



# Active Ownership

NN Group N.V.  
December 2023





# You matter

**We believe that people want to live life to the fullest. We empower them to do just that – through all stages of their lives – by providing sound financial products and services, by being a trusted advisor, and by contributing to the well-being of society. In times of prosperity and in times of uncertainty. We are steadfast in our commitment to help people care for what matters most to them.**

**What matters to you, matters to us.**



**1 Active Ownership at NN Group 4**

**2 Proxy Voting 6**

- 2.1 Exercising our voting rights ..... 7
- 2.2 Voting activities on key issues ..... 8

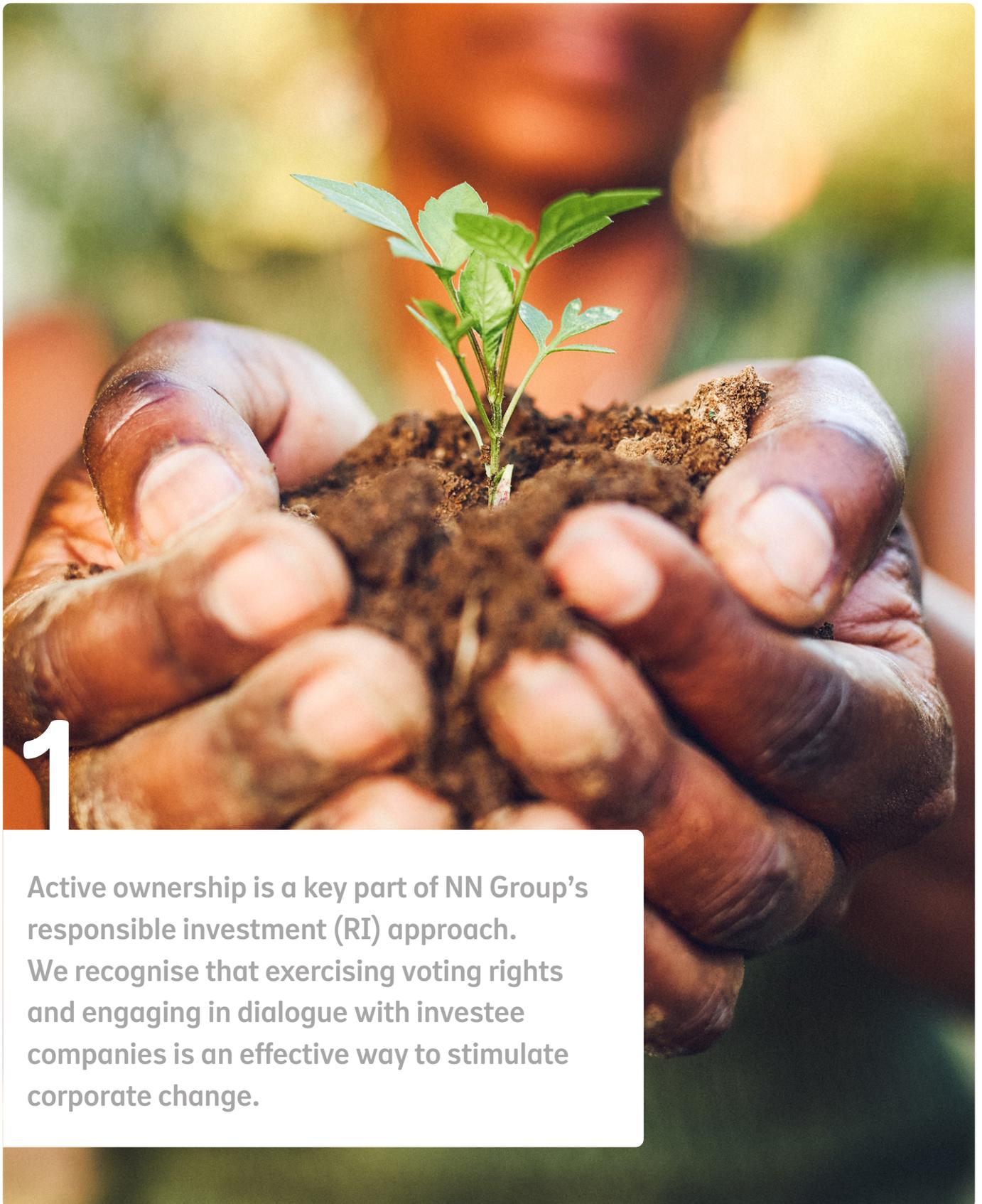
**3 Engagement 10**

- 3.1 Key engagement activities for 2022..... 12
- 3.2 Controversy engagement ..... 13
- 3.3 Thematic engagement ..... 14

**4 Policy advocacy 20**

 Visit our website for further information [www.nn-group.com](http://www.nn-group.com)

# Active Ownership at NN Group



Active ownership is a key part of NN Group's responsible investment (RI) approach. We recognise that exercising voting rights and engaging in dialogue with investee companies is an effective way to stimulate corporate change.

## Introduction

Active ownership at NN Group encompasses the exercise of voting rights and engagement activities. It enables NN Group to generate a positive impact to the business and the environment in which we operate. Moreover, we believe that active ownership can impact the financial performance of individual companies. Therefore, we are committed to investing our assets responsibly and promoting sustainable growth.

In 2022, we have reassessed our role as an asset owner. As part of this evaluation, we invested in the expansion of our Responsible Investment team, and dedicated resources to the active ownership function therein. We sought to deepen our activities, and maximise the positive impact we can enact as a responsible asset owner by expanding our participation in industry initiatives, collaborative engagements, moreover we partnered with an external stewardship services provider.

## Purpose of this report

This is NN Group's first active ownership report, providing an overview of our policies and activities related to active ownership of proprietary assets. We aim to showcase our commitment as an asset owner and report on the steps we have taken since the sale of our asset manager. We will discuss our policies, outcomes from our engagement programme, and how we leveraged our voting rights for our proprietary equity investments to further our ambitions as a responsible investor.

This report focuses on our active ownership activities in listed equities and corporate fixed income. In addition, we included an overview highlighting some of our engagement activities. We engage with policymakers and advocate for policies with the aim of influencing regulatory frameworks and promoting positive change that benefits both our investments and society. We also included an overview highlighting some of these activities.

