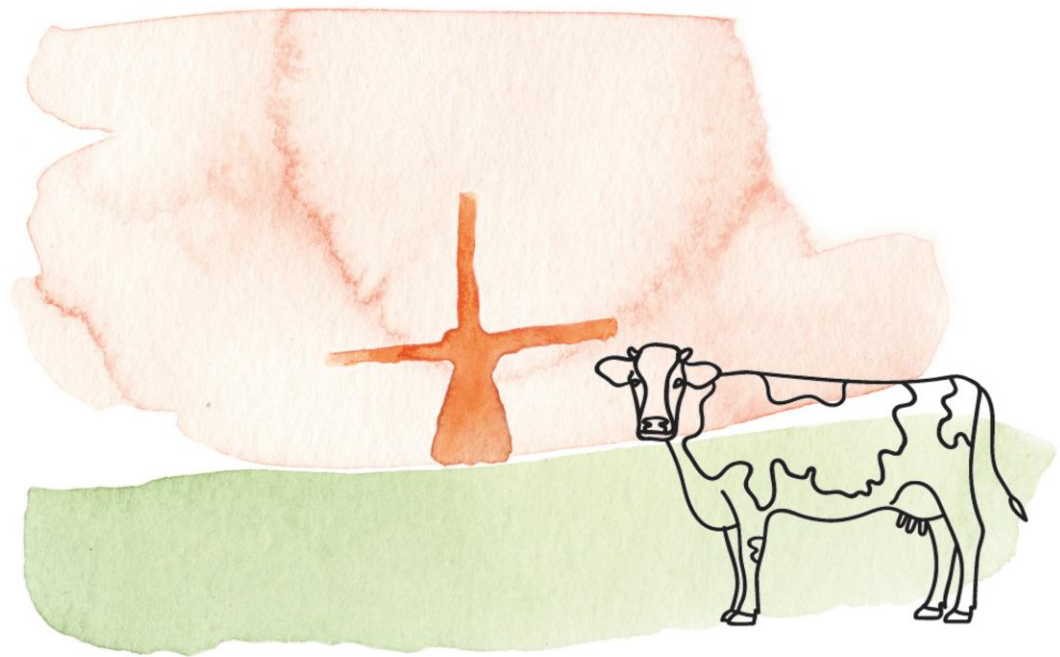


Investment Guidance paper on Animal Welfare

Supporting document to the Responsible Investment Framework Policy

April 2026



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Important legal information

Nothing in this document expressed or implied, is intended to or shall create or grant any right of any cause of action to, by or for any person (other than NN Group N.V.)

1. Introduction

At NN Group, we aim to conduct our business in a sustainable manner, which includes responsible animal welfare practices. In this guidance paper we focus on our investment approach with regards to animal welfare. The guidance provides background information on animal welfare and explains the due diligence processes that we apply. It also describes what relevant standards and principles currently exist to promote best practices, and to avoid negative impact of companies in which we invest.

Background Guidance Papers

NN Group adopted its Responsible Investment Policy Framework in 2014. We define Responsible Investment (RI) as the systematic integration of environmental, social, and governance (ESG) factors into investment decision-making and active ownership practices. Our Responsible Investment Framework policy reflects our commitment to various international and sector-specific standards and initiatives. A key part of our approach to responsible investing is that, where possible and feasible, we aim to mitigate the negative impacts of our investments on sustainability matters. These negative impacts are also called adverse impacts, the most significant of which are referred to as principal adverse impacts (PAIs). These PAIs can occur in different areas, and be related, for example, to environmental, social and employee matters, human rights, corruption, and bribery.

NN is developing guidance papers that are intended to be a basis for discussion between NN Group and our stakeholders. They are living documents that will regularly be reviewed by NN Group to ensure that they reflect evolving risks and best practices, and used to embed our ongoing education on these topics. The guidance papers also help our external asset managers in evaluating investments from a topic-specific perspective. By publishing these papers externally, we aim to express our position and use it to leverage change in the sphere of our investment activities.

