

Statement on Coal

- Together with its asset manager, NN Investment Partners (NN IP), NN Group has made the decision to place investment restrictions on companies involved in thermal coal mining
- Furthermore, NN IP will develop a forceful and time-bound strategy to engage with power generation companies that have to make steps to move to lower carbon alternatives
- To put even more emphasis on these efforts, NN Group, on behalf of its proprietary investment portfolio, will reduce its investments in coal mining and coal power to 'close to zero' by 2030
- To create consistency across its business, NN will align its policy for insurance underwriting with the investment side

These decisions fit with NN's values, responsible investment policies, as well as our support of the ambitions of the Paris Agreement. We believe that taking these steps will strengthen our efforts to contribute to the transition to a low-carbon economy.

Rationale

Thermal coal, the type of coal used for power and heat generation, has the highest CO₂ emissions in relation to energy content. While the global demand for reliable and affordable energy is expected to rise, there is widespread scientific consensus that a stringent phase-out of thermal coal is required if global warming is to be kept well below two degrees above pre-industrial levels in line with the Paris Agreement.

Exclusion policy for thermal coal mining

NN will apply investment restrictions on companies with business models that are dependent on the extraction of thermal coal. This is defined as companies that derive more than 30% of their revenues from thermal coal mining. Such companies will be placed on our publicly available Exclusion List. This means that we will divest the equity and fixed income holdings that are held within mutual funds managed by NN IP. With regard to NN IP's client assets that are managed in a discretionary way, we will encourage our clients to follow our decision. The restrictions also apply to NN's proprietary assets, which are currently not exposed to these companies.

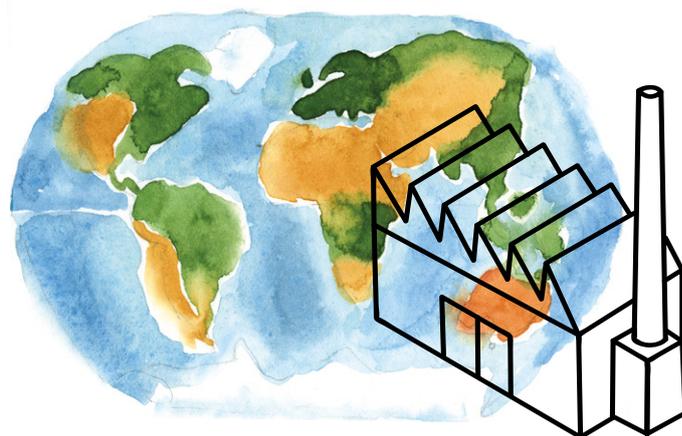
Engaging power generation companies on transition

NN IP will intensify dialogue with power generation companies. A focus list is being developed, and clear engagement goals will be set. An important aspect will be to achieve clarity from companies around their mid-to-long-term transition plans that reduce their dependence on thermal coal in favour of lower-carbon forms of energy. Where engagement is not expected to achieve the desired results, divestment is considered.

Important legal information

This document is for internal guidance purposes only and is not intended to be relied upon by any third party. The Statement may be subject to change at any time.

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Sustainable fund range criteria

Stricter exclusionary criteria regarding coal involvement will apply to NN IP's sustainable and impact offering to ensure they continue to meet external quality standards for sustainable and socially responsible financial products.

Coal phase-out strategy for NN's proprietary investments

For our proprietary investment portfolio, NN Group will implement a strategy to reduce our investments in thermal coal mining and coal power to close to zero (defined as between 0 and 5%) by 2030. By putting an end-date on when coal must be removed from our investment portfolio, NN hopes to accelerate the dialogue with companies.

The existing investments with exposure to coal are nearly all in corporate bonds. The phase-out will be realised by a run-off of existing corporate bond investments by opting not to reinvest when they mature unless the company's involvement in thermal coal is: (i) below a certain percentage threshold, and (ii) they have committed to a strategy/plan to reduce coal in line with our ambition.

This threshold for (re)investment starts today at 30%, and relates to the percentage of revenues from thermal coal mining, or to the percentage of coal-fired power generation capacity. As a next step, this threshold will be reduced to 25% in 2022. After that, thresholds will be reduced more quickly to reach our target of 5% or lower share of coal in 2030. At each consequential threshold date, the reduction path is being re-evaluated. Instead of implementing our policy through further declining thresholds, we may also decide to create an 'eligible investment list'.

Existing exposures with maturities beyond 2030 will be monitored closely, and companies that are not likely to reach our target will be placed on a watchlist for potential replacement. By 2030, we will have matured and/or sold all investments in mining and power generation companies with more than 5% exposure to coal-related activities.

Insurance underwriting policy aligned

From 1 July of this year, NN Group will stop providing insurance services to companies that derive more than 30% of their revenues from thermal coal mining or that use at least 30% thermal coal for power generation. Any existing contracts will not be renewed.

Furthermore, NN will develop formal guidelines to ensure that by 2030, it only provides new insurance covers to clients that have 5% or lower exposure to coal-related activities.

Exempt from this policy is our marine cargo business where this includes package and company insurance. Stand-alone coverage of thermal coal transport is not part of NN's existing product offering, and will not be considered in the future.

This decision will not apply to provision of products or services if they are intended for the benefit of employees (e.g. pension products, workers compensation).

Evaluation

This Statement on Coal was approved by the Management Board in May. To ensure its effectiveness and that it continues to reflect climate and technological developments, this Statement will be evaluated in 2022 and 2025.