## Embedding active ownership at NN Group

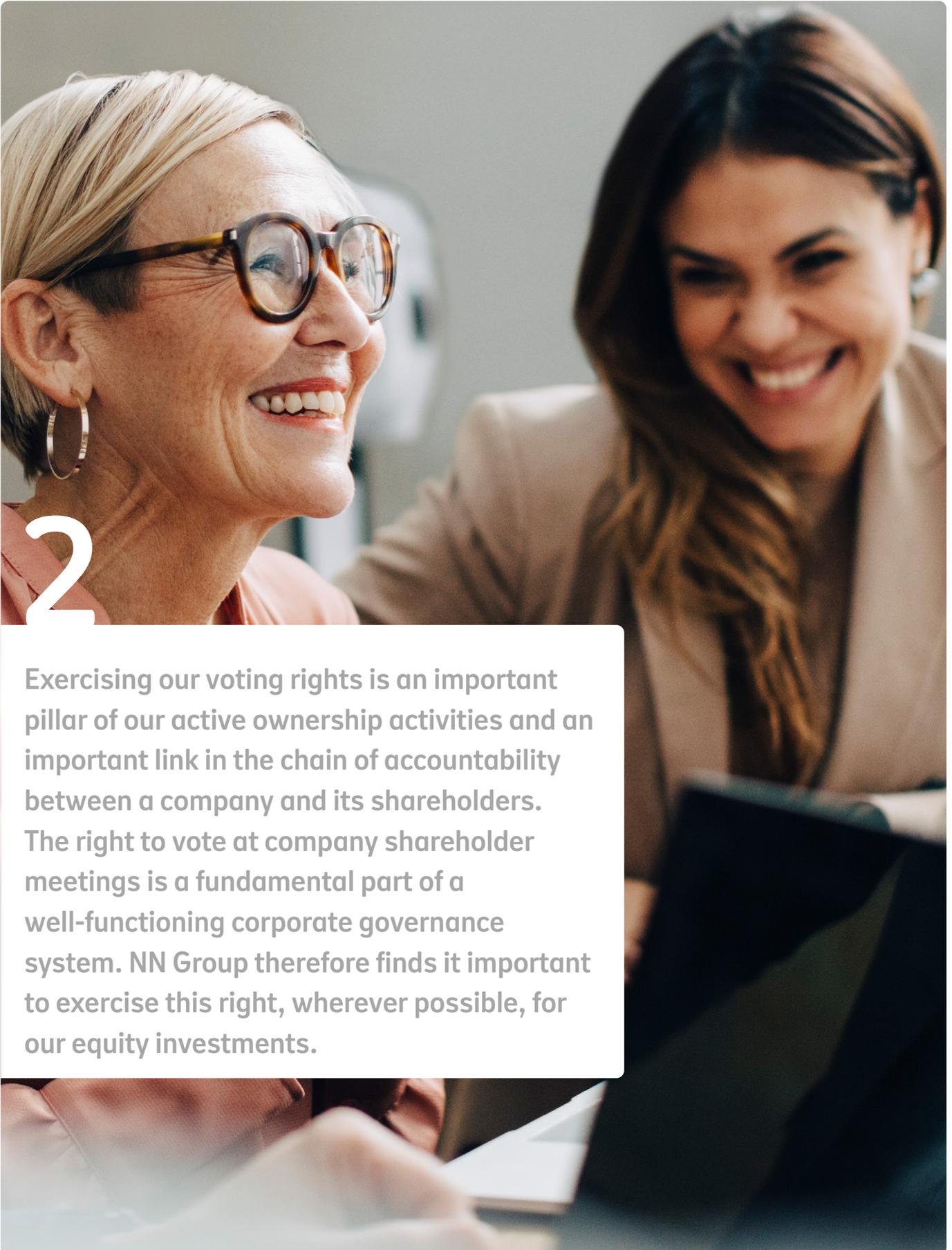
Our active ownership approach is part of NN Group's Responsible Investment Framework policy (RI Framework policy), which aligns with our Voting and Engagement Policies for Proprietary Assets. The RI Framework policy supports the systematic incorporation of ESG risk and opportunities into the investment process across NN Group's business units, Investment Office, and other relevant functions.

The oversight and steering of the active ownership responsibilities for the proprietary investment portfolio is performed by the Responsible Investment Committee (RI Committee), which reports on progress and challenges at least once a year to the Management Board. NN Group's RI team advises the Management Board on the overall approach to RI, and is responsible for implementing the RI Framework, including related active ownership policies. The experts work closely together with different business units and functions to steer and advise on embedding sustainability matters in the overall investment strategy.

### More information:

For more information on our policies, please refer to the [Responsible Investment Framework Policy](#), [Engagement Policy for Proprietary Assets](#) and [Voting Policy for Proprietary Assets](#).

# Proxy Voting



## 2

Exercising our voting rights is an important pillar of our active ownership activities and an important link in the chain of accountability between a company and its shareholders. The right to vote at company shareholder meetings is a fundamental part of a well-functioning corporate governance system. NN Group therefore finds it important to exercise this right, wherever possible, for our equity investments.

### 2.1 Exercising our voting rights

Exercising voting rights is one of the most effective ways for investors to hold company management accountable. Our Voting Policy for Proprietary Assets guides the voting considerations on behalf of NN Group’s proprietary equity portfolio. This policy reflects the principle that company management should base their decisions on the long-term interests of the company and its shareholders while acting responsibly to all stakeholders.

NN Group’s listed equity portfolio primarily consists of 5%+ stakes in small- to medium-sized European companies, with no more than 50 companies in the portfolio. The asset management team responsible for managing the proprietary equity portfolio implements an active investment strategy, which includes regular engagement with companies on a variety of topics, including sustainability. On occasion, NN Group representatives may also be involved in these dialogues. As proxy season approaches, the proprietary equity team stays in close contact with investee companies to stay informed about the agendas of annual general meetings (AGMs).

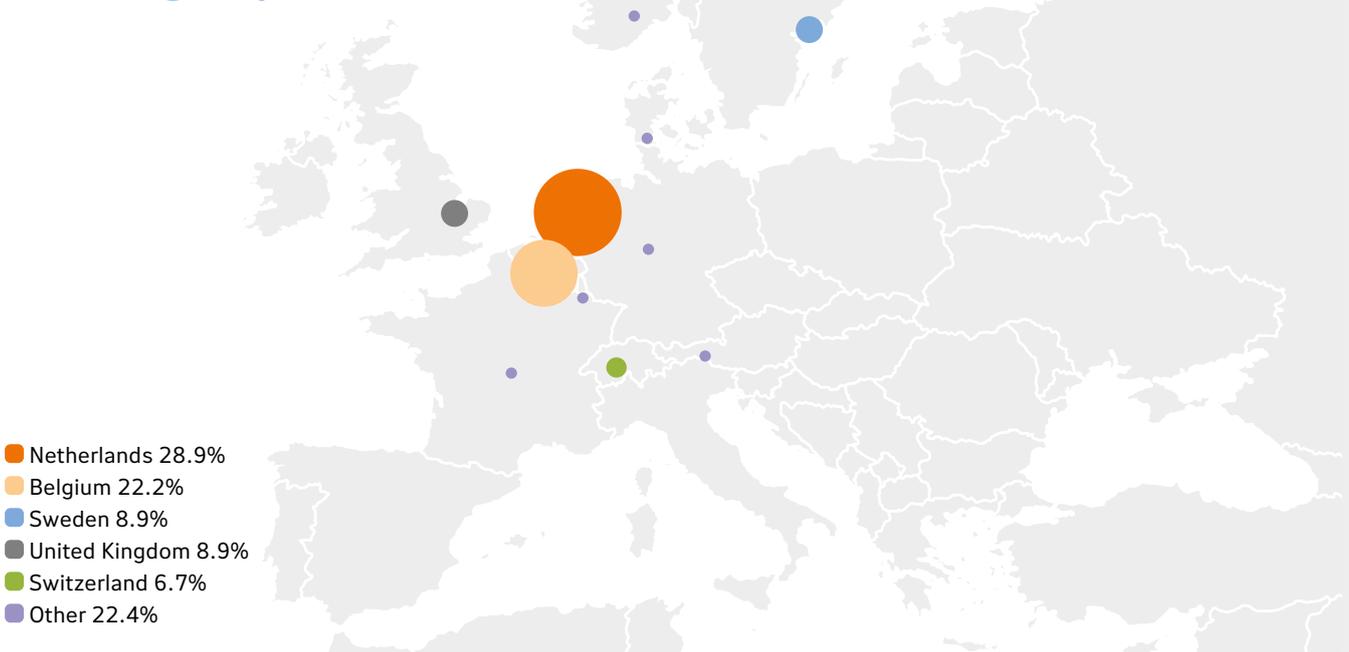
To assure proper implementation of NN’s voting policy, NN Group has delegated the management of its proprietary equity portfolio to Goldman Sachs Asset Management (GSAM), who also exercises our voting rights. GSAM uses an external service provider to support the process of proxy voting whereby all voting decisions are made on a case-by-case basis in accordance with the stipulations of NN Group’s Voting Policy. NN Group retains the right to provide voting instructions for individual shareholder meetings and ballot items.