Any references to risks in this document should not be interpreted as describing NN Group's key risks. For a description of NN Group's risk management and control system and key risks, reference is made to the section 'Managing our risks' in the NN Group N.V. Annual Report 2025 (pages 45–55).

NN Group and animal welfare

The basis of our approach to labour rights is embedded in the NN statement of Living our Values, which provides the foundation on which we do business. We avoid or responsibly manage any negative impact our business activities may have on people or the environment and seek positive change in society.

When investing in companies, it is possible for us to become linked to challenging animal welfare related situations. Implementing a due diligence process that incorporates ESG considerations into investment analysis and active ownership practices supports informed investment decision-making. It enables us to assess investee companies' sustainability risks and impacts, including those related to animal welfare considerations.

This paper begins with an introduction to the international frameworks and principles that are the foundation of animal welfare. This is followed by our stance related to the subject and investment guidance.

2. View on animal welfare

Animal welfare refers to the quality of life as experienced by the animal itself. Animals have the right to live in decent conditions and should not suffer. Animals and animal products are often used, not only in food production and consumption, but also in pharmaceutical and textile products. The welfare of an animal is often affected, for instance by battery farming or animal testing.

NN Group believes it is important to establish guidelines to protect and promote animal welfare in the various production sectors and value chains. We believe there can be material financial implications for companies that do not respect animal welfare, for example in the case of shed fires or diseases (such as bird flu). A focus on animal welfare can also play a role in managing reputational risks and in accountability towards consumers, and it can establish opportunities for better product quality and innovation, and market access. The table below gives an overview of the different issues related to animal welfare per sector.

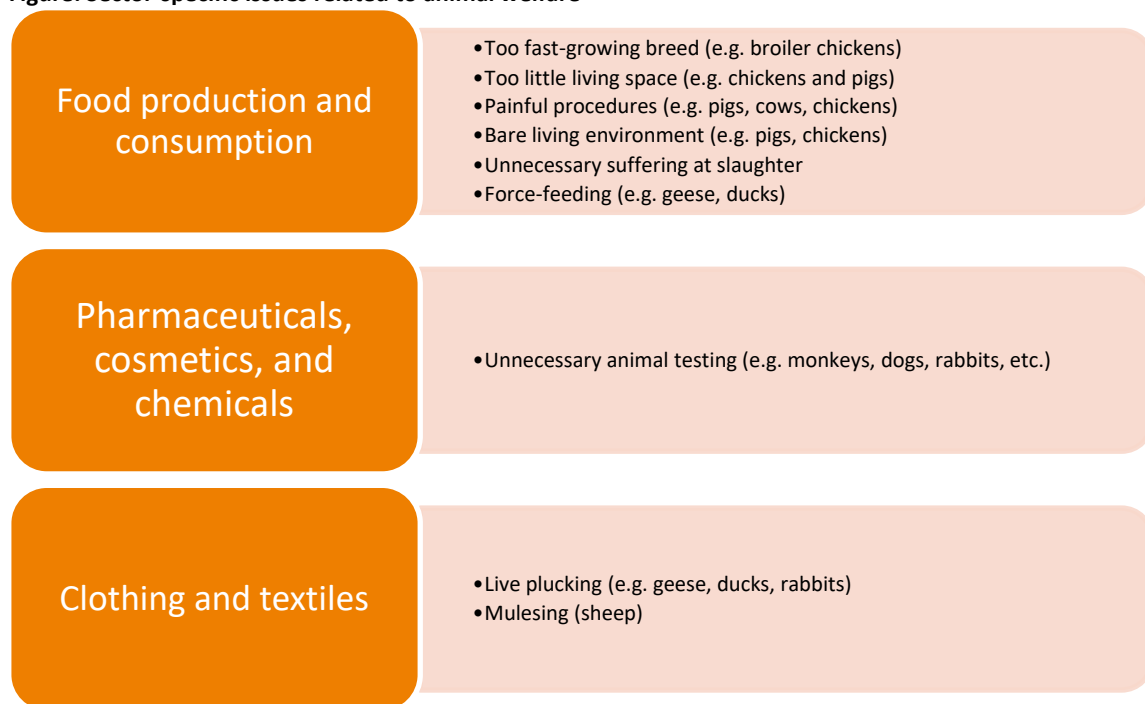
While it can be difficult to establish a standard for the humane treatment of animals and ensuring that they have the opportunity to behave naturally, there is undoubtedly increasing and broad-based public support to reduce animal suffering and improve their welfare.

