Climate Change Policy

April 2022 update

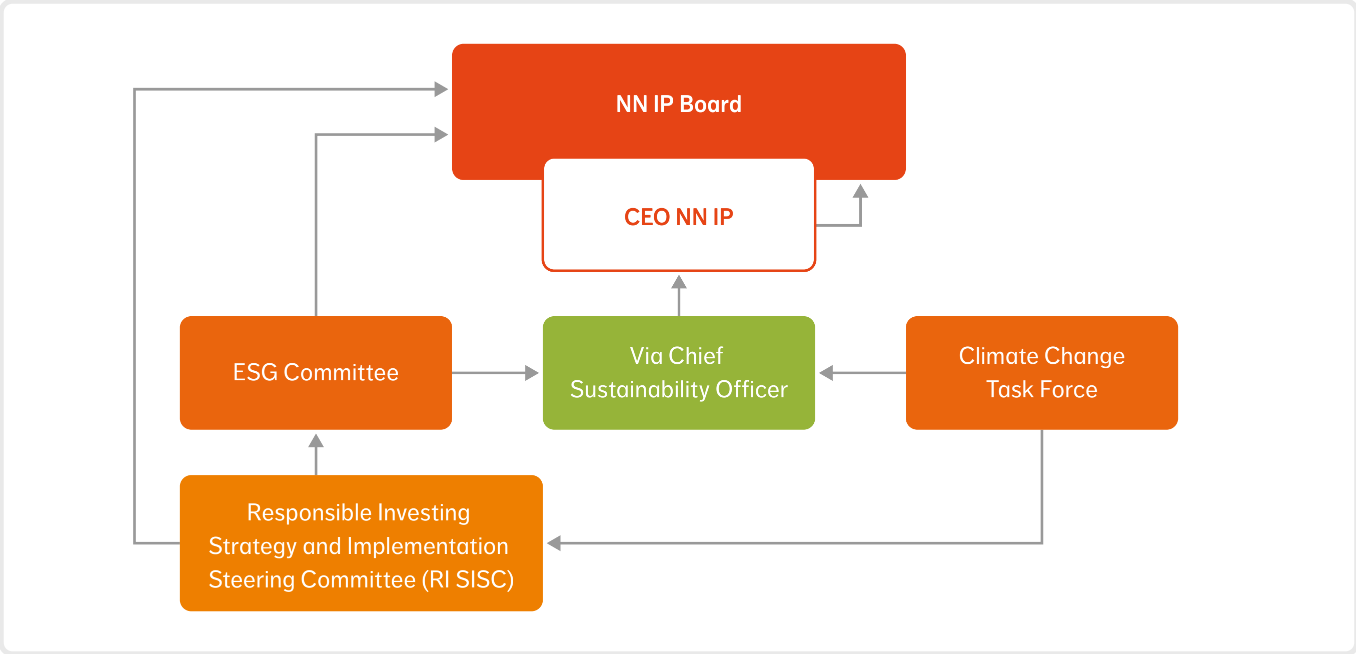
Global warming is causing far-reaching changes. If we do not take swift action, these could have irreversible consequences for ecosystems, agriculture, water resources, human health and security. NN Investment Partners (NN IP) acknowledges the potential impacts on society and on our investments, as well as the role we can play in limiting this impact. NN IP is a member of the Net Zero Asset Manager Initiative and is committed to support the goal of net zero greenhouse gas (GHG) emissions by 2050 in line with efforts to limit global warming to 1.5 degrees.