**During the first six months of 2023, we voted at 43 annual general meetings on 586 agenda items.**

Number of meetings voted at	43
Number of items voted on	586
For	541
Against	44
Abstain	1

Our voting records are published on our [website](#).

### Meetings by markets



### 2.2 Voting activities on key issues

Voting activities were focused on three main issues: board elections, alignment of executive remuneration with company strategy, and integration of sustainability within company strategy. NN Group prioritises these issues as crucial factors for the long-term success and stability of companies.

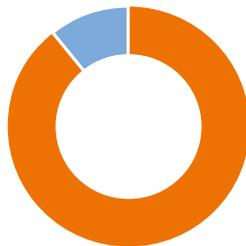
#### Board elections

Appointing capable directors and creating a diverse, independent board is critical for the performance of a company. While we often support a company’s nominees, we vote against them when we think that adding them to the board would detract from the goals of independence and diversity. We may also hold the board accountable for insufficient oversight of environmental and social risks, failure to disclose reduction targets for greenhouse gas (GHG) emissions, and where there are serious breaches of our RI criteria.

#### Remuneration

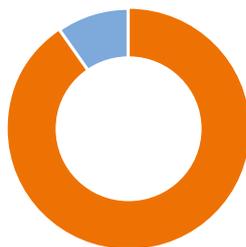
Executive pay and the effectiveness and complexity of companies’ remuneration policies are recurrent subjects of heated discussion at AGMs. In Europe, there is a broader debate on high levels of compensation for executives in the context of glaring income inequality. In addition, issues such as sustainability, employee health and safety, company goals and management’s ability to manage crises are increasingly being factored into decisions on compensation.

#### Votes compared to management on board elections



Total: 148  
 With management: 132  
 Against management: 16  
 Abstain/other: 0

#### Votes compared to management on remuneration



Total: 84  
 With management: 76  
 Against management: 8  
 Abstain/other: 0

Case study

## Promoting board diversity

At the 2022 and 2023 AGMs of Swiss company Datwyler, we voted against the (re)election of several members of the board of directors due to diversity concerns. We believe that boards that draw on a wide range of relevant skills, backgrounds, and perspectives, perform better, and we expect companies to adhere to the quota that have been adopted in national legislation or national codes as best practice. If the percentage of female directors on the board is less than best practice levels of

30% in European markets, NN Group will vote against the (re)appointment of the chair of the board of directors and the nomination committee chair. Only two women are active on the board of directors of Datwyler, which is 25% of the entire board. There is an ongoing dialogue with the company in which we have addressed this issue, and we will continue to engage with the company on their diversity policy.

### Integrating sustainability into long-term strategy

To ensure long-term performance for shareholders, NN Group expects that investee companies act in a responsible way to all stakeholders. This includes recognising the impact of their business decisions on the environment, as well as the social and human rights issues that may arise within the regions and supply chains where they operate. Companies should also indicate which sustainability risks are most material to their business, and how it is aligned with the strategy and accompanying objectives and targets.

In 2023, two shareholders resolutions were filed at one AGM, of the French utility company Engie. One of the resolutions was a sustainability proposal. Refer to the case study below for how we voted.

### Votes compared to management on shareholder proposals



Total: 2  
 With management: 1  
 Against management: 1  
 Abstain/other: 0

Case study

## Support of sustainability shareholder resolution

At the AGM of French utility company Engie, several shareholders filed a shareholder resolution asking for a 'Say on Climate'. Engie already has GHG emissions reduction targets in place, and the company has shown progress by reducing its GHG emissions and its coal-fired generation capacity. It was unclear, however, how Engie's emissions targets compare to a Paris-aligned 1.5°C scenario, how its electricity generation mix will develop, and how the company will align its capital expenditures with its climate targets.

In the lead up of the AGM, Engie committed to including an addendum to its climate report, and to disclose the

breakdown of its electricity generation mix up to 2030. The company also committed to consulting shareholders on its climate strategy every three years through a 'Say on Climate' vote. The company did not commit to an annual vote, however. NN assesses Say on Climate proposals on a case-by-case basis. We supported the shareholder resolution, as we believe it will lead to more disclosure and a better stakeholder dialogue. 24% of the shareholders supported the resolution which did not meet the required 66% threshold to pass. However, the shareholder support sends the company a strong signal. NN will continue its engagement on Engie's climate ambition.

Case study

## Advocacy for long-term criteria in compensation plans

During the AGM of Swedish consumer product company Dometic Group AB, the company consulted shareholders about their remuneration report. NN Group did not support the proposal as there was a disconnect between company performance and actual compensation. Actual pay-outs were higher than other companies in a similar peer group, and not tied to relevant performance criteria. NN Group looks for long-term incentive plans tied to performance

criteria that capture the performance of a company over at least a three-year period, and this was missing in the compensation plans. The company also failed to disclose a change in control and clawback policy. We are in an ongoing constructive dialogue with the company aimed at providing feedback to strengthen Dometic's remuneration policy and address NN's concerns.

# Engagement



## 3

Engagement is an important part of our RI approach. Engaging with the entities we invest in allows NN Group and its asset manager to better understand the risks and opportunities of each specific investment case. Furthermore, NN Group strongly believes in using engagement to create beneficial change by encouraging companies to improve their environmental, social and governance (ESG) practices and to mitigate adverse impact on sustainability factors.

### Engage or restrict?

At NN Group, we aim to engage with companies and promote positive change. However, in some cases, we find it necessary to restrict investment. We view this as a last resort because adding a company to our exclusion list limits our ability to influence sustainability issues. Therefore, we prefer an engagement-led divestment approach, restricting companies only when engagement is infeasible or unlikely to change their conduct or involvement in certain business activities.

### Types of engagement

We use internationally accepted standards of corporate behaviour as the starting point for our engagement. These include the guidelines/principles developed by the UN Global Compact principles, the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights. We distinguish between two types of engagement:

- **Controversy engagement** focuses on companies that severely and structurally breach our norms-based criteria in the areas of governance, human rights, labour, environment, and bribery and corruption.
- **Thematic engagement** focuses on different themes that have a material impact on society, and where we believe our engagement efforts can achieve beneficial change. The exact engagement themes are selected in consultation with internal and external stakeholders.

How NN Group engages with companies depends on the specific company case and our investment exposure. As an asset owner, NN Group delegates most of our engagement activities to an external engagement service provider and asset managers. This enables us to pool our assets with other peers, maximising our engagement impact. Our RI team works closely with these parties. Our engagement approach includes a range of possible approaches, such as:

- **Direct engagements**, led and carried out by the NN Group RI team
- **Collaborative engagements**, where NN Group either leads or is represented by our peers
- Engagements executed by our **external engagement service provider** Morningstar Sustainalytics.
- Engagements executed by our **external asset manager**

### Engagement in practice

In the case of engagements executed either directly by us or by external parties, the engagement approach and objectives are tailor-made for each specific theme and company. To ensure we can have the most impact, we first carefully analyse a problem in detail to determine our engagement theme. We then identify the value chain linked to that theme in order to select those companies where engagement is most needed and can be most effective. Before we contact our engagement candidates, we create a theme-specific methodology with objectives and milestones for each company.