NN Group expects commercial companies that use animal products, to have policies in place which define a clear commitment to responsible animal welfare practices. For instance, we expect companies to adhere to the 'Five Freedoms' and/or the 3Rs, which are a set of internationally recognised animal welfare standards (see box 'International standards animal welfare'). Companies should establish internal processes to control for each issue and have their practices periodically inspected and tested through appropriate certification schemes.

International standards animal welfare

On 8 June 2023, the OECD released an update of the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct, which for the first time calls on businesses to uphold animal welfare in their policies and practices. The updated Environment chapter calls on enterprises to respect international animal welfare standards and describes 'good welfare' as requiring, for example, that the animal is healthy, comfortable, and well nourished, provided with a stimulating and appropriate environment, ensured humane handling, and subjected only to humane slaughter or killing.

Figure: Sector-specific issues related to animal welfare



The European Union (EU) has animal welfare legislation governing various sectors of industry. The EU has adopted a series of regulations and directives that require the Member States to enact legislation on:

- farm animals in general
- calves
- pigs
- chickens
- transport
- protection of animals during slaughter

There is more information on this legislation in the Appendix.

In 2025 the European Commission continued its work on the revision of EU animal welfare laws, including preparatory work, proposals and consultations on the gradual phasing-out of cage housing, measures to address animal welfare concerns such as the killing of day-old cockerels, and ongoing work on updated rules for the transport of live animals.

Companies and organisations can pursue their own animal welfare policies, often basing them on international principles and guidelines.

International standards for animal welfare

The 'five freedoms', which were originally developed by the UK's Farm Animal Welfare Council (FAWC), provide valuable guidance on animal welfare. They outline five aspects of animal welfare under human control, which are:

1. Freedom from hunger and thirst (food and water)
2. Freedom from discomfort (shelter)
3. Freedom from pain, injury, and disease (medical care)
4. Freedom to express normal behaviour (exercise)
5. Freedom from fear and distress (avoid mental suffering)

Although the freedoms are also applicable to animals used in science, the '3Rs' (which stand for Replacement, Reduction and Refinement) provide a more specific set of guidelines for human animal research. These 3Rs are aimed at reducing animal suffering and the number of animals used as much as possible. They have become widely accepted, enshrined in legislation, and embedded in the conduct of animal-based science throughout many countries in the world.

3. Investment guidance

This investment guidance will help our external asset managers in evaluating investments from an animal welfare perspective. The guidance can be used in the investment case but also the engagement activities that are executed on our behalf. We aim to express our position and use it to leverage change in the sphere of our investment activities.

When assessing animal welfare in our investments, the following sectors are in scope:

- **companies in the food production and consumption value chain** (meat, fish, dairy, eggs), including livestock husbandry and fisheries, slaughterhouses and processing plants, food manufacturers, retailers, caterers, fast food and other restaurants and suppliers
- **companies in the pharmaceutical, cosmetics and chemicals industries** (animal testing)
- **companies in the clothing, textiles, and home furnishings value chain** (leather, wool, down, feathers, fur and silk).

Responsible Business Conduct (RBC) stipulates that when animal welfare is a factor in our investment portfolio, we should develop adequate policy measures to manage the related sustainability risks. We have looked into several international guidelines and standards (such as EU legislation, OIE standards (the World Organisation for Animal Health (WOAH)), the IFC Good Practice Note, and the Responsible Minimum Standards, and developed the following sector guidance for our investment teams. The guidance can be considered as a helpful tool in the selection process and engagement with companies.

