

NN (L) Global Sustainable Equity

SRI approaches used as part of the overall investment process

SRI as part of our investment beliefs

The NN European Sustainable Equity strategy is a fundamental, bottom-up driven, focused high conviction strategy investing in sustainable quality compounders.

We believe our added value lies in identifying long-term winners through proprietary in-depth analysis, focusing on sustainable business models and material ESG aspects that are often overlooked by the broader market.

We add value by focusing on the power of compounding, searching for companies with a sustainable competitive advantage in economic factors and ESG behaviour

The incorporation of ESG factors in our investment processes is based on the following beliefs:

1. *We believe that the integration of ESG research in the investment analysis can help mitigate risks to enhance the risk-return profile as integrating ESG factors enables better investment decision making*
2. *We believe that ESG factors can be used as an additional source of return in the investment process*
3. *We believe that financial returns and environmental and social returns can go hand-in-hand as ESG investing does not necessarily come at a cost*
4. *We believe that engaging with our investees is a powerful instrument to foster change*

We believe that sustainability is an important intangible value driver and a key factor in identifying corporate quality. ESG factors strongly relate to a better control of future costs, advanced branding, revenue opportunities and lower likelihood of significant reputational damage. ESG factors have, therefore, a strong influence on intrinsic company values that are often not fully recognised by the market. These factors help identify corporate opportunities, threats, strengths and weaknesses and help generate a complete, and in our view, superior analysis of corporations.

SRI approaches used as part of the investment process

Our multi-year academic research cooperation with ECCE (The European Centre for Corporate Engagement (ECCE) at Maastricht University's School of Business and Economics) on the relationship between ESG characteristics and investment returns provide us with unique insights on which our beliefs are founded:

- Portfolios that include companies with an average but clearly improving ESG score show above-average and statistically

significant results;

- Portfolios that exclude companies with serious ESG controversies produce better performances.

As a result – next to financial analysis - we apply the following ESG driven approaches in our investment processes:

1. **Active ownership – engagement and voting to foster change and encourage better corporate behaviour**

We are convinced that engagement is one of the best ways to stimulate corporate change. Constructive and regular dialogue on material issues enables us to help the companies in which we invest to tackle a wide range of issues and adapt business strategies to improve their ESG performance. Voting and engagement activities enable us to use our influence to generate a positive impact on the business and its environment. For more information and the topics we engage on we refer to NNIPs Responsible Investing Report 2018

2. **ESG integration – to better control risk and highlight material issues**

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.

3. **Normative screening – exclusion of activities and behaviours**

At NNIP we exclude certain business activities and violations of internationally recognised standards in line with our ethics and principles for all our strategies. Our norms-based screening criteria consist of two main categories:

1. Involvement in specific products or services (always excluded from our universe):

- Controversial Weapons
- Arms trade to entities that are subject to arms embargoes
- Tobacco production
- Oil sands production and controversial pipelines

2. Controversial conduct:

- Corporates: Issuers that severely and systematically violate the

UNGC principles and/or the OECD Guidelines (and where we consider that engagement is not an effective method for changing the conduct of those companies)

- Countries: Sovereign issuers involved in severe and systematic violations of Human Rights, against which arms embargoes have been issued by the UN Security Council

Next to applying these minimum negative screens we apply additional screening in this portfolio to enhance the sustainability profile of the fund. Additional excluded activities are:

- Firearms & military contracting
- Nuclear energy
- Gambling & adult entertainment
- Fur & speciality leather

Excluded behaviours are:

- Violation of Human Rights (UN Universal Declaration)
- 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

Furthermore corporates with a controversy score of 4 and 5 on E, S and/or G (as defined by Sustainalytics) are in principle excluded. A score of 4 and 5 means that there are high or severe violations in the ESG behaviour of these corporates.

All controversial names are discussed in NN IP's controversy and engagement council which will decide on engagement activities and might in some cases reach a different expert opinion on the severity of the controversy .

4. Positive screening – best in class and best effort identifies opportunities

Next to the exclusionary criteria, we combine for our equity investments a best-in-class approach to direct our research efforts with an approach that is designed to identify the companies that show positive ESG momentum. These are often not best-in-class yet, but as mentioned our multi-year academic research cooperation with ECCE Portfolios that include companies with an average but clearly improving ESG score show above-average and statistically significant results.

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

Please visit our website www.nnip.com for more information on NN investment strategies or our mutual funds

NN Investment Partners is the asset manager of NN Group N.V., a publicly traded company listed on Euronext Amsterdam. NN Investment Partners is headquartered in The Hague, the Netherlands and manages approximately EUR 260 bln* (USD 292 bln*) in assets for institutions and individual investors worldwide. NN Investment

Partners employs over 1,000 staff and operates in 16 countries across Europe, North America, Latin America, Asia and the Middle East.

NN Investment Partners is part of NN Group N.V., a publicly traded company.

* Figures as of 31 March 2019

Disclaimer

This document has been prepared solely for promotional purposes and does not constitute an offer, in particular a prospectus or any invitation to treat, buy or sell any security or to participate in any trading strategy and cannot be understood as provision of investment services. The content of this document is based upon sources of information believed to be reliable. However, no guarantee, warranty or representation, express or implied, is given as to the accuracy, correctness or completeness of such information; and neither NN Investment Partners Holdings N.V. and its subsidiaries, nor any other company or unit belonging to the NN Group or the ING Group, nor any of its officers, directors or employees accept any liability or responsibility in respect to the information or any recommendations expressed herein. Any information given in this document may be subject to change or update without notice. Investment sustains risks. Please note that the value of your investment may rise or fall and also that past performance is not indicative of future results and shall in no event be deemed as such. Do not take unnecessary risk. Read the Key Investor Information Document. The prospectus, supplement and the Key Investor Information Document are available on the following website: www.nnip.nl. Any claims arising out of or in connection with the terms and conditions of this disclaimer are governed by Dutch law.