Our controversy engagements typically last for a three-year period, unless the engagement feasibility changes within the period or the company is no longer in violation of NN Group's norms-based criteria. NN Group has a Controversy and Engagement Council that meets quarterly to monitor engagement progress, irrespective of whether that engagement is directly undertaken by NN Group, through collaborations, or through external service providers. Read more on page 13.

NN Group aims to align its engagement and voting efforts. NN Group may decide to vote against routine items as a form of escalation when the engagement response or progress is lacking. We may also consider filing or co-filing a shareholder resolution as a way to flag inaction and accelerate progress on sustainability topics.

Furthermore, we developed escalation tactics, which can occur in distinct circumstances for both corporate fixed income and equity holdings, and we described these in the Engagement Policy for Proprietary Assets.

### Engagement collaboration

NN Group collaborates with other investors through initiatives to achieve maximum investor influence and to pool resources and expertise, all within legal boundaries. The RI team coordinates these collaborations to ensure alignment and consistency, and to avoid duplications. For example, we participate in initiatives such as the Dutch Climate Coalition (DCC) and Platform Living Wages Financials. Collaboration is crucial to address many themes that NN Group works on, such as living wage, human rights, and low-carbon transition. Given the deeply ingrained nature on some of these issues in society, industry-wide collaborations provide a powerful means to drive fundamental change and achieve lasting impact.

### 3.1 Key engagement activities for 2022

Year-to-date figures up to and including September 2023

#### Top five engaged sectors

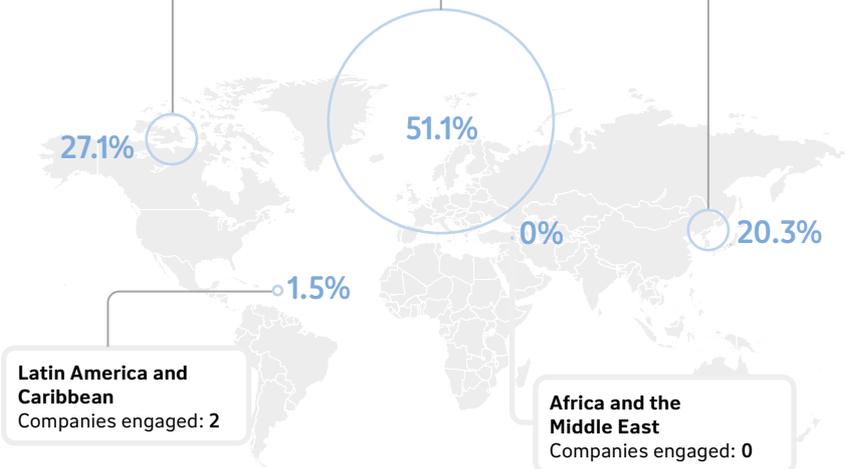
Companies engaged by sector.



**United States and Canada**  
Companies engaged: 36

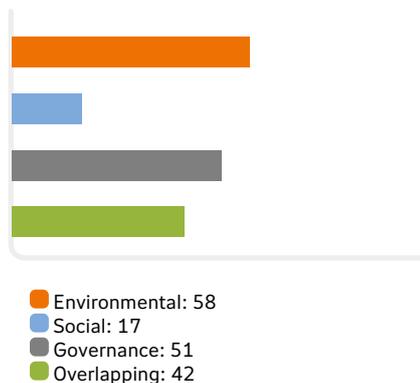
**Europe**  
Companies engaged: 68

**Asia and Pasific**  
Companies engaged: 27



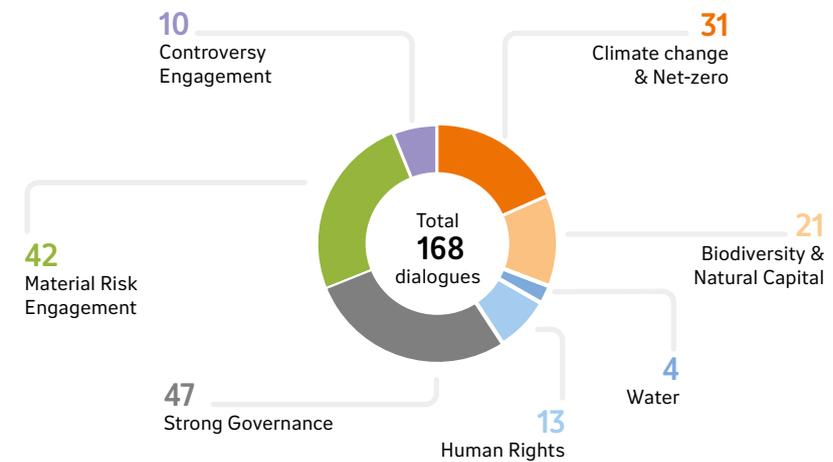
#### Stewardship per engagement topic

Company by ESG issue and objective. Stewardship can cover one or more issues and objectives reflected in overlapping issue statistics.



#### Per engagement topic

Dialogue and activity mapped to engagement topics. Each dialogue can be mapped to one or more topics.



Note that in counting the total number of companies engaged, we count companies only one time when engaged on multiple themes. Furthermore, for the engagements on climate change & net-zero, we only include those CA100+ engagements where our external asset manager or our engagement service provider is actively participating.

### 3.2 Controversy engagement

NN Group has established norms-based RI criteria that focus on governance, human rights, labour, environment, and bribery and corruption. These criteria are considered a minimum requirement for managing proprietary assets. When a company severely and structurally breaches these criteria, NN Group initiates a formal engagement process.

The Controversy and Engagement Council plays a key role in monitoring and overseeing NN Group's direct, collaborative, and delegated controversy engagement activities. Established in 2023, the Council is chaired by the Active Ownership function of the RI team, with members from NN Group's Investment Office and Corporate Citizenship department.

The Council meets quarterly to discuss progress on engagement activities and determine necessary steps to achieve engagement objectives at the individual company level. In addition to its oversight and advisory function, the Council provides inputs and recommendations to the RI Committee, which validates whether engagement remains feasible or if a company should be added to the NN Group Restricted List.

Potential violations of NN Group's norms-based RI criteria can be raised by external ESG research or engagement providers, input from asset managers, information from NGOs or media sources, and NN Group staff research. If such indications arise, the Council is responsible for determining whether this constitutes a violation.

If the Council determines that engagement to address the violations is feasible, the company in question will be included in NN Group's engagement programme. The company can then be engaged directly, or through external asset managers or engagement service providers.

## Case study Safety concerns at a Mexican oil company

Petroleos Mexicanos (PEMEX), an oil company based in Mexico, has faced serious safety incidents and fatalities over the past decade, with a safety performance well below industry standards. PEMEX's accident frequency index has increased from 0.35 in 2021 to 0.49 in 2022, and the company has reported multiple fatalities and accidents.

Our engagement service provider is working with the company to improve safety disclosures and culture. The company seems serious about managing its safety risks and has been responsive in the engagement. However, lost time injury frequency and the fatal accident rate remain

inconsistent. The company therefore needs to demonstrate through governance, performance, and disclosures that they recognise safety as a material risk, and that the rate of incidents lowers as a result.

