum.

The NN Global Sustainable Opportunities Fund and the NN (L) Global Equity Impact Opportunities are multi-thematic impact funds which invest in companies that have a positive environmental and societal impact. The funds apply the following ESG approach:

- Positive impact selection
- Exclusion: normative, sector, activities, behaviours
- ESG integration
- Engagement
- Link to the UN SDGs.

The NN (L) Health & Well-Being, NN (L) Climate & Environment and NN (L) Smart Connectivity funds are thematic impact funds that aim to invest in companies that are set to benefit from different long-term societal trends while supporting several UN SDGs. The funds apply the following ESG approach:

- Positive impact selection
- Exclusion: normative, sector, activities, behaviours
- ESG integration
- Engagement
- Link to the UN SDGs.

The NN Enhanced Index Sustainable Equity, NN Enhanced Index EM Sustainable Equity, NN Enhanced Index Europe Sustainable Equity and NN Enhanced Index North America Sustainable Equity funds are all passive equity funds. They seek to track a mainstream index as a base, but diverge from the mainstream index by applying further sustainability screens based on behaviour-based restrictions criteria, carbon emission and policy measures, as well as governance measures. The funds apply the following ESG approaches:

- Exclusion: normative, sector, activities, behaviours
- Positive inclusion based on carbon emission measures and reduction ambition and corporate governance strength
- Voting and engagement.

### **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.

We use the restrictions and thresholds of the Belgian 'Towards Sustainability' label as a reference for our restrictions.

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

The NN Equity Investment, NN Duurzaam Aandelen Fonds, NN (L) Global Sustainable Equity, NN (L) European Sustainable Equity and NN Europa Duurzaam Aandelen Fonds are equity funds which invest in sustainable solutions that are, amongst others, linked to renewable and cleaner forms of energy and clean mobility.

The NN (L) Climate & Environment Fund invests in companies that offer solutions to reduce the stress on our global ecosystem and help to stay within planetary boundaries. The fund invests to deliver a positive contribution to six SDGs which are relevant for achieving the most important environmental targets, by striving for the following four goals:

- Water management
- Food sufficiency
- Energy transition
- Circular economy.

In our view, companies that provide solutions to one or more of these goals are well positioned to benefit from the underlying trends, such as:

- Climate change mitigation
- Managing resource scarcity
- Reducing pollution (CO<sub>2</sub>, water and waste).

The NN Global Sustainable Opportunities Fund and the NN (L) Global Equity Impact Opportunities Fund are multi-thematic impact funds which have 'diminishing the stress on the ecosystem' as one of its three main themes. Within that theme we explicitly select companies which provide solutions to the climate challenge. This is linked to a number of SDGs, such as #6 (Clean Water and Sanitation), #7 (Affordable and Clean Energy), #11 (Sustainable Cities and Communities), #12 (Responsible Consumption and Production) and #13 (Climate Action).

The NN Enhanced Index Sustainable Equity Fund, the NN Enhanced Index EM Sustainable Equity, the NN Enhanced Index Europe Sustainable Equity and the NN Enhanced Index North America Sustainable Equity funds aim to:

- avoid investing in the highest carbon emitters, while at the same time
- financing the transition to a low carbon economy by investing in high emitters with the most ambitious carbon reduction ambitions and results, thanks to our positive inclusion approach.

**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 NN Equity Investment Fund, NN Duurzaam Aandelen Fonds, NN (L) Global Sustainable Equity, NN (L) European Sustainable Equity and NN Europa Duurzaam Aandelen Fonds 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).

On top of the company-wide activity restrictions, the strategy additionally restricts activities in: firearms & military contracting, nuclear energy, gambling, adult entertainment, fur and specialty leather and unconventional oil and gas including arctic drilling. The strategy also excludes companies fundamentally engaged in businesses that contravene generally accepted values and standards: violation of the Universal Declaration of Human Rights, violation of the core ILO conventions, violation of OECD Guidelines for Multinational Enterprises and involvement in dictatorial regimes.

For NN Global Sustainable Opportunities Fund, NN (L) Global Equity Impact Opportunities fund, NN (L) Health & Well-Being, NN (L) Climate & Environment and NN (L) Smart Connectivity, we invest from a focused positive and inclusive approach in companies that make a positive social or environmental impact, alongside a financial return. By definition, the strategy has a strong focus on ESG. ESG factor analysis is integrated in both the impact validation and valuation assessment of target stocks.