As an investor we play a critical role in enabling mitigation and adaptation efforts. Our climate approach is underpinned by the following beliefs:

- To limit the impact on society and achieve our clients' ambitions, we commit to improving our understanding of how our investment activities contribute to climate change.
- Corporate and sovereign engagement is among the best ways of ensuring that corporate and sovereign issuers manage climate-related risks and take action on the transition to a low-carbon economy.
- Investors have a key role in financing the transition to a low-carbon economy. Through our products and investment decisions, we incentivise mitigation of climate change and adaptation to its effects.
- Climate change and environmental factors can bring material risks and opportunities to the countries and companies and therefore the securities we invest in. They therefore play an important role in our ESG integration efforts and resulting investment decisions. Moreover, we put capital to work to accelerate the transition to a low-carbon economy, and we prefer approaches and/or methods that provide the best opportunities to deliver impact in the real economy.

Managing and mitigating climate-change-related risks is aligned with our long-term objectives. To this end, we address the causes of climate change (mitigation) and the consequences (adaptation). Mitigation addresses the causes of climate change by curbing emissions in line with the Paris Agreement. Adaptation describes activities that deal with the consequences of climate change. This includes reducing susceptibility to its negative effects and making productive use of any potential positive effects. We identify both risks and opportunities arising from the energy transition and physical climate change for the countries, sectors and activities in which we are involved. We view it as our fiduciary duty to take into account financially material climate change risks and to manage our portfolios in the optimal way on behalf of our clients.

This policy provides guidance to our investment teams and is closely linked to the NN IP Responsible Investment policy.



Climate change governance

NN IP has implemented g governance structure that provides the leadership and support needed to implement our climate policy across the business. Within this structure, ownership of climate-related issues is assured through the identification of key roles and responsibilities.

NN IP is a member of the global Net Zero Asset Managers Initiative, and we have committed to support the goal of net zero greenhouse gas (GHG) emissions by 2050. At NN IP Board level, responsibility for this commitment lies with our Chief Executive Officer (CEO), who also provides oversight of climate-related risks and opportunities.

Advising the CEO and the board directly on sustainability issues including climate change is part of the role of our Chief Sustainability Officer (CSO).

The Responsible Investing Strategy and Implementation Steering Committee (RI SISC) drives the development of our RI ambition across the organisation and reports to the ESG Committee as well as to the board and provides input to the CEO on climate, facilitating the involvement of senior management in climate matters. It ensures that climate-related risks and opportunities are integrated into our strategy and embedded in the broader RI framework.

To drive the development and roll-out of our approach to climate change, we have also created a Climate Change Task Force consisting of the CSO, the head of Fixed Income & Responsible Investing and members of the Responsible Investing team.

Our Net Zero commitment

NN IP is committed to achieve net zero emissions by 2050 for the corporate and sovereign bond portfolios in scope of our Net Zero Asset Manager Commitment. For the corporate investment portfolio, a 25% CO_2 reduction reference target by 2025 and a 45% reduction target by 2030 has been set. In the near future we aim to further increase our scope by developing new products that enable investors to invest in Paris Aligned products, and support our clients with their climate ambitions.

NN IP aims to reach these reference targets via a bottom-up corporate Paris alignment approach in which we focus on real world impact. The corporate portfolios in scope will be transitioned towards the global goal of net zero emissions by 2050 by decarbonizing portfolios and by increasing investment in climate solutions. Active ownership plays an integral role in this strategy. For sovereign portfolios, a strategy has been developed by following the approach as laid down in the IIGCC PAII Net Zero Investments Framework. In this strategy sovereign bonds are scored against a climate scoring methodology, which consists of a set of current and forward- looking climate related indicators. For new or re-investments, there is preference for allocation to issuers performing better on climate and/or eligible green bonds. NN IP will seek to further increase dialogue activities with sovereigns.

We put our views into practice by:

1. **Integrating climate change in our investment process** by using our materiality framework and ESG Lens and by measuring the carbon footprint of our funds where deemed relevant.

2. **Stimulating investee companies and governments to transition to a low carbon economy in line with Paris Agreement**

We aim to find the right mix between encouraging corporations and issuers to make the transition to a low-carbon economy and further stimulating those that are already contributing.

Our sustainable and impact strategies do this by:
- Investing in companies that already contribute to reducing carbon intensity.
- Investing in solution providers that support the transition to a low-carbon economy.