PEMEX is a state-owned company but has a strong presence in debt capital markets. The company faces reputational and legal risks due to its safety incidents, and our engagement aims to improve safety performance and culture. Despite financial difficulties hindering progress, we remain committed to monitoring progress and mitigating risks associated with the company's operations.

## Concerns on human rights and biodiversity impacts at an energy company

In 2006, the discovery of oil in the Lake Albert Basin in Uganda prompted the Ugandan government to develop the resources under two upstream projects, including the Tilenga and Kingfisher projects, the former of which is majority operated by TotalEnergies. To facilitate the export of oil to international markets, the invested parties are constructing EACOP, a cross-border buried pipeline that runs 1,443km from Kabaale, Hoima district in Uganda to the Chongoleani Peninsula near Tanga Port in Tanzania. However, many stakeholders have raised concerns about the economic benefits and alleged human rights violations associated with these projects, which could lead to further harm in the future if left unaddressed.

Following a comprehensive review, an engagement was initiated in 2022 between investors collaborating in the Dutch Climate Coalition (DCC), including NN Group, and TotalEnergies to address the project’s potential negative impacts and possibilities to mitigate these. TotalEnergies has been cooperative, answering questions and providing reference materials on a broad range of topics. The engagement to date has focused on climate, human rights and biodiversity impacts of the projects, and whether the negative impact of the projects have been mitigated by the company. NN will continue the dialogue with TotalEnergies, to ensure that stakeholders’ concerns are addressed.

### 3.3 Thematic engagement

Thematic engagement at NN Group focuses on issues that have a material impact on society, and where we believe our engagement efforts can drive positive change. The RI team leads this effort, selecting themes in consultation with stakeholders and using the World Economic Forum’s material risks and the objectives as defined by the Sustainable Development Goals (SDGs) to narrow our focus. The priority areas/themes for engagement that we have identified and will guide our efforts over the next three to five years are:

#### 3.3.1 Climate change & net-zero

Climate change risks are increasingly apparent, with scientists warning that immediate and ambitious action is necessary to limit global warming to 1.5°C. Without such action, the consequences for ecosystems, human health, and security will be severe. As a large financial services company, NN Group recognises its responsibility to address these challenges. NN Group has an ambition to transition our proprietary investment portfolio to net-zero GHG emissions by 2050.

#### Paris Alignment Strategy

We have a Paris Alignment Strategy in place to align our investments with our net-zero ambitions. This strategy for corporate investments (corporate fixed income and equity) categorises companies according to their alignment or potential to align with net-zero pathways. Please refer to the [Climate Action Plan 2023](#) page 51 for more information. This categorisation assessment encompasses several criteria, such as:

- Consistent 2050 goals
- Emissions reduction targets
- Emissions intensity performance and disclosure
- Decarbonisation strategy
- Capital allocation alignment



For GHG emissions in the corporate investment portfolio, we aim to reach our reference reduction target for GHG emissions by implementing a strategy that focuses on real economy decarbonisation. To monitor and steer progress towards decarbonisation, we have established portfolio alignment objectives, including:

- **Portfolio coverage target:** This sets a percentage of assets that should align with net-zero goals to improve the corporate investment portfolio in the long term. It is defined as: the proportion of assets that is at least 'aligning' towards net-zero. Portfolio managers are encouraged to invest in companies that are better positioned to transition to a low-carbon future within their sector and focus on stewardship and engagement to drive alignment for existing assets.

- The **Engagement threshold** objective complements the portfolio coverage target by targeting engagement with the highest emitting assets in our portfolio. It is defined as the percentage of financed emissions in material sectors that are either net-zero, aligned with a net-zero pathway, or the subject of direct or collective engagement and stewardship actions.

To continuously calculate the engagement threshold, we map our total corporate investment portfolio to the Climate Action 100+ (CA100+) engagement programme in its entirety. In addition to this, we have added additional direct engagements that our external asset manager and external engagement provider conduct outside of the CA100+ scope.



Climate Action 100+ (CA100+) is an investor-led initiative to ensure the world's largest corporate GHG emitters take necessary action on climate change by engaging with companies to improve climate change governance, cut emissions, and strengthen climate-related financial disclosures.

While our external asset manager participates in a specific number of engagements under the CA100+ engagement platform, as part of our own Paris Alignment Strategy, we monitor the engagement progress for all companies

Case study

## Net-zero engagement with energy services provider

Fugro is a Dutch multinational company that provides geotechnical, survey, subsea, and geoscience services to clients in various industries, including oil and gas, renewable energy, infrastructure and mining. Our ongoing engagement with Fugro focuses on carbon reduction and the impact of the energy transition on the company's strategy. Over the past ten years, revenue flows have changed significantly for the company. In the past, the majority of Fugro's revenue came from oil and gas-related activities. Nowadays, the majority of revenues are derived from renewable energy activities, especially offshore wind, green infrastructure, and water projects such as coastal protection.

In addition to contributing to the energy transition, Fugro wants to contribute to the safe maintenance of existing

traditional energy installations and infrastructure. This minimises environmental damage and safety risks. The company also collects data on the oceans and the natural environment on land, for example, to monitor biodiversity. In our engagement we have focused on their net-zero ambitions. The company aims to be carbon neutral by 2035, covering all direct and indirect emissions from their operations (scope 1 and scope 2). The company initially did not include scope 3 targets, however, and our engagement focused on developing these. The company has committed to achieving net-zero for scope 3 by 2050, and they are in the final stages of developing science-based targets for their absolute CO<sub>2</sub> emissions reduction covering scope 1, 2 and 3.

## Net-zero engagement with utility company

In 2023, our asset manager participated in a Climate Action 100+ (CA 100+) engagement with a Czech utility company to discuss the company's climate transition plan. This engagement was a follow-up of earlier engagements in prior years. The company has increased their disclosures on climate related risks and published a detailed stand-alone Task Force on Climate-Related Financial Disclosures (TCFD) report in February 2023 and a new intensity reduction waterfall chart linked to their strategic initiatives. Investors encouraged the company to disclose more around capex plans over time and how

they link to stated emissions reduction targets. While the company has demonstrated progress in its climate objectives, as per our Paris Alignment assessment, it needs to take further steps on targets and strategy. As a 'high-impact' company, we also require capital allocation to support its transition to a low-carbon economy and we are seeking enhanced disclosures on this matter. As a fixed income investor, we will strive to continuing our engagement with the company to monitor progress and discuss further steps with our asset manager.

considered under this strategy by looking at indicators from CA100+ benchmark to understand their Paris alignment status to assess the alignment of companies with the Paris goals.

To ensure we effectively implement our strategy and progress on our engagements, NN Group engages regularly with our external asset manager to evaluate potential actions where we see continued poor performance. To achieve this, we have established a working group that includes key portfolio managers from our external asset manager. Within this working group, we specifically focus on the top 25 holdings in terms of financed emissions in our portfolio. Where investee companies are not aligning to a net-zero pathway and are not covered by individual or collective engagement, we will explore setting up an engagement plan to maximise our impact towards achieving our net-zero targets.

In 2023, one action taken included establishing engagement with a private company in our loan portfolio. While this company is not part of any collective engagement efforts, its presence in the cement sector makes it an important contributor to our portfolio's financed emissions.