When it comes to restrictions for the NN Enhanced Index Sustainable Equity Fund range, the focus is on behavioural criteria carbon emissions scores and governance scores. Those determine the viable universe of stocks to be invested in.

**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 Sustainability and 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 is subject to exclusion. The Exclusion List of companies is updated quarterly. Furthermore, during the first five years of existence of the strategy, an independent Advisory Board has also helped our RI strategies in further deepening and extending knowledge on ESG topics and criteria.

## Section 4. Investment process

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

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.

Changes in the portfolio are communicated to investors on a monthly basis.

In 2019, NN IP decided to also formally restrict companies involved in shale oil and gas in its sustainable and impact equity funds. Producing shale oil and gas is traditionally more expensive than conventional oil and gas, and has a far more destructive impact on the environment.

The NN Global Sustainable Opportunities Fund, NN (L) Global Equity Impact Opportunities, NN (L) Health & Well-Being, NN (L) Climate & Environment and NN (L) Smart Connectivity funds invest in companies that have a positive societal impact. The first step of the investment process is therefore to identify impact themes. These relate to people, planet and prosperity. Target companies within these themes should also have an appropriate ESG record or exhibit good ESG momentum. ESG factor analysis supports impact validation as well as financial valuation. As engagement is a key element of the investment process, investee companies also need to demonstrate a willingness to (further) improve their ESG profile.

The NN (L) Health & Well-Being, NN (L) Climate & Environment and NN (L) Smart Connectivity funds follow the same process, but are each focused on a specific set of long-term environmental trends, organised along four tailored goals for each fund:

- NN (L) Health & Well-Being: decent living standards, fit body & mind, affordable healthcare and financial inclusion
- NN (L) Climate & Environment: water management, food sufficiency, energy transition and circular economy
- For NN (L) Smart Connectivity: enhanced productivity, resilient infrastructure, better knowledge and safe society.

### 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 addressed.

### 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?

The ESG evaluation or investment process has not changed in the last 12 months, for any of the products in scope.

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

NN Global Sustainable Opportunities Fund, NN (L) Global Equity Impact Opportunities fund, NN (L) Health & Well-Being, NN (L) Climate & Environment and NN (L) Smart Connectivity are thematic funds which invest in companies that have a positive societal impact.

The aim is to invest in innovative solutions that are valuable for society and shareholders, in order to make a meaningful contribution to solving the world's biggest challenges and achieving an attractive financial return.

The screening process involves:

- 1) positive impact screening, by filtering our proprietary impact database according to impact theme
- 2) financial quality screening, by focusing on companies with strong and innovative business models leading to high and sustainable CFROIs
- 3) fundamental analysis, by review impact and fundamentals through value chain and business model analysis.

A high conviction portfolio is then constructed.

### 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?

For all the funds in scope, they did not use derivative instruments in 2019.

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

The funds 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, implementation, risk management, and risk budgets. If necessary it will intervene and address current or potential issues.

The NN (L) Global Sustainable Equity and NN (L) European Sustainable Equity funds are among the few equity strategies, in their respective categories, to be awarded the ESG Label from Luxflag in Luxembourg, which recognises the fund's standards in term of transparency and extra-financial analysis. Next to this label the above strategies also have the Belgian Towards Sustainability label.

## Section 6. Impact measures and ESG Reporting

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

We monitor the weight of the different controversy categories in our funds versus the benchmark. For our sustainable equity funds, we exclude all controversies 4 and 5 based on Sustainalytics' assessment. We are in the process of measuring the carbon footprint of these funds and are developing a proprietary ESG score, which will allow us to compare the fund to the benchmark based on this metric.

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

For most of the indicated funds, 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.

The NN Enhanced Index Sustainable Equity Fund range has a specific focus on behavioural criteria (ISS ESG), carbon emissions scores (Refinitiv) and governance scores (Sustainalytics). Those determine the viable universe of stocks to be invested in.

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

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.](#)

### 6d Does the fund management company publish the results of its voting and engagement policies?

Yes, see NN IP Annual RI Report 2019 on pages 16-19 on our voting activities and pages 20-25 on our engagement activities. We also publish our voting policy and our engagement approach is publicly available on our website and [the Glass Lewis portal](#).



### 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](http://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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