Animal welfare in the food production and consumption value chain

Animal welfare in the food production and consumption value chain is a growing concern, as the production of food often relies heavily on the use of animals. To ensure the ethical treatment of animals, companies must prioritise animal welfare and adhere to certain guidelines and practices. By prioritising animal welfare and adhering to these guidelines, companies can reduce the negative impact of their operations on animals and the environment, ultimately leading to reduced financial and reputational risks and increased attractiveness for investors.

One important aspect of animal welfare is housing, which refers to the living conditions of animals in the food production chain. To ensure the ethical treatment of animals, companies should comply with certain housing requirements. These include:

- Elimination of cage systems for laying hens by 2025.
- Transition to a maximum stocking density of 30 kg/square metre for broiler chickens within a reasonable period of time.
- Elimination of gestation crate systems for pregnant sows by 2028.
- Access to pasture for cows by 2030 at the latest.

NN and the Business Benchmark on Farm Animal Welfare

As part of our efforts to promote better animal welfare practices and performance, we have utilised the Business Benchmark on Farm Animal Welfare (BBFAW). The BBFAW is a global measure of farm animal welfare management, policy commitment, performance, and disclosure in food companies. It enables investors, companies, NGOs, and other stakeholders to understand corporate practice and performance on farm animal welfare. The annual benchmark assesses how 150 global food companies manage farm animal welfare in their operations and in their supply chains.

We utilised the BBFAW tool to screen our proprietary portfolio and identified a limited number of companies that received the lowest score. As a result, we intend to send a letter to companies in tiers 5 and 6, explaining our policy and expectations while referencing the BBFAW benchmark. Our goal is to encourage these food companies to use the BBFAW as a practical tool to help them manage their farm animal welfare issues and as a framework to guide their reporting on farm animal welfare. We will perform an annual monitoring of our portfolio to understand progress.

We have also signed the Global Investor Statement on Farm Animal Welfare to support better farm animal welfare practices and performance, and joined the investor collaboration. BBFAW maintains the Global Investor Statement on Farm Animal Welfare and convenes the Global Investor Collaboration on Farm Animal Welfare, a collaborative engagement between major institutional investors and food companies on the issue of farm animal welfare.



In addition to housing, companies must also address other aspects of animal welfare in the food production chain. This involves taking steps to reduce the suffering of animals during their lifetime. For example, companies should phase out painful interventions such as castration and tail docking of pigs or dehorning of cows within a reasonable period. These practices are often performed without anaesthesia or pain relief and can cause significant pain and distress to the animals.

Companies must also ensure that livestock transport does not exceed eight hours. Transport can be a stressful and uncomfortable experience for animals, and long journeys can lead to dehydration, injury, and even death. To minimise these transportation risks, companies must ensure that animals are transported in suitable conditions and with adequate space, food, and water.

Furthermore, companies in the farming industry should prioritise humane slaughter methods for animals and phase out controversial methods that may cause unnecessary pain and distress.

Animal welfare regulations in food production around the world

While the guidelines mentioned above are largely based on standards set by the World Organisation for Animal Health (OIE) and regulations from the European (refer also to the Annex for references), animal welfare laws and regulations have also been established in other regions of the world to ensure the ethical treatment of animals in the food production and consumption value chain. The Terrestrial Animal Health Code will be updated in 2025 and 2026, with draft revisions opened for consultation.

For example, in the United States, the Humane Slaughter Act mandates that animals be stunned and rendered unconscious before they are slaughtered. Additionally, several U.S. states have passed laws regulating the use of gestation crates for pregnant sows and battery cages for laying hens. In Canada, the Code of Practice for the Care and Handling of Farm Animals sets out national standards for animal care and welfare on farms.