We report annually on the development of our engagement thresholds in our Annual Report and Climate Action Plan. In 2022, our engagement threshold remained relatively stable compared to 2021. Based on financed emissions, 65% of

companies in our portfolio are at least 'aligned' or subject to collective or direct engagement. Our objective is to increase this percentage to 75% by 2025.

To further increase our engagement efforts, we have started participating in a new net-zero engagement programme through Sustainalytics. Through this programme and other initiatives, we aim to maximise our influence and deliver impact towards achieving our net-zero targets. Refer to the case study for more information.

### 3.3.2 Biodiversity & water

Climate action and biodiversity loss are critical themes in RI. Without urgent action to reverse human-caused ecosystem degradation and limit climate change, biodiversity loss will continue to accelerate. In the past 50 years, wild organism abundance has declined by about half across many groups, including birds, mammals, and insects. Rare and endemic species hotspots, which make up a disproportionate fraction of global biodiversity, have been particularly affected. Over one million plant and animal species are at high risk of extinction due to human activities. Climate change, loss of biodiversity, land degradation, and accumulation of chemicals and waste are interrelated and caused by the same indirect drivers. According to a World Economic Forum risk analysis (2022), rising temperatures due to climate change are strongly linked to biodiversity loss. Degraded ecosystems resulting from pollution,

deforestation or climate change lead to reduced availability of natural resources, which affects many companies relying on these resources for their business models. Furthermore, some companies contribute to land and water pollution, deforestation and climate change, while others relying on agricultural and fishery products are at risk of biodiversity loss.

NN Group is committed to promoting the protection and restoration of biodiversity and ecosystems through our financing activities and investments. We are involved in several working groups through the Finance for Biodiversity Foundation. In 2022, we participated in an engagement effort as part of the Dutch Agreement for Responsible Business Conduct (IMVO) for the insurance sector to promote sustainable agricultural practices with companies. In the coming years, biodiversity and water will be an important focus area, and we are participating in various initiatives to strengthen engagement in these areas. More details are available on the following pages.

## Sustainalytics Net Zero Transition Engagement Programme

The Sustainalytics' Net Zero Transition Engagement Programme targets companies in transportation, energy and industrial sectors, which are major contributors to GHG emissions and face significant challenges in transitioning to net-zero emissions. Companies in sectors such as steel and cement production must make substantial changes to achieve net-zero emissions. The programme aims to address these challenges by engaging companies to set ambitious targets aligned with the Paris Agreement's goal and encouraging them to develop and implement robust decarbonisation strategies consistent with the transition to a net-zero economy.

Holcim is part of the engagement programme, the company has already taken several steps to improve its climate change ambitions, including implementing science-based targets, and committing to reach net-zero greenhouse gas emissions across the value chain by 2050. The company has

a decarbonisation team working centrally that manages their targets, including making renewable energy a key part of early reduction strategies alongside, for example, alternative fuels. Holcim's capital expenditures (CapEx) strategy to 2025 is to increase CapEx slowly towards sustainability-related investments for which it has targets in place. This is followed by other actions, such as an increase in carbon capture, utilisation and storage (CCUS) infrastructure.

While there are some gaps concerning Holcim's long-term strategy and using CapEx to achieve its transition, the engagement is focused on the actual achievement of their 2030 targets across key areas of scope 1, 2 and 3 emissions, as well as obtaining more clarity on the post-2030 transition of assets to its low-carbon approach.

## Water risks & institutional investors: phase 2

In 2023, NN partnered with Achmea Investment Management, SCOR, Deltares and WWF to contribute to research and active ownership practices in key global watersheds. This project builds on our partners' 2022 report, Bridging the Gaps in ESG Water Data to Create Opportunities, which focused on identifying gaps in ESG data on water, and steps to enable water to have a more mature place in RI practices. In Phase 2, which was formally launched in September 2023, we will seek to address findings from Phase 1 by focusing on watersheds that play a key role in

supply chains, biodiversity and human development, and are known as hot spots regarding water stress. The research will address the main water data gaps outlined in Phase 1 and identify (cascading) risks and potential collective actions for investors through explorative case studies on key watersheds and investee companies active in these watersheds. The ambition of this project is to foster water stewardship among all relevant stakeholders in a river basin, thereby mitigating cascading risks for companies downstream.



### Water in focus

According to the World Economic Forum Global Risks Report 2022, the status of global water resources is a worrying subtheme, which will become a more serious issue due to further systemic rising temperatures. More extreme, less predictable patterns of weather and water have become increasingly evident over the course of the past year around the world. The increase in numbers of droughts and floods will negatively impact the availability of clean freshwater sources. Large river basins, often already well-occupied by communities, companies and small holders especially are impacted by potential risks. There are clear interconnections and dependencies between themes such as biodiversity, climate mitigation and water resources, with a heavy reliance on water resources in particular to increase systems' resilience to climate change.

### Aligning initiatives on water and biodiversity

NN Group's involvement in various initiatives demonstrate our alignment on the important issues of biodiversity and water. We participate in the CERES Valuing Water Finance Initiative, Sustainalytics' Biodiversity & Natural Capital engagement programme, and the Nature Action 100 initiative. These initiatives share a common goal of promoting sustainable practices and addressing environmental risks related to biodiversity and water. All three initiatives encourage companies to disclose information related to their environmental impact and all recognise the importance of effective management and governance

systems to mitigate financial risks associated with environmental challenges and promote sustainable practices.

### CERES Valuing Water Finance Initiative

Water is an essential resource for society, but poor water management and climate change are causing global water shortages and pollution. For companies, water-related challenges such as competition for water, weak regulation, growing demand, ageing infrastructure, water scarcity, and contamination are all sources of financial risks. To address these challenges, NN Group joined the CERES' Valuing Water Finance Initiative, a global investor-led effort that aims to engage companies with a high water footprint to value and act on water as a financial risk. Launched in August 2022, the initiative has developed a water valuation framework and identified 72 companies to engage with.

With 64 investor signatories, the initiative continues to grow.

The investors will encourage companies to adopt and implement the Corporate Expectations for Valuing Water, a set of six clear steps aimed at better protecting water systems and addressing the financial risks associated with water management. These include ensuring that they do not have a negative impact on both water quantity and quality across their value chain, with a particular focus on water-scarce areas. Additionally, companies must take steps to protect natural ecosystems and contribute to the social and economic resilience of communities by ensuring access to water and sanitation. Effective water management also requires board oversight of water management efforts, and alignment of public policy engagement with sustainable water resource management outcomes.



**Six**   
Corporate water expectations

Based on Ceres Water Expectations

- 1 Water quantity
- 2 Water Quality
- 3 Ecosystem protection
- 4 Acces to water/sanitation
- 5 Board oversight
- 6 Public policy engagement

### Biodiversity & Natural Capital Engagement Programme

The Sustainalytics' Biodiversity & Natural Capital engagement programme seeks to strengthen issuers' management of biodiversity-related impacts, dependencies, and opportunities. To set the strategic direction of engagements, an outcome scorecard guides dialogues and tracks progress. The framework consists of five outcomes, four of which correspond to the core pillars of the Task Force for Nature-related Financial Disclosures (TNFD): governance, strategy, risk management, and metrics and targets. An additional outcome on disclosure aims for key information on biodiversity to be disclosed to stakeholders.