3. Using active ownership to create change

In our active ownership activities, we incentivise companies and countries to align with the Paris Agreement, implement a strong governance framework, and disclose their emissions, targets and progress on climate change issues. In the future we also aim to further engage with countries on the need to align with the Paris Agreement. We have set an escalation strategy in place for those cases where engagement does not provide sufficient progress.

Through voting and engagement, we use our influence to generate a positive impact while contributing to the transition to a low-carbon economy. We do this for example through the following means:

- We engage with oil and gas companies on the risks of climate change and the need to transition to a low-carbon economy. In this, we collaborate with PRI and the Climate Action 100+ initiative.
- We engage with electric utilities on the need to transition to a low-carbon economy, either directly or through collaborative efforts with PRI and the Climate Action 100+ initiative.
- We engage with palm oil growers, traders and regional banks on the risks associated with deforestation.
- We engage with companies in the soy sector on deforestation-related risks in their supply chain.
- We engage with Indonesia and Brazil on the crucial role of tropical rainforests in tackling climate change and protecting biodiversity.
- For our Green bond strategy we actively engage with all issuers in portfolio on climate change and for the purpose of green bond issuance.

We use our voting rights on climate change by:

- Voting for shareholder proposals that request companies to reduce GHG emissions in line with the Paris Agreement goals and provide climate related disclosures in line with the Task Force on Climate-related Financial Disclosures (TCFD) guidelines (and similar requests).
- Voting against re-election of boards if the company has failed to set net zero emissions targets by 2050 or sooner (only for CA 100+ companies).
- Voting against the re-appointment of the chair if the company has not disclosed GHG emissions reduction targets for at least scope 1 and 2 (only for companies for which GHG emissions are considered financially material)1.
- Voting against re-election of board members from companies that do not disclose their scope 1,2 and 3 emissions.
- Voting against the re-appointment of the chair if the company has not committed to become net zero by 2050 or sooner (only for CA100+ companies).
- Voting against annual accounts and reports if a company fails to report according to the TCFD recommendations (only for companies for which GHG emissions are considered financially material).
- Voting against renumeration policy and report cases if a company has not incorporated climate change performance elements in the executive renumeration scheme.
- Companies that disclose a net zero transition plan and provide a routine vote on the implementation of this plan ('say on climate') are assessed on a case-by-case basis. NN IP may abstain or vote against such plans in case they are not considered to be in line with the Paris Agreement goals.

4. Achieving greenhouse gas emissions reductions in the real world economy

NN IP is dedicated to supporting the goal of net zero greenhouse-gas emissions by 2050. Our strategy for net zero is focussed on achieving reductions in emissions in the real world economy in a just way. This means that we prefer to decarbonize portfolios through voting and engagement with companies and governments whose securities we invest in. The corporate and sovereign portfolios in scope will be transitioned towards net zero through decarbonization and increasing investment in climate solutions. Active ownership plays an integral role in this strategy.

We measure and report on the CO_2e emissions of our sustainable and impact corporate strategies. Further, we take an engagement-led (dis)investment approach in stimulating the transition to a low-carbon economy. In some cases, however, engagement is not deemed feasible and is unlikely to change a company's conduct or involvement in specific business activities. In those cases, we have set the following restrictions:

- We restrict investments in companies that derive more than 20% of their revenue from thermal coal mining.
- We restrict investments in companies that derive more than 20% of their total revenue from oil sands extraction. In addition, we restrict on a firm-wide basis pipeline operators that are involved in oil sands transportation projects that are in dispute, and when engagement is not expected to achieve the desired results.