Animal welfare regulations in food production in Asia vary widely across countries and regions. Some countries have comprehensive regulations in place, while others have none, and it may depend on cultural and economic development. In Japan for instance, they have the Act on Welfare and Management of Animals in place, which regulates the treatment of animals, including those used for food production. It outlines the basic requirements for animal welfare, such as providing adequate food, water, and space, and prohibiting cruel treatment. In China, the Animal Epidemic Prevention Law regulates animal welfare in food production, including the treatment of animals during transportation, slaughter, and processing. However, enforcement of these regulations can be inconsistent.

NN Group and indicators on animal welfare

In developing this guidance paper on animal welfare, we have been looking into different indicators on animal welfare offered by ESG research providers for investment monitoring purposes. Sustainalytics provides a range of indicators such as product involvement, animal testing, whale meat, fur, and specialty leather. They also provide ESG risk rating indicators such as an animal testing policy, animal testing programme, animal welfare policy, and animal welfare programme, as well as controversy indicators such as animal welfare events and animal welfare events in the supply chain.

In November 2023, we organised a roundtable with portfolio managers and analysts of our external asset manager to discuss the guidance paper. While the consensus was that the information behind animal welfare indicators from ESG data providers is relatively limited, we also discussed the updated OECD Guidelines for MNEs, which explicitly include the animal welfare topic. We believe that this will drive ESG data providers to improve their research and data on this topic.

At NN Group, we are committed to staying up to date on these indicators and using them to promote better animal welfare practices and performance. We have already utilised the Business Benchmark on Farm Animal Welfare (BBFAW) as an investor tool to screen our proprietary portfolio, as discussed in a previous case study. By combining different indicators and tools, we can gain a better understanding of corporate practices and performance on animal welfare.

The OIE Terrestrial Animal Health Code recommends the use of humane methods of killing and stunning animals, while the EU has banned certain inhumane methods of slaughter. NN expects companies to comply with relevant regulations and promote best practices to ensure that animal suffering is minimised.

To further demonstrate their commitment to animal welfare, companies should avoid producing or selling foie gras and shark fins. These two products are often associated with animal welfare concerns and are considered controversial. Foie gras is made from the liver of ducks or geese that have been force-fed, and shark fins are obtained through the cruel practice of shark finning. In general, to demonstrate compliance with their policies and commitments, companies should be transparent and publish annual third-party audited disclosures.

The protein transition is gaining traction with countries and companies developing related policies and targets. The transition from animal-based to plant-based protein consumption is a multidimensional shift aimed at increasing sustainability, improving public health, and addressing urgent ethical concerns regarding animal welfare in industrial farming. Companies are expected to take this trend into account, where relevant and/or applicable to their business models.

Animal welfare and animal testing

To promote animal welfare and minimise animal suffering, it is crucial for companies to adopt ethical practices and comply with relevant standards and regulations when conducting animal testing. This applies to industries such as pharmaceuticals, cosmetics, and chemicals. To ensure ethical treatment, companies must implement the 3Rs - reduction, refinement, and replacement - by minimising the number of animals used in testing, refining testing methods, and using non-animal alternatives whenever possible.

It is worth noting that many countries around the world have laws and regulations related to animal testing, although the specifics can vary widely. In the United States, for example, animal testing is regulated by the Animal Welfare Act, which sets standards for the care and treatment of animals in research. Other countries may have their own laws or guidelines for animal testing and some countries may have no specific regulations.

The European Union has strict regulations for the use of animals in scientific research and testing. The EU directive contains rules for the care, use, and protection of animals used for scientific purposes, and requires that animal testing be replaced with alternative methods whenever possible, and that animals be used only when no other alternative is available. Additionally, the directive requires researchers to obtain approval from an ethics committee before conducting any animal experiments.

To promote animal welfare and minimize animal suffering, companies should consider avoiding animal testing for cosmetics and other non-medical purposes and avoid animal testing on great apes. It is essential to conduct all animal experiments in compliance with EU legislation and ensure that they are conducted in an ethical and humane manner.