#### Nature Action 100

In September 2023, NN Group joined the Nature Action 100 initiative, which is a global investor engagement programme aimed at reversing the loss of nature and biodiversity. The initiative is led by a group of investment firms and was launched at the December 2022 COP15 Biodiversity Conference to encourage companies to take more ambitious actions to protect nature. The biodiversity equivalent of Climate Action 100+, the Nature Action 100 secretariat, is formed by IGGCC and Ceres, with the Finance for Biodiversity Foundation and Planet Tracker co-leading the technical advisory group.

The Nature Action 100 initiative has identified eight sectors that are systemically important in reversing nature and biodiversity loss by 2030: biotechnology and pharmaceuticals, chemicals, household and personal

goods, consumer goods retail, food, food and beverage retail, forestry and paper, and metals and mining. These sectors are significant drivers of nature loss due to their impact on habitat loss, overexploitation of resources, and soil, water and solid waste pollution.

To address the biodiversity crisis and mitigate financial risks, participating investors have outlined six key expectations for target companies: making public commitments, assessing and disclosing nature-related impacts, dependencies and risks, setting science-based targets for nature, implementing an organisation-wide strategy, establishing board and management-level governance systems, and engaging with relevant external stakeholders on the issue.

#### 3.3.3 Human rights

At NN Group, we acknowledge our responsibility to respect and protect human rights. We believe that human rights are essential considerations for our business practices and investment decisions. To guide our approach, we have an RI Framework policy and norms-based activities based on internationally recognised standards such as the UN Global Compact principles, the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights.

We believe that protecting human rights is not only the right thing to do, but it is also important for sustainable long-term growth. Issues such as inequality, discrimination, and labour rights violations can impact the well-being of

communities and markets. That is why we have identified human rights as a key engagement theme for the next three to five years. Our norms-based and controversy engagements are already based on identifying severe and structural breaches of norms-based criteria, including human rights (as outlined on page 13). As active owners, we aim to encourage the companies we invest in to align their practices with human rights standards.

NN Group will operationalise our thematic commitment to human rights in several ways. We are active participants in Sustainalytics' thematic engagement programme Human Rights Accelerator and are an active member of Platform Living Wage Financials (PLWF). NN Group was previously represented in PLWF through NN Investment Partners, and 2023 marks the first year where our organisation is a direct member and is leading engagements directly. Our ambition is to continue to collaborate and broaden our engagement contributions in the coming years.

#### Human Rights Accelerator programme

Sustainalytics' Human Rights Accelerator programme aims to accelerate the adoption of the UN Guiding Principles on Business and Human Rights (UNGPs) by engaging with companies in metals and mining, infrastructure, electronics, food, and services sectors. The programme addresses specific human rights issues, including child labour, livelihood, living income, living wages, and community rights. It seeks to ensure that companies respect fundamental human rights and mitigate financial material risks.

## The PLWF methodology for the agri-food sector

- **Policies and transparency** Companies should acknowledge that paying a living wage is an issue and have policies in place to address it.
- **Assessing impact** To see quantifiable impact, engage with companies to encourage them to publish verifiable numbers instead of vague claims in their reporting.
- **Stakeholder engagement** Engagements with companies consider how their strategies take into account the wishes of the local population, how many people they have on the ground, whether they engage with civil society stakeholders, etc.
- **Income diversification** Based on extensive stakeholder input, the PLWF is convinced that income diversification

is a key element in achieving living incomes. Reliance on a single crop can lead to oversupply and negatively affect household incomes.

- **Remediation** In areas where people do not yet receive a living wage, processes to remedy the negative side effects of low incomes, e.g. child labour, should be established. To address this, companies are expected to have a Child Labour Remediation System in place.



The engagement seeks to implement a human rights framework that identifies and addresses human rights risks and adverse impacts across a company's operations, with a focus on high-risk issues and sectors such as large-scale mining and infrastructure projects, low-paid service jobs, and electronics and food production. The objective of the engagement is to build resilient sectors and companies that uphold the basic human rights of communities, workers and producers in a post-pandemic economy.

The three-year engagement targets around 20 companies in the identified sectors. The programme encourages companies to commit to respecting human rights and to adopt a human rights due diligence process, along with implementing grievance mechanisms, in line with the UNGPs. The engagement will measure progress and engagement impact through a set of KPIs and sub-indicators in areas such as robust human rights due diligence processes, strong human rights remedy mechanisms, and sector-specific risks and impacts.

#### Platform Living Wage

Platform Living Wage Financials (PLWF) is a collaborative platform of 20 financial institutions with over EUR 6.9 trillion of Assets under Management, that encourages and monitors investee companies to enable living wages and incomes in their global supply chains. The coalition uses its influence and leverage to engage with more than 50

companies from various sectors, including listed garment and footwear brands, food producing companies, and food retail companies.

The PLWF evaluates companies based on an externally assured living wage assessment methodology that is aligned with the reporting framework of the UNGPs. This methodology is open source and can be found on the PLWF website ([www.livingwage.nl](http://www.livingwage.nl)). The platform aims to motivate companies to follow better-performing peers. It does this by guiding and assessing companies on living wages and incomes in their direct operations or supply chains and by developing a benchmark to determine which companies have been leading on the issue and which need to do more.

NN Group participates in the PLWF's Food & Agri Working Group. In the food & agricultural sector, the issues of child labour, lack of education, and deforestation arise due to a lack of a living wage. Products like coffee and cocoa, where PLWF focuses its activities for these sectors, are commodities where prices are often set at a market rate and driven by global developments rather than the local situation. Buyers often have only limited influence over how the price is set and how much the farmers receive, making it difficult to ensure even minimum wages. The ability to trace exactly where the products originate and establish long-term relationships with producers is also a challenge.

Implementing a living wage helps to raise the standard of living for workers and their families. A living wage enables them to meet their basic needs. Moreover, a living wage can act as a catalyst for improvement in other areas of the labour market. For instance, there is less likelihood of child labour when parents earn enough to support their families.

The PLWF's objective is to encourage companies to adopt good practices and promote social and economic resilience in their supply chains. By raising awareness of the issue and putting it on their corporate agenda, investee companies can work towards enabling living wages and incomes in their global supply chains. Individual companies cannot solve a systemic issue such as living wage and income on their own, which is why the PLWF takes a sector-wide approach. The engagement includes more than 30 listed garment and footwear brands and over 20 food producing and food retail companies. NN Group is participating in the engagements with food companies and is the lead engager on Nestlé. Refer to the case study on this engagement.

## A food company's efforts to address living wage

Nestlé is a Swiss multinational food and beverage company. NN Group led the assessment and engagement with Nestlé in 2023. We commend the company for its substantial efforts to measure and close living wage/income gaps across cocoa and coffee commodities, and encourage disclosure of operationalisation details and quantitative data across geographies.

Nestlé conducted a human rights salience assessment in 2022 and developed ten individual Action Plans for each of the salient issues identified, including dedicated Action Plans on Living Wage and Living Income. While this is a unique approach, first reporting on the individual action plans is expected in 2025. And while the individual action plans outline implementation suggestions and KPIs, details around quantitative data to be leveraged in operationalising these KPIs is not yet specified.