For our sustainable and impact strategies we have set stricter criteria:

- For thermal coal, the threshold is set at 5% of revenue. Furthermore, these strategies will not finance electricity utilities involved in constructing additional coal- or nuclear-based power production installations.
- For unconventional oil and gas, we apply a maximum revenue threshold of 5% of combined exposure to all forms of uncon-

1 Scope 1 emissions refer to the direct emissions from the company. Scope 2 emissions are indirect emissions stemming from the company's energy purchases. Scope 3 emissions are emissions from elsewhere in the value chain, including upstream and downstream operations.

ventional oil (shale, oil sands and Arctic). These strategies also do not finance companies with expansion plans for unconventional oil and gas extraction.

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. We do not simply sign up as a passive member of these initiatives; rather, as a global asset manager we recognise our responsibility to invest time and effort into supporting their ambitions and achieving well-aligned results. We support and endorse the following affiliations and associations focused on topics related to climate change:

- We formally support the Task Force for Climate-related Financial Disclosures (TCFD) and published our first report in line with these guidelines.
- We support the annual climate change information request from the Carbon Disclosure Project (CDP) and ask companies to improve the disclosure of their CO_2 emissions in line with the CDP and TCFD.
- We report to the Dutch regulator on how climate risks are incorporated in our corporate risk framework.
- NN IP is a member of the Institutional Investors on Climate Change Group (IIGCC). Through this membership, NN IP is involved in several working groups and collaborative engagements.
- We signed the Global Investor Statement to Governments on Climate Change (2019, 2021).
- We co-lead the IIGCC infrastructure asset class working group, which includes many of the largest global managers in the infrastructure debt market, with the goal of expanding the scope of the Net Zero Investment Framework to include infrastructure as an additional asset class for the Paris Alignment Investment Initiative.
- We are a member of the Climate Action 100+ initiative. We currently (co-)lead the engagement with several companies such as CEZ, PGE, Rosneft and BASF.[2]
- We are a member of the Farm Animal Investment Risk & Return (FAIRR) Initiative and are involved in several engagements on deforestation for the production of palm oil, which is among the leading causes of global warming.
- We signed a financial sector commitment to eliminate commodity driven deforestation.
- We signed the investor expectation statement for job standards & community impacts in the Just transition (2022).

We consistently challenge companies on integrating environmental and climate-related risks into their annual reporting. Further, we expect them to report on and develop targets for Scope 1, 2 and 3 emissions, in line with TCFD recommendations. We are committed to monitoring and reporting on our ESG and specific climate-related activities. We currently report on our progress in our annual Responsible Investing Report and in our TCFD report.

Next steps

In recognition of the urgency of climate change, we are working on increasing our contribution to the goals laid out by the Paris Agreement and Dutch Climate Agreement.

- In 2022 we will use our climate change scenario tooling to carry out a climate change scenario analysis on our firm level and to assess how we can further integrate this data in our investment by assessing the ability of companies and countries, for which climate risks are material, to what extend they are capable of mitigating or adapting to the risks of climate change or are able to be resilient and to continue to thrive via innovation or providing solutions.
- We aim to further improve our risk management process to identify, assess and manage climate risks and to incorporate these into our organization's overall risk management.
- We will assess how to further implement and measure these incentives to transition to a low-carbon economy.
- We will consider introducing products specifically tailored to contributing to reducing climate risks or supporting climate solutions.
- We will take steps to increase our offering of Paris Aligned investment products.
- We aim to increase the scope of our Net Zero Commitment by having at least one dedicated Paris Aligned investment product available in every asset class by end of 2022.

Update

This climate statement is part of our ambition to be a leader in responsible investing. The above text fits with NN IP's values and responsible investment policies, as well as our support for the ambitions of the Paris Agreement. The measures included in this document align with these commitments, the Dutch Climate Agreement and the OECD Guidelines for Multinational Enterprises.

The content of this statement was updated in March 2022. To ensure its effectiveness and its continued applicability, this statement will re-evaluated at least annually.

2 For illustration purposes only. Company names, explanation and arguments are given as an example and do not represent any recommendation to buy, hold or sell the stock.

Disclaimer