Animal welfare in the clothing, textiles, and home furnishings value chain

Animal welfare in the clothing, textiles, and home furnishings value chain is an important consideration for companies that rely heavily on the use of animals to produce materials such as leather, wool, down/feathers, fur, and silk. The treatment of these animals can raise concerns about animal welfare, particularly when production methods are not regulated or monitored. This is why it is crucial for companies in this industry to balance the need for these materials with ethical considerations.

There has been a significant change in the past few years in the fashion industry. Previously, high-end fashion brands used fur as a symbol of luxury, but now many of them have become fur-free. As a result, the trend of wearing animal skin has also lost its fashion appeal. We support this and expect companies to avoid using fur, angora, or the skin of exotic species like snakes, crocodiles, and protected animals. They should also refrain from using down obtained from live plucking and/or force-fed geese

and ducks, which are cruel practices that cause unnecessary pain and suffering. Similarly, companies should avoid wool from sheep subjected to mulesing, a procedure considered inhumane that causes distress and pain to the animals. Independent certification is necessary to ensure compliance with these practices.

Furthermore, it is recommended that companies be registered with tracking and assurance systems that provide independent certification guaranteeing that animal textiles and materials have been produced in accordance with the highest possible standards of animal care. By adhering to these guidelines, companies can ensure that they are not contributing to animal cruelty in fashion and home (interior design/furnishings) industries.

All companies

Companies across sectors have a responsibility to prioritise animal welfare in their operations, where relevant. To do this, they can:

- Integrate animal welfare criteria into their procurement and operational policies.
- Include animal welfare in their contracts with subcontractors and suppliers.
- Report on animal welfare ambitions, targets and progress in implementing related policies.

Questions for investors to ask companies

Below are some guidance questions for investors to ask companies about their animal welfare policies:

- Does the company have a formal animal welfare policy? If so, is the policy publicly disclosed?
- Does the company have any animal welfare-related certifications or standards in place?
- How does the company ensure that its suppliers and subcontractors adhere to animal welfare standards?
- How does the company monitor and assess animal welfare practices in its supply chain?
- Does the company have any animal welfare-related training or education programmes for employees?
- How does the company address any animal welfare-related incidents or issues that may arise in its operations or supply chain?
- Does the company engage with stakeholders, including animal welfare organisations, on animal welfare-related issues?

4. Concluding remarks

NN's Responsible Investment Framework Policy highlights the measures we will take to systematically integrate sustainability matters into the investment decision making and active ownership practices. We have developed norms-based RI criteria, including environment, that are a reflection of relevant laws, the organisation's values, and internationally recognised standards such as the UNGC, the UNGPs and the OECD Guidelines. If there are strong indications that an issuer may not meet NN's norms-based RI criteria, we will further assess the case. If this assessment concludes that the criteria are not met, NN will assess whether engagement or restriction is the appropriate course of action.

We encourage our asset managers to use this paper as guidance to determine risks and opportunities and to engage in a dialogue with companies to address animal welfare related risks, that could in our view affect the value of investments. Where needed, we will support these processes with additional tools or guidance materials. These may include more detailed theme or sector policies for areas identified as being high risk. This paper aims to help our asset managers to evaluate investments from an animal welfare perspective. By also publishing this paper externally, we aim to express our position and use it to leverage change in the sphere of our investment activities.

Annex: Standards and guidelines

List of international standards, principles, guidance, and other sources consulted

International standards and principles

Companies in the food production and consumption value chain

EU legislation

The European Union has adopted a series of regulations and directives that require the Member States to enact legislation concerning:

- farm animals in general¹
- calves ²
- pigs³
- chickens⁴⁵
- transport⁶
- protection of animals during slaughter⁷

OECD Guidelines

The general OECD Guidelines have been elaborated for the agricultural sector in the sector specific OECD Guidance for Responsible Agricultural Supply Chains. With regard to animal welfare, the Guidance refers to the Five Freedoms, EU legislation and the standards developed by the World Organisation for Animal Health (OIE). The latter are aimed at transport, slaughter, husbandry of certain animal species and using animals in research and education. In addition to international standards and EU legislation, the Guidance also refers to standards and certification by companies, authorities, and NGOs.