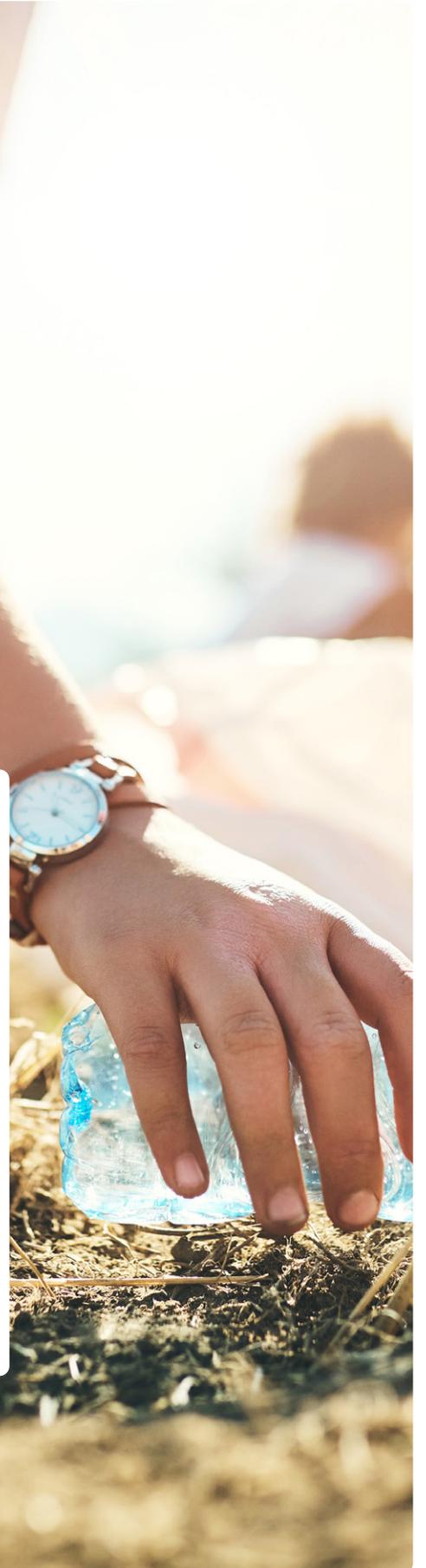
A few key areas that NN Group will continue to monitor over the coming year(s) are Nestlé's implementation of its Living Wage and Living Income Action Plans, additional quantitative data on wage/income gaps per commodity and geography, and enhancements to purchasing practices to complement existing best practice programmes aimed at improving raw material quality and compensate for good farming practices. Examples of such programmes include the Nestlé Cocoa Plan, Nestlé Income Accelerator, and commodity specific plans such as the Nespresso AAA Sustainable Quality Program.

For additional information on Nestlé's performance, the other companies assessed by the PLWF investors in 2023, and trends in the agricultural, food/retail, and garment industries, please see the [PLWF 2023 Annual Report](#).

# Policy advocacy

## 4

As a financial services company, we have a responsibility to advocate for policies that align with our values and promote long-term sustainable growth. We engage with policymakers through public consultations, policy proposals, and meetings to drive positive change in regulatory frameworks that benefit both our investments and society. In this chapter, we share examples of our 2023 initiatives to impact standard setters, policymakers, and other stakeholders.



## Investor Statement on Tobacco

Together with 56 other investors with combined over USD 2.9 trillion Assets under Management, we co-signed the Investor Statement on Tobacco 2023. The statement was submitted to governments during the 2023 United Nations General Assembly. It represents a unified investor call on governments to accelerate implementation of the World Health Organization Framework Convention on Tobacco Control (WHO FCTC). As a financial institution, NN Group promotes the advantages of tobacco control, including health, environmental and economic benefits. We are a signatory of the Tobacco Free portfolios pledge since 2018 and exclude tobacco producers from our investments.



## Dutch Climate agreement

The Dutch Association of Insurers acknowledges the significance of climate change in the insurance industry and seeks to strengthen its social role and explore insurance solutions, particularly in the area of insurability. It has played an important role in the IMVO, a multi-stakeholder initiative that identifies and mitigates potential negative ESG impacts from investments. It is a party to the commitment of the financial sector to the Dutch Climate agreement (Klimaataakkoord).

NN actively participates in the Dutch Insurance Association and is a signatory to the IMVO and the financial sector agreement to the Dutch Climate agreement.



## World Economic Forum COP28 Open Letter

As a member of the World Economic Forum (WEF) Alliance of CEO Climate Leaders, NN has joined in supporting an open letter to world leaders at COP28. In this letter, published in October 2023, we are calling for policy actions that will help us accelerate and scale our efforts to decarbonise. Specifically, we urge policymakers to invest in renewable energy and power networks, adopt low-emission public procurement practices, boost carbon removal efforts, and simplify climate disclosure and measuring standards. These actions will help us to significantly reduce carbon emissions and mitigate the effects of climate change.



## European Commission's Climate Resilience Dialogue

NN Group joined the European Commission's Climate Resilience Dialogue in 2023 as a member of the Pan European Insurance Forum (PEIF). The Climate Resilience Dialogue is a group that works to reduce the Climate Protection Gap and increase investment in good adaptation solutions to protect against the impacts of climate change. Part of the EU green deal strategy on adaptation to climate change and the strategy for financing the transition to a sustainable economy.



### More information:

Overview of NN Group's memberships and endorsements

For information on how we conduct our engagements, please refer to the NN Group Stakeholder Engagement policy.



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## Disclaimer

This NN Group Active Ownership Report provides an overview of our policies and activities related to active ownership of proprietary assets. We aim to showcase our commitment as an asset owner and report on the steps we have taken since the sale of our asset manager. We will discuss our policies, outcomes from our engagement programme, and how we have leveraged our voting rights of our proprietary equity investments to further our ambitions as a responsible investor.

Certain of the statements contained in this Active Ownership Report are not historical facts, including, without limitation, certain statements made of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation: (1) changes in general economic conditions, in particular economic conditions in NN Group's core markets, (2) the effects of the Covid-19 pandemic and related response measures, including lockdowns and travel restrictions, on economic conditions in countries in which NN Group operates, on NN Group's business and operations and on NN Group's employees, customers and counterparties (3) changes in performance of financial markets, including developing markets, (4) consequences of a potential (partial) break-up of the euro or European Union countries leaving the European Union, (5) changes in the availability of, and costs associated with, sources of liquidity as well as conditions in the credit markets generally, (6) the frequency and severity of insured loss events, (7) changes affecting mortality and morbidity levels and trends, (8) changes affecting persistency levels, (9) changes affecting interest rate levels, (10) changes affecting currency exchange rates, (11) changes in investor, customer and policyholder behaviour, (12) changes in general competitive factors, (13) changes in laws and regulations and the interpretation and application thereof, (14) changes in the policies and actions of governments and/or regulatory authorities, (15) conclusions with regard to accounting assumptions and methodologies, (16) changes in ownership that could affect the future availability to NN Group of net operating loss, net capital and built-in loss carry forwards, (17) changes in credit and financial strength ratings, (18) NN Group's ability to achieve projected operational synergies, (19) catastrophes and terrorist-related events, (20) operational and IT risks, such as system disruptions or failures, breaches of security, cyber-attacks, human error, changes in operational practices or inadequate controls including in respect of third parties with which we do business, (21) risks and challenges related to cybercrime including the effects of cyberattacks and changes in legislation and regulation related to cybersecurity and data privacy, (22) business, operational, regulatory, reputation and other risks and challenges in connection with ESG related matters and/or driven by ESG factors including climate change, (23) the inability to retain key personnel, (24) adverse developments in legal and other proceedings and (25) the other risks and uncertainties contained in recent public disclosures made by NN Group.

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