On 8 June 2023, the OECD released an update of its OECD Guidelines for Multinational Enterprises on Responsible Business Conduct, which for the first time calls on businesses to uphold animal welfare in their policies and practices. Unlike the 2011 Guidelines, which did not discuss animal welfare, the updated Environment chapter calls on enterprises to respect international animal welfare standards and describes 'good welfare' as requiring, among other things, that the animal is healthy, comfortable, and well nourished, provided with a stimulating and appropriate environment, ensured humane handling, and subjected only to humane slaughter or killing:

'Enterprises should respect animal welfare standards that are aligned with the World Organisation for Animal Health (WOAH) Terrestrial Code. An animal experiences good welfare if it is healthy, comfortable, well nourished, safe, is not suffering from unpleasant states such as pain, fear, and distress, and is able to express behaviours that are important for its physical and mental state. Good animal welfare requires disease prevention and appropriate veterinary care, shelter, management and nutrition, a stimulating and safe environment, humane handling, and humane slaughter or killing. In addition, enterprises should adhere to guidance for the transport of live animals developed by relevant international organisations.'

Standards of practice

Because companies and others need transparency and clarity about animal welfare requirements in the food sector, the absence of adequate rules in many countries has led various parties to develop standards of practice. These are standards that define specific requirements, often for individual species, for example the number of animals to be kept per square metre or the availability of distractions.⁸ In 2019, an alliance of animal welfare organisations developed an international standard of practice for animal welfare in the food industry, referred to as Responsible Minimum Standards (RMS).⁹ The RMS combine the main international guidelines and standards (such as those by the EU referred to above and the IFC Good Practice Note) and transpose them into standards of practice for specific animal groups in the food industry.

¹ EUR-Lex - 31998L0058 - EN - EUR-Lex (europa.eu)

² EUR-Lex - 32008L0119 - EN - EUR-Lex (europa.eu)

³ EUR-Lex - 32008L0120 - EN - EUR-Lex (europa.eu)

⁴ EUR-Lex - 32007L0043 - EN - EUR-Lex (europa.eu)

⁶ EUR-Lex - 32005R0001 - EN - EUR-Lex (europa.eu)

⁷ EUR-Lex - 02009R1099-20180518 - EN - EUR-Lex (europa.eu)

⁸ Standards - WOA - World Organisation for Animal Health

⁹ PRINCIPLES-OF-RMS-COPYRIGHT-FARMS-INITIATIVE.pdf

Companies in the pharmaceutical, cosmetics and chemicals industries

EU legislation

The EU has a Directive on the protection of animals used for scientific purposes.¹⁰ Among other things, it prohibits cosmetics testing on animals in the EU. In the case of drug development, animal experiments are only permitted if they have been shown to be necessary or are legally necessary and there are no known equivalent research methods than can prevent the need to use laboratory animals.

Companies in the clothing, textiles, and home furnishings value chain

EU legislation

In the EU, most animals whose products are used in textiles and clothing are covered by Directive 98/58/EC concerning the protection of animals kept for farming purposes,¹¹ which lays down minimum requirements for keeping and handling animals. There are further EU regulations and directives concerning such matters as seal skin and dog and cat fur.¹²¹³

¹⁰ EUR-Lex - 32010L0063 - EN - EUR-Lex (europa.eu)

¹¹ EUR-Lex - 31998L0058 - EN - EUR-Lex (europa.eu)

¹² EUR-Lex - 32009R1007 - EN - EUR-Lex (europa.eu)

¹³ EUR-Lex - 32007R1523 - EN - EUR-Lex (europa.eu)

